



AB Linas Agro Group  
Offering and Listing  
PROSPECTUS

Offer Period 25 January 2010 – 5 February 2010  
Price Range 2.05 LTL - 2.53 LTL

Lead Manager, Underwriter and Bookrunner





linas (o) agro

**OFFER OF 55,629,140 ORDINARY REGISTERED SHARES IN  
AB LINAS AGRO GROUP  
(of which 8,344,371 units are subject to the Over-Allotment Option)  
Offer Price Range LTL 2.05 – LTL 2.53  
Offer Period 25 January 2010 – 5 February 2010**

The major shareholder of AB Linas Agro Group, a public limited liability company organised and existing under the laws of the Republic of Lithuania, is offering for sale 55,629,140 ordinary registered shares, of which 8,344,371 units are subject to the Over-Allotment Option. The Selling Shareholder is Akola ApS, a limited liability company incorporated and existing in Denmark. The Offer Shares are publicly offered for sale to the Retail Investors in Lithuania and Estonia and are also offered privately to the Institutional Investors inside and outside these countries except for the jurisdictions, where such offer or sale is not permitted. The Offering is conducted on *all or nothing* basis, i.e. the Offer Shares will be sold only on condition that all of the Offer Shares (save for the Additional Shares which are subject to the Over-Allotment Option) are allocated.

The provisions of the Placement Agreement to be signed among the Company, the Selling Shareholder and the Lead Manager will provide the Lead Manager with the Over-Allotment Option to purchase up to 8,344,371 Additional Shares at the Offer Price solely to cover over-allotments, if any. This option will be exercisable starting with the date of public disclosure of the final price for the Offer Shares and end within 30 calendar days after the date of the allotment. The Additional Shares will be deemed to part of the Offer Shares.

On the date of this Prospectus the registered share capital of the Company equals to LTL 120 million and is divided into 120 million ordinary registered Shares with the par value of LTL 1 each. On 20 November 2009 the Extraordinary Meeting of Shareholders of the Company decided to increase the share capital of the Company up to LTL 158,940,398 by issuing 38,940,398 New Shares at the minimum subscription price per each New Share being equal to the bottom line of the Offer Price Range, to withdraw the pre-emption right of all shareholders to acquire the New Shares and to grant the right to subscribe the entire issue of New Shares to the Selling Shareholder. The exact subscription price for the New Shares will be set by the Management Board and will be equal to the Offer Price for the New Shares. The New Shares will be subscribed for and paid up by the Selling Shareholder from the sales proceeds of the Offer Shares provided that the sale of the Offer Shares will be implemented under the terms and conditions of this Prospectus.

The Offer Price will be in the Offer Price Range. The Offer Price in the Institutional Offering and in the Retail Offering will be the same. The Offer Price will be announced along with the allocation results.

The purpose of the Offering is to attract additional capital and to ensure successful implementation of development strategies of the Group. The Offering provides the prerequisites for listing of the Company's Shares. The Company has applied for conditional listing of all its Shares on the Main List of NASDAQ OMX Vilnius. It is expected that the trading of the Shares in NASDAQ OMX Vilnius will start no later than 17 February 2010.

The information in this Prospectus is not complete and may be subject to change. In the case of such a change, a supplement to this Prospectus will be prepared, which will be subject to approval by the competent authority. The supplement will be published in the same manner as the original Prospectus. Investors who have submitted their purchase undertakings before the announcement date will be given the opportunity to cancel such undertakings within five working days after the announcement.

The Prospectus does not constitute an offer to buy the securities referred to herein in any jurisdiction where such offer or sale is not permitted. Nor are the contents of this document to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Prior to making any decision as to whether to purchase the Shares or not, prospective investors should read this document first. When making a decision to invest, prospective investors should rely upon their own examination of the Company and the terms of this document, including the risks involved.

Investors should rely only on the information provided in this document. No person has been authorised to give any information or make representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Lead Manager. Neither the delivery of this document nor any purchase made under this document shall under any circumstances be deemed to imply that there have been no changes occurring in the affairs of the Company since, or that the information contained herein is correct at any time after the date of this document.

Lead Manager, Underwriter and Book-Runner  
Swedbank, AB  
Dated 7 January 2009



## TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>4</b>
Liability in Connection with the Offering .....	4
Presentation of Information .....	5
Financial and Operational Information .....	8
Forward-Looking Statements .....	8
Use of this Prospectus .....	8
<b>SUMMARY .....</b>	<b>9</b>
Operations of the Group .....	9
History and Development .....	10
Group Structure .....	10
Management and Employees .....	11
Risk Factors .....	12
Shares and Shareholders .....	12
Offering .....	13
Key Dates .....	15
Summary Financial Information .....	16
<b>RISK FACTORS .....</b>	<b>17</b>
<b>THE COMPANY .....</b>	<b>25</b>
Statutory Auditors .....	25
Selected Financial Information .....	25
Information on the Company .....	28
History and Development .....	28
Investments .....	30
Business Overview .....	33
Principal Markets .....	33
Principal Activities .....	46
Commercial and Support Activities .....	55
Organisational Structure .....	60
Structure of Akola ApS Group .....	60
Structure of the Group .....	61
Property, Plant, Equipment, Investment Property and Livestock .....	64
Operating and Financial Review .....	66
Developments Having Effect on Results of Operations .....	66
Factors with Constant Effect on Results of Operations .....	67
Developments of Different Financial Items .....	68
Capital Resources .....	74
Research and Development, Patents and Licences .....	77
Trend Information .....	78
Profit Forecasts and Estimates .....	78
Administrative and Management Bodies and Senior Management .....	78
Management Structure .....	78
Principal Activities Outside the Company .....	82
Declarations in Respect of Senior Management .....	83
Remuneration and Benefits .....	83
Board Practices .....	85
Employees .....	86
Major Shareholders .....	88
Related Party Transactions .....	88
Financial Information Concerning the Company's Assets and Liabilities, Financial Position and Profits and Losses .....	93
Audited Financial Statements .....	93
Dividends and Dividend Policy .....	98
Legal and Arbitration Proceedings .....	98
Latest Financial and Operational Developments .....	99
Additional Information .....	100
Share Capital .....	100
The Company's Articles of Association .....	101
Material Contracts .....	108
Documents on Display .....	112



<b>THE OFFERING .....</b>	<b>113</b>
Key Information .....	113
Working Capital, Capitalisation and Indebtedness .....	113
Interests of the Parties Related to the Offering .....	113
Purpose of the Offering and Use of Proceeds .....	113
Information Concerning the Shares .....	114
General Information.....	114
Shareholder Rights.....	116
Taxation .....	119
Terms and Conditions of the Offering.....	121
General Information.....	121
Distribution and Allocation Plan.....	125
Admission to Trading and Stabilisation.....	129
Selling Shareholders .....	129
Expenses of the Offering .....	130
Dilution .....	130
Additional Information.....	130
<b>APPENDIX 1 .....</b>	<b>131</b>



# INTRODUCTION


This Prospectus has been prepared by the Company in connection with the Offering and constitutes the basis for the prospectus deliverable in the form of a single document within the meaning of the Prospectus Regulation, the Law on Securities and the Resolution of the Lithuanian Securities Commission No 1K-21 of 15 July 2005 Concerning the Approval of the Rules on the Drawing up and Approval of the Prospectus of Securities and the Disclosure of Information. This Prospectus has been prepared in accordance with the Annex I (Minimum Disclosure Requirements for the Share Registration Document) and the Annex III (Minimum Disclosure Requirements for the Share Securities Note) of the Prospectus Regulation.

The Retail Offering is conducted in accordance with and is governed by Lithuanian law with due regard to the laws of Estonia regulating the public offering of securities in these countries. Before reading this Prospectus, please take notice of the following important introductory information.

## Liability in Connection with the Offering

**Persons Responsible.** The person responsible for the information given in this Prospectus is AB Linas Agro Group with its registered office at Smėlynės 2C, LT-35143 Panevėžys, Lithuania (*the Company*).

The Company accepts responsibility for the information contained in this Prospectus. To the best of knowledge and belief of the Company and its members of the Management Board (Darius Zubas, Tomas Tumėnas, Vytautas Šidlauskas, Arūnas Jarmolavičius, Andrius Pranckevičius, Arūnas Zubas and Dainius Pilkauskas), having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omissions likely to affect its import.


  
Darius Zubas  
Chairman of the  
Management Board

  
Tomas Tumėnas  
Member of the  
Management Board

  
Vytautas Šidlauskas  
Member of the  
Management Board

  
Arūnas Jarmolavičius  
Member of the  
Management Board

  
Andrius Pranckevičius  
Member of the  
Management Board

  
Arūnas Zubas  
Member of the  
Management Board

  
Dainius Pilkauskas  
Member of the  
Management Board

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

Furthermore, the Lead Manager (as defined below) expressly disclaims any liability that may arise from the information contained in this Prospectus or from the summary of this Prospectus or from any individual parts thereof and accepts no responsibility for the correctness, completeness or import of such information. No information contained in this Prospectus or disseminated by the Company in connection with the Offering may be construed to constitute a warranty or representation, whether express or implied, made by the Lead Manager to any third parties.

Neither the Company nor the Lead Manager will accept any responsibility for the information pertaining to the Offering, the Company or its operations, where such information is disseminated or otherwise made public by other third parties either in connection with this Offering or otherwise.

By participating in the Offering, investors agree that they are relying on their own examination and analysis of this Prospectus (including the financial statements of the Group which form an indispensable part of this Prospectus) and any information on the Company that is available in the public domain. Investors should also acknowledge the risk factors that may affect the outcome of such investment decision (as presented in Section *Risk Factors*, page 17).



In the event of a dispute arising in connection to this Prospectus or the Offering, the plaintiff may have to resort to the jurisdiction of the Lithuanian or Estonian courts and consequently may need to cover relevant state fees and translation costs associated with this Prospectus or other relevant documents.

## Presentation of Information

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

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

**Dating of Information.** This Prospectus has been drawn up based on the information valid for the last financial year ended 30 June 2009. Where not expressly indicated otherwise, all information presented in this Prospectus (including the financial information of the Group, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as at the aforementioned date. Information referring to the date other than 30 June 2009 is identified either by specifying the relevant date or through the use of such expressions as *the date of this Prospectus, to date, until the date of this document* and other similar expressions, which must all be construed to mean the date of this Prospectus (7 January 2009).

**Documents on Display.** Throughout the lifetime of this Prospectus, the Articles of Association of the Company and the historic financial statements of the Company for the years ended 30 June 2007, 30 June 2008 and 30 June 2009 preceding the date of this Prospectus (or copies thereof), where applicable, may be inspected at the head offices of the Company located at Smėlynės 2C, LT-35143 Panevėžys, Lithuania and on the Company's website ([www.linasaagro.lt](http://www.linasaagro.lt)). Any interested party may obtain a copy of these documents from the Company without charge. To the extent that some documents other than those mentioned above (i.e. reports, letters, valuations, statements) are not reflected in this Prospectus with reasonable fullness and do not in the sole discretion of the Company constitute business secrets of the Company, physical inspection of such documents will be arranged at the offices of the Company or via electronic mail at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of such inspection. Reference to the Company's website in this Prospectus should not be deemed to incorporate the information displayed on the Company's website by such reference. The annual financial statements of the Group have been prepared both in Lithuanian and in English in litas.

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

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



**Definitions.** In this Prospectus, the definitions in capital letters will have the meanings indicated below unless the context of the Prospectus requires otherwise. Definitions are listed in alphabetical order, and the list is limited to the definitions which are considered to be of greater importance. Other definitions may be defined elsewhere in the Prospectus.

<b>Additional Shares</b>	Up to 8,344,371 Shares of the Company which are subject to the Over-Allotment Option
<b>Agriculture Growing Programme</b>	The instrument employed by the Group to provide farmers with agricultural supplies such as certified seeds, fertilisers and plant protection products and offer a wide range of value added services, including pre-financing, consultations, field visits, etc. In return, the Programme helps the Group to secure supply of agricultural production
<b>Akola Group</b>	The group of Akola ApS to which the Company belongs as indicated in Section <i>Structure of Akola ApS Group</i> , page 60
<b>Associate</b>	The entity in which the Group has significant influence
<b>Aukštadvario ŽŪB</b>	Panevėžio rajono Aukštadvario ŽŪB
<b>Broker</b>	Swedbank, AB in Lithuania and Swedbank AS in Estonia
<b>CAGR</b>	The compound annual growth rate. CAGR is calculated using formula:  $CAGR = \left( \frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left( \frac{1}{\# \text{ of years}} \right)} - 1$
<b>CIS</b>	Commonwealth of Independent States
<b>Company</b>	AB Linas Agro Group, a public limited liability company organised and existing under the laws of the Republic of Lithuania, legal person code 1480 30011, VAT payer's code LT480300113, registered office at Smėlynės 2C, LT-35143 Panevėžys, Lithuania, the data on which is kept at the Register of Legal Persons
<b>ECRS</b>	Estonian Central Register of Securities
<b>EEA</b>	The European Economic Area
<b>EU-27</b>	The European Union consisting of 27 member states as of 1 January 2007
<b>FAO</b>	The Food and Agriculture Organization of the United Nations
<b>FAPRI</b>	The Food and Agricultural Policy Research Institute
<b>Group</b>	The Company along with its Subsidiaries, Associates and Joint Ventures
<b>IAS</b>	The International Accounting Standards forming part of the IFRS
<b>IFRS</b>	The International Financial Reporting Standards as adopted by the European Union
<b>Institutional Investors</b>	The qualified investors as defined in Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and/or as defined by the national securities legislation of each relevant country where the Offer Shares are being privately offered
<b>Institutional Offering</b>	The offering of the Offer Shares to the Institutional Investors worldwide (except for the United States and the United Kingdom) in reliance on certain exemptions found in the national securities legislation of each relevant country, which does not constitute a public offering of the Offer Shares
<b>Joint Venture</b>	The contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest
<b>Key Executives</b>	The senior managers responsible for the Group as listed in Section <i>Management Structure</i> , page 78.
<b>Law on Companies</b>	The Law on Companies of the Republic of Lithuania
<b>Law on Securities</b>	The Law on Securities of the Republic of Lithuania
<b>Landvesta Land Holding</b>	Collectively ŽŪB Landvesta 1, ŽŪB Landvesta 2, ŽŪB Landvesta 3, ŽŪB Landvesta 4,





<b>Companies or Landvestas</b>	ŽŪB Landvesta 5 and ŽŪB Landvesta 6
<b>Lead Manager</b>	Swedbank, AB, a bank organised and existing under the laws of the Republic of Lithuania, legal person code 112029651, domiciled at Konstitucijos 20A, LT-03502 Vilnius, Lithuania
<b>LCSD</b>	The Central Securities Depository of Lithuania
<b>LSC</b>	The Securities Commission of the Republic of Lithuania
<b>Lukšių ŽŪB</b>	Šakių rajono Lukšių ŽŪB
<b>Management</b>	The Management Board and the Key Executives of the Company
<b>Medeikių ŽŪB</b>	Biržų rajono Medeikių ŽŪB
<b>NASDAQ OMX Vilnius</b>	AB NASDAQ OMX Vilnius
<b>New Shares</b>	38,940,398 Shares to be newly issued by the Company based on a decision of the Extraordinary General Meeting of Shareholders of the Company of 20 November 2009 at the minimum issue price of each new share equal to the bottom line of the Offer Price Range and to be subscribed and paid up by the Selling Shareholder from the sale proceeds of the Offer Shares
<b>Offering</b>	The Retail Offering and the Institutional Offering of the Offer Shares collectively
<b>Offer Period</b>	The period during which investors may submit, modify or withdraw the Purchase Undertakings as indicated in Section <i>Offer Period</i> , page 122
<b>Offer Price</b>	The final price per each Offer Share determined in accordance with the terms and conditions of the Offering
<b>Offer Price Range</b>	The range within which the Offer Price may fall
<b>Offer Shares</b>	47,284,769 Shares of the Company that are being offered by the Selling Shareholder to investors in the course of the Offering as well as any of 8,344,371 Additional Shares which are subject to the Over-Allotment Option
<b>Over-Allotment Option</b>	The right to be granted by the Selling Shareholder to the Lead Manager under the Placement Agreement to acquire the Additional Shares for the final Offer Price
<b>Placement Agreement</b>	The agreement to be concluded between the Company, the Selling Shareholder and the Lead Manager related to the Offering
<b>Prospectus</b>	This document including its annexes
<b>Prospectus Regulation</b>	The Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements
<b>Purchase Undertakings</b>	The order submitted by an investor (either Retail Investor or Institutional Investor) for the purchase of the Offer Shares in accordance with the terms and conditions of this Prospectus
<b>Register of Legal Persons</b>	The Register of Legal Persons of the Republic of Lithuania
<b>Related Parties</b>	As defined in the International Accounting Standard 24, <i>Related Party Disclosures</i>
<b>Retail Investors</b>	Any investors in Lithuania and Estonia other than the Institutional Investors
<b>Retail Offering</b>	The public offering of the Offer Shares to the Retail Investors in Lithuania and Estonia
<b>Selling Shareholder</b>	The Company's major shareholder Akola Aps, with the registered office at Dampfaergevej 3, DK-2100 Copenhagen, Denmark, offering the Offer Shares for sale
<b>Shares</b>	Any ordinary registered shares of the Company with the nominal value of LTL 1 each issued and outstanding at any time
<b>Subsidiary</b>	The subsidiary is an entity controlled by another entity. <i>Control</i> is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities
<b>Summary</b>	The summary of this Prospectus presented on page 9
<b>USDA</b>	The United States Department of Agriculture
<b>2006/2007</b>	The financial year ended as of 30 June 2007
<b>2007/2008</b>	The financial year ended as of 30 June 2008



2008/2009	The financial year ended as of 30 June 2009
2009/2010	The financial year to be ended as of 30 June 2010
2010/2011	The financial year to be ended as of 30 June 2011
2011/2012	The financial year to be ended as of 30 June 2012

## Financial and Operational Information

The Company has applied the International Financial Reporting Standards (IFRS) in preparation of the consolidated financial statements for the financial year ended 30 June 2009, which include presentation of the comparative financial information for the financial year ended 30 June 2008, and corresponding financial information for the financial year ended 30 June 2007. Therefore, the IFRS has been consistently applied by the Group for the whole period covered by the historical financial information presented in this Prospectus.

## Forward-Looking Statements

This Prospectus includes forward-looking statements. Such forward-looking statements are based on current expectations and projections about the future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the belief of the Management as well as assumptions made by and information currently available to the Management. All forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of such words as *strategy, expect, forecast, plan, anticipate, believe, will, continue, estimate, intend, project, goals, targets* and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company does not owe and expressly disclaims any obligation to update or alter its forward-looking statements contained in this Prospectus, whether because of such changes or any new information or subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in the competitive business environment. This business is affected by changes in domestic and foreign laws, regulations and taxes, by new developments in competition, economic, strategic, political and social conditions and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such factors. Besides, there are certain other factors and risks that could adversely affect the operations, the business and the financial results of the Group (please see *Section Risk Factors*, on page 17, for the discussion of the risks which are identifiable and deemed material at the date hereof).

## Use of this Prospectus

This Prospectus is prepared solely for the purposes of the Retail Offering and may not be construed as a warranty or representation to any person not participating or not eligible to participate in the Retail Offering. No public offering of the Shares is conducted in any jurisdiction other than Lithuania and Estonia and consequently any dissemination of this Prospectus in other countries may be restricted or prohibited by law. The Prospectus can not be used for any purpose other than for making the decision to participate or not to participate in the Retail Offering. You may not copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without express written permission of the Company. Please see *Section Offering and Transfer Restrictions*, page 127, for more information.



# SUMMARY

*This Summary is not the prospectus for the public Offering and the listing of the Company's Shares and should be read merely as an introduction to the same. This Summary presents the facts and circumstances that the Company considers important in terms of the Company's business and the public Offering of the Company's Shares. Any decision to participate in the Offering and invest in the Company's shares should be based by each investor on the Prospectus as a whole and not merely on this Summary. Prospective investors are cautioned that where a claim relating to the information contained in the Prospectus (or this Summary) is brought before a court, the plaintiff investor might, under the national legislation of the relevant state, have to bear the costs of translating the entire Prospectus before the court proceedings are initiated. The Company accepts civil liability in respect of this Summary solely in the case where this Summary is found to be misleading, inaccurate or inconsistent when read together with the Prospectus as a whole. Please note that a summary of the Prospectus is also available as a separate document in the Lithuanian and Estonian languages. Such separate document is not merely a translation of this Summary and contains more information than the Summary. It is made available to potential investors in the same manner and through the same channels as the Prospectus.*

## Operations of the Group

The Group is an integrated agribusiness company producing and marketing agricultural products, feedstuff and other agriculture related supplies. Founded in 1991, the Group is a leading Baltic exporter of grains and food industry co-products, and a leading Lithuanian supplier of agricultural inputs such as certified seeds, fertilizers and agricultural machinery in Lithuania. A major part of sales is performed through its Danish subsidiary Rosenkrantz A/S, which fortifies the international reputation of the Group placing it in line with top European players. The Group is a significant producer of grain and milk in Lithuania. In addition, it has an extensive grain elevator and road-railway-sea logistics network to support its operations.

In recent years the Group has experienced rapid development resulting into significant growth of its assets, revenues and profits. During the last financial year the Group has booked LTL 1,114 million revenues and LTL 32 million net profits. Together with its joint ventures and associates it employs 730 employees in three countries.

The Group's operations are classified into five reportable business segments: Grains and Oilseeds, Feedstuffs, Farming, Agricultural Inputs, and Other. Each of the segments is organized depending on the nature of products and business activities.

Given below is a brief overview of the segments:

- Grains and Oilseeds includes origination, storing and international marketing of various grains and oilseeds. Grain products include wheat, barley, maize, and some other grains. Oilseeds comprise rapeseeds and linseeds. The Group links its sourcing markets with its customers by providing value-added services like grain and oilseed cleaning, drying, storage, transportation, and marketing.
- Feedstuffs represents international sourcing and marketing of food industry co-products like sunflower seed cake, sunflower seed extraction, sugar beet pulp pellets, rapeseed and similar products. In addition, the segment includes other feedstuff related products like soybean, soymeal and vegetable oil. The Group purchases various food industry co-products and buffers them into exportable batches.
- Farming covers milk production and growing of grain, rapeseed and sugar beet. The Group owns four farms in high productivity areas of Lithuania providing part of the supplies to the Grains and Oilseeds segment. Farms also produce different types of fodder, which is mainly used to feed own cattle.
- Agricultural Inputs provides vital supplies like certified seeds, fertilizers, plant protection products and agricultural machinery to farmers. In addition, the Group consults affiliated farmers about the newest agricultural trends and growing techniques. The major part of agricultural inputs is sold through joint ventures, UAB Dotnuvos projektai and UAB Kustodija. Their results are not reflected in the segment reporting as companies are not consolidated into the Group and their results are accounted using equity method.



- **Other** comprises all activities, which cannot be group into the first four core segments. It includes sales of solid biofuel, elevator services, and other products or services.

The Section *Principal Activities* on page 46 provides more detail overview of business operations.

## History and Development

The origins of the Group date back to 8 July 1991, when UAB Linas ir Viza (the current name AB Linas Agro), a Lithuanian private limited liability company, was founded by several Lithuanian individuals lead by Darius Zubas (Darius Zubas remains deeply involved in the development of the business and currently is the Chairman of the Management Board and the Chief Executive Officer of the Company). In its early years UAB Linas ir Viza engaged in international marketing of agricultural goods, primarily rapeseed. This entity, being the oldest member of the Group and in 2006 having changed its name to AB Linas Agro, is currently a fully-owned subsidiary of the Company. In 1993 the Group introduced agricultural contracting agreements to Baltic farmers to secure supply of grains and rapeseed, which later evolved into the Agriculture Growing Programme. The Programme was intended to deepen the relationships with farmers by giving them advice on how to improve yields of their crops as well as enlarge the Group's business portfolio with agricultural inputs such as certified seeds, fertilizers, agricultural machinery and the like. The Group's entrance into the agricultural supplies business was marked by the acquisition of 50% stake in UAB Dotnuvos projektai in 1998. The initial business model of UAB Dotnuvos projektai was built around reselling of agricultural machinery and products made by other manufacturers to Lithuanian farmers but in 2001 the company launched a seed preparation factory and started marketing its own certified seeds.

In 2002, the Group continued expanding its presence in the agriculture value chain by adding distribution of plant protection products and microelemental fertilisers via another joint venture, UAB Kustodija. In the same year the Group built its first modern grain elevator and started grain handling and storage services. In 2003 the Group stepped into the agricultural production business by acquiring several Lithuanian farms engaged in diary farming and grain, rapeseed and sugar beet growing. In 2006, the Group started international marketing of solid biofuels. During the same year the legal form and the name was changed from UAB Linas ir Viza to AB Linas Agro. The new name was considered to represent the spirit and the activities of the Group in a better way. The Group continued strengthening its presence in the supply chain of rapeseed in 2007, when UAB Mestilla, the largest rapeseed crushing and biodiesel production plant in the Baltics, was built in Klaipėda, Lithuania. The shareholders of UAB Mestilla are the Selling Shareholder and Statoil New Energy AS. On 14 March 2007 AB Linas Agro sold 90 % of UAB Linas Agro Veterinarijos Centras shares for LTL 12,926 thousand.

In 2008, the Group acquired a grain elevator in Šiauliai, Lithuania currently being the largest elevator owned by the Group. In the same year the Company went reorganisation when its legal form and name were changed from UAB Agriveta to AB Linas Agro Group. In September 2008 all shares in AB Linas Agro were formally contributed to the share capital of the Company. Finally, in 2008 the Group acquired 60% of shares in Rosenkrantz A/S, its long-term trading partner. Since then Rosenkrantz A/S is the main sales hub of the Group to Western Europe and North Africa.

## Group Structure

Being involved in the international integrated agribusiness activities the Group is comprised of 24 entities, including 3 holding companies, 6 companies engaged in marketing (one of them is a holding company at the same time), 15 companies engaged in production and service rendering and a logistics company. The complete list of the entities in which the Company holds direct and indirect interest is presented in *Table 48*. For the purposes of the consolidated financial statements as of 30 June 2009 the Company has 18 Subsidiaries, 4 Joint Ventures and 1 Associate. See *Table 51* on page 68 for the list of the Company's Subsidiaries, Associates and Joint Ventures for each financial period. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The information on the registered offices and activities of the Group companies is summarised in *Table 49*. The current structural chart of the effective share of stock held by the Company within the Group is provided below:



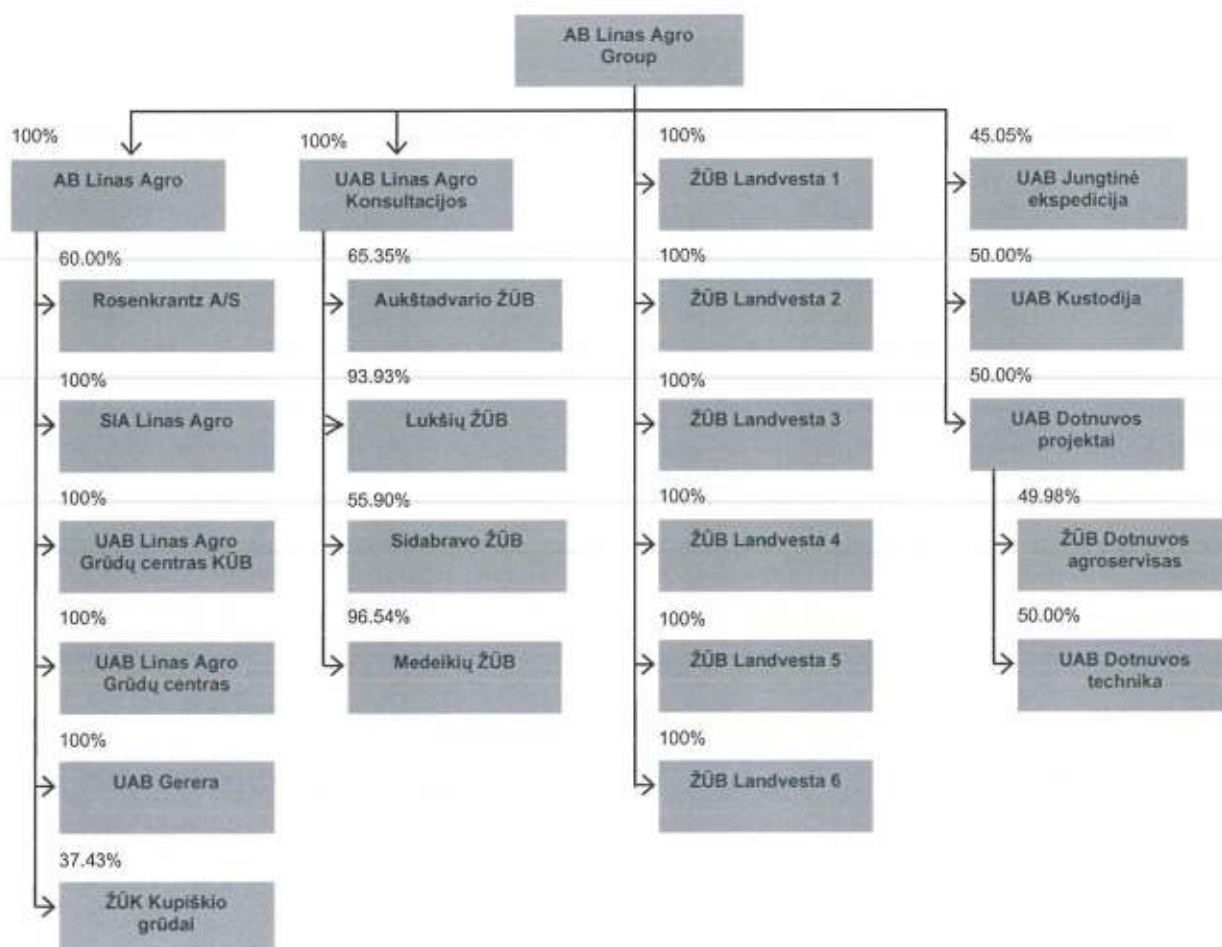


Figure 1. Structural chart of the effective stock held by the Company within the Group

## Management and Employees

The Company has a two-tier management system, i.e. the Management Board and the Chief Executive Officer (the General Manager) of the Company. No Supervisory Council is formed in the Company. The Company's Management Board is comprised of seven members (Darius Zubas, Vytautas Šidlauskas, Arūnas Zubas, Dainius Pilkauskas, Arūnas Jarmolavičius, Andrius Pranckevičius and Tomas Tumėnas) who are elected for the tenure of four years. The Company's Chief Executive Officer is Darius Zubas. In addition, the Company employs several Key Executives. The Company's Key Executives currently are Andrius Pranckevičius (Deputy Chief Executive Officer), Tomas Tumėnas (Chief Financial Officer), Ramutė Masiokaitė (Chief Accountant), Jorinta Zolubaitė (Corporate Communication Manager) and Silvija Lukošūnaitė (Human Resources (HR) Manager).

The internal management structure of the Company is shown in Section *Management Structure*, page 78.

On 30 September 2009 the Group (including the Associates and the Joint Ventures) employed 730 employees. The breakdown of the Group employees by geographical location is presented in the table below. The breakdown of the Group employees by companies and business segments is presented in *Table 70* and *Table 71* respectively. These breakdowns exclude secondary employment in case of the employee's engagement with several companies of the Group at the same time.

Table 1. The breakdown of the Group employees (including Associates and Joint Ventures) by geographical location

Geographical location	30 June 2007	30 June 2008	30 June 2009	30 September 2009
Lithuania <sup>1</sup>	655	693	708	712
Latvia	9	10	11	10

Geographical location	30 June 2007	30 June 2008	30 June 2009	30 September 2009
Denmark	6	6	6	8
<b>Total for the Group</b>	<b>670</b>	<b>709</b>	<b>725</b>	<b>730</b>

<sup>1</sup> Out of this number four employees were employed in the Company.

Source: the Company

## Risk Factors

The Group's operations inevitably involve certain risks and contingencies. The Company's prospective investors are strongly advised to consider Section entitled *Risk Factors*, page 17, for a comprehensive overview of the circumstances regarded by the Company as being potentially capable of affecting the results of the Group's operations (and the value of the Shares accordingly) in future. In particular, such circumstances may relate to the industry, in which the Group operates or to certain company-specific aspects of operations or to the general business conditions and to the public offering and listing of the Shares.

The prospective investors are cautioned that despite every efforts taken to make proper mention of each material risk known to the Company, the Group's operations may still be affected by some other circumstances, which are either not known or not considered material at the moment.

## Shares and Shareholders

On the date of this Prospectus the share capital of the Company equals to LTL 120 million and is divided into 120 million Shares. The major shareholder of the Company is the Selling Shareholder holding around 80% of the share capital and votes in the Company. The remaining part of the Shares is held by four individuals. The shareholders of the Selling Shareholder are the following persons: Darius Zubas, Vytautas Šidlauskas, Arūnas Zubas and Dainius Pilkauskas. More information on the Company's shareholders is provided in Section *Major Shareholders*, page 88.

**Table 2. Shareholders of the Company**

	Shareholder	Number of shares held in the Company, in units	Percentage of shares held in the Company	Position within the Company
1	Akola ApS	95,985,922	79.99%	-
2	Darius Zubas	17,049,995	14.21%	Chairman of the Management Board, Chief Executive Officer
3	Vytautas Šidlauskas	6,003,521	5.00%	Member of the Management Board
4	Arūnas Zubas	480,281	0.40%	Member of the Management Board
5	Dainius Pilkauskas	480,281	0.40%	Member of the Management Board
	<b>Total</b>	<b>120,000,000</b>	<b>100.00%</b>	

Source: the Company

## Projected Investments

The Management plans further development of the Group, which should result in growing business volumes and profits. Growing business volumes will require a LTL 40 million increase in working capital. Part of this increase will be allocated for the expansion of the product range and the base of Group's suppliers.

Volume growth is hardly feasible without the adequate investments into business infrastructure. Due to this reason the Group plans significant funds for its new acquisitions and developments of existing assets.

During the years 2009/2010 and 2011/2012 the Group plans to spend up to LTL 70 million for the construction of new elevators and extension of the existing elevator storage capacities in Lithuania and Latvia. Additional elevator infrastructure is needed to accommodate increasing participation in the Agriculture Growing Programme and consequently growing volumes of grains and oilseeds provided by farmers.

The Group plans to spend up to LTL 40 million for development of its farming activities, which are intended to provide extra volumes of crops for the Grains and Oilseeds segment and would purchase significant quantities of agricultural

inputs sold by other companies of the Group. In addition, own farming sites are important as demo fields for neighbouring farmers in terms of possible achievements in crop yields and milk production, which result from right growing technologies and quality agricultural inputs.

Furthermore, the Group plans to spend up to LTL 40 million for acquisitions of similar businesses to its current activities and increases of current shareholdings.

Investment plans are dependent on the Group's ability to negotiate beneficial terms of the acquisition contracts and receive subsidies for the construction of elevators. The Group will also make replacements and small improvements of its existing assets, which would be close to current levels of depreciation.

Future investments will be financed by the proceeds of the Offering, earned profits and bank loans. Usually working capital and elevator construction can be co-financed by bank loans up to 50%. In addition, elevator construction may receive approximately 20% subsidy in Lithuania and 40% subsidy in Latvia. Farming activities can be co-financed by bank loans up to 30% of the acquisition value. The exact use of financial leverage will depend on the timing of the acquisitions and bank policies towards lending.

## Offering

**Selling Shareholder.** The Selling Shareholder is Akola ApS, a limited liability company incorporated and existing in Denmark.

**Offering.** The Selling Shareholder of the Company is offering for sale 55,629,140 Offer Shares (including 8,344,371 Additional Shares which are subject to the Over-Allotment Option). The Selling Shareholder is publicly offering the Offer Shares for sale to the Retail Investors in Lithuania and Estonia and is offering them privately to the Institutional Investors inside and outside these countries except for the jurisdictions, where such offer or sale is not permitted. The public offering made to the Retail Investors in Lithuania and Estonia is conducted in accordance with applicable laws as a secondary offering of the Shares of the Company. The private offering made to the Institutional Investors inside and outside Lithuania and Estonia is targeted to pre-determined professional investors and does not constitute a public offer of the Shares under the laws of any jurisdiction. The Institutional Offering constitutes a private offer to the Institutional Investors of the Offer Shares outside the United States in reliance on Regulation S under the Securities Act. The Retail Offering and the Institutional Offering together constitute the Offering. The complete set of conditions applicable to the Offering may be found in Section *Terms and Conditions of the Offering*, page 121.

The Selling Shareholder reserves the right to cancel the Offering at any time before receiving full payment for all of the Offer Shares, if the Placement Agreement among the Company, the Selling Shareholder and the Lead Manager is terminated prior to the settlement date.

The Offering is conducted on an *all or nothing* basis, i.e. the Offer Shares will be sold only on condition that all of the Offer Shares (except for the Additional Shares which are subject to the Over-Allotment Option) are allocated.

The purpose of the Offering is to attract additional capital and to ensure successful implementation of development strategies of the Group. The Offering provides the prerequisites for listing of the Company's Shares.

**Over-Allotment Option.** The provisions of the Placement Agreement to be signed among the Company, the Selling Shareholder and the Lead Manager will provide the Lead Manager with an option to purchase up to 8,344,371 Additional Shares at the Offer Price solely to cover over-allotments, if any. This option is exercisable starting with the date of public disclosure of the final price for the Offer Shares and ending within 30 calendar days after the date of the allotment.

**Shares.** On the date of this Prospectus the registered share capital of the Company equals to LTL 120 million and is divided into 120 million ordinary registered Shares with the par value of LTL 1 each.

On 20 November 2009 the Extraordinary Meeting of Shareholders of the Company decided to increase the share capital of the Company up to LTL 158,940,398 by issuing 38,940,398 New Shares at the minimum subscription price of each New Share equal to the bottom line of the Offer Price Range, to withdraw the pre-emption right of all shareholders to acquire the New Shares and to grant the right to subscribe the entire New Share issue to the Selling Shareholder. The exact subscription price of the New Shares will be set by the Management Board of the Company and will be equal to the Offer Price per each New Share. The New Shares will be paid up from the sales proceeds of the Offer Shares by the



Selling Shareholder provided that the sale of the Offer Shares will be implemented under the terms and conditions of this Prospectus.

Immediately after the Offering and the Selling Shareholder acquiring the New Shares (38,940,398), the Shares being sold as part of the Offering will amount to 35% of the share capital of the Company provided that the Over-Allotment Option is exercised in full.

On completion of the Offering (and assuming that the Over-Allotment Option has been exercised in full) and acquisition by the Selling Shareholder of the New Shares, the latter will hold 49.89% of the Shares and the existing individual shareholders of the Company will collectively hold 15.11% of the Shares.

**Offer Period.** The Offer Period commences on 25 January 2010 at 9.00 hours (Lithuanian time, GMT+2) and terminates on 5 February 2010 at 14.00 hours (Lithuanian time, GMT+2).

**Offer Price Range.** Prior to this Offering, there has been no public market for the Shares. Consequently, the Offer Price Range for the Offer Shares has been determined through discussions among the Company, the Selling Shareholder and the Lead Manager. The Offer Price Range is LTL 2.05 to LTL 2.53 per Offer Share.

The Selling Shareholder will decide upon the exact Offer Price in consultation with the Lead Manager after the completion of the book-building process directed at the Institutional Investors in the course of the Institutional Offering. The Offer Price will be based on the tenders for the Offer Shares obtained from the Institutional Investors, taking into account the total demand in the Institutional Offering, the price sensitivity of such demand and the quality of the demand. The Offer Price will be in the Offer Price Range. The Offer Price in the Institutional Offering and in the Retail Offering will be the same. The Offer Price will be announced along with the allocation results.

**Distribution and Allocation.** The allocation of the Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined. It is preliminary planned that up to 25% of the Offer Shares (except for the Additional Shares that are subject to the Over-Allotment Option) will be sold in the Retail Offering. The Selling Shareholder together with the Lead Manager will decide on the allocation after determining the Offer Price upon the expiry of the Offer Period, though no later than on 9 February 2010. The Offer Shares will be allocated to investors participating in the Offering using a step-by-step approach described in Section *Distribution and Allocation Plan*, page 125.

**Payment and Settlement.** A Retail Investor or Institutional Investor, willing to purchase any of the Offer Shares is requested to submit the Purchase Undertaking following the procedure described in Section *Submission of Purchase Undertakings*, page 122. The Offer Shares allocated to investors will be transferred to their securities accounts on or about 11 February 2010 through the delivery versus payment method simultaneously with the transfer of payment for such Offer Shares. In no event will the date of settlement be later than 12 February 2010.

**Listing.** The purpose of the Offering is, among other things, the subsequent listing of all the Shares on NASDAQ OMX Vilnius. The Company has applied for conditional listing of all its Shares on the Main List of NASDAQ OMX Vilnius and will take all necessary measures to comply with NASDAQ OMX Vilnius rules in order to have its application approved. It is expected that the trading of the Shares in NASDAQ OMX Vilnius will start no later than 17 February 2010.

**Lock-up Agreements.** Except for the Offer Shares (including any Additional Shares sold pursuant to the Over-Allotment Option), the Company and the Selling Shareholder have agreed that, without a prior written consent of the Lead Manager, none of such persons will issue, offer, sell, contract to sell, or otherwise dispose of any Shares owned by them at any time or any securities convertible into or exercisable or exchangeable for the Shares, or enter into any swap or other agreement or any transaction to transfer the economic consequence of ownership of the Shares, or publicly announce an intention to effect any such transaction, during the period commencing on the date of this Prospectus and ending 9 months after the commencement of trading in the Shares on NASDAQ OMX Vilnius.

**Voting Rights.** The Offer Shares rank *pari passu* with all other Shares. Each Offer Share carries one vote at the General Meeting of Shareholders of the Company.

**Dividend Rights.** The Offer Shares entitle their holders to any future dividends to be declared by the Company for the financial year commenced 1 July 2009 and ending 30 June 2010 and for any subsequent years. The timing and the amount of future dividend payments, if any, will be decided by the General Meeting of Shareholders of the Company.





**Taxation.** Dividends payable on the Shares and capital gains resulting from transfer of the Shares may be subject to taxes, see Section *Taxation*, page 119.

**Use of Proceeds.** The exact amount of net proceeds is subject to the Offer Price and the usage of the Over-Allotment Option. The estimation of net proceeds is based on the midpoint of the Offer Price Range assuming that the Over-Allotment Option is exercised in full.

The net proceeds to the Selling Shareholder are expected to be LTL 18.2 million after deduction of the issue price to be paid for the New Shares by the Selling Shareholder to the Company as well as the fees and expenses of the Offering due by the Selling Shareholder. Expenses of the Selling Shareholder are estimated to amount LTL 0.95 million. The Selling Shareholder will use part of proceeds to repay LTL 14-17 million of its outstanding debt to AB Linas Agro (the exact amount will depend on the Offer Price and the usage of the Over-Allotment Option). The Company will not receive any direct proceeds from the sale of the Offer Shares by the Selling Shareholder.

The Company will receive proceeds from the issuance of the New Shares which will be subscribed for and paid up by the Selling Shareholder from the sales proceeds of the Offer Shares provided that the sale of the Offer Shares will be implemented under the terms and conditions of this Prospectus. The aggregate net proceeds to the Company from the issuance of the New Shares are estimated to be LTL 84.1 million based on the midpoint of the Offer Price Range, after deducting the fees and expenses of the Offering due by the Company which are estimated to amount to approximately LTL 5.11 million. The aggregate net proceeds to be received by the Company from the issue of New Shares are expected to be used for the investments planned for 2009/2010 and 2010/2011, as well as for the possible further corporate acquisitions in the existing and new markets in the Baltic States and Western Europe (described in more detail in Section *Purpose of the Offering and Use of Proceeds*, page 113).

**Stabilisation.** The Lead Manager may affect transactions in order to stabilise or maintain the market price of the Shares, acting in accordance with the applicable laws, starting with the date of public disclosure of the final price for the Offer Shares and ending within 30 calendar days after the date of the allotment. Any such stabilisation activity will be decided by the Lead Manager at its sole discretion and the Lead Manager will be under no obligation to do so. The said stabilisation transactions may result in a situation where the Shares are traded at a price higher than the price that would have been formed by the simple operation of supply and demand without the effect of such stabilisation. Stabilisation activities will be conducted in accordance with European Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC of the European Parliament and the Council as regards exemptions for buyback programs and stabilisation of financial instruments and will be notified to LSC in the manner prescribed by law.

**Selling and Transfer Restrictions.** Sale and transfer of the Offer Shares will be subject to certain restrictions (see Section *Offering and Transfer Restrictions*, page 127, for details).

**ISIN Code of the Shares.** The ISIN code of the Shares is LT0000128092.

**Trading Code of the Shares.** The trading code of the Shares on NASDAQ OMX Vilnius is expected to be LNA.

**Lead Manager.** The Lead Manager of the Offering is Swedbank, AB.

## Key Dates

### THE FOLLOWING ARE THE KEY DATES IN THE PROGRESS OF THE OFFERING

No later than 15 January 2010	Conditional listing on NASDAQ OMX Vilnius is expected to be approved.
25 January 2010	The Offer Period commences.
5 February 2010	The Offer Period concludes.
8-9 February 2010	The Offer Price and allocation of the Offer Shares is published.
10-12 February 2010	Settlement and delivery of the Offer Shares is expected to take place.
No later than 17 February 2010	Trading in the Shares is expected to commence on NASDAQ OMX Vilnius.



## Summary Financial Information

Financial highlights on the Group are provided in *Table 3*. The financial information in the table below has been extracted from or calculated based on the audited consolidated financial statements of the Company prepared in accordance with the IFRS.

Note: please refer to Sections entitled *Audited Financial Statements*, page 93, for an extended version of the financial statements and *Operating and Financial Review*, page 66, for more detailed information on the historical financial results for 2006/2007 – 2008/2009.

**Table 3. Selected information from the consolidated financial statements and key ratios and indicators (LTL in thousand)**

Income statement	2006/2007	2007/2008	2008/2009
<b>Sales</b>	<b>661,371</b>	<b>907,006</b>	<b>1,113,880</b>
Cost of sales	(618,604)	(831,077)	(1,038,141)
<b>Gross profit</b>	<b>42,767</b>	<b>75,929</b>	<b>75,739</b>
Operating expenses	(25,849)	(26,117)	(35,025)
Other operating activities (net)	9,551	2,389	3,817
<b>Operating profit</b>	<b>26,469</b>	<b>52,201</b>	<b>44,531</b>
Financing activities (net)	(6,374)	(11,016)	(8,261)
Gain from disposal of investments into Associates	-	785	-
Share of profit of Associates	106	450	113
Share of profit of Joint Ventures	2,021	7,566	3,965
<b>Profit before tax</b>	<b>22,222</b>	<b>49,986</b>	<b>40,348</b>
<b>Net profit</b>	<b>18,023</b>	<b>41,269</b>	<b>31,771</b>
<b>Attributable to:</b>			
The equity holders of the parent	16,737	38,394	28,114
Minority interest	1,286	2,875	3,657
<b>Balance sheet</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>
Intangible assets	82	84	85
Property, plant and equipment	72,704	77,732	94,132
Investment property	12,573	19,017	8,176
Animals and livestock	7,625	7,188	6,502
Non-current financial assets	42,800	52,575	49,405
Deferred income tax asset	318	1,091	1,950
<b>Total non-current assets</b>	<b>136,102</b>	<b>157,687</b>	<b>160,250</b>
Crops	12,044	14,439	17,214
Inventories and prepayments	58,503	121,312	81,298
Accounts receivable	93,299	130,630	119,309
Other current assets	3,150	2,315	967
Cash and cash equivalents	7,973	7,826	8,190
<b>Total current assets</b>	<b>174,969</b>	<b>276,522</b>	<b>226,978</b>
<b>TOTAL ASSETS</b>	<b>311,071</b>	<b>434,209</b>	<b>387,228</b>
Share capital	86	86	41,000
Share premium	-	-	121,911
Reserves	(11)	(120)	(287)
Retained earnings	80,911	121,848	(18,657)
<b>Total equity attributable to equity holders of the parent</b>	<b>80,986</b>	<b>121,814</b>	<b>143,967</b>
<b>Minority interest</b>	<b>15,560</b>	<b>10,361</b>	<b>12,104</b>
<b>Total equity</b>	<b>96,546</b>	<b>132,175</b>	<b>156,071</b>
Grants and subsidies	13,263	11,849	11,849



Non-current borrowings and finance lease obligations	27,571	59,885	30,280
Deferred income tax liability	1,171	802	1,871
<b>Total non-current liabilities</b>	<b>42,005</b>	<b>72,536</b>	<b>43,961</b>
Current portion of non-current borrowings and finance lease obligations	7,239	11,177	41,925
Current borrowings	75,582	118,121	80,336
Trade accounts payable	64,594	63,205	39,992
Other current liabilities (including payables to related parties)	25,105	36,995	24,943
<b>Total current liabilities</b>	<b>172,520</b>	<b>229,498</b>	<b>187,196</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>311,071</b>	<b>434,209</b>	<b>387,228</b>

Cash flow statement	2006/2007	2007/2008	2008/2009
Cash flow from (to) operating activities	(3,970)	(36,450)	64,515
Cash flow from (to) investing activities	(3,845)	(24,478)	(25,926)
Cash flow from (to) financing activities	3,006	60,781	(38,225)
<b>Net increase (decrease) in cash equivalents</b>	<b>(4,809)</b>	<b>(147)</b>	<b>364</b>

Key ratios and indicators	2006/2007	2007/2008	2008/2009
Number of the Company's shares <sup>1</sup>	43,069	43,069	41,000,000
Basic and diluted earnings per share (EPS), LTL <sup>2</sup>	0.41	0.94	0.69
Number of employees in the Group <sup>1</sup>	670	709	725
Including the number of employees of the Company and its Subsidiaries <sup>1</sup>	490	507	542
Sales per employee, LTL in thousand	1,350	1,789	2,055
EBITDA, LTL in thousand	32,826	66,331	56,001
EBITDA margin, %	5.0%	7.3%	5.0%
Operating profit margin, %	4.0%	5.8%	4.0%
Return on equity (ROE), %	18.7%	31.2%	20.4%
Equity ratio, %	31.0%	30.4%	40.3%

<sup>1</sup> as of the end of the financial year;

<sup>2</sup> Group does not have any potential shares, therefore basic and diluted earnings per share are the same.

Source: The Company, the audited consolidated financial statements of the Company

## RISK FACTORS

*This overview of the various risk factors related to the Group's business represents what the Group, in its absolute discretion, considers to be of significant importance in relation to its present and future operations. While the Group considers the following to be a fair, full and comprehensive disclosure of all relevant risk factors, this overview is not a substitute for the rest of the Prospectus and should not be perceived as such. The Group stresses that a full and accurate assessment of its operations may only be made on the basis of the entire Prospectus. Furthermore, the operations of the Group may be affected by risks that are either not known or have not occurred by the date of this Prospectus. Should such risks emerge, the value of the investment made in the Shares of the Company may suffer.*

### General Business Risks

#### Economic instability

The Group conducts its business in many countries and geographic areas. Its principal sale markets are in Western Europe, Scandinavia, the Baltic States and North Africa while sourcing markets are mainly located in the Baltic States and the CIS. Both developed and emerging markets are subject to impacts of economic downturn, including decreased global demand for agricultural products and conservative lending policy of credit institutions. In addition, profit margins for various products are influenced by economic conditions and tend to decrease during economic recessions. Emerging markets are also subject to political instability, which may result in imposed trading barriers and other regulatory



changes. As a result, economic downturn and volatile business conditions may adversely influence the Group's ability to execute its business strategy and may negatively affect its operating results or possibilities to obtain external financing.

#### **Potential challenges to implement business strategy and achieve desired results**

The Group expects to sell greater volumes of its products and earn higher profits in the future. However, these results are not guaranteed and are subject to variation due to numerous factors. The Group's financial results might not develop as projected because of lower global demand, increased intensiveness of competition or the Group's inability to implement its business strategy. Furthermore, the agricultural business is seasonal by nature and fluctuations between quarters should be expected. In addition, the management team may fail to anticipate future market trends and make suboptimal choices regarding future development of the Group. Inefficient internal processes and obsolete technology may also cause inferior financial results.

#### **Business expansion through acquisitions and Joint Ventures**

Historically, the Group has been an active acquirer of other companies and has formed several Joint Ventures with its partners. Its current strategy also involves future acquisitions and increase of ownership in its Subsidiaries and Joint Ventures. The Group's ability to benefit from these acquisitions depends on many factors including the skill to identify acquisition prospects, to access funding sources at reasonable cost, to negotiate favourable transaction terms and, most importantly, to integrate the acquired businesses successfully. Integration processes may involve unanticipated costs and delays, loss of customers and key personnel as well as significant involvement of the Group's management diverting its attention from the existing operations. Therefore, integration issues and failures may impede production of the anticipated revenue and the profit growth in the acquired companies. Acquisitions also pose the risk of possible exposure of the Group to the liabilities of the acquired companies. The due diligence conducted prior to acquisitions and indemnities received from the sellers may be not sufficient to protect from or compensate for these liabilities. In addition, complicated or failed integrations may adversely affect morale of employees and undermine reputation of the Group.

#### **Risks related to investment projects of the Group**

The strategy of the Group includes various investment projects (see Section *Projected Investments*, page 32), aimed at expanding and enhancing the activities of the Group. The successful realization of these investments is subject to many factors, including access to funding sources at an acceptable cost of capital. In addition, investment projects are subject to possible delays and also pose the risk that the Group may be required to invest bigger funds than initially projected. Furthermore, due to changing business environment some investment projects might not generate positive cash-flows and not pay off at all. Where any such risks related to investments of the Group occur, they may have a negative effect on the operating result of the Group.

#### **Dependence on external financing**

Activities of the Group require substantial amounts of capital to fund operating activities and capital expenditure. Working capital needs are directly related to the prices of agricultural products, with price increases generally causing increases in the borrowing levels. In addition, the expansion of the Group through acquisitions may require significant amounts of capital to be possessed. For this reason, failure to secure adequate levels of short-term and long-term external financing might limit the Group's growth plans and place it at competitive disadvantage as compared to well-capitalized peers.

Furthermore, credit facilities of the Group contain covenants placing certain restrictions and limiting the discretion of Group's management, e.g. restrictions to grant or receive loans, to establish new entities, to distribute dividends, etc. As a rule, these credit facilities are secured by pledge/mortgage of the Group's assets and cross-default commitments by other Group companies. In case of failure to comply with these covenants, the Group runs the risk of certain credit lines being cancelled or requirement being made to repay certain loans. Such events may cause interruptions in regular business activities, loss of collateral or, in extreme cases, a financial distress. As on 30 June 2009 the Group pledged 88% of its property plant and equipment (LTL 82,603 thousand out of LTL 94,132 thousand), 100% of investment property (LTL 8,176 thousand) and 68% of livestock (LTL 4,427 thousand out of LTL 6,502 thousand) as collateral for bank loans. In addition, it pledged 70% of inventories (LTL 45,047 thousand out of LTL 63,918 thousand), 51% of prepayments (LTL 8,860 thousand out of LTL 17,380 thousand) and 89% of trade receivables (LTL 87,442 thousand out of LTL 98,128 thousand).



In addition, it is stipulated in the financing agreements that the majority of the credit facilities granted to Rosenkrantz A/S and a EUR 20 million credit facility granted jointly to Rosenkrantz A/S and/or AB Linas Agro to finance their trading operations may be terminated by the lenders anytime without any cause irrespective of the maturity date. Although this type of clause has been used in previous financing arrangements entered into by Rosenkrantz A/S and constitutes, according to the Management, the common business practice, in the event of exercising by the lenders of the right of early termination, Rosenkrantz A/S and/or AB Linas Agro will be forced to forthwith repay the credits and scale down their business operations.

#### **Exposure to currency fluctuations**

The Group conducts its business operations in multiple currencies: euros, US dollars, Danish kronas, Lithuanian litas and Latvian lats. Exposure to currency fluctuations results from currency mismatches in purchasing and marketing activities, i.e. goods or services are bought and sold in different currencies. Even though the Group manages its trading exposure against currency fluctuations (see the Section *Risk Management and Insurance*, page 59), this strategy does not cover all business operations. Therefore, unfavourable currency movements may adversely affect business transactions of the Group and, consequently, impair its financial position. Furthermore, Lithuanian litas and Latvian lat are subject to devaluation threats regardless of the fact that these currencies are pegged to euro. However, the Group is relatively immune to devaluation risks of litas and lat, since its revenues in these currencies are lower than expenses.

#### **Failures of risk management system**

The Group's business is affected by fluctuations in agricultural commodity prices, transportation prices, interest rates and foreign currency exchange rates. The Group has developed strategies to manage commodity price and currency exchange risks, which constitute a substantial part of these risks. However, these management strategies may not be sufficient on order to mitigate the Group's exposure to such fluctuations.

All material fixed assets and inventories of the Group are insured with reputable insurance companies. Nevertheless, there is a risk that insurance companies may treat some events as non-insured, or the insurance payments may be insufficient to compensate all damages or the insurance may be taken not against all risks.

Furthermore, credit management system in the Baltic states and the CIS countries is largely based on multiyear experience of doing business in these countries. Such system is significantly dependant on the skills and experience of the Group's employees. Negligence, imprudence or fraud of these employees may lead to significant credit losses and, consequently, impair the financial position of the Group.

#### **Dependence on IT systems**

The Group is dependent on business accounting systems to track its operations, including but not limited to, handling of accounts payable and receivables, accounting of fixed assets and inventories, and calculation of taxes. In addition, financial statements and management reports are prepared based on the data stored on the IT systems. Although the Group makes regular backups of its systems, in case of system failures there is the risk of possible delays or even failure that the Group may experience in restoring these backups. Consequently, failures of the IT systems may lead to significant disruptions of business operations.

### **Industry Specific Risks**

#### **Availability and price of agricultural products**

Availability and prices of agricultural products are subject to wide fluctuations caused by such factors as weather conditions, plant diseases, changes in the global demand resulting from population growth and changes in the living standards, the needs of the biofuels industry, and production of similar crops. Furthermore, prices of agricultural products and government support are influencing planting decisions of farmers and, consequently, the future supply of agricultural products. Reduced supplies of agricultural commodities limit the Group's ability to source, store, process, transport, and market its products in the efficient manner. In addition, low prices of agricultural products reduce demand for agricultural supplies such as certified seeds, fertilizers and agricultural machinery. All these factors are outside the Group's control and may cause volatility in its operating results.



### **Governmental and EU support for the agriculture sector**

The support granted by the governments and the EU funds (in case of Lithuania and Latvia) has a substantial positive effect on the agriculture sectors of the countries wherein the Group operates and consequently on the activities of the Group. Any unsuspected determination by the authorities of such countries to cancel, suspend or tighten the provision of subsidies and other forms of support to the agriculture sector may have an adverse effect on the activities of the Group.

In Lithuania, two major Lithuanian agriculture support schemes, i.e. the Direct Payments and the Rural Development Programme, are largely financed by such EU funds as the European Agriculture Guidance and the Guarantee Fund and European Agricultural Fund for Rural Development respectively. The payments of the aforementioned EU funds are scheduled for the EU budgetary period ending 2013 and the continuity of the financing is subject to political decisions on the EU's 2014-2020 budgetary framework. A decision to reduce the EU financing for the agriculture sector may have a negative impact on the results of the Group. However, the EU funding has been relatively stable over the years and well defined in advance. Therefore, any sudden changes in the EU policy are quite unlikely.

### **Unfavourable treatment of agricultural land acquisition regime**

The Group expands its business by acquiring, among other things, agricultural land into its ownership. Pursuant to the Provisional Law on the Acquisition of Land of Agricultural Purpose of the Republic of Lithuania, agricultural land acquired by one person into its ownership from the state may not exceed 300 ha in area and agricultural land acquired into one person's ownership from the state and other parties may not exceed the aggregate 500 ha in area, unless the land has been acquired on a benequeath or restitution basis. Despite the past practice and belief of the Company that only the land owned by a respective Group company at any given date should be relevant for the calculation of the threshold, there is the risk of possible changes that may be made in the interpretation of the laws, as a result of which the historical acquisitions (i.e. the agricultural land acquired and sold by the Group company in the past) might be required to be added for the sake of such calculations as well. If this risk materialise, the Group may encounter significant barriers in developing its agricultural business further and increasing the profitability of the Group.

### **Severe weather conditions**

Crop yields tend to fluctuate significantly depending on weather conditions. Unfavourable weather factors such as droughts, heavy rains or unusually cold winters may significantly reduce crops or even cause crop failures. Lower harvests limit the Group's ability to source, store, process, transport and market its products. The Group would be worst affected in the scenario of bad weather in its sourcing markets and good weather in the neighbouring markets since the general supply of crops would be high and their prices would remain competitive while sourcing possibilities of the Group would be limited. Furthermore, crop failures cannot be insured efficiently in sourcing markets of the Group because only one company offers crop insurance services. Coverage of crop damages is subject to various complicated conditions while insurance premiums are very high. Therefore, the Group does not hold such insurance coverage.

### **Possible disruptions of transportation system and increase in transportation costs**

Successful operations of the Group largely depend on relevant transportation capacities. While the Management of the Group considers the current transportation capacities to be adequate, the Group is subject to risks of insufficient port facilities, potential delays in vessel chartering and disarrays in loading/unloading of shipments that may be caused by faster than expected economic growth. In addition, the Group may face difficulties securing an adequate number of railway wagons. Transportation capacities may also become unavailable due to various economy-unrelated events such as storms, accidents or fires. Lack of transportation capacities may potentially result in transportation delays and consequently in negative effects on the results of the Group.

Furthermore, transportation expenditure constitutes a substantial share in the cost structure of the Group. The Group uses marine, railway and road transportation to ship its products. Increase of transportation costs in any of these channels would put additional threats that Group would not be able to pass these cost increases to consumers and, therefore, become less profitable. However, increase of transportation tariffs usually affects all market players and is transferable to consumers under normal market conditions.



### **Increase in rental costs of agricultural land**

The currently Group leases 7,788 hectares of agricultural land in Lithuania from external parties. Increase of land rent prices on the market may lead to price rise for the Group as well. Likewise, the transportation expenses, additional rent costs have to be passed to consumers. If the Group is unable to do this, these increases would have adverse effect on the financial position of the Group. However, historically, higher prices of agricultural products have been driving higher rent prices of the land but not the opposite.

### **Threats related to the quality and safety of products**

The Group is under a wide range of quality, labelling and safety regulations applicable in the countries of operations and is also subject to regulations of EU. While the Group believes that it fully complies with all such regulations applicable to its products, there is a possibility that some of its products might be recognized as unsuitable for further consumption due to quality problems, contamination or other similar issues. In such a case, the Group may need to recall and discard its products and to compensate for the associated costs. This may lead to long-term restrictions to supply certain products in certain markets and generate negative publicity.

### **Livestock and crop diseases**

Although active control measures including the provision of certified seeds and modern agricultural inputs to the Agriculture Growing Programme members are taken, cereals are at risk of numerous diseases, which could reduce the production and supply of grain and rapeseed to the Group. In parallel, the companies of the Group are subjects to various livestock diseases, such as mad cow, foot-and-mouth and other. In case of a livestock or crop disease outbreak in one of the companies of the Group, this may have a substantial effect on the operating results of the Group.

### **Decrease of milk and meat prices and reduction of milk sales quota**

Due to fluctuations on global markets the Group faces the risk of milk and meat price decrease. In addition, milk producers in the EU countries are subject to quota regulation in the milk production. The EU bodies determine a limit for the amount of milk each member-country may produce. The national authorities allocate the milk quota between milk producers within a member-country. On 31 December 2008 the Group had an annual milk quota of 11,080 thousand tonnes in Lithuania. Changes in the quota regulations may influence the Group's ability to receive subsidies on entire production volumes. Consequently, all the above mentioned risks may result in an adverse effect on the operational result of the Group. However, according to the Management, currently Lithuania does not utilize its country quota by 15% and its quotas are increased by 2% each year.

### **Environmental issues**

The Group, especially its agricultural companies, is subject to environmental laws and regulations imposing various requirements on the Group companies. To the best knowledge of the Company, the Group complies with the requirements of environmental regulation currently in force in all material respects. However, there is the risk as some new environmental rules being introduced either at the national or the EU level, or of the interpretation of the current legal regime becoming more stringent, in which case the Group may be forced to make additional investments to ensure the compliance with such environmental requirements. In case of failure to do so, administrative or other sanctions may be imposed on the Group, or the Group's business may be otherwise interrupted. In addition, the Group owns or may acquire in future real properties that are exposed to the risk of contamination. Despite the Group's efforts to mitigate this risk by receiving respective warranties from the sellers, such warranties may not necessarily be issued to cover all the risks.

## **Company Specific Risks**

### **Competition**

Markets for the products of the Group are highly competitive and are subject to numerous product substitutions. The Group faces significant competition in each of its business segments and has numerous competitors, some of which are global players and have greater financial resources than the Group. Therefore there is a threat of such competitors starting their own growing programs in the sourcing markets of the Group and making attempts to attract affiliated farmers by providing better financing or purchasing terms. Such competition may cause the Group to lose its market



share, to quit particular business segments, to increase expenditures or to reduce prices. Each of the above mentioned matters may have an adverse effect on the activities and profitability of the Group.

In addition, large processors of agricultural products may place new production capacities in the sourcing markets of the Group. Consequently, such activities might be expected to increase demand for agricultural products and competition on the sourcing markets.

#### **Sourcing via the Agriculture Growing Programme**

The majority of grains and oilseeds are sourced from Lithuanian and Latvian farmers. In order to help farmers to achieve higher yields and earn additional income, the Group supplies farmers with agricultural inputs such as certified seeds, fertilizers and plant protection products. Payments for these products are secured by the farmer's future crop and are made after the crop is sold. On 30 June 2009 the Group had LTL 61.4 million of receivables and LTL 8.9 million prepayments to farmers. The Group is exposed to the risk of the underlying crop being insufficient to satisfy the farmer's obligations under the financing arrangement's because of the weather conditions or low prices. Significant defaults by farmers may adversely affect the Group's financial condition.

#### **Dependence on key executives, board members and other members of workforce**

Much of the success of the Group depends to a significant degree on the continuity of the Management and of other highly trained and experienced personnel showing deep understanding of the agricultural business and dedicating substantial part of their professional career to the Group. Should the Group be unable to retain, attract and motivate the aforementioned persons, apart from potentially benefiting its competitors, the Group may suffer material adverse impact on its business and financial condition as hiring of the personnel equivalent by knowledge and experience might entail inevitable additional costs and may not necessarily be immediately possible. It should be noted however that four members of the Management Board of the Company (Darius Zubas, Vytautas Šidlauskas, Dainius Pilkauskas, and Arūnas Zubas) are also its shareholders. In addition, Darius Zubas, Vytautas Šidlauskas, and Dainius Pilkauskas hold senior management positions in the Group, which considerably lowers the risk of losing these persons. However, several key employees of the Group have signed the non-competition arrangements whereby the employees undertook not to compete with the Group during their employment and certain period afterwards and, as a compensation, the Group undertook to pay 100% of their average monthly salaries for the entire non-competition period (starting from the termination of their employment). This mitigates the risk of such employees being hired by the Group's competitors.

#### **Business disruptions**

The assets and operations of the Group are subject to damage and business disruptions resulting from various events such as storms, floods, accidents, explosions or fires. The potential effect of the above mentioned conditions may result in extensive property damage, personnel injuries, transportation system disruptions or contamination of the environment. Such events may impair the Group's ability to deliver its products to customers in a timely manner, cause damage to its inventories and, consequently, result in lost trust and profits.

#### **Unsecured loans granted by the Group**

The Group has granted several loans to its related parties (see Section *Related Party Transactions*, page 88) and non-related parties (see Section *Material Contracts*, page 108). As on 30 June 2009 the Group had the following loans receivable: LTL 20,701 thousand from Akola ApS (the Selling Shareholder), LTL 5,663 thousand from UAB Mestilla, LTL 3,960 thousand from former subsidiaries (UAB Invisco, UAB Sinrena and UAB Consonus), LTL 1,010 thousand from Žibartonių ŽŪB and LTL 571 thousand from employees. The Group has established LTL 2,970 thousand allowance for loans granted to former subsidiaries. The Selling Shareholder will repay LTL 14-17 million of its outstanding debt to AB Linas Agro (the exact amount will depend on the Offer Price and the usage of the Over-Allotment Option, and won't exceed the net proceeds of the Offering received by the Selling Shareholder). All loans are unsecured. Albeit the Group believes that the loans granted to its related parties should be repaid properly, the risk of non-repayment by the borrowers (whether the related parties or other third persons) of any or all of such loans may not be excluded. In case the borrowers do not possess sufficient assets to cover their debts to the Company, the Group may have to write-off the non-repaid amounts of loan and thus incur losses.





### **Fluctuations of interest rates**

The major part of the Group's borrowings bears variable LIBOR-related interest rates. Currently the Group does not employ interest rate risk management instruments. Therefore, a rising rate of LIBOR would increase interest expenses of the Group and, consequently, decrease its pre-tax profits.

### **Contractual risks**

The Group conducts its business in numerous countries and jurisdictions and enters into a considerable number of complex agreements imposing various obligations and covenants on the respective Group companies. Albeit the Group aims at ensuring that all such contractual obligations and covenants are complied with, due to a significant number of such undertakings certain covenants may not be fulfilled properly causing imposition of contractual penalties on the Group or termination of the respective contracts. The Group is taking efforts to mitigate such risks by getting oral assurances from its counterparties to the effect that such non-compliance brings no negative consequences for the Group.

However, if the Company fails to perform any of its contractual undertakings and the counterparty refuses to waive its contractual rights, a dispute may arise between the Group and such contractual counterparty. Long-lasting disagreements between them may result in arbitration or litigation processes possibly ending in significant financial expenses and a loss of business partners. In addition, such processes may give rise to adverse publicity and public disputes posing threat to for the Group's reputation.

### **Failure to comply with legal acts**

The Group is required to comply with a large number of laws and regulations in numerous countries relating, but not limited to, sourcing, transportation, processing and distribution of agricultural products, including commercial activities conducted by the Group's employees. Any failure to comply with the applicable laws and regulations may expose the Group to administrative penalties and civil remedies including fines, injunctions or product recalls. Although the Group has policies in place throughout its entire organization to protect against such non-compliance, the risk of the Group's failure to comply with all legal requirements may not be totally excluded. Should such non-compliance be established by competent authorities, it may have serious financial consequences for the Group and a negative impact on the Group's reputation.

### **Dependence on Subsidiaries, Joint Ventures and Associates**

The Company does not own operating assets and is totally dependable on the cash flows generated by its Subsidiaries, Joint Ventures and Associates. These cash flows are supposed to finance the Company's expenses and dividend payments to shareholders. The Company may encounter limitations on fund transfers from the Subsidiaries and the Joint Ventures as may be imposed by legal regulations of the incorporation countries or restricted by covenants in bank loans.

### **Potential conflict of interests of the Company's shareholders**

Upon the completion of the Offering, the currently existing shareholders will continue to own approximately 65% of the outstanding Shares in the Company and will therefore continue to exercise control over the Company. The control will be utilised by all the ultimate shareholders of the Company (i.e. Darius Zubas, Vytautas Šidlauskas, Dainius Pilkauskas and Arūnas Zubas) commonly as these shareholders have entered in the Common Control Agreement relating to the centralised control of all directly and indirectly entities. The interests of the currently existing shareholders may differ from those of the Company and its new shareholders, making the Company not in a position to pursue the opportunities which the Company management or other shareholders may find more favourable.

Apart from Akola ApS (the Selling Shareholder), the existing shareholders of the Company hold managerial positions in the Company and in other Group entities having the capacity to head the business of the Group. Since these shareholders of the Company control at the same time other companies outside the Group (e.g. UAB Mestilla), which are actively engaged into transactions with the Group, there is a risk that the interest of the current shareholders of the Company may not always align with the interests of prospective investors which could possibly lead to an adverse effect on the value of the investment into the Shares. Even though, according to the Company, all transactions between the Group and the entities controlled by or related to its current shareholders are carried out at arm's length terms,



there is no assurance that a conflict of interests will not arise. For further information see Section *Related Party Transactions*, page 88.

#### **Controlling shareholders will be able to adopt major decisions**

Despite the Offering, the Company will remain under the control of its former shareholders. On completion of the Offering they will hold approximately 65% of the Shares in the Company. These shareholders will be able to adopt all major corporate decisions that are within the competence of the General Meeting of Shareholders of the Company (see Section *The Company's Articles of Association*, page 101).

#### **Minority shareholders blocking certain decisions**

As the Group owns less than 100% of votes in some of its Subsidiaries, Joint Ventures and Associates, there is the risk of the minority shareholders or partners in such entities blocking certain decisions of the General Meeting of Shareholders or challenging the decisions adopted by the management bodies of such entities. The above may impede the execution of the Group's business strategy and inhibit further development of the Group or profit transfer to the Company.

### **Shares Specific Risks**

#### **An active market for the shares may not develop**

Prior to this Offering, there has been no public market for the shares. Nor may the Company give any assurance that an actively trading market for the Shares will emerge, develop and be sustained after the completion of the Offering. The Offer Price will be determined through discussions among the Lead Manager, the Company and the Selling Shareholder. The initial Offer Price may vary from the market price of the Shares after the Offering. If you purchase any Shares, you may not be able to resell those Shares at or above the Offer Price.

In order to mitigate this risk, the Selling Shareholder has granted the Lead Manager an option to purchase up to 8,344,371 Shares at the price of the Offering solely to cover over-allotments, if any. This option is exercisable starting with the date of public disclosure of the final price for the Offer Shares and ending within 30 calendar days after the date of allotment.

#### **Volatility of the Share price**

The price for the Shares after this Offering may be volatile and may fluctuate significantly in response to numerous factors, including the actual or anticipated fluctuations in the quarterly or annual results of the Group and its competitors, the industry and market conditions, any mergers and strategic alliances formed, any changes in laws and regulations as well as shortfalls in the operating results of the Group or its competitors as compared to the levels forecasted by securities analysts, also public announcements concerning the Group or its competitors, the global and regional economic conditions and the general state of securities markets. Many of these factors may be beyond the control of the Company and are difficult or even impossible to predict.

#### **Payment of dividends is not guaranteed in the future**

The shareholders of the Company have adopted a policy to distribute as dividends up to 20% of the net profit in the reporting financial year reduced by the retained loss of the previous financial years (if any) and statutory allocations to reserves. It is noted that such dividend policy should be construed as an intention of the current shareholders and may be overruled by a resolution of the annual General Meeting of Shareholders.

#### **Impact of securities analysts**

The trading volume of and the price for the Shares may depend on the opinion of securities analysts, who regularly monitor operations of the Group and issue their research reports regarding the future performance of the Group. The Group has no control over these analysts, who may downgrade their recommended price for the Shares at any time or issue opinions opposed to the Management's views, or drop the coverage of the Group altogether. All these events may adversely affect the trading volume of and the price for the Shares.



# THE COMPANY

## Statutory Auditors

The appointed financial auditor of the Group for financial years 2007/2008 and 2008/2009 is UAB ERNST & YOUNG BALTIC, audit company's licence No. 001335, legal person code 110878442, registered address at Subačiaus st. 7, Vilnius, Lithuania. On behalf of UAB ERNST & YOUNG BALTIC, the Group has been audited by Ramūnas Bartašius (auditor's licence No. 000362) and Asta Štreimikienė (auditor's licence No. 000382). The Group's financial statements for the years 2007/2008 and 2008/2009 have been prepared in accordance with IFRS. As of 30 June 2009 the Company has prepared a set of consolidated financial statements covering 3 financial years and the auditors rendered the opinion covering two financial years in the auditor's report. The financial statements of the Company for the year 2006/2007 have been prepared in accordance with Lithuanian business accounting standards and other legal acts of the Republic of Lithuania and have not been consolidated, since companies of the Group have not been incorporated into one group at the time. The financial results for the financial year 2006/2007 have been audited by UAB Rimess, audit company's licence No. 001332, address A.Goštauto st. 40B, Vilnius, Lithuania. The Company has replaced UAB Rimess with UAB Ernst & Young Baltic for the periods 2007/2008 and 2008/2009 seeking the audit based on IFRS and greater quality assurance of the audit in general. Starting with the financial year of 2007/2008 the financial statements of the Group have been prepared in accordance with IFRS. The financial statements of the Company can be obtained at the Company's website ([www.linasagro.lt](http://www.linasagro.lt)).

## Selected Financial Information

The tables below present certain selected consolidated financial information of the Group for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009. This information has been derived from the audited consolidated financial statements of the Company prepared in accordance with the IFRS and should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements and the related notes.

The ratios and indicators set forth in the table below are provided to illustrate certain aspects of the business of the Group and its financial performance. Some of these ratios and indicators are used by the Management to evaluate the performance of the Group, while others are provided for the benefit of investors considering an investment in the Offer Shares. Although some of these ratios and indicators are not calculated in accordance with the IFRS, the Management believes that the ratios and indicators set forth below are customary and often used by public companies to illustrate their business and financial performance.

Note: please refer to Section entitled Audited Financial Statements, page 93, for an extended version of the Financial Statements and Operating and Financial Review, page 66, for more detailed information on the historical financial results for 2006/2007 – 2008/2009. The audited financial statements for the year 2006/2007 (audited by UAB Rimess) can be found at the Company's website ([www.linasagro.lt](http://www.linasagro.lt)).

**Table 4. Selected information from the consolidated financial statements and key ratios and indicators (LTL in thousand)**

Income statement	2006/2007	2007/2008	2008/2009
<b>Sales</b>	<b>661,371</b>	<b>907,006</b>	<b>1,113,880</b>
Cost of sales	(618,604)	(831,077)	(1,038,141)
<b>Gross profit</b>	<b>42,767</b>	<b>75,929</b>	<b>75,739</b>
Operating expenses	(25,849)	(26,117)	(35,025)
Other operating activities (net)	9,551	2,389	3,817
<b>Operating profit</b>	<b>26,469</b>	<b>52,201</b>	<b>44,531</b>
Financing activities (net)	(6,374)	(11,016)	(8,261)
Gain from disposal of investments into Associates	-	785	
Share of profit of Associates	106	450	



Share of profit of Joint Ventures	2,021	7,566	3,965
<b>Profit before tax</b>	<b>22,222</b>	<b>49,986</b>	<b>40,348</b>
<b>Net profit</b>	<b>18,023</b>	<b>41,269</b>	<b>31,771</b>
<b>Attributable to:</b>			
The equity holders of the parent	16,737	38,394	28,114
Minority interest	1,286	2,875	3,657

<b>Balance sheet</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>
Intangible assets	82	84	85
Property, plant and equipment	72,704	77,732	94,132
Investment property	12,573	19,017	8,176
Animals and livestock	7,625	7,188	6,502
Non-current financial assets	42,800	52,575	49,405
Deferred income tax asset	318	1,091	1,950
<b>Total non-current assets</b>	<b>136,102</b>	<b>157,687</b>	<b>160,250</b>
Crops	12,044	14,439	17,214
Inventories and prepayments	58,503	121,312	81,298
Accounts receivable	93,299	130,630	119,309
Other current assets	3,150	2,315	967
Cash and cash equivalents	7,973	7,826	8,190
<b>Total current assets</b>	<b>174,969</b>	<b>276,522</b>	<b>226,978</b>
<b>TOTAL ASSETS</b>	<b>311,071</b>	<b>434,209</b>	<b>387,228</b>
Share capital	86	86	41,000
Share premium	-	-	121,911
Reserves	(11)	(120)	(287)
Retained earnings	80,911	121,848	(18,657)
<b>Total equity attributable to equity holders of the parent</b>	<b>80,986</b>	<b>121,814</b>	<b>143,967</b>
<b>Minority interest</b>	<b>15,560</b>	<b>10,361</b>	<b>12,104</b>
<b>Total equity</b>	<b>96,546</b>	<b>132,175</b>	<b>156,071</b>
Grants and subsidies	13,263	11,849	11,810
Non-current borrowings and finance lease obligations	27,571	59,885	30,280
Deferred income tax liability	1,171	802	1,871
<b>Total non-current liabilities</b>	<b>42,005</b>	<b>72,536</b>	<b>43,961</b>
Current portion of non-current borrowings and finance lease obligations	7,239	11,177	41,925
Current borrowings	75,582	118,121	80,336
Trade accounts payable	64,594	63,205	39,992
Other current liabilities (including payables to related parties)	25,105	36,995	24,943
<b>Total current liabilities</b>	<b>172,520</b>	<b>229,498</b>	<b>187,196</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>311,071</b>	<b>434,209</b>	<b>387,228</b>

<b>Cash flow statement</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>
Cash flow from (to) operating activities	(3,970)	(36,450)	64,515
Cash flow from (to) investing activities	(3,845)	(24,478)	(25,926)
Cash flow from (to) financing activities	3,006	60,781	(38,225)
<b>Net increase (decrease) in cash equivalents</b>	<b>(4,809)</b>	<b>(147)</b>	<b>364</b>

<b>Key ratios and indicators</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>
Number of the Company's shares <sup>1</sup>	43,069	43,069	41,000,000
Basic and diluted earnings per share (EPS), LTL <sup>2</sup>	0.41	0.94	0.69
Number of employees in the Group <sup>1</sup>	670	709	725
Including the number of employees of the Company and its Subsidiaries <sup>1</sup>	490	507	542
Sales per employee, LTL in thousand	1,350	1,789	58,004
EBITDA, LTL in thousand	32,826	66,331	



EBITDA margin, %	5.0%	7.3%	5.0%
Operating profit margin, %	4.0%	5.8%	4.0%
Return on equity (ROE), %	18.7%	31.2%	20.4%
Equity ratio, %	31.0%	30.4%	40.3%

<sup>1</sup> as of the end of the financial year;

<sup>2</sup> Group does not have any potential shares, therefore basic and diluted earnings per share are the same.

Source: The Company, the audited consolidated financial statements of the Company

EPS	=	Basic earnings per share have been calculated in accordance with IAS 33, pursuant to which the net profit attributable to the equity holders of the parent is divided by weighted average number of ordinary shares outstanding during the period. Effect of the bonus issues and share splits is adjusted also for earlier periods, while the effect of a new share issues is adjusted only for the period when it takes place.
EBITDA	=	Earnings before interest expenses, profit taxes, depreciation and amortisation. EBITDA is included as a supplemental item, since the Management believes that EBITDA, when considered in conjunction with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not a measure of operating performance calculated in accordance with IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit/ loss or cash flow data determined in accordance with the IFRS. EBITDA has been calculated as a sum of operating profit, gain from disposal of investment into associates, share of profit of associates, share of profit of joint ventures and depreciation as defined in <b>Table 5</b> .
EBITDA margin	=	EBITDA / Sales. The EBITDA margin measures the relationship between EBITDA profitability and sales providing information about a company's profitability from the operations of its business and is independent of the company's financing and tax position as well as depreciation-related estimates.
Operating profit margin	=	Operating profit / Sales. The operating profit margin measures the relationship between operating profitability and sales providing information about a company's profitability from the operations of its business and is independent of both a company's financing and tax position.
Return on equity (ROE)	=	Net profit / Total equity. Return on equity excludes debt in the denominator and compares net income with total shareholders' equity. It measures the rate of return on shareholders' investment and is, therefore, useful in comparing the profitability of a company with its competitors.
Equity ratio	=	Equity / Total assets. Equity ratio is a measure of financial leverage which highlights the ratio of shareholders' equity to total assets. The analysis of the Company's financial leverage (or capital structure) is essential to evaluate its long-term risk and return prospects.

Depreciation and amortization, which are used in the EBITDA calculation, reflect depreciation and amortization of non-current assets and amortization of subsidies. In addition, they include depreciation and amortization, which have been capitalised into value of biological assets, raw materials and other inventories during the previous year. When biological assets or inventories are sold, all their costs are attributed to the cost of sales though part of the costs is related to depreciation. The inclusion of capitalised depreciation assures that all depreciation expenses are accounted for. However, the consolidated cash flow statements of the Group do not include capitalised depreciation expenses.



**Table 5. Depreciation and amortization calculation for EBITDA purposes**

Item	2006/2007	2007/2008	2008/2009
<b>Depreciation and amortization of assets</b>			
Intangibles	369	65	33
Property, plant and equipment			
Cost of sales	4,488	4,830	6,699
Biological assets (previous year)	758	998	1,059
Operating expenses	1,084	898	872
Raw materials and other inventories (previous year)	475	696	639
Other operating expenses	45	67	119
Investment property	116	116	116
<b>Total</b>	<b>7,335</b>	<b>7,670</b>	<b>9,537</b>
<b>Amortization of subsidies</b>			
Cost of sales	(1,875)	(1,084)	(1,321)
Biological assets (previous year)	(316)	(852)	(720)
Operating expenses	(914)	(405)	(104)
<b>Total</b>	<b>(3,105)</b>	<b>(2,341)</b>	<b>(2,145)</b>
<b>Depreciation and amortization for EBITDA</b>	<b>4,230</b>	<b>5,329</b>	<b>7,392</b>

Source: The Company, the audited consolidated financial statements of the Company

## Information on the Company

### History and Development

#### General Information

The Group is an integrated agribusiness company producing and marketing agricultural products, feedstuffs and other agriculture related supplies. Founded in 1991, the Group is a leading Baltic exporter of grains and food industry coproducts, and a leading Lithuanian supplier of agricultural inputs such as certified seeds, fertilizers and agricultural machinery in Lithuania. Major part of sales is performed through its Danish subsidiary Rosenkrantz A/S, which fortifies the international reputation of the Group placing it in line with top European players. The Group is also one of the biggest producers of grain and milk in Lithuania. In addition, it has an extensive grain elevator and road-railway-sea logistics network to support its operations.

The Group is managed by AB Linas Agro Group, a holding company which directly and indirectly owns a number of subsidiaries in Lithuania, Latvia and Denmark. In addition, it has non-controlling equity investments made in several other companies.

#### Registration Data

The main registration information about the Company is given below:

<b>Legal (business) name of the Company</b>	AB Linas Agro Group
<b>Legal form</b>	Public limited liability company (in Lithuanian: <i>akcinė bendrovė</i> or abbreviation <i>AB</i> )
<b>Country of registration</b>	Republic of Lithuania
<b>Registration authority</b>	The Company is registered and the data on the Company is kept with the Register of Legal Persons
<b>Legislation under which the Company operates</b>	The laws of the Republic of Lithuania (the Civil Code, the Law on Companies and other laws and secondary legislation of the Republic of Lithuania pertaining to the Company's operations)
<b>Legal person (registration) code</b>	148030011



<b>Date of incorporation</b>	27 November 1995
<b>Length of life of the Company</b>	Indefinite
<b>Domicile</b>	Smėlynės 2C, LT-35143 Panevėžys, Lithuania
<b>Contact details</b>	Tel. +370 45 507 303 Fax +370 45 507 304 E-mail: group@linasagro.lt

The Company was incorporated as a private limited liability company (in Lithuanian: *uždaroji akcinė bendrovė* or abbreviation *UAB*) under the name of UAB Agriveta. On 12 September 2008, after restructuring of the Group, the Company's legal form was changed from the private limited liability company to the public limited liability company (in Lithuanian: *AB*) and the name of the Company was changed from UAB Agriveta to AB Linas Agro Group.

## History

The origins of the Group date back to 8 July 1991, when UAB Linas ir Viza (the current name AB Linas Agro), a Lithuanian private limited liability company, was founded by several Lithuanian individuals lead by Darius Zubas (Darius Zubas remains deeply involved in the development of the business and currently is the Chairman of the Management Board and the Chief Executive Officer of the Company). In its early years, UAB Linas ir Viza was engaged in the international marketing of agricultural goods, primarily of rapeseed. Being the oldest member of the Group, this entity is currently a fully-owned subsidiary of the Company.

In 1993, the Group introduced agricultural contracting agreements to Baltic farmers to secure supply of grains and rapeseed, which later evolved into the Agriculture Growing Programme. The Programme was intended to deepen the relationships with farmers by giving them advice on how to improve yields of their crops as well as enlarge the Group's business portfolio with agricultural inputs such as certified seeds, fertilizers, agricultural machinery and similar.

The Group's entrance into the agricultural supplies business was marked by the acquisition of 50% stake in UAB Dotnuvos projektai during 1998. The initial business model of UAB Dotnuvos projektai was built around reselling of agricultural machinery and products may by other manufacturers to Lithuanian farmers but in 2001 the company launched a seed preparation factory and started marketing of its own certified seeds.

In 2002, the Group continued expanding its presence in the agriculture value chain by adding distribution of plant protection products and microelemental fertilisers via another Joint Venture, UAB Kustodija. In the same year, the Group built its first modern grain elevator and started grain handling and storage services. UAB Linas Agro Grūdų centras KŪB (to be translated as Linas Agro Grain centre) was established to run this business.

The Group's entrance into the agriculture production business in 2003 was another important milestone continuing a vertical integration process. During this year the Group acquired several Lithuanian farms engaged in milk production and grain, rapeseed and sugar beet growing. With this investment, the Group was seeking better understand of its main partners and farmers and was equally exploring additional business opportunities.

The Group slightly expanded its products and services portfolio by introducing distribution of livestock feed through grain elevators in 2005.

In 2006, the Group started international marketing of solid biofuels. During the same year the legal form and the name of UAB Linas ir Viza was changed to AB Linas Agro. The new name was considered to represent the spirit and the activities of the Group in a better way.

The Group continued strengthening its presence in the supply chain of rapeseed in 2007, when UAB Mestilla, the largest rapeseed crushing and biodiesel production plant in the Baltics, with the capacity of approx. 100,000 tonnes, was built in Klaipėda, Lithuania. Shareholders of UAB Mestilla are the Selling Shareholder and Statoil New Energy AS. The Group signed an exclusive long-term contract with the biodiesel plant for supplying of rapeseed and rapeseed oil and for marketing of rapecake and glycerol.

On 14 March 2007 AB Linas Agro sold 90 % of UAB Linas Agro Veterinarijos Centras shares for LTL 12,926 thousand. Later the Group sold its shareholding in associate ŽŪB Žvirbloniai for LTL 1,150 thousand. Gain from disposal of the investment into the said associate amounted to LTL 785 thousand.



In 2008, the Group acquired a grain elevator in Šiauliai currently being the largest elevator owned by the Group. This acquisition increased the owned grain storage capacity by 43,000 tonnes, i.e. to 125,800 tonnes. In the same year, the Company underwent reorganisation when its legal form and name were changed from UAB Agriveta to AB Linas Agro Group. In September 2008 all shares in AB Linas Agro were formally contributed to the share capital of the Company. Finally, in 2008 the Group acquired 60% of shares in Rosenkrantz A/S, its long-term trading partner. Since then Rosenkrantz A/S is the main sales hub of the Group to Western Europe and North Africa.

## Investments

### General Information

The information in this section presents the overview of the investments made in non-current assets (intangible assets, property, plant and equipment, investment property and financial assets) during the financial years 2006/2007 through 2008/2009 and of the projected investments for the years 2009/2010 through 2011/2012. In addition, the section includes investments into shares of the Subsidiaries for 2006/2007 through 2008/2009. Investments of the Group include investments made by the Company and its Subsidiaries but exclude investments made by its Joint Ventures and Associates.

The projected investments for 2009/2010 through 2010/2011 are provided for general understanding only and do not represent firm commitments of the Group. A substantial number of these investments are contingent on the Group's ability to negotiate beneficial terms of purchase agreements, obtain necessary regulatory approvals and secure bank financing.

### Intangible Assets, Property, Plant and Equipment

A breakdown of the historical investments of the Group into intangible assets as well as in property, plant and equipment is provided in the table below:

**Table 6. Acquisitions of intangible assets, and property, plant and equipment by the Group (LTL in thousand) <sup>1</sup>**

Item	2006/2007	2007/2008	2008/2009
Intangible assets	22	67	34
Property, plant and equipment	7,066	13,209	22,783
Land	1,256	1,202	1,467
Buildings and structures	83	2,018	15,478
Machinery and equipment	3,346	5,019	2,233
Vehicles	252	1,214	835
Other tangible assets	321	778	971
Construction in progress	1,808	2,978	1,799
<b>Total</b>	<b>7,088</b>	<b>13,276</b>	<b>22,817</b>

<sup>1</sup> Excluding acquisitions related to acquisitions by the Subsidiaries;

Source: the audited consolidated financial statements of the Company

During 2006/2007, 2007/2008 and 2008/2009 the Group acquired 348 ha, 258 ha and 275 ha of agricultural land in order to expand its presence in the farming business and to reduce dependence on external parties. The investment valued at LTL 4.0 million have been mainly financed by bank loans.

In 2007/2008, the Group purchased a building in Vilnius for LTL 1.8 million for its future office in Vilnius (currently the Group rents an office in Vilnius). The acquired building requires renovation, such renovation being in the design stage now. In the following year the Group has made the LTL 14.0 million acquisition of Šiauliai elevator to strengthen its grain sourcing position in Northern Lithuania. The majority of investments into buildings and structures have been funded by bank loans.

Capital expenditures into machinery and equipment have been basically made for upgrading agricultural machinery in farms. Such investments comprised LTL 3.3 million, LTL 5.0 million, and LTL 2.1 million in 2006/2007, 2007/2008 and 2008/2009 respectively. The Group's commitment to these capital outlays has been aimed at increasing farm production output and reducing production costs. 67% of investments have been financed by bank loans and finance lease agreements, while the rest 33% - by internally generated cash.





Construction in progress mostly comprises constructions of cattle and manure houses which are not yet completed. Construction works are usually financed by a mix of internal funds and bank loans.

As at 30 June 2009 the Group was committed to purchase property, plant and equipment for the total amount of LTL 0.4 million. The most material item of LTL 0.3 million included in this amount was related to manure tank construction project in Sidabravo ŽŪB financed from the EU funds. In accordance with the agreement with National Paying Agency the construction stage of the project is postponed until May of 2010.

A number of assets acquired by the Group were co-financed by the EU funds. The Group received LTL 894 thousand, 795 thousand and 1,442 thousand of such funds in 2006/2007, 2007/2008 and 2008/2009 respectively. The majority of these funds have been related to purchase of machinery and equipment.

## Investment Property

The investment property of the Group mostly consists of land and buildings leased out under operating lease, which generate lease income. Some investment property is leased out outside the Group.

**Table 7. Acquisitions of investment property by the Group (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
Land for agricultural activities	2,009	3,933	681
Land for commercial development	6,734	4,794	-
<b>Total</b>	<b>8,742</b>	<b>8,728</b>	<b>681</b>
Including additions resulting from acquisitions of Subsidiaries	5,209	-	-

Source: the audited consolidated financial statements of the Company, the Company

Landvestas, the land holding companies of the Group, acquired 495 ha, 758 ha and 152 ha of agricultural land in 2006/2007, 2007/2008 and 2008/2009 respectively.

UAB Sinrena, UAB Consonus and UAB Invisco invested LTL 6.8 million in 2006/2007 and LTL 4.8 million in 2007/2008 into land to be used for commercial development projects. However, these Subsidiaries were sold in 2008/2009, when the Group took a strategic decision to stop its involvement in the real estate development.

In 2006/2007 through 2008/2009 purchases of investment property were mostly financed by bank loans.

## Financial Assets

In 2008/2009 the Group acquired 13.38% shares in ZAT UkrAgro NPK, the Ukrainian manufacturer of NPK fertilizers, for LTL 5,545 thousand.

## Investments into Shares of Subsidiaries

The table below summarizes share acquisitions by the Group during the periods 2006/2007 and 2008/2009:

**Table 8. Acquisitions of shares in Subsidiaries**

Financial year	Acquisition	Purchase consideration (LTL in thousand)	Comments
2006/2007	80% shares of ŽŪB Landvesta 1	82	Acquisition
	80% shares of ŽŪB Landvesta 2	91	Acquisition
	80% shares of ŽŪB Landvesta 3	91	Acquisition
	70% shares of UAB Consonus	70	Acquisition
	70% shares of UAB Sinrena	70	Acquisition
	5.13% shares of Sidabravo ŽŪB	27	Acquisition from minority shareholders
	21.34% shares of Lukšių ŽŪB	654	Acquisition from minority shareholders
	0.78% shares of Aukštadvario ŽŪB	4	Acquisition from minority shareholders
<b>Total</b>		<b>1,089</b>	



Financial year	Acquisition	Purchase consideration (LTL in thousand)	Comments
2007/2008	25.15% shares of Linas Agro Grūdų centras KŪB	3,565	Acquisition from minority shareholders
	5.06% shares of Lukšių ŽŪB	157	Acquisition from minority shareholders
	0.68% shares of Aukštadvario ŽŪB	2	Acquisition from minority shareholders
	<b>Total</b>	<b>3,724</b>	
2008/2009	20% shares of ŽŪB Landvesta 1	629	Acquisition from minority shareholders
	20% shares of ŽŪB Landvesta 2	629	Acquisition from minority shareholders
	20% shares of ŽŪB Landvesta 3	629	Acquisition from minority shareholders
	2.47% shares of Lukšių ŽŪB	82	Acquisition from minority shareholders
	2.13% shares of Aukštadvario ŽŪB	10	Acquisition from minority shareholders
	2.20% shares of Medelkių ŽŪB	5	Acquisition from minority shareholders
	60% shares of Rosenkrantz A/S	9,000	Acquisition from Akola ApS
	<b>Total</b>	<b>10,984</b>	

Source: the audited consolidated financial statements of the Company

The Group's historical acquisitions of the company shares have been financed from the internal resources.

The Group was not only an active acquirer of businesses but established some companies as well. ŽŪB Landvesta 4 was founded in 2006/2007 followed by the founding of ŽŪB Landvesta 5 and ŽŪB Landvesta 6 in 2007/2008.

In July 2008 AB Linas Agro has signed a shareholders' agreement with the members of ŽŪK Kupiškio grūdai. The aggregate percentage held by the members entering into the agreement was 63.63%. Taking into account that according to the provisions of the said agreement AB Linas Agro obtained control over operations and financial decisions of ŽŪK Kupiškio grūdai and was given the rights to appoint the chairman and the majority of the board members of ŽŪK Kupiškio grūdai, the said company was consolidated into the Group as of 1 July 2008.

In September 2008 the Company increased its share capital from LTL 150 thousand up to LTL 41 million by issuing 20,425,000 new shares of the Company with the nominal value of LTL 2 each. Part of the shares (2,779,503 shares) was issued for the issue price of LTL 2 per share and was acquired and paid up by the Selling Shareholder in cash. The remaining part of the shares (17,645,497 of shares) was issued for the issue price of around LTL 8.91 per share and was acquired and paid up by Darius Zubas, Vytautas Šidlauskas, Dainius Pilkauskas and Arūnas Zubas by contributing 100% of the shares in AB Linas Agro (i.e. 3,500 shares in AB Linas Agro with the nominal value of LTL 2 thousand per share). The total value of the contribution was equal to LTL 157.2 million. Due to the difference in the nominal value and the issue value of such shares, following such increase the share premium has been accounted in the Company.

## Projected Investments

The Management plans further development of the Group, which should result in growing business volumes and profits. Growing business volumes will require a LTL 40 million increase in working capital. Part of this increase will be allocated for the expansion of the product range and the base of Group's suppliers.

Volume growth is hardly feasible without the adequate investments into business infrastructure. Due to this reason the Group plans significant funds for its new acquisitions and developments of existing assets.

During the years 2009/2010 and 2011/2012 the Group plans to spend up to LTL 70 million for the construction of new elevators and extension of the existing elevator storage capacities in Lithuania and Latvia. Additional elevator infrastructure is needed to accommodate increasing participation in the Agriculture Growing Programme and consequently growing volumes of grains and oilseeds provided by farmers.

The Group plans to spend up to LTL 40 million for development of its farming activities, which are intended to provide extra volumes of crops for the Grains and Oilseeds segment and would purchase significant quantities of agricultural inputs sold by other companies of the Group. In addition, own farming sites are important as demo fields for neighbouring farmers in terms of possible achievements in crop yields and milk production, which result from right growing technologies and quality agricultural inputs.



Furthermore, the Group plans to spend up to LTL 40 million for acquisitions of similar businesses to its current activities and increases of current shareholdings.

Investment plans are dependent on the Group's ability to negotiate beneficial terms of the acquisition contracts and receive subsidies for the construction of elevators. The Group will also make replacements and small improvements of its existing assets, which would be close to current levels of depreciation.

Future investments will be financed by the proceeds of the Offering, earned profits and bank loans. Usually working capital and elevator construction can be co-financed by bank loans up to 50%. In addition, elevator construction may receive approximately 20% subsidy in Lithuania and 40% subsidy in Latvia. Farming activities can be co-financed by bank loans up to 30% of the acquisition value. The exact use of financial leverage will depend on the timing of the acquisitions and bank policies towards lending.

## Business Overview

### Principal Markets

*The Overview of the principal markets deals with the main aspects of the Group's business environment, which the Company reckons significant in connection to its present and future operations. Statistical data and other factual statements concerning the market situation and the agricultural sector discussed in this part of the Prospectus, including those relating to actual economic, fiscal, competitive and legal matters, have been taken from sources considered appropriate by the Group.*

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

### Market Overview

#### Global Industry Trends

Although sales of agricultural production are implemented through a sales desk in Denmark, the worldwide prices of agricultural production are relevant for the Group, as the final customers of the Group are international clients. Therefore, further is provided an overview of global trends in the agricultural sector.

#### Prices of crops

The prices of main grains, which remained rather stable in the preceding decade, started growing in the 2005/2006 harvest season. The significant increase in crop prices during the period 2005 - 2008 was mainly the result of adverse weather conditions in major grain-producing regions of the world and low global grain stocks. In addition, the growing prices of crops have been to a great extent related to the expansion of biofuels as bioenergy sector has been the main source of new demand for grain over the past decades. Finally, financial investors played a major role driving up prices of agricultural commodities as a reaction of demand-supply disbalances.

Prices of the main cereals during the period 2005 – 2008 are provided in the table below.

**Table 9.** Average prices of the selected crops during the period 2005-2008 (in USD)

Item	2005	2006	2007	2008
Wheat	117	146	194	304
Barley	108	127	158	216
Rapeseed	255	245	339	451

Source: FAPRI

Prompted by exceptionally high prices of cereals and supported by favourable growing conditions farmers around the world delivered the record wheat and other grain harvest in 2008. Importantly, the growth in output enabled grain inventories to be replenished to the levels that calmed down and restored confidence on the markets and led to price decreases. As to the prices, they have also been affected by the economic downturn. Although the direct food



consumption of grains is generally resilient to falling household incomes, demand for grains from other sectors is much more exposed to macroeconomic turbulences.

However, during the medium-term, and long-term the growth prospects in the global grain trade are firm. Grain prices are forecasted to be affected by long-term trends determined by the supply and demand factors. On the supply side, only the limited growth is expected and is mainly attributable to productivity gains rather than new areas of land brought into cultivation. Meanwhile, both extensive and intensive growth is expected on the demand side and is forecasted to stem from the ever-growing world population and the changing diets. The sector of biofuels is going to underpin the strong demand for crops. As a result, the forces of supply are anticipated to outweigh the demand side and lead to increases in grain prices. Both leading organisations providing forecasts of agricultural production prices (the FAO and the FAPRI) reckon the average prices of grain in the coming decade to remain substantially higher than the average levels observed during the past 10 years.

The forecasted price levels on the grain market may also be characterized by higher volatility as compared to the past periods, because the demand side is becoming less sensitive to changes of the farm gate prices of agricultural production mainly due to the falling share of raw material costs in the final food bill. In addition, cereal stocks are not anticipated to be replenished to the substantial levels in the coming decade thus resulting in sudden price increases. Unfavourable weather conditions due to climate changes and speculations on the market may increase the price volatility of the agricultural production.

Price projections of the selected agricultural production for the period 2009 - 2019 are provided in the table below.

**Table 10. The projections of the selected agricultural production prices during the periods 2009/2010 to 2018/2019 (USD per tonne)**

Item	2009 /2010	2010 /2011	2011 /2012	2012 /2013	2013 /2014	2014 /2015	2015 /2016	2016 /2017	2017 /2018	2018 /2019
<b>Wheat</b>										
U.S. FOB Gulf	225	224	231	235	241	247	251	252	253	253
% change (y-o-y)		(0.4%)	3.1%	1.9%	2.6%	2.4%	1.4%	0.4%	0.4%	0.3%
<b>Barley</b>										
Canada Feed	162	164	170	175	179	184	186	188	189	191
% change (y-o-y)		1.4%	3.5%	3.1%	2.3%	2.5%	1.2%	0.9%	0.7%	1.1%
<b>Rapeseed</b>										
CIF Hamburg	420	460	466	466	473	475	477	479	476	475
% change (y-o-y)		9.6%	1.3%	0.0%	1.6%	0.3%	0.3%	0.5%	(0.6%)	(0.2%)

Source: FAPRI

According to the FAPRI, during the period 2009 – 2019 the compound annual growth rates of wheat, barley and rapeseed prices are forecasted to stand at 1.3%, 1.9% and 1.4% respectively.

### **World cereal production, consumption and trade**

#### *Global grain market*

Over the past decade the supply/demand balance of the global grain market has remained tight. The consumption of grain has been steadily increasing whereas the production and the level of stocks do not follow the same pattern as the production of grain fluctuates greatly from year to year. Meanwhile, the consumption was steadily increasing at a rate of 2.1% per annum in the last five years. Particularly, greater food and feed use in parts of Far East Asia is increasing imports there. In the future the world grain consumption is forecasted to increase even higher largely due to greater use of grain in the industry of biofuels.

According to early estimates, the harvest of 2009 is reported to be the second season in a row, when farmers around the world delivered an exceptionally high grain harvest, which was mainly stimulated by favourable weather conditions. The level of global grain production in 2009/2010 is estimated to exceed 2,100 million tonnes. However, due to the global economic downturn the levels of trade and grain consumption are forecasted to shrink during the 2009/2010 season. Therefore, the growth in output should enable grain inventories to be replenished to higher levels than those observed in the past few years.



The US, the EU and Australia are set to govern the global wheat supplies in the coming years though according to the FAO, by the end of the forthcoming decade, countries of the CIS (starting with Ukraine) are anticipated to become the prevailing source of grain (first of all wheat) exports. In the meantime, developing countries will continue to fuel global demand for grains in order to feed fast growing local populations. The main consumers of grain are expected be the countries located in South and East Asia, as well as some African countries such as Egypt and Nigeria.

**Table 11. Data on production, consumption and trade of the selected agricultural production (tonne in millions)**

Item	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009E
<b>Grain</b>						
Trade	240	241	253	259	268	267
Production	1,858	2,043	2,017	2,005	2,113	2,165
Consumption	1,948	1,994	2,031	2,051	2,110	2,162
<b>Wheat</b>						
Trade	104	113	113	115	111	117
Production	554	626	621	592	606	656
Consumption	589	607	624	615	620	642
<b>Barley</b>						
Trade	15	17	17	14	15	18
Production	143	153	137	138	134	142
Consumption	147	142	141	146	139	140
<b>Rapeseed</b>						
Trade	5	5	7	7	8	N/A <sup>1</sup>
Production	39	46	49	47	48	N/A <sup>1</sup>
Consumption	39	44	47	48	49	N/A <sup>1</sup>

<sup>1</sup> Not available as of the date of preparation of the Prospectus.  
Source: USDA

#### *Wheat*

According to the estimates of USDA, the harvest season of 2008/2009 has been reported to be the first during the preceding four-year period during when the global wheat production exceeded the level of the global wheat consumption. The global wheat production is estimated to have reached the record heights of 656 million tonnes in 2008/2009 whereas the global consumption is estimated to have surged to 642 million tonnes, which is almost 22 million tonnes above the 2007/2008 level. Despite such larger production, the global stocks will remain at historic lows (only 2007/2008 has seen lower stocks in the past 28 years) while the global trade has climbed to a record of 117 million tonnes.

As regards other grains, the 2009 harvest season has been favourable and has enabled to produce more than 650 million tonnes of wheat globally. Such harvest combined with the declining trade and consumption affected by the global recession is forecasted to result in higher levels of stocks.

#### *Barley*

Fuelled by the growing consumption and sharp increase in the production, the international trade in barley has been growing substantially during 2008/2009. Australian, Ukrainian, and the EU-27 exporters have contributed mostly to the growing trade on the side of exports whereas the strong import demand has been mainly concentrated in Asia and North Africa. The demand for barley rises together with the growing demand for meat, which accordingly raises the demand for feeds. In addition, the increasing demand in bioenergy sector for barley substitutes, such as corn and sorghum, also has an effect on the barley price and demand.

#### *Global rapeseed market*

In three years the production of rapeseed rose from 39 million in 2004 to 48 million tonnes in 2007, which translates into an annual average growth rate of 7%. In 2008, the world rapeseed trade was estimated to increase by 45% as compared to the trade in 2004. Rapeseed is used for rapeseed oil, for cattle, swine and poultry feed, and for production of biodiesel. The substantially increased demand for rapeseed and rapeseed oil from biodiesel producers over the past five years resulted in growing interest of the world agricultural producers in manufacturing of this oil-bearing crop. As a



result, the demand for rapeseed has risen greatly. Many EU countries are willing to buy rapeseed because of the increased capacity in biodiesel production.

#### *Global animal feed market*

The Group trades in oilseed meal, sugar beet pulp and rapeseed cake, which all are by-products of processing the corresponding cereals and are used extensively in animal feeds. Strongly influenced by the demand for meat and meat products, the worldwide animal feed market is expected to reach US\$15.4 billion by 2010. The EU livestock sector consumes about 394 million tonnes of feed each year of which 122 million tonnes are the manufactured compound feed. Within this, feed for cattle/calves, pigs and poultry account for 27%, 36% and 29% of the total manufactured feed output respectively.

Europe, Asia and North America are the leading consumers of animal feed while pork is the largest type of meat produced followed by poultry. The increased demand for meat around the world over the past decades has helped to fuel a large increase in the demand for high quality feedstuffs for these livestock sectors. An important point to stress is that disease outbreaks such as avian flu, mad cow disease or foot-and-mouth disease have little impact on the global demand dynamics since consumption does not cease but shifts from one species to another. As a result, consumption of feedstuffs remains stable and grows at a stable pace.

Meat consumption in the world during the period 2004 – 2009 is provided in the table below.

**Table 12. Meat consumption in the world during the period 2004 – 2009 (tonne in thousand)**

Item	2004	2005	2006	2007	2008	2009F
Beef and veal, carcass weight	55,244	56,204	57,368	58,308	57,769	57,038
Pork, carcass weight	91,860	94,189	95,920	94,549	98,269	100,171
Broiler & turkey, ready to cook weight	63,780	67,172	68,894	72,935	75,570	76,227
<b>Total</b>	<b>210,884</b>	<b>217,565</b>	<b>222,182</b>	<b>225,792</b>	<b>231,608</b>	<b>233,436</b>

Source: the USDA

## **Sourcing Markets of the Group**

### **Lithuania**

#### *Agricultural sector overview*

Output of the agricultural sector accounted for 6.9% of the Lithuania's GDP in 2008. Utilised agricultural area in 2008 amounted to 2,672 thousand hectares, including 1,859 thousand hectares classified as arable land. As compared to the rest of the EU, arable land comprises a bigger share in the total area of Lithuania (28.5% in Lithuania vs. 24.4% in the whole EU), which is mainly the result of Lithuania's flat landscape. In addition to that, Lithuania has deep agricultural traditions and the majority of industries in the country are based on processing of agricultural products.

According to Eurostat, the agriculture sector's output (at current prices) in Lithuania amounted to EUR 2,225 million in 2008 comprising 0.6% of the EU-27 aggregate agricultural output. The output of the agriculture sector has grown by 61% since Lithuania's accession to the EU in 2004 or growing by 12.6% annually during the period 2004-2008. However, the agricultural output per hectare of the utilised agricultural area still lags way behind the EU-wide level of EUR 2,085 (data for 2008). The corresponding figure for Lithuania was EUR 833 or 60% lower.

Historically the agricultural production in Lithuania has been largely based on livestock farming, the latter comprising more than half of the gross agricultural output in the 1990s. However, the common pattern showing livestock prevailing in the structure of agriculture has been gradually changing. According to the data available for 2008 crops constitute 56.5% of the total output of agriculture in Lithuania and thus holding a dominant position in the breakdown of income by sector.



**Table 13. Main information on the sector of agriculture in Lithuania and comparative data on the EU-27 (2008)**

Country	Lithuania	EU-27
Country's area (ha in thousand)	6,530	432,526
Utilised agricultural area (ha in thousand)	2,672	181,094
<i>as % of country's area</i>	40.9%	41.9%
Arable land (ha in thousand)	1,859	105,536
<i>as % of country's area</i>	28.5%	24.4%
Output of the sector of agriculture – Estimate (EUR in millions)	2,225	377,527
<i>as % of country's GDP</i>	6.9%	3.1%
Output of the sector of agriculture per hectare of utilised agricultural area	833	2,085

Source: the Lithuanian Statistics Department, Eurostat

### **Crop area**

The total crop area amounted to 1,748 thousand hectares in Lithuania in 2008. The total crop area has not changed much since 2005 and remains close to 1,750 thousand hectares during the four year period from 2005 to 2008. Grains have been dominating in the structure of crops in Lithuania with their share slightly increasing from 54.6% in 2005 up to 58.5% in 2008. Wheat has been the most popular single crop in Lithuania, there being 403.5 thousand hectares sown in wheat in 2008. Areas sown in rapeseed more than doubled during the six-year period from 2003 to 2008 and amounted to 161.6 thousand hectares in 2008. Due to the increased demand and favourable price developments the area of rapeseed was growing at a rate of 27.2% annually during the period 2003-2007.

A sharp growth of the rapeseed crop area has been mainly influenced by substantial support to this sector. In addition to usual direct payments for the crop areas, material payments have been granted by the European Commission for rapeseed grown for energy purposes. As a result, more than two thirds of rapeseed crops have been declared for biofuel production in the recent years.

The sector of biofuels is the main driver of the increasing crop areas (mainly of rapeseed and wheat) in Lithuania. According to the commitments to the EU, Lithuania is obliged to increase the consumption of renewable energy resources to 12% until 2010. Biofuels should account for 5.75% of the total fuels by 2010. As a result, the total annual production capacity of biofuel producers increased approximately by 18 times to 305 thousand tonnes during the period 2004-2008. Currently, there are four companies producing biodiesel (Rapsoila, Mestilla, Arvi, SV Obelių aliejus) and two companies producing bioethanol (Biofuture, Kurana) in Lithuania.

### **Crop production**

The production of grain was increasing in Lithuania with an average annual growth rate of 5.4% during the period 2003-2008 to total 3,422 thousand tonnes in 2008. The output of grain was growing steadily over the past six years except for the harvest season of 2006, when the production shrank by 34% as compared to 2005. The steep decrease in the output of grain during the harvest season of 2006 was mainly attributable to adverse weather conditions.

Wheat and barley outputs have been highest among grains comprising 50.4% and 28.3% of the total grain output respectively. Lithuania's climate is more favourable for growing winter grain, which accounts for more than half of the total production.

The production of rapeseed rose almost three-fold during the period 2003-2007 or by some 22.5% annually to amount to 330.2 thousand tonnes in 2008. Preliminary estimates of the harvest season of 2009 show that the growth of the rapeseed output is going to keep its pace and the volume of rapeseed to be harvested in 2009 is expected to exceed 400 thousand tonnes. The growth in rapeseed as well as other crop production is mainly linked to increasing grain crop areas and convergence to the EU average crop yields.

### **Crop yields**

Adverse climate conditions in 2006 diminished the crop yields substantially. However, the yields recovered reaching the pre-drop figures by 2007 and were growing by 11.3% and 14% for grain and rapeseed respectively in 2008. In case of favourable weather conditions, the yield growth is expected to fluctuate in the range of 5-10% per annum during the period of the coming five years, as the yields still lag way behind the levels of Western Europe.



**Table 14. Crop area, production and yields in Lithuania during the period 2003 - 2008**

Item	2003	2004	2005	2006	2007	2008
<b>Crop area (ha in thousand)</b>						
Grain	865	879	956	963	1,003	1,022
Wheat	337	355	370	344	355	404
Barley	308	293	349	383	381	333
Other	220	231	237	236	267	286
Rapeseed	67	101	109	151	174	161
Other	440	451	684	639	549	565
<b>Total crop area</b>	<b>1,371</b>	<b>1,431</b>	<b>1,750</b>	<b>1,753</b>	<b>1,727</b>	<b>1,748</b>
<b>Crop output (tonne in thousand)</b>						
Grain	2,632	2,859	2,811	1,858	3,017	3,422
Wheat	1,204	1,430	1,379	810	1,391	1,723
Barley	900	860	948	744	1,014	970
Rapeseed	120	205	201	170	312	330
<b>Crop yield (tonne per hectare)</b>						
Grain	3.04	3.25	2.94	1.93	3.01	3.35
Wheat	3.58	4.03	3.73	2.36	3.92	4.27
Barley	2.92	2.94	2.71	1.94	2.66	2.92
Rapeseed	1.79	2.03	1.84	1.12	1.79	2.04

Source: The Lithuanian Statistics Department, Eurostat

### Crop prices

Fluctuations in crop prices in Lithuania are completely determined by the corresponding crop price changes on the international market. However, there are some country specific factors determining the price deviations as compared to the international market. In general, Lithuanian wheat prices are lower approximately by 10 EUR/ton (or 34.5 LTL/ton) than in the EU markets. MATIF price, which is FOB prices of wheat futures, indicates market price of actual trades with a deviation of +/- 10 EUR/ton (or 34.5 LTL/ton). Year 2007 should be excluded from analysis, since MATIF prices have been inflated by financial investors and do not indicate prices of actual wheat trade.

**Table 15. Lithuanian wheat price comparison with MATIF one month wheat future contract price (average prices for September)**

Item	2004	2005	2006	2007	2008	2009
Wheat price in Lithuania (LTL)	366.9	334.0	470.0	742.8	605.5	352.0
MATIF price (LTL)	381.3	374.2	489.7	910.9	605.8	420.6
Price difference	14.4	40.2	19.7	168.1	0.3	68.6
Price difference in %	3.8%	10.7%	4.0%	18.5%	0.0%	16.3%

Source: The centre of Agricultural information and rural activities of Lithuania

The pattern of lower local prices as compared to the international levels is common to all major crops, including wheat and rapeseed.

**Table 16. Lithuanian rapeseed price comparison with MATIF one month wheat future contract price (average prices for September)**

Item	2004	2005	2006	2007	2008	2009
Rapeseed price in Lithuania (LTL)	653.8	622.5	812.3	946.7	1241.3	823.7
Rapeseed price MATIF (LTL)	761.4	787.2	895.8	1221.0	1292.2	894.7
Price difference	107.6	164.7	83.6	274.3	50.9	71.0
Price difference in %	14.1%	20.9%	9.3%	22.5%	3.9%	7.9%

Source: The centre of Agricultural information and rural activities of Lithuania

### International trade in grain

Exports of Lithuanian grain totalled LTL 1.1 billion in 2008. Meanwhile, the flow of grain imports remains insignificant and is mainly intended to compensate for local production in the years of unproductive harvest or is connected with





exports of grain through Lithuanian ports. As a result, Lithuania proved to be a net exporter of grain. In 2008 alone, Lithuania's grain net exports more than doubled as compared to the previous year, whereas during the five-year period from 2004 to 2008 increased the growth amounted to LTL 676.1 million in absolute terms and grew from LTL 182.5 million in 2004 to LTL 858.5 million in 2008, according to Lithuanian Department of Statistics.

According to Eurostat, grain consumption in Lithuania has decreased by 17.4% over the period of four years from 2.4 million tonnes in the 2003/2004 season to 2.0 million tonnes in the 2007/2008 season. Lithuania's grain output during the same time increased by 385.2 thousand tonnes, or by 14.6% from 2.6 million in 2003/2004 up to 3.0 million in 2007/2008. The decreased consumption and agricultural production facilitated by the increasing crop area, usage of agricultural inputs and new agricultural machinery resulted in the growth of Lithuania's grain export capacity and export volumes soaring by 87.4% during the period 2003-2008.

**Table 17. Lithuanian international trade in grain (LTL in thousand)**

Item	2004	2005	2006	2007	2008
Import	68,009	55,883	104,504	137,371	258,649
Export	250,487	415,100	314,361	531,859	1,117,197
Net export	182,478	359,217	209,857	394,488	858,548

Source: Eurostat

More than one quarter of Lithuanian grain was exported to Algeria and Saudi Arabia during the period of 2007-2008. The flows of exports to Latvia, which is the third Lithuanian grain exports market, are mainly related to re-exports of Lithuanian grain through Latvian ports. The main markets of Lithuanian grain exports do not vary significantly and remain rather stable from year to year.

**Table 18. Main destinations of Lithuanian grain exports in the period of 2007 – 2008 (as % from total export)**

Export	Share of total exports
Algeria	12.8%
Saudi Arabia	12.5%
Latvia	11.8%
Marocco	10.6%
Germany	8.2%
Poland	8.1%
Other	36.1%

Source: Department of Statistics of Lithuania

### **Wheat**

Based on the information provided by Eurostat, wheat production in Lithuania increased by 15.5% during the period 2004-2008 and amounted to 1.4 million tonnes. Domestic consumption shrank by 22.1% or by 181 thousand tonnes from 817.3 thousand tonnes in 2004 down to 636.3 thousand tonnes in 2008 and causing the net wheat exports soar by 249.9 thousand tonnes during the same period. A substantial drop in the production of wheat and the subsequent decrease in exports in 2007 were influenced by adverse weather conditions.

### **Barley**

During the reviewed period 2003-2008 the production of barley increased by 113.9 thousand tonnes to amount to 1.0 million in 2008. Domestic consumption in 2008 totalled to 0.7 million tonnes, a 21.6% decrease as compared to 2004. Due to the increasing output and the decreasing inland consumption of barley the net exports of grain more than tripled during the period 2003-2008.



**Table 19. Wheat, barley and rapeseed balances in Lithuania during the period 2003 – 2008 (tonne in thousand)**

Item	2003/2004*	2004/2005	2005/2006	2006/2007	2007/2008
<b>Wheat</b>					
Production	1,204	1,430	1,379	810	1,391
Consumption	817	920	464	731	636
Import	56	31	52	134	115
Export	591	473	980	186	900
Net export	535	442	928	52	785
Change in stock	(148)	68	(13)	27	(30)
Final stock	68	136	124	151	121
<b>Barley</b>					
Production	900	860	948	744	1,014
Consumption	911	720	672	566	714
Import	49	51	36	67	46
Export	131	213	249	280	334
Net export	82	162	213	213	288
Change in stock	(93)	(22)	64	(35)	12
Final stock	168	54	117	83	95
<b>Rapeseed</b>					
Production	120	205	201	170	312
Consumption	6	N/A	32	89	144
Import	0	1	2	13	11
Export	99	157	172	91	175
Net export	99	156	171	77	163
Change in stock	N/A	N/A	(1)	4	5
Final stock	N/A	9	7	11	16

\* - 2003/2004 represents the crop year starting 1 July 2003 and ending 30 June 2004

Source: Eurostat

### **Rapeseed**

Notwithstanding the fact that rapeseed consumption has been almost doubling each year during the reviewed period, Lithuania still remains a net exporter of rapeseed. However, the share of net exports in the total rapeseed production diminished from about 80% in 2003-2006 down to 45-53% in 2006-2008. There were no significant flows of imports of rapeseed during the period 2003-2008. In addition to this, due to the growing consumption and the strong demand for rapeseed on exports markets the crop stocks remained low during the said period. The growth of rapeseed production has been mainly fuelled by the established EU support whereas the surging domestic consumption has been facilitated by origination of rapeseed processing factories.

### **Storage facilities**

The majority of the grain storage facilities currently operating in Lithuania were built in the Soviet times. In addition, a great number of high capacity industrial storages are situated in low or average agricultural productivity areas and due to inefficiencies are no more operated after Lithuania regained its independence.

Based on the estimates of the Management of the Group, the total projected grain storage capacity of grain elevators in Lithuania currently amounts to 2.9 million tonnes: the capacity of 1.7 million tonnes is controlled by agricultural holdings, processors of agricultural production and independent operators, whereas the remaining capacities of 1.2 million tonnes are owned by farms and farmers. Only 2-3 times capacity annual turnover is achieved in Lithuanian elevators on average, as fully depreciated elevators dominate and the current equipment in most of the grain storage facilities cannot fully utilise the capacities available and very few companies have business models, which produce efficiency comparable to the Group.



**Table 20. The breakdown of grain storage capacities in Lithuania (tonne in thousand)**

Storage capacity	Capacity
Commercial entities	1,690
Agricultural holdings	880
Processors	524
Independent operators	286
Farms and farmers	1,185
<b>Total</b>	<b>2,875</b>

Source: the Company

According to the estimates of the Management of the Group, agricultural holdings, processors and independent operators control more than 50 grain elevators offering grain drying, cleaning and storage services across Lithuania. Largest grain elevators with a capacity of 50 thousand tonnes or more have 702 thousand tonnes aggregate grain storage capacity and comprise 42% of the total capacity owned by commercial entities.

**Table 21. Projected capacity distribution of grain storage facilities owned by commercial entities in Lithuania**

Storage capacity (tonne in thousand)	Total capacity (tonne in thousand)	Number
50 and more	702	8
30-50	412	11
15-30	431	21
Less than 15	146	16
<b>Total</b>	<b>1,690</b>	<b>56</b>

Source: the Company

Grain elevators, which have been newly constructed or renovated, are mainly located in high agricultural production areas. Such facilities report better energy efficiency, better temperature control, higher degree of automation, faster uploading and unloading speed and may therefore reach higher capacity turnover rates.

Recently, the grain storage facility sector has undergone a consolidation process. Currently, the ownership, especially in case of larger facilities, is concentrated in the hands of several larger agricultural holdings. The Group, Agrokoncernas and Litagra own more than 50% of the total agricultural holdings grain storage capacities whereas KG Group, Malsena plus and Amilina own approximately 50% of the total processors grain storage capacities.

#### **Subsidies to agriculture sector**

The support to the Lithuanian agriculture sector may be split into three main sources: the Rural Development Programme, the National Support Schemes and the support of the Direct Payments.

The current Rural Development Programme has been established for the period 2007-2013 and aims at encouraging diversification and competitiveness of the agriculture sector in Lithuania. The projects supported under this programme usually pursue increased effectiveness and farms' modernisation. The support granted by the Rural Development Programme to Lithuania for the period 2007–2013 totals EUR 2.3 bn. On average, 77.13% of the support is derived from the European Agricultural Fund for Rural Development (EAFRD). The remaining funds come from the Lithuanian budget.

**Table 22. Annual available funds from the Rural Development Programme 2007-2013 (EUR in millions)**

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

<sup>1</sup> based on the assumption of the average 77.18% financing from the EAFRD

Source: the National Paying Agency

The direct payments is another important form of support to Lithuanian farmers. The majority of such Direct Payments are allocated for crop areas. In addition to that, there are certain Direct Payments for farmers in the areas less suitable for farming and for farmers engaged in the energy crop production.



**Table 23. Annual sum of the Direct Payments in the period 2004-2008 (LTL in millions)**

Item	2004	2005	2006	2007	2008
Direct Payments to farmers	604	733	861	965	1,131

Source: the National Paying Agency

In order to increase the efficiency of agricultural holdings and to enable them to compete on the Lithuanian and foreign markets the Lithuanian government has established the National Support Schemes. The support allocated through the National Support Schemes has more than doubled in 2007 and totalled LTL 324.4 million. However, due to the shrinking budget of the state, the National Support has returned to the previous level and is forecasted to further shrink in 2009 either.

**Table 24. The support allocated through the National Support Schemes during the period of 2004-2008 (LTL in millions)**

Item	2004	2005	2006	2007	2008
The support allocated through national support schemes	116	132	148	324	138

Source: the National Paying Agency

### **Milk production quotas**

Milk producers in the EU countries are subject to a quota regulation in the milk production, which determines a national limit for the amount of milk each EU country is expected to produce. The national authorities allocate the milk quota between milk producers. If a producer exceeds its milk quota, no subsidies will be paid for milk volumes exceeding the quota of a producer.

At present, the EU seeks a flexible transition to the new subsidy policy before the milk quota system expires on 31 March 2015. It is expected that milk producers in Europe will be reoriented from quota based payments to other forms of subsidies, most likely direct payments to farmers.

The milk production quotas are classified into two types: the quota for processing and the quota for sales to direct consumers. Currently, the total national quota imposed onto Lithuania is 1.64 million tonnes. The quota for transfer for processing is 1.28 million tonnes and the quota for sales to direct consumers is 0.37 million tonnes.

According to the Management, Lithuania currently utilizes 85% of the quota allocated to the country. Therefore, reducing of the milk production quota is possible only when the milk producer does not reach 60-70% of the quota utilization ratio. Furthermore, the Lithuanian milk production quota is increased by 2% annually.

### **Sugar production quotas**

According to the EU regulations, each member state is entitled to the sugar production quota. Within a member state, the sugar production quotas are allocated by the national authorities to the sugar processing companies, which in turn allocate the sugar-beet purchasing quotas to farmers. The volume of sugar-beet determined by the quota system is purchased at a fixed price. Additional sugar-beet volumes above the quota limit may be sold by farmers based on separate agreement between the farmer and the sugar processor.

## **Latvia**

### **Agricultural sector overview**

Output of the agricultural sector accounted for 4.5% of Latvian GDP in 2008. Utilised agricultural area totalled 1,825.1 thousand hectares in 2008. Arable land accounted for 64% of this number (1,169.9 thousand hectares). Based on the statistical figures of Eurostat, the agriculture sector's output (at current prices) in Latvia amounted to EUR 1,050.3 million in 2008. The output of the agriculture sector grew by 55% during the period 2004-2008 or by 11.6% annually. The Latvian agricultural output per hectare of the utilised agricultural area is almost four-fold lower as compared to the EU-wide level and by 30% lower in comparison to the respective figures of Lithuania. Crops constitutes 48.2% of the total agricultural output in Latvia.



**Table 25. Main information on the sector of agriculture in Latvia and comparative data on the EU-27 (2008)**

Country	Latvia	EU-27
Country's area (ha in thousand)	6,459	432,526
Utilised agricultural area (ha in thousand)	1,825	181,094
as % of country's area	28.3%	41.9%
Arable land (ha in thousand)	1,170	105,536
as % of country's area	18.1%	24.4%
Output of the sector of agriculture – Estimate (EUR in millions)	1,050	377,527
as % of country's GDP	4.5%	3.1%
Output of the sector of agriculture per hectare of utilised agricultural area	575	2,085

Source: Eurostat

### Crop area

The crop area exceeds 1.1 million hectares in Latvia, growing moderately from the level just below 1 million hectares during the period 2003-2008. The growth has been mainly due to the increased areas of perennial grasses and grain crops. Grains have been the dominating crop in the breakdown of crops accounting for approximately half of the total crop areas, followed by perennial grasses and rapeseed.

Wheat is the prevailing crop in the segment of grains in Latvia. The area sown in wheat amounted to 256.6 thousand hectares in 2008, which is 86.7 thousand of hectares increase as compared to 2007. The increase represented a 10.9% average annual growth rate during the period 2004-2008. Despite some fluctuations the area sown in barley did not change much during the period 2004-2008 as there was an average growth rate below 1% recorded.

Rapeseeds were sown on 85.2 thousand hectares in 2008. The figure was by 14.5% lower as compared to 2007 but by 54.9% higher than in 2004, representing an average annual growth rate of 11.6%. The increase in rapeseed crop area is related to the direct payments granted for cultivated land, field crops and energy plants. Latvia is also obliged by EU Directive 2003/30/EK to increase the consumption of biofuel to 5.75% of the total fuel consumption by 2010. There was one company producing bioethanol and 5 companies producing biodiesel in 2007. Their aggregate production capacity amounted to 32.5 thousand tonnes. However, there are two high capacity plants under construction having the combined annual production capacity of ca. 100 thousand tonnes. It suggests the further demand for rapeseed crops and the increasing rapeseed agricultural output in the foreseeable future.

### Crop production

Grain output in Latvia was growing at 18.6% annually during the period 2004-2008. A sharp decrease in the grain output by 11.8% in 2006 was caused by adverse climate conditions in the region. However, crops of Latvian farmers were affected less in comparison to their Lithuanian peers, where the production shrunk by one third compared to the harvest of 2005. The grain crop production in 2007 not only returned to the previous level, but showed a material increase and amounted to 1.5 million tonnes. The increase by 16.8% as compared to 2005 and by 45% as compared to 2004 was reported. Latvia's climate conditions are more favourable for growing winter grain crops. The share of winter grain crops accounted for 54.9% of the total grain output in 2007 and was close to this level in 2008 as well. Wheat output was the highest among grains in 2008 and comprised 58.6% of the total grain output whereas barley accounted for 18.2%. The growth in the grain crop production is associated with the increasing grain crop areas and even more so with the crop yields convergence to the EU average. Latvia's rapeseed output almost doubled from 2004 to 2008 and amounted to 204.7 thousand tonnes in 2008. The increase of the rapeseed output can be explained by both the extensive growth of rapeseed crop areas and the intensive growth connected with the rising yields.



**Table 26. Crop area, production and yields in Latvia during the period 2003 - 2008**

Item	2004	2005	2006	2007	2008
<b>Crop area (ha in thousand)</b>					
Grain	437	469	512	522	544
Wheat	170	188	215	225	257
Barley	127	149	154	145	131
Other	140	133	143	152	156
Rapeseed	55	72	84	100	85
<b>Crop output (tonne in thousand)</b>					
Grain	1,060	1,314	1,159	1,535	1,689
Wheat	500	677	598	807	990
Barley	284	366	307	351	307
Rapeseed	105	146	122	212	205
<b>Crop yield (tonne per hectare)</b>					
Grain	2.43	2.80	2.26	2.94	3.10
Wheat	2.94	3.61	2.78	3.59	3.86
Barley	2.23	2.46	1.99	2.41	2.34
Rapeseed	1.90	2.03	1.45	2.13	2.40

Source: Eurostat

#### **Crop yields**

There is a significant difference when comparing Western European agricultural countries with the Latvian crop yields. Adverse climate conditions in 2006 diminished the crop yields to the record lows but in 2007 the yields recovered and reached the pre-drop figures.

The country wide yield of grain has increased on average by 6.4% during the period 2004-2008, whereas the yield of wheat alone was growing by 7% annually during the said period. The yield of rapeseed was increasing by 6% annually.

#### **Crop prices**

**Table 27. Latvian wheat price comparison with MATIF one month wheat future contract price (average September prices)**

Item	2005	2006	2007	2008	2009
Wheat price in Latvia (LTL)	346.8	412.5	743.7	571.6	369.8
MATIF price (LTL)	374.2	489.7	910.9	605.8	420.6
Price difference	27.4	77.2	167.2	34.2	50.8
Price difference in %	7.3%	15.8%	18.4%	5.6%	12.1%

Source: The centre of Agricultural information and rural activities of Lithuania

#### **International trade in grain**

Trade in agricultural goods accounted for 2.6% of Latvia's international trade in 2008. During seasons of 2003/2004-2007/2008 Latvia was steadily increasing production and consumption of grains. According to Eurostat, grain production and consumption during the said period of time increased by 602.8 thousand and 296.7 thousand tonnes and in 2007/2008 amounted to 1.5 million and 1.2 million tonnes, respectively. Such increase in the production relative to the consumption widened Latvia's net grain export capacity, which in 2007/2008 amounted to 277.1 thousand tonnes.



**Table 28. Grain balance in Latvia during the period 2003 – 2008 (tonne in thousand)**

Item	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Production	932.4	1,059.5	1,314.3	1,158.7	1,535.2
Consumption	884.4	989.5	957.2	1,005.4	1,181.1
Import	103.5	97.3	159.6	120.6	228.5
Export	184.5	175.0	502.6	298.5	505.6
Net export	81.0	77.7	343.0	177.9	277.1
Change in stock	(33.0)	(7.7)	14.1	(24.0)	77.0
Final stock	147.2	139.5	153.6	129.6	206.6

Source: Eurostat

Latvia has been a net exporter of grain over the past decade. The Latvian export of grain was steadily growing except for the unproductive 2006 and reached EUR 182.1 million in 2008. The net exports totalled EUR 121.8 Million in 2008.

**Table 29. Latvian international trade in grain (LTL in thousand)**

Item	2005	2006	2007	2008
Import	58,549	30,629	57,169	207,978
Export	174,938	136,409	225,601	628,781
Net export	116,389	105,780	168,433	420,803

Source: Latvian statistics

### Wheat

Based on the information of Eurostat, the domestic consumption of wheat during the period 2003-2008 rose by 193.9 thousand tonnes. However, wheat production volumes were growing much faster as the output of wheat increased by 338.9 thousand tonnes or by 72.%, from 468.4 thousand tonnes in 2003/2004 to 807.3 thousand tonnes in 2007/2008. As a result, Latvia's net export increased by 97.2 thousand tonnes and in 2007/2008 totalled 226.6 thousand tonnes.

### Barley

The production of barley in Latvia during seasons of 2003/2004-2007/2008 increased by 103.9 thousand tonnes and in 2007/2008 amounted to 350.5 thousand tonnes, according to Eurostat. The domestic consumption in 2007/2008 totalled 310.8 thousand tonnes, a 16.5% increase from 266.7 million metric tonnes consumed in 2003/2004. During the seasons 2003/2004-2007/2008 Latvia made a shift from being a net importer to becoming a net exporter of barley. The Latvian net exports of grain amounted to 24.8 thousand tonnes in 2007/2008.

**Table 30. Wheat, barley and rapeseed balances in Latvia during the period 2003 – 2008 (tonne in thousand)**

Item	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
<b>Wheat</b>					
Production	468	500	677	598	807
Consumption	386	393	384	449	580
Import	39	52	137	42	81
Export	169	140	419	196	308
Net export	129	88	283	154	227
Change in stock	(47)	20	10	(5)	1
Final stock	63	83	93	88	89
<b>Barley</b>					
Production	247	284	366	307	351
Consumption	267	303	289	284	311
Import	32	26	1	42	46
Export	3	18	72	73	71
Net export	(29)	(8)	71	31	25
Change in stock	9	(11)	6	(7)	15
Final stock	36	25	31	24	24

Source: Eurostat



### Storage facilities

Most of the grain storage facilities in Latvia were built during the Soviet era. Similar to Lithuania, a number of high capacity industrial storage facilities were located in low to average agricultural production areas and had a strategic importance for the Soviet economy. After Latvia's regaining its independence only few of them remain in use.

According to the Management estimates, currently the total theoretical capacity of grain storage facilities in Latvia amounts to one million tonnes, of which 0.6 million tonnes are under agricultural holdings, processors and independent operators; and 0.4 million tonnes are owned by farms and farmers.

### Support to the sector of agriculture

Since Latvia's accession to the EU, there has been general support granted to farmers as part of common area payments, supplementary state payments, less favourable area payments and agri-environment payments. The Rural Development Programme for 2007-2013 is aimed at increasing competitiveness, improving environment and land management, rural economy and education. The total public budget for the programme amounts to EUR 1.4 billion during the period of 2007-2013.

## Principal Activities

### General Overview

In recent years, the Group has experienced a rapid development resulting in the significant growth of its assets, revenues and profits. During the last financial year the Group has booked LTL 1,114 million revenues and LTL 32 million net profits. Together with its Subsidiaries, Joint Ventures and Associates it employs 730 employees located in three countries (as on 30 September 2009).

The Group's operations are classified into five reportable business segments: Grains and Oilseeds, Feedstuffs, Farming, Agricultural Inputs, and Other. Each of the segments is organized depending on the nature of products and business activities.

The table below illustrates contribution made by each segment to the overall result:

Table 31. Breakdown by segments

Item	Product group	2006/2007	2007/2008	2008/2009	CAGR '07-'09
Sales (LTL in thousand)	Grains and Oilseeds	197,432	476,096	662,145	83%
	Feedstuffs	382,592	329,983	349,382	(4%)
	Farming	22,849	32,644	37,056	27%
	Agricultural Inputs	52,326	73,314	58,176	5%
	Other	25,566	32,172	43,216	30%
	Intersegment eliminations	(19,394)	(37,203)	(36,094)	36%
<b>Total</b>		<b>661,371</b>	<b>907,006</b>	<b>1,113,880</b>	<b>30%</b>
Gross profit (LTL in thousand)	Grains and Oilseeds	8,600	17,679	33,513	97%
	Feedstuffs	15,780	30,628	18,395	8%
	Farming	6,869	11,978	5,368	(12%)
	Agricultural Inputs	5,279	7,560	3,817	(15%)
	Other	6,239	8,084	14,645	53%
	<b>Total</b>		<b>42,767</b>	<b>75,929</b>	<b>75,739</b>
Gross margin (%)	Grains and Oilseeds	4.4%	3.7%	5.1%	
	Feedstuffs	4.1%	9.3%	5.3%	
	Farming	30.1%	36.7%	14.5%	
	Agricultural Inputs	10.1%	10.3%	6.6%	
	Other	24.4%	25.1%	33.9%	
	<b>Total</b>		<b>6.5%</b>	<b>8.4%</b>	<b>6.8%</b>





Source: the Company

Intersegment eliminations indicate the value created in several segments. For example, when agricultural inputs are sold to the Farming segment, profits earned remain in the Agricultural Inputs segment. However, sales of the Agricultural Inputs within the Group are eliminated. Similarly, when products of the Farming are sold to the Grains and Oilseeds, intersegment sales are eliminated in the consolidated financial statements. In addition, some feedstuffs are supplied to the farming while elevator services (part of the Other) are provided to the Grains and Oilseeds. More detailed comments on the segments are provided below.

### Grains and Oilseeds

The Group is involved in origination, storing and international marketing of various grains and oilseeds. Grain products include wheat, barley, rye, maize, oat and some other grains. Oilseeds comprise rapeseeds and linseeds. The Grains and Oilseeds is the largest segment of the Group having generated LTL 662 million revenues and 868 thousand tonnes in 2008/2009. The Group links its sourcing markets with its customers by providing value-added services like grain and oilseed cleaning, drying, storage, transportation, and marketing. Main customers of the Grains and Oilseeds are flour mills, fodder producers, biodiesel makers and large grain trading companies. Products are mostly sold to Scandinavia and Lithuania as well as to the other European countries and North Africa.

The following table summarizes volume, revenue and gross profit split by key products:

**Table 32. Breakdown of the Grains and Oilseeds**

Item	Product group	2006/2007	2007/2008	2008/2009	CAGR '07-'09
<b>Volume (tonnes)</b>	Wheat	110,507	266,085	372,816	
	Rapeseed	66,387	105,007	161,344	
	Barley	68,198	108,676	112,129	
	Maize	29,228	29,683	178,881	
	Linseed	12,634	10,918	18,907	
	Other grains and oilseeds	13,581	43,955	24,409	
	<b>Total</b>		<b>300,535</b>	<b>564,324</b>	<b>868,486</b>
<b>Sales (LTL in thousand)</b>	Wheat	63,282	223,271	247,882	
	Rapeseed	58,871	114,973	200,519	
	Barley	32,915	69,064	78,008	
	Maize	21,292	20,917	92,801	
	Linseed	10,639	13,425	23,166	
	Other grains and oilseeds	10,433	34,445	19,768	
	<b>Total</b>		<b>197,432</b>	<b>476,096</b>	<b>662,145</b>
<b>Gross profit (LTL in thousand)</b>	Wheat	5,072	4,864	13,949	
	Rapeseed	259	12,554	17,287	
	Barley	1,845	(7,936)	2,074	
	Maize	556	1,329	4,188	
	Linseed	233	3,386	(4,743)	
	Other grains and oilseeds	635	3,482	758	
	<b>Total</b>		<b>8,600</b>	<b>17,679</b>	<b>33,513</b>
<b>Gross margin (%)</b>	Wheat	8.0%	2.2%	5.6%	
	Rapeseed	0.4%	10.9%	8.6%	
	Barley	5.6%	(11.5%)	2.7%	
	Maize	2.6%	6.4%	4.5%	
	Linseed	2.2%	25.2%	(20.5%)	
	Other grains and oilseeds	6.1%	10.1%	3.8%	
	<b>Total</b>		<b>4.4%</b>	<b>3.7%</b>	<b>5.1%</b>

Source: the Company

In recent years, the Grains and Oilseed segment has demonstrated a significant growth. Revenues advanced at 83% CAGR and gross profits at 97% CAGR. The success should be attributed to several factors such as experience in the



agriculture business, relationships with farmers, investments into elevator infrastructure, and skilful sales team. In addition, 2008/2009 was a year of a good harvest. The margins of wheat and barley were negatively influenced by falling prices in 2007/2008 (which declined significantly from the purchase moment to the sales date). The margin improvements in rapeseeds resulted from increasing scale of this business. Profitability of linseed fluctuates due to nature of contracts: the Group sources linseed at fixed price for a season and sells for a spot price. Other grains and oilseeds were more profitable in 2007/2008 due to successful rye sales resulting from favorable market conditions.

Over the years, the margins of individual grains and oilseeds have had a tendency to fluctuate due to various factors such as changes in the price direction or weather conditions or any unexpected twists in the demand and supply or turbulences in the competition. Please refer the section *Risk Factors*, page 17, for more details. As a result of changes in the price direction or competition, an exceptionally good year is frequently followed by a mediocre year or vice versa. However, the margins of individual grains and oilseeds frequently offset each other and the overall margin remains relatively stable oscillating in 3.5-5.5% range. The extent of the margins also depends on the extent of the services performed internally. Through the expansion of its elevator capacities the Group succeeded to strengthen its margin in 2008/2009. The sustainability of profits largely stems that sourcing markets of the Group are net exporters and prices on these markets are lower on the global markets. More comprehensive explanation can be found in Section *Sourcing Markets of the Group*, page 36.

Grains and oilseeds are originated from 4 sources: own production, purchases through the Agriculture Growing Programme, independent farmers and other industrial sellers. Majority of grains and oil seeds are sourced through the special Agriculture Growing Programme, which provides farmers with pre-financed agricultural inputs like certified seeds, fertilizers, plant protection products and similar. Agronomists employed by the Group regularly advise the Programme's members by inviting them into workshops or through the frequent field visits. Pre-financing and close relationships with farmers create a competitive advantage for securing harvests of the farmers. The number of the Agriculture Growing Programme participants in 2008/2009 has reached 1,324 growing from 821 in 2007/2008. Total aggregate contracted area in 2008/2009 has been 99,571 hectares in Lithuania and 11,000 hectares in Latvia, which favourably compares with 71,771 ha and 7,170 ha in 2007/2008.

Rapeseed business is largely driven by relationships with UAB Mestilla, the largest rapeseed crushing and biodiesel plant in the Baltic States (its production capacity is 100 thousand tonnes of biodiesel, which requires 200 thousand tonnes of rapeseed). An exclusive long-term contract between UAB Mestilla and the Group entitles the Group to supply rapeseed and rapeseed oil and to take biodiesel co-products such as rapeseed cake for further marketing. Biodiesel is sold through the Norwegian partner Statoil New Energy AS.

The Group's main competitors in Lithuania are other agricultural holdings such as: Agrokoncernas, Litagra, Agrochema and Šiaurės Vilkas. In Latvia, the Group shares market with Kesko Agro, Agrokoncernas, BTC and Kemira. Besides, the Group is indirectly competing with other large purchasers of grain, i.e. local mills and fodder producers. However, these consumers are at a disadvantage as compared to agricultural holdings because they do not maintain close ties with farmers as the integrated agricultural companies do. In addition, flour and fodder producers have a constant demand (400 thousand tonnes of grain per annum in Lithuanian and 350 thousand tonnes in Latvia) and cannot promise to buy the entire crop from farmers during the years of good harvest.

### **Feedstuffs**

The Feedstuffs segment represents international sourcing and marketing of food industry co-products like sunflower seed cake, sunflower seed extraction, sugar beet pulp pellets, rapeseed cake and similar products. In addition, the segment includes other feedstuff related products like soybean, soy meal and vegetable oil. The Group purchases and transports various food industry co-products and buffers them into exportable batches. The CIS countries are the primary sourcing markets of these products. The Group deals with the Belarusian, Ukrainian and Russian markets where more than 18 years of the agricultural sourcing experience has created a competitive edge in accessing and serving their largest producers. The sourcing activities are backed by a sophisticated logistics system, which allows flexible small-size pickups from suppliers and timely midsize and large shipments to consumers from numerous seaports. The Feedstuffs is the second largest segment of the Group having booked LTL 349 million revenues and 413 thousand tonnes in 2008/2009. The main customers of the Feedstuffs are fodder producers, livestock raisers, and salmon breeders. Products are mostly sold to Scandinavia but are also exported to North Africa, the Baltic States and some other countries.

The following table sets forth volume, revenue and gross profit split by key products:



**Table 33. Breakdown of the Feedstuffs**

Item	Product group	2006/2007	2007/2008	2008/2009	CAGR '07-'09
<b>Volume (tonnes)</b>	Sunflower seed cake and extraction	219,643	153,754	141,811	
	Sugar beet pulp pellets	167,547	114,935	36,181	
	Soybean and soymeal	68,107	59,103	84,492	
	Vegetable oil	66,828	25,448	45,581	
	Rapeseed	4,045	49,106	88,336	
	Fishmeal	7,983	-	-	
	Other feedstuffs	4,925	18,445	16,287	
	<b>Total</b>	<b>539,078</b>	<b>420,791</b>	<b>412,688</b>	<b>(13%)</b>
<b>Sales (LTL in thousand)</b>	Sunflower seed cake and extraction	89,576	107,507	95,293	
	Sugar beet pulp pellets	79,769	84,057	18,816	
	Soybean and soymeal	47,239	67,382	114,655	
	Vegetable oil	135,764	51,609	94,623	
	Rapeseed	4,257	11,360	20,864	
	Fishmeal	22,049	-	-	
	Other feedstuffs	3,939	8,069	5,131	
	<b>Total</b>	<b>382,592</b>	<b>329,983</b>	<b>349,382</b>	<b>(4%)</b>
<b>Gross profit (LTL in thousand)</b>	Sunflower seed cake and extraction	5,470	5,078	13,525	
	Sugar beet pulp pellets	4,940	17,767	(2,436)	
	Soybean and soymeal	1,396	4,607	8,478	
	Vegetable oil	1,941	1,628	(3,217)	
	Rapeseed	281	950	1,853	
	Fishmeal	1,574	-	-	
	Other feedstuffs	178	599	192	
	<b>Total</b>	<b>15,780</b>	<b>30,628</b>	<b>18,395</b>	<b>8%</b>
<b>Gross margin (%)</b>	Sunflower seed cake and extraction	6.1%	4.7%	14.2%	
	Sugar beet pulp pellets	6.2%	21.1%	(12.9%)	
	Soybean and soymeal	3.0%	6.8%	7.4%	
	Vegetable oil	1.4%	3.2%	(3.4%)	
	Rapeseed	6.6%	8.4%	8.9%	
	Fishmeal	7.1%	-	-	
	Other feedstuffs	4.5%	7.4%	3.7%	
	<b>Total</b>	<b>4.1%</b>	<b>9.3%</b>	<b>5.3%</b>	

Source: the Company

The Group demonstrated a significantly increasing gross profit in the Feedstuffs in 2007/2008 and a healthy gross profit in 2008/2009 while revenues were decreasing slightly. Some items such as soybean, soymeal and rapeseed were showing a stable growth in revenues and profits whereas a number of individual products were demonstrating ups and downs. The biggest impact on the profits comes from sugar beet pulp pellets, where, contrary to the absolute majority of the products, the Group has been committed to fixed purchasing and floating sales prices. Raising prices produced a phenomenal profit in 2007/2008 while the following year was very disappointing due to the falling prices. Sunflower seed products have declined in sales but grown in profits since the Group tries to tilt its sales from less profitable seed extraction products to seed cake products. The Group took a strategic decision to stop selling the fishmeal product in 2006/2007, since it considered this product too risky due to possible issues related to the product quality. During this year sales of fishmeal were LTL 22,049 thousand. Volumes and sales of vegetable oil declined significantly in 2007/2008 due to the start up of UAB Mestilla. The partnership contract with Statoil New Energy AS required direct purchase of vegetable oil by UAB Mestilla where the Group receives a commission for sourcing activities. Currently the Group is developing additional sourcing markets but it takes time. Vegetable oil margin was significantly affected in 2008/2009 by a LTL 5,274 thousand provision for onerous contracts.



Competition in this segment depends on the product. The Group most often competes with Feedimpex and A.C. Toepfer, a member of Archer Daniels Midland Company, and biodiesel producers such as WJ, Agerona, Tegra Baltic, DanStore, and Inerco.

Since some feedstuff products might sound unfamiliar, their brief description is provided below in order to give a better understanding of the nature of these products:

- Sunflower seed cake and seed extraction are co-products in the sunflower oilseed industry. Seed cake and seed extraction are coproducts of sunflower oil production, which result from two different production processes: cold oil pressing and oil extraction with the help of chemical materials. Sunflower seed cake and sunflower seed extraction are both rich sources of proteins, especially rumen, which is non-degradable protein and has high concentrations of methionine and lysine. Therefore, both products are widely used as cattle and swine feed components.
- Sugar beet pulp pellets are a solid residue after extracting sugar from sugar beets and is a co-product in the sugar production industry. The wet pulp left after the extraction of sugar is pressed to remove the excess water thereby raising the dry matter content, which makes the transportation and storage of sugar beet pulp easier. The nutrition value of sugar beet pulp can be compared to that of corn. Dried beet pulp pellets are mostly fed to dairy cattle, for which it is very suitable, as the crude fibre content of sugar beet pulp is well digested by cattle.
- Soymeal is derived from soybeans after extraction of oil. Soymeal is one of the most valuable sources of vegetable protein. The amino-acid composition of soymeal is comparable to that of milk protein. For this reason, soymeal is widely used as a feedstuff for livestock.
- Rapecake is co-produced with rapeseed oil in the process of rapeseed crushing. Nowadays biofuel production is the main sector generating substantial amounts of rapecake. Due to specific rapecake characteristics, which increase digestibility of proteins, it is mainly used as a protein-enrichment element of cattle feed.

## Farming

The Group owns four farms in high productivity areas of Lithuania providing part of the supplies to the Grains and Oilseeds segment. The Farming covers milk production and growing of grain, rapeseed and sugar beet. Farms also produce different types of fodder, which is mainly used to feed own cattle. In addition, involvement into farming activities helps to accumulate additional expertise, which can be shared with farmers participating in the Agriculture Growing Programme.

The following table illustrates key products of the Farming segment.

**Table 34. Breakdown of the Farming segment**

Item	Product group	2006/2007	2007/2008	2008/2009	CAGR '07-'09
<b>Volume (tonnes)</b>	Grains and oilseeds (farming)	16,331	23,823	34,671	
	Milk	8,101	8,625	9,047	
	Cattle	542	517	516	
	Sugar beet	3,095	3,663	5,098	
	<b>Total</b>	<b>28,069</b>	<b>36,628</b>	<b>49,332</b>	<b>33%</b>
<b>Sales (LTL in thousand)</b>	Grains and oilseeds (farming)	8,986	15,849	20,366	
	Milk	7,721	10,007	8,423	
	Cattle	1,486	1,562	1,525	
	Sugar beet	240	342	713	
	Subsidies	4,415	4,884	6,029	
	<b>Total</b>	<b>22,849</b>	<b>32,644</b>	<b>37,056</b>	<b>27%</b>
<b>Gross profit (LTL in thousand)</b>	Grains and oilseeds (farming)	1,534	6,737	3,379	
	Milk	2,268	1,740	(1,272)	
	Cattle	(1,307)	(1,429)	(2,769)	
	Sugar beet	(41)	46	0	
	Subsidies	4,415	4,884	6,029	
	<b>Total</b>	<b>6,869</b>	<b>11,978</b>	<b>5,368</b>	<b>(12%)</b>



Item	Product group	2006/2007	2007/2008	2008/2009	CAGR '07-'09
<b>Gross margin (%)</b>	Grains and oilseeds (farming)	17.1%	42.5%	16.6%	
	Milk	29.4%	17.4%	(15.1%)	
	Cattle	(88.0%)	(91.5%)	(181.6%)	
	Sugar beet	(17.2%)	13.4%	0.0%	
	Subsidies	100.0%	100.0%	100.0%	
	<b>Total</b>	<b>30.1%</b>	<b>36.7%</b>	<b>14.5%</b>	

Source: the Company

The gross margin went down in 2008/2009 due to unusually low prices of grains and milk, which resulted in lower profits and negative changes in the value of biological assets. Cattle results should be viewed together with the milk production since cattle is a co-product of the milk business (old milking cows and bulls are sold for meat). Nevertheless, the Farming segment is consistently showing higher margins as compared to other segments and driving a lot of additional businesses such as supply of agricultural inputs and feedstuffs, export of grains and usage of elevators. The Farming profitability is also largely depending on subsidies, it being highly unlikely that the subsidy levels might decrease in future. The majority of subsidies come from the European Union defining long-term and very stable support programs.

Grains and oilseeds produced in own farms are mostly sold to the Grains and Oilseeds segment or fed to own cattle. Milk is sold to milk processors while sugar beet is sold to sugar makers. These products are sold in Lithuania.

The total production of the farms is summarized in the tables below:

**Table 35. Production of the Farming segment (tonnes)**

Item	2006/2007	2007/2008	2008/2009	GAGR '07-'09
<b>Grains and rapeseed</b>	<b>23,040</b>	<b>33,791</b>	<b>43,138</b>	<b>37%</b>
Wheat	7,718	10,713	13,784	
Rapeseed	2,560	4,548	7,006	
Barley	7,157	7,011	9,622	
Rye	258	1,271	2,059	
Triticale	2,267	3,538	6,105	
Corn	3,080	6,710	4,562	
<b>Milk</b>	<b>8,958</b>	<b>9,386</b>	<b>9,923</b>	<b>5%</b>
Cattle	543	517	519	
Sugar beet	2,335	3,663	5,098	
<b>Fodder related products</b>	<b>39,582</b>	<b>33,938</b>	<b>42,711</b>	<b>4%</b>
Feed mass from grass and corn	18,466	10,871	19,042	
Silage	9,634	13,766	14,900	
Haylage and hay	8,886	6,284	6,976	
Pasture feed	2,596	3,017	1,793	
<b>Other products</b>	<b>539</b>	<b>548</b>	<b>685</b>	<b>13%</b>

Source: the Company



**Table 36. Production breakdown by farms in 2008/2009 (tonnes)**

Item	Aukštadvario ŽŪB	Lukšių ŽŪB	Medeikių ŽŪB	Sidabravo ŽŪB	Total
<b>Grains and rapeseed</b>	<b>10,492</b>	<b>14,139</b>	<b>8,525</b>	<b>9,982</b>	<b>43,138</b>
Wheat	-	7,055	2,877	3,852	13,784
Rapeseed	1,381	1,699	1,301	2,625	7,006
Barley	1,656	3,839	1,998	2,129	9,622
Rye	982	-	1,077	-	2,059
Triticale	2,354	1,546	1,272	933	6,105
Corn	4,119	-	-	443	4,562
<b>Milk</b>	<b>1,953</b>	<b>5,919</b>	<b>-</b>	<b>2,051</b>	<b>9,923</b>
Cattle	128	257	-	134	519
Sugar beet	5,098	-	-	-	5,098
<b>Fodder related products</b>	<b>-</b>	<b>36,450</b>	<b>-</b>	<b>6,261</b>	<b>42,711</b>
Feed mass from grass and corn	-	19,042	-	-	19,042
Silage	-	10,337	-	4,563	14,900
Haylage and hay	-	5,278	-	1,698	6,976
Pasture feed	-	1,793	-	-	1,793
<b>Other products</b>	<b>-</b>	<b>446</b>	<b>239</b>	<b>-</b>	<b>685</b>

Source: the Company

Over the past three years there have been no significant changes in the agricultural assets employed. Land in use varied by less than 1% while the number of milking cows decreased from 1,443 to 1,381 during the year 2008/2009. Therefore, the significant growth in the production output should be attributed to the following two factors: favourable weather conditions and productivity increase. The latter confirms the importance of the accumulated expertise and importance of the quality agricultural supplies.

The table below sets forth production assets of farms:

**Table 37. Production assets of farms in 2008/2009**

Item	Aukštadvario ŽŪB	Lukšių ŽŪB	Medeikių ŽŪB	Sidabravo ŽŪB	Total
<b>Land in use (hectares)</b>	<b>1,951</b>	<b>3,367</b>	<b>1,950</b>	<b>2,630</b>	<b>9,898</b>
Own	51	6	2	191	250
Rented from Landvestas	629	192	609	553	1,983
Rented from external parties	1,394	3,169	1,339	1,886	7,788
Rented to external parties	(123)	-	-	-	(123)
<b>Indices of milk production</b>					
Number of milking cows	316	715	-	350	1,381
Number of heifers and bulls	521	799	-	529	1,849
Milk sales quota (tonnes)	2,337	6,579	-	2,164	11,080

Source: the Company

### Agricultural Inputs

The segment supplies vital inputs such as certified seeds, fertilizers, plant protection products and agricultural machinery to farmers. In addition, it consults the affiliated farmers of the newest agricultural trends and growing techniques. By sharing its resources and know-how the Group helps farmers to achieve higher yields and secures access to their harvests.

Agricultural inputs are sold to farmers through the Subsidiaries and the Joint Ventures of the Group. The supplies provided by the Subsidiaries are reported in the Agricultural Inputs segment while the supplies provided by two Joint Ventures, i.e. UAB Dotnuvos projektai and UAB Kustodija, are not reported in the segment because these companies are accounted using the equity method (the Group owns 50% stake in both companies).

The table below lists volume, revenue and gross profit split of the Agricultural Inputs segment (i.e. the results of the Subsidiaries) by key product groups:



**Table 38. Breakdown of the Agricultural Inputs**

Item	Product group	2006/2007	2007/2008	2008/2009	CAGR '07-'09
<b>Sales (LTL in thousand)</b>	Certified seeds	2,021	1,401	1,559	
	Fertilizers	39,939	59,508	46,069	
	Plant protection products	10,365	12,405	10,548	
	<b>Total</b>	<b>52,326</b>	<b>73,314</b>	<b>58,176</b>	<b>5%</b>
<b>Gross profit (LTL in thousand)</b>	Certified seeds	1,330	140	143	
	Fertilizers	2,654	5,681	2,246	
	Plant protection products	1,295	1,739	1,429	
	<b>Total</b>	<b>5,279</b>	<b>7,560</b>	<b>3,817</b>	<b>(15%)</b>
<b>Gross margin (%)</b>	Certified seeds	65.8%	10.0%	9.2%	
	Fertilizers	6.6%	9.5%	4.9%	
	Plant protection products	12.5%	14.0%	13.5%	
	<b>Total</b>	<b>10.1%</b>	<b>10.3%</b>	<b>6.6%</b>	

Source: the Company

The gross profit of certified seeds was distorted in 2006/2007 by service revenues related to the certified seed business (these revenues carry no cost of goods).

The growth in the volume, sales and gross profit of agricultural inputs was interrupted in 2008/2009 due to the general economic downturn and low crop prices. However, the growth of the Agricultural Inputs is expected to recover along with the economic recovery and the price correction of agricultural product prices.

Since UAB Dotnuvos projektai and UAB Kustodija are the major sellers of the agricultural inputs with the Group acting as their sales channel, a short overview of these firms is provided further.

UAB Dotnuvos projektai was the first company to enter the certified seed market in Lithuania in 1996. Certified seeds are very important to farmers since yields may be increased by 10-20% using these seeds. As a pioneer in the market UAB Dotnuvos projektai had the first mover advantage to establish business relationships with the leading international players like DLF Trifolium, Saaten Union, DSV, Lembke, Monsanto, SW Seed and others. In addition, the top management and the founders of UAB Dotnuvos projektai were alumni of the Lithuanian Institute of Agriculture who brought invaluable expertise from their former employer. The Management estimates that UAB Dotnuvos projektai currently holds 60% of the Lithuanian seed distribution market and is an unquestionable market leader in the country. The market is exposed to limited competition and is virtually shared with another big player, Kemira Grow How, a member of DLA Group since 2008.

Furthermore, UAB Dotnuvos projektai is one of the three leading vendors of agricultural machinery in Lithuania and, according to the Management's estimates, holds 18% market share. The company represents such well-known international brands as Case IH, Kverneland Group, Bogballe and others. The main competitors on the market of agricultural machinery are Dojus, an official dealer of John Deere, and Kesko Agro Lietuva, a distributor of Class. Maintenance and repair services are provided by UAB Dotnuvos agroservisas, in which UAB Dotnuvos projektai holds a 99.95% stake. According to the Management, service business has an enormous potential to grow since in Western Europe 50% of revenues are derived from the sale of machinery and the remaining 50% come from maintenance and repair services while current mix in Lithuania is 90% and 10%.

The leading market positions in seed and agricultural machinery distribution are backed up by efficient sales organization. The sales network of UAB Dotnuvos projektai includes a central office and a warehouse in Dotnuva, and also additional six sales outlets to cover high productivity farming areas of Lithuania.

UAB Dotnuvos projektai also holds a leading position in Lithuania in the elevator and silo construction business. The company usually acts as a general contractor for these projects providing technical design, equipment supply and overall project supervision services. As a rule, construction services are usually outsourced. The main source of revenues is the supply of equipment, which is purchased from such long-term partners as Cimbrja, Symaga and Bin.

The following table provides volume, revenue and gross profit split of UAB Dotnuvos projektai by product groups.



**Table 39. Breakdown by product group of UAB Dotnuvos projektai**

Item	Product group	2006/2007	2007/2008	2008/2009	CAGR '07-'09
<b>Volume</b>	Certified seeds (tonnes)	11,176	14,714	12,355	
	Agricultural machinery (units)	972	1,073	781	
	Elevator construction (projects)	12	25	27	
<b>Sales (LTL in thousand)</b>	Certified seeds	27,531	37,214	30,947	
	Agricultural machinery	59,191	71,749	69,741	
	Elevator construction	24,150	28,806	40,754	
	Other	5,809	7,090	5,405	
	<b>Total</b>	<b>116,682</b>	<b>144,859</b>	<b>146,846</b>	<b>12%</b>
<b>Gross profit (LTL in thousand)</b>	Certified seeds	n/a <sup>1</sup>	8,252	8,249	
	Agricultural machinery	n/a <sup>1</sup>	11,444	8,799	
	Elevator construction	n/a <sup>1</sup>	4,012	7,246	
	Other	n/a <sup>1</sup>	1,150	1,428	
	<b>Total</b>	<b>17,588</b>	<b>24,859</b>	<b>25,722</b>	<b>21%</b>
<b>Gross margin (%)</b>	Certified seeds	n/a <sup>1</sup>	22.2%	26.7%	
	Agricultural machinery	n/a <sup>1</sup>	16.0%	12.6%	
	Elevator construction	n/a <sup>1</sup>	13.9%	17.8%	
	Other	n/a <sup>1</sup>	16.2%	26.4%	
	<b>Total</b>	<b>15.1%</b>	<b>17.2%</b>	<b>17.5%</b>	

<sup>1</sup> The gross margin for product groups in 2006/2007 is not provided because UAB Dotnuvos projektai was implementing new accounting software in this year, and during the implementation process not all the costs were attributed to the product groups. Consequently, it is impossible to determine the margin with accuracy.

Source: the Company

The year 2008/2009 was especially successful for the elevator and silo construction business. The company succeeded to complete 27 projects, to increase sales by 41% and to improve the margin by 3.9% at the same time. Selling of certified seeds and agricultural machinery however was not so smooth because these product groups were affected by the lower demand from farmers caused by the general economic downturn and low expectations of the future grain prices. Regardless such unfavourable economic environment UAB Dotnuvos projektai succeeded to increase its total sales and to improve the overall gross profit. Some less important products and services provided by the company fall under the category of the Other, which includes sales of used machinery, machinery supplies and other activities. UAB Dotnuvos projektai is relatively independent from the Group with its sales to the Group comprising only a small part of it's the total revenues (LTL 4,088 thousand or 2.8% in 2008/2009).

Another Joint Venture of the Group, UAB Kustodija, specializes in distribution of plant protection products, microelemental fertilisers and some other niche products. The company has business relationships with reputable international vendors like Intermag, Syngenta, Nufarm, BASF, Bayer Cropscience and others. According to the Management's estimates, UAB Kustodija holds a 15% market share in this business segment. The main competitors are Litagros Prekyba, Kemira Grow How and Agrokoncernas. Sales are executed from the office in Šiauliai with the sales managers being assigned for each administrative region of Lithuania. The company has 2 warehouses in Šiauliai and Šakiai.

The table below illustrates volume, revenue and gross profit split of UAB Kustodija by product groups:

**Table 40. Breakdown by product group of UAB Kustodija**

Item	Product group	2006/2007	2007/2008	2008/2009	CAGR '07-'09
<b>Sales (LTL in thousands)</b>	Plant protection products	25,210	32,500	25,687	
	Microelemental fertilizers	4,596	8,445	3,353	
	Niche products	560	1,353	2,197	
	Services	-	237	261	
	<b>Total</b>	<b>30,366</b>	<b>42,535</b>	<b>31,498</b>	<b>2%</b>
<b>Gross profit (LTL in thousands)</b>	Plant protection products	2,033	4,059	2,099	
	Microelemental fertilizers	998	980	1,003	
	Niche products	93	862	1,039	
	Services	-	237	261	





	<b>Total</b>	<b>3,124</b>	<b>6,138</b>	<b>4,402</b>	<b>19%</b>
<b>Gross margin (%)</b>	Plant protection products	8.1%	12.5%	8.2%	
	Microelemental fertilizers	21.7%	11.6%	29.9%	
	Niche products	16.6%	63.7%	47.3%	
	Services	-	100.0%	100.0%	
	<b>Total</b>	<b>10.3%</b>	<b>14.4%</b>	<b>14.0%</b>	

Source: the Company

Similar to agricultural machinery, revenues of plant protection products and fertilizers declined in 2008/2009 due to low crop prices. The profit margins of microelemental fertilizers and niche products are much higher as compared to plant protection products because UAB Kustodija has exclusive distribution rights for many fertilizer and niche products whereas identical plant protection products are offered by several distributors. The margin spike of plant protection products in 2007/2008 may be explained by the shortage of some specific products on the market. UAB Kustodija has succeeded to ensure supply of these products when others could not. The Group is an important distributor for UAB Kustodija's products. Sales to the Group have been LTL 9,161 thousand (or 29.1% of total revenues) in 2008/2009.

### Other

The Other segment comprises the activities, which cannot be grouped under the preceding four core segments, and includes solid biofuel, elevator services and other products and services non attributed to any of the core segments. The year 2006/2007 also included veterinary business which was abandoned in the same year.

The table below summarizes the Other segment:

**Table 41. Breakdown of the Other segment**

Item	Product group	2006/2007	2007/2008	2008/2009	CAGR '07-'09
<b>Sales (LTL in thousand)</b>	Solid biofuel	771	8,692	16,876	
	Elevator services	9,805	22,436	21,978	
	Other products and services	14,990	1,045	4,362	
	<b>Total</b>	<b>25,566</b>	<b>32,172</b>	<b>43,216</b>	<b>30%</b>
<b>Gross profit (LTL in thousand)</b>	Solid biofuel	(519)	(1,024)	1,472	
	Elevator services	2,051	8,885	9,923	
	Other products and services	4,707	224	3,250	
	<b>Total</b>	<b>6,239</b>	<b>8,084</b>	<b>14,645</b>	<b>53%</b>
<b>Gross margin (%)</b>	Solid biofuel	(67.3%)	(11.8%)	8.7%	
	Elevator services	20.9%	39.6%	45.2%	
	Other products and services	31.4%	21.4%	74.5%	
	<b>Total</b>	<b>24.4%</b>	<b>25.1%</b>	<b>33.9%</b>	

Source: the Company

Elevator services are the top driver of profitability in the Other segment. In addition, elevators provide critical services to the Grains and Oilseeds segment by helping to source the necessary volumes of grains and oilseeds. Solid biofuels show better profitability due to the increasing business scale and the accumulated expertise. Other products and services in 2006/2007 include the veterinary business, which was abandoned in the same year.

## Commercial and Support Activities

### Commercial Operations

Commercial operations of the Group are concentrated in the hands of Rosenkrantz A/S and AB Linas Agro. Rosenkrantz A/S performs most of the international sales operations. It employs 2 commercial persons, who mostly deal with international brokers of agricultural products. In addition, Rosenkrantz A/S has 3 logistics persons, who execute sales orders and organize transportation. AB Linas Agro employs 30 contractors, who sign crop supply contracts with farmers and sell them agricultural inputs. In addition, the company has 4 commercial desks employing 8 persons. The first desk



is responsible for sourcing and marketing of soymeal and soybean. The second desk is in charge of oilseed and vegetable oil sourcing while the third one performs sourcing of sugar beet pulp from Belarus, Ukraine and Russia. Lastly, the fourth desk organizes sourcing of other feedstuffs from Ukraine, Moldova and Russia. Commercial people are assisted by 2 logistics persons. AB Linas Agro employs more commercial people because it deals directly with clients not brokers.

## Storage and Handling

The Group operates a network of owned and leased elevators in high agricultural productivity areas of Lithuania and Latvia with a special focus on locations of the Agricultural Growing Programme participants. In picking locations for elevators a particular attention is paid to road and railway infrastructure because convenient and high-throughput transportation makes a significant impact on the silos capacity utilization and the elevator turnover ratio. Elevators are the core assets of grain and oil seed business assuring necessary capacities during the harvest season, serving as the supply-demand buffers and allowing better quality management.

After acquiring the Šiauliai elevator in 2008/2009 the Group owns 5 elevators with 128,100 tonne storage capacity and leases additional 79,430 tonne storage space in 17 elevators in Lithuania, 6 elevators in Latvia and in 4 Baltic ports. All own elevators with an exception of the Šiauliai elevator are well maintained and do not require significant investments in the foreseeable future. The Šiauliai elevator is also expected to increase its turnover ratio significantly, since the elevator is located in high agricultural production area but it takes time to develop business by attracting new farmers.

The following tables provide key data on own and rented elevators of the Group:

**Table 42. Own grain elevators of the Group and their capacities**

Production facility	Built/acquired	Storing capacity (tonnes)	Turnover in 2008/2009 (tonnes)	Turnover ratio
Šiauliai elevator	2008	42,000	53,510	1.3
Kėdainiai elevator	2003	26,900	93,620	3.5
Vilkaviškis elevator	2003	23,600	94,920	4.0
Joniškis elevator	2002	24,600	90,430	3.7
Kupiškis elevator	1998	11,000	42,550	3.9
<b>Total</b>		<b>128,100</b>	<b>375,030</b>	

Source: the Company

**Table 43. Rented storage capacities of the Group**

Storage capacities	Number of locations	Storing capacity (tonnes)
Lithuanian elevators	17	28,380
Latvian elevators	6	7,550
Lithuanian and Latvian ports	4	43,500
<b>Total</b>	<b>27</b>	<b>79,430</b>

Source: the Company

In the operations of the Group, elevators are used not only as storage facilities but also as hubs for grain or rapeseed purchase and pre-processing. Elevators have high intake and outtake capacities allowing high-turnover ratios. Turnover ratios are the key drivers of the elevator profitability.

## Logistics

Logistics is a crucial success factor for the operations of the Group. AB Linas Agro and Rosenkrantz A/S are the main companies within the Group managing the logistics operations of the Group. In addition, some logistics tasks are delegated to Joint Venture UAB Jungtinė Ekspedicija, which is a freight forwarding company co-established by the Group and engaged in cargo shipments from to the Baltic Sea ports.

The logistics system of the Group includes the following main elements: storages facilities, mainland transportation and maritime transportation. Customary, suppliers are responsible for delivering harvest to an elevator. Agricultural



production from the Group companies or other suppliers is transported to storage facilities by road or railway transport. Elevators are the hubs where the logistics of the Group starts. As all elevators owned by the company have railway connections, railway transport is employed to carry the agricultural production from storage facilities to ports. Maritime transportation mode is usually employed to reach the ultimate consignee. The Group is outsourcing major part of the transportation services and is working with such well-known freight forwarding companies in the region as Dala Transports (railway), Rivita ir ko (railway), Arvi Fertis (railway), Transwide service (port) and Ventspils Grain Terminal (port), Steder Group (ports), Savane Shipping (ports), CopenShip (ports) and JMB Bjerrum (ports).

### Mainland logistics

Mainland logistics of the Group includes two main elements – storage facilities and mainland transportation. In the activities of the Group, mainland transportation is usually employed in the stage of operations when the agricultural production has to be carried from the supplier or the Group's storage facilities to the ultimate consignee or the port of shipment directly. The main sourcing markets of the Group, namely the Baltic and the CIS countries, have well established and connected railway networks enabling the agricultural production to be carried via railway. The elevators of the Group owned in Lithuania are all connected to the national railway network either.

Outside the Baltic States the Group does not own any logistic facilities. However, due to the long-term experience and contacts on the market the Group has established strong presence and partnership with both the agricultural production suppliers and freight forwarding companies. After the agricultural production is purchased the Group employs a freight forwarding company to arrange for transportation from the supplier to the port of shipment or to the ultimate consignee directly. In this case, carriage is usually made via railway as most of the suppliers have access to railway branches.

### Maritime transportation

Maritime transportation is an important part of the logistics chain of the Group as more than two thirds of the agricultural production of the Group is transported via this type of transportation. In addition, the main sales destinations of the Group are located in Southern Europe and North Africa, and maritime transportation is the most efficient means to reach the ultimate consignee. Rosenkrantz A/S and AB Linas Agro are the main companies of the Group coordinating the sea logistics.

Although the majority of maritime transportation takes place in the Baltic Sea and the Black Sea ports the Group operates from many other European ports as well. The Group has established a wide maritime transportation route network from to the Baltic States, and between the Black Sea, the Middle East and the Mediterranean, including North Africa, a robustly developing agricultural production market.

The Group companies achieved a total maritime transportation volume (or, in other words, the total port throughput) of 1.1 million tonnes in the financial year 2008/2009 or a 65% growth. The Baltic Sea ports remain strategically most important to the Group since throughput made by the Group companies through the ports of the Baltic Sea accounted for 73% of the total port throughput and reached 815 thousand tonnes in 2008/2009. Liepaja, Ventspils and Klaipėda are the main carriage ports with their combined share in the total port throughput being 70%. The throughput of the Black Sea ports rose from 31 thousand tonnes in 2007/2008 to 297 thousand tonnes in 2008/2009 amounting to 27% of the total port throughput used by the Group. The Group has been active in 6 ports in the Black Sea region.

As the majority of the total port throughput used by the Group is exports, a mainland-to-vessel direction is dominant in the maritime transportation. The movement of agricultural production through ports is presented in the table below.

**Table 44. The movement of agricultural production of the Group through ports**

Port	Country	Sea access	Throughput 2008/2009, in thousand tonnes
Baltic Sea ports			
Liepaja	Latvia	Baltic Sea	332.2
Ventspils	Latvia	Baltic Sea	223.3
Klaipėda	Lithuania	Baltic Sea	218.6
Riga	Latvia	Baltic Sea	22.6
Hamburg	Germany	Baltic Sea	7.0
Kaliningrad	Russia	Baltic Sea	6.8
Aarhus	Denmark	Baltic Sea	
Total			815.0



Port	Country	Sea access	Throughput 2008/2009, in thousand tonnes
<b>Black Sea ports</b>			
Reni	Ukraine	Black Sea	159.3
Constanza	Romania	Black Sea	66.0
Kherson	Ukraine	Black Sea	48.8
Ilyichevsk	Ukraine	Black Sea	12.0
Nikolayev	Ukraine	Black Sea	5.4
Azov	Russia	Black Sea	5.1
Total			296.6
<b>Danube river ports</b>			
Novi Sad	Serbia	Baltic Sea/Black Sea	2.1
<b>Total throughput</b>			<b>1,113.6</b>

Source: the Company

The Group hires well known shipping companies for carriage of agricultural commodities. Transportation is made by ships of virtually all sizes. Mainly, medium-sized shipments are handled by the Group because the main ultimate consignees are usually the end users purchasing medium amounts of commodities.

## Clients

Since the Group is an industrial seller, the number of its clients is not very big. However, the client base is relatively well diversified and a loss of several large clients may be expected to make only a limited impact on the Group. The top 10 clients of the Group comprise about 40% of the total sales and their respective shares are listed in the table below. Client 1 means the largest client, which may change over the years. The table excludes related parties, which are presented in Section *Related Party Transactions*.

Table 45. The largest clients of the Group

Largest clients	Sales			As % of total sales		
	2006/2007	2007/2008	2008/2009	2006/2007	2007/2008	2008/2009
Client 1	56,877	58,328	83,719	8.6%	6.4%	7.5%
Client 2	56,570	49,326	67,050	8.6%	5.4%	6.0%
Client 3	31,344	46,519	52,209	4.7%	5.1%	4.7%
Client 4	30,683	45,551	44,663	4.6%	5.0%	4.0%
Client 5	29,168	35,717	37,954	4.4%	3.9%	3.4%
Client 6	25,403	31,853	37,883	3.8%	3.5%	3.4%
Client 7	20,066	30,617	37,534	3.0%	3.4%	3.4%
Client 8	15,800	21,663	33,375	2.4%	2.4%	3.0%
Client 9	13,552	17,261	26,625	2.0%	1.9%	2.4%
Client 10	11,155	17,204	26,380	1.7%	1.9%	2.4%
Total top 10	290,617	354,041	447,392	43.9%	39.0%	40.2%
Total sales	661,371	907,006	1,113,880	100.0%	100.0%	100.0%

Source: the Company

## Markets

Europe, especially the Scandinavian and Baltic countries, is the core market of the Group. Less important markets are the in CIS and North Africa. The table below shows sets for revenue breakdown by countries:



**Table 46. Sales markets of the Group**

Region	Sales			As % of total sales		
	2006/2007	2007/2008	2008/2009	2006/2007	2007/2008	2008/2009
Europe (except for Scandinavian countries, CIS and Lithuania)	178,293	231,483	327,173	27.0%	25.5%	29.4%
Lithuania	133,894	245,795	234,626	20.2%	27.1%	21.1%
Scandinavian countries	202,832	147,658	222,994	30.7%	16.3%	20.0%
Africa	60,713	189,873	135,953	9.2%	20.9%	12.2%
Asia	20,394	66,272	100,106	3.1%	7.3%	9.0%
CIS	62,258	25,258	92,230	9.4%	2.8%	8.3%
Other	2,987	667	798	0.5%	0.1%	0.1%
<b>Total</b>	<b>661,371</b>	<b>907,006</b>	<b>1,113,880</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: the Company

## Risk Management and Insurance

### Credit risk management

Debtors of the Group can be classified into 3 segments: buyers in Western Europe and North Africa, clients in the CIS, and Lithuanian and Latvian farmers. West European buyers are insured by Danish Coface through Rosenkrantz A/S. The coverage is limited to 50 times insurance premium, which translates into a LTL 12 million insurance limit. This limit is sufficient since most of the customers pay within 1-2 days after delivery. If the debtor is not insured, more secure forms of payment such as prepayments and document collections are required. African customers most frequently pay using document collections. Credit risk management in the CIS countries is based on the 18 year experience of the Group and a close follow-up on the important clients. In addition, exposure to the CIS clients is relatively insignificant as compared to the total credit portfolio. The largest credits are provided to farmers in Lithuania and Latvia who pay for the supplied seeds and fertilizers after they sell their harvests. Farmers are closely followed-up by contractors for the Agriculture Growing Programme. Such contractors are in constant contact with farmers and are well informed about their status.

### Currency risk management

The Group mainly uses 5 currencies in its operations: US dollars, euros, Danish kronas, Lithuanian litas and Latvian lats. Since Lithuanian litas and Latvian lat are pegged to euro, the Group essentially deals with 2 currencies, i.e. US dollars and euros. When the Group opens a position in USD (i.e. goods are bought for dollars and sold for Euros or vice versa), it hedges dollar exposure by changing positions in its credit line, i.e. buys or sells USD to close the open position. The Group is also relatively immune to the risk of devaluation of Lithuanian litas or Latvian lat, since its revenues in these currencies are smaller than expenses. The Group's policy allows having up to 100 thousand euro equivalent in open currency positions.

### Price risk management

The Group usually buys and sells its products at spot prices and has only short-term exposure to price fluctuations. However, the Company occasionally commits to future purchases or deliveries at fixed prices. In such a case the Group tries to manage price risk by selling or buying futures on the commodity exchange. It has a risk management policy to define the limits of open positions. Such limits are based on quantities and price volatility. In addition, the Group has a trading platform allowing netting of long and short positions of futures. The life experience shows that price risk management is used only for products with the largest turnover (wheat grain and rapeseed) and is unavailable for such products as sugar beet pulp pellets and linseed.

### Property insurance

Inventories of inland silos and fixed assets (buildings, equipment and means of transport) are mainly located in Lithuania and Latvia. Assets are insured by Lietuvos Draudimas, a leading Lithuanian insurance company, a member of Royal SunAlliance group, and also by Swedish IF P&C Insurance. Goods in transit are insured through the AON broker with trustworthy Western European companies on terms of *from anywhere in the world to anywhere in the world*. All insurance companies must meet strict requirements possessed by the financing parties since a material part of the Group's



assets is used as collateral for bank loans. In case of material asset loss, banks have a priority to demand that insurance payments cover their loans first.

#### Product liability insurance

In general, product liability is not insured. However, occasionally the Group does use this type of insurance when required by clients.

#### Health care insurance

In the year 2008 the Group offered health care insurance to some of its employees as a motivational tool. Health care insurance covers medical fees for private health care services and for the paid services provided by state-owned health care centres. Currently about 90 employees are insured under this program. The health care plan is run by UAB SEB Gyvybės Draudimas.

### Certificate of Good Trading Practice

Two companies of the Group, i.e. AB Linas Agro and Rosenkrantz A/S, own the Good Trading Practice Certificates. The Good Trading Practice certificate system is based on the rules established by the European Union and COCERAL (the organization representing European cereal traders) and is aimed at ensuring that agricultural products are always treated in accordance with good professional practice and procedures complying with the EU regulations on food and feed safety and plant origin.

AB Linas Agro and Rosenkrantz A/S have been audited by an independent auditor in accordance with requirements of the European Code of Good Trading Practice and received the relevant certificates. The fact that someone within the Group possesses the said Certificate contributed much to the reputation of the Group as a reliable partner because customers and partners may now be fully assured of strict adherence to the control measures throughout the operations of the companies.

## Organisational Structure

### Structure of Akola ApS Group

The major shareholder of the Company is Akola ApS (the Selling Shareholder) incorporated and existing in Denmark. The Selling Shareholder was established in 2000 to serve as a holding company. The Selling Shareholder controls companies in the Baltic States and Eastern Europe.

On the date of this Prospectus, Akola ApS (the Selling Shareholder) is controlled by the same individuals who, along with the Selling Shareholder control the Company. The major portion of the capital in the Selling Shareholder is held by Darius Zubas, the shareholder and the Chairman of the Management Board as well as the Chief Executive Officer of the Company. The full list of the shareholders of the Selling Shareholder is indicated in table below.

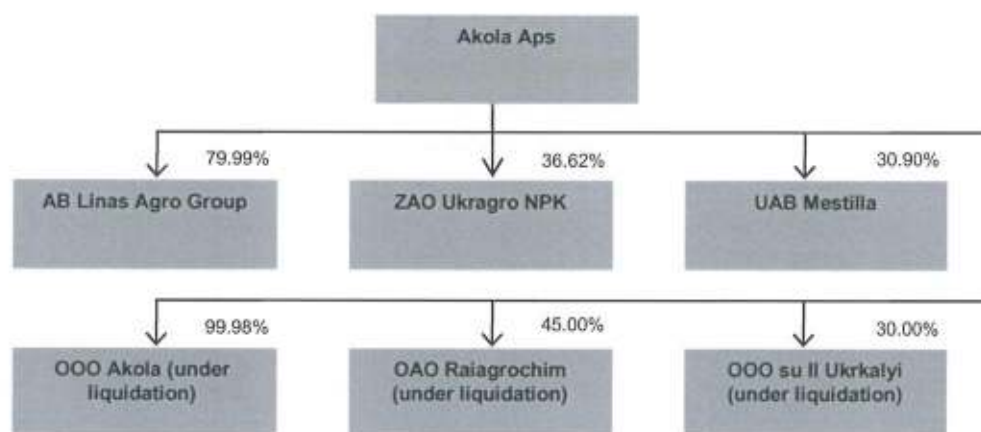
**Table 47. Shareholders of Akola Aps**

	Shareholder	Percentage of shares held in Akola Aps
1.	Darius Zubas	71%
2.	Vytautas Šidlauskas	25%
3.	Arūnas Zubas	2%
4.	Dainius Pilkauskas	2%
	<b>Total</b>	<b>100%</b>

Source: the Company

Below is the structure of Akola Group indicating the companies belonging to such group as well as the percentage of the capital therein controlled by Akola ApS (the Selling Shareholder) directly on the date of this Prospectus.





**Figure 2. Structural chart of Akola Group**

**ZAO Ukragro NPK.** ZAO Ukragro NPK was established in 2002 in Ukraine. This entity is engaged in fertiliser imports, the imported fertiliser blending in own production units and distribution of the imported and blended fertilisers via a country wide network of warehouses in Ukraine.

**UAB Mestilla.** UAB Mestilla was incorporated in 2005 in Lithuania. On the date of this Prospectus UAB Mestilla runs the largest rapeseed crushing and biodiesel production plant in the Baltics with the capacity of approx. 100,000 tonnes. The plant is located in Klaipėda, Lithuania.

**OOO Akola.** Established in 2004 in Ukraine, on the date of this Prospectus OOO Akola is not engaged into any activities and liquidation proceedings have been initiated against it.

**OAO Raiagrochim.** OAO Raiagrochim history dates back to 1999. On the date of this Prospectus it does not engage into any business and is the process of liquidation.

**OOO su II Ukrkalyi.** Established in 2000, on the date of this Prospectus OOO su II Ukrkalyi is not engaged into any active business and is the process under liquidation.

In addition, on the date of this Prospectus the Selling Shareholder owns shares in two Belarusian companies OOO Krupica and OOO Selskochozaistvenyje uslugi (44.53% and 71.02%, respectively). Albeit Akola ApS is the legal owner of the shares, it has no effective control of or benefits from the said companies. Pursuant to the agreements signed between the respective parties to that effect, the Selling Shareholder has assigned the actual control over, the management of and the benefits from these companies to other third parties (the remaining shareholders of OOO Krupica and OOO Selskochozaistvenyje uslugi), such assignment being of indefinite duration. As following such assignment neither OOO Krupica nor OOO Selskochozaistvenyje uslugi is controlled any longer by the Selling Shareholder, they are considered as entities not belonging to Akola Group and thus not related to the Company.

## Structure of the Group

The current structural chart of the effective share of stock held by the Company within the Group is provided in the figure below:



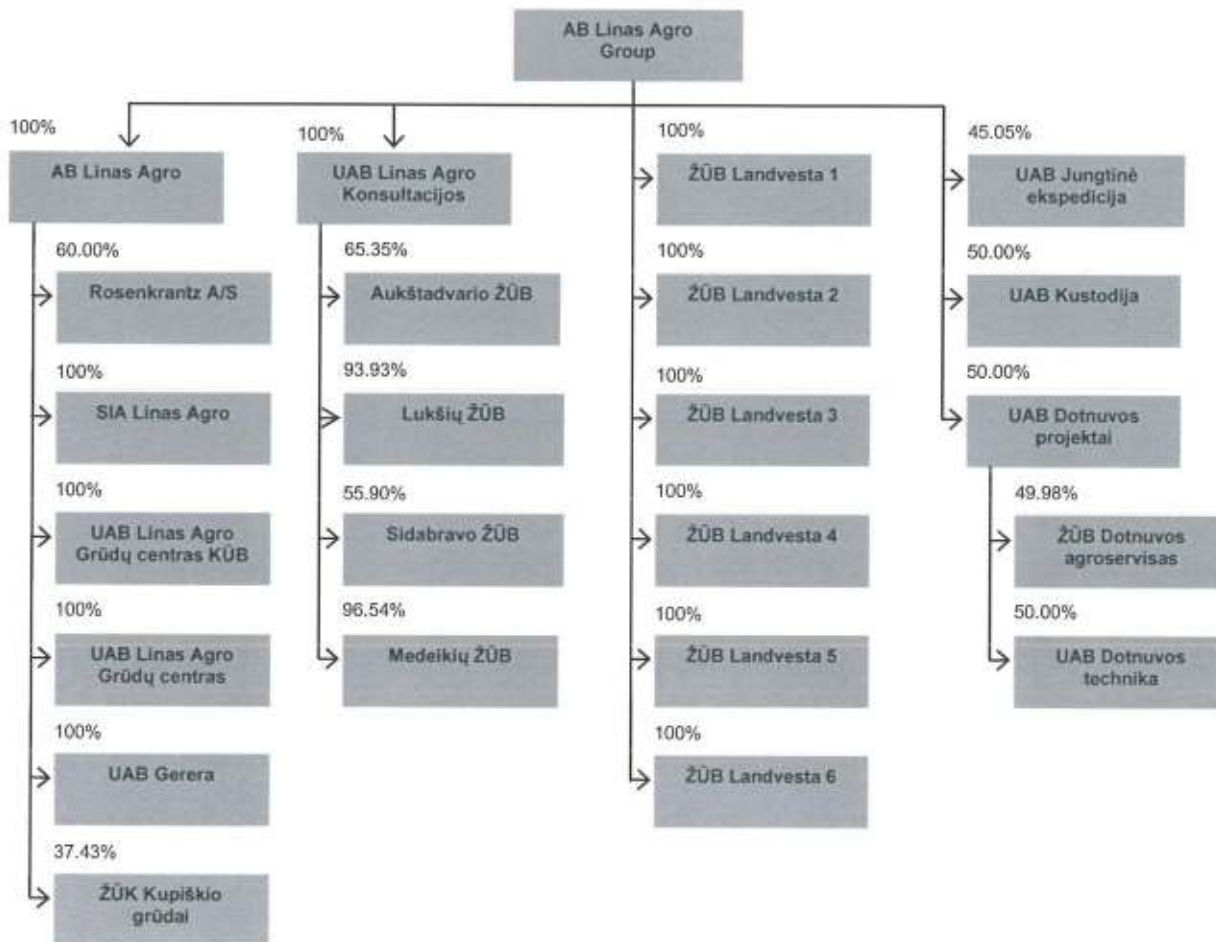


Figure 3. Structural chart of the effective share of stock held by the Company within the Group

The Group is comprised of 24 entities. A complete list of such entities in which shares are held by the Company either directly and indirectly is presented in the table below. For the purpose of the consolidated financial statements for the financial year 2008/2009 the Company has 18 Subsidiaries, 4 Joint Ventures and 1 Associate. The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries.

Table 48. Description of direct and indirect shareholdings as well as the effective shares of stock held by the Company within the Group

Company	Status	Shareholders					Effective share of the Group
		AB Linas Agro Group	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų centras	UAB Dotnuvos projektai	
AB Linas Agro	Subsidiary	100%					100%
Rosenkrantz A/S	Subsidiary		60%				60%
SIA Linas Agro	Subsidiary		100%				100%
UAB Linas Agro Grūdų centras	Subsidiary		100%				100%
UAB Linas Agro Grūdų centras KŪB	Subsidiary	0.025%	99.950%		0.025%		100%
UAB Gerera	Subsidiary		100%				100%
UAB Linas Agro Konsultacijos	Subsidiary	100%					100%
Aukštadvario ŽŪB	Subsidiary			65.35%			65.35%





Company	Status	Shareholders					Effective share of the Group	
		AB Linas Agro Group	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų centras	UAB Dotnuvos projektai		
Sidabravo ŽŪB	Subsidiary			55.90%			55.90%	
Lukšių ŽŪB	Subsidiary			93.93%			93.93%	
Medeikių ŽŪB	Subsidiary			96.54%			96.54%	
ŽŪB Landvesta 1	Subsidiary	99%	1%				100%	
ŽŪB Landvesta 2	Subsidiary	99%	1%				100%	
ŽŪB Landvesta 3	Subsidiary	99%	1%				100%	
ŽŪB Landvesta 4	Subsidiary	80%	20%				100%	
ŽŪB Landvesta 5	Subsidiary	80%	20%				100%	
ŽŪB Landvesta 6	Subsidiary	80%	20%				100%	
UAB Kustodija	Joint Venture	50%					50%	
UAB Dotnuvos projektai	Joint Venture	50%					50%	
ŽŪB Dotnuvos agroservisas	Joint Venture					99.95%	49.975%	
UAB Dotnuvos technika	Joint Venture					100%	50%	
UAB Jungtinė ekspedicija	Associate	45.05%					45.05%	
ŽŪK Kupiškio grūdai <sup>2</sup>	Associate / Subsidiary	AB Linas Agro, Lukšių ŽŪB, Medeikių ŽŪB, Aukštadvario ŽŪB and Sidabravo ŽŪB own 9.09% shares of ŽŪK Kupiškio grūdai each						37.43%

<sup>1</sup> Each of AB Linas Agro Group and UAB Linas Agro Grūdų centras retains 50% of the voting rights in UAB Linas Agro Grūdų centras KŪB;

<sup>2</sup> On 1 July 2008 AB Linas Agro signed a joint control agreement with other members of ŽŪK Kupiškio grūdai. According to the clauses of the agreement AB Linas Agro exercises control over ŽŪK Kupiškio grūdai operations and financial decisions and has the authority to appoint the chairman and the majority of the board members of ŽŪK Kupiškio grūdai. For this reason, the said company is consolidated into the subgroup of AB Linas Agro as of 1 July 2008.

Source: the Company, the audited consolidated financial statements of the Company

In 2008/2009 the Company sold 55% shareholding in UAB Invisco. During the same year UAB Linas Agro Grūdų centras sold 70% shareholding in UAB Consonus. In addition, UAB Gerera sold its 70% shareholding in UAB Sinrena in the last financial year. All such companies sold were involved in the activities not related to the core business of the Group.

Part of shares in several Group companies, in which the Company holds less than 100% of the effective stock, are owned by senior management of these companies, i.e. Rimantas Dapkus, the Chief Executive Officer of UAB Dotnuvos projektai, and Rimvydas Brazauskas, the Manager for Commerce of UAB Dotnuvos projektai, together control remaining 50% of shares of UAB Dotnuvos projektai as well as Vytautas Rauckis, the Chief Executive Officer of UAB Kustodija, controls remaining 50% of shares of UAB Kustodija. 40% of Rosenkrantz A/S is owned by Baltic Agro Group A/S, which is controlled by Henrik Klindt Petersen, the Chief Executive Officer of Rosenkrantz A/S. Such direct involvement of the senior staff in the control of the companies helps to strengthen their motivation.

In 2006 the ultimate shareholders of the Selling Shareholder and of the Group (Darius Zubas, Vytautas Šidlauskas, Dainius Pilkauskas and Arūnas Zubas) signed the Common Control Agreement of an indefinite duration in which they agreed that the entities where the ultimate shareholders collectively hold direct or indirect control will be managed as a single group and that the management of such group entities will be centralised. The ultimate shareholders agreed to cooperate with each other and use their voting rights in the directly controlled companies as well as cause such directly controlled companies to use their voting rights in the indirectly controlled companies for pursuance of the most effective common control over the group entities. Each of the ultimate shareholders undertook to be actively involved in the day-to-day business of the group and to be responsible for the management and supervision of certain predetermined business areas of the group. It was further agreed that until 31 December 2010 the ultimate shareholders shall collectively hold at least 50% plus 1 vote at the general meeting of shareholders of each directly or indirectly controlled entity and shall refrain from any share transfers that may infringe the implementation of such undertaking. The rules laid down in the agreement are also applied to companies newly acquired by the Group.

The Group is comprised of 3 holding companies (i.e. the Company, AB Linas Agro and UAB Linas Agro Konsultacijos), 15 companies engaged in the production and services, 6 marketing companies (AB Linas Agro being a holding company



at the same time) and one company involved in logistics. The table below summarises information on activities as well as a registered office/ country of the Company's shareholdings.

**Table 49. Description of activities with the registered office of the Group companies**

Entity	Registered office/ country	Description of activity
AB Linas Agro	Panevėžys, Lithuania	Sourcing of grains, oilseeds and feedstuffs, and sales of agricultural inputs
UAB Linas Agro Grūdų centras KŪB	Panevėžys, Lithuania	Elevator services and sales of fodder
UAB Linas Agro Grūdų centras	Panevėžys, Lithuania	Management services
UAB Gerera	Panevėžys, Lithuania	Lease of real estate
ŽŪB Landvesta 1	Panevėžys, Lithuania	Rent and management of agricultural land
ŽŪB Landvesta 2	Panevėžys, Lithuania	Rent and management of agricultural land
ŽŪB Landvesta 3	Panevėžys, Lithuania	Rent and management of agricultural land
ŽŪB Landvesta 4	Panevėžys, Lithuania	Rent and management of agricultural land
ŽŪB Landvesta 5	Panevėžys, Lithuania	Rent and management of agricultural land
ŽŪB Landvesta 6	Panevėžys, Lithuania	Rent and management of agricultural land
UAB Linas Agro Konsultacijos	Panevėžys, Lithuania	Management of the Subsidiaries engaged in farming
Medeikių ŽŪB	Medeikiai vil., Biržai region, Lithuania	Growing and sale of crops
Lukšių ŽŪB	Lukšiai vil., Šakiai region, Lithuania	Growing and sale of crops, and milk production
Aukštadvario ŽŪB	Aukštadvaris vil., Panevėžys region, Lithuania	Growing and sale of crops and milk production
Sidaravo ŽŪB	Sidabras vil., Radviliškis region, Lithuania	Growing and sale of crops and milk production
ŽŪK Kupiškio Grūdai	Kupiškis, Lithuania	Elevator services
UAB Kustodija	Vilnius, Lithuania	Sale of plant protection products
UAB Dotnuvos projektai	Akademija vil., Kėdainiai region, Lithuania	Sale of seeds, agricultural machinery and elevator construction services
ŽŪB Dotnuvos Agroservisas	Akademija vil., Kėdainiai region, Lithuania	Agricultural equipment maintenance and related services
UAB Dotnuvos Technika	Akademija vil., Kėdainiai region, Lithuania	Dormant
UAB Jungtinė ekspedicija	Klaipėda, Lithuania	Expedition and logistics services
SIA Linas Agro	Riga, Latvia	Sourcing of grains and oilseeds, and sales of agricultural inputs
Rosenkrantz A/S	Copenhagen, Denmark	industrial sales of grains and oilseeds, feedstuffs and other similar products and services

Source: the Company

## Property, Plant, Equipment, Investment Property and Livestock

### General Information

The core fixed assets of the Group comprise elevators, farm buildings and their equipment, agricultural machinery and agricultural land. In addition, the Group owns livestock and several investment assets, which are leased to external parties.

The table below illustrates the content and development of the Group's tangible fixed assets:

**Table 50. Carrying value of tangible fixed assets and biological assets (LTL in thousand)**

Asset class	2006/2007	2007/2008	2008/2009
Property, plant and equipment			
Land	3,941	4,897	5,599
Buildings and structures	37,708	38,418	57,028
Machinery and equipment	24,445	25,553	24,551
Vehicles	2,580	2,928	2,924



Asset class	2006/2007	2007/2008	2008/2009
Other property, plant and equipment	2,358	2,433	2,987
Construction in progress	1,672	3,503	1,043
Total property, plant and equipment	72,704	77,732	94,132
Investment property	12,573	19,017	8,176
Animals and livestock	7,625	7,188	6,502

Source: the Company's consolidated financial statements.

Given below is a brief overview of the Group's fixed assets as at 30 June 2009.

The Group owns 2,234 ha of agricultural land used in its farming activities. 1,984 ha belong to Landvestas while the remaining 250 ha are directly owned by the farms. In addition, the Group has over 100 ha of land used for infrastructure purposes such as roads, buildings and the like. During 2008/2009 the Group acquired 192 ha of land for LTL 1,467 thousand to be used for agricultural activities. Furthermore, some of the land with the value of LTL 487 thousand has been reclassified from the Land into the Investment property because the Group leases this land to external parties. In addition, the value of land has been reduced by LTL 278 thousand impairment charge.

Buildings and structures are mostly comprised of assets related to elevator and farming activities. Elevator-relating assets (LTL 39 million) include buildings, storage capacities, fodder shops and warehouses. Farming- relating assets (LTL 15,598 thousand) consist of cow houses and warehousing facilities. LTL 2,318 thousand of the remaining LTL 2,380 thousand are attributable to the administrative building of AB Linas Agro. The increase in the Buildings and structures in 2008/2009 was mainly due to the LTL 14,038 thousand acquisition of the Šiauliai elevator.

Similarly to the buildings and structures, machinery and equipment are also mainly used in relation to elevator and farming activities. LTL 24,551 thousand of the machinery and equipment may be broken into LTL 11,622 thousand of elevator equipment, LTL 12,925 thousand of agricultural machinery and LTL 4 thousand of other assets.

Vehicles include primarily cars, which are used for sales and administrative purposes. The majority of cars belongs to AB Linas Agro (LTL 1,634 thousand) and farms (LTL 981 thousand).

Other property, plant and equipment include LTL 2,071 thousand of small equipment and tools attributable to elevators, and LTL 393 thousand of farming tools. The remaining LTL 523 thousand of assets belong to companies such as AB Linas Agro, Rosenkrantz A/S, SIA Linas Agro and include mainly furniture and computer hardware.

Construction in progress is mostly related to unfinished farm and manure houses in Lukšių ŽŪB (LTL 959 thousand).

Part of property, plant and equipment of the Group with the net book value of LTL 82,603 thousand has been pledged to as collateral for bank loans (88% of the total value of property, plant and equipment). The value of the assets acquired under financial leases is LTL 5,330 thousand. Principal amounts of the financial lease payables equal to LTL 3,446 thousand.

Investment property comprises land (LTL 7,229 thousand) and buildings (LTL 947 thousand), great part of which are leased to external parties or the Joint Ventures. The Group leases out 1,657 ha of land owned by Landvestas and 123 ha of land owned by Aukštadvario ŽŪB. 840 square meters of warehousing area is leased to UAB Dotnuvos projektai. The Group intends to lease additional 502 square meters of its properties. The significant decrease in investment property during 2008/2009 is mostly attributable to disposal of commercial real estate activities, which reduced the book value of the Investment property by LTL 10,956 thousand. All the existing investment property has been pledged as collateral for bank loans received.

Livestock can be split into milking cows, young livestock (heifers and bulls) and horses. As at 30 June 2009 1,381 milking cows are valued LTL 4,374 thousand, 1,849 heifers and bulls – LTL 2,121 thousand and 7 horses – LTL 7 thousand. As at 30 June 2009 part of the livestock of the Group with the valued at LTL 4,427 thousand has been pledged as a collateral for bank loans.

For the information on the planned material tangible fixed assets see Section *Investment*, page 30.



## Environmental Issues

The Group and, especially its farming companies, are and will remain subject to environment protection rules. Environmental laws and regulations impose various requirements and obligations on the Group companies, including those relating to waste management, installation of leakage systems, use of water, etc.

Sidabravo ŽŪB and Aukštadvario ŽŪB, the Group's farming companies, are still in the process of the implementation of certain environmental standards in their activities. Both companies are reconstructing their liquid manure systems and gas stations. The estimated investments necessary for completion of such reconstruction projects amount to LTL 1.3 million in total, i.e. LTL 650 thousand for each Sidabravo ŽŪB and Aukštadvario ŽŪB. Apart from the above, the Company is not aware of any current or potential material infringements by any of the Group companies of the environmental requirements.

The Company is not aware of any material contamination on the properties owned by the Group companies. However, the environmental condition of each of the Group's properties has not been thoroughly examined. Upon acquisition of new properties the Group aims at receiving warranties from the sellers about non-contamination of such properties though sometimes such warranties might cover not all the risks or be insufficient. In the event any residual pollution be found on such properties, the Group as an owner may be liable for it. In fact, the Group may be required either to clean up the property and/or to compensate for the damage caused by environmentally hazardous substances.

## Operating and Financial Review

*This Section accommodates the discussion on the results of the operation of the Group for financial years 2007/2008 and 2008/2009 to compare to a respective previous year. This Section should be read in conjunction with the other parts of the Prospectus which include important information on the operations and financial condition of the Group, as well as in conjunction with the audited consolidated financial statements of the Company for the financial years 2008/2009 including the comparative financial information on 2007/2008 and corresponding financial information on 2006/2007.*

## Developments Having Effect on Results of Operations

The Group is a dynamic organization, which constantly adapts to changing market conditions and explores new market opportunities. During the financial years 2006/2007 – 2008/2009 it entered and exited a number of businesses. In addition, the Group has operated in significantly changing economic environment, which includes both economic boom and recession. The most important developments in the Group's operations are summarized below:

- Disposal of veterinary business. At the beginning of 2007 AB Linas Agro sold 90% of shares in UAB Linas Agro Veterinarinarijos centras (its entire shareholding), and exited the veterinary business, since this business was producing limited synergies with other activities and was treated as non-core. During the financial year 2006/2007 the Group consolidated LTL 12,656 thousand revenues and LTL 3,565 thousand gross profit of the company (the result of the first two quarters). The company was sold at LTL 9,201 thousand profit.
- Fishmeal exit. The Group took a strategic decision to stop selling the fishmeal product in 2006/2007, since it considered this product too risky due to possible issues related to product quality. During this year sales of fishmeal were LTL 22,049 thousand. Gross profit was LTL 1,574 thousand. There are no fishmeal revenues in later years.
- Rapeseed supply to UAB Mestilla. The Group strengthened its presence in the supply chain of rapeseed in 2007, when UAB Mestilla, the largest rapeseed crushing and biodiesel production plant in the Baltics, was built in Klaipėda, Lithuania. The Group secured an exclusive long-term contract with the biodiesel plant for supplying rapeseed, rapeseed oil, and marketing of rapeseed cake and glycerol. The shareholders of UAB Mestilla are the Selling Shareholder and Statoil New Energy AS.
- Entrance into solid biofuels. The Group started international sales of solid biofuels in 2006 and developed sizable volumes in this business during following years. Solid biofuel products include wood pellets, wood briquettes, wood chips and logs.



- Fluctuation of grain and oilseed prices. After relatively flat 2006/2007, crop prices started to rise sharply in the second half of 2007. In the first half of 2008 the price direction suddenly reversed and continued the same trend in the second half of 2008 stabilizing in 2009. This turbulence produced a stress test on the risk management system of the Group. Some products resulted in atypical gains, and some - in losses. However, overall the Group managed to deliver relatively stable results in a very challenging market environment.
- Movements in milk prices. Similar to crop prices, milk prices were subject to large movements in 2006/2007 – 2008/2009. Base price of raw milk was fluctuating between LTL 460-920 per tonne. Price movements inevitably cause milk profitability fluctuations, which are further amplified by change in value of livestock assets because livestock value goes down, when milk prices decline. Livestock value is also dependable on beef price. However, milk and beef prices usually move in tandem.
- Sales of agricultural inputs. Sales of agricultural inputs correlate with prices of agricultural products. Higher prices create bigger opportunities for agricultural supplies, since farmers are more willing to invest into certified seeds, fertilizers and plant protection products when they can profit from higher yields. Rising prices helped to grow volumes of agricultural inputs in 2006/2007 and 2007/2008. However, volumes in 2008/2009 contracted due to negative price trends.
- Losses in real estate development business. In 2006/2007 the Group became an investor in the commercial real estate development business by acquiring 55% of shares in UAB Invisco, 70% of shares in UAB Sirrena and 70% of shares in UAB Consonus. As a result, it lost LTL 201 thousand in 2006/2007, LTL 1,205 thousand in 2007/2008 and LTL 821 thousand in 2008/2009. All shares in these companies were sold back to the development partner of the Group for a symbolic amount during 2008/2009. The loss of 2008/2009 is a sum of three components: operating loss of these companies during 2008/2009, gain on share disposal transactions and provisions for loans provided to these companies.

More detail overview of business operations, including quantified effects on profitability, is provided in Section *Principal Activities* on page 46.

## Factors with Constant Effect on Results of Operations

- Rapeseed supply to UAB Mestilla. Since the opening of the biodiesel production plant, supplies to UAB Mestilla have produced revenues of LTL 1,084 thousand in 2006/2007, LTL 80,285 thousand in 2007/2008 and LTL 122,142 thousand in 2008/2009. Rapeseed is supplied on cost basis plus agreed margin. Therefore, UAB Mestilla has created a new stream of recurring revenues and profits. In addition, the Group earns extra income from rapeseed and glycerol marketing. Rapeseed and glycerol are byproducts of biodiesel production.
- Solid biofuels. Entrance into solid biofuels is another new business of the Group. This business line generated revenues of LTL 771 thousand in 2006/2007, LTL 8,692 thousand in 2007/2008 and LTL 16,876 thousand in 2008/2009. Solid biofuel produced LTL 519 thousand loss in 2006/2007. However, the Group earned gross margin of LTL -1,024 thousand in 2007/2008 and LTL 1,472 thousand in 2008/2009.
- Expansion of elevator network. During 2007/2008 the Group increased its shareholding in UAB Linas Agro Grūdų centras KŪB by 25.15%. During 2008/2009 the Group obtained control over ŽŪK Kupiškio Grūdai and acquired the elevator in Šiauliai. The acquisition of the Šiauliai elevator increased Group's storage capacities by 42,000 tonnes from 86,100 tonnes to 128,100 tonnes. Elevators are core assets of grain and oilseed business, which produce significant savings for the Group. UAB Linas Agro Grūdų centras KŪB, which provides elevator services to other Subsidiaries of the Group at market prices, has booked LTL 5.4 million net profit in 2008/2009. Without elevator infrastructure this profit would be outside the Group.
- Increased shareholdings in farms. During 2006/2007 – 2008/2009 the Group increased its ownership in all farms. Higher shareholdings provide greater control over the farms. Furthermore, fewer profits are allocated to minority shareholders.
- Productivity improvements in farms. In two years farms managed to increase production output by 87% in grains and oilseeds (from 23,040 tonnes to 43,138 tonnes) and by 11% in milk production (from 8,958 tonnes to 9,923 tonnes) without material change in assets employed (area of agricultural land and a number of livestock).



- Agricultural Growing Programme. The number of the Agricultural Growing Programme participants in 2008/2009 reached 1,324 growing from 821 in 2007/2008. Total aggregate contracted area in 2008/2009 has been 99,571 hectares in Lithuania and 11,000 hectares in Latvia, which favourably compares with 71,771 ha and 7,170 ha in 2007/2008. Growing membership in the Programme create greater opportunities for grain and oilseed sourcing. Furthermore, it provides additional sale possibilities for agricultural inputs such as certified seeds, fertilizers, plant protection products and agricultural machinery.
- Acquisition of Rosenkrantz A/S. By acquiring Rosenkrantz A/S the Group has established itself as a truly European player because customers and, to some extent, banks treat the Group as a Western European counterparty. It provides additional credibility and, consequently, extra financing and sales opportunities for new customers and new markets.

## Developments of Different Financial Items

### Composition of the Group

#### Subsidiaries

During 2006/2007 – 2008/2009, the structure of the Group underwent significant changes in terms of share ownership of concrete companies within the Group albeit that has not affected the Group's results significantly. Prior to the financial year ended 30 June 2009 part of the Group companies did not constitute a legal group but were ultimately controlled by the same shareholders. In July 2008 AB Linas Agro has acquired 60% of shares in Rosenkrantz A/S from the Selling Shareholder. Later in September 2008 the shares of AB Linas Agro were contributed into the share capital of AB Linas Agro Group. As a result of these two transactions the subgroup of AB Linas Agro (together with its Subsidiary Rosenkrantz A/S) entered under control of AB Linas Agro Group. The share purchase and the share contribution transactions were made with a view to restructuring the Group. At the date of the transactions described above and through the periods covered by the financial statements for the 2008/2009 (including the comparative figures of 2007/2008 and corresponding figures of 2006/2007) AB Linas Agro, the Selling Shareholder and the Company were controlled by the same individual shareholders operating under a common control agreement. According to the agreement all the companies in which these individuals have direct or indirect control (in their combined share) are managed collectively under the terms of the agreement. As a result, acquisitions of shares in Rosenkrantz A/S and AB Linas Agro did not result in a change of an ultimate controlling party and, therefore, were considered to be the common control transactions. The Company's management applied judgment to determine an appropriate accounting policy for such transactions and applied a pooling of interest method for accounting for acquisition of AB Linas Agro and Rosenkrantz A/S shares. In the financial statements for 2008/2009 the comparative information of the Group was restated to reflect the combination of AB Linas Agro subgroup and Rosenkrantz A/S as if it had occurred in the earliest period presented in these financial statements (from the beginning of the year 2006/2007), regardless of the actual date of the combination.

Below is presented a detailed structure of the Group for the financial years 2006/2007, 2007/2008 and 2008/2009.

**Table 51. The structure of the Group for the purposes of consolidated financial statements**

Company	Status	Effective share of the Group		
		2006/2007	2007/2008	2008/2009
AB Linas Agro	Subsidiary	100%	100%	100%
Rosenkrantz A/S	Subsidiary	60%	60%	60%
SIA Linas Agro	Subsidiary	100%	100%	100%
UAB Linas Agro Grūdų centras	Subsidiary	100%	100%	100%
UAB Linas Agro Grūdų centras KŪB	Subsidiary	74.85%	100%	100%
UAB Gerera	Subsidiary	100%	100%	100%
ŽŪK Kupiškio grūdai	Associate/Subsidiary <sup>1</sup>	36.29%	36.81%	37.43%
UAB Linas Agro Konsultacijos	Subsidiary	100%	100%	100%
Aukštadvario ŽŪB	Subsidiary	62.54%	63.22%	65.35%
Sidabravo ŽŪB	Subsidiary	55.90%	55.90%	55.90%
Lukšių ŽŪB	Subsidiary	86.40%	91.46%	93.93%
Medeikių ŽŪB	Subsidiary	94.34%	94.34%	96.54%



Company	Status	Effective share of the Group		
		2006/2007	2007/2008	2008/2009
ŽŪB Landvesta 1	Subsidiary	80%	80%	100%
ŽŪB Landvesta 2	Subsidiary	80%	80%	100%
ŽŪB Landvesta 3	Subsidiary	80%	80%	100%
ŽŪB Landvesta 4	Subsidiary	100%	100%	100%
ŽŪB Landvesta 5	Subsidiary	-	100%	100%
ŽŪB Landvesta 6	Subsidiary	-	100%	100%
UAB Invisco <sup>2</sup>	Subsidiary	55%	55%	-
UAB Consonus <sup>2</sup>	Subsidiary	70%	70%	-
UAB Sinrena <sup>2</sup>	Subsidiary	70%	70%	-
UAB Jungtinė ekspedicija	Associate	45.05%	45.05%	45.05%
UAB Kustodija	Joint Venture	50%	50%	50%
UAB Dotnuvos projektai	Joint Venture	50%	50%	50%
ŽŪB Dotnuvos agroservisas	Joint Venture	49.975%	49.975%	49.975%
UAB Dotnuvos technika	Joint Venture	50%	50%	50%
ŽŪB Žvirbloniai <sup>3</sup>	Associate	28.75%	-	-

<sup>1</sup> On 1 July 2008 AB Linas Agro signed a joint control agreement with the members of ŽŪK Kupiškio grūdai. According to the clauses of the agreement AB Linas Agro has control over ŽŪK Kupiškio grūdai operations and financial decisions and has the authority to appoint the chairman and the majority of the board members of ŽŪK Kupiškio grūdai and, therefore, the mentioned company is consolidated to the subgroup of AB Linas Agro from 1 July 2008.

<sup>2</sup> In March 2009 AB Linas Agro Group sold the shares of UAB Invisco. As of 31 March 2009 UAB Linas Agro Grūdų centras sold shares of UAB Consonus. On the same date UAB Gerera sold shares of UAB Sinrena.

<sup>3</sup> In 2008 the Group sold its holdings in ŽŪB Žvirbloniai.

Source: the Company, the audited consolidated financial statements of the Company

The Group has recognised its interests in the Associates companies, applying the equity method. The Group's interests in the Joint Ventures have been recognised applying the equity method as well.

## Results of Operations for the Financial Years 2006/2007 – 2008/2009

Selected financial information on results of operations for the financial years 2006/2007, 2007/2008 and 2008/2009 is provided in the table below:

**Table 52. Financial highlights of the consolidated income statement (LTL in thousand)**

Item	Note	2006/2007	2007/2008	2008/2009
<b>Sales</b>	(1)	<b>661,371</b>	<b>907,006</b>	<b>1,113,880</b>
Cost of sales	(2)	(618,604)	(831,077)	(1,038,141)
<b>Gross profit</b>		<b>42,767</b>	<b>75,929</b>	<b>75,739</b>
Total operating expenses	(3)	(25,849)	(26,117)	(35,025)
Other operating activities (net)	(4)	9,551	2,389	3,817
<b>Operating profit</b>		<b>26,469</b>	<b>52,201</b>	<b>44,531</b>
Financing activities (net)	(5)	(6,374)	(11,016)	(8,261)
Gain from disposal of investments into Associates		-	785	-
Share of profit of Associates	(6)	106	450	113
Share of profit of Joint Ventures	(6)	2,021	7,566	3,965
<b>Profit before tax</b>		<b>22,222</b>	<b>49,986</b>	<b>40,348</b>
Income tax expenses		(4,199)	(8,717)	(8,577)
<b>Net profit (loss)</b>		<b>18,023</b>	<b>41,269</b>	<b>31,771</b>
<b>Attributable to:</b>				
The shareholders of the parent		16,737	38,394	28,114
Minority interest		1,286	2,875	3,657

Source: the audited consolidated financial statements of the Company



## (1) Sales

The table below provides breakdown of sales by operating segments:

**Table 53. Breakdown of sales (LTL in thousand)**

Item	Product group	2006/2007	2007/2008	2008/2009
Sales (LTL in thousand)	Grains and Oilseeds	197,432	476,096	662,145
	Feedstuffs	382,592	329,984	349,381
	Farming	22,849	32,644	37,056
	Agricultural Inputs	52,325	73,314	58,176
	Other	25,567	32,172	43,216
	Intersegment eliminations	(19,394)	(37,204)	(36,094)
<b>Total</b>		<b>661,371</b>	<b>907,006</b>	<b>1,113,880</b>

Source: the Company

Grains and oilseeds were a key driver of the overall growth. This segment grew by LTL 279 million (or +141%) in 2007/2008 and LTL 186 million (or +39%) in 2008/2009. In terms of individual products, top performers were wheat, rapeseed, barley and linseed. Growth in this segment resulted mainly from increased membership in the Agricultural Growing Programme, extension of elevator network, supplies to UAB Mestilla, a biodiesel maker, and skilful commercial operations. In addition, good harvest helped to lift results of 2008/2009.

Feedstuffs showed a mixed performance. During 2007/2008 sales decreased by LTL 52,609 thousand (or -14%). The decline could be attributed to key factors: fishmeal exit, which produced LTL 22,049 thousand sales in 2006/2007, and contraction of vegetable oil by LTL 84,155 thousand, which resulted from the transfer of existing sourcing capacities to UAB Mestilla. This decline was partially offset by growth in several other products: LTL 17,931 thousand in sunflower seed cake and extraction, LTL 20,143 thousand in soybean and soymeal, and LTL 7,103 thousand in rapeseed. During 2008/2009 feedstuffs grew by LTL 19,397 thousand (or +6%). The growth resulted from the development of new sources of vegetable oil and further growth of rapeseed, soybean and soymeal. Sugar beet pulp pellets declined dramatically due to inability to source this product at attractive prices (market prices were very low while sourcing at competitive cost was impossible).

Farming demonstrated stable sale increments in both years producing LTL 9,795 thousand (+43%) growth in 2007/2008 and LTL 4,412 thousand (+14%) in 2008/2009. Improvement in the Farming sales is mainly attributed to increased productivity. The year 2008/2009 is partially distorted by falling prices of agricultural products. If price effect eliminated, the growth would be significantly higher.

Agricultural Inputs advanced LTL 20,988 thousand (or +40%) together with growing volumes of grains and oilseeds in 2007/2008 as a result of close collaboration with farmers. Sales of the Agricultural Inputs have declined by LTL 15,138 thousand (or -21%) in 2008/2009, since these sales are dependent on prices of agricultural products, which have been relatively low in 2008/2009.

Other segment grew by LTL 6,606 thousand in 2007/2008 regardless the sales of the veterinary business, which produced LTL 12,656 thousand revenues in 2006/2007. The growth resulted from LTL 7,921 thousand advance in solid biofuels and LTL 12,631 thousand growth in elevator services. Solid biofuels advanced further by LTL 8,185 thousand and became profitable in 2008/2009.

More detailed overview of business operations, including quantified effects on profitability, is provided in Section *Principal Activities*, page 46.

## (2) Cost of Sales and Gross Profit

### Breakdown of cost of sales by type of expenses

The breakdown of the consolidated cost of sales by type of expenses is provided in the table below:





**Table 54. The breakdown of the consolidated cost of sales by type of expenses (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
Costs of inventories recognised as an expense	557,260	723,282	882,177
As % of sales	84.3%	79.7%	79.2%
Logistics expenses	49,816	88,688	125,908
As % of sales	7.5%	9.8%	11.3%
Wages, salaries and social security	5,383	6,939	9,808
As % of sales	0.8%	0.8%	0.9%
Provisions for onerous contracts	-	80	5,433
As % of sales	-	0.0%	0.5%
Depreciation and amortisation	2,613	3,746	5,378
As % of sales	0.4%	0.4%	0.5%
Utilities expenses	874	1,530	2,822
Change in fair value of biological assets	(4,065)	(1,829)	345
(Income) expense from change in value of financial instruments	-	1,694	(907)
Other	6,723	6,947	7,177
<b>Total</b>	<b>618,604</b>	<b>831,077</b>	<b>1,038,141</b>

Source: the audited consolidated financial statements of the Company

Cost of inventories recognised as an expense. Cost of inventories (which mainly are rapidly marketable products) constituted the largest share of the Group's cost of sales (87.0% and 85.0% in 2007/2008 and 2008/2009 respectively). During the last two financial periods the cost of inventories recognised as an expense has changed in line with the related change in sales.

Logistics expenses increased by 78.0% in 2007/2008. This trend is explained by increase in volume of agricultural products sold as well as by transition of shipping conditions in sales of grains, oilseeds and feedstuffs from FOB (Free On Board) to DAF (Delivered At Frontier). The latter is defined by closer position to end customer in the logistics chain. The increase in logistics expenses in the year 2008/2009 is related to volume growth of Grains, Oilseeds and Feedstuffs segments by 30.5% as well as to increased tariffs for transportation.

Wages, salaries and social security expenses have demonstrated steady growth in the year 2007/2008 and 2008/2009 (28.9% and 41.3% respectively). The increase in wages, salaries and social insurance during the last two years is related to the expansion of elevator and farming activities and, to some extent, salary raises.

Provisions for onerous contracts increased from LTL 80 thousand in 2007/2008 to LTL 5,433 thousand in the last financial year. During 2008/2009 the Group concluded vegetable oil purchase agreements according to which the purchase price is higher than the expected sales price. The estimated loss of the contracts was recognised as provisions for onerous contracts and was charged to cost of sales. Based on the purchase contracts the Group is committed to purchase the goods according to the following schedule: July 2009, March 2010 and June 2010. The market price as of 30 June 2009 was used to estimate part of the provision amounting to LTL 5,274 thousand. The amount of the provision may change depending on the actual price agreed in the sales contract in the future.

The share of Depreciation and amortisation expenses from sales remained stable during the covered periods.

Utilities expenses increased during the last two years: by 75.1% in 2007/2008 and 84.4% in 2008/2009. The increase mainly demonstrated by electricity and gas expenses in elevators was related to the growth of both, prices and quantities. In addition, the increase in gas expenses was caused by the increased humidity parameters of grain harvest delivered right from the fields. It is also worth mentioning that the new elevator acquired in Šiauliai increased the utility costs by LTL 0.5 million compared with the previous year.

The change in fair value of biological assets was positive during the years 2006/2007 and 2007/2008 and made LTL 4.1 million and LTL 1.8 million respectively. In 2008/2009 the Group incurred the expenses of LTL 0.3 million on decrease in fair value of biological assets. The Group's biological assets include animals, livestock and crops. The biological assets are accounted for at fair value less point-of-sale costs. The fair value of milking cows and crops is measured using discounted cash flows method. Other livestock is measured at comparable market prices. The fair value of crops is measured using a discounted cash flows method. Thus the fair value of biological assets depends on prices of grains



and milk as at the end of the financial period. In the end of the year 2007/2008 growing prices determined the increase in fair value of biological assets, while decreasing prices in the end of 2008/2009 caused the negative change in fair value of biological assets.

(Income) expense from change in value of financial instruments represents changes in fair value of the financial instruments held for trading. As of 30 June 2009 financial instruments held for trading consisted of futures contracts traded by the Group at MATIF France's Futures & Options Exchange. The Group enters into futures contracts to manage price risk arising on the purchase of rapeseed from farmers in Lithuania that have purchase contracts with fixed price.

### (3) Operating Expenses

The breakdown of the consolidated operating expenses is provided in the table below:

**Table 55. The breakdown of the consolidated operating expenses (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
Wages, salaries and social security	13,131	13,679	16,972
As % of sales	2.0%	1.5%	1.5%
Change in allowance for receivables and prepayments	468	2,109	3,485
Consulting expenses	1,313	1,099	3,451
Depreciation and amortisation	1,453	963	905
Rent of administration and commercial premises and maintenance expenses	1,257	650	909
Change in impairment for property, plant and equipment	-	57	568
Rent of vehicles and maintenance expenses	1,093	901	866
Business trips	1,018	780	737
Stationery and office services	330	577	693
Bank fees	536	1,062	632
Telecommunications	692	582	592
Warehousing and insurance expenses	758	695	585
Insurance of accounts receivables	407	492	472
Taxes other than income tax	209	197	451
Representation expenses	397	442	430
Advertising expenses	277	200	364
Other	2,510	1,632	2,913
<b>Total</b>	<b>25,849</b>	<b>26,117</b>	<b>35,025</b>

Source: the audited consolidated financial statements of the Company

Consolidated operating expenses increased by LTL 0.3 million and LTL 8.9 million in the year 2007/2008 and 2008/2009 respectively. The most material groups of the consolidated operating expenses were as follows:

Wages, salaries and social security constituted the largest share of the consolidated operating expenses: 52.4% in 2007/2008 and 48.5% in 2008/2009. The Group increased its expenses on wages, salaries and social insurance in 2007/2008 and 2008/2009 by 4.2% and 24.1% respectively. The increase in wages and related costs in the last financial year is explained by growth in the Group's turnover and bonuses to management paid for the results of the previous financial period.

Change in allowance for receivables and prepayments made LTL 2.1 million in 2007/2008 and LTL 3.5 million in 2008/2009. Included in this amount there is the allowance for doubtful prepayments to other suppliers of LTL 1.9 million accounted in 2007/2008. In addition, the Group incurred the expenses on allowance for doubtful trade receivables of LTL 0.2 million and LTL 0.5 million in 2007/2008 and 2008/2009 respectively. Finally, during the last financial year the Group established the allowance of LTL 3.0 million for doubtful other accounts receivable (no such provision was established in previous years). This balance includes allowances established for loans issued to former Subsidiaries of the Company: UAB Invisco, UAB Consonus and UAB Sinrena. These companies have been engaged in management of commercial real estate projects. The Group disposed these investments in the year 2008/2009 as not related to its core business. The allowances for the loans issued to the former Subsidiaries have been established at the level of 75% of the total balance of the loans and the Group has borne these one-off costs in respect of the disposed investments.



Consulting expenses increased in 2008/2009 from LTL 1.1 million to LTL 3.5 million. Included in this amount there is the balance of consulting expenses incurred by the Company – LTL 1.6 million. The structure of these operating expenses was as follows: LTL 1.1 million and LTL 0.5 million paid by the Company for legal and auditors consultancy services respectively.

Expenses on the change in impairment for property, plant and equipment of LTL 0.6 million in 2008/2009 included the following amounts: LTL 0.3 million of impairment of lands rented by Landvestas to Medeikių ŽŪB, Sidabravo ŽŪB, Aukštadvario ŽŪB and Lukšių ŽŪB, and LTL 0.3 million of impairment mainly incurred in respect of unused buildings in the companies mentioned.

#### (4) Other Operating Activities (Net)

The breakdown of other operating income of the Group is provided in *Table 56*.

The other operating income of LTL 10.7 million in the year 2006/2007 included the gain of LTL 9.2 million earned from disposal of Subsidiary UAB Linas Agro Veterinarijos Centras.

The most material items of other operating income in 2007/2008 were the currency exchange gain of LTL 1.4 million and income from sale of *Dotnuvos Projektai* brand name of LTL 1.5 million. The disposal of the brand name was the transaction between AB Linas Agro (originator and former owner of the brand name) and UAB Dotnuvos projektai (actual user of the brand name). The price of the brand name was based on its valuation performed.

In 2008/2009 the Group accounted for the gain of LTL 2.1 million resulting from the accounting of disposal of Subsidiaries UAB Invisco, UAB Sinrena and UAB Consonus in the consolidated financial statements. The currency exchange gain of LTL 1.5 million was the second significant item included into other operating income in the last year.

The most material item of other operating expenses during the last two years was the impairment of investment property of LTL 1.6 million and LTL 0.9 million in 2007/2008 and 2008/2009 respectively. The balance of the impairment of investment property in 2007/2008 consisted of the impairment of the warehouse in Joniškis rented to UAB Dotnuvos projektai. In the last financial year the Group calculated the impairment expenses in respect of lands rented to third parties by Landvestas.

**Table 56. The breakdown of consolidated other operating income and expenses (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
<b>Other operating income:</b>			
Gain from disposal of investments into Subsidiaries	9,201	-	2,148
Currency exchange gain	119	1,411	1,453
Gain from disposal of property, plant and equipment	507	314	522
Rental income from investment property	210	204	447
Rental income from property, plant and equipment	-	181	84
Income from sale of <i>Dotnuvos Projektai</i> brand name	-	1,500	-
Dividends	303	279	-
Other	383	630	599
<b>Total other operating income</b>	<b>10,723</b>	<b>4,519</b>	<b>5,253</b>
<b>Other operating expenses:</b>			
Impairment of investment property	-	(1,593)	(857)
Other	(1,172)	(537)	(579)
<b>Total other operating expenses</b>	<b>(1,172)</b>	<b>(2,130)</b>	<b>(1,436)</b>
<b>Other operating activities (net)</b>	<b>9,551</b>	<b>2,389</b>	<b>3,817</b>

Source: the audited consolidated financial statements of the Company

#### (5) Financing Activities (Net)

The income and expenses from financing activities have mainly consisted of interest income and interest expenses respectively. See the table below for details:



**Table 57. The breakdown of consolidated income and expenses from financing activities (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
<b>Income from financing activities:</b>			
Interest income	828	2,554	2,025
Income from overdue payments	-	44	1,313
<b>Total income from financing activities</b>	<b>828</b>	<b>2,598</b>	<b>3,338</b>
<b>Expenses from financing activities:</b>			
Interest expenses	(7,131)	(13,536)	(11,276)
Other	(71)	(78)	(323)
<b>Total expenses from financing activities</b>	<b>(7,202)</b>	<b>(13,614)</b>	<b>(11,599)</b>
<b>Total financing expenses (net)</b>	<b>(6,374)</b>	<b>(11,016)</b>	<b>(8,261)</b>

Source: the audited consolidated financial statements of the Company

The increase of interest income in the year 2007/2008 by LTL 1.7 million was mainly earned on loans to related parties. The Group attributes the increase in interest expenses in the year 2007/2008 of LTL 6.4 million to increase in borrowings.

## (6) Share of Profit of Associated Companies and Joint Ventures

**Table 58. The breakdown of the consolidated share of profit of Associates and Joint Venture by companies (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
<b>Share of profit of Associates:</b>			
Share of result of UAB Jungtinė ekspedicija	286	305	113
ŽŪK Kupiškio grūdai	(180)	145	-
<b>Total share of profit of Associates</b>	<b>106</b>	<b>450</b>	<b>113</b>
<b>Share of profit of Joint Ventures:</b>			
Share of result of UAB Dotnuvos projektai	2,442	7,063	4,763
Share of result of UAB Kustodija	(288)	807	(267)
Share of ŽŪB Dotnuvos agroservisas	(133)	(304)	(531)
<b>Total share of profit of Joint Ventures</b>	<b>2,021</b>	<b>7,566</b>	<b>3,965</b>

Source: the Company

## Capital Resources

### Capital Resources, Borrowing Requirements and Funding Structure

The total balance sheet of the Group as of the financial year 2008/2009 was LTL 387.2 million (a decrease by 10.8% compared to the financial year 2007/2008). Of the above, current assets formed 58.6% (LTL 227.0 million) in the year 2008/2009, with the remaining 41.4% (LTL 160.3 million) in non-current assets.

Equity and total financial liabilities (excluding trade payables) financed 40.3% and 39.4% respectively of the Group's total assets as at the end of the year 2008/2009.

Working capital of the Group as at the end of the financial year 2008/2009 totaled to LTL 39.8 million (a decrease by 15.4% compared to the financial year 2007/2008).

For more information concerning the Company's capital resources, please refer to the consolidated financial statements of the Company (Appendix 1).



**Table 59. Highlights of capital resources and funding structure of the Group, related ratios (LTL in thousand)**

Item	30 June 2007	30 June 2008	30 June 2009
Total assets	311,071	434,209	387,228
Total non-current assets	136,102	157,687	160,250
Total current assets	174,969	276,522	226,978
Total equity	96,546	132,175	156,071
Total non-current liabilities	42,005	72,536	43,961
Total current liabilities	172,520	229,498	187,196
Net financial debt	89,168	154,873	117,986
Total financial liabilities	110,392	189,183	152,541
Non-current financial loans receivable <sup>1</sup>	(13,251)	(25,746)	(16,991)
Current financial loans receivable <sup>1</sup>	-	(738)	(9,374)
Cash and cash equivalents	(7,973)	(7,826)	(8,190)
EBITDA	32,826	66,331	56,001
Related ratios:			
Total current assets/ Total current liabilities	1.0	1.2	1.2
Total equity/ Total assets, %	31.0%	30.4%	40.3%
Net financial debt/ Total assets, %	28.7%	35.7%	30.5%
Net financial debt/ equity, %	92.4%	117.2%	75.6%
Net financial debt/ EBITDA	2.7	2.3	2.1

<sup>1</sup> Financial loans are provided to related parties

Source: the Company, the audited consolidated financial statements of the Company

The structure of the financial liabilities (excluding trade payables) of the Group is presented in the table below:

**Table 60. The structure of the Group's financial liabilities (LTL in thousand)**

Item	30 June 2007	30 June 2008	30 June 2009
Non-current borrowings and finance lease obligations	27,571	59,885	30,280
Bank borrowings secured by the Group's assets	24,471	27,967	26,585
Bonds issued <sup>1</sup>	-	15,000	-
Finance lease obligations	1,697	2,327	2,308
Other non-current borrowings	1,403	14,591	1,387
Current borrowings and finance lease obligations	82,821	129,298	122,261
Current portion of non-current bank borrowings	6,303	8,780	22,112
Bonds issued <sup>1</sup>	15,000	-	14,700
Accumulated bonds interest <sup>1</sup>	968	1,127	1,124
Current portion of other non-current borrowings	-	-	2,851
Current bank borrowings secured by the Group's assets	55,546	110,644	75,425
Factoring with recourse liability	3,964	4,506	3,433
Current portion of finance lease obligations	936	1,270	1,138
Other current borrowings	104	2,971	1,478
<b>Total financial liabilities</b>	<b>110,392</b>	<b>189,183</b>	<b>152,541</b>

<sup>1</sup> In July 2009 AB Linas Agro has redeemed bonds issued together with interest accrued.

Source: the audited consolidated financial statements of the Company

The total financial liabilities excluding trade payables of the Group as of 30 June 2009 were LTL 152.5 million, consisting of the non-current financial liabilities of LTL 30.3 million and the current ones of LTL 122.3 million. As of 30 June 2009 unutilised part of credit lines of the Group comprised LTL 132.6 million (LTL 24.2 million and LTL 1.6 million as of 30 June 2008 and 2007, respectively).

Major part of the bank borrowings with the total balance of LTL 124.1 million as of 30 June 2009 were secured by the Group's assets. As of 30 June 2009 property, plant and equipment, investment property, biological assets, inventories, prepayments, trade receivables and bank accounts were pledged to banks as collateral for the loans.

See below the breakdown of items pledged to secure the bank borrowings of the Group:



**Table 61. The breakdown of assets pledged to secure the bank borrowings of the Group (LTL in thousand)**

Item	30 June 2007	30 June 2008	30 June 2009
Property plant and equipment	63,537	69,203	82,603
Investment property	12,573	19,017	8,176
Biological assets	268	5,633	4,427
Inventories	7,665	41,950	45,047
Prepayments	9,856	6,334	8,860
Trade receivables	59,574	102,483	87,442
<b>Total assets pledged</b>	<b>153,473</b>	<b>244,620</b>	<b>236,555</b>

Source: the audited consolidated financial statements of the Company

In addition to the pledged assets presented in the table above a part of the Group's accounts at banks and cash inflows are pledged to banks as a collateral for the loans. As at the end of the financial years 2006/2007, 2007/2008, 2008/2009 there were no restrictions on use of cash balances held in the pledged accounts.

Also UAB Linas Agro Konsultacijos pledged shares of Medeikių ŽŪB, Lukšių ŽŪB, Aukštadvario ŽŪB, Sidabravo ŽŪB as well as Ēriškių ŽŪB and Žibartonių ŽŪB to banks as a collateral for the loans.

In terms of currencies, the Group mainly borrows in EUR and LTL. The breakdown of financial liabilities by currencies is illustrated in the table below.

**Table 62. Breakdown by currencies of the Group's financial liabilities, excluding trade payables (LTL in thousand)**

Currency	Financial liabilities, excluding trade payables			As % of total		
	30 June 2007	30 June 2008	30 June 2009	30 June 2007	30 June 2008	30 June 2009
EUR (LTL equivalent)	16,028	128,321	98,987	14.5%	67.8%	64.9%
LTL	79,672	42,374	48,015	72.2%	22.4%	31.5%
USD (LTL equivalent)	4,822	11,028	4,673	4.4%	5.8%	3.1%
DKK (LTL equivalent)	9,709	7,308	692	8.8%	3.9%	0.5%
GBP (LTL equivalent)	161	152	174	0.1%	0.1%	0.1%
<b>Total</b>	<b>110,392</b>	<b>189,183</b>	<b>152,541</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: the audited consolidated financial statements of the Company

The major part of the Group's borrowings is with variable rates related to LIBOR and VILIBOR, which creates and interest rate risk. No financial instruments are used to manage fluctuations of interest rates.

The borrowings from the related parties made LTL 2.3 million as of 30 June 2009. See Section *Related Party Transactions*, page 88, for details.

In July 2007 AB Linas Agro issued the two years bond emission with the balance of LTL 15 million and with the repayment due till 21 July 2009. It was already the fourth bond emission issued by AB Linas Agro. Funds received from the bonds issued were used to finance the working capital needs. In July 2009 AB Linas Agro redeemed bonds issued together with interest accrued.

The total liability of the Group under finance lease contracts made LTL 3.4 million as of 30 June 2009. The assets leased by the Group under finance lease contracts consist of land, buildings and structures, machinery and equipment, vehicles and other property, plant and equipment.

## Cash Flows

The following table summarises the consolidated cash flows of the Company and its subsidiaries.



**Table 63. Highlights of the consolidated cash flows (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
<i>Cash and cash equivalents at the beginning of the year</i>	12,782	7,973	7,826
Cash flow from (to) operating activities	(3,970)	(36,450)	64,515
Cash flow from (to) operating activities before changes in working capital	16,581	62,272	60,943
Changes in working capital	(20,551)	(98,722)	3,572
Cash flow from (to) investing activities	(3,845)	(24,478)	(25,926)
Cash flow from (to) financing activities	3,006	60,781	(38,225)
<b>Net increase (decrease) in cash equivalents</b>	<b>(4,809)</b>	<b>(147)</b>	<b>364</b>
<i>Cash and cash equivalents at the end of the year</i>	<i>7,973</i>	<i>7,826</i>	<i>8,190</i>

Source: the audited consolidated financial statements of the Company

Cash flow from operating activities before changes in working capital increased from LTL 16,581 thousand in 2006/2007 to LTL 62,272 thousand in 2007/2008 and slightly decreased to LTL 60,943 thousand in 2008/2009. Growth in 2007/2008 resulted from growing volumes and higher profitability. In 2008/2009 business volumes kept growing but profitability declined due to significant shift in profitability of sugar beet pulp pellets and some other factors.

Volume growth and growing prices of agricultural commodities consumed LTL 20,551 thousand of additional working capital in 2006/2007. The next financial year demanded much more significant increase in working capital (LTL 98,722 thousand) due to growing volumes and record-high prices of agricultural products. In addition, the Group accumulated unusually high inventory levels hoping for further price advances. The year 2008/2009 resulted in plunging prices of agricultural products, which reduced working capital by LTL 3,572 thousand regardless growing volumes.

Cash outflows from investing activities were unusually low in 2006/2007 due to sales of UAB Linas Agro Veterinarijos Centras shares, which generated an inflow of LTL 12,926 thousand. During 2007/2008 the Group made LTL 9,930 thousand investment into land (used for agricultural and investment purposes), LTL 5,019 thousand investment into equipment, LTL 4,996 thousand for buildings including construction in progress and LTL 3,565 thousand to purchase 25.15% shares of Linas Agro Grūdų centras KŪB. The biggest purchases of 2008/2009 were LTL 14.0 million acquisition of Šiauliai elevator and a LTL 9.0 million acquisition of 60% shares of Rosenkrantz ApS.

Financing cash flow was a mirror reflection of operating and investing cash flows. Due to low changes in operating and investing cash flows the Group required only LTL 3,006 thousand of financing inflows in 2006/2007. Dramatic changes in working capital and significant cash outflows in investing activities required LTL 60,781 thousand of additional financing in 2007/2008. When prices of agricultural products dropped, operating activities generated LTL 64,515 thousand, which allowed returning LTL 38,225 thousand to equity and debt holders in 2008/2009.

## Research and Development, Patents and Licences

The majority of trademarks of the Group (i.e. *linas*, *linas agro*, *linas inagra*, *V L*, *rapsai.lt*, *L V linas agri*, *linas viza*, *I i*, *kupiškio grūdai*, *LA grūdų centras*, *UAB Dotnuvos projektai*, *sidabravo žemės ūkio bendrovė*, *žibartonių žemės ūkio bendrovė*, *medeikių žemės ūkio bendrovė*, *lukšių žemės ūkio bendrovė*, *aukštadvario žemės ūkio bendrovė*) are registered with the State Patent Bureau of the Republic of Lithuania. In addition, the Group holds one European Community trademark (i.e. *linas*, trademark No. 004030946), which is registered in the name of AB Linas Agro and one pending European Community trademark application (i.e., *linas agro*, trademark No. 007236656) filed by AB Linas Agro. Furthermore, AB Linas Agro has one trademark (i.e. *linas inagra*, registration No. 867003), registered under the Madrid Protocol of 27 June 1989. Registration of the said trademark is extended (with certain exceptions) to Belarus, Russia, Ukraine as well as the European Union. The trademark UAB Dotnuvos projektai is pledged in favour of AB SEB bankas to secure the performance of financial obligations arising under the credit agreement made with the bank.

The Group has no registered patents or industrial designs.

Currently the Group does not carry out any significant research and development activities, except for its close cooperation with Lithuanian agriculture research institutions taking advantage of agricultural technology and know-how development. No significant expenses are incurred in this cooperation.



## Trend Information

Global prices of agricultural commodities were relatively stable up to 2006/2007 with moderate ups and downs in individual years. However, prices began to rise rapidly in the second half of 2006, skyrocketed in the third quarter of 2007 and suddenly dropped down. Then they equally surprisingly recovered to all-time-highs and afterwards started falling rapidly for nine consecutive months in 2008 returning to 2006 levels. Unusual volatility in prices most likely is related to the entrance of financial investors into agricultural commodity markets and their irrational behavior. The Group sees more positives than negatives in this new trend. First, uncertain markets provide better opportunities for market professionals and should result in wider margins. Second, financial investors brought into the market a set of new financial instruments, which can be used to manage price risk exposure. Price levels of 2009 remain relatively low for agricultural products. Therefore, many professionals expect prices to go up in 2010 but this won't be comparable to the peaks of 2007-2008.

Lithuanian and Latvian markets are being influenced by several new trends as well. First, high prices of 2007-2008 have brought to the market a number of new small competitors, which are gradually disappearing now. However, some of them have succeeded to find their niches in the market. Second, farmers are increasingly aware about benefits of participating in the growing programs of agricultural holdings. Therefore, membership in such programs is growing rapidly. Lastly, agricultural holdings are accelerating consolidation of farms, since farms provide several benefits for them such as a full control over future harvests and an opportunity to earn extra profits in crop growing. In addition, farms can be used as demo fields for other farmers displaying what can be achieved when modern growing technologies and agricultural inputs are used.

## Profit Forecasts and Estimates

Profit forecasts are not included in this Prospectus because they have not been reviewed by independent auditors.

## Administrative and Management Bodies and Senior Management

### Management Structure

#### General Information

The Company has a two-tier management system, i.e. the Management Board and the Chief Executive Officer (the General Manager) of the Company. No Supervisory Council is formed in the Company. The Management Board is a collegial management body, which is responsible for the strategic management of the Company, the appointment and removal of the Chief Executive Officer, calling the General Meetings of Shareholders, adoption of other corporate decisions which are economically feasible for the Company, etc. The Chief Executive Officer is responsible for the day-to-day management of the Company and enjoys an exclusive right of representing the Company vis-à-vis third parties.

In addition, the Company employs several Key Executives: Deputy Chief Executive Officer, Chief Financial Officer, Corporate Communication Manager, Human Resources (HR) Manager and Chief Accountant. As the Company is a holding entity with no extensive business operations, apart from the Key Executives only one employee (Senior Accountant, who is not considered as the Key Executive) is employed in the Company. All the employees of the Company are directly subordinate and report to the Chief Executive Officer with the exception to the Chief Accountant and the Senior Accountant who are subordinate to the Chief Financial Officer.





The internal management structure of the Company is shown in *Figure 4* below.

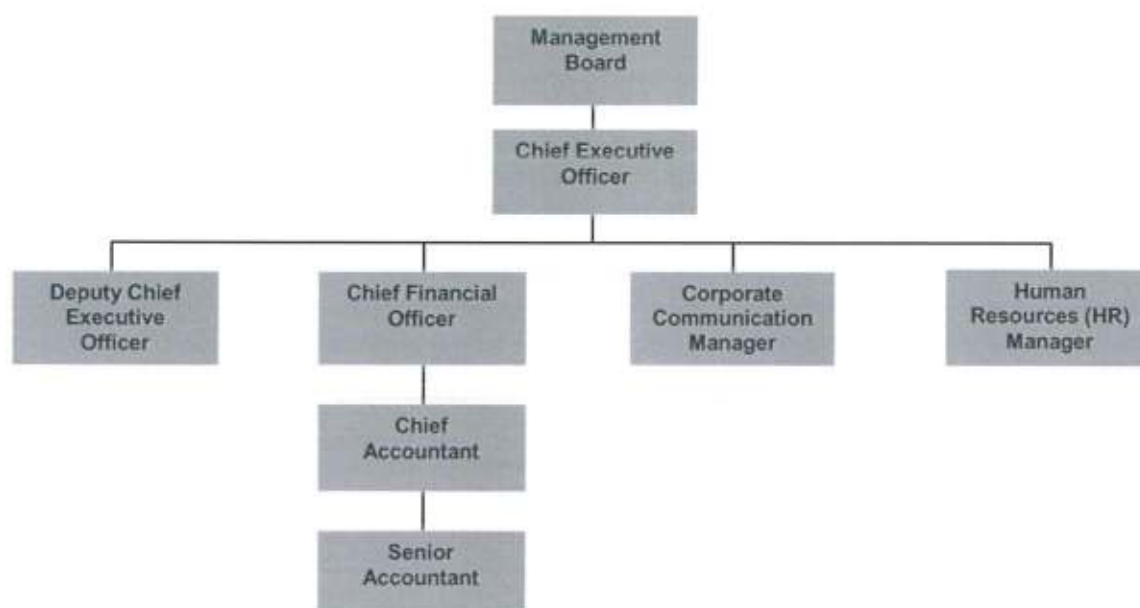


Figure 4. Organizational structure of the Company

## Management Board

The Company's Management Board is comprised of seven members elected for the tenure of four years. The Management Board has the Chairman elected by the Management Board from among its members. The business address for all members of the Management Board is AB Linas Agro Group, Smėlynės 2C, LT-35143 Panevėžys, Lithuania. The list of the members of the Management Board is presented in *Table 64* below. The tenure period of the Management Board is indicated in *Table 68*, page 85.

Table 64. Members of the Management Board

Name	Position in the Company
Darius Zubas	Chairman of the Management Board, CEO
Vytautas Šidlauskas	Deputy Chairman of the Management Board <sup>1</sup>
Arūnas Zubas	Member of the Management Board
Dainius Pilkauskas	Member of the Management Board
Arūnas Jarmolavičius	Member of the Management Board
Andrius Pranckevičius	Member of the Management Board, Deputy Chief Executive Officer
Tomas Tumėnas	Member of the Management Board, Chief Financial Officer

<sup>1</sup> Although neither the Law on Companies nor the Articles of Association of the Company provide for the election of the Deputy Chairman of the Management Board, this position is indicated in the Work Regulations of the Management Board approved on 16 October 2008. The Deputy Chairman is elected by the Management Board from among its members.

Source: the Company

**Darius Zubas.** Darius Zubas, born in 1965, is the main founder of the Group. He incorporated AB Linas Agro (former UAB Linas ir Viza) and since 1991 occupies the position of the Chief Executive Officer and, since 2006, the position of the Chairman of the Management Board of the said company. Since 1997, he is also the Chief Executive Officer of the Company. In 1993-1999 he was the Deputy General Manager of UAB Gerera. In addition, he also serves as the Chairman of the Management Boards of UAB Mestilla and Rosenkrantz A/S. Darius Zubas graduated from Lithuanian Veterinary Academy in 1988 and obtained a diploma of Veterinarian. Darius Zubas has nearly 20 years of experience in strategic management and business organization.

Darius Zubas is a brother to Arūnas Zubas, a shareholder and member of the Management Board of the Company.



**Vytautas Šidlauskas.** Vytautas Šidlauskas, born in 1963, is one of the incorporators of AB Linas Agro (former UAB Linas ir Viza). Since 1999 he occupies the position of the Director for Commerce and in addition since 2006 serves as the member of the Management Board in AB Linas Agro. At the same time, Vytautas Šidlauskas acts as the Chief Executive Officer of UAB Gerera (since 1993) and serves as a member of the Management Board in UAB Mestilla and Rosenkrantz A/S. Vytautas Šidlauskas is a graduate of Faculty of Chemistry, Kaunas Polytechnic Institute, where in 1987 he obtained a diploma in Public Nutrition Technology and Management. Vytautas Šidlauskas has more than 15 years of experience in business management.

**Arūnas Zubas.** Arūnas Zubas, born in 1962, is the member of the Management Board of the Company. He joined the Group in 1995 as the Manager for Commerce in AB Linas Agro (1996-2005). Prior to that, he worked as the Technologist in Panevėžys Meat Processing Factory (1985-1988), as well as the Project Manager of the factory (1989-1992) and, later, as the Managing Director (1992-1994) in AB Krekenavos Agrofirma. On the date of this Prospectus, he also serves as a member of the Management Board in AB Linas Agro (since 2006) and the Chief Executive Officer in UAB Mestilla (since 2005). Arūnas Zubas graduated from Kaunas University of Technology in 1985 and holds a diploma in Chemical Technology. Arūnas Zubas has 20 years of experience in project, production and business management.

Arūnas Zubas is a brother to Darius Zubas, a shareholder, the Chairman of the Management Board and CEO of the Company.

**Dainius Pilkauskas.** Dainius Pilkauskas, born in 1966, is serving for the Group for 18 years already. Started as the Manager for Commerce in AB Linas Agro (former UAB Linas ir Viza) in 1991, since 2006 he was promoted to and currently serves as the Manager for Commerce for the Baltic States and a member of the Management Board in AB Linas Agro. Dainius Pilkauskas is a graduate of Lithuanian Veterinary Academy where in 1991 he obtained a diploma of Zoo Engineer. Dainius Pilkauskas is highly experienced in business management and business organization.

**Arūnas Jarmolavičius.** Arūnas Jarmolavičius, born in 1964, joined the Group eight years ago. In 2001 he started his carrier within the Group as the Project Director in AB Linas Agro and serves in this position since then. In 2008 he was nominated as a member of the Management Board of the Company. Prior to joining the Group, he was the Controller in the State Control Department (1991-1992), the Sales Manager in UAB Prieglius (1993-1994), the Sales and Marketing Director in AB Kalnapiilis (1994-1997) and in Baltic Beverage Holding AB (1997 – 1999) as well as the Managing Director in UAB Jungtinis Alaus Centras (1999-2001). In 1991 Arūnas Jarmolavičius graduated from Vilnius University and holds a diploma in Economics, Industry Planning. His experience in business, marketing and investments fields already counts for 15 years.

**Andrius Pranckevičius.** Andrius Pranckevičius, born in 1976, joined the Group in 1999 as the Marketing Manager (1999-2000) in AB Linas Agro (former UAB Linas ir Viza). Afterwards, he served as the Project Manager (2000-2003) and Business Development Manager (2003-2005) in the same company. Since 2005 he serves as the Deputy Chief Executive Officer and since 2006 as a member of the Management Board in AB Linas Agro. He also occupies the position of the Deputy Chief Executive Officer of the Company. In addition, Andrius Pranckevičius holds the position of the board member of the Lithuanian Agricultural Companies Association. Prior to joining the Group, he was the Customer Service Manager in UAB DHL International Lietuva (1998-1999). Andrius Pranckevičius is a graduate of Kaunas Technological University where in 1998 he obtained a bachelor's degree in Business Administration and, in 2000, a master's degree in Marketing Management. He also took executive education programs in Harvard Business School, Wharton Business School, Stanford Business School, and Berkeley Business School (2004-2007) and programme of leadership development in Harvard Business School (2009). Andrius Pranckevičius is experienced in project management, marketing, investment and finances.

**Tomas Tumėnas.** Tomas Tumėnas, born in 1972, started his career within the Group since 2001 by becoming the Finance Director (Chief Financial Officer) of AB Linas Agro and serves in this position since then. On the date of this Prospectus, he also acts as a member of the Management Board in AB Linas Agro (since 2006), the Director in UAB Baltic Fund Investments (since 2003) and the Chief Financial Officer in the Company (since 2009). Prior to joining the Group he was the Financial Broker in AB Akcinis Inovacinis Bankas (1995-1996), Insurance Analyst in ADB Preventa (1996) and the Financial Analyst in the Representative Office of Baltic Management LLC (1996-2001). Tomas Tumėnas holds the diploma in Economics from Vilnius University (in 1995) and a certificate in International Business Economics from Aalborg University (in 1995). Since 2007 he studies at Manchester Business School and expects to obtain MBA in finance. Tomas Tumėnas works in the spheres of investments and finance management for more than 15 years.



## Key Executives

The list of employees which the Company considers as Key Executives is presented in *Table 65* below. The business address for all Key Executives is AB Linas Agro Group, Smėlynės 2C, LT- 35143 Panevėžys, Lithuania.

**Table 65. Key Executives of the Company**

Name	Position in the Company	Main functions
Darius Zubas	Chief Executive Officer	Overall organization and strategy of the Group, development and expansion of the Group, day -to-day management of the Company, representation of the Company vis-à-vis third persons, overall organization and strategy of the Group
Andrius Pranckevičius	Deputy Chief Executive Officer	Development and expansion of the Company and the Group, start-up and organization of investment projects of the Group, coordination and management of agro-supply companies in the Baltic states
Tomas Tumėnas	Chief Financial Officer	Management of the Group's financial resources, formation of the Group's financial policy, relations with credit and financial institutions
Ramutė Masiokaitė	Chief Accountant	Accounting of the Group
Jorinta Zolubaitė	Corporate Communication Manager	Communication with shareholders and investors of the Company, reporting to the stock exchange, LSC and other institutions, public relations, marketing and branding of the Group
Silvija Lukošūnaitė	Human Resources (HR) Manager	Strategic HR management, formation of HR policy of the Group, hiring and dismissing upper-level staff of the Group companies

Source: the Company

The information about Darius Zubas, Andrius Pranckevičius and Tomas Tumėnas is presented in *Section Management Board*, page 79, above.

**Ramutė Masiokaitė.** Ramutė Masiokaitė, born in 1971, joined the Group in 1998 as the Chief Accountant of AB Linas Agro (former UAB Linas ir Viza). In 2001 she was promoted to the position of the Financial Controller of AB Linas Agro and serves there since then. Prior to joining the Group, she worked as the Vice-Chief Accountant in AB Lithuanian Saving Bank (1995-1998). Ramutė Masiokaitė is a graduate of Vilnius University, where in 1994 she received a diploma of Economy, Finance and Credit Specialisation.

**Jorinta Zolubaitė.** Born in 1964, Jorinta Zolubaitė is one of the founders of the Group. Since the incorporation of AB Linas Agro (former UAB Linas ir Viza) in 1991, Jorinta Zolubaitė held the position of the Technical Secretary. In 1994 she was promoted to the position of the Assistant Managing Director where she remained until 1998. During the same period she worked as the Secretary in UAB Gerera, one of the Group companies (1993-1999). Since her promotion to the position of the Junior Marketing Manager in AB Linas Agro in 1999, Jorinta Zolubaitė started her career in marketing sector. She worked as the Junior Marketing Manager until 2005 and then for a year held a position of the Marketing Manager in AB Linas Agro. Since 2006, she was appointed as the Corporate Communication Manager of AB Linas Agro where she remains working on the date of this Prospectus. Jorinta Zolubaitė is responsible for group communication, image, branding and marketing. Jorinta Zolubaitė is a graduate of Kaunas Technology University, where in 1987 she obtained a diploma of Engineer-Technologist, Food Chemistry and Technology specialisation.

**Silvija Lukošūnaitė.** Silvija Lukošūnaitė, born in 1974, joined the Group in 1997, immediately after graduation from Kaunas Technological University. From 1997 until 2002 she worked as the Assistance Chief Executive Officer in AB Linas Agro (former UAB Linas ir Viza) and as the Secretary in the Company (former UAB Agriveta). In 2002 she was promoted to the HR Manager in AB Linas Agro) and serves in this position since then. Silvija Lukošūnaitė is a graduate from Kaunas Technological University (Panevėžys Faculty) where in 1997 she obtained a bachelor's degree in Business Administration. She deepened her academic knowledge in ISM University of Management and Economics where in 2008 she obtained a master's degree in Management for Executives. Silvija Lukošūnaitė has seven years of experience in HR management. From October 2009 Silvija Lukošūnaitė is on maternity leave and, in the case of necessity, the Company will seek to temporarily hire another person to replace her or to assign her scope of work to other staff of the Group.

The dates when the Key Executives took the position are indicated in *Table 68*, page 85.



## Principal Activities Outside the Company

Information on participation of the members of the Management Board and the Key Executives of the Company in the management or supervision of other entities during the last five years (since 2004) is provided in Table 66 below. The table below does not include the positions held within the Company.

**Table 66. Principal activities of the members of the Management Board and the Key Executives outside the Company**

Entity	Position	Since	Until	Held currently
<b>Darius Zubas</b>				
<i>Group companies:</i>				
AB Linas Agro	Chief Executive Officer	1991	-	Yes
	Chairman of the Management Board	2006	-	Yes
Rosenkrantz A/S	Chairman of the Management Board	2005	-	Yes
<i>Other companies:</i>				
UAB Mestilla	Chairman of the Management Board	2006	-	Yes
<b>Vytautas Šidlauskas</b>				
<i>Group companies:</i>				
AB Linas Agro	Director for Commerce	1999	-	Yes
	Deputy Chairman of the Management Board	2006	-	Yes
UAB Gerera	Chief Executive Officer	1993	-	Yes
Rosenkrantz A/S	Member of the Management Board	2004	-	Yes
<i>Other companies:</i>				
UAB Mestilla	Member of the Management Board	2006	-	Yes
<b>Arūnas Zubas</b>				
<i>Group companies:</i>				
AB Linas Agro	Member of the Management Board	2006	-	Yes
	Manager for Commerce	1995	2005	-
<i>Other companies:</i>				
UAB Mestilla	Chief Executive Officer	2005	-	Yes
<b>Dainius Pilkauskas</b>				
<i>Group companies:</i>				
AB Linas Agro	Manager for Commerce for Baltic States	2006	-	Yes
	Member of the Management Board	2006	-	Yes
	Manager for Commerce	1991	2006	-
<b>Arūnas Jarmolavičius</b>				
<i>Group companies:</i>				
AB Linas Agro	Project Director	2001	-	Yes
	Member of the Management Board	2006	-	Yes
<i>Other companies:</i>				
UAB Mestilla	Member of the Management Board	2006	-	Yes
Akola ApS	Authorised Representative in Lithuania and Ukraine	2001	-	Yes
<b>Andrius Pranckevičius</b>				
<i>Group companies:</i>				
AB Linas Agro	Deputy Chief Executive Officer	2005	-	Yes
	Member of the Management Board	2006	-	Yes
	Business Development Manager	2003	2005	-
<i>Other companies:</i>				
Lithuanian Agricultural Companies Association	Board Member	2008	-	Yes
<b>Tomas Tumėnas</b>				
<i>Group companies:</i>				



Entity	Position	Since	Until	Held currently
AB Linas Agro	Chief Financial Officer	2001	-	Yes
	Member of the Management Board	2006	-	Yes
<i>Other companies:</i>				
UAB Baltic Fund Investments	Chief Executive Officer	2003	-	Yes
<b>Ramutė Masiokaitė</b>				
<i>Group companies:</i>				
AB Linas Agro	Financial Controller	2001	-	Yes
<b>Jorinta Zolubaitė</b>				
<i>Group companies:</i>				
AB Linas Agro	Manager Corporate Communication	2006	-	Yes
	Junior Marketing Manager	1999	2005	
	Marketing Manager	2005	2006	
<b>Silvija Lukošūnaitė</b>				
<i>Group companies:</i>				
AB Linas Agro	HR Manager	2002	-	Yes
	Assistant Chief Executive Officer	1997	2002	

Source: the Company

## Declarations in Respect of Senior Management

To the best knowledge of the Company, for the last five years neither any member of the Management Board nor any Key Executive of the Company (i) was imposed with any convictions in relation to fraudulent offences, (ii) was associated with any bankruptcies, receiverships or liquidations in their capacity as members of the administrative, management or supervisory bodies, partners with unlimited liability, founders or senior managers, or (iii) was subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of the Company or from acting in the management or conduct of the affairs of any entity.

Darius Zubas, the Chairman of the Board and the Chief Executive Officer, and three members of the Management Board of the Company (Arūnas Zubas, Vytautas Šidlauskas and Dainius Pilkauskas) indirectly exercise joint control over the Company. All of them are direct shareholders of the Selling Shareholder which is the principal shareholder of the Company. The Selling Shareholder is the holding company in Akola Group and its Subsidiaries engage in various business activities (see Section *Structure of Akola ApS Group*, page 60). In addition, the shareholders of the Company exercise the joint control over UAB Mestilla which is outside the Group structure but which is an important business partner of the Group (see Section *Related Party Transactions*, page 88).

It is possible that the shareholders of the Company (four of which are members of the Management Board) may favour their own interests rather than those of the Company. Darius Zubas, Arūnas Zubas, Vytautas Šidlauskas and Dainius Pilkauskas are the shareholders of Akola ApS (the Selling Shareholder) and therefore, have a right to dividends declared by the Selling Shareholder.

Apart from the above, the Company is not aware of any potential conflict of interests between any duties to the Company of the members of the Management Board or Key Executives of the Company.

## Remuneration and Benefits

The information on remuneration and benefits to the members of the Management Board and the Key Executives of the Company in the year 2008/2009 is presented in *Table 67*. Gross amounts which include social security, income and other taxes applicable under legal acts are shown below.



**Table 67. Remuneration and benefits paid and accrued to Management Board and Key Executives in the year 2008/2009**

Name	Group company-payer	Position within the payer	Amount, LTL in thousand	Type of payment
<b>Darius Zubas</b>	AB Linas Agro Group	Chairman of the Management Board, CEO	12.0	Salary
			0.3	Provisions for vacation
	AB Linas Agro	Chairman of the Management Board, CEO	238.1	Salary
			42.0	Provisions for vacation
	Rosenkrantz A/S	Chairman of the Management Board	147.8 <sup>1</sup>	Bonus
<b>Total</b>			<b>440.3</b>	
<b>Vytautas Šidlauskas</b>	AB Linas Agro	Commerce Director, Deputy Chairman of the Management Board	213.5	Salary
			15.1	Provisions for vacation
	UAB Gerera	Chief Executive Officer	12.0	Salary
	Rosenkrantz A/S	Member of the Management Board	147.8 <sup>1</sup>	Bonus
<b>Total</b>			<b>388.4</b>	
<b>Arūnas Zubas</b>	-	-	-	-
<b>Total</b>			-	
<b>Dainius Pilkauskas</b>	AB Linas Agro	Commerce Manager for Baltic States, Member of the Management Board	155.6	Salary
			39.3	Bonus
			36.9	Provisions for vacation
			<b>Total</b>	<b>231.8</b>
<b>Arūnas Jarmolavičius</b>	AB Linas Agro	Project Director, Member of the Management Board	121.5	Salary
			20.2	Bonus
			0.7	Provisions for vacation
			<b>Total</b>	<b>142.4</b>
<b>Andrius Pranckevičius</b>	AB Linas Agro	Deputy Chief Executive Officer, Member of the Management Board	209.6	Salary
			34.2	Bonus
			8.3	Provisions for vacation
			<b>Total</b>	<b>252.1</b>
<b>Tomas Tumėnas</b>	AB Linas Agro	Chief Financial Officer, Member of the Management Board	146.3	Salary
			20.2	Bonus
			21.4	Provisions for vacation
			<b>Total</b>	<b>187.9</b>
<b>Ramutė Masiokaitė</b>	AB Linas Agro	Financial Controller	117.2	Salary
			9.6	Bonus
			7.0	Provisions for vacation
			<b>Total</b>	<b>133.8</b>
<b>Jorinta Zolubaitė</b>	AB Linas Agro	Corporate Communication Manager	106.5	Salary
			4.9	Bonus
			<b>Total</b>	<b>111.4</b>
<b>Silvija Lukošūnaitė</b>	AB Linas Agro	HR Manager	89.0	Salary
			4.1	Bonus
			<b>Total</b>	<b>93.1</b>
<b>Total for all senior management</b>			<b>1,981.2</b>	

<sup>1</sup> bonuses were allocated but have not been paid yet.

Source: the Company



The Group has not set aside or accrued any amounts to provide pension, retirement or similar benefits to any member of the Management Board or Key Executive of the Company.

As of 30 June 2009 there are no loans granted by the Group to the members of the Management Board or the Key Executives of the Company.

## Board Practices

### Term of Office

The term of office of the Management Board and Key Executives of the Company as well as the period during which respective persons hold positions is provided in *Table 68* below.

**Table 68. Tenure of the Management Board and Key Executives of the Company**

Name	Position within the Company	In the position since	
		Since	Until
<b>Management Board</b>			
Darius Zubas	Chairman of the Management Board	12 September 2008	12 September 2012
Vytautas Šidlauskas	Deputy Chairman of the Management Board	12 September 2008	12 September 2012
Arūnas Zubas	Member of the Management Board	12 September 2008	12 September 2012
Dainius Pilkauskas	Member of the Management Board	12 September 2008	12 September 2012
Arūnas Jarmolavičius	Member of the Management Board	12 September 2008	12 September 2012
Andrius Pranckevičius	Member of the Management Board	12 September 2008	12 September 2012
Tomas Tumėnas	Member of the Management Board	1 October 2008	12 September 2012
<b>Key Executives</b>			
Darius Zubas	Chief Executive Officer	28 April 1997	Indefinite
Andrius Pranckevičius	Deputy Chief Executive Officer	19 November 2009	Indefinite
Tomas Tumėnas	Chief Financial Officer	19 November 2009	Indefinite
Ramutė Masiokaitė	Chief Accountant	19 November 2009	Indefinite
Jorinta Zolubaitė	Corporate Communication Manager	19 November 2009	Indefinite
Silvija Lukošūnaitė	Human Resources (HR) Manager	19 November 2009	Indefinite

Source: the Company

According to the Law on Companies, the tenure of the Management Board may not last longer than until the annual ordinary General Meeting of Shareholders convened in the last year of the tenure of the Management Board.

All Key Executives have employment relations with the Company which are of unlimited duration. Albeit other Key Executives may be terminated from the Company only on the grounds and following the procedure indicated in the Labour Code of the Republic of Lithuania, pursuant to the Law on Companies the Chief Executive Office (Darius Zubas) may be revoked from the position by the Management Board of the Company without any early notice for any cause.

### Severance Payments

According to the Labour Code of the Republic of Lithuania, the members of the Management Board and Key Executives who are employed in any Group company are entitled to severance payments upon termination of their employment (except for certain termination grounds, such as on own will, due to employee's fault, etc). In addition, AB Linas Agro and certain key employees of such company Dainius Pilkauskas, Arūnas Jarmolavičius, Andrius Pranckevičius, Tomas Tumėnas, Jorinta Zolubaitė and Silvija Lukošūnaitė have entered into non-competition arrangements whereby these employees undertook not to compete with the Group during their employment and certain period afterwards and, as a compensation, AB Linas Agro undertook to pay 100% of their average monthly salaries for the entire non-competition period (starting from the termination of their employment).

Apart from the statutory payments and non-competition compensation referred to above, the employment agreements entered into between the members of the Management Board and/or Key Executives and respective Group companies do not provide for any other severance payments or benefits upon termination of such agreements.



## Compliance with the Corporate Governance Regime

The Company complies with the Lithuanian corporate regime established by Lithuanian law, the Articles of Association and the Work Regulations of the Management Board in all material respects. Once the Shares of the Company are listed on NASDAQ OMX Vilnius, the Company will be required to either comply with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius (*the Corporate Governance Code*) approved by the LSC and the board of NASDAQ OMX Vilnius or explain reasons for its non-compliance ("comply or explain" principle). Albeit on the date of this Prospectus the Company does not fully comply with the Corporate Governance Code (e.g. there are no independent members appointed to the Management Board or audit or remuneration committees formed in the Company), following listing of its Shares on NASDAQ OMX Vilnius the Company will seek achieving the compliance with it to the maximum extent practicable. In addition, the audit committee is mandatory for entities whose shares are traded on regulated market. As the Company has not formed it yet, from the moment of listing of its Shares on NASDAQ OMX Vilnius until such audit committee is formed the Company will not comply with this requirement. The Company will annually report to its shareholders as to its compliance with the recommendations in the Corporate Governance Code and other corporate requirements. Such report will be included in the annual report of the Company for the first time for the financial year ending 30 June 2010.

## Employees

### Number of Employees

At the end of the last quarter before this Prospectus (i.e. on 30 September 2009) the Group (including Associates and Joint Ventures) employed 730 employees. The breakdown of employees of the Group by geographical locations, companies and business segments is presented in *Table 69*, *Table 71* and *Table 70* respectively below. These breakdowns exclude secondary employments in case an employee is employed in several companies of the Group at the same time. For example, the Company employed four employees as at the end of each period presented below, two of them were employed only in the Company. At the Meeting of the Management Board of the Company of 18 November 2009 the internal structure of the Company was changed and new staff positions (such as the Chief Financial Officer, the Deputy Chief Executive Officer, the Chief Accountant, the Corporate Communication Manager and HR Manager) were introduced. Following the Offering and subject to its needs, the Company may hire additional employees to managerial positions from among the staff of other Group companies.

**Table 69. The breakdown of employees of the Group (including Associates and Joint Ventures) by geographical locations**

Geographical location	30 June 2007	30 June 2008	30 June 2009	30 September 2009
Lithuania	655	693	708	712
Latvia	9	10	11	10
Denmark	6	6	6	8
<b>Total for the Group</b>	<b>670</b>	<b>709</b>	<b>725</b>	<b>730</b>

Source: the Company

**Table 70. The breakdown of employees of the Group by companies**

Company	30 June 2007	30 June 2008	30 June 2009	30 September 2009
<b>The Company and its Subsidiaries:</b>				
The Company	2	2	2	2
Lukšiu ŽŪB	138	134	124	118
UAB Linas Agro Grūdų centras KŪB	71	75	92	104
AB Linas Agro	82	84	87	88
Sidabravo ŽŪB	79	79	82	79
Aukštadvario ŽŪB	63	76	75	68
Medeikių ŽŪB	30	30	32	33
ŽŪK Kupiškio grūdai <sup>1</sup>	N/A	N/A	23	27
SIA Linas Agro	9	10	11	
Rosenkrantz A/S	6	6	6	





Company	30 June 2007	30 June 2008	30 June 2009	30 September 2009
Other	10	11	8	8
<b>Total for the Company and its subsidiaries</b>	<b>490</b>	<b>507</b>	<b>542</b>	<b>545</b>
<b>Associates:</b>				
ŽŪK Kupiškio grūdai <sup>1</sup>	17	20	N/A	N/A
UAB Jungtinė ekspedicija	9	9	10	10
<b>Total for Associates</b>	<b>26</b>	<b>29</b>	<b>10</b>	<b>10</b>
<b>Joint Ventures:</b>				
UAB Dotnuvos projektai	112	111	116	118
ŽŪB Dotnuvos agroservisas	24	43	39	39
UAB Kustodija	18	19	18	18
<b>Total for Joint Ventures</b>	<b>154</b>	<b>173</b>	<b>173</b>	<b>175</b>
<b>Total for the Group</b>	<b>670</b>	<b>709</b>	<b>725</b>	<b>730</b>

<sup>1</sup> ŽŪK Kupiškio grūdai was accounted as an associate in the Group's financial statements for 2006/2007 and 2007/2008 and as a subsidiary in the Group's financial statements for 2008/2009.

Source: the Company

**Table 71. The breakdown of employees of the Group by business segments**

Business segment	30 June 2007	30 June 2008	30 June 2009	30 September 2009
Farming	344	353	371	360
Agricultural inputs	76	81	98	110
Feedstuffs	24	24	24	24
Grains and oilseeds	17	17	20	21
Other	3	4	1	1
Not attributed to any specific segment	26	28	28	29
<b>Total for the Company and its Subsidiaries</b>	<b>490</b>	<b>507</b>	<b>542</b>	<b>545</b>
Associates	26	29	10	10
Joint Ventures	154	173	173	175
<b>Total for the Group</b>	<b>670</b>	<b>709</b>	<b>725</b>	<b>730</b>

Source: the Company

Several Group companies from time to time hire temporary employees. Generally such temporary employees are employed by UAB Linas Agro Grūdų centras KŪB and Group's agricultural companies (in Lithuanian: *žemės ūkio bendrovė* or abbreviation *ŽŪB*). The average number of such employees employed by the Group during the year 2008/2009 was 48.

## Labour Union and Collective Bargaining Agreements

From among the Group companies, only Sidabravo ŽŪB has entered into a collective bargaining agreement with its employees. The employees of Sidabravo ŽŪB belong to and are represented by a labour union. The collective bargaining agreement made by Sidabravo ŽŪB, in addition to the regular terms and conditions of employment set forth in the Lithuanian legislation provides only for subsidising of meal to certain categories of employees.

## Shareholdings and Stock Options

On the date of this Prospectus four members of the Management Board of the Company own 21.01% of the Shares in the Company in total. The major part of the Shares is held by Darius Zubas, the Chairman of the Management Board and the Chief Executive Officer (14.21%), while Vytautas Šidlauskas, Arūnas Zubas and Dainius Pilkauskas own only a minority portion of the Shares (5.00%, 0.40% and 0.40% respectively). For more information see Section *Major Shareholders*, page 88. Apart from those persons, no other members of the Management Board or employees of the Company own any Shares in the Company.

The Company is not aware of any options granted to any of its members of the Management Board or Key Executives to acquire the Shares in the Company.



There are no arrangements for involving the employees in the capital of the Company.

## Major Shareholders

On the date of this Prospectus the share capital of the Company equals to LTL 120 million and is divided into 120 million Shares. The major shareholder of the Company is Akola ApS (the Selling Shareholder) holding around 80% of the share capital and votes in the Company. The remaining part of the Shares is held by four individuals.

**Table 72. Shareholders of the Company**

	Shareholder	Number of shares held in the Company, in units	Percentage of shares held in the Company	Position within the Company
1	Akola ApS	95,985,922	79.99%	-
2	Darius Zubas	17,049,995	14.21%	Chairman of the Management Board, Chief Executive Officer
3	Vytautas Šidlauskas	6,003,521	5.00%	Member of the Management Board
4	Arūnas Zubas	480,281	0.40%	Member of the Management Board
5	Dainius Pilkauskas	480,281	0.40%	Member of the Management Board
	<b>Total</b>	<b>120,000,000</b>	<b>100.00%</b>	

Source: the Company

The ultimate shareholders of the Company have signed the Common Control Agreement and jointly control the Company and the remaining Group (see Section *Structure of the Group*, page 61). Apart from the shareholders of the Company indicated in Table 72 above who control the Company directly and indirectly, through the Selling Shareholder (see Table 47, Section *Structure of Akola ApS Group*, page 60), no other person directly or indirectly has an interest in the Company's capital or voting rights which is notifiable under Lithuanian law.

Each fully paid-up Share of the Company grants one vote at the General Meeting of Shareholders of the Company and there are no arrangements that grant the Company's major shareholders different voting rights. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

## Related Party Transactions

### General Overview

Transactions within related parties fall under the following categories:

- Sale/ purchase of goods and services;
- Financing transactions in the ordinary course of business (e.g., loan transactions);

The Management of the Company believes that all arrangements between the Related Parties are entered into at the arm's length principle. In the financial year 2007/2008, AB Linas Agro, the biggest holding of the Group, with the help of tax specialists from UAB Ernst & Young Baltic prepared the transfer pricing documentation for related party transactions. The pricing principles are as follows:

- The transfer pricing between *AB Linas Agro and Rosenkrantz A/S* is based on profit sharing principles. The proportion used to share profits earned is based on inputs of each party as well as costs incurred.
- The transfer pricing between *AB Linas Agro and SIA Linas Agro* is based on a market price method of comparable products and services.
- The pricing between *AB Linas Agro and farming companies held by UAB Linas Agro Konsultacijos* is based on a market price method. Prices are set using relevant prices of transactions with independent parties.
- The pricing principles between *AB Linas Agro and UAB Mestilla* are based on a cost method plus agreed margin.
- The transfer pricing principles used *with UAB Dotnuvos projektai* are based on a cost method plus agreed margin.



- The pricing principles used for consultancy services rendered to different related parties (UAB Mestilla, ZAO UkrAgroNPK, Rosenkrantz A/S, UAB Linas Agro Konsultacijos and its agricultural subsidiaries, UAB Dotnuvos projektai, UAB Kustodija) are based on a cost method plus agreed margin.

This Section provides information on the transactions of the Company and its Subsidiaries with the related parties. The related parties are classified into the following groups: the shareholders, Akola ApS group companies, Joint Ventures and Associates. The detailed description of the related party transactions (sales, purchases and loans) of the Company and its Subsidiaries covers only the transactions with parties external to the Group (e.g. the shareholders and Akola ApS group companies).

Headings below summarise sales, purchases, accounts receivable and payable, loans granted and received with the related parties during the years 2006/2007 – 2008/2009. There were no guarantees or pledges related to the payables to or receivables from related parties.

## Sales of Goods and Services

The sale transactions with the related parties are summarised in Table 73.

**Table 73. The sales to the related parties by the Company and its subsidiaries (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
Akola ApS group companies	2,520	84,142	125,063
UAB Mestilla	2,412	81,833	123,653
Akola ApS	108	1,785	1,099
ZAO UkrAgro NPK	-	524	311
Joint Ventures	705	4,966	2,955
UAB Dotnuvos projektai	606	4,766	2,378
ŽŪB Dotnuvos agroservisas	-	200	500
UAB Kustodija	99	-	77
Associates and shareholders	287	346	111
<b>Total sales to the related parties</b>	<b>3,512</b>	<b>89,454</b>	<b>128,129</b>

Source: the Company, the audited consolidated financial statements of the Company

The major sale transactions by the Company and its Subsidiaries with Akola ApS group companies are summarised in the table below:

**Table 74. The breakdown of major sale transactions of the Company and its Subsidiaries with Akola ApS group companies (LTL in thousand)**

Group's company	Counterparty	2006/2007	2007/2008	2008/2009
AB Linas Agro	UAB Mestilla	2,378	80,378	118,292
SIA Linas Agro	UAB Mestilla	-	-	3,752
Rosenkrantz A/S	UAB Mestilla	-	378	764
UAB Linas Agro Grūdų centras KŪB	UAB Mestilla	30	151	482
Other	UAB Mestilla	4	926	363
<b>Total sales to UAB Mestilla</b>		<b>2,412</b>	<b>81,833</b>	<b>123,653</b>
AB Linas Agro	Akola ApS	108	1,588	685
Other	Akola ApS	-	197	414
<b>Total sales to Akola ApS</b>		<b>108</b>	<b>1,785</b>	<b>1,099</b>
Total sales to ZAO UkrAgro NPK	ZAO UkrAgro NPK	-	524	311
<b>Total sales</b>		<b>2,520</b>	<b>84,142</b>	<b>125,063</b>

Source: the Company

UAB Mestilla is controlled by the same shareholders as the Company together with Statoil New Energy AS. Production of biodiesel is the main area of the activity of UAB Mestilla. AB Linas Agro and UAB Mestilla have concluded a long term agreement for purchase of up to 132,000 tonnes of rape seeds per year by UAB Mestilla. In accordance with the agreement the price of rape seeds is set at the moment of delivery of goods and depends on the size of delivery. During the last two years AB Linas Agro has sold rapeseeds and rapeseed oil to UAB Mestilla. In 2008/2009 SIA Linas Agro



sold rapeseeds to UAB Mestilla. The sales of Rosenkrantz A/S to UAB Mestilla represent the commissions on intermediation services related to sales of UAB Mestilla. UAB Linas Agro Grūdų centras KŪB has rendered the elevators related services to UAB Mestilla.

AB Linas Agro has received interest income from Akola ApS (the Selling Shareholder) paid for the loans provided by AB Linas Agro.

## Purchase of Goods and Services

The purchase transactions with the related parties are summarised in *Table 75*.

**Table 75. The purchases from the related parties by the Company and its Subsidiaries (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
Akola ApS group companies	-	13,322	13,015
UAB Mestilla	-	8,991	12,042
Akola ApS	-	767	973
Agrotrade ApS <sup>1</sup>	-	3,565	N/A
Joint Ventures	13,130	16,254	13,511
UAB Kustodija	8,119	10,284	9,161
UAB Dotnuvos projektai	5,011	5,711	4,088
ŽŪB Dotnuvos agroservisas	-	259	262
Associates	2,511	9,775	5,662
UAB Jungtinė ekspedicija	1,747	7,668	5,662
ŽŪK Kupiškio grūdai <sup>2</sup>	764	1,795	N/A
ŽŪB Žvirbloniai <sup>3</sup>	-	312	N/A
Shareholders	-	-	47
<b>Total purchases from the related parties</b>	<b>15,641</b>	<b>39,351</b>	<b>32,235</b>

<sup>1</sup> Agrotrade ApS (Denmark), in liquidation status (related through the same shareholders till 30 June 2008);

<sup>2</sup> ŽŪK Kupiškio grūdai was accounted as an Associate in the consolidated financial statements of the Company for 2006/2007 and 2007/2008. Starting from the year 2008/2009 ŽŪK Kupiškio grūdai has been consolidated as a Subsidiary.

<sup>3</sup> During 2007/2008 the Group sold its share in Associate ŽŪB Žvirbloniai.

Source: the Company, the audited consolidated financial statements of the Company

The major purchase transactions by the Company and its Subsidiaries with Akola ApS (the Selling Shareholder) group companies are summarised in the table below:

**Table 76. The breakdown of major purchase transactions of the Company and its Subsidiaries with Akola ApS group companies (LTL in thousand)**

Group's company	Counterparty	2006/2007	2007/2008	2008/2009
AB Linas Agro	UAB Mestilla	-	8,082	12,042
Rosenkrantz A/S	UAB Mestilla	-	907	-
UAB Linas Agro Grūdų centras KŪB	UAB Mestilla	-	1	-
<b>Total purchases from UAB Mestilla</b>		<b>-</b>	<b>8,991</b>	<b>12,042</b>
AB Linas Agro	Akola ApS	-	767	973
AB Linas Agro	Agrotrade ApS <sup>1</sup>	-	3,565	N/A
<b>Total purchases</b>		<b>-</b>	<b>13,322</b>	<b>13,015</b>

<sup>1</sup> Agrotrade ApS (Denmark), in liquidation status (related through the same shareholders till 30 June 2008);

Source: the Company

AB Linas Agro has mainly acquired rapeseed and glycerol from UAB Mestilla.

## Receivables and Payables (other than Loans)

The breakdown of receivables from the related parties is presented in *Table 77*.



**Table 77. The receivables of the Company and its Subsidiaries from the related parties (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
Akola ApS group companies	2,513	90	1,991
<i>UAB Mestilla</i>	2,512	-	1,813
<i>Akola ApS and ZAO UkrAgro NPK</i>	1	90	177
Joint Ventures	30	4,692	1,477
<i>UAB Dotnuvos projektai</i>	30	4,647	1,467
<i>Other</i>	-	45	10
Associates	216	-	-
<b>Total receivables from the related parties</b>	<b>2,759</b>	<b>4,782</b>	<b>3,468</b>

Source: the Company, the audited consolidated financial statements of the Company

The breakdown of non-current and current payables and advances to the related parties are summarised in the table below:

**Table 78. The breakdown of payables and advances received of the Company and its Subsidiaries to/from the related parties (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
Joint Ventures	7,122	6,627	4,463
<i>UAB Kustodija</i>	4,149	5,904	3,931
<i>UAB Dotnuvos projektai</i>	2,973	712	334
<i>UAB Dotnuvos agroservisas</i>	-	12	199
Associates	369	442	145
Akola ApS group companies	-	10,780	-
<i>UAB Mestilla</i>	-	10,780	-
<b>Total current payables and advances received to/from the related parties</b>	<b>7,491</b>	<b>17,849</b>	<b>4,608</b>

Source: the Company, the audited consolidated financial statements of the Company

## Loan Agreements

The breakdown of non-current and current loans receivable from the related parties is presented in Table 79.

**Table 79. The loans receivable by the Company and its Subsidiaries from the related parties (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
<b>Non-current loans receivable:</b>			
Akola ApS group companies	8,971	22,309	16,991
<i>Akola ApS</i>	8,694	16,645	16,991
<i>UAB Mestilla</i>	-	5,663	-
<i>Agrotrade ApS<sup>1</sup></i>	278	-	N/A
Shareholders	3,557	3,437	-
Associates	723	-	-
<b>Total non-current loans receivable from the related parties</b>	<b>13,251</b>	<b>25,746</b>	<b>16,991</b>
<b>Current loans receivable:</b>			
Akola ApS group companies	-	-	9,374
<i>Akola ApS</i>	-	-	3,710
<i>UAB Mestilla</i>	-	-	5,663
Associates	-	738	-
<b>Total current loans receivable from the related parties</b>	<b>-</b>	<b>738</b>	<b>9,374</b>

<sup>1</sup> *Agrotrade ApS (Denmark), in liquidation status (related through the same shareholders till 30 June 2008);*

Source: the Company, the audited consolidated financial statements of the Company

The Company and its Subsidiaries have issued the following loans to Akola ApS group companies:



**Table 80. The loans issued by the Company and its Subsidiaries to Akola ApS group companies (LTL in thousand)**

The Group's company - lender	Borrower	Maturity	Interest rate	Security	Carrying value of the loan as of 30 June 2009
AB Linas Agro <sup>1</sup>	Akola ApS	30 June 2013	3.7%	Unsecured	3,709 <sup>2</sup>
AB Linas Agro	Akola ApS	25 November 2010	6 months EURIBOR+1.5%	Unsecured	13,282 <sup>2</sup>
UAB Linas Agro Konsultacijos	Akola ApS	23 October 2009 <sup>3</sup>	3.48% <sup>3</sup>	Unsecured	3,710
<b>Total loans issued to Akola ApS</b>					<b>20,701</b>
UAB Linas Agro Konsultacijos <sup>4</sup>	UAB Mestilla	1 October 2009	3.48%	Unsecured	5,663
<b>Total</b>					<b>26,365</b>

<sup>1</sup> Consists of four loans issued under the same conditions (maturity, interest rate, security).

<sup>2</sup> Part of the proceeds from the sale of the Offer Shares in the amount of LTL 14-17 million shall be used to repay these loans. See Section Purpose of the Offering and Use of Proceeds, page 113. The balances of the loans issued has not changed as at the end of November 2009.

<sup>3</sup> As of 26 October 2009 the interest rate on the loan issued by UAB Linas Agro Konsultacijos to Akola ApS has been changed to 1 month EURIBOR+4.1% and the maturity has been extended till 23 October 2010.

<sup>4</sup> As of 26 October 2009 the loan issued by UAB Linas Agro Konsultacijos to UAB Mestilla has been repaid.

Source: the Company

The purpose of the loans issued by the Group companies to Akola ApS (the Selling Shareholder) is financing of equity investments into UAB Mestilla. The purpose of the loan provided to UAB Mestilla is financing of the working capital needs.

The breakdown of non-current and current loans borrowed with the related parties is provided in Table 81.

**Table 81. The loans received by the Company and its Subsidiaries from the related parties (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
<b>Non-current loans borrowed:</b>			
Akola ApS group companies	-	12,516	-
Akola ApS	-	12,516	-
<b>Total non-current loans borrowed from the related parties</b>	<b>-</b>	<b>12,516</b>	<b>-</b>
<b>Current loans borrowed:</b>			
Akola ApS group companies	-	-	1,609
Akola ApS	-	-	1,609
Shareholders	-	-	656
Dainius Pilkauskas	-	-	656
<b>Total current loans borrowed from the related parties</b>	<b>-</b>	<b>-</b>	<b>2,265</b>

Source: the Company, the audited consolidated financial statements of the Company

The Group companies have received the following loans from the shareholders and Akola ApS group companies:

**Table 82. The loans received by the Group from the shareholders and Akola ApS group companies (LTL in thousand)**

Lender	The Group's company - borrower	Maturity	Interest rate	Security	Carrying value of the loan as of 30 June 2009
Akola ApS	AB Linas Agro	30 June 2010	7.5%	Unsecured	1,609
Dainius Pilkauskas	AB Linas Agro	30 June 2010	7.5%	Unsecured	656
<b>Total</b>					<b>2,265</b>

Source: the Company

The purpose of the loans received by AB Linas Agro was financing of working capital.



## Financial Information Concerning the Company's Assets and Liabilities, Financial Position and Profits and Losses

### Audited Financial Statements

#### General Information

Complete audited financial statements audited by UAB Ernst&Young Baltic for the financial years 2008/2009 and 2007/2008 with the description of accounting principles and notes to financial statements are provided in Appendix 1. The audited financial statements for the year 2006/2007 (audited by UAB Rimess) can be found at the Company's website ([www.linasagro.lt](http://www.linasagro.lt)).

#### Balance Sheet

The consolidated balance sheet of the Group derived from the audited consolidated financial statements is provided in the table below:

**Table 83. The balance sheets of the Group (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
Intangible assets	82	84	85
Property, plant and equipment	72,704	77,732	94,132
Investment property	12,573	19,017	8,176
Animals and livestock	7,625	7,188	6,502
Non-current financial assets	42,800	52,575	49,405
Investments into Associates	1,006	595	207
Investments into Joint Ventures	16,396	18,635	21,561
Other investments	735	604	5,919
Non-current receivables	11,412	6,995	4,727
Non-current loans receivable from related parties	13,251	25,746	16,991
Deferred income tax asset	318	1,091	1,950
<b>Total non-current assets</b>	<b>136,102</b>	<b>157,687</b>	<b>160,250</b>
Crops	12,044	14,439	17,214
Inventories	39,096	104,427	63,918
Prepayments	19,407	16,885	17,380
Accounts receivable	93,299	130,630	119,309
Trade receivables	82,385	116,244	98,128
Receivables from related parties	2,759	5,520	12,842
Other accounts receivable	8,155	8,866	8,339
Financial instruments held for trading	-	-	967
Investments held for sale	831	-	-
Restricted cash	2,319	2,315	-
Cash and cash equivalents	7,973	7,826	8,190
<b>Total current assets</b>	<b>174,969</b>	<b>276,522</b>	<b>226,978</b>
<b>TOTAL ASSETS</b>	<b>311,071</b>	<b>434,209</b>	<b>387,228</b>
Equity attributable to equity holders of the parent	80,986	121,814	143,967
Share capital	86	86	41,000
Share premium	-	-	121,911
Legal reserve	10	10	10
Foreign currency translation reserve	(21)	(130)	(297)
Retained earnings	80,911	121,848	(18,657)
Minority interest	15,560	10,361	12,104
<b>Total equity</b>	<b>96,546</b>	<b>132,175</b>	<b>156,071</b>



Grants and subsidies	13,263	11,849	11,810
Non-current borrowings	25,874	57,558	27,972
Finance lease obligations	1,697	2,327	2,308
Deferred income tax liability	1,171	802	1,871
<b>Total non-current liabilities</b>	<b>42,005</b>	<b>72,536</b>	<b>43,961</b>
Current portion of non-current borrowings	6,303	9,907	40,787
Current portion of finance lease obligations	936	1,270	1,138
Current borrowings	75,582	118,121	80,336
Trade payables	64,594	63,205	39,992
Payables to related parties	7,491	17,849	4,608
Advances received	8,035	436	232
Income tax payable	4,070	7,609	4,248
Provisions	-	80	5,433
Other current liabilities	5,509	11,021	10,422
<b>Total current liabilities</b>	<b>172,520</b>	<b>229,498</b>	<b>187,196</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>311,071</b>	<b>434,209</b>	<b>387,228</b>

Source: the audited consolidated financial statements of the Company

## Income Statement

The consolidated income statement of the Group derived from the audited consolidated financial statements is provided in the table below:

**Table 84. The income statement of the Group (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
<b>Sales</b>	<b>661,371</b>	<b>907,006</b>	<b>1,113,880</b>
Cost of sales	(618,604)	(831,077)	(1,038,141)
<b>Gross profit</b>	<b>42,767</b>	<b>75,929</b>	<b>75,739</b>
Operating expenses	(25,849)	(26,117)	(35,025)
Other operating income	10,723	4,519	5,253
Other operating expenses	(1,172)	(2,130)	(1,436)
<b>Operating profit</b>	<b>26,469</b>	<b>52,201</b>	<b>44,531</b>
Income from financing activities	828	2,598	3,338
Expenses from financing activities	(7,202)	(13,614)	(11,599)
Gain from disposal of investments into Associates	-	785	-
Share of profit of Associates	106	450	113
Share of profit of Joint Ventures	2,021	7,566	3,965
<b>Profit before tax</b>	<b>22,222</b>	<b>49,986</b>	<b>40,348</b>
Income tax	(4,199)	(8,717)	(8,577)
<b>Net profit</b>	<b>18,023</b>	<b>41,269</b>	<b>31,771</b>
<b>Attributable to:</b>			
The equity holders of the parent	16,737	38,394	28,114
Minority interest	1,286	2,875	3,657
	<b>18,023</b>	<b>41,269</b>	<b>31,771</b>
Basic and diluted earnings per share (LTL)	0.41	0.94	0.69

Source: the audited consolidated financial statements of the Company

## Statement of Changes in Equity

Statement of changes in equity of the Group derived from the audited consolidated financial statements is provided in the table below:





**Table 85. The statement of changes in equity of the Group as for the years ended 30 June (LTL in thousand)**

Item	Equity attributable to equity holders of the parent						Minority interest	Total
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Retained earnings	Subtotal		
<b>Balance as of 30 June 2006 (as stated earlier)</b>	<b>86</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>30,470</b>	<b>30,566</b>	<b>12,229</b>	<b>42,795</b>
Effect of business combinations involving entities under common control	-	-	-	-	30,212	30,212	5,790	36,002
<b>Balance as of 30 June 2006 (restated)</b>	<b>86</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>60,682</b>	<b>60,778</b>	<b>18,019</b>	<b>78,797</b>
Change in foreign currency translation reserve (restated)	-	-	-	(21)	-	(21)	-	(21)
Net profit for the year (restated)	-	-	-	-	16,737	16,737	1,286	18,023
Total income and (expense) for the year (restated)	-	-	-	(21)	16,737	16,716	1,286	18,002
Disposal to minority	-	-	-	-	14	14	16	30
Disposal of Subsidiaries (restated)	-	-	-	-	-	-	(373)	(373)
Discounting effect on non-interest bearing loan from minority	-	-	-	-	-	-	648	648
Minority interest arising on acquisition of Subsidiaries (restated)	-	-	-	-	-	-	127	127
Acquisition of minority interest	-	-	-	-	3,478	3,478	(4,163)	(685)
<b>Balance as of 30 June 2007 (restated)</b>	<b>86</b>	<b>-</b>	<b>10</b>	<b>(21)</b>	<b>80,911</b>	<b>80,986</b>	<b>15,560</b>	<b>96,546</b>
Change in foreign currency translation reserve (restated)	-	-	-	(109)	-	(109)	-	(109)
Net profit for the year (restated)	-	-	-	-	38,394	38,394	2,875	41,269
Total income and (expense) for the year (restated)	-	-	-	(109)	38,394	38,285	2,875	41,160
Dividends declared by Rosenkrantz A/S (restated)	-	-	-	-	(1,084)	(1,084)	(723)	(1,807)
Acquisition of minority interest (restated)	-	-	-	-	3,627	3,627	(7,351)	(3,724)
<b>Balance as of 30 June 2008 (restated)</b>	<b>86</b>	<b>-</b>	<b>10</b>	<b>(130)</b>	<b>121,848</b>	<b>121,814</b>	<b>10,361</b>	<b>132,175</b>
Change in foreign currency translation reserve	-	-	-	(167)	-	(167)	5	(162)
Net profit for the year	-	-	-	-	28,114	28,114	3,657	31,771
Total income and (expense) for the year	-	-	-	(167)	28,114	27,947	3,662	31,609
Issue of share capital	40,914	121,911	-	-	(157,202)	5,623	-	5,623
Payment for Rosenkrantz A/S shares	-	-	-	-	(9,000)	(9,000)	-	(9,000)
Dividends declared by Rosenkrantz A/S	-	-	-	-	(1,740)	(1,740)	(1,158)	(2,898)
Minority interest arising on acquisition of Subsidiaries	-	-	-	-	-	-	546	546
Acquisition of minority interest	-	-	-	-	(677)	(677)	(1,307)	(1,984)
<b>Balance as of 30 June 2009</b>	<b>41,000</b>	<b>121,911</b>	<b>10</b>	<b>(297)</b>	<b>(18,657)</b>	<b>143,967</b>	<b>12,104</b>	<b>156,071</b>

Source: the audited consolidated financial statements of the Company



## Cash Flow Statement

The consolidated cash flow statement of the Group derived from the audited consolidated financial statements is provided in the table below:

**Table 86. The cash flow statement of the Group (LTL in thousand)**

Item	2006/2007	2007/2008	2008/2009
<b>Cash flows from (to) operating activities</b>			
Net profit	18,023	41,269	31,771
<b>Adjustments for non-cash items:</b>			
Depreciation and amortisation	6,102	5,976	7,839
Subsidies amortisation	(2,789)	(1,489)	(1,425)
Share of profit of Associates and Joint Ventures	(2,127)	(8,016)	(4,078)
(Gain) on disposal of property, plant and equipment	(492)	(207)	(488)
Impairment of property, plant and equipment and investment property	-	1,650	1,425
Impairment of investment	-	78	27
Negative goodwill recognised as income	-	-	(6)
Change in foreign currency translation reserve	(21)	(109)	(162)
(Gain) from disposal of investments	(9,131)	(1,001)	(2,142)
Change in allowance for receivables and prepayments	468	2,109	3,485
Inventories write down to net realisable value	-	2,555	868
Change in accrued expenses	343	1,752	2,180
Change in fair value of biological assets	(4,065)	(1,829)	345
Change in deferred income tax	(396)	(1,142)	241
Current income tax expense	4,595	9,859	8,336
(Income) from change in value of financial instruments	-	-	(967)
Provisions for onerous contracts	-	80	5,433
Dividend (income)	(303)	(279)	-
Interest (income)	(828)	(2,598)	(3,338)
Interest expenses	7,202	13,614	11,599
	<b>16,581</b>	<b>62,272</b>	<b>60,943</b>
<b>Changes in working capital:</b>			
(Increase) decrease in biological assets	1,195	210	(2,070)
Decrease (increase) in inventories	(27,031)	(67,418)	39,904
(Increase) decrease in prepayments	(4,859)	606	(489)
Decrease (increase) in trade and other accounts receivable	(17,830)	(32,434)	14,218
Decrease (increase) in restricted cash	(4)	4	2,315
(Decrease) increase in trade and other accounts payable	29,664	6,630	(42,455)
Income tax (paid)	(1,686)	(6,320)	(7,851)
<b>Net cash flows from (to) operating activities</b>	<b>(3,970)</b>	<b>(36,450)</b>	<b>64,515</b>
<b>Cash flows from (to) investing activities:</b>			
(Acquisition) of intangible assets, property, plant and equipment and investment property	(8,873)	(18,620)	(20,645)
Proceeds from sale of intangible assets, property, plant and equipment and investment property	955	1,413	1,788
Acquisition of subsidiaries (less received cash balance in the Group)	253	-	(8,895)
Disposal of subsidiaries (less disposed cash balance in the Group)	12,818	-	(180)
(Acquisition) of minority interest and other investments	(685)	(3,724)	(7,529)
Proceeds from sales of other investments	150	2,250	197
Loans (granted)	(12,970)	(11,655)	(2,998)
Repayment of granted loans	3,043	356	9,606
Interest received	778	1,402	1,550
Dividends received	686	4,100	1,180



Item	2006/2007	2007/2008	2008/2009
<b>Net cash flows from (to) from investing activities</b>	<b>(3,845)</b>	<b>(24,478)</b>	<b>(25,926)</b>
<b>Cash flows from (to) financing activities:</b>			
Issue of share capital	-	-	5,623
Proceeds from loans	134,569	656,456	648,766
(Repayment) of loans	(123,663)	(578,629)	(676,555)
Financial lease (payments)	(1,477)	(1,625)	(1,562)
Interest (paid)	(6,423)	(13,614)	(11,599)
Dividends (paid)	-	(1,807)	(2,898)
<b>Net cash flows from (to) financial activities</b>	<b>3,006</b>	<b>60,781</b>	<b>(38,225)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,809)</b>	<b>(147)</b>	<b>364</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>12,782</b>	<b>7,973</b>	<b>7,826</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>7,973</b>	<b>7,826</b>	<b>8,190</b>
<b>Supplemental information of cash flows:</b>			
<b>Non-cash investing activity:</b>			
Property, plant and equipment acquisitions financed by finance lease	854	2,589	1,411
Property, plant and equipment acquisitions financed by grants and subsidies	894	795	1,442

Source: the audited consolidated financial statements of the Company

## Important Accounting Policies

Detailed description of accounting policies is included into the consolidated financial statements provided in Appendix 1.

## Summary of Independent Auditors' Reports

The auditors of the Company have audited the consolidated financial statements prepared in accordance with IFRS for the financial years ended 30 June 2008 and 30 June 2009. Having done so, the auditors have issued a qualified report stating that:

### **Basis for Qualified Opinion**

*We did not observe the count of the physical inventories as of 30 June 2007 in a number of the Group locations comprising the inventories balance of Litas 7,000 thousand, since that date was prior to the time we were initially engaged as auditors for the Group. We were unable to satisfy ourselves as to inventory quantities by other audit procedures. Therefore, we are unable to quantify the effect of this inventory balance as of 30 June 2007 on the consolidated statements of income and cash flows for the year ended 30 June 2008.*

### **Qualified Opinion**

*In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the inventory count as described above, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 30 June 2009 and 2008, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.*

A complete independent auditors' report on the consolidated financial statements of the Group is provided in Appendix 1.



## Dividends and Dividend Policy

The Offer Shares will be eligible for dividends, if any, declared in respect of the financial year commencing on 1 July 2009, and for subsequent periods. Once the share capital increase relating to the issue of the New Shares has been registered with the Register of Legal Persons, the New Shares will rank *pari passu* with the outstanding Shares for any dividends.

The Company has not paid dividends in the years 2006/2007, 2007/2008 and 2008/2009. However it has already adopted the policy to distribute as dividends up to 20% of the net profit of the reporting financial year reduced by (i) retained loss of the previous financial years (if any) and (ii) mandatory allocation to reserves. Notably, such dividend policy should be treated as intention of the current shareholders and may be overruled by a decision of the annual General Meeting of Shareholders.

## Legal and Arbitration Proceedings

### Governmental, Legal and Arbitration Proceedings Having Significant Effect

From time to time the Group companies are involved in various governmental, legal and arbitration proceedings arising out of ordinary course of business of the Group. However, on the date of this Prospectus the Group companies are not involved or during the last 12 months preceding the date of this Prospectus have not been involved in any governmental, legal or arbitration proceedings that has had or may have significant effects on the financial position or profitability of the Group. Nor is the Company aware of any circumstances that could reasonably be expected to lead to such proceedings in the foreseeable future.

### Other Proceedings not Having Significant Effect

Below is the information on several disputes which are or have been more important to the Group's business although none of them have had or are likely to have significant effects on the Group's financial standing.

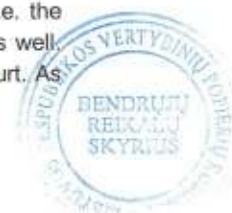
#### Current proceedings

*Claim against SIA East Energy.* AB Linas Agro lodged a claim against SIA East Energy to the Vilnius International Commercial Court of Arbitration in the amount of LTL 745,671. The defendant failed to deliver the goods that were ordered by AB Linas Agro. No oral hearing has been conducted by the arbitral tribunal yet. Concurrently, AB Linas Agro filed a claim to a Latvian court requiring to institute bankruptcy proceedings to the debtor. As the Company does not expect to recover the entire amount of the debt, an allowance of approximately 70% of the debt have been made in the annual consolidated financial statements of the Company for the year 2008/2009. The Management have grounds to believe that the remaining portion of the debt should be recovered.

*Dispute with SIA Pirmais Pilots.* SIA Pirmais Pilots kept the goods with the value of approx. EUR 32,235 of AB Linas Agro in custody but refused to return them back, AB Linas Agro filed a request to the Riga Economic Police Department to start investigation which on the date of this Prospectus is still in progress.

*Claim against ŽŪB Daugėliškiai.* AB Linas Agro filed a claim against ŽŪB Daugėliškiai as the defendant unilaterally refused to perform the agreement under which it undertook to purchase 186.5 tonne for LTL 850/ tonne (in total LTL 158,525, approx. EUR 45,910). On the date of this Prospectus the claim is still trialled at court.

*Dispute with Šiauliai County Governor.* Sidabravo ŽŪB is involved as a plaintiff in an ongoing legal dispute with the Administration of Šiauliai County Governor regarding the permission to acquire the state-owned agricultural land plot of 213.36 ha. In February 2008 Sidabravo ŽŪB filed a request to acquire this plot but the Administration rejected the request claiming that the limitations set in the Law on Acquisition of Agricultural Land of the Republic of Lithuania would be violated (according to this law, one person may not acquire more than 300 ha of agricultural land from the state and more than 500 ha of agricultural land from the state and other persons in total). Albeit the aggregate area of the agricultural land acquired by Sidabravo ŽŪB from the state and owned at the given moment plus the area of the land plot applied for does not exceed the 300 ha threshold, the Administration claims that historical acquisitions (i.e. the agricultural land which Sidabravo ŽŪB acquired from the state but have already sold) should be summed up as well. Sidabravo ŽŪB appealed this decision and the case is currently at the preparatory stage in Radviliškis Local Court. As the total value of the land plot may exceed LTL 100,000, the case can be assigned to Šiauliai Regional Court.



## Past proceedings

*Dispute with Mr. Preben Leth Madsen.* UAB Dotnuvos projektai (together with UAB Mitnija) was participating as a defendant in the civil case initiated by Mr. Preben Leth Madsen who claimed the compensation of LTL 44,344 (approx. EUR 12,843) of pecuniary damage and LTL 100,000 (approx. EUR 28,962) of non-pecuniary damage caused by the injury in a construction site. The part of claim relating to the compensation of pecuniary damage was dismissed whereas the part of claim relating to the compensation of non-pecuniary damage was left unresolved, as the plaintiff failed to remove the deficiencies of the claim indicated by the court.

*Criminal proceedings related to tax evasion and money laundering.* In 2008 SIA Linas Agro was involved in criminal proceedings related to tax evasion and money laundering which was instituted by the Financial Police of the Republic of Latvia. The proceedings were initiated due to the fact that when delivering wheat to SIA Linas Agro, SIA Richi submitted a shipping note which indicated an incorrect carrier of delivered wheat. This led to a suspicion that no wheat had been actually delivered. During the criminal proceedings SIA Linas Agro's right to recover the overpaid value added tax was suspended. On the date of this Prospectus the proceedings have been terminated in favour of SIA Linas Agro and the entire value added tax amount was recovered.

## Latest Financial and Operational Developments

Since the end of the last period for which the audited consolidated financial information exists (30 June 2009), the main financial and operational development of the Group has been as follows:

- In July 2009 AB Linas Agro redeemed bonds issued together with interest accrued. The bonds emission with the total amount of LTL 15 million was issued in July 2007.
- As of 3 July 2009 AB Linas Agro has prolonged the credit line agreement with AB SEB bank till 30 June 2010. Also the total credit line limit was increased from the equivalent LTL 68.0 million to LTL 80.0 million LTL (LTL 45.0 million and EUR 10.1 million).
- As of 30 June 2009 AB Linas Agro had several bank guarantee contracts signed in favour of National Paying Agency for the total amount of LTL 4.1 million. No restrictions on the assets of AB Linas Agro are imposed according to these agreements. As of 3 August 2009 AB Linas Agro has cancelled the bank guarantee agreement to National Paying Agency, value of which was LTL 4.0 million.
- On 5 October 2009 AB Linas Agro received dividends in the amount of EUR 850 thousand from Rosenkrantz A/S.
- On 23 October 2009 the General Meeting of Members of Sidabravo ŽŪB decided to mortgage additional property (fixed assets, movable assets and property rights) in the amount up to LTL 1 million in order to secure obligations of the company under the Credit Agreement No 2800-07IV with AB DnB NORD bankas, dated 26 October 2007.
- As of 27 October 2009 UAB Linas Agro Konsultacijos has issued the loan of LTL 5.7 million (EUR 1.64 million) to the Company with the purpose to finance its operating expenses, which include salaries of the staff, audit, consulting and some other expenses. The interest rate is 1 month EURIBOR + 4.1%. The loan has been issued by the lender from proceeds of another loan of EUR 1.88 million received from AB DNB NORD Bankas. The Company plans to repay the loan from future dividends.
- On 29 October 2009 the Company repaid its loans in the amount of approx. EUR 845 thousand to AB Linas Agro.
- On 30 October 2009, the sole shareholder of AB Linas Agro (AB Linas Agro Group) decided to distribute bonuses to the Members of the Management Board of AB Linas Agro in the amount of LTL 638 thousand.
- In November 2009 AB Linas Agro released a guarantee to Alfred C. Toepfer International GmbH for Rosenkrantz A/S with the total balance of EUR 1.5 million.
- On 6 November 2009 the General Meetings of the Members of Landvesta 4, Landvesta 5 and Landvesta 6 adopted decisions to cover losses of the respective companies (in total amounting to approx. LTL 653 thousand) by additional contributions of their members.
- On 16 November 2009 the increase of the share capital of the Company from LTL 41 million up to LTL 120 million was registered with the Register of Legal Entities. The share capital was increased from the Company's own funds and the shares were allocated to all the Company's shareholders proportionally to the number of shares held by them in the Company.
- On 18 November 2009 the organizational structure of the Company was changed and new positions (such as the Chief Financial Officer, the Deputy Chief Executive Officer, the Corporate Communication Manager, the Human Resources Manager, the Chief Accountant, etc.) were introduced. For details see Section *Administrative and Management Bodies and Senior Management* page 78.



- On 20 November 2009 the general meeting of the shareholders made a decision to increase the share capital of the Company from LTL 120 million up to LTL 158,940,398 by issuing 38,940,398 shares and granting the right to the subscribe all these new shares to the Selling Shareholder. For details see Section *Share Capital* page 100.
- On 20 November 2009 UAB Linas Agro Grūdų Centras KŪB has agreed on purchase of the technological equipment for processing and storage of grain and its installation services from UAB Dotnuvos projektai for the price of EUR 649 thousand.
- On 23 November 2009 AB Linas Agro issued an unsecured loan of LTL 800 thousand to Aukštadvario ŽŪB with the purpose to finance the working capital. The loan matures on 30 November 2010 and has the interest rate of 10.5%.
- On 23 November 2009 AB Linas Agro increased the loan issued to Žibartonių ŽŪB under the Loan Agreement No 0314-L-ZIB-FSM, dated 2 February 2009, to LTL 1 million.
- As of 28 December 2009 Akola ApS has prolonged the loan agreement with AB Linas Agro till 30 June 2010.

In all other respects, the business of the Group was carried out in the ordinary course except for the changes described in Sections *Operating and Financial Review*, page 66, and *Trend Information*, page 78.

## Additional Information

### Share Capital

#### General Overview

According to the Articles of Association of the Company currently in force, the registered share capital of the Company equals LTL 120 million and is divided into 120 million ordinary registered Shares with the par value of LTL 1 each. All issued Shares are fully paid up. The Law on Companies equates the authorised capital with the issued capital (i.e. the entire share (authorised) capital indicated in the Articles of Association must be issued and subscribed for) therefore there is no authorised but unissued capital in the Company.

On 20 November 2009 the Extraordinary General Meeting of Shareholders of the Company decided to increase the share capital of the Company up to LTL 158,940,398 by issuing 38,940,398 Shares (i.e. New Shares) at a minimum subscription price equal to the bottom line of Offer Price Range, to waive the shareholders' pre-emptive right to subscribe for such New Shares and grant the right to subscribe for the entire New Share issue to the Selling Shareholder as well as to amend the Articles of Association of the Company accordingly. The exact subscription price of the New Shares will be set by the Management Board of the Company and will be equal to the Offer Price per each New Share. The New Shares will be paid from the sales proceeds of the Offer Shares by the Selling Shareholder, provided that the sale of the Offer Shares is implemented under the terms and conditions of this Prospectus. All existing Offer Shares and, once the increase of the share capital relating to the issue of the New Shares is registered with the Register of Legal Persons, the New Shares will rank *pari passu* in all respects with all the remaining existing Shares.

The Company does not have any other classes of shares than ordinary registered Shares and does not contemplate the issuance of such shares. Accordingly, there are no shares in the Company not representing the capital. No Shares of the Company are held by itself or its Subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase the share capital, except as stated in the preceding paragraph.

Apart from the option with respect to the shares in Rosenkrantz A/S as agreed between AB Linas Agro and Baltic Agro Group A/S under the Shareholders Agreement of 28 October 2004 and the obligation to purchase portion of the shares in UAB Dotnuvos projektai (see Section *Material Contracts*, page 108), no other put or call options are outstanding with respect to any Group company.

#### History of Share Capital

Since the registration of the Company with the Register of Legal Persons on 27 November 1995, the amount of the share capital has changed as shown in *Table 87* below.



**Table 87. Change of share capital of the Company**

Change	Change in share capital (LTL)	Change in number of shares	Nominal price per share (LTL)	Issue price per share (LTL)	New share capital (LTL)	Cumulative number of shares	Registered with the Register of Legal Persons
Incorporation	-	43,069	2	-	86,138	43,069	27 November 1995
Increase (new issue)	63,862	31,931	2	2	150,000	75,000	12 September 2008
Increase (new issue)	40,850,000	20,425,000	2	- 2 (for 2,779,503 shares <sup>1</sup> ); - 8.9089 (for 17,645,497 shares <sup>2</sup> )	41,000,000	20,500,000	1 October 2008
Reduction of nominal value of shares	-	20,500,000	1	-	41,000,000	41,000,000	15 January 2009
Increase (new issue) <sup>3</sup>	79,000,000	79,000,000	1	1	120,000,000	120,000,000	16 November 2009

<sup>1</sup> 2,779,503 newly issued shares of the Company were acquired by Akola ApS and were paid in cash.

<sup>2</sup> Out of 17,645,496 newly issued shares of the Company 10,587,298 shares were acquired by Darlus Zubas, 5,999,469 shares were acquired by Vytautas Šidlauskas, 529,365 shares were acquired by Dainius Pilkauskas and 529,365 shares were acquired by Arūnas Zubas. All these shares were paid up by the in-kind contribution by contributing to the share capital of the Company in total 3,500 ordinary registered shares in AB Linas Agro with the par value of LTL 2 thousand each, with constituted 100% of all shares in AB Linas Agro. The total value of the contribution was equal to LTL 157,202,000. Following the requirements of law, prior to the contribution the shares in AB Linas Agro have been evaluated by an independent asset appraiser..

<sup>3</sup> - the increase of capital was financed by internal funds of the Company

Source: the Company

All historic changes in the share capital of the Company have been implemented following the respective decisions of the General Meeting of Shareholders having an exclusive competence to decide on such matters.

## The Company's Articles of Association

The Articles of Association of the Company in general conform to the requirements of Lithuanian law. In case of any deviation of the Articles of Association of the Company from mandatory provisions of the Law on Companies currently in effect, the provisions set forth in the Law on Companies will prevail. The latest version of the Articles of Association was registered with the Register of Legal Persons on 16 November 2009.

### General Structure

The Articles of Association of the Company consist of the following parts:

1. General Provisions;
2. Purpose and Object of the Company's Activities. Principles of the Company's Corporate Governance;
3. Share Capital of the Company, Number of Shares and Their Nominal Value;
4. Rights Conferred on Shareholders;
5. Bodies of the Company;
6. General Meeting of Shareholders;
7. Management Board;
8. Chief Executive Officer of the Company;
9. Procuracy;
10. Procedure of Announcement of the Company's Notices;
11. Procedure of Providing Documents and Information to the Company's Shareholders;
12. Procedure of Disclosing Information;
13. Branches and Representative Offices of the Company;
14. Articles of Association of the Company and the Procedure of Amending Thereof.



## Company's Objects and Purposes

According to the Articles of Association the Company activities comprise consultation and management business. The Company may engage in any activities permitted by Lithuanian law as well as change, suspend or terminate any activities pursued by the Company.

The purposes of the Company's activities are the satisfaction of the interests of all Company's shareholders by ensuring the constant growth of the shareholders' equity and the gain of profit. The corporate governance of the Company must pay proper regard to the rights of other interest holders (employees, creditors, suppliers, etc.). According to the Articles of Association the Company will prepare and publicly disclose the development strategy of the Company and clearly indicate how it plans to act in the interests of the Company's shareholders and to increase the shareholders' equity.

## Financial Year of the Company

The financial year of the Company runs from 1 July to 30 June.

## Rights of Shareholders

Pursuant to the Articles of Association each shareholder of the Company has the following **proprietary rights**:

1. to receive a part of the Company's profit (dividend);
2. to receive the Company's funds when the share capital of the Company is reduced in order to pay out the Company's funds to its shareholders;
3. to receive shares gratis in the event the share capital is increased from the Company's own funds, except cases indicated in the Law on Companies;
4. to have the preemptive right over each new issue of the Company's shares or convertible bonds, except when pursuant to the procedure laid down in the Law on Companies the General Meeting of Shareholders has made a decision to withdraw said right to all shareholders;
5. to lend to the Company under the procedure prescribed by Lithuanian law; however, when borrowing from its shareholders the Company may not pledge or mortgage its assets to such shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of a loan agreement;
6. to receive a part of the residual assets of the Company in liquidation;
7. other proprietary rights.

According to the Law on Companies, the proprietary rights listed in paragraphs 1-4 above are granted to the persons who were shareholders of the Company at the end of the tenth business day following the date of the General Meeting of Shareholders that made a respective decision.

Each shareholder of the Company has the following **non-proprietary rights**:

1. to attend the General Meetings of Shareholders;
2. to provide questions prior to the General Meeting of Shareholders on the issues of the agenda of the General Meeting of Shareholders;
3. to vote at the General Meetings of Shareholders in accordance with the rights attached to the shares;
4. to receive information about the Company following the procedure prescribed by the Law on Companies;
5. to appeal to court for the compensation of damages caused by the Management Board members or the Chief Executive Officer of the Company by non-performance or improper performance of their duties prescribed by the laws of the Republic of Lithuania and the Articles of Association, as well as in other cases provided by the laws;
6. other non-proprietary rights.

Only fully paid-up shares grant votes at the General Meeting of Shareholders. The right to vote at the General Meeting of Shareholders may be restricted or prohibited only in cases prescribed by Lithuanian law as well as when the title to the shares is disputed.

The Articles of Association of the Company provides neither for any specific provisions on procedures for changing shareholder rights nor for specific provisions delaying, deferring or preventing a change of control in the Company.





According to the Articles of Association, the Company must disclose the persons holding shares or shareholding in the Company following the requirements and the procedure prescribed by applicable laws (namely, the Law on Securities).

## **Bodies of the Company**

### **Structure**

According to the Articles of Association, the bodies of the Company consist of:

1. the General Meeting of Shareholders;
2. management bodies:
  - the Management Board; and
  - the Chief Executive Officer (the General Manager of the Company).

No Supervisory Council is formed in the Company which is in full compliance with the Law on Companies.

### **General Meeting of Shareholders**

#### **General**

According to the Law on Companies and the Articles of Association, the shareholders exercise their power to decide on matters related to the Company at the General Meetings of Shareholders. There are two types of shareholders' meetings: ordinary and extraordinary. The Law on Companies requires that an annual ordinary General Meeting of Shareholders is held within four months from the end of each financial year of the Company. The Law on Companies indicates that an extraordinary General Meeting of Shareholders must be convened if:

1. the Company's equity capital falls below 1/2 of the share capital and this matter has not been discussed at an ordinary General Meeting of Shareholders;
2. the number of the Management Board members falls below the 2/3 of the total number specified in the Articles of Association or below the minimum number indicated in the Law on Companies;
3. the audit firm terminates the contract with the Company or is unable to audit annual financial statements of the Company due to other reasons;
4. the convocation of the General Meeting of Shareholders is requested by the shareholders who have the right to initiate such convocation or by the Management Board, or this is required under the provisions of Lithuanian law or the Articles of Association.

#### **Competence**

Pursuant to the Articles of Association, the General Meeting of Shareholders (either ordinary or extraordinary) has an exclusive competence to:

1. amend the Articles of Association of the Company;
2. elect the members of the Management Board and to remove the Management Board or its members;
3. elect and remove the firm of auditors and set the conditions for auditor remuneration;
4. determine the class, number, nominal value and minimum issue price of the shares issued by the Company;
5. convert the shares of one class into shares of another class and approve the share conversion procedure;
6. approve the annual financial statements of the Company;
7. make a decision on profit/loss distribution;
8. make a decision on the formation, use, reduction and liquidation of reserves;
9. make a decision to issue convertible bonds;
10. to withdraw for all shareholders of the Company the pre-emptive right to acquire the shares or convertible bonds of a specific issue of the Company;
11. increase the share capital;
12. reduce the share capital save for the exceptions indicated in the Law on Companies;
13. make a decision to purchase own shares by the Company;
14. make a decision on the reorganisation or spin-off of the Company and approve the terms of reorganisation or spin-off;
15. make a decision to change the legal form of the Company;
16. make a decision to restructure the Company;



17. make a decision to liquidate the Company or cancel the liquidation save for the exceptions indicated in the Law on Companies;
18. elect and remove the liquidator of the Company save for the exceptions indicated in the Law on Companies;
19. adopt other decisions prescribed by Lithuanian law.

Further, pursuant to the Articles of Association the annual (ordinary) General Meeting of Shareholders has the advisory vote in approving the following issues (if the Management Board of the Company objects to that, such voting is not mandatory):

1. the remuneration policy of the Company or any material amendment thereto and the reports on the implementation of such policy;
2. the schemes relating to granting shares, share options, other rights to acquire shares or remuneration linked to the changes of the share prices for the Management Board members or the Chief Executive Officer of the Company as well as any amendments thereto. The approval should be issued to a scheme in principal and the shareholders should not decide on benefits derived from that scheme by separate management members;
3. in addition to the schemes referred to in paragraph 2 above:
  - the remuneration to the Management Board members and the Chief Executive Officer based on the share schemes, including the share options;
  - the maximum number of shares and the main conditions for granting the shares;
  - the time period during which the share options may be exercised;
  - further changes of the exercise price of share options if permitted by applicable laws;
  - any other long-term incentive schemes to the Management Board members or the Chief Executive Officer of the Company that are not offered for other employees of the Company.

On the date of this document, the Articles of Association do not contain any provisions relating to the procedure of convening the General Meetings of Shareholders other than reference that they are the same as specified in the Law on Companies and that such procedures should confer on the Company's shareholders equal rights to participate at the General Meeting of Shareholders. Before the General Meeting of Shareholders each shareholder is entitled to ask questions to the management bodies of the Company relating to the agenda of the General Meeting of Shareholders and receive answers to such questions.

#### ***Convening the General Meeting of Shareholders***

The right of initiative to convene the General Meeting of Shareholders is vested in the Management Board and one or several shareholders holding shares that carry at least 1/10 of all votes. As a rule, the General Meetings of Shareholders are convened by a decision of the Management Board.

In accordance with the Law on Companies, a notification announcing the General Meeting of Shareholders of the Company, which shares are admitted to trading on the regulated market, must be published no later than 21 days prior to the meeting in the Republic of Lithuania, all member states of the European Union and European Economic Area in accordance with the procedure indicated in the Law on Securities. From the date on which Shares are admitted to trading the statement must also be sent, among others, to the LSC and NASDAQ OMX Vilnius. The statement must contain, among other things, the agenda, date, time and place of the meeting, record date of the meeting, specification of initiators of the meeting, indication that the shareholders are entitled to propose supplements to the agenda of the meeting or new draft decisions to the issues of the agenda, as well as internet site of the Company where the information relating to the meeting will be placed.

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

From the date on which Shares are admitted to trading the Company must place all documents held by it and relating to the General Meeting of Shareholders, including, among others, the public statement, the overall number of shares and number of shares carrying votes, draft decisions, general voting ballot and form of a shareholder's authorisation, on the internet site of the Company during the period starting from 21 days prior to the meeting and up to the date of the meeting.

In general, shareholders can only take action at General Meetings of Shareholders on matters listed on the agenda.



### ***Attendance and voting at the General Meeting of Shareholders***

Each share of the Company entitles its holder to one vote at the General Meeting of Shareholders. There is no requirement that a shareholder must have a minimum number of shares in order to attend or to be represented at the General Meeting of Shareholders.

In order to participate in any General Meeting of Shareholders, a holder of shares is required to have shares registered in its name in a securities account no later than at the end of a record date which is the fifth business day before the General Meeting of Shareholders. In general, all shareholders who have properly registered and fully paid for their shares may participate in General Meetings of Shareholders. Shareholders may participate in general meetings either in person or by proxy. Shareholders may vote in person, by proxy, in writing by filling in a voting ballot or by means of electronic communication (provided the Company provides the latter possibility to its shareholders). Alternatively, a shareholder may transfer voting rights carried by shares held by the shareholder to another person under a voting right transfer agreement. Such agreement takes effect from the disclosure to the Company of such agreement, number of votes transferred, the period of transfer, the ground of having the voting right and identity of the shareholder transferring and the person acquiring the voting right, all in accordance with the Lithuanian laws and settled practice of the Company, if such develops. On the date of this document, the Articles of Association do not contain any provisions restricting or limiting the shareholder's right to grant proxies to or to sign voting right transfer agreements with any other person.

A person who participates in the General Meeting of Shareholders and has the right to vote must present a personal identification document and sign in a registration list. A person, who is not a shareholder, must, in addition, present a document evidencing the right to vote at the General Meeting of Shareholders. The requirement to present a personal identification document is not applied in cases the shareholder votes by filling in a general voting ballot or by means of electronic communication.

With respect to votes in writing, the Company must send shareholders or deliver to them in person a voting ballot upon their written request no later than 10 days prior to the meeting. The completed ballot must be returned to the Company prior to the General Meeting of Shareholders. The ballot must be signed by the shareholder and, in the case the ballot is signed by a person not being a shareholder, accompanied by the document proving the right to represent the shareholder. If a voting ballot is completed in the way that it is impossible to determine the will of the shareholder on any specific matter, it is deemed that the shareholder did not vote on such matter. When a shareholder nominates a proxy to participate and vote at the General Meeting of Shareholders, a proxy must vote in accordance with the instructions of the nominating shareholder. An authorisation issued by a shareholder-individual must be approved by a notary. The same proxy may be appointed by several shareholders. From the date on which the Shares are admitted to trading the Company must ensure the possibility for its shareholders to nominate proxies to represent them at the General Meeting of Shareholders and notify the Company about the same by means of electronic communication provided the security of the information sent by such means is ensured and there is a possibility to determinate the personality of a shareholder. In the latter case an authorization must be in writing but need not to be approved by a notary.

Where a shareholder holds shares of the Company, the shares of which are traded on the regulated market, acquired in the name of such shareholder but for the interests of other persons, before voting at the General Meeting of Shareholders such shareholder must disclose the ultimate beneficiary of the shares, number of shares held by such beneficiary and voting instructions received from him/her/it to the Company.

### ***Quorum***

In accordance with the Law on Companies, in order to meet the quorum requirement for any General Meeting of Shareholders the shareholders together holding shares carrying more than 1/2 of all votes must be present in person, or vote in writing, by proxy or by means of electronic communication. If a quorum is not achieved, the meeting is adjourned. When an adjourned meeting is resumed, no quorum requirement applies. However, only matters on the agenda of the adjourned meeting may be voted upon.

A decision is considered adopted at the General Meeting of Shareholders if more votes in favour of it are received than votes against it, save for the cases where a qualified majority is required.



### **Qualified majority votes**

In accordance with the Law on Companies a two-third majority of all votes carried by shares held by shareholders participating in the General Meeting of Shareholders is required for passing resolutions on matters such as amendments of the Articles of Association (including, among other things, increasing or reducing the share capital), determining the class, number, nominal value and minimum issue price of the shares issued by the Company, distribution of profit (loss), authorizing the issuance of convertible bonds, reorganization, restructuring, changing legal form or liquidation of the Company, etc. A three-fourth majority of all votes carried by shares held by the shareholders participating in the General Meeting of Shareholders and having the right to vote over the matter is required for withdrawing the preferential subscription rights of all shareholders to acquire new shares or convertible bonds. A shareholder is not entitled to vote at the General Meeting of Shareholders on this matter if the agenda for the meeting specifies that the right to acquire such securities is granted to this shareholder or persons associated with the shareholder up to a certain level of association.

### **Management Board**

#### **General**

The Management Board is a collective management body responsible for the strategic management of the Company. Pursuant to the Articles of Association, the Management Board consists of seven members appointed for the tenure of four years. Only individuals may be appointed to be Management Board members. Members of the Management Board are appointed and dismissed by the General Meeting of Shareholders in accordance with the following procedure:

1. all reasonably necessary information about the candidates to the Management Board members, including, among other things, names, surnames, education, qualification, work experience, possible conflicts of interests and circumstances that could have influence on their independency, must be disclosed to the shareholders prior to the General Meeting of Shareholders in order for the shareholders to make an informed decision;
2. at the General Meeting of Shareholders each shareholder has the number of votes equal to the number of votes granted by the shares held by such shareholder multiplied by the number of the Management Board members. A shareholder may cast votes for one or several candidates. Persons having received majority of votes are elected as the Management Board members;
3. if the number of candidates who received the equal number of votes exceeds the free places at the Management Board, a repeated voting is organised during which the shareholders may vote for one of the candidates who received the equal number of votes only.

The Chairman of the Management Board is elected by the Management Board from among its members.

According to the Articles of Association, the following persons may not be elected as the Management Board members:

1. member of the Supervisory Council of the Company, its Subsidiaries or parent company;
2. a person to whom applicable laws forbid to occupy such position.

#### **Competence**

Pursuant to the Articles of Association, the Management Board approves:

1. operating strategy of the Company;
2. annual report of the Company;
3. management structure of the Company and positions of the employees;
4. positions to which employees are hired by competition;
5. remuneration policy of the Company and the reports about the same;
6. regulations of branches and representative offices of the Company.

In addition, the Management Board:

1. appoints and removes the Chief Executive Officer of the Company, approves his remuneration, awards incentives, imposes disciplinary sanctions to him/her and approves the position regulation of the Chief Executive Officer;
2. approves the information that is regarded commercial (industrial) secret of the Company;
3. makes the following decisions:
  - to become an incorporator or a member of other legal persons;
  - to open branches or representative offices of the Company;



- to invest, transfer or lease long-term assets of the Company the book value of which exceeds LTL 2.05 million (calculated individually for every type of transaction);
  - to pledge or mortgage long-term assets of the Company the book value of which exceeds LTL 2.05 million (total amount of transactions is calculated);
  - to offer surety or guarantee for the performance of obligations of third persons the amount of which exceeds LTL 2.05 million;
  - to acquire long-term assets the price of which exceeds LTL 2.05 million ;
  - relating to the Company's transactions the value of which exceeds LTL 2.05 million ;
  - to take or grant loans the value of which exceeds LTL 2.05 million ;
  - to restructure the Company in the cases laid down in the Law on Restructuring of Enterprises;
  - other decisions within the powers of the Management Board as prescribed by the Articles of Association or the decisions of the General Meeting of Shareholders;
4. analyses and evaluates the materials provided by the Chief Executive Officer on:
    - implementation of the Company's operating strategy;
    - organization of the Company's activities;
    - financial position of the Company;
    - results of business activities, income and expenditure estimates, inventory data and other asset changes accounting data;
  5. analyses and assesses the Company's draft annual financial statements and draft profit/loss distribution and submits the same together with the annual report of the Company to the General Meeting of Shareholders;
  6. determines the methods used by the Company to calculate the depreciation of tangible assets and the amortisation of intangible assets;
  7. is responsible for convocation of General Meetings of Shareholders.

Before making a decision to invest funds or other assets into other legal person the Management Board must report the same to the Company's creditors with which the Company has not settled within the prescribed time periods provided, however, the overall amount of the indebtedness to such creditors exceeds 1/20 of the share capital of the Company.

#### ***Decision making***

The Articles of Association of the Company indicates that Management Board meetings must be held at least once a month in accordance with the approved schedule. Pursuant to the Law on Companies, in order to meet the quorum requirement for any Management Board meeting, more than two-thirds of the total number of the Management Board members must be present or vote in writing or by means of electronic communication. A decision is considered as adopted by the Management Board, if more than a half of all elected Management Board members vote in favour of it. If there is a tie of votes, the vote of the Chairman of the Management Board is decisive.

The Management Board's activities and work procedure is regulated by its Work Regulation approved by the Management Board.

#### **General Manager of the Company (the Chief Executive Officer)**

The General Manager (Chief Executive Officer) is a single-person managing body of the Company. The Chief Executive Officer is appointed and revoked and his remuneration is determined by the Management Board. A person may not be appointed the Chief Executive Officer if the laws forbid him/her to occupy such position. There is no requirement for the Chief Executive Officer to be appointed from the members of the Management Board of the Company.

The Chief Executive Officer organises day-to-day activities of the Company, acts in the name of the Company, enters into transactions with third persons, represents the Company in any institutions or organizations, hires, dismisses, awards employees and impose sanctions on them. Before entering into transactions for which according to the Articles of Association a prior Management Board approval is required, the Chief Executive Officer must obtain a written approval. However, such Management Board approval does not release the Chief Executive Officer from the liability for entering into such transactions.

The Chief Executive Officer is responsible for:

1. organisation of activities and implementation of the purposes of the Company;
2. drawing up the annual financial statements and the annual report of the Company;
3. conclusion of a contract with the firm of auditors;



4. submission of information and documents to the General Meeting of Shareholders and the Management Board in cases laid down in the Law on Companies or upon their request;
5. submission of the Company's documents and data to the Register of Legal Persons, the LSE and the LCSD;
6. publication of information established in the Law on Companies in the daily *Lietuvos Rytas*;
7. submission of information to the Company's shareholders;
8. determining the rules on calculating the asset depreciation;
9. fulfillment of other duties laid down in Lithuanian law, the Articles of Association of the Company and the position regulations of the Chief Executive Officer (if such are approved by the Management Board).

In addition, in accordance with the Articles of Association the Chief Executive Officer may issue and cancel procuracies (*prokūra*) by appointing representatives with general or limited power to represent the Company. Each of these authorised representatives, in addition to the Chief Executive Officer, are able to represent the Company with due observance of any restrictions imposed on him/her.

## Material Contracts

### General Description

Apart from the contracts disclosed in Section *Related Party Transactions*, page 88, the Group has entered into several agreements out of its ordinary course of business which may be grouped into shareholders or management agreements, agreements to acquire the shares in Group companies and loan agreements.

### Shareholders and Management Agreements

The Group companies have entered into two shareholders and management agreements, one with respect to Rosenkrantz A/S and one with respect to ŽŪK Kupiškio grūdai. These agreements lay down the main principles for the operation and management of the companies in question, principles of corporate governance, rules for adopting corporate decisions and other similar matters.

#### Shareholders Agreement with respect to Rosenkrantz A/S

This Shareholders Agreement was entered into on 28 October 2004 between AB Linas Agro (holder of 60% of shares in Rosenkrantz A/S) and Baltic Agro Group A/S (holder of 40% of shares in Rosenkrantz A/S). The agreement is governed by Danish law.

According to the agreement, the Management Board of Rosenkrantz A/S consists of three members nominated by the parties on mutual consent. If the parties fail to reach such consent, two members will be nominated by AB Linas Agro and one member by Baltic Agro Group A/S. Mr. Henrik Klindt Petersen is to be appointed the Chief Executive Officer of Rosenkrantz A/S. Decisions of the Management Board and General Meeting of Shareholders on unusual and far-reaching transactions of Rosenkrantz A/S require a 2/3 majority of votes. These transactions include purchase, sale and lease of real estate, purchase and lease of working plant or equipment, the price of which exceeds DKK 100,000 or falls outside approved investment budget, employment and dismissal of employees in leading positions and dismissal of employees who are shareholders of Rosenkrantz A/S, creating pledge over the assets of Rosenkrantz A/S, issuance of guarantees or sureties, all risky investments, agreements with shareholders not on arms' length basis, etc.

AB Linas Agro must at its own cost ensure that Rosenkrantz A/S is provided with credit facilities, bank guarantees, sureties, etc. necessary for the day-to-day trade operations and take out necessary credit insurance against debtors of Rosenkrantz A/S.

The Shareholders Agreement lays down the following arrangements with respect to the acquisition of the shares in Rosenkrantz A/S:

1. the shareholders have pre-emptive rights to subscribe new shares in proportion to their shareholdings in the case of the share capital increase of Rosenkrantz A/S;
2. each shareholder has a right of first refusal to acquire the shares in Rosenkrantz A/S transferred by the other shareholder unless the shares are transferred to a company owned 100% by the transferring party or by the shareholders of the transferring party;



3. AB Linas Agro has a call option in respect of the shares held by Baltic Agro Group A/S which may be exercised only upon dismissal of Mr. Henrik Klindt Petersen from the position of the Chief Executive Officer of Rosenkrantz A/S or upon the termination of the management agreement with Mr. Henrik Klindt Petersen when the latter reaches an age of 65 years. The call option may be exercised within 1 month from the notice of dismissal/ termination or from Mr. Henrik Klindt Petersen reaching 65 years. The option price will be the market price of the shares calculated as equity capital of Rosenkrantz A/S plus weighted average of one's year earnings before tax, both items based on the audited financial accounts of Rosenkrantz A/S;
4. if either party commits a breach of the Shareholders Agreement and fails to remedy that breach within 14 days from the notice requiring to do so, the aggrieved party will have an option to purchase the shares of the defaulting party at the market price (as established above) less 25% and less the costs for the auditor's statements;
5. AB Linas Agro has the right to purchase the shares held by Baltic Agro Group A/S at the market price (as established above) less 25% and less the costs for the auditor's statements provided the management agreement with Mr. Henrik Klindt Petersen is terminated by Rosenkrantz A/S for cause or if Mr. Henrik Klindt Petersen terminates his management agreement without a good reason.

The Shareholders Agreement also provides for obligations of Mr. Henrik Klindt Petersen, Baltic Agro Group A/S and persons closely related to them not to compete with Rosenkrantz A/S and the Group. Non-competition undertaking is secured by a contractual penalty in the amount of DKK 500,000 and is valid for the period when Baltic Agro Group A/S is a shareholder of Rosenkrantz A/S and one year thereafter.

The Shareholders Agreement is valid until either party holds less than 90% of the shares in Rosenkrantz A/S. When a shareholder reaches the threshold of 90%, it is entitled to squeeze-out the minority shareholder and the minority shareholder is entitled to require the majority shareholder purchasing remaining shares at the market price as established above.

#### **General Management Agreement with respect to ŽŪK Kupiškio grūdai**

On 1 July 2008 the Group companies AB Linas Agro, Medeikių ŽŪB, Sidabravo ŽŪB, Aukštadvario ŽŪB and Lukšiu ŽŪB and the other members Mr. Kęstutis Saulius and Mr. Henrikas Pilkauskas entered into the General Management Agreement with respect to ŽŪK Kupiškio grūdai. Each of the undersigned members controls 9.09% of capital in ŽŪK Kupiškio grūdai. The agreement was also signed by ŽŪK Kupiškio grūdai.

The parties have agreed that the effective control of ŽŪK Kupiškio grūdai will be exercised by AB Linas Agro and the remaining members will act only as financial investors. Consequently, ŽŪK Kupiškio grūdai is managed in accordance with the corporate governance policy of the Group and its financial statements are consolidated with the financial statements of other Group companies. AB Linas Agro undertook to actively participate in the management of ŽŪK Kupiškio grūdai.

According to the General Management Agreement, ŽŪK Kupiškio grūdai is managed by the Meeting of Members, the Management Board and the Chief Executive Officer. The Management Board is responsible for the strategic organization of business and is composed of seven members elected for the period of four years. Five members of the Management Board and the Chief Executive Officer of ŽŪK Kupiškio grūdai are elected from persons nominated by AB Linas Agro. The Chairman of the Management Board is elected from among the nominees of AB Linas Agro. In addition to the competence of the Management Board laid down in applicable laws, the General Management Agreement stipulates that the Management Board approves the budget and business plan of ŽŪK Kupiškio grūdai as well as investment projects, adopts decisions to reorganize or liquidate ŽŪK Kupiškio grūdai, etc.

The General Management Agreement is of unlimited duration.

#### **Agreements with Respect to Acquisition of Shares in Group Companies**

The Company controls 50% of shares in UAB Dotnuvos projektai. The remaining part is controlled by non-related persons Rimantas Dapkus and Rimvydas Brazauskas, each holding 25% of the capital in UAB Dotnuvos projektai. On 8 August 2008 the Company and its shareholders, on the one side, and UAB Dotnuvos projektai and its remaining shareholders Rimantas Dapkus and Rimvydas Brazauskas, on the other side, entered into the Agreement, in accordance with which the Company agreed to purchase in total 20% of shares in UAB Dotnuvos projektai from Rimantas Dapkus and Rimvydas Brazauskas. The purchase must be effected after the completion of the Offering of the Company's Shares. The purchase price as well as other terms and conditions of the purchase are subject to further agreement of the parties.



## Loan Agreements

In addition to the loans granted by the Group to its related persons and *vice-versa* (see Section *Related Party Transactions*, in page 88) the Group has granted loans to former Group companies, other entities and several employees of the Group as well as borrowed money from third parties.

### Group companies as lender

#### Loans to former Group companies

The Group has granted loans to UAB Invisco, UAB Consonus and UAB Sinrena. All of the aforementioned entities are former Group companies which the Group sold in the beginning of 2009. The loans were provided when the entities were within the Group and remained outstanding after the shares of such companies were sold. The information on such loans is provided in the table below.

Table 88. Loans granted by the Group to former Group companies (LTL in thousand)

The Group company - lender	Borrower	Maturity	Interest rate	Security	Outstanding amount (loan and interest) as at 30 June 2009
AB Linas Agro	UAB Invisco	31 March 2010	8.00%	Unsecured	1,437
AB Linas Agro	UAB Sinrena	31 December 2009	8.00%	Unsecured	1,201
AB Linas Agro	UAB Consonus	31 December 2009	8.00%	Unsecured	1,128
The Company	UAB Invisco	31 March 2010	8.00%	Unsecured	194
<b>Total</b>					<b>3,960</b>

Source: the Company

As due to poor financial standing of the borrowers the Group does not expect that the above loans and accrued interest will be repaid in full, allowances of around 75% of the total amounts due by each of the borrower have been made in the annual financial statements of the Group for the year 2008/2009. Despite the formation of such allowances, there is a risk that the remaining portion of 25% of the outstanding amounts will not be repaid as well and that the assets of the borrowers will be insufficient to cover these debts.

#### Loans to other entities

The Group issued several loans to Žibartonių ŽŪB to finance its working capital needs. The information on the loans granted to Žibartonių ŽŪB is presented in the table below.

Table 89. Loans granted by the Group to Žibartonių ŽŪB (LTL in thousand)

The Group company – lender	Borrower	Maturity	Interest rate	Security	Carrying value of the loan as of 30 June 2009
AB Linas Agro	Žibartonių ŽŪB	1 March 2010	10.5%	Unsecured	700
Medelkių ŽŪB	Žibartonių ŽŪB	1 April 2010	10.5%	Unsecured	202
AB Linas Agro Konsultacijos	Žibartonių ŽŪB	31 December 2009	10.5%	Unsecured	108
<b>Total</b>					<b>1,010</b>

Source: the Company

In addition to the above mentioned loans AB Linas Agro has the receivable from Žibartonių ŽŪB of LTL 1.8 million with maturity on 1 December 2012, annual repayments of LTL 0.6 million commencing in December 2009 and the interest rate of 6-month VILIBOR plus 2.5% margin. This receivable has arisen from advance payments made by AB Linas Agro for fertilisers, seeds and plant protection means.

#### Loans to the Group's employees

AB Linas Agro has provided several loans to its employees the information about which is presented in Table 90 below.





**Table 90. Loans granted by the Group to the Group's employees (LTL in thousand)**

The Group company - lender	Borrower - employee	Maturity	Interest rate	Security	Outstanding amount (loan and interests) as of 30 June 2009
AB Linas Agro	Mindaugas Kazimieraitis	15 August 2027, albeit upon the termination of the employment agreement the loan must be repaid immediately	3.55%	Unsecured	413
AB Linas Agro	Kęstutis Saulius	1 February 2010	4.00%	Unsecured	122
AB Linas Agro	Birutė Matulytė	10 August 2013	0.00%	Unsecured	30
<b>Total</b>					<b>565</b>

Source: the Company

As the loans have been granted to individuals whose creditworthiness has not been evaluated, there is a risk that the loans will not be repaid voluntarily and that the assets of the borrowers will not be sufficient to cover the outstanding debts.

In addition, the Group has granted loans to other several members of its staff but the amounts of such loans are insignificant.

#### Post balance sheet loans

Following the expiration of the year 2008/2009 the Group has issued one loan of LTL 100 thousand loan to Žibartonių ŽŪB. The information on such loan is provided in the table below.

**Table 91. Loans granted by the Group after the last balance sheet date (LTL in thousand)**

The Group company - lender	Borrower	Maturity	Interest rate	Security	Loan amount issued until 30 September 2009
AB Linas Agro Konsultacijos	Žibartonių ŽŪB	31 December 2009	10.5%	Unsecured	100
<b>Total</b>					<b>100</b>

Source: the Company

#### Group companies as borrower

The Group companies entered into several loan agreements for borrowing money from non-related third parties. Table 92 provides the basic information of such loans. The information about credits and loans from credit institutions is specifically excluded.

**Table 92. Loans granted by third parties to the Group companies**

Third party - lender	The Group company - borrower	Maturity	Interest rate	Security	Outstanding loan amount as of 30 June 2009
Baltic Land Invest ApS	ŽŪB Landvesta 1	30 January 2018	0.00%	Unsecured	LTL 1,400 thousand <sup>1</sup>
BALTTRANS L.L.C	AB Linas Agro	20 June 2010	6.00%	Unsecured	USD 600 thousand
Henrikas Pilkauskas	AB Linas Agro	30 April 2011	7.00%	Unsecured	LTL 397 thousand
Asta Pribušauskienė	AB Linas Agro	30 June 2010	7.00%	Unsecured	LTL 250 thousand
Borisas Lebedevas	AB Linas Agro	30 June 2010	7.00%	Unsecured	LTL 250 thousand
Niels Arnold Lund	Aukštadvario ŽŪB	1 May 2011	6.35%	Unsecured	LTL 31 thousand

<sup>1</sup> The carrying value of this loan makes LTL 959 thousand after the discounting applied.

Source: the Company

The loans from third parties accord the possibility for the Group to borrow funds without any security at quite low costs.

#### Other Agreements

On 20 June 2008 the Company and the shareholders of the Company (other than the Selling Shareholder), on the one hand, and the financial advisor (other than the Lead Manager), on the other hand, signed an agreement under which the financial advisor was engaged to assist the Company in carrying out the initial public offering (IPO) of the Company's



shares. Although the agreement states that it expires automatically on 30 June 2009 (unless terminated earlier), the Management of the Company holds the position that the provision of services according to the said agreement was in fact terminated in October 2008. Pursuant to the agreement in the event the Company and its shareholders complete a placement of the Company's shares substantially similar to the IPO within twelve months of their termination of the agreement, the Company and the shareholders who signed the agreement would need to pay to that financial advisor the success fee (which, subject to the scope of the IPO, may be material) that would otherwise have been due thereunder as if the IPO so made has been arranged by that financial advisor. The Management believes that, taking into consideration the date when the services were in fact terminated, the amount of the services provided and that the project under the agreement was never completed, no success fee should be payable to that financial advisor in connection with the Offering.

## Documents on Display

For this information please refer to Section *Introduction, Presentation of Information*, page 5.

The information that has been sourced from third parties and presented in this Prospectus has been accurately reproduced and as far as the issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Company's historic financial statements and the Articles of Association of the Company can be obtained on the webpage of the Company ([www.linasagro.it](http://www.linasagro.it)).



# THE OFFERING

## Key Information

### Working Capital, Capitalisation and Indebtedness

In the opinion of the Company, the working capital of the Group is sufficient for its present requirements. For financing of the working capital needs from the proceeds of the Offering see Section *Projected Investments*, page 32.

For details on capitalisation see Section *Capital Resources*, page 74. The information on the Company's share capital is provided in Section *Share Capital*, page 100. For details on indebtedness see the table below:

**Table 93. Highlights of indebtedness of the Group (LTL in thousand, not audited)**

Item	As of 31 December 2009
Bank borrowings	119,705
Secured by the Group's assets and guaranteed by Akola Aps	7,983
Secured by the Group's assets	111,722
Unsecured by the Group's assets	-
Other borrowings	5,390
Secured by the Group's assets	5,390
Unsecured by the Group's assets	-
Bonds issued	-
Finance lease obligations	2,435
Factoring with recourse liability	3,643
<b>Total financial liabilities</b>	<b>131,173</b>
Financial loans receivable <sup>1</sup>	20,233
Cash and cash equivalents	14,314
<b>Net financial debt (Total financial liabilities – Financial loans receivable – Cash and cash equivalents)</b>	<b>96,626</b>

<sup>1</sup> Receivable from Akola Aps

Source: the Company

### Interests of the Parties Related to the Offering

There are no interests (including conflicting ones) of any legal or natural persons related to the Offering.

### Purpose of the Offering and Use of Proceeds

In principle, the Group has financed its development through cash flows from business, related party loans, bank borrowings and capital contributions. The purpose of the Offering is to attract additional capital and ensure the successful implementation of development strategies of the Group. The Group is willing to pursue financial flexibility and the liquidity of its Shares through the listing of the Shares on the Main List of NASDAQ OMX Vilnius. The listing is expected to increase local and international awareness of the Company, especially among professional investors.

On 20 November 2009 the Extraordinary Meeting of Shareholders of the Company decided to increase the share capital of the Company up to LTL 158,940,398 by issuing 38,940,398 Shares (*New Shares*) at a minimum subscription price of each New Share equal to the bottom line of the Offer Price Range, waive the shareholders' pre-emptive rights to acquire the New Shares and grant the right to subscribe the entire New Share issue to the Selling Shareholder. The exact subscription price of the New Shares will be set by the Management Board of the Company and will be equal to the Offer Price per each New Share. The New Shares will be subscribed for and paid up by the Selling Shareholder from the sales



proceeds of the Offer Shares provided that the sale of the Offer Shares is implemented under the terms and conditions of this Prospectus. Therefore, albeit the Company will not receive any direct proceeds from the sale of the Offer Shares, the Company shall receive proceeds from the issue of the New Shares. The Company will receive proceeds from the issuance of the New Shares which will be subscribed for and paid up by the Selling Shareholder from the sales proceeds of the Offer Shares provided that the sale of the Offer Shares will be implemented under the terms and conditions of this Prospectus.

The exact amount of net proceeds is subject to the Offer Price and the usage of the Over-Allotment Option. The estimation of net proceeds is based on the midpoint of the Offer Price Range assuming that the Over-Allotment Option is exercised in full.

The net proceeds to the Selling Shareholder are expected to be LTL 18.2 million after deduction of the issue price to be paid for the New Shares by the Selling Shareholder to the Company as well as the fees and expenses of the Offering due by the Selling Shareholder. Expenses of the Selling Shareholder are estimated to amount LTL 0.95 million. The Selling Shareholder will use part of proceeds to repay LTL 14-17 million of its outstanding debt to AB Linas Agro (the exact amount will depend on the Offer Price and the usage of the Over-Allotment Option). The Company will not receive any direct proceeds from the sale of the Offer Shares by the Selling Shareholder.

The aggregate net proceeds to the Company from the issuance of the New Shares are estimated to be LTL 84.1 million based on the midpoint of the Offer Price Range, after deducting the fees and expenses of the Offering due by the Company which are estimated to amount to approximately LTL 5.11 million. The aggregate net proceeds to be received by the Company from the issue of New Shares are expected to be used for the investments planned for 2009/2010 and 2010/2011, as well as for the possible further corporate acquisitions in the existing and new markets in the Baltic States and Western Europe (described in more detail in Section *Purpose of the Offering and Use of Proceeds*, page 113).

The aggregate net proceeds to be received by the Company from the issue of New Shares are expected to be used for the investments planned for 2009/2010 and 2010/2011 (see Section *Investment*, page 30), as well as for the possible further corporate acquisitions in the existing and new markets in the Baltic States and Western Europe. In addition, Akola ApS (the Selling Shareholder) will use part of proceeds of the Offer Shares to repay LTL 14-17 million of its outstanding debt to AB Linas Agro (the exact amount will depend on the Offer Price and the usage of the Over-Allotment Option, and won't exceed the net proceeds of the Offering received by the Selling Shareholder). The proceeds from the issue of the New Shares will provide the opportunity to continue the policy of aggressive growth and geographical expansion which the Group has so far pursued. This taken into account, the Offering and issuance of the New Shares is an important step towards the overall strategic objective of the Group.

## Information Concerning the Shares

### General Information

#### Description of the Shares

<b>Class of the Shares:</b>	Ordinary registered shares
<b>ISIN number:</b>	LT0000128092
<b>Currency of the Share issue:</b>	LTL (Lithuanian litas)
<b>Form of the Shares:</b>	Dematerialised shares in book-entry form. Entity in charge of keeping the records is Swedbank, AB, Custody division, Konstitucijos 20A, LT-03502 Vilnius, Lithuania

#### Legislation under Which the Shares Have Been Created

Legislation, under which the Shares have been created, includes the Civil Code of the Republic of Lithuania, Law on Companies, Law on Securities and other related Lithuanian legal acts.

#### Transfer Restrictions

The Offer Shares and the shares that may be subject to the Over-Allotment Option are subject to transfer restrictions as revealed in greater detail in Section *Offering and Transfer Restrictions*, page 127.



Furthermore, the Selling Shareholder is subject to a lock-up as described in Section *Lock-up*, page 130.

## New Issue of the Shares

For the information relating to the decision to issue the New Shares, see Section *Share Capital*, page 100.

## Mandatory Takeover Bid Rules

According to the Law on Securities, where a person, acting independently or in concert with other persons, acquires shares that together with the holding held by him/her/it or by other persons acting in concert with him/her/it entitle him/her/it to more than 40% of votes at the General Meeting of Shareholders of the Company, he/she/it must:

1. transfer securities exceeding this threshold; or
2. announce a mandatory takeover bid to purchase the remaining voting securities of the Company and the securities confirming the right to acquire voting securities.

A person having acquired the shares exceeding the 40% vote threshold must not later than within seven days announce in the national daily *Lietuvos rytas* as well as report to the LSC, NASDAQ OMX Vilnius and the Company about the fact that the established threshold was exceeded and of his/her/its intention either to announce a mandatory takeover bid or to transfer the shares exceeding the threshold.

If a person having acquired the shares exceeding the 40% vote threshold opts for a mandatory takeover bid, he/she/it must within 20 days from the above-referred public announcement submit to the LSC the circular disclosing the general information about the mandatory takeover bid. The circular is approved by the LSC. The mandatory takeover bid starts being implemented on the fourth business day following the approval of the circular by the LSC. The period of the implementation of the mandatory takeover bid must be not less than 14 days and not longer than 70 days. The mandatory takeover bid is implemented on the regulated market. The price of the mandatory takeover bid must be not lower than the highest price at which the person submitting the bid acquired the securities during the last 12 months before the 40% vote threshold was exceeded and not lower than the average market price for the last 6 months before the 40% vote threshold was exceeded (provided the securities are traded on a regulated market). If none of the two criteria exists, the price must be determined by an independent asset appraiser. Only cash may be offered as consideration for the securities purchased during the mandatory takeover bid.

The Law on Securities provides for certain cases when a person obliged to submit a mandatory takeover bid is exempted from such obligation.

## Squeeze-Out and Sell-Out Rules

According to the Law on Securities, a shareholder of the Company having acquired, acting individually or in concert with other persons, not less than 95% of the capital carrying voting rights and not less than 95% of votes in the General Meeting of Shareholders of the Company is entitled to require the remaining minority shareholders to tender outstanding shares to him/her/it at a fair price and such remaining shareholders are obliged to sell these shares in the manner established by the Law on Securities (squeeze-out). However, where the shareholder is subject to a mandatory takeover bid obligation, he/she/it may not squeeze-out minority's shares as long as a mandatory takeover bid has not been implemented.

The price paid during the squeeze-out must be fair. In determining the price, the following principles are applied:

1. where a shareholder during a mandatory takeover bid acquired the shares carrying not less than 95% of all votes in the General Meeting of Shareholders of the Company, the squeeze-out price will be equal to the mandatory takeover bid price; or
2. where a shareholder during a voluntary takeover bid to acquire all the remaining voting shares acquired the shares carrying not less than 95% of votes in the General Meeting of Shareholders of the Company, the squeeze-out price will be equal to the price paid during such voluntary takeover bid provided that not less than 90% of the shares comprising the voluntary takeover bid were acquired by the offeror during the voluntary takeover bid.

Both aforementioned assumptions apply only where not more than 3 months have passed from the expiration of the takeover bid. In other cases a fair price must be established by the shareholder implementing the squeeze-out bid.



approved by the LSC in advance. The price to be paid for the shares in a squeeze-out procedure may be challenged in court. A shareholder implementing the squeeze-out may only offer cash as consideration.

A shareholder intending to implement the squeeze-out must furnish a notification to the Company about the same. Within five days from its receipt the Company must announce such notification in the daily *Lietuvos rytas* as well as notify each and every shareholder of the Company, the LSC and NASDAQ OMX Vilnius. All remaining shareholders of the Company must sell the shares or challenge the squeeze-out price during a 90-day period from the public announcement about the squeeze-out in the daily. If the remaining shareholders fail to sell the shares, the majority shareholder exercising the squeeze-out may within 30-day period apply to court and require making records in personal securities accounts about the transfer of shares to the majority shareholder.

In addition to the squeeze-out right the Law on Securities provides for a "mirror" sell-out right. Thus, any minority shareholder is entitled to request that the shareholder who, acting independently or in concert with other persons, acquired not less than 95% of the capital carrying voting rights and not less than 95% of votes in the General Meeting of Shareholders of the Company, buys the shares carrying the voting rights owned by the minority shareholder, and the majority shareholder is obliged to buy such shares (sell-out). Similar rules as in the case of the squeeze-out apply to determining the price of such shares.

## Shareholder Rights

### General Information

The list of the shareholders' rights indicated in the Articles of Association of the Company is provided in Section *The Company's Articles of Association*, page 101. Below is a brief description of certain material rights of the Company's shareholders.

### Right to Receive Dividend or Other Portion of the Company's Profit

Pursuant to the Law on Companies, the Company may only distribute profits or assets to its shareholders by means of (i) paying dividends; (ii) reducing share capital; or (iii) through liquidation of the Company.

All Shares of the Company, including the Offer Shares, rank *pari passu* with regard to dividend and other distributions by the Company.

### Dividend Rights

A dividend is a share of profit allocated to a shareholder in proportion to the nominal value of shares owned by him/her/it. If a share is not fully paid-up and the time limit for the payment has not yet expired, a dividend will be reduced in proportion to the unpaid amount of the share price. If the share is not fully paid-up and the time limit for the payment has expired, no dividend is paid.

Dividends may be declared only once by a decision of the annual ordinary General Meeting of Shareholders. The Company may only distribute dividends out of its distributable profits that consist of net profit in each financial year, as increased or reduced by any profit or loss carried forward from the previous year and/or profit or loss of the current financial year not realised in the profit and loss account, plus any amounts held in its reserves that the shareholders decide to make available for distribution (other than those reserves that are specifically required by the Lithuanian laws) and shareholders' contributions to cover loss, less any distributions for any other purposes decided by the General Meeting of Shareholders. Dividends may not be declared or paid out if at least one of the following conditions is met:

1. the Company is insolvent or after the payment of dividends would become insolvent;
2. the Company's distributable result of the financial year is negative (i.e. losses were incurred);
3. the equity capital of the Company is lower or after the payment of dividends would become lower than the aggregate amount of the share capital, the legal reserve, the revaluation reserve and the reserve for acquisition of own shares of the Company.

Dividends are paid to persons who at the end of the rights record date (i.e. the tenth business day following the day the decision to distribute dividends was adopted by the General Meeting of Shareholders) were the shareholders of the Company or were otherwise entitled to receive dividends. The Company must pay out the declared dividends with one



month from the date when the General Meeting of Shareholders decides to declare dividends. The right to dividend becomes barred by statute after ten years from the date on which they would have been payable, at which point the unpaid dividends revert back to the Company, unless the period of limitation has been amended or suspended by law. The same rules for paying dividends are applied to residents and non-residents of Lithuania with the exception to taxation requirements (see Section *Taxation*, page 119). Dividends are paid to the shareholders in proportion to the aggregate sum of the nominal value of the shares held by the shareholder. Dividends can be paid only in cash. The dividends attributable to the Shares are of non-cumulative nature.

#### **Right to receive funds during the reduction of the share capital**

When the share capital is reduced in order to pay out the funds to its shareholders, each shareholder is entitled to receive funds from the Company. Such right is granted to the persons who were shareholders of the Company or were otherwise entitled to receive such funds at the end of the rights record date (i.e. the tenth business day following the day the decision to reduce the share capital was adopted by the General Meeting of Shareholders). Only the annual ordinary General Meeting of Shareholders may adopt the decision to reduce the share capital with the purpose of paying funds to the shareholders, and provided all of the following conditions are met:

1. the annual financial statements and the profit distribution have been approved;
2. following the reduction the legal reserve of the Company will not be lower than 1/10 of the Company's share capital; and
3. no undistributed loss or long-term liabilities are recorded in the annual financial statements of the Company.

The decision to reduce the share capital with the purpose of paying out the funds to its shareholders may not be made if on the date of the decision the Company is insolvent or after the payment of funds would become insolvent.

The funds must be paid within one month from the registration of the amended Articles of Association of the Company with the Register of Legal Persons. The funds are paid pro rata to the nominal value of shares held by each shareholder and may only be paid in cash.

#### **Right to share in any surplus in the event of liquidation**

In the event of liquidation, the Company's surplus assets are distributed to the shareholders in proportion to the aggregate sum of the nominal value of the shares held by shareholders. In case the Company's liquidation is voluntary, the surplus assets may be distributed to the shareholders only after the settlement of debts with creditors and after two months from the date of the public announcement of the liquidation procedures as prescribed by law. If any judicial disputes with respect to the payment of the Company's debts arise, the surplus assets may not be distributed to the shareholders until the final settlement of disputes and debts.

### **Voting Rights**

The shareholders exercise their voting right at the General Meeting of Shareholders. Only shareholders who have fully paid-up their shares are entitled to vote at the General Meeting of Shareholders. Persons, who were shareholders of the Company at the end of the record day of the meeting, are entitled to attend and vote at the General Meeting of Shareholders or repeated General Meeting of Shareholders. The record day of the meeting of the Company is the fifth working day before the General Meeting of Shareholders or the fifth working day before the repeated General Meeting of Shareholders. The voting right encompasses the right to speak and ask at the General Meeting of Shareholders. As the Company has issued one class of shares with the nominal value of LTL 1, each share entitles its holder to one vote at the General Meeting of Shareholders. The shareholders may vote personally or through their proxies or persons who concluded a voting rights transfer agreement. The shareholders may also vote in writing (by filling in the general voting ballot).

### **Pre-emption Rights**

Pursuant to the Law on Companies, the Company's share capital may be increased by a decision of the General Meeting of Shareholders and may be effected by:

1. issuing additional shares;
2. increasing the nominal value of existing shares; or
3. issuing convertible bonds.



Increases in share capital by way of issuance of additional shares may be effected through one or a combination of the following:

1. in consideration for cash;
2. in consideration for assets contributed in kind;
3. by conversion of bonds previously issued;
4. from the Company's own funds (i.e. by capitalisation of profits or share premiums), etc.

If the Company issues additional shares or convertible bonds, other than from the Company's own funds, current shareholders will have preferential subscription rights to the securities on a pro rata basis. These preferential rights require that the Company give priority treatment to current shareholders. The Company must announce the proposal to utilise the pre-emption rights as well as the period of such utilisation in the daily *Lietuvos rytas* and report the same to the Register of Legal Persons. The time limit for a shareholder to acquire the securities on a pre-emptive basis may not be less than 14 days after the public announcement thereof by the Register of Legal Persons. Preferential rights are transferable during the subscription period relating to a particular offering. These rights may also be listed on NASDAQ OMX Vilnius. Pursuant to the Law on Companies, the preferential subscription rights with respect to any particular offering may be withdrawn. The Company's Management Board is required to present a notice that specifically addresses the proposal to withdraw preferential subscription rights. The decision on withdrawing these rights is adopted by the General Meeting of Shareholders.

The Company's share capital may be increased from the Company's own funds. In such cases the current shareholders are entitled to receive the new additional shares free of charge on a pro rata basis, or the nominal value of all the Company's shares is increased, all in accordance with the Law on Companies.

The preferential right to acquire the shares or convertible bonds issued by the Company as well as the right to receive shares free of charge in the case of the increase of the share capital from the Company's own funds is granted to the persons who were shareholders of the Company at the end of the rights record date (i.e. the tenth business day following the day the respective decision was adopted by the General Meeting of Shareholders).

## Reserves of the Company

Pursuant to the Law on Companies, the Company is required to allocate 5% of its net profit for each financial year to its legal reserve. Funds must be allocated until the amount in the legal reserve is equal to 10% of the nominal value of the share capital. The Company may form any other reserves (such as reserve to acquire own shares, etc.) upon a decision of the General Meeting of Shareholders.

## Further Capital Calls by the Company

If the Company's distributable result, as approved by the ordinary General Meeting of Shareholders, is negative and the meeting adopts a decision to cover the Company's losses or part thereof by the additional contributions of the shareholders, according to the Law on Companies, the shareholders who voted in favour of such decision are obliged to pay the contributions to the Company. The shareholders who did not participate in the General Meeting of Shareholders or voted against such decision are entitled not to pay any additional contributions to the Company.

## Redemption Provisions

Pursuant to the Law on the Companies the Company is entitled to repurchase its own shares from its shareholders. If the aggregate number of the repurchased shares exceeds 10% of the share capital of the Company, it must transfer the excess shares to other persons within 12 months from exceeding the threshold. Having purchased its shares, the Company is not entitled to exercise any proprietary or non-proprietary rights conferred by such shares.

The procedure for repurchasing the shares is laid down in the Law on the Companies. The Company is not entitled to repurchase its own shares unless the reserve for such shares, the amount of which may not be less than the aggregate purchase price of the shares being acquired, is formed in the Company. As a general rule, the Company may not repurchase its shares which are not fully paid. In order to repurchase its shares the Company must submit a voluntary takeover bid. Shares may be repurchased by the Company only on the basis of a decision of the General Meeting of Shareholders.





## Conversion Provisions

Neither the Articles of Association of the Company nor the Law on the Companies provide for the possibility to convert the Shares into any other class of shares.

## Taxation

*The following is a summary of certain Lithuanian and Estonian tax consequences of ownership and disposition of the Offer Shares. The summary is based on the tax laws of Lithuania and Estonia as in effect on the date of this Prospectus, and is subject to changes in such laws, including changes that could have a retroactive effect. The summary does not purport to be a comprehensive description of all the tax consequences that may be relevant for making decision to purchase, own or dispose of the Offer Shares. You are advised to consult your own professional tax advisors as to the Lithuanian, Estonian and other tax consequences of the Combined Offering and the purchase, ownership and disposition of the Offer Shares. Prospective investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisors with respect to the tax consequences applicable to their particular circumstances.*

### Lithuania

#### Taxation on dividends

##### *Legal persons*

Dividends received by Lithuanian or foreign legal persons are subject to the corporate income tax at a rate of 15%. Dividends are not subject to corporate income tax when a recipient (a Lithuanian or foreign legal person) has been or intends to be in control of not less than 10% of voting shares of a Lithuanian company distributing dividends for an uninterrupted period of at least 12 months. This participation exemption does not apply if dividends are paid to foreign legal persons registered or otherwise organized in a tax haven jurisdiction.

If dividends are paid out to the legal persons that are residents of a foreign country with which Lithuania has concluded a treaty for the avoidance of double taxation and such treaty limits the rights of Lithuania to tax dividends, the rules set in that treaty will be applied.

The obligation to calculate, withhold and pay the withholding tax on dividends arises for a Lithuanian legal person (the payer of dividends).

##### *Individuals*

Dividends received by Lithuanian and foreign individuals are subject to the personal income tax at a rate of 20%.

Moreover, profits (or part thereof) distributed to individuals of a Lithuanian entity, which is not an undertaking situated in a free economic zone, proportionately attributed to the profits that are not taxed with regard to certain tax reliefs and/or the taxable profits taxed at a rate of 0% is subject to corporate income tax at a rate of 15%.

If dividends are paid out to the residents of a foreign country with which Lithuania has concluded a treaty for the avoidance of double taxation and such treaty limits the rights of Lithuania to tax dividends, the rules set in that treaty will be applied.

The obligation to calculate, withhold and pay the personal income tax and corporate income tax on dividends arises for a Lithuanian legal entity (the payer of dividends).

#### Taxation on capital gains

##### *Legal persons*

No specific capital gains tax is established under Lithuanian tax legislation. Therefore capital gains received by a Lithuanian legal person or by a foreign legal person through its permanent establishment in Lithuania from the sale of



shares are included in the taxable income for corporate income tax purposes. The standard rate of the corporate income tax is 15%.

An exemption is available, and capital gains are not subject to corporate income tax if the following conditions are met: 1) an entity the shares of which are being transferred is registered in the EEA Member State or a country with which Lithuania has concluded a treaty for the avoidance of double taxation, and this entity is a payer of corporate income or equivalent tax; and 2) an entity transferring shares has been in control of more than 25% of voting shares for an uninterrupted period of at least two years. The exemption is not applied if shares are transferred to the issuer.

Lithuanian entities and permanent establishments of foreign entities have the right to carry forward losses due to the disposal of securities and/or derivative financial instruments for five consecutive years for the purpose of Lithuanian corporate income tax. The said losses can be covered only with income generated from disposals of securities and/or derivative financial instruments.

Capital gains received by the foreign legal persons from the disposal of shares of Lithuanian companies are not subject to the Lithuanian corporate income tax.

### **Individuals**

Capital gains received from the sale of shares by the Lithuanian residents are subject to 15% personal income tax.

Capital gains from the sale of shares are not taxed if the shares are sold not earlier than 366 days after the date of their acquisition and the individual had not held more than 10% of the shares of the entity for three years preceding the end of the tax period during which the shares were sold. The application of the said exemption is restricted in respect of the shares received by the shareholder free of charge due to the increase in the issuer's share capital from its own funds or in case the nominal value of the selling shares has been increased from the issuer's own funds (in which case the application of the exemption will be restricted solely to the income equal to the amount of the increased nominal value of the selling shares). Moreover, the application of the said exemption is restricted if shares are transferred to the issuer.

Personal income tax on capital gains received by individuals should be calculated, paid and declared by individuals by the 1st of May of the calendar year following the taxable year.

Capital gains received from the disposal of shares of Lithuanian companies by the individuals which are not considered to be Lithuanian residents for tax purposes are not taxed in Lithuania.

## **Estonia**

### **Taxation on dividends**

#### **Legal persons**

In Estonia, corporate taxpayers are not subject to the traditional corporate income tax. Instead, they are subject to a distribution tax on distributed profits, including hidden profit distributions (e.g. fringe benefits, non-business expenses, transfer pricing adjustments, gifts and donations). The income of a company comprises its worldwide income of all types but no tax is levied on this income until retained in the company. Therefore, the receipt of dividends by an Estonian company does not trigger any taxation.

Upon distribution by an Estonian company, the distribution tax is generally levied at a flat rate of 21% on the gross amount of the profit distribution. However, if an Estonian company redistributes dividends received from its Estonian, EEA (including Lithuania) or Swiss subsidiary where it had at least 10% participation at the time of receiving the dividends, the further distribution is exempt of tax. If an Estonian company did not have at least 10% participation in a Lithuanian company the further distribution is subject to the distribution tax. In the latter case, the Lithuanian withholding tax can be deducted from the distribution tax due.

#### **Individuals**

Foreign dividends are exempt if they have been subject to withholding tax or if the profit out of which the dividends are paid has been taxed in a foreign state. As generally the dividends received by an Estonian resident individual from a Lithuanian company meet both conditions they are not subject to tax in Estonia.



## Taxation of capital gains

### *Legal persons*

As there is no taxation until distribution, capital gains derived by Estonian companies remain exempt from tax until a distribution is made.

### *Individuals*

There is no separate capital gains taxation. Capital gains from the sale or exchange of shares are included in taxable income and taxed at the general 21% flat rate of income tax.

The capital gain from the sale of shares is the difference between the acquisition cost and the selling price of the shares sold. The gain derived from the exchange of shares is the difference between the acquisition cost of the exchanged shares and the market price of the property received as a result of the exchange. A shareholder has the right to deduct certified expenses directly related to the sale or exchange of shares.

Certain categories of capital gains are exempt from income tax, such categories include, in particular, capital gains derived from the exchange of shares in the course of a merger, division or reorganisation of companies.

Losses incurred on the disposal of securities may only be set off against gains on the disposal of other securities. Any excess losses may be carried forward to be set off against gains from securities during the following years, as they arise.

## Terms and Conditions of the Offering

### General Information

#### Retail Offering and Institutional Offering

The Offering includes (i) non-public offer to Lithuanian, Estonian and other foreign Institutional Investors (*Institutional Offering*), and (ii) public offer to the general public in Lithuania and Estonia (*Retail Offering* and, together with the Institutional Offering, *Offering*). The Offering comprises up to 55,629,140 Shares of the Company (*Offer Shares*) owned by the Selling Shareholder (as defined in Section *Selling Shareholders*, page 129), out of which 8,344,371 Shares (*Additional Shares*) are subject to the Over-Allotment Option. In connection with the Offering, the Selling Shareholder has granted to the Lead Manager an option, exercisable during the period of 30 calendar days from the date of public disclosure of the final price for the Offer Shares, to acquire at its discretion up to 8,344,371 Additional Shares to cover over-allotments, if any. The Additional Shares constitute a part of the Offer Shares offered in the Offering.

The division of the Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined. Preliminary it is planned to sell approximately up to 25% of the Offer Shares in the Retail Offering. The exact number of the Offer Shares included in the Institutional Offering and in the Retail Offering will be decided by the Selling Shareholder in consultation with the Lead Manager. This decision will be taken in conjunction with the allocation process, which will take place immediately after the expiry of the Offer Period. When deciding the division of the Offer Shares between the Institutional Offering and the Retail Offering, the Selling Shareholder will consider mainly (i) the overall demand for the Offer Shares, (ii) the demand for the Offer Shares in the Retail Offering, and (iii) the variance in the size of orders in the Retail Offering and the distribution of orders of different sizes in the Retail Offering. When deciding such division, the Selling Shareholder will be aiming at determining a proportion between the Institutional Offering and the Retail Offering which (i) gives the Company a wide shareholder base, and (ii) can be expected to contribute to a stable and favourable development of the price of its Shares in the aftermarket.

The exact division of the Offer Shares between the Institutional Offering and the Retail Offering will be announced together with the allocation results (see Section *Announcement of the Allocation Results*, page 126).



## Right to Participate in the Retail Offering

The Retail Offering is directed to all natural and legal persons in Lithuania and Estonia.

For the purposes of these terms, a natural person will be deemed to be in Lithuania if such person has a securities account with one of the registered securities account operators in Lithuania and such person's address recorded in the records of one of the above-mentioned institutions in connection with such person's securities account is located in Lithuania. A legal person will be deemed to be in Lithuania if it has a securities account with one of the registered securities account operators in Lithuania or with LCSD and its registered address recorded in the records of one of the above-mentioned institutions in connection with its securities account is located in Lithuania and/or its registration code recorded in such records is the registration code of Register of Legal Persons.

For the purposes of these terms, a natural person will be deemed to be in Estonia if such person has a securities account with the ECRS and such person's address recorded in ECRS records in connection with such person's securities account is located in Estonia. A legal person will be deemed to be in Estonia if it has a securities account with ECRS and its registered address recorded in ECRS records in connection with its securities account is located in Estonia and/or its registration code recorded in ECRS records is the registration code of the Estonian Commercial Register.

The Purchase Undertakings of the Retail Investors as described in Section *Submission of Purchase Undertakings*, page 122, can be submitted in Lithuania and Estonia only through securities accounts opened with Swedbank, AB and Swedbank AS in either of the two countries.

## Offer Period

Investors may submit, amend or cancel the Purchase Undertakings for the Offer Shares (*Purchase Undertaking*) during the Offer Period, which commences on 25 January 2010 at 9.00 hours (Lithuanian time, GMT+2) and terminates on 5 February 2010 at 14.00 hours (Lithuanian time, GMT+2) (*the Offer Period*).

## Offer Price Range

The Offer Price Range is LTL 2.05 to LTL 2.53 per Offer Share.

## Submission of Purchase Undertakings

The Selling Shareholder invites investors to submit the Purchase Undertakings in accordance with these terms and conditions and the following procedure.

In order to purchase the Offer Shares a Retail Investor must have a securities account and a bank account related with such securities account opened with Swedbank, AB in Lithuania or Swedbank AS in Estonia (collectively referred to as *the Brokers* or each individually as *the Broker*). Such securities account may be opened at any branch office of the Broker. A Retail Investor may not submit the Purchase Undertaking through nominee accounts of other intermediaries.

Institutional Investors may submit Purchase Undertakings through nominee accounts of other intermediaries.

An investor wishing to purchase the Offer Shares should contact the Broker and submit the Purchase Undertaking for the purchase of securities in the form set out below in this Section. The Purchase Undertaking may be submitted:

- in Lithuania, the Purchase Undertaking may be submitted:
  - physically through the designated branches of Swedbank, AB (by applying to a financial broker working within that branch). The designated branches of Swedbank, AB where the Purchase Undertakings may be submitted physically are: Centro Client Service Centre (Centro klientų aptarnavimo centras) at Savanorių pr. 15A, 03126 Vilnius, Konstitucijos Client Service Centre (Konstitucijos klientų aptarnavimo centras) at Konstitucijos pr. 20A, 03502 Vilnius Akropolio Client Service Centre (Akropolio klientų aptarnavimo centras) at Ozo g. 25, 07150 Vilnius, Tauro Client Service Centre (Tauro klientų aptarnavimo centras) at Maironio g. 26B, 44249 Kaunas, Uostamiesčio Client Service Centre (Uostamiesčio klientų aptarnavimo centras) at Taikos pr. 52C/Agluonos g. 1,91184 Klaipėda, Marių Client Service Centre (Marių klientų aptarnavimo centras) at Taikos pr. 61, 91182 Klaipėda, Dvaro Client Service Centre (Dvaro klientų aptarnavimo centras) at Dvaro g. 85, 76236 Šiauliai, Aukštaitijos Client Service Centre (Aukštaitijos klientų aptarnavimo centras) at Laisvės a. 18, 35200



Panevėžys, Marijampolės Client Service Centre (Marijampolės klientų aptarnavimo centras) at Laisvės g. 4, 68306 Marijampolė.

- over Internet means: "Swedbank" Internet bank (ib.swedbank.lt), Savings and Investment and choosing section "Subscription" (in case of questions, please call to Swedbank, AB at tel. 1884 or +370 5 268 4444 before submitting the Purchase Undertaking via Internet).
  - by phone calling directly to Equity Sales Lithuania Sub-department (+370 5 258 2515, +370 5 258 2505, +370 258 2295).
- in Estonia, the Purchase Undertakings may be submitted physically through any branch of Swedbank AS or other method that Broker offers (e.g. over the Internet or by other means).

The Purchase Undertaking must be submitted to the Broker by the end of the Offer Period (as defined in Section *Offer Period*, page 122).

The Purchase Undertaking of a Retail Investor must include the following information:

<b>Owner of the securities account:</b>	full name of the investor
<b>Securities account:</b>	number of the investor's securities account
<b>Broker:</b>	
Lithuania	Swedbank, AB
Estonia	Swedbank AS
<b>Securities:</b>	Ordinary registered shares of AB Linas Agro Group
<b>ISIN code:</b>	LT0000128092
<b>Amount of securities:</b>	any number of the Offer Shares which the investor wishes to purchase
<b>Price (per share):</b>	maximum price from the Offer Price Range in Lithuanian litas
<b>Custodian:</b>	
Lithuania	Swedbank, AB
Estonia	Swedbank AS
<b>Value date of the transaction:</b>	Purchase Undertaking expiration day
<b>Type of transaction:</b>	purchase
<b>Type of settlement:</b>	delivery against payment
<b>Additional conditions:</b>	By submitting the Purchase Undertaking, investors confirm that they have got acknowledged with the terms and conditions of the prospectus of the Offer Shares, for which the Purchase Undertaking is being submitted. Investors admit that they fully understand and agree with these terms and conditions and undertake to comply with them. They also agree that their Purchase Undertaking may be cancelled without notifying them in advance in the cases described in the prospectus, inter alia if the Purchase Undertaking does not fully meet the terms and conditions of the prospectus.

There is no minimum or maximum amount of the Offer Shares to be indicated in the Purchase Undertaking.

Institutional Investors may specify any price within the Offer Price Range in their Purchase Undertakings and otherwise deviate from the above form as may be specifically agreed between the Broker and an Institutional Investor.

An investor may submit a Purchase Undertaking either personally or through a representative whom the investor has authorized (in the form required by law) to submit the Purchase Undertaking.

Multiple Purchase Undertakings by one investor, if submitted, will be merged for the purposes of allocation.

A Purchase Undertaking is deemed submitted from the moment the Broker receives a duly completed transaction instruction from the investor. The Purchase Undertaking can be cancelled or amended as described in Section *Amendment or Cancellation of Purchase Undertakings*, page 124. An investor will be liable for the payment of all fees charged by the Broker in connection with the submission, cancellation or amendment of the Purchase Undertaking.

An investor must ensure that all information contained in the Purchase Undertaking is correct, complete and legible. The Purchase Undertakings which are incomplete, incorrect unclear or illegible, or which have not been completed and submitted during the Offer Period in accordance with all requirements set out in these terms and conditions may be rejected.

By submitting a Purchase Undertaking every investor:



- acknowledges that the Offering does not constitute an offer of the Offer Shares by the Selling Shareholder in legal terms or otherwise and that the submission of a Purchase Undertaking does not itself entitle the investor to acquire the Offer Shares nor result in a contract for the sale of the Offer Shares;
- accepts that the number of the Offer Shares indicated by the investor in the Purchase Undertaking will be regarded as the maximum number of the Offer Shares which the investor wishes to acquire (the maximum amount) and that the investor may receive less (but not more) Offer Shares than the aforementioned maximum amount;
- undertakes to acquire and pay for any number of the Offer Shares allocated to it/him/her in accordance with these terms and conditions;
- authorises the Broker with which the Purchase Undertaking was placed to amend the information contained in the investor's transaction instruction, including (a) to specify the valid date of the transaction, and (b) to specify (i) the number of the Offer Shares to be purchased by the investor, (ii) the Offer Price (as determined after the Offer Period) as the price per share, and (iii) the total amount of the transaction found by multiplying the Offer Price by the number of the Offer Shares allocated to the relevant investor.

### **Amendment or Cancellation of Purchase Undertakings**

An investor may amend or cancel a Purchase Undertaking at any time before the expiry of the Offer Period. To do so, the investor must contact the Broker through whom the Purchase Undertaking in question has been made, and carry out the procedures required by the Broker for amending or cancelling a Purchase Undertaking (such procedures may differ between different Brokers). All fees payable in connection with an amendment and/or cancellation of the Purchase Undertaking will be borne by the investor.

A cancellation or amendment of the Purchase Undertaking becomes effective at the moment when the transaction instruction of the investor in question has been cancelled by the relevant Broker.

### **Payment and Delivery of Offer Shares**

By submitting a Purchase Undertaking, a Retail Investor authorises and instructs the Broker operating the investor's cash account connected to its/his/her securities account to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the maximum Offer Price multiplied by the maximum number of the Offer Shares which the Retail Investor wishes to acquire. A Retail Investor may submit the Purchase Undertaking only when there are sufficient funds on its/his/her cash account connected to securities account with the relevant Broker to cover the whole transaction amount. Procedures set out in this paragraph are not applicable to Institutional Investors.

The Lead Manager shall inform all Institutional Investors about the number of the Offer Shares allocated to them and shall grant all Institutional Investors a certain period of time to pay the final Offer Price for the Offer Shares so allocated. The payment period shall be the same for all Institutional Investors. After the Institutional Investors pay the price as instructed, the Offer Shares shall be transferred to their securities accounts on delivery versus payment method.

The Offer Shares allocated to investors will be transferred to their securities accounts on or about 11 February 2010 through the delivery versus payment method simultaneously with the transfer of payment for such Offer Shares. In no event will the date of settlement be later than 12 February 2010.

If an investor has submitted several Purchase Undertakings through several securities accounts belonging to him/her/it, the Offer Shares allocated to such investor are transferred to such investor's securities accounts proportionally with securities amounts set out in such investor's Purchase Undertakings. The number of the Offer Shares to be transferred to each securities account may be rounded up or down, as necessary, in order to ensure that a whole number of the Offer Shares is transferred to each securities account. If the transfer cannot be completed due to the lack of sufficient funds on the investor's cash account, the Purchase Undertaking of the respective investor will be rejected and the investor will lose all rights to the Offer Shares allocated to such investor.



## Cancellation of the Offering

The Selling Shareholder reserves the right to cancel the Offering at any time until it has received full payment for all Offer Shares, if the Placement Agreement among the Company, the Selling Shareholder and the Lead Manager is terminated prior to the settlement.

The Offering is conducted on *all or nothing* basis, i.e. the Offer Shares will be sold only on condition that all the Offer Shares (except for the Additional Shares which are subject to the Over-Allotment Option) are allocated.

Cancellation of the Offering will be announced through NASDAQ OMX Vilnius. All rights and obligations of the parties in relation to the cancelled Offering will be considered terminated at the moment when such announcement is made public.

## Return of Funds

If the Offering is revoked (see Section *Cancellation of the Offering*, page 125), the investor's Purchase Undertaking is rejected, the allocation deviates from the amount of the Offer Shares applied for or the Shares are not allocated to an investor due to other reasons, then:

1. *in the case of the Retail Offering*, the funds blocked on the investor's cash account or a part thereof (the amount in excess of the payment for the allocated Offer Shares) will be released by the Broker not later than on 10 February 2010. The Selling Shareholder will not be liable for the release of the respective amount and for the payment of interest on the released amount for the time it was blocked;
2. *in the case of the Institutional Offering*, the payments already made by the Institutional Investors will be returned not later than 10 February 2010. The Selling Shareholder will not be liable for the payment of the interest on the payment amount for the time it was held.

## Distribution and Allocation Plan

### General Information

The Selling Shareholder together with the Lead Manager will decide on the allocation after determining the Offer Price after the expiry of the Offer Period, and no later than on 9 February 2010. The Offer Shares will be allocated to investors participating in the Offering by the following steps:

1. *Division of tranche size for the Retail Offering and the Institutional Offering.* The division of the Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined. Preliminary it is planned to sell approximately up to 25% of the Offer Shares in the Retail Offering. The Selling Shareholder, together with the Lead Manager, will decide on exact tranche sizes of the Retail Offering and Institutional Offering (percentage wise).
2. *Allocation of the Offer Shares to the Institutional Investors.* The Selling Shareholder, together with the Lead Manager, will decide on the allocation to the Institutional Investors on discretionary basis after the expiry of the Offer Period.
3. *Allocation of the Offer Shares to the Retail Investors.* The Selling Shareholder, together with the Lead Manager, will determine allocation percentages applied to the Retail Offering in the following sub steps:
  - (i) *Allocation of the minimum amount.* Each Retail Investor shall be allocated with the minimum amount of the Offer Shares indicated in his/her/its Purchase Undertaking but not exceeding 8,000 Offer Shares. Each investor will be allocated an integral number of the Offer Shares without fractions. The total minimum amount of the Offer Shares allocated for all Retail Investors will be calculated by summing up the minimum amounts of the Offer Shares allocated to each and every Retail Investor and will be deducted from the total tranche dedicated to the Retail Investors.

In case the minimum amount of the Offer Shares for the Retail Investors exceeds the total tranche dedicated for the Retail Investors, the Selling Shareholder together with the Lead Manager will proportionally reduce a minimum number of the Offer Shares allocated to each Retail Investor, in which case it will be lower than the minimum amount of allocation (i.e. lower than 8,000 Offer Shares).



- (ii) Allocation of the remaining amount. After the deduction of the minimum amount of shares for the Retail Investors, the remainder of the total tranche dedicated to the Retail Investors will be allocated to the Retail Investors pro rata (proportionally). Each investor will be allocated an integral number of the Offer Shares without fractions. If necessary, the number of the allocated Offer Shares will be rounded down to the closest integral number of the Offer Shares. Any remaining Offer Shares which cannot be allocated using the allocation process described above will be allocated to the largest investors.

An investor may obtain information about the number of the Offer Shares allocated to it/him/her after the settlement has been completed by submitting an inquiry to the Broker operating its/his/her securities account in accordance with the terms and conditions applied by that Broker.

The Company is not aware whether its shareholders or management members intend to participate in the Offering or whether any person intends to subscribe for more than 5% of the Offer Shares.

## **Announcement of the Allocation Results**

The Selling Shareholder expects to announce the Offer Price and the results of the allocation process, including the division of the Offer Shares between the Institutional Offering and the Retail Offering, through NASDAQ OMX Vilnius and on the Company's website ([www.linasaagro.lt](http://www.linasaagro.lt)).

## **Over-Allotment Option**

The provisions of the Placement Agreement to be signed between the Company, the Selling Shareholder and the Lead Manager will provide the Lead Manager with an option to purchase up to 8,344,371 Additional Shares at the Offer Price solely to cover over-allotments, if any. This option is exercisable starting from the date of public disclosure of the final price for the Offer Shares and end within 30 calendar days after the date of allotment.

## **Offer Price**

### **Determination of the Offer Price Range**

Prior to this Offering, there has been no public market for the Shares. Consequently, the Offer Price Range for the Offer Shares has been determined through discussions among the Company, the Selling Shareholder and the Lead Manager. Factors relevant to the determination of the Offer Price include the results of operations of the Company, its current financial conditions, future prospects, markets, the economic conditions in and future prospects for the industry in which the Company competes, its management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly-traded companies considered comparable to the Company.

### **Determination of the Offer Price**

The Selling Shareholder will decide upon the exact Offer Price in consultation with the Lead Manager after the completion of the book-building process directed to the Institutional Investors in the course of the Institutional Offering. The Offer Price will be based on the tenders for the Offer Shares obtained from Institutional Investors, also taking into account the total demand in the Institutional Offering, the price sensitivity of such demand and the quality of the demand. The Offer Price will be in the Offer Price Range. The Offer Price will be the same in the Institutional Offering and in the Retail Offering.

The Offer Price will be announced together with the allocation results (see Section *Announcement of the Allocation Results*, page 126).

## **Placing and underwriting**

### **Lead Manager of the Offering**

Swedbank, AB (address Konstitucijos 20A, LT-03502 Vilnius, Lithuania) is acting as the Lead Manager of the Offering. Furthermore, Swedbank, AB is acting as the underwriter of the Offering.





The Placement Agreement to be entered into among the Company, the Selling Shareholder and the Lead Manager will provide for the obligations of the Lead Manager to offer the Shares on *best efforts* basis. The Placement Agreement is planned to be executed no later than 9 February 2010.

The Lead Manager has from time to time performed investment banking and advisory services for the Company or the Group for which they have received customary fees. The Lead Manager may, from time to time, engage in transactions with the Company and perform services for the Company in the ordinary course of its business.

#### **Paying agent and depository agent in Estonia**

In connection with the Retail Offering Swedbank AS (business address Liivalaia 8, EE-15040, Tallinn, Estonia) will act as a paying agent and depository agent in Estonia.

#### **Offering and Transfer Restrictions**

##### ***General Offering and Transfer Restrictions***

This Offering is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Lithuanian law. No action has been or will be taken in any jurisdiction other than Lithuania and Estonia where action for that purpose is required, which would permit a public offering of the Shares or the possession, circulation or distribution of this Prospectus or any material relating to the Shares offered hereby. Accordingly the Shares may not be offered, sold, resold, allotted or subscribed to, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any other country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Subject to certain exceptions:

- the Shares may not be offered, sold, resold, granted, delivered, subscribed to, allotted, taken up, transferred or renounced, directly or indirectly, in or into any jurisdiction in which it would not be permissible to offer such Shares (referred to as the *Ineligible Jurisdictions*);
- this Prospectus may not be sent to any person in the Ineligible Jurisdictions;

Subject to certain exemptions, the Brokers are not permitted to send this Prospectus or any other information about the Offering into any Ineligible Jurisdiction.

Subject to certain exemptions, Purchase Undertakings or instructions sent from or postmarked in any Ineligible Jurisdiction may be deemed to be invalid. The Selling Shareholder reserves the right to reject any Purchase Undertaking (or renunciation thereof) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, renunciation, purchase to or delivery of Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction, or who appears to the Selling Shareholder or its agents to have submitted its Purchase Undertaking, or dispatched it from, an Ineligible Jurisdiction.

##### ***For Shareholders in the United States***

The Shares have not been and will not be registered under the U.S. Securities Act of 1933 (*the Securities Act*) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (*the Regulation S*) or pursuant to an exemption from the registration requirements of the Securities Act. The Lead Manager represents that it will offer and sell the Shares (i) outside the United States and to persons who are not U.S. persons, in compliance with Regulation S and, after 40 days after the later of the commencement of the Offering and the closing date of the Offering, in accordance with Rule 903 of Regulation S or (ii) in compliance with an exemption from the registration requirements of the Securities Act, including Rule 144A and Regulation D thereunder. Accordingly, neither it, its affiliates nor any person acting on its behalf has engaged or will engage in any directed selling efforts with respect to the Shares, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Lead Manager agrees that, at or prior to confirmation of sale of the Shares during the distribution compliance period a confirmation or notice to substantially the following effect is included:



"The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (*the Securities Act*) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of the offering, except in either case in accordance with Regulation S under the Securities Act or (B) pursuant to an exemption from the registration requirements of the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in this Section have the meanings given to them by Regulation S.

Each purchaser of the Shares purchasing such Shares in accordance with Rule 144A will be deemed to have represented, agreed and acknowledged that the purchaser is a qualified institutional buyer and is aware that the sale of the Shares to it is being made in reliance on Rule 144A and such acquisition will be for its own account or for the account of a qualified institutional buyer.

In making its decision to purchase the Shares, the purchaser understands and acknowledges that:

- it has made its own investment decision regarding the Shares based on its own knowledge;
- it has had access to such information as it deems necessary or appropriate in connection with its purchase of the Shares;
- it has sufficient knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risk and is capable of evaluating, and has evaluated independently, the merits, risks and suitability of purchasing the Shares; and
- the Shares have not been, nor will they be, registered under the Securities Act and may not be re-offered, resold, pledged or otherwise transferred except (1) (A) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (2) in accordance with all applicable securities laws of the states of the United States.

#### ***For Shareholders outside the United States***

Each purchaser of the Shares offered, sold or allotted in reliance on Regulation S will be deemed to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- the purchaser or the subscriber (i) is, and the person, if any, for whose account it is acquiring such Shares is, outside the United States, and (ii) is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S;
- the purchaser or the subscriber is aware that the Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States in reliance on Regulation S;
- the Company shall not recognize any offer, subscription to, sale, pledge, or other transfer of the Shares made other than in compliance with the above-stated restrictions;
- the Shares have not been offered to it by means of any *directed selling efforts* as defined in Regulation S under the Securities Act;
- the purchaser or the subscriber acknowledges that Company and its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.



## Admission to Trading and Stabilisation

### Admission to Trading on NASDAQ OMX Vilnius

At the date hereof, no securities issued by the Company are admitted to trading on any regulated market. The purpose of the Offering, among other things, is the subsequent listing of all the Shares on NASDAQ OMX Vilnius. The Company has applied for the conditional listing of all its Shares in the Main List of NASDAQ OMX Vilnius. The Company will take all necessary measures in order to comply with NASDAQ OMX Vilnius rules so that its application will be approved. It is expected that the trading of the Shares in NASDAQ OMX Vilnius will start no later than 17 February 2010.

### Stabilisation and Trading by the Lead Manager

The Lead Manager may affect transactions to stabilise or maintain the market price of the Shares, in accordance with applicable laws, starting from the date of public disclosure of the final price for the Offer Shares and ending within 30 calendar days after the date of the allotment. Any such stabilisation activity will be decided by the Lead Manager at its sole discretion and the Lead Manager is under no obligation to do so. Such stabilisation transactions may result in a situation where Shares are traded at a price that is higher than the price that would have been formed by simple operation of supply and demand, without the effect of stabilisation. Stabilisation activities will be conducted in accordance with the European Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC of the European Parliament and the Council as regards exemptions for buyback programs and stabilisation of financial instruments and will be notified to LSC in a manner prescribed by laws.

In connection with this Offering, the Lead Manager may purchase and sell the Shares. These transactions may include over-allotment, and stabilising transactions. Over-allotment involves sales of shares in excess of the principal amount of the Offer Shares to be purchased by the Lead Manager in this Offering, which creates a short position for the Lead Manager. Covering transactions for such short position may involve purchases of the Shares after the distribution has been completed. Stabilising transactions consist of certain bids or purchases of the Shares made for the purpose of preventing or retarding a decline in the trading price of the Shares. Any of these activities may have the effect of preventing or retarding a decline in the trading price of the Shares. They may also cause the trading price of the Shares to be higher than the price that otherwise would exist in the absence of such transactions by virtue of the natural operation of supply and demand. The Lead Manager may conduct these transactions in the over-the-counter market or otherwise. If the Lead Manager commences any of these transactions, it may discontinue them at any time. Other than as stated above or as required by law, the Lead Manager does not intend to disclose publicly the extent of any over-allotment made or stabilisation transactions entered into in connection with the Offering, although individual investors may be required to disclose interests in the Shares acquired in the Offering or arrangements related to it in accordance with the disclosure requirements of the applicable Lithuanian law.

## Selling Shareholders

### General Information

The Offer Shares (together with the Additional Shares which are subject to the Over-Allotment Option) to be sold by the Selling Shareholder is provided in *Table 94*. The registration address of the Selling Shareholder is Dampfaergevej 3, DK-2100 Copenhagen, Denmark.

**Table 94. The Selling Shareholder of the Company**

Shareholder	Offer Shares	
	Shares sold in the Offering	Additional Shares
Akola ApS	47,284,769	8,344,371
<b>Total</b>		<b>55,629,140</b>

Source: the Company

The Selling Shareholder also owns shares in other Group companies, Related Parties and other companies.



## Lock-up

Except for the Offer Shares (including any additional Shares sold pursuant to the Over-Allotment Option), the Company and the Selling Shareholder have agreed that, without prior written consent of the Lead Manager, none of such persons will issue, offer, sell, contract to sell, or otherwise dispose of any Shares owned by them at any time or any securities convertible into or exercisable or exchangeable for the Shares, or enter into any swap or other agreement or any transaction to transfer the economic consequence of ownership of the Shares, or publicly announce an intention to effect any such transaction, during the period commencing on the date of this Prospectus and ending 9 months after the commencement of trading in the Shares on NASDAQ OMX Vilnius.

## Expenses of the Offering

The total expenses of the Offering including but not limited to financial audit, legal advice, financial advice and marketing are estimated to be LTL 6.06 million based on the midpoint of the Offer Price Range assuming that Over-Allotment Option is exercised in full. Part of these expenses related to the sale of the Offer Shares amounting to LTL 0.95 million will be borne by the Selling Shareholder whereas the remaining portion of the expenses related to the issuance of the New Shares amounting to LTL 5.11 million will be paid by the Company.

The Company and the Selling Shareholder has also agreed to reimburse the Lead Manager for certain expenses and indemnify it against certain losses and liabilities arising out of or in connection with the Offering.

## Dilution

The Offer Shares excluding Additional Shares (in total 47,284,769) represent approximately 39.40% of the share capital of the Company immediately prior to the Offering, and the Offer Shares including Additional Shares subject to the Over-Allotment Option (in total 55,629,140) represent approximately 46.36% of the share capital of the Company immediately prior to the Offering.

Immediately after the Offering and the Selling Shareholder acquiring the New Shares (38,940,398), the Offer Shares being sold as part of the Offering will amount to 35% of the share capital of the Company provided that the Over-Allotment Option is exercised in full.

Following the completion of the Offering (and assuming that the Over-Allotment Option has been exercised in full) and the Selling Shareholder acquiring the New Shares, the latter will hold 49.89% of the Shares and existing individual shareholders of the Company will hold 15.11% of the Shares.

## Additional Information

### Legal Advisors

The principal legal advisor to the Company in respect to Lithuanian law is **Law Offices Raidla Lejins & Norcous** (official name *advokato Irmanto Norkaus ir partnerių kontora Raidla Lejins & Norcous*), address: Lvovo 25, LT-09320 Vilnius, Lithuania.

The principal legal advisor to the Company in respect to Estonian law is **Law Offices Raidla Lejins & Norcous** (official name *Raidla Lejins & Norcous Advokaadibüroo OÜ*), address: Roosikrantsi 2, Tallinn, EE-10119, Estonia.

The principal legal advisor to the Lead Manager in respect to Lithuanian law is **Sutkienė, Pilkauskas ir Partneriai**, address: Didžioji 23, LT-01128 Vilnius, Lithuania.



## Appendix 1

Historical financial information presented below has been duly audited. In particular, the consolidated financial statements of the Company prepared in accordance to IFRS for the year ended 30 June 2009 and 30 June 2008 have been audited by UAB Ernst & Young Baltic. To the extent possible, the information contained in this Prospectus is taken or derived from the aforementioned audited consolidated financial statements of the Company.

Consolidated Financial Statements for year ended 30 June 2009 and 30 June 2008.

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## **COMPANY**

**AB Linas Agro Group**  
Smėlynės 2C, LT- 35143 Panevėžys, Lithuania

## **LEAD MANAGER, UNDERWRITER AND BOOK-RUNNER**

**Swedbank, AB**  
Konstitucijos 20A, LT-03502 Vilnius, Lithuania

## **LEGAL ADVISORS TO THE COMPANY**

**Law Offices Raidla Lejins & Norcous**  
Lvovo 25, LT-09320 Vilnius, Lithuania.

**Law Offices Raidla Lejins & Norcous**  
Roosikrantsi 2, Tallinn, EE-10119, Estonia.

## **LEGAL ADVISOR TO THE LEAD MANAGER**

**Sutkienė, Pilkauskas ir Partneriai**  
Didžioji 23, LT-01128 Vilnius, Lithuania

## **AUDITOR**

**UAB Ernst & Young Baltic**  
Subačiaus 7, LT-01127 Vilnius, Lithuania



# **AB LINAS AGRO GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS  
ENDED 30 JUNE 2009 AND 2008 PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS,  
AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

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Juridinių asmenų registras**Ernst & Young Baltic UAB**Subačiaus St. 7  
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www.ey.com/ltCode of legal entity 110878442  
VAT payer code LT108784411  
Register of Legal Entities**Independent auditors' report to the shareholders of AB Linas Agro Group****Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of AB Linas Agro Group (hereinafter the Group), which comprise the consolidated balance sheets as of 30 June 2009 and 2008, the consolidated statements of income, changes in equity and cash flows for the years then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

***Management's Responsibility for the Financial Statements***

The Group's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in section *Basis for Qualified Opinion* below, we conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. 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 Qualified Opinion***

We did not observe the count of the physical inventories as of 30 June 2007 in a number of the Group locations comprising the inventories balance of Litas 7,000 thousand, since that date was prior to the time we were initially engaged as auditors for the Group. We were unable to satisfy ourselves as to inventory quantities by other audit procedures. Therefore, we are unable to quantify the effect of this inventory balance as of 30 June 2007 on the consolidated statements of income and cash flows for the year ended 30 June 2008.



*Qualified Opinion*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the inventory count as described above, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 30 June 2009 and 2008, and their financial performance and their cash flows for the years 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 30 June 2009 presented to us in a separate document and have not noted any material inconsistencies between the financial information included in it and the consolidated financial statements for the year ended 30 June 2009.

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



Ramūnas Bartašius  
Auditor's licence  
No. 000362  
According to power of attorney  
No. 2009/10/23



Asta Štreimikienė  
Auditor's licence  
No. 000382

The audit was completed on 30 October 2009.

## Consolidated balance sheets

	Notes	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	6	85	84	82
Property, plant and equipment	7	94,132	77,732	72,704
Investment property	8	8,176	19,017	12,573
Animals and livestock	12	6,502	7,188	7,625
Non-current financial assets				
Investments into associates	9	207	595	1,006
Investments into joint ventures	9	21,561	18,635	16,396
Other investments	10	5,919	604	735
Non-current receivables	11	4,727	6,995	11,412
Non-current loans receivable from related parties	38	16,991	25,746	13,251
Total non-current financial assets		49,405	52,575	42,800
Deferred income tax asset	34	1,950	1,091	318
<b>Total non-current assets</b>		<b>160,250</b>	<b>157,687</b>	<b>136,102</b>
<b>Current assets</b>				
Crops	12	17,214	14,439	12,044
Inventories	13	63,918	104,427	39,096
Prepayments	14	17,380	16,885	19,407
Accounts receivable				
Trade receivables	15	98,128	116,244	82,385
Receivables from related parties	38	12,842	5,520	2,759
Other accounts receivable	16	8,339	8,866	8,155
Total accounts receivable		119,309	130,630	93,299
Financial instruments held for trading	17	967	-	-
Investment held for sale	18	-	-	831
Restricted cash	19	-	2,315	2,319
Cash and cash equivalents	20	8,190	7,826	7,973
<b>Total current assets</b>		<b>226,978</b>	<b>276,522</b>	<b>174,969</b>
<b>Total assets</b>		<b>387,228</b>	<b>434,209</b>	<b>311,071</b>

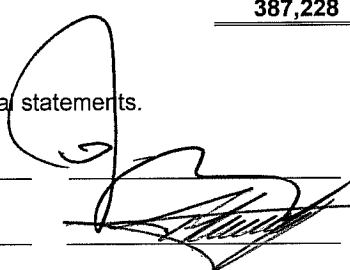
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The accompanying notes are an integral part of these financial statements.

**Consolidated balance sheets (cont'd)**

	Notes	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital	1	41,000	86	86
Share premium	1	121,911	-	-
Legal reserve	21	10	10	10
Foreign currency translation reserve	21	(297)	(130)	(21)
Retained earnings		(18,657)	121,848	80,911
<b>Total equity attributable to equity holders of the parent</b>		<b>143,967</b>	<b>121,814</b>	<b>80,986</b>
<b>Minority interest</b>		<b>12,104</b>	<b>10,361</b>	<b>15,560</b>
<b>Total equity</b>		<b>156,071</b>	<b>132,175</b>	<b>96,546</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Grants and subsidies	22	11,810	11,849	13,263
Non-current borrowings	23	27,972	57,558	25,874
Finance lease obligations	24	2,308	2,327	1,697
Deferred income tax liability	34	1,871	802	1,171
<b>Total non-current liabilities</b>		<b>43,961</b>	<b>72,536</b>	<b>42,005</b>
<b>Current liabilities</b>				
Current portion of non-current borrowings	23	40,787	9,907	6,303
Current portion of finance lease obligations	24	1,138	1,270	936
Current borrowings	23	80,336	118,121	75,582
Trade payables	26	39,992	63,205	64,594
Payables to related parties	38	4,608	17,849	7,491
Advances received	27	232	436	8,035
Income tax payable		4,248	7,609	4,070
Provisions	28	5,433	80	-
Other current liabilities	29	10,422	11,021	5,509
<b>Total current liabilities</b>		<b>187,196</b>	<b>229,498</b>	<b>172,520</b>
<b>Total equity and liabilities</b>		<b>387,228</b>	<b>434,209</b>	<b>311,071</b>

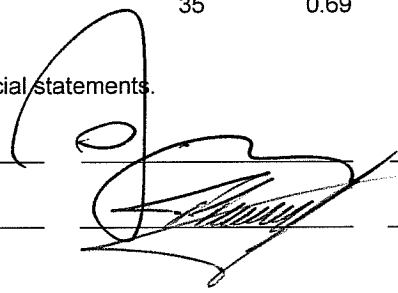
The accompanying notes are an integral part of these financial statements.

_____ Managing Director	_____ Darius Zubas		_____ 30 October 2009
_____ Finance Director	_____ Tomas Tumėnas		_____ 30 October 2009

## Consolidated income statements

	Notes	Financial year ended		
		30 June 2009	30 June 2008	30 June 2007
Sales	5	1,113,880	907,006	661,371
Cost of sales	30	(1,038,141)	(831,077)	(618,604)
<b>Gross profit</b>		<b>75,739</b>	<b>75,929</b>	<b>42,767</b>
Operating (expenses)	31	(35,025)	(26,117)	(25,849)
Other operating income	32	5,253	4,519	10,723
Other operating (expenses)	32	(1,436)	(2,130)	(1,172)
<b>Operating profit</b>		<b>44,531</b>	<b>52,201</b>	<b>26,469</b>
Income from financing activities	33	3,338	2,598	828
(Expenses) from financing activities	33	(11,599)	(13,614)	(7,202)
Gain from disposal of investments into associates	9	-	785	-
Share of profit of associates	9	113	450	106
Share of profit of joint ventures	9	3,965	7,566	2,021
<b>Profit before tax</b>		<b>40,348</b>	<b>49,986</b>	<b>22,222</b>
Income tax	34	(8,577)	(8,717)	(4,199)
<b>Net profit</b>		<b>31,771</b>	<b>41,269</b>	<b>18,023</b>
<b>Attributable to:</b>				
The equity holders of the parent		28,114	38,394	16,737
Minority interest		3,657	2,875	1,286
		<b>31,771</b>	<b>41,269</b>	<b>18,023</b>
Basic and diluted earnings per share (LTL)	35	0.69	0.94	0.41

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

_____ Managing Director	_____ Darius Zubas		_____ 30 October 2009
_____ Finance Director	_____ Tomas Tumėnas		_____ 30 October 2009

## Consolidated statements of changes in equity

	Notes	Equity attributable to equity holders of the parent							Total
		Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Minority interest	
<b>Balance as of 30 June 2006 (as stated earlier)</b>		86	-	10	-	30,470	30,566	12,229	42,795
Effect of business combinations involving entities under common control	2.3., 3, 4	-	-	-	-	30,212	30,212	5,790	36,002
<b>Balance as of 30 June 2006 (restated)</b>		86	-	10	-	60,682	60,778	18,019	78,797
Change in foreign currency translation reserve (restated)		-	-	-	(21)	-	(21)	-	(21)
Net profit for the year (restated)		-	-	-	-	16,737	16,737	1,286	18,023
Total income and (expense) for the year (restated)		-	-	-	(21)	16,737	16,716	1,286	18,002
Disposal to minority		-	-	-	-	14	14	16	30
Disposal of subsidiaries (restated)	4	-	-	-	-	-	-	(373)	(373)
Discounting effect on non-interest bearing loan from minority	23	-	-	-	-	-	-	648	648
Minority interest arising on acquisition of subsidiaries (restated)	4	-	-	-	-	-	-	127	127
Acquisition of minority interest	4	-	-	-	-	3,478	3,478	(4,163)	(685)
<b>Balance as of 30 June 2007 (restated)</b>		86	-	10	(21)	80,911	80,986	15,560	96,546
Change in foreign currency translation reserve (restated)		-	-	-	(109)	-	(109)	-	(109)
Net profit for the year (restated)		-	-	-	-	38,394	38,394	2,875	41,269
Total income and (expense) for the year (restated)		-	-	-	(109)	38,394	38,285	2,875	41,160
Dividends declared by Rosenkrantz A/S (restated)		-	-	-	-	(1,084)	(1,084)	(723)	(1,807)
Acquisition of minority interest (restated)	4	-	-	-	-	3,627	3,627	(7,351)	(3,724)
<b>Balance as of 30 June 2008 (restated)</b>		86	-	10	(130)	121,848	121,814	10,361	132,175
Change in foreign currency translation reserve		-	-	-	(167)	-	(167)	5	(162)
Net profit for the year		-	-	-	-	28,114	28,114	3,657	31,771
Total income and (expense) for the year		-	-	-	(167)	28,114	27,947	3,662	31,609
Issue of share capital	1	40,914	121,911	-	-	(157,202)	5,623	-	5,623
Payment for Rosenkrantz A/S shares	4	-	-	-	-	(9,000)	(9,000)	-	(9,000)
Dividends declared by Rosenkrantz A/S		-	-	-	-	(1,740)	(1,740)	(1,158)	(2,898)
Minority interest arising on acquisition of subsidiaries	4	-	-	-	-	-	-	546	546
Acquisition of minority interest	4	-	-	-	-	(677)	(677)	(1,307)	(1,984)
<b>Balance as of 30 June 2009</b>		<b>41,000</b>	<b>121,911</b>	<b>10</b>	<b>(297)</b>	<b>(18,657)</b>	<b>143,967</b>	<b>12,104</b>	<b>156,071</b>

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

Managing Director	Darius Zubas	30 October 2009
Finance Director	Tomas Tumėnas	30 October 2009

## Consolidated cash flow statements

	Notes	Financial year ended		
		30 June 2009	30 June 2008	30 June 2007
			(restated)	(restated)
<b>Cash flows from (to) operating activities</b>				
Net profit		31,771	41,269	18,023
<b>Adjustments for non-cash items:</b>				
Depreciation and amortisation	6, 7, 8	7,839	5,976	6,102
Subsidies amortisation	22	(1,425)	(1,489)	(2,789)
Share of profit of associates and joint ventures	9	(4,078)	(8,016)	(2,127)
(Gain) on disposal of property, plant and equipment	32	(488)	(207)	(492)
Impairment of property, plant and equipment and investment property	7, 8	1,425	1,650	-
Impairment of investments	32	27	78	-
Negative goodwill recognised as income	4	(6)	-	-
Change in foreign currency translation reserve		(162)	(109)	(21)
(Gain) from disposal of investments	32	(2,142)	(1,001)	(9,131)
Change in allowance for receivables and prepayments	31	3,485	2,109	468
Inventories write down to net realisable value	13	868	2,555	-
Change in accrued expenses	29	2,180	1,752	343
Change in fair value of biological assets	30	345	(1,829)	(4,065)
Change in deferred income tax	34	241	(1,142)	(396)
Current income tax expenses	34	8,336	9,859	4,595
(Income) from change in value of financial instruments	30	(967)	-	-
Provision for onerous contracts	30	5,433	80	-
Dividend (income)	32	-	(279)	(303)
Interest (income)	33	(3,338)	(2,598)	(828)
Interest expenses	33	11,599	13,614	7,202
		<b>60,943</b>	<b>62,272</b>	<b>16,581</b>
<b>Changes in working capital:</b>				
(Increase) decrease in biological assets		(2,070)	210	1,195
Decrease (increase) in inventories		39,904	(67,418)	(27,031)
(Increase) decrease in prepayments		(489)	606	(4,859)
Decrease (increase) in trade and other accounts receivable		14,218	(32,434)	(17,830)
Decrease (increase) in restricted cash		2,315	4	(4)
(Decrease) increase in trade and other accounts payable		(42,455)	6,630	29,664
Income tax (paid)		(7,851)	(6,320)	(1,686)
<b>Net cash flows from (to) operating activities</b>		<b>64,515</b>	<b>(36,450)</b>	<b>(3,970)</b>

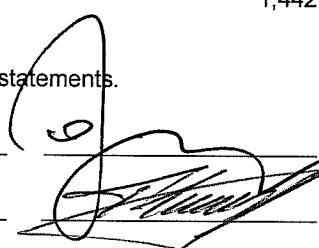
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The accompanying notes are an integral part of these financial statements.

## Consolidated cash flow statements (cont'd)

	Notes	Financial year ended		
		30 June 2009	30 June 2008	30 June 2007
<b>Cash flows from (to) investing activities</b>				
(Acquisition) of intangible assets, property, plant and equipment and investment property	6, 7, 8		(restated)	(restated)
		(20,645)	(18,620)	(8,873)
Proceeds from sale of intangible assets, property, plant and equipment and investment property		1,788	1,413	955
Acquisition of subsidiaries (less received cash balance in the Group)	4	(8,895)	-	253
Disposal of subsidiaries (less disposed cash balance in the Group)	4	(180)	-	12,818
(Acquisition) of minority interest and other investments	4	(7,529)	(3,724)	(685)
Proceeds from sales of other investments		197	2,250	150
Loans (granted)	38	(2,998)	(11,655)	(12,970)
Repayment of granted loans		9,606	356	3,043
Interest received		1,550	1,402	778
Dividends received	9, 32	1,180	4,100	686
<b>Net cash flows (to) investing activities</b>		<b>(25,926)</b>	<b>(24,478)</b>	<b>(3,845)</b>
<b>Cash flows from (to) financing activities</b>				
Issue of share capital	1	5,623	-	-
Proceeds from loans		648,766	656,456	134,569
(Repayment) of loans		(676,555)	(578,629)	(123,663)
Financial lease (payments)		(1,562)	(1,625)	(1,477)
Interest (paid)		(11,599)	(13,614)	(6,423)
Dividends (paid)		(2,898)	(1,807)	-
<b>Net cash flows (to) from financing activities</b>		<b>(38,225)</b>	<b>60,781</b>	<b>3,006</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>364</b>	<b>(147)</b>	<b>(4,809)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	20	<b>7,826</b>	<b>7,973</b>	<b>12,782</b>
<b>Cash and cash equivalents at the end of the year</b>	20	<b>8,190</b>	<b>7,826</b>	<b>7,973</b>
<b>Supplemental information of cash flows:</b>				
<b>Non-cash investing activity:</b>				
Property, plant and equipment acquisitions financed by finance lease		1,411	2,589	854
Property, plant and equipment acquisitions financed by grants and subsidies	22	1,442	795	894

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

Managing Director	Darius Zubas		30 October 2009
Finance Director	Tomas Tumėnas		30 October 2009

## Notes to the financial statements

### 1 General information

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

Smėlynės Str. 2C,  
Panevėžys,  
Lithuania.

The principal activities of the Group are described in Note 5.

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

As of 30 June 2009, 2008 and 2007 the shareholders of the Company were:

	As of 30 June 2009		As of 30 June 2008 and 2007	
	Number of shares held	Percentage	Number of shares held	Percentage
Darius Zubas	5,822,000	14.20 %	-	-
Vytautas Šidlauskas	2,055,034	5.01 %	-	-
Akola ApS (Denmark)	32,795,190	79.99 %	39,193	91 %
Arūnas Zubas	163,888	0.40 %	-	-
Dainius Pilkauskas	163,888	0.40 %	-	-
Tomas Šidlauskas	-	-	3,876	9 %
Total	41,000,000	100.00 %	43,069	100 %

All the shares of the Company are ordinary shares with the par value of LTL 1 each as of 30 June 2009 (LTL 2 each as of 30 June 2008 and 2007) and were fully paid as of 30 June 2009, 2008 and 2007. The Company, its subsidiaries and other related parties did not hold any shares of the Company as of 30 June 2009, 2008 and 2007.

On 30 July 2008 AB Linas Agro Group share capital was increased by issuing 31,931 ordinary shares with the par value of LTL 2 each (in total LTL 64 thousand), which was fully paid by the main shareholder Akola ApS. The new share capital and by-laws were registered on 12 September 2008.

On 12 September 2008 former UAB Agriveta changed its name to AB Linas Agro Group and the legal form from private to public limited liability company.

On 29 September 2008 AB Linas Agro Group share capital was increased by issuing 20,425,000 ordinary shares with the par value of LTL 2 each. The new issue was paid as follows:

Acquirer	Number of shares	Amount of acquired share capital
Mr. Darius Zubas	10,587,298	21,174
Mr. Vytautas Šidlauskas	5,999,469	11,999
Akola ApS (Denmark)	2,779,503	5,559
Mr. Dainius Pilkauskas	529,365	1,059
Mr. Arūnas Zubas	529,365	1,059
	20,425,000	40,850

The issued shares acquired by Akola ApS were paid in cash in the amount of LTL 5,559 thousand. The shares acquired by other persons were paid by contributing 100 % of AB Linas Agro shares as a contribution in kind valued at LTL 157,202 thousand. As the price of the share issue was LTL 162,761 thousand, the amount of LTL 121,911 thousand was accounted for as share premium.

The new share capital and by-laws were registered on 1 October 2008.

On 15 January 2009 the par value of the Company's shares was decreased from LTL 2 to LTL 1.

As of 30 June 2009 part of the shares of the Company was contributed by the individuals to the share capital of Akola ApS.

As of 30 June 2009 the number of employees of the Group was 542 (507 as of 30 June 2008 and 490 as of 30 June 2007).

The Company's management approved these financial statements on 30 October 2009. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.



## 2 Accounting principles

The principal accounting policies adopted in preparing the Group's consolidated financial statements for the year ended 30 June 2009 are as follows:

### 2.1. Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments held for trading that have been measured at fair value.

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

#### **Restatement**

The comparative information for the years ended 30 June 2008 and 2007 was restated in these financial statements due to the effect of business combinations involving entities under common control (Note 2.3.). The reconciliation of the comparative information as previously presented and following the business combinations with AB Linas Agro subgroup and Rosenkrantz A/S is presented in Note 3.

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

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* – Reclassification of Financial Assets;
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*;
- IFRIC 13 – *Customer Loyalty Programmes*.

The principal effects of these changes are as follows:

#### Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets

Through these amendments the IASB implemented additional options for reclassification of certain financial instruments categorised as held-for-trading or available-for-sale under specified circumstances. Related disclosures were added to IFRS 7. The Group did not have financial instruments in the scope of these amendments.

#### IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity. The Group has not issued instruments in the scope of this interpretation.

#### IFRIC 13 – *Customer Loyalty Programmes*

This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The Group does not maintain customer loyalty programmes, therefore, the interpretation has no impact on the financial position or performance of the Group.

#### **Standards issued but not yet effective**

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

#### Amendments to IFRS 2 *Share-based Payment*.

The first amendment is effective for financial years beginning on or after 1 January 2009. It clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The second amendment is effective for financial years beginning on or after 1 January 2010 (once adopted by the EU) and clarifies the scope and the accounting for group cash-settled share-based payment transactions. The amendments will have no impact on the financial position or performance of the Group, as the Group does not have share-based payments.

## 2 Accounting policies (cont'd)

### 2.1. Basis of preparation (cont'd)

Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 July 2009).

Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. In accordance with the transitional requirements of these amendments, the Group will adopt them as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standards will not be restated.

Amendments to IFRS 7 *Financial Instruments: Disclosures* (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).

The amendments improve disclosure requirements about fair value measurement and enhance existing principles for disclosures about liquidity risk associated with financial instruments. The amendments will have no impact on the financial position or performance of the Group. The Group is still evaluating whether additional disclosures will be needed.

Amendment to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 January 2009).

This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively. The Group is still evaluating whether it will present all items of recognised income and expense in one single statement or in two linked statements.

Amendment to IAS 23 *Borrowing Costs* (effective for financial years beginning on or after 1 January 2009).

The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 30 June 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for financial years beginning on or after 1 January 2009).

The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* – Eligible Hedged Items (effective for financial years beginning on or after 1 July 2009).

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

### **Improvements to IFRSs**

In May 2008 and April 2009 IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments may result in changes to accounting policies but are not expected to have any impact on the financial position or performance of the Group.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

## 2 Accounting policies (cont'd)

### 2.1. Basis of preparation (cont'd)

- IFRS 8 *Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 1 *Presentation of Financial Statements*: assets and liabilities classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position.
- IAS 7 *Statement of Cash Flows*: explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 16 *Property, Plant and Equipment*: replaces the term 'net selling price' with 'fair value less costs to sell'.
- IAS 18 *Revenue*: the Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - has primary responsibility for providing the goods or service;
  - has inventory risk;
  - has discretion in establishing prices;
  - bears the credit risk.
- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance*: loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates.
- IAS 23 *Borrowing Costs*: the definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- IAS 36 *Impairment of Assets*: when discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.
- IAS 38 *Intangible Assets*: expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

Other amendments resulting from Improvements to IFRSs to the following standards will not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 *Share-based Payment*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors*
- IAS 10 *Events after the Reporting Period*
- IAS 19 *Employee Benefits*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 28 *Investments in Associates*
- IAS 31 *Interests in Joint ventures*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IAS 40 *Investment Property*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* – Embedded derivatives (effective for financial years ending on or after 30 June 2009 once adopted by the EU).

The amendments clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment to IAS 39 and IFRS 7 issued in October 2008. The Group does not have financial instruments in the scope of these amendments.

## 2 Accounting policies (cont'd)

### 2.1. Basis of preparation (cont'd)

IFRIC 12 – *Service Concession Arrangements* (effective for financial years beginning on or after 29 March 2009).

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for financial years beginning on or after 1 January 2009).

This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan. The Group does not have defined benefit plans.

IFRIC 15 *Agreement for the Construction of Real Estate* (effective for financial years beginning on or after 1 January 2009).

The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. The Group does not conduct such activity, therefore, this interpretation will not have an impact on the financial statements.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for financial years beginning on or after 1 October 2008).

The interpretation provides guidance on the accounting for a hedge of a net investment in a foreign operation. IFRIC 16 will not have an impact on the financial statements because the Group does not have hedges of net investments.

IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the financial statements because the Group does not distribute non-cash assets to owners.

IFRIC 18 *Transfers of Assets from Customers* (effective for transfers of assets received on or after 1 July 2009 once adopted by the EU).

The interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the financial statements because the Group does not have such agreements.

### 2.2. Functional and presentation currency

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania, Litas (LTL). The functional currency of the Group companies operating in Lithuania is Litas. The functional currency of Rosenkrantz A/S, which operates in Denmark, is Danish Krone (DKK). The functional currency of SIA Linas Agro, which operates in Latvia, is Latvian Lat (LVL).

Starting from 2 February 2002, Lithuanian Litas is pegged to EUR at the rate of 3.4528 Litas for 1 EUR, and the exchange rates of Litas in relation to other currencies are set daily by the Bank of Lithuania.

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the balance sheet date.

As applicable, the assets and liabilities of foreign subsidiaries are translated into Litas at the reporting date using the rate of exchange as of the balance sheet date, and their income statements are translated at the weighted average exchange rates. The exchange differences arising on this translation are taken directly to a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

## **2 Accounting principles (cont'd)**

### **2.3. Principles of consolidation**

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

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

Acquisitions of minority interest by the Group are accounted for using the Entity concept method, i.e. the difference between the carrying value of the net assets acquired from the minority in the Group's financial statements and the acquisition price is accounted for directly in equity.

#### *Business combinations and goodwill*

Business combinations are accounted for using the purchase method. Goodwill acquired in a business combination is 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. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

The excess of the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment remaining after the reassessment of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination is recognised in the income statement immediately.

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

#### *Business combinations involving entities under common control*

Business combination involving entities under common control is a transaction in which all of the combining entities are controlled by the same party or parties before and after the transaction and that control is not transitory.

As business combinations involving entities under common control are excluded from IFRS 3 scope, the Company's management applies judgment to determine an appropriate accounting policy for such transactions and applied a pooling of interest method for accounting for acquisition of AB Linas Agro and Rosenkrantz A/S shares (Note 4).

The previous carrying values of AB Linas Agro subgroup (per its consolidated IFRS financial statements) and Rosenkrantz A/S (per its separate IFRS financial statements) were used for inclusion in the consolidated financial statements of the Group. The comparative information of the Group was restated to reflect the combination of AB Linas Agro subgroup and Rosenkrantz A/S as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination. The reconciliation of the comparative information as previously presented and following the business combinations with AB Linas Agro subgroup and Rosenkrantz A/S is presented in Note 3.

### **2.4. Investments into associates**

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

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

## **2 Accounting principles (cont'd)**

### **2.5. Investments into joint ventures**

The Group has an interest in jointly controlled entities (hereinafter joint ventures). A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interests in the joint ventures applying the equity method. The financial statements of the joint ventures are prepared for the same reporting year as the Group, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Impairment assessment of investments into joint ventures is performed when there is an indication that the asset may be impaired or the impairment losses recognised in prior years no longer exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the asset to an independent party.

### **2.6. Intangible assets other than goodwill**

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

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

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

The Group does not have any intangible assets other than goodwill with indefinite useful life.

#### *Licenses*

Amounts paid for licences are capitalised and then amortised over their validity period of 3 - 4 years.

#### *Software*

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

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

### **2.7. Property, plant and equipment**

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

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

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

Buildings and structures	15 - 40 years
Machinery and equipment	4 - 15 years
Vehicles	4 - 10 years
Other property, plant and equipment	3 - 10 years

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

## **2 Accounting principles (cont'd)**

### **2.7. Property, plant and equipment (cont'd)**

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

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

Construction in progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction-in-progress is not depreciated until the relevant assets are completed and put into operation.

### **2.8. Investment property**

Investment property is stated at historical cost less accumulated depreciation and is adjusted for recognised impairment loss.

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

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

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

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

### **2.9. Financial assets**

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

#### *Financial assets at fair value through profit or loss*

The category financial assets at fair value through profit or loss includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

#### *Held-to-maturity investments*

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

#### *Loans and receivables*

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

Allowance for doubtful receivables is evaluated when there are indications leading to the impairment of accounts receivable. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

## **2 Accounting principles (cont'd)**

### **2.9. Financial assets (cont'd)**

#### *Available-for-sale financial assets*

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

### **2.10. Derecognition of financial assets and liabilities**

#### *Financial assets*

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

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

#### *Financial liabilities*

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

### **2.11. Biological assets**

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

Animals and livestock are accounted for at fair value less point-of-sale costs. The fair value of milking cows is measured using discounted cash flows method. Other livestock is measured at comparable market prices.

Crops are accounted for at fair value less point-of-sale costs. The fair value of crops is measured using discounted cash flows method.

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

### **2.12. Inventories**

Inventories are valued at the lower of cost and net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost of raw materials that are not ordinarily interchangeable and are segregated for specific projects is determined using specific identification method; cost of other inventory is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written-off.

### **2.13. Cash and cash equivalents**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term of three months or less.



## **2 Accounting principles (cont'd)**

### **2.14. Financial liabilities**

#### *Interest bearing loans and borrowings*

Borrowings are initially recognised at fair value of proceeds received less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings. Borrowing costs are expensed as incurred. Borrowings are classified as non-current if the completion of a refinancing agreement before the balance sheet date provides evidence that the substance of the liability at the balance sheet date was long-term.

#### *Factoring*

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

#### *Financial guarantee liabilities*

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

#### *Trade liabilities*

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

### **2.15. Finance and operating leases**

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

#### *Finance lease*

The Group recognises finance leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of finance lease is the interest rate of finance lease payment, when it is possible to determine it, in other cases, the Group's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

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

#### *Operating lease*

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

## 2 Accounting principles (cont'd)

### 2.16. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group re-evaluates provisions at each balance sheet date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### *Onerous contracts provision*

Onerous contracts provision is recognised when the Group has a present obligation (legal or constructive) to purchase or sell the goods from / to a third party in the future for a price higher / lower than the market selling price at the balance sheet date. The difference between the value of the contract and its selling price at the balance sheet date is charged to cost of sales in the income statement.

### 2.17. Grants and subsidies

Grants and subsidies (hereinafter "grants") received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. The amount of the asset related grants is recognised in the financial statements as used in parts according to the depreciation of the assets associated with this grant. In the income statement, a relevant expense account is reduced by the amount of grant amortisation.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

### 2.18. Income tax

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and respective countries, where the Group companies are registered.

The standard income tax rate in Lithuania for the Group companies in the year ended 30 June 2009 is 15 %, starting from 1 July 2009 – 20 %. In the year ended 30 June 2008 the standard income tax rate was 15 % and an additional 3 % temporary social tax was added. In the year ended 30 June 2007 the standard income tax rate was 15 % and an additional 4 % temporary social tax was added.

Certain tax provisions are applicable to the agricultural entities: if the share of agricultural products supplied and services provided to the entities engaged in agricultural activities exceeds 50 % of the total sales of the legal entities producing agricultural products and specialised service companies, these entities were not subject to income tax till 30 June 2009. The entities of the Group which were not subject to income tax are ŽŪB Lukšiai, ŽŪB Sidabravas, ŽŪB Medeikiai, ŽŪB Aukštadvaris, ŽŪB Landvesta 1, ŽŪB Landvesta 2, ŽŪB Landvesta 3, ŽŪB Landvesta 4, ŽŪB Landvesta 5 and ŽŪB Landvesta 6. For the year ended 30 June 2010 the income tax rate for these companies will be 5 % (10 % and 20 % for the years ended 30 June 2011 and 2012 and afterwards, respectively).

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Income tax for the foreign subsidiaries is accounted for according to tax legislation of those foreign countries. The standard income tax rates in the foreign countries are as follows:

Republic of Latvia	15 %
Denmark	25 %

## **2 Accounting principles (cont'd)**

### **2.18. Income tax (cont'd)**

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets have been recognised in the balance sheet to the extent the management believes they will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

### **2.19. Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

The Group sells seeds, fertilisers and other related inputs to farmers on the deferred payment terms until the harvest is taken and then receivable is paid or offset with harvested grain by the farmers. The Group recognises the sale of inputs at the moment of transfer to farmers as the risk and rewards are transferred at that moment while revenue is measured at the fair value of the consideration received or receivable.

Revenue from services is recognised when services are rendered.

If the Group is acting as an agent for the supplier in its relationship with the customer, only the net amount of commission retained is recognised as revenue.

Interest income is recognised on an accrual basis (by using effective interest rate). Dividend income is recognised when dividends attributable to the Group are declared.

### **2.20. Expense recognition**

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

The amount of expenses is usually accounted for as the amount paid or due to be paid, excluding VAT. In those cases when long period of payment is established and the interest is not distinguished, the amount of expenses is estimated by discounting the amount of payment using the market interest rate.

### **2.21. Impairment of assets**

#### *Financial assets*

Financial assets are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the income statement. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the income statement. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

In relation to trade and other receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

## **2 Accounting principles (cont'd)**

### **2.21. Impairment of assets (cont'd)**

#### *Other assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (e.g. goodwill), the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

### **2.22. Use of significant accounting judgments and estimates in the preparation of financial statements**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

#### ***Significant accounting judgments***

The significant areas of judgment used in the preparation of the accompanying financial statements are described below.

#### *Business combination involving entities under common control*

The Company's management applied a pooling of interest method for accounting for acquisition of AB Linas Agro and Rosenkrantz A/S shares (Note 2.3.).

#### *Accounting for trading contracts*

Within grains and oilseeds as well as feedstuffs segments, the Group's activity is an agricultural goods intermediary (buying and selling different types of grain, oilseeds, rapeseed, etc.). The Group buys and sells agricultural goods at a fixed price for a specified delivery period in the future. The terms of the Group's contracts permit net settlement; however, in practice, contracts result in physical delivery. The Group acts as an intermediary by entering into purchase and sales contracts with producers and users of the agricultural goods, creating links within the value chain for the agricultural goods for a stable customer base, making profits from a distributor margin rather than from fluctuations in price or a broker traders' margin. As a result, the Group's purchases and sales contracts are entered into in accordance with the expected purchase and sale requirements and, therefore, have not been accounted for as derivatives within the scope of IAS 39.

#### *Receivables from farmers and payments on farmers' behalf*

Within its agricultural inputs segment, the Group is engaged in selling fertilisers and plant protection products to farmers as well as pays on behalf of farmers to suppliers of seeds (Notes 14 and 15). The balances arising from these transactions are non-interest bearing and are generally settled within 120 - 360 days by delivering grain to the Group. These transactions constitute common arrangements in the industry, which are entered into between distributors and farmers under similar terms, and usual settlement is by delivery of grain, as opposed to an unconditional right to receive cash; therefore, no discounting is performed on these balances. Trade receivables arising on sales of fertilisers and plant protection products are presented within trade receivables caption in the balance sheet, while payments on behalf of farmers, which do not derive from sales transactions, are presented as prepayments in the balance sheet.

## 2 Accounting principles (cont'd)

### 2.22. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

#### *Revenue recognition gross versus net*

If the Group is acting as the principal in the relationship between the supplier and the customer, the revenue is recognised on a gross basis, with the amount remitted to the supplier being accounted for as a cost of sale. However, if the Group is acting as an agent for the supplier in its relationship with the customer, only the net amount of commission retained is recognised as revenue.

Whether the Group is acting as principal or agent in the transaction with the customer is a matter of judgment that depends on the relevant facts and circumstances. However, the Group considers the following indicators of gross revenue recognition (i.e., indicators that the Group is acting as principal in the transaction with the customer):

- The Group is the primary obligor under the terms of the contracts;
- The Group bears any general and physical inventory risks;
- The Group is able to determine the sales price;
- The Group is able to change the product;
- The Group has discretion in supplier selection;
- The Group is involved in the determination of product or service specifications;
- The Group bears any credit risks.

#### **Significant accounting estimates**

The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.7., 2.8., 7 and 8), fair value estimation of biological assets (Note 12) and impairment evaluation (Notes 2.21., 7, 8, 13, 14, 15 and 16). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the 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.

#### *Valuation of biological asset*

As of 30 June 2009, 2008 and 2007 the Group did not have an independent appraisal of its biological assets. According to IFRS, such assets must be recorded at market value. Biological assets consist of two parts: animals and livestock and crops which are evaluated at fair value less point-of-sale costs (Note 2.11.).

Livestock is valued in two ways: milking cows are valued using discounted cash flows method less point-of-sale costs and other groups of livestock – at market prices at the balance sheet date. Crops are valued using discounted cash flows method less point-of-sale costs.

As of 30 June 2009 the determined fair value of biological assets is most sensitive to the estimated gross margin (17 % for the year ending 30 June 2010 and 21 % for the year ending 30 June 2011) used to calculate the expected future cash-inflows as well as discount rate (16 %). As of 30 June 2008 and 2007 the determined fair value of biological assets is most sensitive to the estimated gross margin (18 %) used to calculate the expected future cash-inflows as well as discount rate (12 %).

#### *Impairment of property, plant and equipment (excluding land)*

The Group makes an assessment, at least annually, whether there are any indications that property, plant and equipment have suffered impairment. If that is the case, the Group makes an impairment test. The recoverable amount of cash-generating units is determined based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

As of 30 June 2009 the recoverable amount is most sensitive to the discount rate (16 %) used for the discounted cash flow model as well as the expected future cash inflows and the growth rate (1 %) used for extrapolation purposes. As of 30 June 2008 and 2007 the recoverable amount is most sensitive to the discount rate (12 %) used for the discounted cash flow model as well as the expected future cash inflows and the growth rate (2 %) used for extrapolation purposes.

As of 30 June 2009, 2008 and 2007 there were no reasonably possible changes in the keys assumptions which would cause the carrying amount of property, plant and equipment to exceed its recoverable amount.

## 2 Accounting principles (cont'd)

### 2.22. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

#### *Impairment of land (accounted for as property, plant and equipment and investment property)*

The Group makes an assessment, at least annually, whether there are any indications that land accounted for as property, plant and equipment and investment property has suffered impairment. If that is the case, the Group makes an impairment test. The recoverable amount of land is determined based on comparable market prices for similar land provided by independent valuers.

#### *Impairment of investment in ZAT UkrAgro NPK*

On 9 September 2008 the Group acquired 13.38 % of ZAT UkrAgro NPK (Ukraine) shares for LTL 5,545 thousand from Akola ApS. As of 30 June 2009 the Group made an assessment whether the value of this investment should be impaired. The recoverable amount of investment in ZAT UkrAgro NPK was determined based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next four years and do not include restructuring activities that ZAT UkrAgro NPK is not yet committed to or significant future investments that will enhance the asset base of the investee being tested.

As of 30 June 2009 the recoverable amount is most sensitive to the discount rate (20 %) used for the discounted cash flow model as well as the expected future cash inflows and the growth rate (nil %) used for extrapolation purposes.

As of 30 June 2009 there were no reasonably possible changes in the keys assumptions which would cause the carrying amount of the investment to exceed its recoverable amount.

### 2.23. Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with acquisitions. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

### 2.24. Subsequent events

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

### 2.25. Segment information

The Group early adopted IFRS 8 *Operating Segment Information* as of 1 July 2008.

In these financial statements an operating segment means a constituent part of the Group participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other operating segments.

In these financial statements information about geographical areas means a constituent part of the Group revenue from external customers attributed to the Group's country of domicile and attributed to all foreign countries in total from which the Group derives revenue and non-current assets other than financial assets and deferred tax assets located in the Group's country of domicile and located in all foreign countries in total in which the Group holds assets.

### 2.26. Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except for the cases when certain IFRS specifically requires or allows such set-off.

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

**AB LINAS AGRO GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**3 Effect of business combinations involving entities under common control**

The reconciliation of the comparative information for the year ended 30 June 2008 due to the effect of business combinations involving entities under common control (Note 2.3.) is presented in the tables below.

	<b>Business combinations under common control</b>				<b>As of 30 June 2008 (restated)</b>
	<b>As of 30 June 2008 (as stated earlier)</b>	<b>AB Linas Agro subgroup balance sheet as of 30 June 2008<sup>1)</sup></b>	<b>Rosenkrantz A/S balance sheet as of 30 June 2008</b>	<b>Consolidation adjustments</b>	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	32	51	1	-	84
Property, plant and equipment	36,610	40,076	206	840	77,732
Investment property	11,602	7,450	-	(35)	19,017
Animals and livestock	7,188	-	-	-	7,188
Non-current financial assets	29,111	25,265	205	(2,006)	52,575
Deferred income tax asset	-	-	556	535	1,091
<b>Total non-current assets</b>	<b>84,543</b>	<b>72,842</b>	<b>968</b>	<b>(666)</b>	<b>157,687</b>
<b>Current assets</b>					
Crops	14,439	-	-	-	14,439
Inventories	11,096	92,362	1,127	(158)	104,427
Prepayments	792	12,532	16,609	(13,048)	16,885
Accounts receivable	8,681	115,947	34,363	(28,361)	130,630
Other current assets	75	-	-	(75)	-
Restricted cash	-	-	2,315	-	2,315
Cash and cash equivalents	3,819	1,473	2,534	-	7,826
<b>Total current assets</b>	<b>38,902</b>	<b>222,314</b>	<b>56,948</b>	<b>(41,642)</b>	<b>276,522</b>
<b>Total assets</b>	<b>123,445</b>	<b>295,156</b>	<b>57,916</b>	<b>(42,308)</b>	<b>434,209</b>

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AB LINAS AGRO GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(all amounts are in LTL thousand unless otherwise stated)

3 Effect of business combinations involving entities under common control (cont'd)

	Business combinations under common control				As of 30 June 2008 (restated)
	As of 30 June 2008 (as stated earlier)	AB Linas Agro subgroup balance sheet as of 30 June 2008 <sup>1)</sup>	Rosenkrantz A/S balance sheet as of 30 June 2008	Consolidation adjustments	
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	86	7,000	231	(7,231)	86
Legal reserve	10	700	-	(700)	10
Foreign currency translation reserve	-	-	(1)	(129)	(130)
Retained earnings	48,408	61,030	2,711	9,699	121,848
<b>Total equity attributable to equity holders of the parent</b>	<b>48,504</b>	<b>68,730</b>	<b>2,941</b>	<b>1,639</b>	<b>121,814</b>
Minority interest	8,830	6	1,961	(436)	10,361
<b>Total equity</b>	<b>57,334</b>	<b>68,736</b>	<b>4,902</b>	<b>1,203</b>	<b>132,175</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Grants and subsidies	4,167	7,682	-	-	11,849
Non-current borrowings	26,612	33,433	-	(2,487)	57,558
Finance lease obligations	1,718	609	-	-	2,327
Deferred income tax liability	-	767	35	-	802
Non-current payables to related parties	882	847	-	(1,729)	-
<b>Total non-current liabilities</b>	<b>33,379</b>	<b>43,338</b>	<b>35</b>	<b>(4,216)</b>	<b>72,536</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	2,144	3,554	-	4,209	9,907
Current portion of finance lease obligations	766	504	-	-	1,270
Current borrowings	7,801	82,481	32,475	(4,636)	118,121
Trade payables and advances received	17,794	83,424	18,054	(37,782)	81,490
Income tax payable	77	6,232	1,300	-	7,609
Other current liabilities	4,150	6,887	1,150	(1,086)	11,101
<b>Total current liabilities</b>	<b>32,732</b>	<b>183,082</b>	<b>52,979</b>	<b>(39,295)</b>	<b>229,498</b>
<b>Total equity and liabilities</b>	<b>123,445</b>	<b>295,156</b>	<b>57,916</b>	<b>(42,308)</b>	<b>434,209</b>



**AB LINAS AGRO GROUP**
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**3 Effect of business combinations involving entities under common control (cont'd)**

	Business combinations under common control				Financial year ended 30 June 2008 (restated)
	Financial year ended 30 June 2008 (as stated earlier)	AB Linas Agro subgroup income statement for the year ended 30 June 2008 <sup>1)</sup>	Rosenkrantz A/S income statement for the year ended 30 June 2008	Consolidation adjustments	
Sales	31,810	782,250	598,698	(505,752)	907,006
Cost of sales	(23,967)	(721,305)	(590,949)	505,144	(831,077)
<b>Gross profit</b>	<b>7,843</b>	<b>60,945</b>	<b>7,749</b>	<b>(608)</b>	<b>75,929</b>
Operating (expenses)	(4,557)	(18,210)	(4,292)	942	(26,117)
Other operating income	994	4,497	121	(1,093)	4,519
Other operating (expenses)	(205)	(1,070)	-	(855)	(2,130)
<b>Operating profit</b>	<b>4,075</b>	<b>46,162</b>	<b>3,578</b>	<b>(1,614)</b>	<b>52,201</b>
Income from financing activities	1,212	1,775	-	(389)	2,598
(Expenses) from financing activities	(2,699)	(11,328)	(287)	700	(13,614)
Gain from disposal of investments into associates	785	-	-	-	785
Share of profit of associates	110	-	-	340	450
Share of profit of joint ventures	6,370	-	-	1,196	7,566
<b>Profit before tax</b>	<b>9,853</b>	<b>36,609</b>	<b>3,291</b>	<b>233</b>	<b>49,986</b>
Income tax	(785)	(7,431)	(718)	217	(8,717)
<b>Net profit</b>	<b>9,068</b>	<b>29,178</b>	<b>2,573</b>	<b>450</b>	<b>41,269</b>
<b>Attributable to:</b>					
The equity holders of the parent	8,470	28,186	1,544	194	38,394
Minority interest	598	992	1,029	256	2,875
	9,068	29,178	2,573	450	41,269
Basic and diluted earnings per share (LTL) (Note 35)	0.21 <sup>2)</sup>	0.69	0.04	-	0.94

1) AB Linas Agro subgroup (as described in Note 4) figures do not include amounts of Rosenkrantz A/S.

2) The amount of basic and diluted earnings per share was recalculated using the restated weighted average number of ordinary shares as described in Note 35.

AB LINAS AGRO GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(all amounts are in LTL thousand unless otherwise stated)

3 Effect of business combinations involving entities under common control (cont'd)

The reconciliation of the comparative information for the year ended 30 June 2007 due to the effect of business combinations involving entities under common control (Note 2.3.) is presented in the tables below.

	Business combinations under common control				As of 30 June 2007 (restated)
	As of 30 June 2007 (as stated earlier)	AB Linas Agro subgroup balance sheet as of 30 June 2007 <sup>1)</sup>	Rosenkrantz A/S balance sheet as of 30 June 2007	Consolidation adjustments	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	6	76	-	-	82
Property, plant and equipment	30,327	42,075	241	61	72,704
Investment property	7,052	5,582	-	(61)	12,573
Animals and livestock	7,625	-	-	-	7,625
Non-current financial assets	17,818	25,129	340	(487)	42,800
Deferred income tax asset	-	-	-	318	318
<b>Total non-current assets</b>	<b>62,828</b>	<b>72,862</b>	<b>581</b>	<b>(169)</b>	<b>136,102</b>
<b>Current assets</b>					
Crops	12,044	-	-	-	12,044
Inventories	7,384	29,334	2,606	(228)	39,096
Prepayments	563	19,469	4,997	(5,622)	19,407
Accounts receivable	6,204	81,739	26,021	(20,665)	93,299
Other current assets	151	-	-	(151)	-
Investment held for sale	-	831	-	-	831
Restricted cash	-	-	2,319	-	2,319
Cash and cash equivalents	1,406	1,551	5,016	-	7,973
<b>Total current assets</b>	<b>27,752</b>	<b>132,924</b>	<b>40,959</b>	<b>(26,666)</b>	<b>174,969</b>
<b>Total assets</b>	<b>90,580</b>	<b>205,786</b>	<b>41,540</b>	<b>(26,835)</b>	<b>311,071</b>

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AB LINAS AGRO GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(all amounts are in LTL thousand unless otherwise stated)

3 Effect of business combinations involving entities under common control (cont'd)

	Business combinations under common control				As of 30 June 2007 (restated)
	As of 30 June 2007 (as stated earlier)	AB Linas Agro subgroup balance sheet as of 30 June 2007 <sup>1)</sup>	Rosenkrantz A/S balance sheet as of 30 June 2007	Consolidation adjustments	
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	86	7,000	231	(7,231)	86
Legal reserve	10	700	-	(700)	10
Foreign currency translation reserve	-	-	-	(21)	(21)
Retained earnings	39,125	30,095	2,347	9,344	80,911
<b>Total equity attributable to equity holders of the parent</b>	<b>39,221</b>	<b>37,795</b>	<b>2,578</b>	<b>1,392</b>	<b>80,986</b>
Minority interest	9,205	5,224	1,566	(435)	15,560
<b>Total equity</b>	<b>48,426</b>	<b>43,019</b>	<b>4,144</b>	<b>957</b>	<b>96,546</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Grants and subsidies	4,332	8,931	-	-	13,263
Non-current borrowings	14,016	12,369	-	(511)	25,874
Finance lease obligations	1,202	495	-	-	1,697
Deferred income tax liability	-	1,121	50	-	1,171
Non-current payables to related parties	752	-	-	(752)	-
<b>Total non-current liabilities</b>	<b>20,302</b>	<b>22,916</b>	<b>50</b>	<b>(1,263)</b>	<b>42,005</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	2,092	4,725	-	(514)	6,303
Current portion of finance lease obligations	526	410	-	-	936
Current borrowings	1,295	55,955	19,523	(1,191)	75,582
Trade payables and advances received	16,212	72,526	16,206	(24,824)	80,120
Income tax payable	1	3,129	940	-	4,070
Other current liabilities	1,726	3,106	677	-	5,509
<b>Total current liabilities</b>	<b>21,852</b>	<b>139,851</b>	<b>37,346</b>	<b>(26,529)</b>	<b>172,520</b>
<b>Total equity and liabilities</b>	<b>90,580</b>	<b>205,786</b>	<b>41,540</b>	<b>(26,835)</b>	<b>311,071</b>

**AB LINAS AGRO GROUP**
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**3 Effect of business combinations involving entities under common control (cont'd)**

	<u>Business combinations under common control</u>				Financial year ended 30 June 2007 (restated)
	Financial year ended 30 June 2007 (as stated earlier)	AB Linas Agro subgroup income statement for the year ended 30 June 2007 <sup>1)</sup>	Rosenkrantz A/S income statement for the year ended 30 June 2007	Consolidation adjustments	
Sales	23,599	281,631	446,068	(89,927)	661,371
Cost of sales	(16,512)	(252,929)	(438,241)	89,078	(618,604)
<b>Gross profit</b>	<b>7,087</b>	<b>28,702</b>	<b>7,827</b>	<b>(849)</b>	<b>42,767</b>
Operating (expenses)	(4,020)	(19,203)	(3,614)	988	(25,849)
Other operating income	1,565	9,376	65	(283)	10,723
Other operating (expenses)	(271)	(901)	-	-	(1,172)
<b>Operating profit</b>	<b>4,361</b>	<b>17,974</b>	<b>4,278</b>	<b>(144)</b>	<b>26,469</b>
Income from financing activities	47	1,037	147	(403)	828
(Expenses) from financing activities	(862)	(6,495)	(248)	403	(7,202)
Gain from disposal of investments into associates	-	-	-	-	-
Share of profit of associates	18	-	-	88	106
Share of profit of joint ventures	2,154	-	-	(133)	2,021
<b>Profit before tax</b>	<b>5,718</b>	<b>12,516</b>	<b>4,177</b>	<b>(189)</b>	<b>22,222</b>
Income tax	(133)	(3,356)	(1,028)	318	(4,199)
<b>Net profit</b>	<b>5,585</b>	<b>9,160</b>	<b>3,149</b>	<b>129</b>	<b>18,023</b>
<b>Attributable to:</b>					
The equity holders of the parent	5,163	8,772	1,889	913	16,737
Minority interest	422	388	1,260	(784)	1,286
	<u>5,585</u>	<u>9,160</u>	<u>3,149</u>	<u>129</u>	<u>18,023</u>
Basic and diluted earnings per share (LTL) (Note 35)	0.13 <sup>2)</sup>	0.21	0.05	0.02	0.41

1) AB Linas Agro subgroup (as described in Note 4) figures do not include amounts of Rosenkrantz A/S.

2) The amount of basic and diluted earnings per share was recalculated using the restated weighted average number of ordinary shares as described in Note 35.

**AB LINAS AGRO GROUP**
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**4 Group structure and changes in the Group**

As of 30 June 2009, 2008 and 2007 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

	Place of registration	Share of the stock held by the Group			Profit for the year ended 30 June 2009	Equity as of 30 June 2009	Main activities
		As of 30 June 2009	As of 30 June 2008	As of 30 June 2007			
<b>Investments into directly controlled subsidiaries</b>							
AB Linas Agro	Lithuania	100 %	100 %	100 %	13,188	69,939	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs
UAB Linas Agro Konsultacijos	Lithuania	100 %	100 %	100 %	(20)	3,354	Management of the subsidiaries engaged in agriculture
ŽŪB Landvesta 1	Lithuania	100 %	80 %	80 %	80	810	Rent and management of agricultural purposes land
ŽŪB Landvesta 2	Lithuania	100 %	80 %	80 %	(34)	(40)	Rent and management of agricultural purposes land
ŽŪB Landvesta 3	Lithuania	100 %	80 %	80 %	(81)	(44)	Rent and management of agricultural purposes land
ŽŪB Landvesta 4	Lithuania	100 %	100 %	100 %	(433)	(536)	Rent and management of agricultural purposes land
ŽŪB Landvesta 5	Lithuania	100 %	100 %	-	(518)	(600)	Rent and management of agricultural purposes land
ŽŪB Landvesta 6	Lithuania	100 %	100 %	-	(512)	(550)	Rent and management of agricultural purposes land
UAB Invisco	Lithuania	-	55 %	55 %	(370)	-	Management of real estate projects
<b>Investments into indirectly controlled subsidiaries (through AB Linas Agro)</b>							
SIA Linas Agro	Latvia	100 %	100 %	100 %	2,507	6,115	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs
UAB Gerera	Lithuania	100 %	100 %	100 %	(98)	238	Lease of real estate
UAB Linas Agro Grūdų Centras	Lithuania	100 %	100 %	100 %	(44)	90	Management services
UAB Linas Agro Grūdų Centras KUB	Lithuania	100 %	100 %	74.85 %	5,402	30,234	Preparation and warehousing of grains for trade
Rosenkrantz A/S	Denmark	60 %	60 %	60 %	10,124	12,144	Wholesale trade of grains and oilseeds, feedstuffs and other similar products and services
ŽŪK Kupiškio Grūdai	Lithuania	37.43 %	-	-	492	1,365	Preparation and warehousing of grains for trade
UAB Consonus	Lithuania	-	70 %	70 %	(340)	-	Management of real estate projects
UAB Sinrena	Lithuania	-	70 %	70 %	(334)	-	Management of real estate projects
<b>Investments into indirectly controlled subsidiaries (through UAB Linas Agro Konsultacijos)</b>							
ŽŪB Medeikiai	Lithuania	96.54 %	94.34 %	94.34 %	561	5,226	Growing and sale of crops
ŽŪB Lukšiai	Lithuania	93.93 %	91.46 %	86.40 %	590	19,810	Growing and sale of crops and cattle growing, including milk production
ŽŪB Aukštadvaris	Lithuania	65.35 %	63.22 %	62.54 %	(328)	5,336	Growing and sale of crops and cattle growing, including milk production
ŽŪB Sidabravas	Lithuania	55.90 %	55.90 %	55.90 %	(208)	7,746	Growing and sale of crops and cattle growing, including milk production

**AB LINAS AGRO GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**4 Group structure and changes in the Group (cont'd)**

**Changes in the Group during the year ended 30 June 2007**

As of 9 March 2007 AB Linas Agro Group acquired 80 % in each of the three companies (ŽŪB Landvesta 1, ŽŪB Landvesta 2 and ŽŪB Landvesta 3). The entities are consolidated to the Group from 1 April 2007. At the acquisition date carrying values of net assets of the entities did not differ materially from their fair values. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

	<u>ŽŪB Landvesta 1</u>	<u>ŽŪB Landvesta 2</u>	<u>ŽŪB Landvesta 3</u>
<b>Acquisition date</b>	9 March 2007	9 March 2007	9 March 2007
Non-current assets	5,296	1,411	916
Current assets	445	362	58
Liabilities	<u>(5,638)</u>	<u>(1,659)</u>	<u>(860)</u>
Fair value of net assets of entity acquired	<u>103</u>	<u>114</u>	<u>114</u>
Minority interest (20 % in all three acquired entities)	<u>(21)</u>	<u>(23)</u>	<u>(23)</u>
Fair value of net assets acquired by the Group	82	91	91
Goodwill	-	-	-
<b>Total purchase consideration</b>	<u>82</u>	<u>91</u>	<u>91</u>
Less: cash acquired	<u>(180)</u>	<u>(197)</u>	<u>(27)</u>
<b>Acquisition price less cash</b>	<u>(98)</u>	<u>(106)</u>	<u>64</u>
Revenue for the year ended 30 June 2007	571	45	48
Profit for the year ended 30 June 2007	169	(36)	(19)
Profit for the year ended 30 June 2007 since acquisition	45	(10)	(5)

All purchase consideration has been settled in cash.

ŽŪB Landvesta 4 was established in 2007.

On 13 March 2007 the Group company AB Linas Agro purchased 70 % of UAB Consonus share capital for LTL 70 thousand and 70 % of UAB Sinrena share capital for LTL 70 thousand. The entities are consolidated to the Group from 1 April 2007. At the acquisition date carrying values of net assets of the entities did not differ materially from their fair values. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition were the following:

	<u>UAB Sinrena</u>	<u>UAB Consonus</u>
<b>Acquisition date</b>	13 March 2007	13 March 2007
Non-current assets	1,476	545
Current assets	264	97
Liabilities	<u>(1,640)</u>	<u>(542)</u>
Fair value of net assets of entity acquired	<u>100</u>	<u>100</u>
Minority interest (30 % in both acquired entities)	<u>(30)</u>	<u>(30)</u>
Fair value of net assets acquired by the Group	70	70
Goodwill	-	-
<b>Total purchase consideration</b>	<u>70</u>	<u>70</u>
Less: cash acquired	<u>(185)</u>	<u>(68)</u>
<b>Acquisition price less cash</b>	<u>(115)</u>	<u>2</u>
Revenue for the year ended 30 June 2007	-	-
Profit for the year ended 30 June 2007	(27)	(18)
Profit for the year ended 30 June 2007 since acquisition	(20)	(12)

All purchase consideration has been settled in cash.

**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**4 Group structure and changes in the Group (cont'd)*****Changes in the Group during the year ended 30 June 2007 (cont'd)***

During the year ended 30 June 2007 UAB Linas Agro Konsultacijos acquired 5.13 % of ŽŪB Sidabravas share capital for LTL 27 thousand, 21.34 % of ŽŪB Lukšiai share capital for LTL 654 thousand and 0.78 % ŽŪB Aukštadvaris share capital for LTL 4 thousand. All the shares were acquired from the minority shareholders. The excess of the share of carrying values of net assets of respective companies over the acquisition price amounting to LTL 3,478 thousand arising on the acquisition was recognised directly in equity.

On 14 March 2007 AB Linas Agro sold 90 % of UAB Linas Agro Veterinarijos Centras shares for LTL 12,926 thousand (Note 32). The carrying value of the net assets of the entity at the date of disposal amounted to LTL 3,725 thousand. The entity was consolidated to the Group till the date of disposal.

***Changes in the Group during the year ended 30 June 2008***

In 2008 AB Linas Agro Group established ŽŪB Landvesta 5 and ŽŪB Landvesta 6.

On 20 December 2007 the Group acquired additional 25.15 % of the share capital of UAB Linas Agro Grūdų Centras KŪB from the minority shareholders for LTL 3,565 thousand. The excess of the share of carrying values of net assets over the acquisition price amounting to LTL 2,814 thousand arising on the acquisition was recognised directly in equity.

During the year ended 30 June 2008 the Group acquired 5.06 % of ŽŪB Lukšiai share capital for LTL 157 thousand and 0.68 % ŽŪB Aukštadvaris share capital for LTL 2 thousand. All the shares were acquired from the minority shareholders. The excess of the share of carrying values of net assets of respective companies over the acquisition price amounting to LTL 813 thousand arising on the acquisition was recognised directly in equity.

***Changes in the Group during the year ended 30 June 2009***

During the year ended 30 June 2009 the Group acquired 20 % in each of the three companies (ŽŪB Landvesta 1, ŽŪB Landvesta 2 and ŽŪB Landvesta 3) for LTL 629 thousand each. All the shares were acquired from the minority shareholders. The excess of the acquisition price over the share of carrying values of net assets of respective companies amounting to LTL 1,347 thousand arising on the acquisition was recognised directly in equity.

During the year ended 30 June 2009 the Group acquired 2.47 % of ŽŪB Lukšiai share capital for LTL 82 thousand, 2.2 % of ŽŪB Medeikiai share capital for LTL 5 thousand and 2.13 % ŽŪB Aukštadvaris share capital for LTL 10 thousand. All the shares were acquired from the minority shareholders. The excess of the share of carrying values of net assets of respective companies over the acquisition price amounting to LTL 670 thousand arising on the acquisition was recognised directly in equity.

On 1 July 2008 the Group companies signed a shareholders' agreement with the members of ŽŪK Kupiškio Grūdai. The total shareholding of the members that entered into the agreement is 63.63 %. According to the clauses of the agreement AB Linas Agro has obtained control over ŽŪK Kupiškio Grūdai's operations and financial decisions and as a result of the agreement of the other shareholders to transfer their rights to appoint the board of directors, AB Linas Agro is able to appoint the chairman and the majority of the board members of ŽŪK Kupiškio Grūdai and, therefore, the mentioned company is consolidated to the Group from 1 July 2008. At the acquisition date carrying value of net assets of ŽŪK Kupiškio Grūdai did not differ materially from their fair value. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition were the following:

	<b>ŽŪK Kupiškio Grūdai</b>
	<b>1 July 2008</b>
<b>Acquisition date</b>	
Non-current assets	5,401
Current assets	507
Liabilities	(5,035)
Fair value of net assets of subsidiary acquired	873
Minority interest (62.57 % in the acquired subsidiary)	(546)
Fair value of net assets acquired by the Group	327
Negative goodwill recognised in other operating income	(6)
<b>Total carrying value of investment (transferred from investments into associates) (Note 9)</b>	<b>321</b>
Less: cash acquired	(105)
<b>Acquisition price less cash acquired</b>	<b>(105)</b>
Revenue for the year ended 30 June 2009	2,233
Profit for the year ended 30 June 2009	492

**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**4 Group structure and changes in the Group (cont'd)*****Changes in the Group during the year ended 30 June 2009 (cont'd)***

On 21 July 2008 AB Linas Agro acquired 60 % of the share capital of Rosenkrantz A/S from Akola ApS (Denmark) for LTL 9 million. At the date of transaction and throughout the periods covered by these financial statements (including the comparative period) both AB Linas Agro and Akola ApS were controlled by the same individual shareholders (Note 38) operating under a common control agreement. According to the agreement all the companies in which these individuals have direct control (in their combined share) are managed collectively under the terms of the agreement.

As a result, acquisition of shares of Rosenkrantz A/S did not result in a change of an ultimate controlling party and, therefore, was considered to be a common control transaction. Such business combination is not within the scope of IFRS 3. Therefore, the Group's management applied judgment to determine an appropriate accounting policy for this transaction and applied a pooling of interest method for accounting for acquisition of Rosenkrantz A/S shares (Note 2.3.).

Carrying values of the acquired assets and liabilities at 1 July 2006 were the following:

<b>Acquisition date</b>	<b>Rosenkrantz A/S</b>
	<b>1 July 2006</b>
Non-current assets	732
Current assets	17,747
Liabilities	<u>(16,605)</u>
Carrying value of net assets of subsidiary acquired	<u>1,874</u>
Minority interest (40 % in the acquired subsidiary)	<u>(750)</u>
Carrying value of net assets acquired by the Group	<u>1,124</u>

The shares were acquired for LTL 9,000 thousand. All purchase consideration has been settled in cash. Cash balance held by Rosenkrantz A/S at acquisition date (amounting to LTL 2,909 thousand) was not deducted from the purchase consideration for cash flow statement purposes, as it is included in the opening cash balance of the Group as of 30 June 2007 (Note 2.3.).

As mentioned in Note 1, part of the Company's share capital issue was paid by contributing 100 % of AB Linas Agro shares as a contribution in kind. At the date of the contribution and throughout the periods covered by these financial statements (including the comparative period) both AB Linas Agro and AB Linas Agro Group were controlled by the same individual shareholders (Notes 1 and 38) operating under a common control agreement. According to the agreement all the companies in which these individuals have direct control (in their combined share) are managed collectively under the terms of the agreement.

As a result, acquisition of shares of AB Linas Agro did not result in a change of an ultimate controlling party and, therefore, was considered to be a common control transaction. Such business combination is not within the scope of IFRS 3. Therefore, the Company's management applied judgment to determine an appropriate accounting policy for this transaction and applied a pooling of interest method for accounting for acquisition of AB Linas Agro shares (Note 2.3.).

Carrying values of the acquired assets and liabilities at 1 July 2006 were the following:

<b>Acquisition date</b>	<b>AB Linas Agro subgroup</b>
	<b>1 July 2006</b>
Non-current assets	55,337
Current assets	124,338
Liabilities	<u>(145,547)</u>
Carrying value of net assets of the subgroup acquired	<u>34,128</u>
Minority interest in the acquired subgroup	<u>(5,040)</u>
Carrying value of net assets acquired by the Group	<u>29,088</u>



**AB LINAS AGRO GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**  
(all amounts are in LTL thousand unless otherwise stated)

**4 Group structure and changes in the Group (cont'd)**

*Changes in the Group during the year ended 30 June 2009 (cont'd)*

As of 31 March 2009 the Group entities sold all the shares held in the following subsidiaries:

	<u>UAB Invisco</u>	<u>UAB Sinrena</u>	<u>UAB Consonus</u>
<b>Disposal date</b>	<u>31 March 2009</u>	<u>31 March 2009</u>	<u>31 March 2009</u>
Non-current assets	3,838	3,354	3,764
Current assets	98	123	114
Liabilities	(4,848)	(4,103)	(4,488)
Net assets of subsidiary sold	<u>(912)</u>	<u>(626)</u>	<u>(610)</u>
Minority interest	-	-	-
Net assets sold by the Group	(912)	(626)	(610)
Sales price (received in cash)	0.06	0.07	0.07
<b>Gain on disposal of subsidiaries in the Group</b>	<u>912</u>	<u>626</u>	<u>610</u>
Cash disposed in the subsidiaries	(90)	(90)	-
<b>Sales price less cash disposed</b>	<u>(90)</u>	<u>(90)</u>	<u>-</u>

**5 Segment information**

For management purpose, the Group is organised into four operating segments based on their products and services as follows:

- the grains and oilseeds segment includes trade in wheat, rapeseed, barley and other grains and oilseeds;
- the feedstuffs segment includes trade in suncake and sunmeal, sugar beat pulp, soybean and soymeal, vegetable oil, rapeseed and other feedstuffs;
- the agricultural inputs segment includes sales of fertilisers, seeds, plant protection products and other related products to farmers;
- the farming segment includes production of milk, grain, feed and other raw materials. Milk is sold to local dairy companies, other production is partly used internally, partly sold;
- the other products and services segment includes sales of biofuel, provision of elevator services and other products and services.

Transfer prices between the Group companies are on an arm's length basis in a manner similar to transactions with third parties.

Group					Other products and services	Not attributed to any specified segment	Adjustments and eliminations	Total
	Financial year ended 30 June 2009	Grains and oilseeds	Feedstuffs	Agricultural inputs				
<b>Revenue</b>								
From one client UAB Mestilla	110,985	9,995	-	-	1,162	-	-	122,142
Third parties	551,160	337,192	52,815	20,560	30,011	-	-	991,738
Intersegment	-	2,194	5,361	16,496	12,043	-	(36,094) <sup>1)</sup>	-
<b>Total revenue</b>	<b>662,145</b>	<b>349,381</b>	<b>58,176</b>	<b>37,056</b>	<b>43,216</b>	<b>-</b>	<b>(36,094)</b>	<b>1,113,880</b>
<b>Results</b>								
Operating expenses	15,996	8,075	728	4,737	4,158	1,331	-	35,025
Depreciation and amortisation	514	245	31	1,707	3,986	35	-	6,518
Provisions for onerous contracts	159	5,274	-	-	-	-	-	5,433
Impairment of property, plant and equipment	-	-	-	568	-	-	-	568
Impairment of investment property	-	-	-	-	857	-	-	857
Segment operating profit (loss)	18,353	10,937	3,089	1,175	9,901	1,076	-	44,531
Share of profit of associates	-	-	113	-	-	-	-	113
Share of profit of joint ventures	-	-	3,965	-	-	-	-	3,965
<b>Assets</b>								
Investments into associates	-	-	207	-	-	-	-	207
Investments into joint ventures	-	-	21,561	-	-	-	-	21,561
Capital expenditure <sup>2)</sup>	487	275	52	5,911	16,770	3	-	23,498
Non-current assets (excluding investments into associates and joint ventures)	2,411	1,772	5,220	43,442	60,051	25,586 <sup>3)</sup>	-	138,482
Current assets	50,293	52,180	70,003	30,545	2,925	21,032 <sup>4)</sup>	-	226,978
<b>Total assets</b>	<b>52,704</b>	<b>53,952</b>	<b>96,991</b>	<b>73,987</b>	<b>62,976</b>	<b>46,618</b>	<b>-</b>	<b>387,228</b>
Current liabilities	34,633	43,528	65,500	15,281	12,914	15,340 <sup>5)</sup>	-	187,196

**AB LINAS AGRO GROUP**
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**5 Segment information (cont'd)**

Group									
Financial year ended 30 June 2008 (restated)	Grains and oilseeds	Feedstuffs	Agricul- tural inputs	Farming	Other products and services	Not attributed to any specified segment	Adjust- ments and elimina- tions	Total	
<b>Revenue</b>									
From one client UAB Mestilla	69,895	9,045	-	-	1,345	-	-	80,285	
Third parties	406,201	318,424	66,780	19,920	15,396	-	-	826,721	
Intersegment	-	2,515	6,534	12,724	15,431	-	(37,204) <sup>1)</sup>	-	
<b>Total revenue</b>	<b>476,096<sup>6)</sup></b>	<b>329,984</b>	<b>73,314</b>	<b>32,644</b>	<b>32,172</b>	<b>-</b>	<b>(37,204)</b>	<b>907,006</b>	
<b>Results</b>									
Operating expenses	12,184	6,985	902	3,621	2,087	338	-	26,117	
Depreciation and amortisation	493	309	74	1,069	2,923	24	-	4,892	
Provisions for onerous contracts	80	-	-	-	-	-	-	80	
Impairment of property, plant and equipment	-	-	-	57	-	-	-	57	
Impairment of investment property	-	-	-	-	1,389	204	-	1,593	
Segment operating profit	5,043	23,193	6,516	8,515	7,056	1,878	-	52,201	
Share of profit of associates	-	-	450	-	-	-	-	450	
Share of profit of joint ventures	-	-	7,566	-	-	-	-	7,566	
<b>Assets</b>									
Investments into associates	-	-	595	-	-	-	-	595	
Investments into joint ventures	-	-	18,635	-	-	-	-	18,635	
Capital expenditure <sup>2)</sup>	11	-	1	11,263	4,681	6,048	-	22,004	
Non-current assets (excluding investments into associates and joint ventures)	2,499	1,771	6,455	44,795	43,939	38,998 <sup>3)</sup>	-	138,457	
Current assets	65,751	76,888	83,912	32,112	5,526	12,333 <sup>4)</sup>	-	276,522	
<b>Total assets</b>	<b>68,250</b>	<b>78,659</b>	<b>109,597</b>	<b>76,907</b>	<b>49,465</b>	<b>51,331</b>	<b>-</b>	<b>434,209</b>	
Current liabilities	38,717	60,536	78,164	12,057	19,321	20,703 <sup>5)</sup>	-	229,498	

Group									
Financial year ended 30 June 2007 (restated)	Grains and oilseeds	Feedstuffs	Agricul- tural inputs	Farming	Other products and services	Not attributed to any specified segment	Adjust- ments and elimina- tions	Total	
<b>Revenue</b>									
From one client UAB Mestilla	-	1,084	-	-	-	-	-	1,084	
Third parties	197,432	379,869	47,476	16,034	19,476	-	-	660,287	
Intersegment	-	1,639	4,849	6,815	6,091	-	(19,394) <sup>1)</sup>	-	
<b>Total revenue</b>	<b>197,432<sup>6)</sup></b>	<b>382,592</b>	<b>52,325</b>	<b>22,849</b>	<b>25,567</b>	<b>-</b>	<b>(19,394)</b>	<b>661,371</b>	
<b>Results</b>									
Operating expenses	10,092	6,337	1,792	3,210	2,176	2,242	-	25,849	
Depreciation and amortisation	711	538	70	65	2,818	25	-	4,227	
Segment operating profit	(1,575)	8,813	3,486	4,068	4,144	7,533	-	26,469	
Share of profit of associates	-	-	106	-	-	-	-	106	
Share of profit of joint ventures	-	-	2,021	-	-	-	-	2,021	
<b>Assets</b>									
Investments into associates	-	-	1,006	-	-	-	-	1,006	
Investments into joint ventures	-	-	16,396	-	-	-	-	16,396	
Capital expenditure <sup>2)</sup>	-	118	-	6,250	492	3,761	-	10,621	
Non-current assets (excluding investments into associates and joint ventures)	1,449	1,174	9,938	38,464	43,429	24,246 <sup>3)</sup>	-	118,700	
Current assets	28,388	47,235	50,774	26,169	12,318	10,085 <sup>4)</sup>	-	174,969	
<b>Total assets</b>	<b>29,837</b>	<b>48,409</b>	<b>78,114</b>	<b>64,633</b>	<b>55,747</b>	<b>34,331</b>	<b>-</b>	<b>311,071</b>	
Current liabilities	8,113	48,416	74,303	6,441	12,685	22,562 <sup>5)</sup>	-	172,520	

**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**5 Segment information (cont'd)**

- 1) Intersegment revenues are eliminated on consolidation.
- 2) Capital expenditure consists of additions of intangible assets, property, plant and equipment and investment property.
- 3) The amount includes not rented investment property, other investments, non-current loans receivable from related parties, non-current loans receivable from employees and deferred income tax asset.
- 4) The amount includes current loans receivable from related parties, part of other accounts receivable (excluding receivable from National Paying Agency), investment held for sale, restricted cash as well as part of cash and cash equivalents.
- 5) As of 30 June 2009 the amount mainly includes income tax payable amount and part of borrowings, which are managed on the Group basis. As of 30 June 2008 and 2007 the amount mainly includes income tax payable, part of borrowings, which are managed on the Group basis and liabilities of UAB Invisco, UAB Sinrena and UAB Consonus.
- 6) In the year ended 30 June 2008 the Group companies expanded its activities in international trade in grains and oilseeds and also started to operate as principal between suppliers and customers instead of acting as agent.

Sales of the Group include:

	Financial year ended		
	30 June 2009	30 June 2008 (restated)	30 June 2007 (restated)
Sales of goods	1,100,212	896,531	650,033
Sales of services	13,668	10,475	11,338
	<u>1,113,880</u>	<u>907,006</u>	<u>661,371</u>

Below is the information relating to the geographical segments of the Group:

	Financial year ended		
	30 June 2009	30 June 2008 (restated)	30 June 2007 (restated)
<b>Revenue from external customers</b>			
Europe (except for Scandinavian countries, CIS and Lithuania)	327,173	231,483	178,293
Lithuania	234,626	245,795	133,894
Scandinavian countries	222,994	147,658	202,832
Africa	135,953	189,873	60,713
Asia	100,106	66,272	20,394
CIS	92,230	25,258	62,258
Other	798	667	2,987
	<u>1,113,880</u>	<u>907,006</u>	<u>661,371</u>

The revenue information above is based on the location of the customer.

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
	<b>Non-current assets</b>		
Lithuania	102,008	96,455	84,895
Denmark	199	207	241
Latvia	186	171	223
	<u>102,393</u>	<u>96,833</u>	<u>85,359</u>

Non-current assets for this purpose consist of property, plant and equipment, investment property and intangible assets.

**AB LINAS AGRO GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**6 Intangible assets**

	Software	Other intangible assets	Total
<b>Cost:</b>			
Balance as of 30 June 2006 (restated)	1,222	649	1,871
Additions (restated)	-	22	22
Disposals of subsidiaries (restated)	(21)	-	(21)
Write-offs (restated)	(23)	-	(23)
Balance as of 30 June 2007 (restated)	1,178	671	1,849
Additions (restated)	13	54	67
Balance as of 30 June 2008 (restated)	1,191	725	1,916
Additions	14	20	34
Write-offs	(1)	(61)	(62)
Balance as of 30 June 2009	1,204	684	1,888
<b>Accumulated amortisation:</b>			
Balance as of 30 June 2006 (restated)	968	466	1,434
Charge for the year (restated)	213	156	369
Disposals of subsidiaries (restated)	(13)	-	(13)
Write-offs (restated)	(23)	-	(23)
Balance as of 30 June 2007 (restated)	1,145	622	1,767
Charge for the year (restated)	29	36	65
Balance as of 30 June 2008 (restated)	1,174	658	1,832
Charge for the year	11	22	33
Write-offs	(1)	(61)	(62)
Balance as of 30 June 2009	1,184	619	1,803
<b>Net book value as of 30 June 2009</b>	<b>20</b>	<b>65</b>	<b>85</b>
<b>Net book value as of 30 June 2008 (restated)</b>	<b>17</b>	<b>67</b>	<b>84</b>
<b>Net book value as of 30 June 2007 (restated)</b>	<b>33</b>	<b>49</b>	<b>82</b>

The Group has no internally generated intangible assets. Amortisation expenses of intangible assets are included within operating expenses in the income statement.

Part of the intangible assets of the Group with the acquisition value of LTL 1,733 thousand as of 30 June 2009 was fully amortised (LTL 1,701 thousand and LTL 1,143 thousand as of 30 June 2008 and 2007, respectively) but was still in active use.

**AB LINAS AGRO GROUP**
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**7 Property, plant and equipment**

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
<b>Cost:</b>							
Balance as of 30 June 2006 (restated)	2,743	45,662	38,007	6,645	6,976	118	100,151
Additions (restated)	1,256	83	3,346	252	321	1,808	7,066
Disposals of subsidiaries (restated)	(58)	-	-	(304)	(435)	-	(797)
Disposals and write-offs (restated)	-	(69)	(445)	(1,098)	(574)	(30)	(2,216)
Reclassifications	-	540	-	14	(330)	(224)	-
Balance as of 30 June 2007 (restated)	3,941	46,216	40,908	5,509	5,958	1,672	104,204
Additions (restated)	1,202	2,018	5,019	1,214	778	2,978	13,209
Disposals and write-offs (restated)	-	(14)	(563)	(480)	(154)	(49)	(1,260)
Transfers to investment property	(256)	-	-	-	-	-	(256)
Reclassifications (restated)	10	1,114	-	(44)	18	(1,098)	-
Balance as of 30 June 2008 (restated)	4,897	49,334	45,364	6,199	6,600	3,503	115,897
Additions	1,467	15,478	2,233	835	971	1,799	22,783
Acquisition of subsidiary (Note 4)	-	2,321	2,518	12	519	-	5,370
Disposals and write-offs	-	(164)	(2,097)	(787)	(133)	(113)	(3,294)
Transfers to investment property	(487)	-	-	-	-	-	(487)
Reclassifications	-	5,335	(1,056)	-	(133)	(4,146)	-
Balance as of 30 June 2009	5,877	72,304	46,962	6,259	7,824	1,043	140,269
<b>Accumulated depreciation:</b>							
Balance as of 30 June 2006 (restated)	-	6,078	13,502	3,312	3,181	-	26,073
Charge for the year (restated)	-	2,419	3,330	651	911	-	7,311
Disposals of subsidiaries (restated)	-	-	-	(120)	(141)	-	(261)
Disposals and write-offs (restated)	-	(21)	(369)	(914)	(319)	-	(1,623)
Reclassifications	-	32	-	-	(32)	-	-
Balance as of 30 June 2007 (restated)	-	8,508	16,463	2,929	3,600	-	31,500
Charge for the year (restated)	-	2,409	3,696	708	680	-	7,493
Disposals and write-offs (restated)	-	(1)	(349)	(366)	(169)	-	(885)
Balance as of 30 June 2008 (restated)	-	10,916	19,810	3,271	4,111	-	38,108
Charge for the year	-	3,671	4,277	738	791	-	9,477
Disposals and write-offs	-	(18)	(1,339)	(677)	(39)	-	(2,073)
Reclassifications	-	441	(358)	-	(83)	-	-
Balance as of 30 June 2009	-	15,010	22,390	3,332	4,780	-	45,512
<b>Impairment losses:</b>							
Balance as of 30 June 2006	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
Balance as of 30 June 2007	-	-	-	-	-	-	-
Charge for the year	-	-	1	-	56	-	57
Balance as of 30 June 2008	-	-	1	-	56	-	57
Charge for the year	278	266	20	3	1	-	568
Balance as of 30 June 2009	278	266	21	3	57	-	625
<b>Net book value as of 30 June 2009</b>	<b>5,599</b>	<b>57,028</b>	<b>24,551</b>	<b>2,924</b>	<b>2,987</b>	<b>1,043</b>	<b>94,132</b>
<b>Net book value as of 30 June 2008 (restated)</b>	<b>4,897</b>	<b>38,418</b>	<b>25,553</b>	<b>2,928</b>	<b>2,433</b>	<b>3,503</b>	<b>77,732</b>
<b>Net book value as of 30 June 2007 (restated)</b>	<b>3,941</b>	<b>37,708</b>	<b>24,445</b>	<b>2,580</b>	<b>2,358</b>	<b>1,672</b>	<b>72,704</b>

**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**7 Property, plant and equipment (cont'd)**

The depreciation charge of the Group's property, plant and equipment for the year ended 30 June 2009 amounts to LTL 9,477 thousand (LTL 7,493 thousand and LTL 7,311 thousand for the years ended 30 June 2008 and 2007, respectively). The Group's depreciation charge for the years ended 30 June 2009, 2008 and 2007 was included into the following captions of balance sheet and income statement:

	Financial year ended		
	30 June 2009	30 June 2008 (restated)	30 June 2007 (restated)
Cost of sales	6,699	4,830	4,488
Biological assets	1,506	1,059	998
Operating expenses	872	898	1,084
Raw materials and other inventories	281	639	696
Other operating expenses	119	67	45
	<u>9,477</u>	<u>7,493</u>	<u>7,311</u>

Depreciation amount was decreased in the income statement by LTL 1,321 thousand for the year ended 30 June 2009 (LTL 1,084 thousand and LTL 1,875 thousand for the years ended 30 June 2008 and 2007) by the amortisation of grants received by the Group (Note 22).

As of 30 June 2009 part of property, plant and equipment of the Group with the net book value of LTL 82,603 thousand (LTL 69,203 thousand and LTL 63,537 thousand as of 30 June 2008 and 2007, respectively), was pledged to banks as a collateral for the loans (Note 23).

Part of property, plant and equipment with the acquisition cost of LTL 6,698 thousand was fully depreciated as of 30 June 2009 (LTL 6,546 thousand and LTL 6,030 thousand as of 30 June 2008 and 2007, respectively) but was still in active use.

**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**8 Investment property**

Investment property of the Group consists of land and buildings leased out under the operating lease which generates lease income.

	Land	Buildings	Total
<b>Cost:</b>			
Balance as of 30 June 2006 (restated)	1,263	2,863	4,126
Additions (restated)	3,533	-	3,533
Acquisition of subsidiaries (restated) (Note 4)	5,209	-	5,209
Balance as of 30 June 2007 (restated)	10,005	2,863	12,868
Additions (restated)	8,728	-	8,728
Disposals (restated)	(831)	-	(831)
Transfers from property, plant and equipment	256	-	256
Balance as of 30 June 2008 (restated)	18,158	2,863	21,021
Additions	681	-	681
Disposals	(284)	-	(284)
Disposals of subsidiaries (Note 4)	(10,956)	-	(10,956)
Transfers from property, plant and equipment	487	-	487
Balance as of 30 June 2009	8,086	2,863	10,949
<b>Accumulated depreciation:</b>			
Balance as of 30 June 2006 (restated)	-	179	179
Charge for the year (restated)	-	116	116
Balance as of 30 June 2007 (restated)	-	295	295
Charge for the year (restated)	-	116	116
Balance as of 30 June 2008 (restated)	-	411	411
Charge for the year	-	116	116
Balance as of 30 June 2009	-	527	527
<b>Impairment losses:</b>			
Balance as of 30 June 2006	-	-	-
Charge for the year	-	-	-
Balance as of 30 June 2007	-	-	-
Charge for the year (restated)	204	1,389	1,593
Balance as of 30 June 2008 (restated)	204	1,389	1,593
Charge for the year	857	-	857
Disposals of subsidiaries (Note 4)	(204)	-	(204)
Balance as of 30 June 2009	857	1,389	2,246
<b>Net book value as of 30 June 2009</b>	<b>7,229</b>	<b>947</b>	<b>8,176</b>
<b>Net book value as of 30 June 2008 (restated)</b>	<b>17,954</b>	<b>1,063</b>	<b>19,017</b>
<b>Net book value as of 30 June 2007 (restated)</b>	<b>10,005</b>	<b>2,568</b>	<b>12,573</b>

Depreciation expenses of investment property are included within other operating expenses in the income statement.

All investment property is pledged to the banks as a collateral for the loans received (Note 23).

The Group's management considers that the difference between the carrying value and fair value of investment property is not significant. Fair value has been determined based on valuations performed by independent valuers at near balance sheet dates using the comparable prices method.

**AB LINAS AGRO GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**9 Investments into associates and joint ventures**

As of 30 June 2009, 2008 and 2007 the Group had investments into the following associates and joint ventures:

	Place of registration	Share of the stock held by the Group			Main activities
		As of 30 June 2009	As of 30 June 2008	As of 30 June 2007	
<b>Associates</b>					
UAB Jungtinė Ekspedicija	Lithuania	45.05 %	45.05 %	45.05 %	Expedition and representation services
ŽŪK Kupiškio Grudai	Lithuania	-	36.81 %	36.29 %	Preparation and warehousing of grains for trade
ŽŪB Žvirbloniai	Lithuania	-	-	28.75 %	Agricultural activities
<b>Joint ventures</b>					
UAB Kustodija	Lithuania	50.00 %	50.00 %	50.00 %	Sale of plant protection products
UAB Dotnuvos Technika	Lithuania	50.00 %	50.00 %	50.00 %	Dormant
UAB Dotnuvos Projektai	Lithuania	50.00 %	50.00 %	50.00 %	Sale of seeds, agricultural machinery
UAB Dotnuvos Agroservisas	Lithuania	49.98 %	49.98 %	49.98 %	Agricultural equipment maintenance and related services

UAB Dotnuvos Agroservisas is controlled by UAB Dotnuvos Projektai; therefore, is accounted for as an investment into joint venture.

Information on associates and joint ventures of the Group as of 30 June 2009 were as follows:

	Investment at equity method	Profit (loss) for the reporting year	Sales revenue	Non-current assets	Current assets	Non-current liabilities	Current liabilities
<b>Investments into associates</b>							
UAB Jungtinė Ekspedicija	207	252	6,193	222	1,059	44	777
	<u>207</u>						
<b>Investments into joint ventures</b>							
UAB Kustodija	1,592	(527)	31,498	552	28,304	105	25,568
UAB Dotnuvos Projektai	19,969	9,439	146,846	26,303	75,205	3,294	58,275
UAB Dotnuvos Agroservisas	-	(1,234)	3,693	8,868	3,545	9,513	3,072
	<u>21,561</u>						

As of 30 June 2009 the Group's unrecognised share of losses of UAB Dotnuvos Agroservisas equals to LTL 86 thousand.

Information on associates and joint ventures of the Group as of 30 June 2008 were as follows:

	Investment at equity method	Profit (loss) for the reporting year	Sales revenue	Non-current assets	Current assets	Non-current liabilities	Current liabilities
<b>Investments into associates</b>							
UAB Jungtinė Ekspedicija	274	677	9,915	231	1,038	108	553
ŽŪK Kupiškio Grudai	321	396	2,047	5,401	507	4,650	385
	<u>595</u>						
<b>Investments into joint ventures</b>							
UAB Kustodija	1,855	1,684	42,535	462	42,429	311	38,870
UAB Dotnuvos Projektai	16,249	10,865	144,859	22,057	108,462	3,747	92,273
UAB Dotnuvos Agroservisas	531	(609)	6,412	9,187	3,431	2,147	9,409
	<u>18,635</u>						



**AB LINAS AGRO GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**9 Investments into associates and joint ventures (cont'd)**

Information on associates and joint ventures of the Group as of 30 June 2007 were as follows:

	Investment at equity method	Profit (loss) for the reporting year	Sales revenue	Non- current assets	Current assets	Non- current liabilities	Current liabilities
<b>Investments into associates</b>							
UAB Jungtinė Ekspedicija	465	638	7,341	117	2,128	-	1,211
ŽŪK Kupiškio Grudai	176	(493)	869	5,943	171	5,421	215
ŽŪB Žvirbloniai	365	-	-	-	-	-	-
	<u>1,006</u>						
<b>Investments into joint ventures</b>							
UAB Kustodija	1,013	(505)	30,366	550	40,567	22	39,069
UAB Dotnuvos Projektai	14,548	5,192	116,682	22,106	77,606	6,259	62,359
UAB Dotnuvos Agroservisas	835	(265)	806	7,247	2,572	4,000	4,148
	<u>16,396</u>						

Movements of investments into associates and joint ventures for the years ended 30 June 2009, 2008 and 2007 are the following:

Balance as of 30 June 2006 (restated)	15,595
Dividends received from associates and joint ventures	(383)
Income tax related to dividends received*	(68)
Write-off of associates	(59)
Share profit of associates and joint ventures (before eliminations of unrealised gains) (restated)	<u>2,317</u>
Balance as of 30 June 2007 (restated)	<u>17,402</u>
Dividends received from associates and joint ventures	(3,821)
Income tax related to dividends received*	(673)
Share profit of associates and joint ventures (before eliminations of unrealised gains) (restated)	6,687
Disposals of associates	<u>(365)</u>
Balance as of 30 June 2008 (restated)	<u>19,230</u>
Dividends received from associates and joint ventures	(1,180)
Share profit of associates and joint ventures (before eliminations of unrealised gains)	4,039
Transfer to subsidiaries (Note 4)	<u>(321)</u>
Balance as of 30 June 2009	<u>21,768</u>

\* As investor should pay income tax on dividends received till 30 June 2008, it is deducted from total distributed amount of dividends. The total amount of dividends applicable to the Group as of 30 June 2008 and 2007 comprised LTL 4,494 thousand and LTL 451 thousand, respectively.

In the year ended 30 June 2008 the Group sold its share in associate ŽŪB Žvirbloniai for LTL 1,150 thousand. Gain on disposal of the investment into the associate amounts to LTL 785 thousand.

**10 Other investments**

	Share held by the Group	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
ZAT UkrAgro NPK (Ukraine)	13.38 %	5,545	-	-
ŽŪB Ėriškiai	25.06 %	150	150	150
BL SP Selskohoziastvennyje Uslugi OOO (Belarus)	69.85 %	-	80	80
BL SP Krupica OOO (Belarus)	44.53 %	-	80	80
Other investments		224	294	425
		<u>5,919</u>	<u>604</u>	<u>735</u>

**AB LINAS AGRO GROUP**
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**10 Other investments (cont'd)**

The investment into ŽŪB Ėriškiai is not classified as an associate and therefore not accounted for using the equity method because the Group does not have the ability to exercise significant influence and voting rights in the company and it is managed by other shareholders.

As of 30 June 2008 and 2007 the investments into BL SP Selskohožiaistvennyje Usługi OOO and BL SP Krupica OOO were neither consolidated nor accounted for by the equity method because the Group did not have the ability to exercise control or significant influence over these companies and they were managed by other shareholders.

**11 Non-current receivables**

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
Loans to employees	179	214	273
Support foundation European Social Fund Agency (Note 16)	-	-	704
Trade receivables due after one year	4,548	6,781	10,435
	<u>4,727</u>	<u>6,995</u>	<u>11,412</u>

**12 Biological assets**

Fair value of the Group's animals and livestock:

	Milking cows	Heifers	Bulls	Horses	Total animals and livestock
Fair value as of 30 June 2006	3,478	2,797	408	12	6,695
Acquisitions	28	266	-	-	294
Births	-	145	156	-	301
Makeweight	468	1,661	891	3	3,023
Transfers between groups	2,016	(2,016)	-	-	-
Disposals	(1,849)	(302)	(886)	(3)	(3,040)
Write-offs and falls	(182)	(55)	(24)	(1)	(262)
Change in fair value of biological assets	644	100	(130)	-	614
Fair value as of 30 June 2007	<u>4,603</u>	<u>2,596</u>	<u>415</u>	<u>11</u>	<u>7,625</u>
Acquisitions	-	242	-	-	242
Births	-	164	159	-	323
Makeweight	521	1,792	690	-	3,003
Transfers between groups	1,518	(1,518)	-	-	-
Disposals	(1,457)	(290)	(1,115)	-	(2,862)
Write-offs and falls	(151)	(39)	(49)	-	(239)
Change in fair value of biological assets	(703)	(123)	(78)	-	(904)
Fair value as of 30 June 2008	<u>4,331</u>	<u>2,824</u>	<u>22</u>	<u>11</u>	<u>7,188</u>
Acquisitions	-	4	-	-	4
Births	-	188	191	-	379
Makeweight	357	2,437	747	2	3,543
Transfers between groups	1,842	(1,842)	-	-	-
Disposals	(1,590)	(346)	(697)	(5)	(2,638)
Write-offs and falls	(305)	(35)	(24)	(1)	(365)
Change in fair value of biological assets	(261)	(1,497)	149	-	(1,609)
Fair value as of 30 June 2009	<u>4,374</u>	<u>1,733</u>	<u>388</u>	<u>7</u>	<u>6,502</u>
<b>Quantity according to biological assets group (unaudited):</b>					
As of 30 June 2009	1,381	1,438	411	7	3,237
As of 30 June 2008	1,443	1,536	317	6	3,302
As of 30 June 2007	1,412	1,447	426	6	3,291

**AB LINAS AGRO GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**  
(all amounts are in LTL thousand unless otherwise stated)

**12 Biological assets (cont'd)**

Fair value of the Group's crops:

	Winter cultures	Summer cultures	Rapeseeds	Feeding cultures	Total crops
<b>As of 30 June 2007</b>					
Total sowed (ha) (unaudited)	2,849	2,371	1,971	2,455	9,646
Total expenses incurred	2,935	1,849	2,420	1,389	8,593
Change in fair value of biological assets	1,332	1,752	367	-	3,451
Total expenses	4,267	3,601	2,787	1,389	12,044
Average expenses 1 ha (Litas) (unaudited)	1,498	1,519	1,414	566	1,249
<b>As of 30 June 2008</b>					
Total sowed (ha) (unaudited)	2,721	2,738	2,162	2,089	9,710
Total expenses incurred	3,626	3,058	3,485	1,537	11,706
Change in fair value of biological assets	1,671	200	862	-	2,733
Total expenses	5,297	3,258	4,347	1,537	14,439
Average expenses 1 ha (Litas) (unaudited)	1,947	1,190	2,011	736	1,487
<b>As of 30 June 2009</b>					
Total sowed (ha) (unaudited)	3,269	2,583	2,103	1,928	9,883
Total expenses incurred	6,021	3,846	4,495	1,588	15,950
Change in fair value of biological assets	601	(464)	1,127	-	1,264
Total expenses	6,622	3,382	5,622	1,588	17,214
Average expenses 1 ha (Litas) (unaudited)	2,026	1,309	2,673	824	1,742

As of 30 June 2009, 2008 and 2007 the management of the Group treats all animals and livestock as non-current assets and all crops as current.

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

As of 30 June 2009 part of animals and livestock of the Group with the value of LTL 4,427 thousand (LTL 5,633 thousand and LTL 268 thousand as of 30 June 2008 and 2007, respectively), was pledged to banks as a collateral for the loans (Note 23).

**13 Inventories**

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
Purchased goods for resale (at cost or net realisable value)	58,618	93,284	31,428
Raw materials and other inventories (at cost)	5,300	11,143	7,668
	63,918	104,427	39,096

Goods for resale mainly consist of grains and oilcake. Usually the balance of the Group's goods for resale starts to increase in July (start of the harvest season); however, in the previous year the Group started to import goods for resale before year end on 30 June 2008. As a result, the balance of inventory of the Group was higher as of 30 June 2008.

The carrying value of the Group's inventories accounted for at net realisable value as of 30 June 2009 amounted to LTL 2,765 thousand (LTL 18,161 thousand and nil as of 30 June 2008 and 2007, respectively). The amount of write-down of inventories to net realisable value recognised as an expense in the year ended 30 June 2009 is LTL 868 thousand (LTL 2,555 thousand and nil in the years ended 30 June 2008 and 2007, respectively), and is recognised in cost of sales.

As of 30 June 2009 part of inventories of the Group with the value of LTL 45,047 thousand (LTL 41,950 thousand and LTL 7,665 thousand as of 30 June 2008 and 2007, respectively), was pledged to banks as a collateral for the loans (Note 23).

**AB LINAS AGRO GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**  
(all amounts are in LTL thousand unless otherwise stated)

**14 Prepayments**

	<b>As of 30 June 2009</b>	<b>As of 30 June 2008</b>	<b>As of 30 June 2007</b>
		(restated)	(restated)
Payments on behalf of farmers	8,860	6,334	9,856
Prepayments to other suppliers	10,436	12,467	9,551
Less: allowance for doubtful prepayments to other suppliers	(1,916)	(1,916)	-
	<u>17,380</u>	<u>16,885</u>	<u>19,407</u>

AB Linas Agro pays on behalf of farmers to suppliers of seeds. Payments on behalf of farmers are non-interest bearing and are generally collectible from the farmers within 120 - 360 days by delivering grain to the subsidiary. As of 30 June 2009, 2008 and 2007 all payments on behalf of farmers were pledged to banks as a collateral for the loans (Note 23).

Changes in allowance for prepayments for the years ended 30 June 2009, 2008 and 2007 were included into operating expenses in the income statement.

As of 30 June 2009 and 2008 the Group's prepayments with the nominal value of LTL 1,395 thousand were impaired and fully provided for.

Movements in the allowance for impairment of the Group's prepayments were as follows:

	<b>Individually impaired</b>
Balance as of 30 June 2006	-
Charge for the year	-
Balance as of 30 June 2007	-
Charge for the year (restated)	1,916
Balance as of 30 June 2008 (restated)	1,916
Charge for the year	-
Balance as of 30 June 2009	1,916

**15 Trade receivables**

	<b>As of 30 June 2009</b>	<b>As of 30 June 2008</b>	<b>As of 30 June 2007</b>
		(restated)	(restated)
Trade receivables from farmers	61,400	71,732	57,486
Trade receivables from other customers	37,944	45,292	25,673
Less: allowance for doubtful trade receivables	(1,216)	(780)	(774)
	<u>98,128</u>	<u>116,244</u>	<u>82,385</u>

Changes in allowance for trade receivables for the years ended 30 June 2009 and 2008 were included into operating expenses in the income statement.

Trade receivables from other customers are non-interest bearing and are generally collectible on 30 - 90 days terms. Trade receivables from farmers are non-interest bearing and are generally settled within 120 - 360 days by delivering grain to the Group.

As of 30 June 2009 the Group's trade receivables with the nominal value of LTL 898 thousand (LTL 780 thousand and LTL 774 thousand as of 30 June 2008 and 2007) were impaired and fully provided for.

**AB LINAS AGRO GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**15 Trade receivables (cont'd)**

Movements in the allowance for impairment of the Group's trade receivables were as follows:

	<b>Individually impaired</b>
Balance as of 30 June 2006 (restated)	306
Charge for the year (restated)	468
Balance as of 30 June 2007 (restated)	774
Charge for the year (restated)	193
Written-off during the year (restated)	(187)
Balance as of 30 June 2008 (restated)	780
Charge for the year	635
Written-off during the year	(80)
Reversed during the year	(119)
Balance as of 30 June 2009	1,216

The ageing analysis of the Group's trade receivables as of 30 June 2009 and 2008 is as follows:

	Trade receivables neither past due nor impaired	Past due but not impaired				Total
		Less than 30 days	31 - 60 days	61 - 90 days	More than 91 days	
<b>2007 (restated)</b>	73,109	5,337	1,019	293	2,627	82,385
<b>2008 (restated)</b>	99,744	13,068	1,613	1,031	788	116,244
<b>2009</b>	90,482	2,558	1,817	563	2,708	98,128

As of 30 June 2009 part of trade receivables of the Group with the value of LTL 87,442 thousand (LTL 102,483 thousand and LTL 59,574 thousand as of 30 June 2008 and 2007, respectively), was pledged to banks as a collateral for the loans (Note 23).

**16 Other accounts receivable**

	<b>As of 30 June 2009</b>	<b>As of 30 June 2008 (restated)</b>	<b>As of 30 June 2007 (restated)</b>
<b>Financial assets</b>			
National Paying Agency	4,420	3,583	3,898
Loans receivable	3,971	-	-
Loans to the Group employees	162	166	31
Support foundation European Social Fund Agency*	-	108	255
Other receivables	384	387	1,064
Less: allowance for doubtful loans receivable	(2,969)	-	-
	<u>5,968</u>	<u>4,244</u>	<u>5,248</u>
<b>Non-financial assets</b>			
VAT receivable	1,999	3,529	2,725
Import VAT	278	953	132
Other recoverable taxes	94	140	50
	<u>2,371</u>	<u>4,622</u>	<u>2,907</u>
	<u><u>8,339</u></u>	<u><u>8,866</u></u>	<u><u>8,155</u></u>

\* AB Linas Agro received a grant for the training of its employees. The project started in March 2005 and was finished in May 2008. The total amount of the grant is LTL 2,064 thousand, of which LTL 1,956 thousand have been already received as of 30 June 2008.

**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**16 Other accounts receivable (cont'd)**

As of 30 June 2009 the Group's loans receivable include loans provided to UAB Sinrena, UAB Consonus and UAB Invisco for the total amount of LTL 3,961 thousand (as of 30 June 2008 and 2007 these companies were subsidiaries in the Group and the balance of loans receivable was eliminated on consolidation). As of 30 June 2009 the Group accounted for LTL 2,969 thousand allowance for these loans receivable.

Changes in allowance for other accounts receivable for the years ended 30 June 2009, 2008 and 2007 were included into operating expenses in the income statement.

Movements in the allowance for impairment of the Group's other accounts receivable were as follows:

	<u>Individually impaired</u>
Balance as of 30 June 2006	-
Charge for the year	-
Balance as of 30 June 2007	-
Charge for the year	-
Balance as of 30 June 2008	-
Charge for the year	2,969
Balance as of 30 June 2009	<u>2,969</u>

The ageing analysis of the Group's other receivables (except for non-financial assets) as of 30 June 2009, 2008 and 2007 is as follows:

	Other accounts receivable neither past due nor impaired	Past due but not impaired				Total
		Less than 30 days	31 - 60 days	61 - 90 days	More than 91 days	
2007	5,219	13	4	5	7	5,248
2008	4,220	15	1	1	7	4,244
2009	5,968	-	-	-	-	5,968

**17 Financial instruments held for trading**

As of 30 June 2009 financial instruments held for trading consist of futures contracts traded by the Group at MATIF France's Futures & Options Exchange (as of 30 June 2008 and 2007 the Group had no such open futures contracts). The Group enters into futures contracts to manage price risk arising on the purchase of rapeseed from farmers in Lithuania that have purchase contracts with fixed price.

Changes in fair value of these financial instruments for the years ended 30 June 2009 and 2008 were included into cost of sales in the income statement.

**18 Investment held for sale**

In March 2007 the Group purchased 33 % of the share capital in TOB Akola (Ukraine) for LTL 831 thousand with the intention to sell the investment in the near future. The shares were sold in July 2007 for LTL 855 thousand (Note 32).

**19 Restricted cash**

As of 30 June 2008 and 2007 the caption consists of restricted cash balance at bank as Rosenkrantz A/S is obliged to keep a minimum of DKK 5 million in the bank account (equivalent of LTL 2,315 thousand as of 30 June 2008 and LTL 2,319 thousand as of 30 June 2007) to secure the repayment of the bank loan (Note 23).

**AB LINAS AGRO GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**  
(all amounts are in LTL thousand unless otherwise stated)

**20 Cash and cash equivalents**

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
Cash at bank	8,089	6,170	7,811
Deposits with maturity of less than three months	76	1,550	-
Cash on hand	25	106	162
	<u>8,190</u>	<u>7,826</u>	<u>7,973</u>

Original maturities for all deposits of the Group are up to three months and the weighted average of the annual interest rate as of 30 June 2009 was 6.4 % (6.75 % as of 30 June 2008 and 5 % as of 30 June 2007).

Part of the Group's accounts at banks and cash inflows are pledged to banks as a collateral for the loans. As of 30 June 2009, 2008 and 2007 there were no restrictions on use of cash balances held in the pledged accounts (Note 23).

**21 Reserves**

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10 % of the share capital. The Company was in compliance with the stated requirement as of 30 June 2008 and 2007. As in the year ended 30 June 2009 the share capital of the Company was increased (Note 1); accordingly, the Company will have to make transfers from its net profit in the future until the reserve reaches LTL 4,100 thousand.

Foreign currency translation reserve

The foreign currency translation reserve results from translation differences arising on consolidation of SIA Linas Agro and Rosenkrantz A/S (Note 2.2.).

**22 Grants and subsidies**

Balance as of 30 June 2006 (restated)	16,010
Received	894
Amortisation (restated)	<u>(3,641)</u>
Balance as of 30 June 2007 (restated)	13,263
Received	795
Amortisation (restated)	<u>(2,209)</u>
Balance as of 30 June 2008 (restated)	11,849
Acquisition of subsidiary	1,125
Received	1,442
Amortisation	<u>(2,606)</u>
Balance as of 30 June 2009	<u>11,810</u>

The major part of the Group's grants consists of the funds received from the EU and National Paying Agency (NPA) for the purpose of an acquisition of machinery and equipment (non-current assets).

The amortisation of grants of the Group for the years ended 30 June 2009, 2008 and 2007 was included into the following captions of balance sheet and income statement:

	Financial year ended		
	30 June 2009	30 June 2008 (restated)	30 June 2007 (restated)
Cost of sales (reduces the depreciation expenses of related assets)	1,321	1,084	1,875
Biological assets	1,181	720	852
Operating expenses	104	405	914
	<u>2,606</u>	<u>2,209</u>	<u>3,641</u>

**AB LINAS AGRO GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**  
(all amounts are in LTL thousand unless otherwise stated)

**23 Borrowings**

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
<b>Non-current borrowings</b>			
Bank borrowings secured by the Group assets	26,585	27,967	24,471
Bonds issued	-	15,000	-
Other non-current borrowings (Note 38)	1,387	14,591	1,403
	<u>27,972</u>	<u>57,558</u>	<u>25,874</u>
<b>Current borrowings</b>			
Current portion of non-current bank borrowings	22,112	8,780	6,303
Bonds issued	14,700	-	15,000
Accumulated bonds interest	1,124	1,127	968
Current portion of other non-current borrowings (Note 38)	2,851	-	-
Current bank borrowings secured by the Group assets	75,425	110,644	55,546
Factoring with recourse liability	3,433	4,506	3,964
Other current borrowings	1,478	2,971	104
	<u>121,123</u>	<u>128,028</u>	<u>81,885</u>
	<u>149,095</u>	<u>185,586</u>	<u>107,759</u>

In July 2007 AB Linas Agro redeemed LTL 15 million of bonds together with the accrued interest and issued another emission for the total amount of LTL 15 million. The repayment of the bonds is due till 21 July 2009 and the annual interest rate charged to the bonds is fixed to 7.95 %. There is no possibility foreseen to convert the bonds to the shares of the company.

In 2006/2007 ŽŪB Landvesta 1 received non-current interest free loans totally amounting to LTL 1,400 thousand from minority shareholders. These loans were discounted to their fair value using 8 % discount rate. The discounting effect amounting to LTL 648 thousand was accounted for directly in equity, minority interest caption. Discount unwinding effect is accounted for under finance expenses caption (Note 33).

Interest payable is normally settled monthly throughout the financial year. Accrued interest on bonds issued is settled annually.

Weighted average effective interest rates of borrowings outstanding at the year-end:

	As of 30 June 2009	As of 30 June 2008	As of 30 June 2007
Current borrowings	5.55 %	7.02 %	5.06 %
Non-current borrowings	4.71 %	7.59 %	6.13 %

Borrowings at the end of the year in national and foreign currencies:

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
<b>Borrowings denominated in:</b>			
EUR (LTL equivalent)	96,204	125,343	13,626
LTL	47,352	41,755	79,441
USD (LTL equivalent)	4,673	11,028	4,822
DKK (LTL equivalent)	692	7,308	9,709
GBP (LTL equivalent)	174	152	161
	<u>149,095</u>	<u>185,586</u>	<u>107,759</u>

As of 30 June 2009 unutilised part of credit lines of the Group comprises LTL 132,635 thousand (LTL 24,176 thousand and LTL 1,565 thousand as of 30 June 2008 and 2007, respectively).

As of 30 June 2009 property, plant and equipment, investment property, biological assets, inventories, prepayments, trade receivables and bank accounts were pledged to banks as a collateral for the loans (Notes 7, 8, 12, 13, 14, 15 and 20). Also as of 30 June 2009 and 2008 UAB Linas Agro Konsultacijos pledged shares of ŽŪB Medeikiai, ŽŪB Lukšiai, ŽŪB Aukštadvaris, ŽŪB Sidabravas, ŽŪB Eriškiai and ŽŪB Žibartoniai to banks as a collateral for the loans (as of 30 June 2007 shares of ŽŪB Medeikiai and ŽŪB Lukšiai were pledged).



**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**23 Borrowings (cont'd)***Compliance with the covenants of the borrowings agreements*

As of 30 June 2009 AB Linas Agro did not comply with the covenant of one non-current borrowing agreement to maintain liquidity ratio (total current assets / total current liabilities) not less than 1.2. The amount of the loan as of 30 June 2009 is LTL 1,160 thousand.

In addition, as of 30 June 2009 ŽŪB Landvesta 1 and ŽŪB Landvesta 2 did not comply with the covenants of non-current borrowings agreements requiring to keep not less than LTL 78 thousand and LTL 212 thousand, respectively, in bank accounts and did not reach the required EBITDA level and rent income / total land value ratio. The amounts of the loans as of 30 June 2009 are LTL 3,625 thousand and LTL 1,350 thousand, respectively.

According to the borrowing agreements mentioned above, if the companies do not comply with the covenants, the lender has a right to demand full or partial repayment of the loan. Therefore, the loans were classified as current in these financial statements.

**24 Finance lease obligations**

The assets leased by the Group under finance lease contracts consist of land, buildings and structures, machinery and equipment, vehicles and other property, plant and equipment. Apart from the lease payments, the most significant liabilities under the lease contracts are maintenance and insurance. The terms of finance lease vary from 3 to 5 years. The split of the net book value of the assets acquired under finance lease is as follows:

	<b>As of 30 June 2009</b>	<b>As of 30 June 2008</b> (restated)	<b>As of 30 June 2007</b> (restated)
Land	795	125	231
Buildings and structures	427	402	379
Machinery and equipment	1,831	2,426	997
Vehicles	2,092	2,326	1,491
Other property, plant and equipment	185	245	208
	<u>5,330</u>	<u>5,524</u>	<u>3,306</u>

Principal amounts of finance lease payables at the year-end denominated in national and foreign currencies are as follows:

	<b>As of 30 June 2009</b>	<b>As of 30 June 2008</b> (restated)	<b>As of 30 June 2007</b> (restated)
EUR	2,783	2,978	2,402
LTL	663	619	231
	<u>3,446</u>	<u>3,597</u>	<u>2,633</u>

As of 30 June 2009 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR and EURIBOR and ranges from 2.51 % to 5.92 %. The interest rate for the remaining portion of the finance lease liability in LTL outstanding as of 30 June 2009 is fixed, i.e. from 2 % to 5 %.

**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**24 Finance lease obligations (cont'd)**

Future minimum lease payments under the above mentioned finance lease contracts are as follows:

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
Within one year	1,247	1,452	1,012
From one to five years	2,117	2,386	1,569
After five years	397	211	329
Total finance lease obligations	3,761	4,049	2,910
Interest	(315)	(452)	(277)
Present value of finance lease obligations	3,446	3,597	2,633

Finance lease obligations are accounted for as:

- current	1,138	1,270	936
- non-current	2,308	2,327	1,697

**25 Operating lease**

The Group concluded several contracts of operating lease. The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. For the year ended 30 June 2009 the lease expenses of the Group amounted to LTL 1,869 thousand (LTL 1,631 thousand for the year ended 30 June 2008 and LTL 2,431 thousand for the year ended 30 June 2007).

Future lease payments according to the signed lease contracts are as follows:

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
Within one year	1,442	1,375	752
From one to five years	2,583	3,117	2,771
After five years	1,872	601	1,202
Total	5,897	5,093	4,725
Denominated in:			
- EUR	3,235	3,862	3,005
- LTL	2,630	720	944
- LVL	32	511	776

**26 Trade payables**

Trade payables are non-interest bearing and are normally settled on 60-day terms.

**27 Advances received**

The Group receives advance payments from part of its customers. The amount of advances received as of 30 June 2007 mainly consists of an advance payment from Landwirt & Ernte AG equal to EUR 2,218 thousand (LTL 7,658 thousand) for grains.

**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**28 Provisions**

During the year ended 30 June 2009 the Group companies concluded several goods purchase agreements according to which the purchase price is higher than the probable sales price after the balance sheet date. The estimated loss of the contracts was recognised as provisions for onerous contracts and was charged to cost of sales in the income statement. Based on the purchase contracts the Group companies are committed to purchase the goods according to the following schedule: July 2009, March 2010 and June 2010. The market price as of 30 June 2009 was used to estimate part of the provision amounting to LTL 5,274 thousand. The amount of the provision may change depending on the actual price agreed in the sales contract in the future.

Movements in the provision for onerous contracts of the Group were as follows:

Balance as of 30 June 2006	-
Charge for the year	-
Balance as of 30 June 2007	-
Charge for the year (restated)	80
Balance as of 30 June 2008 (restated)	80
Charge for the year	5,433
Realised during the year	(80)
Balance as of 30 June 2009	5,433

**29 Other current liabilities**

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
<b>Financial liabilities</b>			
Accrual for professional services	259	381	135
Overpayment by NPA	-	1,468	-
Other	289	297	441
	<u>548</u>	<u>2,146</u>	<u>576</u>
<b>Non-financial liabilities</b>			
Vacation accrual	2,786	2,752	1,959
Accrued expenses (mainly bonuses to employees)	2,600	923	210
Payroll related liabilities	2,147	1,935	1,810
VAT payable	1,472	2,312	822
Accrued bonuses to the board of Rosenkrantz A/S	591	-	-
Import VAT	278	953	132
	<u>9,874</u>	<u>8,875</u>	<u>4,933</u>
	<u>10,422</u>	<u>11,021</u>	<u>5,509</u>

In the year ended 30 June 2008 NPA transferred LTL 1,468 thousand to the Group by mistake, therefore this amount was returned to NPA in the year ended 30 June 2009.

Other current liabilities are non-interest bearing and have an average term of three months.

**AB LINAS AGRO GROUP****CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**30 Cost of sales**

	Financial year ended		
	30 June 2009	30 June 2008 (restated)	30 June 2007 (restated)
Costs of inventories recognised as an expense	882,177	723,282	557,260
Logistics expenses	125,908	88,688	49,816
Wages and salaries and social security	9,808	6,939	5,383
Provision for onerous contracts (Note 28)	5,433	80	-
Depreciation and amortisation	5,378	3,746	2,613
Utilities expenses	2,822	1,530	874
Change in fair value of biological assets (Note 12)	345	(1,829)	(4,065)
(Income) expense from change in value of financial instruments (Note 17)	(907)	1,694	-
Other	7,177	6,947	6,723
	<u>1,038,141</u>	<u>831,077</u>	<u>618,604</u>

**31 Operating expenses**

	Financial year ended		
	30 June 2009	30 June 2008 (restated)	30 June 2007 (restated)
Wages and salaries and social security	16,972	13,679	13,131
Change in allowance for receivables and prepayments (Notes 14, 15 and 16)	3,485	2,109	468
Consulting expenses	3,451	1,099	1,313
Depreciation and amortisation	905	963	1,453
Rent of administration and commercial premises and maintenance expenses	909	650	1,257
Change in impairment for property, plant and equipment (Note 7)	568	57	-
Rent of vehicles and maintenance expenses	866	901	1,093
Business trips	737	780	1,018
Stationery and office services	693	577	330
Bank fees	632	1,062	536
Telecommunications	592	582	692
Warehousing and insurance expenses	585	695	758
Insurance of accounts receivable	472	492	407
Taxes other than income tax	451	197	209
Representation expenses	430	442	397
Advertising expenses	364	200	277
Rent of machinery	94	80	81
Other	2,819	1,552	2,429
	<u>35,025</u>	<u>26,117</u>	<u>25,849</u>

**AB LINAS AGRO GROUP**
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**32 Other operating income (expenses)**

	Financial year ended		
	30 June 2009	30 June 2008	30 June 2007
<b>Other operating income</b>		(restated)	(restated)
Gain from disposal of investments into subsidiaries (Note 4)	2,148	-	9,201
Currency exchange gain	1,453	1,411	119
Gain from disposal of property, plant and equipment	522	314	507
Rental income from investment property	447	204	210
Rental income from property, plant and equipment	84	181	-
Income from sale of 'Dotnuvos Projektai' brand name*	-	1,500	-
Dividends	-	279	303
Gain from disposal of other investments	-	192	-
Gain from disposal of investment held for sale (Note 18)	-	24	-
Other operating income	599	414	383
	<u>5,253</u>	<u>4,519</u>	<u>10,723</u>
<b>Other operating (expenses)</b>			
Impairment of investment property (Note 8)	(857)	(1,593)	-
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	(236)	(144)	(130)
Loss from disposal of property, plant and equipment	(34)	(107)	(15)
Impairment of other investments	(27)	(78)	-
Direct operating expenses (including repairs and maintenance) arising on non rental-earning investment properties	(26)	(93)	(35)
Loss from disposal of other investments	(6)	-	(70)
Currency exchange loss	(3)	(5)	(832)
Other operating expenses	(247)	(110)	(90)
	<u>(1,436)</u>	<u>(2,130)</u>	<u>(1,172)</u>

\* Income from Dotnuvos Projektai brand name sale represents the realised group share of the total sale amount of LTL 3,000 thousand.

**33 Income (expenses) from financing activities**

	Financial year ended		
	30 June 2009	30 June 2008	30 June 2007
<b>Income from financing activities</b>		(restated)	(restated)
Interest income	2,025	2,554	828
Income from overdue payments	1,313	44	-
	<u>3,338</u>	<u>2,598</u>	<u>828</u>
<b>(Expenses) from financing activities</b>			
Interest expenses	(11,276)	(13,536)	(7,131)
Discounting effect of non-interest bearing loans received (Note 23)	(77)	(65)	(71)
Expenses for overdue payments	(246)	(13)	-
	<u>(11,599)</u>	<u>(13,614)</u>	<u>(7,202)</u>

**34 Income tax**

	Financial year ended		
	30 June 2009	30 June 2008	30 June 2007
		(restated)	(restated)
Current income tax	8,336	9,859	4,595
Deferred income tax expense (income)	241	(1,142)	(396)
Income tax expenses recorded in the income statement	<u>8,577</u>	<u>8,717</u>	<u>4,199</u>

**AB LINAS AGRO GROUP**
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**34 Income tax (cont'd)**

	As of 30 June 2009	As of 30 June 2008 (restated)	As of 30 June 2007 (restated)
<b>Deferred income tax asset</b>			
Tax loss carry forward (available indefinitely)	351	-	-
Impairment of property, plant and equipment	10	-	-
Impairment of investment property	278	278	-
Allowance for inventories	116	656	-
Allowance for trade receivables	200	117	-
Accruals	390	-	-
Provisions for onerous contracts	1,055	-	-
Deferred income tax asset	<u>2,400</u>	<u>1,051</u>	<u>-</u>
<b>Deferred income tax liability</b>			
Property, plant and equipment (difference between tax and accounting values)	(2,067)	(762)	(853)
Fair value of biological assets	(61)	-	-
Fair value of financial instruments	(193)	-	-
Deferred income tax liability	<u>(2,321)</u>	<u>(762)</u>	<u>(853)</u>
Deferred income tax, net	<u>79</u>	<u>289</u>	<u>(853)</u>
Accounted for as deferred income tax asset in the balance sheet	1,950	1,091	318
Accounted for as deferred income tax liability in the balance sheet	(1,871)	(802)	(1,171)

The Group's deferred income tax asset and liability were set-off to the extent they relate to the same tax administration institution and the same taxable entity.

As of 30 June 2009 the Group has not recognised deferred tax asset for the following temporary differences (no unrecognised temporary differences as of 30 June 2008 and 2007):

Tax loss carry forward (available indefinitely)	724
Tax loss carry forward from investing activity (available till 30 June 2014)	55
Impairment of property, plant and equipment	116
Impairment of investment property	111
Accruals	6
	<u>1,012</u>

Deferred tax asset has not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have a history of losses.

The income tax can be reconciled to the theoretical amount, which would be calculated by applying the basic income tax rate to the Group's profit before tax as follows:

	Financial year ended		
	30 June 2009	30 June 2008 (restated)	30 June 2007 (restated)
Profit before tax	40,348	49,986	22,222
Income tax expenses, applying the statutory rate in Lithuania (15 %, 18 % and 19 %, respectively)	6,052	8,997	4,222
Effect of different tax rates in the Republic of Latvia and Denmark and 0 % tax rate for the entities engaged in agricultural activities (Note 2.18.)	1,215	(940)	216
Temporary differences for which no deferred taxes were recognised	1,012	-	-
Permanent differences	711	605	(230)
Deferred taxes acquired in business combinations	31	-	-
Effect of change in income tax rate	(444)	55	(9)
Total income tax expenses	<u>8,577</u>	<u>8,717</u>	<u>4,199</u>

**AB LINAS AGRO GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**35 Basic and diluted earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares for the years ended 30 June 2009, 2008 and 2007 was as follows:

**Calculation of weighted average for the year ended 30 June 2009**

	Number of shares	Par value (LTL)	Issued/365 (days)	Weighted average
Shares issued as at 30 June 2008 (as stated earlier)	43,069	2	365/365	43,069
12 September 2008	31,931	2	292/365	25,545
1 October 2008	20,425,000	2	365/365	20,425,000
Shares issued before decrease of par value	20,500,000	2	-	20,493,614
Shares issued as at 30 June 2009 after decrease of par value on 15 January 2009	41,000,000	1	-	40,987,228

**Calculation of weighted average for the years ended 30 June 2008 and 2007**

	Number of shares	Par value (LTL)	Issued/365 (days)	Weighted average
Shares issued as at 30 June 2008 and 2007 (as stated earlier)	43,069	2	365/365	43,069
1 October 2008	20,425,000	2	365/365	20,425,000
Shares issued before decrease of par value	20,468,069	2	-	20,468,069
Shares issued as at 30 June 2008 and 2007 after decrease of par value on 15 January 2009	40,936,138	1	-	40,936,138

The major part of the share capital issue registered on 1 October 2008 (Note 1) was paid by contributing 100 % of AB Linas Agro shares as a contribution in kind. For the calculation of earnings per share it has been assumed that under the pooling of interest method this share capital issue of the Company had been in place since the beginning of the earliest period presented in the financial statements.

The Group does not have any potential shares, therefore basic and diluted earnings per share are the same. Calculation of the basic and diluted earnings per share is presented below:

	Financial year ended		
	30 June 2009	30 June 2008	30 June 2007
Net profit, attributable to the shareholders of the parent	28,114	(restated) 38,394	(restated) 16,737
Number of shares outstanding	40,987,228	40,936,138	40,936,138
Basic and diluted earnings per share (in LTL)	0.69	0.94	0.41

**36 Financial assets and liabilities and risk management**

Credit risk

None of the Group's customers comprise more than 5 % of the Group's trade receivables, therefore there is no significant credit risk concentration in the Group.

The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. Part of Rosenkrantz A/S trade receivables are insured with the insurance limit equal to equivalent of LTL 12 million.

The Group does not guarantee obligations of other parties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the balance sheet. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade, related party and other accounts receivable, net of allowance for doubtful accounts recognised at the balance sheet date.

**AB LINAS AGRO GROUP**
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**36 Financial assets and liabilities and risk management (cont'd)**
Interest rate risk

The major part of the Group's borrowings is with variable rates, related to LIBOR, which creates an interest rate risk. There are no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as of 30 June 2009, 2008 and 2007. The sensitivity analysis of the pre-tax profit of the Group to possible changes in the interest rates, considering that all other variables will remain constant, is presented in the table below.

	Increase / decrease of basis points	Effect on the profit before income tax for the year ended		
		30 June 2009	30 June 2008 (restated)	30 June 2007 (restated)
EUR	+ 150	(1,485)	(1,925)	(240)
EUR	- 150	1,485	1,925	240
LTL	+ 350	(1,681)	(1,483)	(2,789)
LTL	- 350	1,681	1,483	2,789
USD	+ 150	(70)	(165)	(72)
USD	- 150	70	165	72
DKK	+ 150	(10)	(110)	(146)
DKK	- 150	10	110	146

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – crops and inventories) / total current liabilities) ratios as of 30 June 2009 were 1.21 and 0.78, respectively (1.20 and 0.69 as of 30 June 2008 and 1.01 and 0.72 as of 30 June 2007, respectively).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (scheduled payments including interest).

	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current borrowings*	-	483	6,736	22,574	-	6,595	36,388
Lease liabilities*	-	253	759	1,497	72	329	2,910
Current borrowings*	4,132	64,511	8,073	-	-	-	76,716
Payables to related parties*	-	1,253	6,238	-	-	-	7,491
Current trade payables*	-	56,861	7,733	-	-	-	64,594
Other liabilities*	-	332	244	-	-	-	576
<b>Balance as of 30 June 2007*</b>	<b>4,132</b>	<b>123,693</b>	<b>29,783</b>	<b>24,071</b>	<b>72</b>	<b>6,924</b>	<b>188,675</b>
Non-current borrowings*	-	2,112	9,316	57,275	-	8,374	77,077
Lease liabilities*	-	405	1,047	2,342	44	211	4,049
Current borrowings*	44,506	27,567	55,654	-	-	-	127,727
Payables to related parties*	-	17,849	-	-	-	-	17,849
Current trade payables*	-	62,281	924	-	-	-	63,205
Other liabilities*	-	2,021	125	-	-	-	2,146
<b>Balance as of 30 June 2008*</b>	<b>44,506</b>	<b>112,235</b>	<b>67,066</b>	<b>59,617</b>	<b>44</b>	<b>8,585</b>	<b>292,053</b>
Non-current borrowings	6,135	21,026	18,942	9,563	12,448	10,237	78,351
Lease liabilities	-	273	974	1,001	1,116	397	3,761
Current borrowings	28,226	7,127	46,291	-	-	-	81,644
Payables to related parties	-	2,096	2,512	-	-	-	4,608
Current trade payables	634	35,832	3,526	-	-	-	39,992
Other liabilities	-	417	131	-	-	-	548
<b>Balance as of 30 June 2009</b>	<b>34,995</b>	<b>66,771</b>	<b>72,376</b>	<b>10,564</b>	<b>13,564</b>	<b>10,634</b>	<b>208,904</b>

\* restated.



**AB LINAS AGRO GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(all amounts are in LTL thousand unless otherwise stated)

**36 Financial assets and liabilities and risk management (cont'd)**

Foreign exchange risk

Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. When the Group opens a position in USD (i.e., goods are bought for USD and sold for EUR or vice versa), it manages USD exposure by changing positions in its credit line, i.e., buys or sells USD to close the open position. The Group does not use any financial instruments to manage its exposure to foreign exchange risk other than aiming to borrow in EUR, to which LTL and LVL are pegged. Monetary assets and liabilities stated in various currencies as of 30 June 2009, 2008 and 2007 were as follows:

	30 June 2009		30 June 2008		30 June 2007	
	Assets	Liabilities	Assets (restated)	Liabilities (restated)	Assets (restated)	Liabilities (restated)
LTL	85,447	80,490	101,131	118,991	73,341	127,120
EUR (LTL equivalent)	60,910	111,553	65,330	150,764	19,919	19,303
USD (LTL equivalent)	11,511	13,262	5,142	3,835	29,783	33,691
DKK (LTL equivalent)	74	5,822	5,030	9,365	3,894	9,709
LVL (LTL equivalent)	1,102	510	3,213	5,743	11,173	2,072
GBP (LTL equivalent)	-	174	-	169	-	161
	<b>159,044</b>	<b>211,811</b>	<b>179,846</b>	<b>288,867</b>	<b>138,110</b>	<b>192,056</b>

The following table demonstrates the sensitivity to a reasonably possible change in respect of currency exchange rate, with all other variables held constant of the Group's profit before tax (due to change in the fair value of monetary assets and liabilities):

	Increase/ decrease in exchange rate	Effect on the profit before income tax for the year ended		
		30 June 2009	30 June 2008 (restated)	30 June 2007 (restated)
USD	+ 15.00 %	(263)	196	(586)
USD	- 15.00 %	263	(196)	586
DKK	+ 5.00 %	(287)	(217)	(291)
DKK	- 5.00 %	287	217	291
LVL	+ 1.00 %	6	(25)	91
LVL	- 1.00 %	(6)	25	(91)

Risk management arising from biological assets strategies

The Group is engaged in wholesale trade of milk and grains and is, therefore, exposed to risks arising from changes in milk and grain prices. The Group's wholesale agreements for milk and grains do not represent financial instruments but represent a significant price risk. The Group does not anticipate that milk and grain prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of the decline in milk and grain prices. The Group reviews its outlook for milk and grain prices regularly in considering the need for active risk management.

**36 Financial assets and liabilities and risk management (cont'd)**

Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade, related party and other accounts receivable, trade, related party and other payables, non-current and current borrowings.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amounts of financial assets and liabilities of the Group are approximately equal to their fair value.

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loans and other financial assets have been calculated using market interest rates.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- (a) The carrying amount of trade, related party and other accounts receivable, current trade, related party and other accounts payable and current borrowings approximates fair value.
- (b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

Capital management

For capital management purposes the Group's capital includes share capital, share premium, legal reserve, foreign currency translation reserve and retained earnings amounting to LTL 143,967 thousand as of 30 June 2009 (LTL 121,814 thousand as of 30 June 2008 and LTL 80,986 thousand as of 30 June 2007).

The primary objective of the Group's capital management is to ensure that it maintains a strong creditworthiness and healthy capital ratios in order to support its business and maximise shareholder value. The Group holds high capital for possible future expansion and further development of the Group.

The Group manages its capital structure and makes adjustments to it in the light of changes in economics conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2009, 2008 and 2007.

The Group companies (except for companies engaged in agricultural activities) are obliged to keep its equity at no less than 50 % of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. The Group companies comply with this requirement.

The Group monitors capital using a leverage ratio, which is 1 minus total equity divided by total assets of the Group. The Group's policy is to keep the leverage ratio below 75 %.

	<u>As of 30 June 2009</u>	<u>As of 30 June 2008</u>	<u>As of 30 June 2007</u>
Total equity	156,071	132,175	96,546
Total assets	387,228	434,209	311,071
Total equity / Total assets	40 %	30 %	31 %
Leverage ratio	<u>60 %</u>	<u>70 %</u>	<u>69 %</u>

### **37 Commitments and contingencies**

As of 30 June 2009 AB Linas Agro had several bank guarantee contracts signed in favour of NPA for the total amount of LTL 4,102 thousand. No restrictions on AB Linas Agro assets are imposed according to these agreements. Major part of the bank guarantee contracts was cancelled subsequent to the year-end (Note 39).

As of 30 June 2009 the Group is committed to purchase property, plant and equipment for the total amount of LTL 409 thousand (LTL 1,763 thousand and nil as of 30 June 2008 and 2007, respectively).

Additional investments are required for cattle farms located in ŽŪB Aukštadvaris and ŽŪB Sidabravas due to increasing environmental regulation in Lithuania. Incompliance with such regulations may result in significant fines. Total estimated investment value for modernisation till compliance level with the environmental regulations set by the Republic of Lithuania amounts to LTL 1,300 thousand (ŽŪB Aukštadvaris – LTL 650 thousand and ŽŪB Sidabravas – LTL 650 thousand).

As few Group companies (ŽŪB Lukšiai, ŽŪB, Sidabravas, ŽŪB Aukštadvaris and ŽŪB Medeikiai) received grants from the EU and NPA mostly for acquisition of agricultural heavy duty equipment. These companies are committed not to discontinue operations related to agriculture for up to 5 years as of 30 June 2009 (0.5 to 5.5 years as of 30 June 2008 and 1.5 to 6.5 years as of 30 June 2007). In case of non-compliance with the requirements the Group companies will have to return funds received to the state of Lithuania amounting to LTL 7,588 thousand (LTL 6,959 thousand and LTL 5,104 thousand as of 30 June 2008 and 2007).

As of 30 June 2009 the Company is a party to an agreement with the shareholders of UAB Dotnuvos Projektai according to which the Company is obliged to purchase 20 % of UAB Dotnuvos Projektai shares from the other shareholders if the Company's shares are listed on a stock exchange till 31 December 2009. The share purchase price is not specified in the agreement.

AB Linas Agro is a party to the Shareholders' agreement with the minority shareholder of Rosenkrantz A/S. According to the agreement AB Linas Agro has an option to acquire the shares from minority if certain conditions are met. As of 30 June 2009, 2008 and 2007 the intrinsic value of the option was negative; therefore, the option was not accounted for.

### **38 Related parties transactions**

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions.

The related parties of the Group for the years ended 30 June 2009, 2008 and 2007 were as follows (unless otherwise stated):

Darius Zubas (shareholder of the Company, chairman of the board of the Company);  
Vytautas Šidlauskas (shareholder of the Company, member of the board of the Company);  
Dainius Pilkauskas (shareholder of the Company, member of the board of the Company);  
Arūnas Zubas (shareholder of the Company, member of the board of the Company);  
Andrius Pranckevičius (member of the board of the Company);  
Arūnas Jarmalavičius (member of the board of the Company);  
Tomas Tumėnas (member of the board of the Company from 1 October 2008).

Joint ventures:

UAB Dotnuvos Projektai (joint venture of the Company);  
ŽŪB Dotnuvos Agroservisas (related through management of joint venture);  
UAB Kustodija (joint venture of the Company);

Associates:

UAB Jungtinė Ekspedicija (associate of the Company);  
ŽŪB Žvirbloniai (associate of the Company, related till 16 June 2008);  
ŽŪK Kupiškio Grūdai (associate of the Company till 1 July 2008; from 1 July 2008 subsidiary in the Group).

Akola ApS group companies:

Akola ApS (Denmark) (same ultimate shareholders);  
UAB Mestilla (same ultimate shareholders);  
Agrotrade ApS (Denmark), in liquidation status (same ultimate shareholders, related till 30 June 2008);  
OOO Ukrkalyj (Ukraine), in liquidation status (same ultimate shareholders);  
OAO Rajagrohchim (Ukraine) (same ultimate shareholders);  
ZAT UkrAgro NPK (Ukraine) (same ultimate shareholders).

UAB Baltic Fund Investments (Tomas Tumėnas is a director of this company).

38 Related parties transaction (cont'd)

The Group's transactions with related parties in 2009 were as follows:

2009	Purchases	Sales	Receivables			Payables	Current loans borrowed
			Trade receivables	Current loans receivable	Non-current loans receivable		
Shareholders	47	111	-	-	-	-	656
Joint ventures	13,511	2,955	1,477	-	-	4,463	-
Associates	5,662	-	-	-	-	145	-
Akola ApS group companies	13,015	125,063	1,991	9,374	16,991	-	1,609
	32,235	128,129	3,468	9,374	16,991	4,608	2,265*

The Group's transactions with related parties in 2008 were as follows:

2008 (restated)	Purchases	Sales	Receivables			Payables	Non-current loans borrowed
			Trade receivables	Current loans receivable	Non-current loans receivable		
Shareholders	-	145	-	-	3,437	-	-
Joint ventures	16,254	4,966	4,692	-	-	6,627	-
Associates	9,775	201	-	738	-	442	-
Akola ApS group companies	13,322	84,142	90	-	22,309	10,780	12,516
	39,351	89,454	4,782	738	25,746	17,849	12,516

The Group's transactions with related parties in 2007 were as follows:

2007 (restated)	Purchases	Sales	Receivables			Payables	Non-current loans borrowed
			Trade receivables	Current loans receivable	Non-current loans receivable		
Shareholders	-	184	-	-	3,557	-	-
Joint ventures	13,130	705	30	-	-	7,122	-
Associates	2,511	103	216	-	723	369	-
Akola ApS group companies	-	2,520	2,513	-	8,971	-	-
	15,641	3,512	2,759	-	13,251	7,491	-

\* Loans borrowed from related parties are accounted for under current portion of non-current borrowings and current borrowings captions in the balance sheet (Note 23).

Annual interest rate of the Group's current loans receivable, non-current loans receivable from related parties and loans borrowed from related parties is fixed and equals to 8 %. The non-current loan provided to Akola ApS amounting to LTL 16,991 thousand bears 6m EURIBOR + 1.5 % annual interest rate.

Transactions with related parties include sales and purchases of goods and services as well as financing transactions in the ordinary course of business.

There were no guarantees or pledges related to the Group's payables to or receivables from related parties. Receivables and payables from / to related parties will be settled in cash or offset with the payables / receivables from / to respective related parties.

Terms and conditions of the financial assets and liabilities:

- Receivables from related parties are non-interest bearing and are normally settled on 30-day terms.
- Payables to related parties are non-interest bearing and are normally settled on 30-90-day terms.
- Interest payable is normally settled at the end of the loan term.

The Group's receivables from related parties were not past due as of 30 June 2009, 2008 and 2007.

**38 Related parties transaction (cont'd)**

Remuneration of the management and other payments

The Group's management consists of the Company's board of directors and directors of each of the company in the Group. The Group's management remuneration amounted to LTL 3,825 thousand (including LTL 591 thousand of bonuses to the board of directors of Rosenkrantz A/S (Note 29)) in the year ended 30 June 2009 (LTL 2,740 thousand and LTL 2,665 thousand in the years ended 30 June 2008 and 2007, respectively). The Group's management has also received LTL 22 thousand of rent payments for the year ended 30 June 2009 (LTL 7 thousand and LTL 6 thousand for the years ended 30 June 2008 and 2007).

As of 30 June 2009 AB Linas Agro had a loan payable to Dainius Pilkauskas in the amount of LTL 656 thousand. As of 30 June 2008 AB Linas Agro had loans receivable from Darius Zubas, Vytautas Šidlauskas and Dainius Pilkauskas in the amount of LTL 3,437 thousand (LTL 3,557 thousand as of 30 June 2007). During the year ended 30 June 2009 the mentioned individuals transferred their obligations under the loans borrowed from AB Linas Agro to Akola ApS under the novation agreement.

AB Linas Agro supplied Darius Zubas with the guarantee for a loan received from AB Bankas Hansabankas amounting to LTL 6,479 thousand. The guarantee was provided according to contract No. 05-041055-LA2 dated 27 June 2005, according to which it is valid till 1 September 2008. The guarantee was cancelled on 1 September 2008. AB Linas Agro did not incur any expenses relating to the guarantee.

No other payments or property transfers to/from the management were made or accrued, no other loans or guarantees were received/granted in the years ended 30 June 2009, 2008 and 2007.

**39 Subsequent events**

As of 3 July 2009 AB Linas Agro prolonged the credit line agreement with AB SEB bank till 29 June 2010. Also the total credit line limit was increased to LTL 45,000 thousand and EUR 10,137 thousand (equivalent of LTL 35,000 thousand).

In July 2009 AB Linas Agro redeemed bonds issued together with interest accrued (Note 23). The debt was refinanced using the credit line.

As of 24 July 2009 AB Linas Agro granted loans to BL SP Selskohoziastvennyje Uslugi OOO (Belarus) and BL SP Krupica OOO (Belarus) amounting to EUR 1,000 thousand each (equivalent of LTL 3,453 thousand) till 30 September 2010 with an annual interest rate fixed to 12 %.

As of 3 August 2009 AB Linas Agro cancelled the bank guarantee agreement to NPA, value of which was LTL 3,976 thousand.

As of 13 October 2009 the board of the Company proposed an issue of 79 million shares with a par value of LTL 1 to be paid from the share premium of the Company. As of the date of these financial statements the shareholders of the Company have not yet approved the new issue. Below is the effect of the new shares issue on earning per share if the issue occurred as of the balance sheet date:

<b>As presented in the financial statements</b>	<b>Financial year ended</b>		
	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>30 June 2007</b>
Net profit, attributable to the shareholders of the parent	28,114	38,394	16,737
Number of shares outstanding	40,987,228	40,936,138	40,936,138
Basic and diluted earnings per share (in LTL)	0.69	0.94	0.41

<b>After the new share issue</b>	<b>Financial year ended</b>		
	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>30 June 2007</b>
Net profit, attributable to the shareholders of the parent	28,114	38,394	16,737
Number of shares outstanding	119,987,228	119,936,138	119,936,138
Basic and diluted earnings per share (in LTL)	0.23	0.32	0.14



# AB "Linus Agro Group"

Consolidated annual report

2008-2009 financial year

linas  agro

October 2009

## **Independent Auditors' Review Report on consolidated Annual Report of AB Linas Agro Group**

We have reviewed AB Linas Agro Group (hereinafter the Company) and its subsidiaries (hereinafter the Group) consolidated Annual Report for the year ended 30 June 2009. The report is the responsibility of the Company's management. Our responsibility is to report whether there are any material inconsistencies between the financial information included in the consolidated Annual Report and the financial statements.

We have audited the consolidated financial statements of AB Linas Agro Group for the year ended 30 June 2009 in accordance with International Standards on Auditing. On 30 October 2009 we have expressed qualified opinion on these financial statements.

We have read the consolidated Annual Report for the year ended 30 June 2009 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 30 June 2009.

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



Ramūnas Bartašius  
Auditor's licence  
No. 000362  
According to power of attorney  
No. 2009/10/23



Asta Štreimikienė  
Auditor's licence  
No.000382

The review was completed on 30 October 2009.

## CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and submission of Periodical and Additional Information of the Lithuanian Securities Commission, we, Darius Zubas, General Director of AB Linas Agro Group and Tomas Tumėnas, Finance Director of AB Linas Agro Group, hereby confirm that, to the best of our knowledge, information provided in this AB Linas Agro Group 2008-2009 Consolidated Annual Report for the financial year 2008-2009 is correct and accurately describes the business risk and contingencies related to the company's and consolidated operations and further plans of the company's activity.

AB Linas Agro Group General Director      Darius Zubas

30 October 2009

A.V.



AB Linas Agro Group Finance Director      Tomas Tumėnas

30 October 2009

A.V.

A handwritten signature in blue ink, appearing to be "Tomas Tumėnas", written over a dotted line.



**CONTENT**

1.	REPORTING PERIOD OF THE ANNUAL REPORT .....	5
2.	COMPANY DETAILS .....	5
3.	THE MAIN ACTIVITY.....	5
4.	AGREEMENTS CONCLUDED WITH INTERMEDIARIES OF THE PUBLIC SECURITIES MARKET .....	6
5.	AUTHORISED CAPITAL OF THE COMPANY .....	6
6.	INFORMATION ABOUT OWN SHARES OF THE COMPANY.....	7
7.	INFORMATION ABOUT TRADE IN THE COMPANY'S SECURITIES IN THE CONTROLLED MARKETS... 7	
8.	SHAREHOLDERS .....	7
9.	EMPLOYEES.....	7
10.	MANAGEMENT BODIES .....	7
11.	REFERENCES AND OTHER EXPLANATORY NOTES ON THE INFORMATION DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS .....	10
12.	INFORMATION ABOUT SECONDARY COMPANIES OF THE COMPANY .....	11
13.	INFORMATION ON ACTIVITY RESULTS OF THE GROUP .....	12
14.	PLANS AND FORECAST OF THE GROUP'S ACTIVITY .....	15
15.	INFORMATION ABOUT THE PUBLICLY DISCLOSED DATA .....	15
16.	PROCEDURE OF AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION .....	15
17.	INFORMATION ABOUT THE COMPLIANCE WITH THE COMPANY MANAGEMENT CODE.....	16

## 1. REPORTING PERIOD OF THE ANNUAL REPORT

Financial year of AB Linas Agro Group starts on 1 July of the calendar year and ends on 30 June of the next year, therefore this report is prepared for the year 2008-2009, and all the figures are stated as at 30 June 2009, if not indicated otherwise. AB Linas Agro Group is also referred to as the Company in this annual report.

## 2. COMPANY DETAILS

Company name:	AB Linas Agro Group
Legal-organizational form:	Public limited liability company
Authorised capital:	LTL 41,000,000
Registration date:	27 November 1995
Re-registration date:	12 September 2008
Registration certificate No.:	114739
Legal entity code:	148030011
VAT code:	LT480300113
Register of the Company:	State Enterprise Centre of Registers
Registered office:	Smėlynės St. 2C, LT-35143, Panevėžys, Lithuania
Phone No:	(8~45) 50 73 03
Fax No:	(8~45) 50 74 04
E-mail:	<a href="mailto:group@linasagro.lt">group@linasagro.lt</a>
Website:	<a href="http://www.linasagro.lt">www.linasagro.lt</a>

## 3. THE MAIN ACTIVITY

AB Linas Agro Group is the holding company, while its controlled daughter companies are involved in international trading in agricultural commodities, agro inputs supply, manufacturing and processing.

The holding controls such trading companies as AB Linas Agro and Rosenkrantz A/S (Denmark), SIA Linas Agro (Latvia), company providing grain storage services (drying, cleaning, warehousing of grains, and production of feed) UAB Linas Agro Grūdų Centras KŪB, holding controlling agricultural farms UAB Linas Agro Konsultacijos. Together with partners it operates seed manufacturing and agricultural machinery trading company UAB Dotnuvos Projektai, trading company selling plant protection products UAB Kustodija and expediting company UAB Jungtine Ekspedicija.

The largest company of the Group in term of revenues is AB Linas Agro. The main activity of AB Linas Agro is international trading in agricultural commodities. The company trades in grains, oilseeds, oils feedstuff and solid biofuel. The main activity of the company in Lithuania includes organization and buying of crop growing programmes. The company provides farmers with services of professional advisory in the field of crop growing technologies, possibilities of convenient acquisition of certified seeds, fertilizers, plant protection products, and also purchases various grains and rapeseed. Other subsidiaries of AB Linas Agro are vertically integrated and commonly create value added in trade of agricultural commodities, manufacturing and processing chain.

The Company also can be engaged in other activities defined by the Articles of Association.

#### 4. AGREEMENTS CONCLUDED WITH INTERMEDIARIES OF THE PUBLIC SECURITIES MARKET

On 29 May 2006 the Company entered into the Agreement on the Services for the Company with AB SEB Bankas (legal entity code 112021238, Gedimino av. 12, Vilnius), represented by the Financial Markets Department.

#### 5. AUTHORISED CAPITAL OF THE COMPANY

The authorised capital of AB Linas Agro Group, registered in the Company Register of the Republic of Lithuania, amounts to LTL 41,000,000.

The structure of AB Linas Agro Group authorised capital in accordance with the type of shares is the following:

Type of shares	Number of shares	Nominal value, in LTL	Gross nominal value	Authorised capital share (%)
Ordinary registered shares	41,000,000	1	41,000,000	100.00
Total:	41,000,000	-	41,000,000	100.00

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

## **6. INFORMATION ABOUT OWN SHARES OF THE COMPANY**

The Company did not acquire own shares, and the companies controlled by it did not acquire its shares either. The Company and the controlled companies did not sale or purchase own shares during the financial year.

## **7. INFORMATION ABOUT TRADE IN THE COMPANY'S SECURITIES IN THE CONTROLLED MARKETS**

The securities of the Company are not traded in any controlled markets.

## **8. SHAREHOLDERS**

The Company's shareholders as at 30 June 2009 controlling more than 5 % of shares: Akola ApS – 79.99%, Darius Zubas – 14.20%, Vytautas Šidlauskas – 5.01%.

## **9. EMPLOYEES**

As at 30 June 2009 AB Linas Agro Group group had 542 employees or 35 employees more than as at 30 June 2008 (507 employees).

AB Linas Agro Group does not have any collective agreement.

## **10. MANAGEMENT BODIES**

In accordance with the Articles of Association of AB Linas Agro Group, the managing bodies are the following:

- The General Meeting of shareholders;
- The Board of the Company;
- The Head of the Company (Managing Director).

The Company does not have the Supervisory Board.

Articles of Association define that the Company's Board considers and adopts decisions regarding the following:

- 1) The Company's business strategy. The Board is responsible for preparing the Company's business strategy;
- 2) The Company's annual report;
- 3) The Company's management structure and staff posts;
- 4) Posts to which employees are tendered;
- 5) The Company's remuneration policy;
- 6) Reports on the Company's remuneration policy (according to the General Meeting vote);

## 7) Regulations of branches and representative offices of the Company.

The Board elects and recalls the Company's director, sets his / her remuneration and other conditions of job agreement, approves staff regulations, encourage him / her and gives the penalties.

The Board determines the information which is considered the Company's commercial (production) secret. Commercial (production) secret cannot be the information which is required to be public by the Company Law of the Republic of Lithuania Companies and other laws of the Republic of Lithuania.

The Board adopts:

- 1) decisions for the Company to become an incorporator, member or partner of other legal entities;
- 2) decisions to open branches and representative offices of the Company;
- 3) decisions to invest, transfer, lease property, plant and equipment the book value whereof exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction);
- 4) decisions to pledge and mortgage property, plant and equipment the book value whereof exceeds 1/20 of the authorised capital of the Company (calculated for the total amount of transactions);
- 5) decisions to offer surety or guarantee for the obligations of third persons the amount whereof exceeds 1/20 of the authorised capital of the Company;
- 6) decisions to acquire property, plant and equipment the price whereof exceeds 1/20 of the authorised capital of the Company;
- 7) decisions to conclude contracts with the price whereof exceeds 1/20 of the authorised capital of the Company;
- 8) decisions to take and provide the loan with the amount whereof exceeds 1/20 of the authorised capital of the Company;
- 9) decision to restructure the Company in the cases indicated in Law on Enterprise Restructuring of the Republic of Lithuania;
- 10) other decisions indicated in the statutes of the Company and other decisions assigned to the Board competencies during General Meeting of the Board.

The Board is responsible for convening and preparation of General shareholders' Meetings on time.

The work procedures of the Board are determined according to the regulations adopted by the Board.

The Board adopts decisions regarding the issue of bonds.

**THE BOARD** (as at 30 June 2009):

**Darius Zubas** (personal code: 36506150090) – Chairman of the Board, Managing Director (Smėlynės Str. 2C, Panevėžys). No records of conviction for crimes related to ownership, management procedures, finances. Share of the capital and control of other companies are the following:

A member of the Board and Managing Director of AB Linas Agro.

The Chairman of the Board of UAB Mestilla, a shareholder of UAB Mestilla – 13.6% shares and votes.

Shareholder of Akola ApS –71% of shares and votes;

The Chairman of the Board of Rosenkrantz A/S;

Stakeholder of ŽŪB Dotnuvos Agroservisas – 0.015%.

**Vytautas Šidlauskas** (personal code 36306220112) – a member of the Board (the Deputy Chairman of the Board). He does not have records of conviction for crimes related to ownership, management procedures, finances. Share of the capital and control of other companies are the following:

Managing Director of UAB Gerera;

A member of the Board of AB Linas Agro, Commerce Director (Smėlynės Str. 2C, Panevėžys);

The Board member of UAB Mestilla, a shareholder of UAB Mestilla – 7.7% of shares and votes.

Shareholder of Akola ApS – 25% of shares and votes;

The Board member of Rosenkrantz A/S;

Stakeholder of ŽŪB Dotnuvos Agroservisais – 0.009%.

**Dainius Pilkauskas** (personal code 36602170098) – a member of the Board. He does not have records of conviction for crimes related to ownership, management procedures, finances. Share of the capital and control of other companies are the following:

The member of the Board of AB Linas Agro, Trade Director for the Baltic States (Smėlynės Str. 2C, Panevėžys);

A shareholder of UAB Mestilla – 0.68% of shares and votes;

Shareholder of Akola ApS - 2% of shares and votes;

Stakeholder of ŽŪB Dotnuvos Agroservisais – 0.001%.

**Arūnas Zubas** (personal code 36207030218) – a member of the Board (Smėlynės Str. 2C, Panevėžys). He does not have records of conviction for crimes related to ownership, management procedures, finances. Share of the capital and control of other companies are the following:

The member of the Board of AB Linas Agro;

Managing Director of UAB Mestilla, a shareholder of UAB Mestilla – 0.68% of shares and votes.

Shareholder of Akola ApS – 2% of shares and votes.

Stakeholder of ŽŪB Dotnuvos Agroservisais – 0.001%.

**Arūnas Jarmolavičius** (personal code 36402270108) – a member of the Board. He does not have records of conviction for crimes related to ownership, management procedures, finances. A member of the Board of UAB Mestilla, a member of the Board of and Investment Director (Smėlynės Str. 2C, Panevėžys) of AB Linas Agro, a person authorised to act on behalf of Akola ApS in Ukraine and Lithuania. He does not have share in the capital of other companies and their control.

**Andrius Pranckevičius** (personal code 37608171290) – a member of the Board. He does not have records of conviction for crimes related to ownership, management procedures, finances. A member of the Board and Deputy Managing Director of AB Linas Agro (Smėlynės Str. 2C, Panevėžys). He does not have share in the capital of other companies and their control.

**Tomas Tumėnas** (personal code 37203270077) – a member of the Board. He does not have any shares of the Company. He does not have records of conviction for crimes related to ownership, management procedures, finances. A member of the Board and Finance Director (Smėlynės Str. 2C, Panevėžys) of AB Linas Agro. Director of UAB Baltic Fund Investments. Workplaces during the previous 10 years – AB Linas Agro, Baltic Management LLC agency in Lithuania, UAB Baltic Fund Investments.

**ADMINISTRATION** (as at 30 June 2009):

**Darius Zubas** (a. k. 36506150090) – Chairman of the Board, Managing Director (Smėlynės Str. 2C, Panevėžys). No records of conviction for crimes related to ownership, management procedures, finances. Workplaces during the previous 10 years – AB Linas Agro and AB Linas Agro Group.

**Rita Vereikienė** (personal code 47402210625) – chief accountant (Smėlynės Str. 2C, Panevėžys). No held shares of the company. No records of conviction for crimes related to ownership, management procedures, finances. Workplaces during the previous 10 years – AB Panevežio Maistas, UAB Lavirita, State Enterprise Panevėžio penitentiary, Schmitz Cargobull Baltic, AB Linas Agro Group.

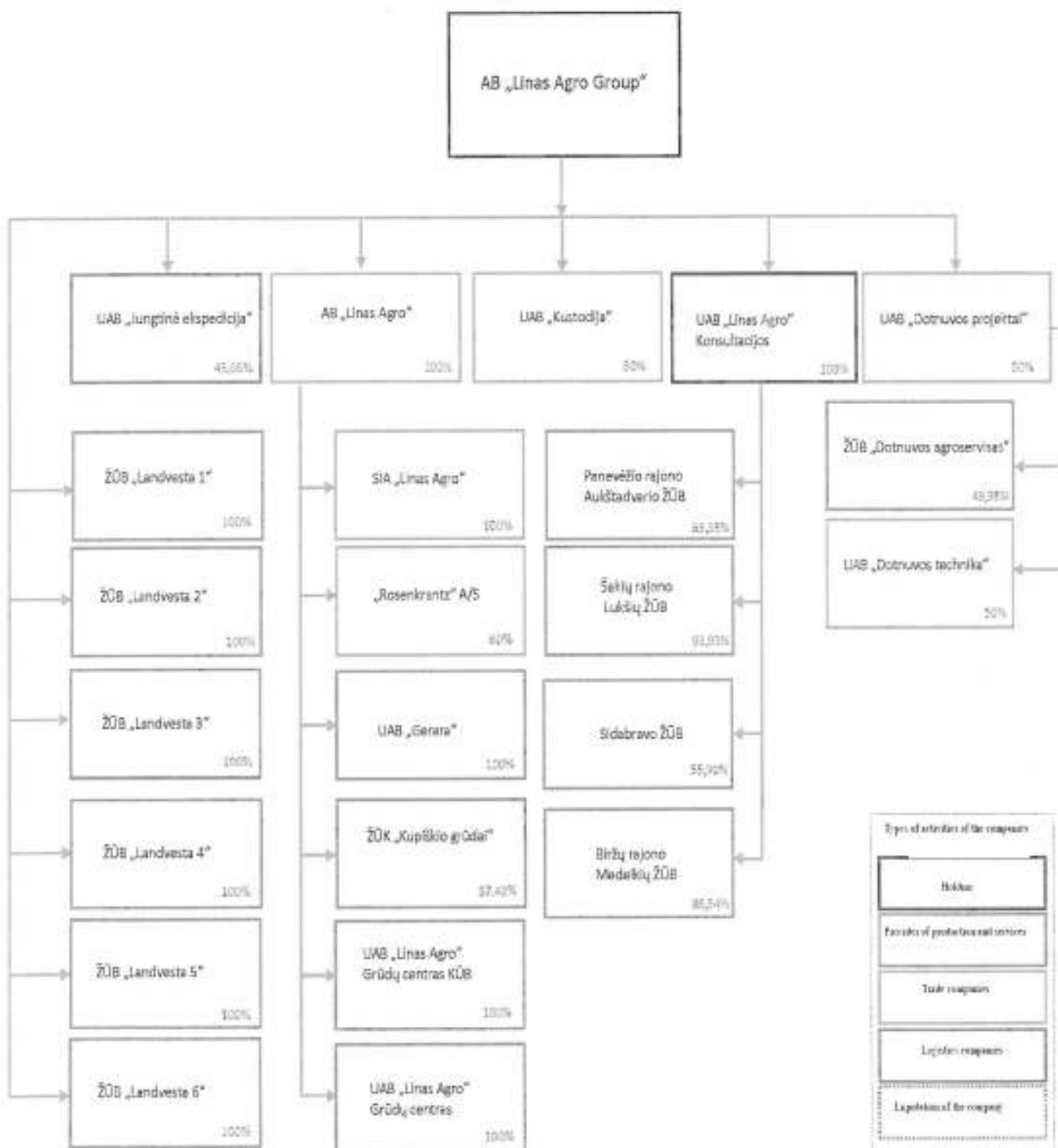
**11. REFERENCES AND OTHER EXPLANATORY NOTES ON THE INFORMATION DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS**

All the financial data disclosed in annual report are presented and audited in accordance with the International Standards on Auditing, if not indicated otherwise.

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

## 12. INFORMATION ABOUT SECONDARY COMPANIES OF THE COMPANY

Structure of AB Linas Agro Group (as at 30 June 2009):





### 13. INFORMATION ON ACTIVITY RESULTS OF THE GROUP

The season of 2008-2009 was quite successful for the companies of AB Linas Agro Group despite world-wide crises. Consolidated turnover of the Group amounted to LTL 1.11 billion what was the most successful achievement in the Group's history and exceeded the same results of the corresponding period of the previous year by almost 23 %. The consolidated audited profit before tax (EBT) exceeded LTL 40 million and was lower as compared with previous period. The net profit amounted to LTL 31.8 million.

The growth in revenue on a year basis was mostly affected due to increase in international trading activity (up 21 %) and successful performance of Rosenkrantz A/S.

The Group companies over referenced period have sold 1.3 million tons of various agricultural commodities and related products, what was by 30 % above as compared to 2007-2008 season. The last season was quite controversial in its nature as prices for agro commodities fell sharply and later on, in spring was fluctuating a lot, which was totally different as compared to 2007-2008 season. Despite of good harvest and increase in export volumes a big challenge was risk management. In order to protect from vulnerable markets and probable losses from price fluctuations, the Group successfully started to sell grains and rapeseeds at MATIF exchange using modern hedging mechanism. The Group's sales of various grain commodities grew by 26.5 % as compared to annual budget. Group's export share amounted to 79 % as of total sales.

The harvest of 2008 for Lithuania was a record high and exceeded previous years. That also successfully contributed towards increase in traded volumes. The sales of agrochemical inputs declined due to dropped demand and decreased prices for fertilizers. In 2009 the contractual programmes for almost 99 thousands ha (a record high figure) were concluded.

The highest in term of revenues Group's subsidiary was AB Linas Agro, which sales in July 2008 – June 2009 amounted to LTL 726 million and were the same as in previous year. The company was the most profitable within the Group and its profit before tax amounted to LTL 15 million (LTL 27.7 million – 2007-2008) and net profit LTL 13 million (LTL 21.5 million – 2007-2008).

The revenue of another trading company - Rosekrantz A/S, which was acquired by the Group during 2008-2009 season, reached record high figures amounting to LTL 892 million. It was almost 40 % above as compared with previous year (LTL 636 million). The Company's profit before tax amounted to LTL 13.6 million and it was 2.7 times higher than it was planned. The net profit before tax reached over LTL 10 million.

The third in term of the profitability group's company was UAB Linas Agro Grūdų Centras KŪB. Its sales totalled to LTL 18.7 million or 8 % less as compared to 2007-2008 (LTL 20.4 million). The profit before tax amounted to LTL 6.7 million or up by 22 % as compared with previous season (LTL 5.5 million) reaching also a record high figure.

Almost all Group's companies operated profitably except no business activity performing companies such as UAB Gerera and UAB Linas Agro Grūdų Centras. The total loss of above mentioned companies amounted to LTL 141 thousand. ŽŪB Landvestos, which main activity is in rent of agricultural purposes land, also generated losses Unprofitably operating companies such as UAB Invisco, UAB Consonus and UAB Sinrena were sold in April 2009.

Despite of economical downturn, successfully operated and group's joint-ventures such as UAB Dotnuvos Projektai and UAB Kustodija, in which the group controls 50 % of shares accordingly. The revenue (losses) of above mentioned companies totalled to LTL 9.44 million and (LTL 0.527 million) respectively.

Last year, AB Linas Agro increased investments in the elevators segment, concentrating on renovation, and invested in the purchases of land for agricultural purposes. Šiaulių Malūnas was acquired and its reconstruction started.

Over the last season the Group's operating expenses totalled to LTL 35 million and were 35 % above as compared with previous year. This is primarily explained due to increase in salaries and consulting expenses.

The major part of operating expenses included expenses related to the main activity: expenses for salaries and taxes amounted to 48 % of all activity costs (increased by 26 % if compare with the year 2007-2008).

Other traditionally significant type of the group's expenses is financial costs which declined by almost 11.6 % amounting to LTL 11.3 million. Provisions for doubtful debts grew and were – LTL 6.1 million.

Group's financial leverage dropped and was equal to 60 %.

Main financial consolidated AB Linas Agro Group indicators are presented in the table below:

Main financial consolidated AB Linas Agro Group indicators	2008-2009	2007-2008
Sales, in LTL thousand	1,113,880	907,006
Profit before depreciation, interest and taxes - EBITDA, in LTL thousand	56,001	66,331
EBITDA / sales indicator, %	5.0	7.3
Profit before interest and taxes - EBIT, in LTL thousand	48,609	61,002
Profit before interest and taxes - EBIT, %	4.4	6.7
Gross profit, in LTL thousand	75,739	75,929
Gross profit, %	6.8	8.4
Net profit, in LTL thousand	31,771	41,269
Net profit, %	2.9	4.6
Equity return, %	20	31
Return on capital used in the activity of the company, %	14	17
<b>Main solvency indicators</b>		
Liquidity ratio	1.21	1.20
Turnover of accounts receivable in days	39	53
Turnover of accounts payable in days	16	36
Turnover of inventories in days	22	46
Turnover in cash in days	46	63
Financial leverage, %	60	70

#### ***Risk factors related to the activity of the Group***

**Market risk.** Understood as a risk to generate less profit than was planned if the conjuncture of market prices is not favourable. This could happen if the market prices would fall below intervention prices (minimum purchase price for grains set by the state) as it would not allow the company to get excess profit. In a case when for certain reasons grain purchase prices fall, the level of prices is upheld by intervention prices and thus guarantee ensure guaranteed income for the farmers. When intervention prices are higher or identical to the market prices, the group's companies sells the grains purchased to the agency and thus earns certain income which in the ordinary market circumstances would be lower than market prices. Starting from 2005, intervention prices are set by the EU and they are calculated for two forward years. For the meantime, the mechanism has not been in use, however, if this would happen and intervention prices would be applied, the Group would be deprived of excess profit.

**Risk related to activities of controlled companies.** The companies controlled by the Group are involved in trade of agricultural inputs, implementation of crop programmes, warehousing of agricultural products and other activities. Though a majority controlled companies operate with a profit, investors

should pay attention to the fact that negative changes in the markets, where the parent and controlled companies operate, could influence their profitability.

**Political risk.** Agriculture is strongly controlled and supervised economy branch in the European Union. Though this control and supervision are oriented towards ensuring sufficient income for the persons involved in agriculture activities, the investor should pay attention to the fact that political changes can influence situation in the market where the group operates.

**Social risk.** Experience and knowledge of the management determines ability of the Group to retain competitive status and to implement development strategy. However there are no guarantees that all main employees of the Group will remain in the Group's in the future. The loss of such employees or failure of the group to employ new employees with the respective knowledge may have significant negative influence on activity perspectives and financial position of the group.

#### **14. PLANS AND FORECAST OF THE GROUP'S ACTIVITY**

It is expected that during the financial year 2009-2010 the consolidated turnover of the Group will keep growing however at a slower pace compared to the year 2008-2009 due to the fall of the global prices of grains. The Group plans to reach the consolidated turnover of LTL 1,125 million. EBITDA should amount to LTL 56 million, while the net profit should reach LTL 32 million.

#### **15. INFORMATION ABOUT THE PUBLICLY DISCLOSED DATA**

The securities of the Company and its subsidiaries are not traded on any controlled market, therefore the Group does have a liability to publicly disclose material events.

The main news and information topical to investors and shareholders can be found on the website of AB Linas Agro Group: [www.linasagro.lt](http://www.linasagro.lt)

Memorandum of Association and Articles of Association, audit and other reports, letters, historical financial data and other related documents of the Company can be familiarized with in cases defined by law, at the registered office of AB Linas Agro Group, Smėlynės Str. 2C, Panevėžys, on working days from 8.00 to 16.30 o'clock.

#### **16. PROCEDURE OF AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

In accordance with the Company Law of the Republic of Lithuania, amendments to the articles of association are the sole right of the general shareholders' meeting. Adoption of the decision is subject to the qualified majority of 2/3 of votes of the shareholders participating in the general shareholders' meeting, except cases other than indicated in the Company Law of the Republic of Lithuania.

## 17. INFORMATION ABOUT THE COMPLIANCE WITH THE COMPANY MANAGEMENT CODE

The Company Management Code effective in Lithuania is recommended but not compulsory for the Company to comply with. In case situation changes and it becomes compulsory (in case the securities issued by the Company are enlisted in the controlled market), AB Linas Agro Group should comply with the principles set out in the mentioned code:

## COMPANY

AB Linas Agro Group  
Smėlynės 2C, LT-35143 Panevėžys, Lithuania

## LEAD MANAGER, UNDERWRITER AND BOOK-RUNNER

Swedbank, AB  
Savanorių 19, LT-03502 Vilnius, Lithuania

## LEGAL ADVISORS TO THE COMPANY

Raidla Lejins & Norcous  
Lvovo 25, LT-09320 Vilnius, Lithuania  
[www.rln.lt](http://www.rln.lt)

## LEGAL ADVISOR TO THE LEAD MANAGER

Sutkienė, Pilkauskas & Partners , TLS Alliance  
Didžioji 23, LT-01128 Vilnius, Lithuania

## AUDITOR

Ernst & Young Baltic, UAB  
Subačiaus 7, LT-01008 Vilnius, Lithuania



**SUPPLEMENT TO THE PROSPECTUS  
FOR THE PUBLIC OFFERING AND THE LISTING OF THE SHARES OF  
AB LINAS AGRO GROUP DATED 7 JANUARY 2010**

This document (the "Supplement") is supplemental to the Prospectus for the public offering and the listing of the shares of AB Linas Agro Group dated 7 January 2010. The purpose of this Supplement is to provide the opportunity to offer the shares of AB Linas Agro Group in the United Kingdom and the United States, to specify the procedure for submission of purchase undertakings in Estonia, to amend technical inaccuracies noticed in the Prospectus and to disclose material facts that have arisen after the approval of the Prospectus.

This Supplement forms an integral part of the Prospectus and must be read in conjunction with the Prospectus.

A summary of the Prospectus was also made available as a separate document in the Lithuanian, Estonian and English languages (such separate document was not merely a translation of the Summary, as defined in the Prospectus, and contained more information than the Summary). As certain changes made by this Supplement will affect the wording of such separate document, a new summary as a separate document in the Lithuanian, Estonian and English will be prepared and made available for the investors.

Upon approval by a competent authority, this Supplement will be published in the same manner as the Prospectus. Investors who have submitted their purchase undertakings before the announcement date will be given the opportunity to cancel such undertakings within five working days after the announcement.

Save as disclosed in this Supplement, no other new significant fact, material mistake or inaccuracy relating to the information contained in the Prospectus has arisen or been noted, as the case may be, since the approval of the Prospectus.

The following amendments to the Prospectus are made by this Supplement:

- On page 1 of the Prospectus, immediately after the last paragraph to insert the following two new paragraphs containing notices to prospective investors in the United States and New Hampshire residents:

**"NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES**

**The securities offered hereby have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.**

**The Shares have not been and will not be registered under the Securities Act and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Shares are being offered and sold (a) in the United States, only to "qualified institutional buyers" (as defined in Rule 144A) in transactions exempt from the registration requirements of the Securities Act, and (b) outside the United States in accordance with Rule 903 of Regulation S under the Securities Act. For further details see Section *Offering and Transfer Restrictions*, page 127.**

**In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein.**

**The information contained in this Prospectus has been provided by AB Linas Agro Group and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Lead Manager or its representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without prior written consent of AB Linas Agro Group, is prohibited. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Shares.**

**NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW**





HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH."

- On page 1 of the Prospectus and on page 5 of the Prospectus, in Section *Presentation of Information*, Subsection *Dating of Information*, to amend the date of the Prospectus from "7 January 2009" to "7 January 2010".
- On page 6 of the Prospectus, in Section *Presentation of Information*, to amend the definition of the "Institutional Offering" by deleting the wording "except for the United States and the United Kingdom". Accordingly, the definition of the "Institutional Offering" is replaced as follows:

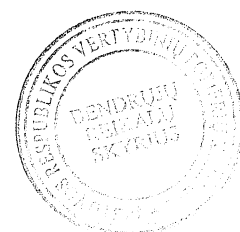
**"Institutional Offering** The offering of the Offer Shares to the Institutional Investors worldwide in reliance on certain exemptions found in the national securities legislation of each relevant country, which does not constitute a public offering of the Offer Shares."

- On page 13 of the Prospectus, in Section *Offering* to amend the first paragraph of the Subsection *Offering* by including the wording specifying the private offer of the Offer Shares outside and in the United States. Accordingly, the first paragraph of the Subsection *Offering* is replaced as follows:

**"Offering.** The Selling Shareholder of the Company is offering for sale 55,629,140 Offer Shares (including 8,344,371 Additional Shares which are subject to the Over-Allotment Option). The Selling Shareholder is publicly offering the Offer Shares for sale to the Retail Investors in Lithuania and Estonia and is offering them privately to the Institutional Investors inside and outside these countries except for the jurisdictions, where such offer or sale is not permitted. The public offering made to the Retail Investors in Lithuania and Estonia is conducted in accordance with applicable laws as a secondary offering of the Shares of the Company. The private offering made to the Institutional Investors inside and outside Lithuania and Estonia is targeted to pre-determined professional investors and does not constitute a public offer of the Shares under the laws of any jurisdiction. The Institutional Offering constitutes a private offer of the Offer Shares (i) outside the United States in accordance with Rule 903 of Regulation S under the Securities Act or (ii) in the United States, only to "qualified institutional buyers" (as defined in Rule 144A) in transactions exempt from the registration requirements of the Securities Act. The Retail Offering and the Institutional Offering together constitute the Offering. The complete set of conditions applicable to the Offering may be found in Section *Terms and Conditions of the Offering*, page 121."

- On page 98 of the Prospectus, in Section *Governmental, Legal and Arbitration Proceedings Having Significant Effect*, to supplement the last sentence with the wording regarding potential arbitration proceedings. Accordingly, the Section *Governmental, Legal and Arbitration Proceedings Having Significant Effect* is replaced as follows:

"From time to time the Group companies are involved in various governmental, legal and arbitration proceedings arising out of ordinary course of business of the Group. However, on the date of this Prospectus the Group companies are not involved or during the last 12 months preceding the date of this Prospectus have not been involved in any governmental, legal or arbitration proceedings that has had or may have significant effects on the financial position or profitability of the Group. Nor is the Company aware of any circumstances that could reasonably be expected to lead to such proceedings in the foreseeable future, except for disagreement between the Company and its former financial advisor which was engaged to assist the Company in carrying out the initial public offering (IPO) of the Company's shares (for more details regarding this agreement please see Section *Other Agreements*, page 111); there exists a risk that the financial advisor will request payment of the success fee and initiate arbitration proceedings against the Company (for the Management's position in relation to claims of the financial advisor please see Section *Other Agreements*, page 111)."



- On page 111 of the Prospectus, in Section *Loan Agreements, Table 92*, to amend the maturity date of the loan granted by Baltic Land Invest ApS from "30 January 2018" to "1 June 2014". Accordingly, *Table 92* is replaced as follows:

**"Table 1. Loans granted by third parties to the Group companies**

Third party lender	The Group company - borrower	Maturity	Interest rate	Security	Outstanding loan amount as of 30 June 2009
Baltic Land Invest ApS	ŽŪB Landvesta 1	1 June 2014	0.00%	Unsecured	LTL 1,400 thousand <sup>1</sup>
BALTTRANS L.L.C	AB Linas Agro	20 June 2010	6.00%	Unsecured	USD 600 thousand
Henrikas Pilkauskas	AB Linas Agro	30 April 2011	7.00%	Unsecured	LTL 397 thousand
Asta Pribušauskienė	AB Linas Agro	30 June 2010	7.00%	Unsecured	LTL 250 thousand
Borisas Lebedevas	AB Linas Agro	30 June 2010	7.00%	Unsecured	LTL 250 thousand
Niels Arnold Lund	Aukštadvario ŽŪB	1 May 2011	6.35%	Unsecured	LTL 31 thousand

<sup>1</sup> The carrying value of this loan makes LTL 959 thousand after the discounting applied.  
Source: the Company"

- On page 123 of the Prospectus, in Section *Submission of Purchase Undertakings*, to delete the paragraph on submission of Purchase Undertakings in Estonia and to replace it with the following wording:

"- in Estonia, the Purchase Undertaking may be submitted:

- physically through the designated branches of Swedbank, AS. Information in regard to branch office locations can be accessed from Internet (<https://www.swedbank.ee/private/home/more/channels/branches>)
- over Internet means: "Swedbank" Internet bank ([www.swedbank.ee](http://www.swedbank.ee)) "Investment, saving, pension": choose under section Stocks the option "Subscription" (in case of questions, please call to Swedbank, AS at tel. 6 310 310 before submitting the Purchase Undertaking via Internet)."

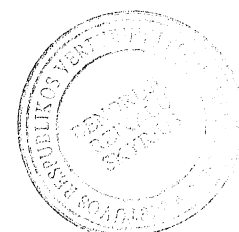
- On page 127 of the Prospectus, in Section *Offering and Transfer Restrictions*, to delete the Subsection *For Shareholders in the United States* and to replace it with the following wording:

**"For Shareholders in the United States**

The Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each purchaser of the Shares within the United States will be deemed to have represented and agreed that it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. The purchaser acknowledges that the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;
2. The purchaser (i) is a qualified institutional buyer (as defined in Rule 144A under the Securities Act), (ii) is aware that the sale to it is being made in accordance with an exemption from the registration requirements of the Securities Act, and (iii) is acquiring such Shares for its own account or for the account of a qualified institutional buyer;
3. The purchaser is aware the Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
4. If in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Shares, such Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S under the Securities Act, or (iii) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
5. The Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Shares;



6. The purchaser will not deposit or cause to be deposited such Shares into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act; and
  7. The Company shall not recognize any offer, sale pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions."
- On page 128 of the Prospectus, in Section *Offering and Transfer Restrictions*, to delete the Subsection *For Shareholders outside the United States* and to replace it with the following wording:

**"For Shareholders outside the United States**

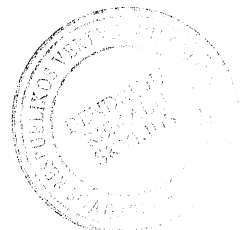
Each purchaser of the Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. The purchaser acknowledges that the Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;
2. The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Shares, was located outside the United States at the time the buy order for the Shares was originated and continues to be located outside the United States and has not purchased the Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Shares to any person in the United States;
3. It is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Shares from the Company or an affiliate thereof in the initial distribution of the Shares;
4. The purchaser is aware of the restrictions on the offer and sale of the Shares pursuant to Regulation S described in this Prospectus;
5. The Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S under the Securities Act; and
6. Neither the Company nor the Selling Shareholder shall recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions."

For and on behalf of signatories to the Prospectus:

  
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Darius Zubas  
Chairman of the Management Board  
AB Linas Agro Group

Lead Manager, Underwriter and Book-Runner  
Swedbank, AB  
Dated 18 January 2010



**SUPPLEMENT NO 2 TO THE PROSPECTUS  
FOR THE PUBLIC OFFERING AND THE LISTING OF THE SHARES OF  
AB LINAS AGRO GROUP DATED 7 JANUARY 2010, INCLUDING ITS SUPPLEMENT DATED 18 JANUARY 2010**

This document (the "Supplement") is supplemental to the Prospectus for the public offering and the listing of the shares of AB Linas Agro Group dated 7 January 2010, including its supplement dated 18 January 2010 (the "Prospectus"). The purpose of this Supplement is to disclose new fact that has arisen after the approval of the Prospectus.

This Supplement forms an integral part of the Prospectus and must be read in conjunction with the Prospectus.

Upon approval by a competent authority, this Supplement will be published in the same manner as the Prospectus. Investors who have submitted their purchase undertakings before the announcement date will be given the opportunity to cancel such undertakings within five working days after the announcement.

Save as disclosed in this Supplement, no other new significant fact, material mistake or inaccuracy relating to the information contained in the Prospectus has arisen or been noted, as the case may be, since the approval of the Prospectus.

The following supplement to the Prospectus is made by this Supplement:

- This Supplement incorporates the consolidated interim income statement of AB Linas Agro Group for the six months period ended 31 December 2009 (unaudited). The above-mentioned statement is provided below:

**AB LINAS AGRO GROUP  
CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2009  
(UNAUDITED)**

(all amounts are in LTL thousand unless otherwise indicated)

**CONSOLIDATED INCOME STATEMENT**

	<b>July - December</b>	
	<b>2009/2010</b>	<b>2008/2009</b>
<b>Sales</b>	<b>554.357</b>	<b>749.798</b>
Cost of sales	-509.290	-708.779
<b>Gross profit</b>	<b>45.067</b>	<b>41.019</b>
Operating expenses	-12.651	-15.204
Other operating income	673	3.060
Other operating expenses	-329	-261
<b>Operating profit</b>	<b>32.760</b>	<b>28.614</b>
Income from financing activities	1.455	1.094
Expenses from financing activities	-3.184	-7.305
Income from associates and joint ventures	1.413	3.684
<b>Profit before tax</b>	<b>32.444</b>	<b>26.087</b>
Income tax	-6.703	-6.218
<b>Net profit</b>	<b>25.741</b>	<b>19.869</b>
<b>Attributable to:</b>		
The equity holders of the parent	24.962	17.218
Minority interest	779	2.651
<b>Additional information to the income statement:</b>		
<b>EBITDA</b>	<b>38.008</b>	<b>36.178</b>
Depreciation and amortization	3.835	3.880

Darius Zubas  
Chairman of the Management Board  
AB Linas Agro Group

Lead Manager, Underwriter and Book-Runner  
Swedbank, AB  
Dated 28 January 2010

