

# **CONSOLIDATED INTERIM REPORT**

**OF THE FINANCIAL YEAR 2016/17**

**OF AB LINAS AGRO GROUP**

**FOR THE NINE MONTH PERIOD**

**ENDED 31 MARCH 2017**




## CONFIRMATION OF RESPONSIBLE PERSONS

Following the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodical and Additional Information of the Bank of Lithuania, we, Darius Zubas, Managing 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, the not audited AB Linas Agro Group Interim Consolidated Financial Statements for the nine months of the financial year 2016/17, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of assets, liabilities, financial position, profit or losses and cash flow of AB Linas Agro Group and the Group as well. We also confirm that Interim Consolidated Report for the nine months of the financial year 2016/17 includes fair review of the business development and activities, together with the description of the major risks and indeterminations incurred.

AB Linas Agro Group Managing Director

31 May 2017

Darius Zubas



AB Linas Agro Group Finance Director

31 May 2017

Tomas Tumėnas



## COMPANY DETAILS

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

## ABOUT THE GROUP

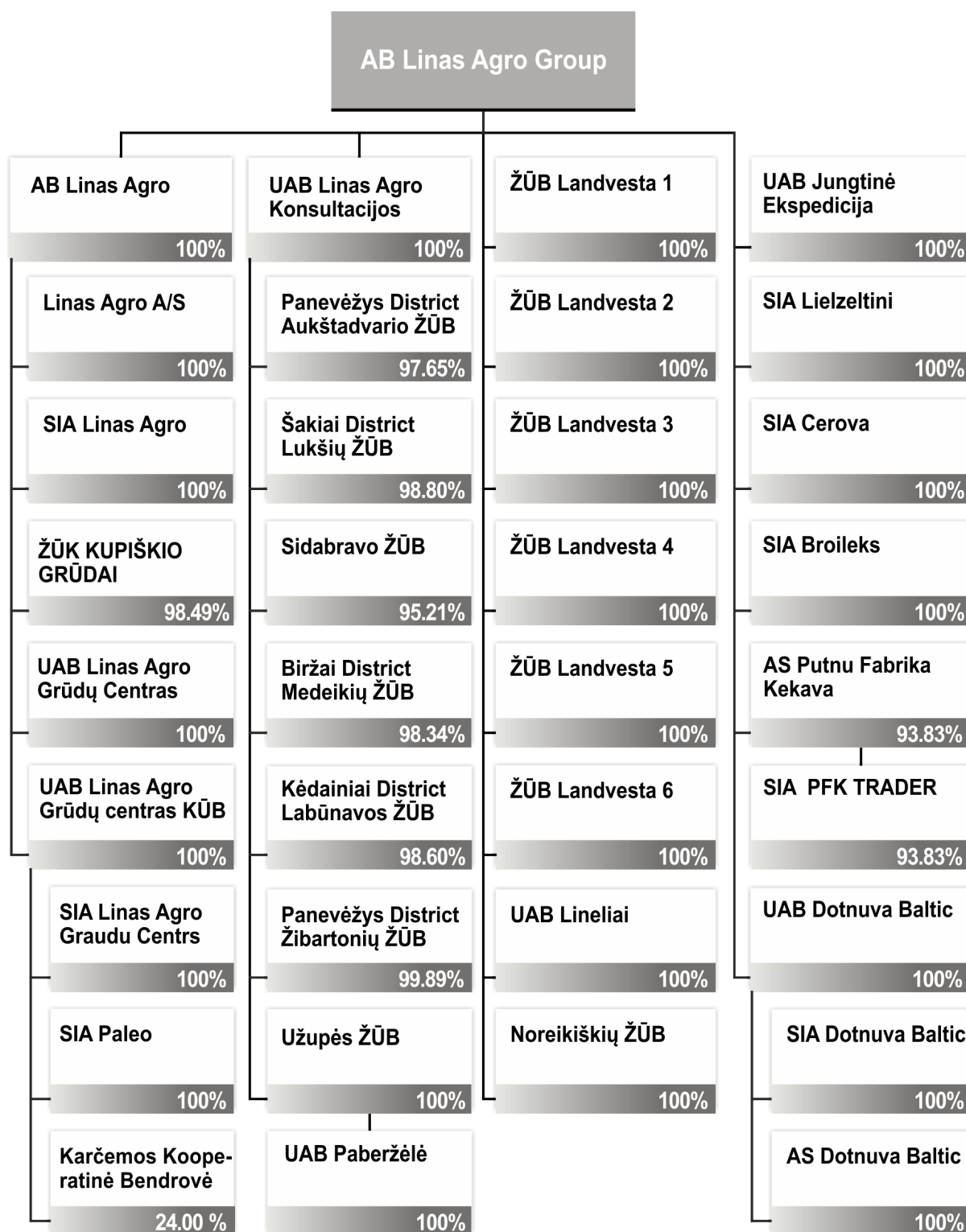
Linas Agro Group together with its directly and indirectly controlled companies (hereinafter – subsidiaries) makes the Group, which was founded in 1991 and had 39 companies at the end of the reporting period, and operates in four countries – Lithuania, Latvia, Estonia and Denmark. As at 31 March, 2017 the total headcount of the Group amounted to 2,195 employees. The financial year of the Group begins on 1 July.

The Company does not have any branches and representative offices.

## STRUCTURAL CHART OF THE EFFECTIVE STOCK HELD BY AB LINAS AGRO GROUP

The Company controlled 38 companies\* in Lithuania, Latvia, Estonia and Denmark as at 31 March, 2017.

\*Dormant companies UAB Gerera (100% shares), UAB Dotnuvos Technika (100% shares) and SIA Erfolg Group (93.83% shares) not included).



## THE MAIN ACTIVITY

The subsidiaries controlled by the Company produce, handle and merchandise agricultural and food products; also provide products and services for farming. The Company performs only the management function and is not involved in any trading or production activities.

The Group is the leading exporter of grains and owns network of grain storage facilities. Also is one of the leaders in supplies of agricultural inputs (such as certified seeds, fertilizers and agricultural machinery) in Lithuania, has seed preparation plant. Also the Group is a major milk producer in Lithuania and poultry producer in Latvia.

The Group's activities are subdivided into five basic operating Segments: 'Grain and Feedstuff Handling and Merchandising', 'Products and Services for Farming', 'Agricultural Production', 'Food products', and 'Other'.

Division into separate Segments is dictated by different types of products and character of related activities; however, activities of the Segments are often interconnected.

## ACTIVITY AND FINANCIAL RESULTS OF THE GROUP

- Consolidated revenue of AB Linas Agro Group in nine months of 2016/17 financial year totaled EUR 448 million and was 5.5% less as compared to previous year (EUR 474 million).
- The Group's sales volume in tons reached 1.6 millions of various grains and agricultural inputs and was 10.5% less as compared to previous year (1.8 million tons).
- The gross profit reached EUR 30.0 million or was 5% higher than a year before (EUR 28.6 million).
- Consolidated EBITDA remained unchanged and amounted to EUR 13.3 million.
- The Group's operating profit reached EUR 6.0 million or was 8% more as compared to the respective period of the previous year (EUR 5.5 million).
- Profit before taxes amounted to almost EUR 4.3 million (compared to EUR 3.9 million in previous year). The net profit attributable to the Group stood at EUR 2.5 million (EUR 3.0 million in previous year).

## FINANCIAL RATIOS

	2016/17 9 months	2015/16 9 months	2014/15 9 months	2013/14 9 months	2012/13 9 months
Sales in tons	1.60	1.78	1.66	1.56	1.54
Revenue (in million EUR)	448	474	445	458	480
Gross profit (in million EUR)	30.0	28.6	27.8	28.4	35.5
EBITDA (in million EUR)	13.3	13.3	13.5	21.8	33.6
Operating profit (in million EUR)	5.9	5.5	6.3	15.9	27.9
Net profit (in million EUR)	2.59	3.0	3.8	14.0	24.1

## OVERVIEW

The lower harvest in the Baltic countries in 2016 as compared to 2015 had a negative impact on sales of grain and feedstuff, where total traded volume in tons dropped from 1.5 million to 1.3 million. The total Group's sales volume in tons decreased by 11.1% from 1.8 million to 1.6 million.

The consolidated revenue of AB Linas Agro Group over nine months of this financial year amounted to EUR 448 million and declined by 5.5% compared to previous year (EUR 474 million). The main reasons that had a negative impact on the drop in revenue were declined sales in grain, oilseeds and feedstuff, where sales revenue have shrunken from almost EUR 324 million to EUR 292 million. Decline in crop yield in agricultural companies controlled by the Group have negatively affected their sales: the revenue gained from farming diminished from EUR 21.7 million to EUR 20.7 million. Revenue of poultry business remained almost unchanged and was EUR 44.4 million compared to EUR 44.9 the year before. The revenue gained from products and services for farming slightly recovered from EUR 105 million in FY 2015/16 to EUR 106 million.

Despite a decline in revenue, the third financial quarter of the year was profitable and the Group finished the quarter with a EUR 2.3 million in operating profit (EUR 3.7 million loss was recorded in the corresponding period of previous year). Operating profit was recorded mainly in all Group's business segments, where the largest one amounted to EUR 3.2 million in *Grain and Feedstuff Handling and Merchandising* business SAegment.

Gross profit of AB Linas Agro Group over first nine months grew by 5.5% and amounted to EUR 30.1 million (EUR 28.6 million a year before), and operating profit increased from EUR 5.5 million to EUR 5.9 million. Group's EBITDA remained almost unchanged and amounted to EUR 13.25 million as compared to EUR 13.26 million in 2015/16 financial year. Group's net profit attributable to shareholders remained almost unchanged and amounted to EUR 2.5 million as compared to EUR 3.0 million a year ago.

## FINANCIAL COSTS

Financial expenses remained almost unchanged from last year over the referenced period amounting to EUR 2.09 million (EUR 2.07 million in FY 2015/16). Despite the fact that amount of financial loans increased from EUR 113 million to EUR 137 million, due to ongoing drop of interest rate base and lower margins on banking loans, financial expenditures remained unchanged. Borrowings increased as short-term loans to

finance trade activity went up as sales of various agricultural inputs to the farmers increased and stock grew as well. Also long-term loans due to undergoing investments into poultry business were higher.

## CASH FLOW

Group's cash flow from operating activities before the changes in working capital remained almost unchanged and amounted to EUR 11.1 million as compared to EUR 12.7 million of the corresponding period of the previous year. Cash flow from operating activities after changes in working capital was negative and amounted to EUR 46.3 million (negative EUR 14.2 million over the respective period of 2015/16 financial year), the reason was increase in stocks as those over referenced period grew up by EUR 42 million. Group's cash and cash equivalents at the end of the reporting period amounted to EUR 9.9 million (EUR 13.9 million in 2015/16 financial year).

## PERFORMANCE RESULTS OF THE SEGMENTS

Activities of the Group are divided into five business Segments:

1. Grain and Feedstuff Handling and Merchandising;
2. Products and Services for Farming;
3. Agricultural Production;
4. Food products;
5. Other.

## OPERATING PROFIT (LOSS) BY SEGMENTS, THOUSAND EUR

	2016/17 9 months	2015/16 9 months	2014/15 9 months	2013/14 9 months	2012/13 9 months
Grain and Feedstuff Handling and Merchandising	7,242	10,378	7,311	7,969	24,321
Products and Services for Farming	1,562	506	235	1,339	5,730
Agricultural Production	(838)	(3,728)	(1,245)	(54)	3,011
Food products	697	1,102	3,697	9,506	n/a
Other	93	53	65	(233)	(201)

## GRAIN AND FEEDSTUFF HANDLING AND MERCHANDISING

Being the largest operating Segment, this one includes the sale of grain, oilseeds and feedstuffs, as well as grain storage and logistic services.

The Group has been operating in this field since 1991, this activity generates the major part of the Group's revenue. Two companies of the Group - AB Linas Agro and Linas Agro AS - are holders of the European Good Trading Practice certificates. Also AB Linas Agro holds a certificate in trade of organic plant production issued by the PE Ekoagros, is ISCC (International Sustainability and Carbon certification) certified. AB Linas Agro received a GMP+ (European Good Manufacturing Practice) certification and SIA Linas Agro was ISCC certified during the reporting period.

The Group consistently expands the capacity of its own grain elevators, and currently the Group's own storage capacity for various grains amounts to 213 thousand tons. The capacities of the storage facilities at ports operated by the Group reach 180 thousand tons.

The total sales volume in this business Segment dropped by 12% from 1.5 million tons to 1.3 million tons and sales revenue plunged from EUR 324 million to EUR 292 million. The sales of traditional crops (wheat, rapeseed, barley) declined by 11%: their trading volume in tons dropped from 1.2 million to 1.1 million. A part of grains sale contracts were shifted into the fourth quarter of the financial year.

The sales of feedstuff in tons decreased by 16% due to the high ending stocks of feed manufacturers and a subsequent fall in demand, as well as of the poor harvest in some of the supply regions, while the revenue from feedstuff sales decreased from EUR 74 million to EUR 69 million. The Group produced and sold almost 7 thousand tons of feed, or almost 23% more than a year before.

Grain storage facilities owned by the Group collected and processed 450 thousand tons of various grains or 13% less as compared to the respective period of the 2015/16 financial year. The grain, harvested in autumn 2016 had high moisture content, and therefore revenue and profit earned by grain elevators from the drying service went up. The gross profit of the Group-owned grain elevators grew from EUR 1.8 million to EUR 3.4 million.

Operating profit of this business Segment dropped by 30% from EUR 10.4 million to EUR 7.3 million. Taking into consideration the losses due to poor Lithuanian and Latvian grain quality and lower yield, although a higher profitability from drying services provided by grain elevators, the Group expects to earn the same operating profit for this business Segment for the whole financial year as last year.

The Group started to provide grain drying service in another plot in Latvia (Rezekne) during the referenced period, using for that assets of SIA Paleo which is being acquired by the Group.

The Group invested over 1.1 million euros in grain storage facilities expansion during the reporting period. This investment will significantly strengthen the Group's trade and grain purchase positions in the northern and western parts of Lithuania.

The Group is planning to open a new grain elevator in Kartena (Lithuania) beginning of the next financial year and also expand the capacity of some other grain elevators. Total Groups' own grain storage capacity in Lithuania is to increase by 76,400 tons.

## **PRODUCTS AND SERVICES FOR FARMING**

This business Segment includes trade in seeds, plant protection products, fertilizers, agricultural machinery, design and installation of grain cleaning, drying and storage facilities as well as farms.

A supply of agricultural inputs to the farmers is a long term activity of the Group that trace back to 1993 and is currently run in Lithuania, Latvia and Estonia. Since 1998 the Group is a shareholder of UAB Dotnuva Baltic, a wholesaler and retailer of agricultural machinery and grain storage facilities, a producer of certified seeds.

Sales of this business Segment over referenced period remain almost unchanged and amounted to EUR 106 million as compared to EUR 105 million a year before.

During the referenced period the sales of agricultural machinery and equipment for grain elevators were influenced by the implementation of previously approved EU-supported projects. Although a share of EU support tended to decline in the farmers' investment structure, the expectations for EU support and delay in investments are still substantial in all Baltic countries.



A poor yield of 2016 and decreased grain prices, also fluctuation of milk prices negatively influenced payment ability of the farmers and their possibility to expand and modernize farms. During Q3 of the fiscal year of the Group, 132 new western tractors were registered in Lithuania, or 30% less than during the respective period a year before. A registration of the new western tractors decreased in Latvia by 4%, in Estonia - by 25%. Basically the tractors' registration data shows the shrinkage of the new agricultural machinery market. However, the Group's sales of new agricultural machinery in units had a slight increase of around 2%.

During the reporting period the record number of agreements for implementation of grain storage facilities has been signed - for over 40 units, 16 grain storage complexes were installed, that is 60% more than a year before.

Revenue from sales of agricultural machinery and equipment for grain elevators increased by 5% from EUR 39 million to EUR 41 million, while gross profit went up 9% from EUR 4.9 million to EUR 5.4 million.

Sales of various agricultural inputs (fertilizers, seeds and plant protection products) dropped by 3% to EUR 60.7 million as compared to EUR 62.6 million a year ago.

The gross profit of this business Segment went up from EUR 9.7 million to EUR 11.1 million and operating profit grew from EUR 0.5 million to EUR 1.6 million.

The assortment of plant protection and fertilizers products also the range of agricultural machinery and equipment was expanded. Finnish mobile and stationary portion grain dryers "Arska" were introduced to the Baltic market in March 2017, the range of grain cleaning equipment was extended, and the new niche product of American manufacturer- tub grinders "Haybuster" was introduced to the market.

UAB Dotnuva Baltic joined "Case IH" international service program "Red Excellence", which is focused on continuous improvement of service quality to the the end customers.

## AGRICULTURAL PRODUCTION

This business Segment covers cultivation of cereals, oilseed rape, sugar beet and other crops, production of milk and beef cattle farming. The Group owns six agricultural companies situated on fertile land across Lithuania – Panevėžys District Aukštadvario ŽŪB, Panevėžys District Žibartonių ŽŪB, Kėdainiai District Labūnavos ŽŪB, Šakiai District Lukšių ŽŪB, Biržai District Medeikių ŽŪB and Sidabravo ŽŪB.

Agricultural companies were cultivating 17,232 ha of land. At the end of the reporting period the Group had 6,805 ha of own land. 9,058 ha of winter crops has been planted in autumn 2016, the crops of winter wheat, triticale and barley (6,293 ha in total) looked good in March, 2017. Around 80% of winter rapeseed crop looked good, 13% was in satisfactory condition, and 2% was lost.

It is planned to sow 5,304 hectares with spring crops: 2,362 ha of barley, 1,239 ha of bean, 889 ha of wheat, 554 ha of peas, and 260 hectares of sugar beet.

The unfavorable weather conditions during the harvest period in 2016 had a negative impact on the yield of Group's agricultural companies, therefore the Group's total agricultural production output decreased by 10% to 95 thousand tons in the reporting period. From this amount agricultural commodities made almost 90 thousand tons, or 8% less than a year before. Almost 58 thousand tons of crops were sold, or 18% less than in previous year.

The Group controlled farms own around 3,190 milking cows. Over 21.6 thousand tons of raw milk has been sold over the referenced period, or 8% more as compared to previous year. Around 1,124 tons of meat has been sold or 17% more than in previous year.

The agricultural companies of the Group spent EUR 2.3 million to obtain agricultural machinery.

The revenue of this business Segment went down by 4.4% and amounted to EUR 20.7 million (EUR 27.1 million in 2015/16 year) as revenue from crop sales dropped from EUR 13.2 million to EUR 6.7 million.

The operating profit of the Segment after the changes in biological assets, was negative and amounted to EUR 0.8 million (3.7 million loss was recorded in FY 2015/16).

Though the Group's agricultural companies produced less and lower-quality crop production than a year before, but taking into consideration an upward trend for milk prices (those on average increased by 26% if compared to previous year), the Group expects the annual operating profit of this business Segment to be the same like in FY 2015/16.

## FOOD PRODUCTS

This business Segment includes a whole cycle poultry business, including incubation of hatching eggs, broiler breeding, production of poultry and its products, feed manufacturing for self-supply and retail sale of chicken meat and its products. The Group has acquired shares of Latvian poultry company AS Putnu Fabrika Kekava in October, 2013 and the companies SIA Broileks, SIA Cerova and SIA Lielzeltini in February, 2014.

AS Putnu Fabrika Kekava – No1 poultry producer in Latvia with full poultry manufacturing cycle, including egg incubation, chicken hatching, broiler breeding, production of fresh poultry and processed products under brand name “Kekava”. The subsidiary of the company, SIA PFK Trader operated 21 retail shops all over Latvia. During the reporting period, AS Putnu Fabrika Kekava received the BRC (British Retail Consortium) certification. BRC Global Standard for Food Safety is one of the most effective measures commonly used in assessing the reliability of suppliers.

SIA Lielzeltini – No2 poultry producer in Latvia: has an incomplete production cycle consisting of broiler breeding, production of fresh poultry and processed products sold under the brand name “Bauska”, as well as production of compound feed.

SIA Broileks grows and sells live chicken. SIA Cerova incubate eggs and sells day-old chicks.

The slaughterhouses at which the birds are being slaughtered have Halal certificates.

AS Putnu Fabrika Kekava plans to become the first factory in the Baltic States to produce chicken meat with the label 'Raised without Antibiotics'. Two years ago, the company launched a poultry breeding environment improvement project and brought morbidity down to a minimum.

The poultry companies produced over 29 thousand tons of live weight or 5% more as compared to previous year. Companies sold over 19 thousand tons of poultry and poultry products or 12% less than a year before.

Poultry prices in Europe were influenced by the continuing Russian embargo on EU poultry production and large overcapacity in neighboring Poland. An average broiler price in the EU for the period July 2015 – March 2016 has been about EUR 183/100 kg and this year over the same period it was EUR 177/100 kg.

Revenue from this business Segment slightly declined from EUR 44.9 million to EUR 44.4 million and operating profit decreased from EUR 1.1 million to EUR 0.7 million as compared to the respective period of FY 2015/16.

The Group invested over 3.1 million euros over the referenced period to upgrade poultry production equipment.

Taking into account the current market situation the Group expects close financials results of this business Segment as compared to previous year.

## OTHER

This business Segment includes small activities, not attributable to other Segments, as an example services of elevator's to a third parties, sale of minor assets and etc.

The operating profit of this business Segment amounted to EUR 93 thousand as compared to a EUR 53 thousand profit in previous year.

# THE PUBLICLY DISCLOSED INFORMATION OTHER EVENTS OF THE REPORTING PERIOD

During the reporting period ended 30 September, 2016, the Company publicly disclosed and distributed via Nasdaq Vilnius GlobeNewswire system and in Company's website the following information:

28/2/2017 10:00 EET	AB Linas Agro Group notification about interim 6 months financial results of the financial year 2016/2017	Half Yearly information	En, Lt
20/12/2016 16:00 EET	Notification on AB Linas Agro Group manager's related party transactions	Notification on transactions concluded by managers of the companies	En, Lt
15/12/2016 16:00 EET	AB Linas Agro Group Notification about acquisition of voting rights	Acquisition or disposal of a block of shares	En, Lt
15/12/2016 16:00 EET	Notification on AB Linas Agro Group manager's related party transactions	Notification on transactions concluded by managers of the companies	En, Lt
02/12/2016 09:02 EET	AB Linas Agro Group investor's calendar for the 2017	Other information	En, Lt
30/11/2016 09:33 EET	Notification about interim 3 months financial results of the financial year 2016/17	Interim information	En, Lt
28/10/2016 10:33 EEST	Decisions of the Annual General Meeting of AB Linas Agro Group Shareholders, Held on 27 October 2016	Notification on material event	En, Lt
28/10/2016 10:14 EEST	Procedure for the payout of dividends for the financial year ended 30 June 2016	Notification on material event	En, Lt
28/10/2016 10:14 EEST	AB Linas Agro Group notification about the Annual information of financial year 2015/2016	Annual information	En, Lt

04/10/2016 16:00 EEST	Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Annual information	En, Lt
31/8/2016 12:18 EEST	Notification about interim 12 months financial results of the financial year 2015/2016	Interim informacion	En, Lt

## OTHER EVENTS DURING THE REPORTING PERIOD

July 2016- March 2017	The authorized capital of Noreikiškių ŽŪB was increased from 511,000 to 564,000 euros.
25/11/2016	The Company paid approved EUR 1,202 thousand dividends for the financial year ended 30 June 2016.
July-December 2016	The authorized capital of ŽŪB Landvesta 5 was increased from 906,500 to 1,163,000 euros.
25/11/2016	The Company paid approved EUR 1,202 thousand dividends for the financial year ended 30 June 2016.
23/09/2016	The company transferred 3,000 units of its own shares to the employees of AB Linas Agro. After these transactions, the number of own shares owned by the Company was 782,972.
21/09/2016	The authorized capital of UAB Lineliai was increased from 638,000 to 728,000 euros.
01/07/2016	The authorized capital of SIA Linas Agro Graudu Centrs was increased from 1,656,828 to 2,180,000 euros.

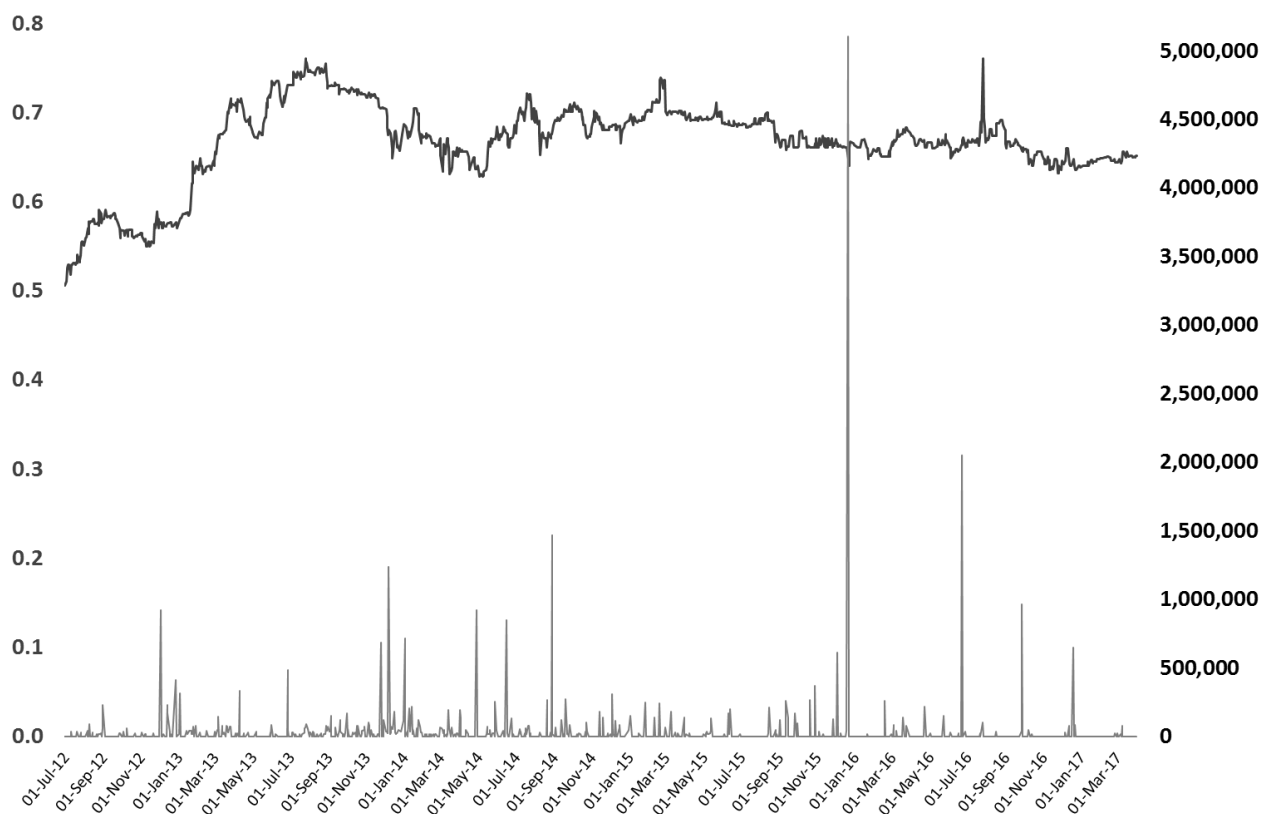
## SUBSEQUENT EVENTS

23/05/2017	The authorized capital of UAB Linas Agro Grūdų Centras KŪB was increased by 949,671.46 euros.
15/05/2017	The authorized capital of SIA Linas Agro Graudu Centrs was increased by 400,000 euros.
08/05/2017	The authorized capital of ŽŪK Kupiškio Grūdai was increased by 146,500 euros.
08/05/2017	The authorized capital of SIA Paleo was increased by 149,647 euros.
03/05/2017	The authorized capital of SIA Linas Agro was increased by 168,565 euros.



# PRICES AND TURNOVER OF SHARES OF AB LINAS AGRO GROUP

Information on changes in the prices of Company's shares and turnover from 01/07/2012 until the end of the reporting period, i. e. 31 March 2017, is presented in the following diagram:



## CONTACT PERSONS

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