

AB LINAS AGRO GROUP
CONSOLIDATED INTERIM
REPORT
FOR FY 2010/2011

FOR 12 MONTHS PERIOD
ENDED JUNE 30, 2011

linas  agro





1. 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	Register of Enterprises of Republic of Lithuania, VĮ Registrų centras
Address	Smėlynės St. 2C, LT-35143, Panevėžys, Lithuania
Phone	+370 45 50 73 03
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E-mail	group@linasagro.lt
Website	www.linasagro.lt
ISIN code	LT0000128092
Ticker in NASDAQ OMX Vilnius	LNA1L

2. THE MAIN ACTIVITY

AB Linas Agro Group is an agricultural company, controlling companies in Lithuania, Latvia, Denmark and Ukraine. In Lithuania, the group owns international trading company AB Linas Agro, grain storage company UAB Linas Agro Grūdų centras KŪB that controls grain storages in Kėdainiai, Kupiškis, Joniškis, Pasvalys, Šiauliai, Vilkaviškis and Šakiai district, a group of companies ŽŪB Landvesta controlling agricultural land, a group of agricultural companies UAB Linas Agro Konsultacijos, lignin biofuel feedstock operator UAB Lignineko and other companies. Foreign companies controlled by the group are international trading company Linas Agro A/S (former Rosenkrantz A/S) in Denmark, trade company in Latvia SIA Linas Agro and the Ukraine based fertilizer production and trade company PJ-SC UKRAGRO NPK. Together with partners, the controlling company owns UAB Dotnuvos projektai and UAB Kustodija, providing agricultural products and services, and logistics company UAB Jungtinė ekspedicija.

The Group is the leading exporter of grains and secondary products of food industry in the Baltic countries and the leader in supplies of agricultural inputs (such as certified seeds, fertilizers, plant protection products and agricultural machinery) in Lithuania. The Group carries out its trading operations mostly through its Denmark-registered subsidiary Linas Agro A/S (former Rosenkrantz A/S). The Group is a



major grains and milk producer in Lithuania. In order to improve its operations, the Group has formed an extensive network of grain storages and logistics network for road, railway, and seaborne transportation.

The Group's activities are subdivided into five basic operating segments: Grains and Oilseeds, Feedstuffs, Farming, Agricultural Inputs, and Other Activities. Division into separate segments is dictated by different types of products and character of related activities; however, activities of the segments are often interconnected. The holding company performs only the management function and is not involved in any trading or production activities.

The financial year of most of the companies of the Group begin on 1 July.

Since 17 February 2010, AB Linas Agro Group was included in the main list of companies whose securities are traded on NASDAQ OMX Vilnius Stock Exchange.

3. INFORMATION ON ACTIVITY RESULTS OF THE COMPANY

- In 2010/2011 financial year, the Group reached record sales of LT 1,356 million, which was 63 % higher as compared to the previous year. The Group's sales were driven by increase in sales volumes and growing worldwide grain prices.
- The trade volumes of AB Linas Agro Group grew up to 1.48 million tons and were 22 % higher as compared to the corresponding period of last year (1.21 million tons). The sharpest increase was seen in fertilizer sales, the tonnage of which increased almost 4.7 times. Such growth was the result of successful fertilizer trading activities in Lithuania and Latvia (19 % increase) and growing sales volumes of Ukraine based subsidiary PJ-SC UKRAGRO NPK – 335 thousand tons were sold (225 thousand tons in financial year 2009/2010).
- The Group earned LTL 83.2 million of gross profit, or 18 % more than over the respective period last year (LTL 70.2 million). The increase in gross profit is mainly associated with agricultural inputs and farming segments, where LTL 44.6 million and LTL 18.7 million was earned respectively. Grains and oilseeds segment experienced LTL 5.7 million of gross loss. This was the result of loss in barley and corn trade due to non-delivery of the products by counterparties under forward contracts and provision for bad debts.
- The Group has successfully accomplished investment program, the major investments were made to finance the development of fertilizer segment and grain storage network. After the end of 2010/2011 trading season the construction of new grain storages of the total capacity of 25 thousand tons in Pasvalys, Vilkaviškis and Šakiai district was finished and since then the total storage capacity of UAB Linas Agro Grūdų KŪB is almost 175 thousand tons.



3.1. KEY PERFORMANCE INDICATORS

	12 months of 2010/2011	12 months of 2009/2010
Sales (LTL)	1,356,127,000	834,116,000
Operating profit (LTL)	83,150,000	70,249,000
Operating profit (LTL) by segments :		
Grains and oilseeds	(32,761,000)	11,657,000
Feedstuffs	551,750	5,069,000
Agricultural inputs	27,303,000	10,428,000
Farming	15,543,000	5,856,000
Other products and services	7,508,000	7,994,000
Net profit (loss) attributable to the Group (LTL)	21,131,000	33,510,000
Turnover (in tons)	1,481,934	1,211,865

3.2. OVERVIEW

Consolidated turnover of AB Linas Agro Group rose 63 % during July 2010 - June 2011 and totaled LTL 1,356 million as compared with corresponding period of previous year. The Group increased the trading volumes to 1.48 million tons, up 22 % from 1.21 million tons in the same period of last season. The biggest turnover was in grains and oilseeds, amounting to LTL 581 million (or 41 % of total sales), and agricultural inputs, amounting to LTL 481 million (or 34 % of total sales). The increase in turnover is the result of growing sales volumes of fertilizers and higher worldwide prices of grains. However, due to especially unfavorable market situation, the consolidated non-audited profit of the Group before tax (EBT) totaled LTL 16.4 million and decreased almost 60 % as compared to the previous respective period (LTL 39.9 million). Group's profitability was negatively affected by provision for bad debts amounting to LTL 18.9 million (AB Linas Agro – LTL 2 million, SIA Linas Agro – LTL 1.3 million and Linas Agro A/S (former Rosenkrantz A/S) – LTL 15.6 million). The provisions were necessary because of suppliers' failure to carry out their obligations to the Group (the major sum is from Linas Agro A/S (former Rosenkrantz A/S) suppliers in Serbia). The Group's profit before tax, financial costs and depreciation (EBITDA) went down from LTL 49.74 million to



LTL 32.5 million. The performance of all companies controlled by the Group (except Linas Agro A/S (former Rosenkrantz A/S)) was profitable.

Operating costs of the Group totaled LTL 65.6 million, which is twice as high as the operating costs of the previous corresponding period (LTL 32 million). The increase in operating costs was mainly influenced by the consolidation effect of the Ukraine based company PJ-SC UKRAGRO NPK (LTL 12.7 million) and provisions of bad debts (LTL 18.9 million).

2010/2011 financial year was the most unsuccessful year throughout the Group's history. The Group is planning considerably better performance in 2011/2012 financial year. This will be achieved with the help of changes in risk management policy, further growth of trading volumes and return on investments made.

3.3. PERFORMANCE OF BUSINESS SEGMENTS

3.3.1. GRAINS AND OILSEEDS

The largest business segment of the Group generated the sales of LTL 581 million during 2010/2011 financial year (LTL 451 million in FY 2009/2010) and the operating loss amounted to LTL 32.7 million. More than 697 thousand tons of various grains and oilseeds were sold (770.6 thousand tons in FY 2009/2010). The leading position was held by rapeseeds and wheat. The decline in segment sales is mainly explained by bad harvest in Lithuania and Latvia. The biggest losses were recorded in barley from the Baltic region and corn purchased from Serbian suppliers (LTL 4 million and LTL 9 million). Losses were experienced due to wash-outs that the Group had to pay for failing to fulfill its obligations to the buyers after non-deliveries by counterparties, poor grain quality, as well as provision for bad debts. The Group has made provisions of LTL 2 million for bad debts in Lithuania and LTL 15.6 million in Serbia. In such a complicated situation, the Group decided to discontinue trading activities with Serbian suppliers or trade with them only having reliable risk management instruments.

3.3.2. FEEDSTUFFS

The sales of feedstuffs reached LTL 264 million and the operating profit totaled LTL 0.5 million and was markedly lower as compared to the previous period (LTL 5.06 million). The sales volumes amounted to 245 thousand tons and were 14 % less as compared to previous period (284 thousand tons). This was the result of decreased sales volumes of vegetable oil (19 %) due to export ban for this product in Belarus, where the Group lost LTL 4 million of revenues planned. The sales of all other feedstuffs was successful.



3.3.3. AGRICULTURAL INPUTS

Agricultural inputs remain one of the most successful business segments – the sales of fertilizers in Lithuania and Latvia compared with the same period of last year grew with 19% and amounted to more than 112 thousand tons. After consolidation of the Ukraine based company PJ-SC UKRAGRO NPK the segment's turnover totaled LTL 481 million (LTL 101.6 million last season) and the sales volumes of fertilizers increased to 447 thousand tons. The operating profit of the segment grew from LTL 10.42 million to LTL 27.3 million. The last season was especially successful for PJ-SC UKRAGRO NPK, as the company's profit before tax reached LTL 12.6 million. The Group is planning further expansion of this important segment's operating volumes.

3.3.4. FARMING

This segment covers agricultural production. It was one of the segments that showed the best performance results during 2010/2011 financial year. Due to increasing grain prices and increased sales volumes in tons the sales of the segment grew from LTL 31 million to LTL 39 million. The operating profit amounted to LTL 15.5 million and was 2.6 times higher as compared to the operating profit of LTL 5.85 million last year. Performance of Group's farming companies was profitable and the net profit of these companies totaled LTL 6.2 million.

3.3.5. OTHER PRODUCTS AND SERVICES

The sales of this business segment are predominated by Group's grain storage services and solid biofuel (lignin) trade. The total sales volumes in this segment reached LTL 40.5 million and that was mainly the revenues from Group's grain storage facilities (elevators). The gross profit of this business segment remains one of the healthiest within the Group and accounts to 19 %. In general, the operating profit remained stable and amounted to LTL 7.5 million (LTL 7.9 million in financial year 2009/2010).

3.4. FINANCIAL COSTS

Rising grain prices resulted in corresponding increase in the Group's demand for working capital. It was one of the main reasons that negatively affected the level of financial expenditures. Financial expenditures also grew due to consolidation affect of PJ-SC UKRAGRO NPK into the Group. Bank interest expenses increased from LTL 5.1 million to LTL 7.8 million.

3.5. CASH FLOWS

Group's Cash flow from operating activities before the changes in working capital was LTL 26.8 million, as compared to LTL 37.9 million of the corresponding period of the prior financial year. Cash flow from operating activities after changes in working capital was LTL 36.1 million (LTL 21.9 million in 2009/2010



accordingly). This was the result of this season's sales activities that were dominated by increase in stock and debts. Group's cash balance at the end of the reporting period totaled LTL 7.6 million (LTL 34 million in 2009/2010).

4. THE PUBLICLY DISCLOSED INFORMATION AND OTHER EVENTS OF THE REPORTING PERIOD

4.1. THE PUBLICLY DISCLOSED INFORMATION

During the reporting period ended June 30, 2011, the Company publicly disclosed and distributed via NASDAQ OMX GlobeNewswire system and in Company's website the following information:

AB Linas Agro Group to strengthen its name in international trade buying 40 pct. shares of Danish company Rosenkrantz A/S	Notification on material event	En, Lt	2011-06-09 09:00:30 EEST
AB Linas Agro Group sells shares of UAB Kustodija	Other information	En, LT	2011-06-02 09:00:32 EEST
AB Linas Agro Group notification about interim nine months financial results of the financial year 2010/2011	Interim information	En, Lt	2011-05-30 09:00:30 EEST
SEB bank issued a LTL 16.4 million loan for the expansion of Linas Agro Grūdy centras	Notification on material event	En, Lt	2011-04-06 09:00:33 EEST
AB Linas Agro Group notification about interim six months financial results of the financial year 2010/2011	Interim information	En, Lt	2011-02-25 09:00:34 EET
AB Linas Agro Group Notification about acquisition of voting rights	Notification about acquisition (disposal) of a block of shares	En, Lt	2010-12-01 09:00:33 EET
AB Linas Agro Group notification about interim 3 month financial results of the financial year 2010-2011	Interim information	En, Lt	2010-11-22 09:00:30 EET
Procedure for the payout of dividends for the financial year ended 30 June 2010	Notification on material event	En, Lt	2010-10-29 09:49:35 EEST
AB Linas Agro Group notification about the Annual information of the financial year 2009/2010	Annual information	En, Lt	2010-10-29 09:48:36 EEST
Decisions of the Annual General Meeting of AB Linas Agro Group Shareholders, held on 28 October 2010	Notification on material event	En, Lt	2010-10-29 09:45:35 EEST



Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Notification on material event	En, Lt	2010-10-06 17:15:32 EEST
AB Linas Agro Group sells a part of Ukrainian company's shares to its management	Other information	En, Lt	2010-10-04 09:00:30 EEST
CORRECTION: AB Linas Agro Group notification about interim 12 month financial results of the financial year 2009-2010	Interim information	En	2010-08-30 11:56:31 EEST
AB Linas Agro Group notification about interim 12 month financial results of the financial year 2009-2010	Interim information	En, Lt	2010-08-30 09:00:30 EEST
SEB Bank increased lending volume to PLC "Linas Agro Group" up to LTL 132 million	Other information	En, Lt	2010-08-16 09:00:30 EEST
AB Linas Agro Group completed the takeover of Ukraine-based producer and trader of fertilizers	Notification on material event	En, Lt	2010-07-01 17:56:30 EEST
Inclusion of the stock exchange's newcomer into the list of OMX Baltic Benchmark index - a good sign to investors	Other information	En, Lt	2010-07-01 09:00:31 EEST

4.2. OTHER EVENTS OF THE REPORTING PERIOD

On 10 July 2010 AB Linas Agro increased share capital of UAB Lignineko LTL 500 thousand, from LTL 1,229.6 thousand to LTL 1,729.6 thousand.

On 13 July 2010 authorized capital of AB Linas Agro increased from LTL 7 million to LTL 31 million.

In July 2010 share capital of Medeikių ŽŪB increased from LTL 828 thousand to LTL 1,748 thousand.

In July–October 2010 Biržai district Medeikių ŽŪB AB Linas Agro has acquired additional 54.54% shares of ŽŪK Kupiškio grūdai for LTL 1,380 thousand. The effective share of ŽŪK Kupiškio grūdai owned by the Group increased to 92.87% (as of 30 June 2010 – 37.43%).

In August–September 2010 authorized capital of UAB Linas Agro Konsultacijos increased from LTL 2 million to LTL 3.1 million.

In August–December 2010 share capital of ŽŪB Landvesta 4 increased from LTL 295 thousand to LTL 355 thousand.

In September–October share capital of ŽŪB Landvesta 1 increased from LTL 102 thousand to LTL 201 thousand.

In September–December 2010 share capital of ŽŪB Landvesta 5 increased from LTL 197 thousand to LTL 391 thousand.

In December 2010 share capital of ŽŪB Landvesta 2 increased from LTL 102 thousand to LTL 199



thousand, share capital of ŽŪB Landvesta 6 increased from LTL 177 thousand to LTL 275 thousand.

In September–December 2010 UAB Linas Agro Konsultacijos acquired 225,772 shares or 4.36% of shares of Lukšiy ŽŪB from the non-controlling shareholders for LTL 136 thousand.

On 28 October 2010 Ordinary General Meeting of Shareholders of AB Linas Agro Group was held with the following outcomes: approval of the consolidated and the Company's set of financial statements for the financial year ended 30 June, 2010; distribution of the Company's profit and allocation of LTL 3,500,000 (EUR 1,013,670.06) for the payment of dividends (or LTL 0.022 (EUR 0.0063) for each share of the Company before tax); election of UAB Ernst & Young Baltic as Auditor of the Company, approval of formation of the Company's Audit Committee, election of its members and approval of the Regulations of its Activity.

On 11 November 2010 UAB Dotnuvos Projektai established its subsidiary in Estonia AS DOTNUVOS PROJEKTAI.

In December 2010 UAB Linas Agro Konsultacijos acquired 133,490 shares or 10.32% of shares of Sidabravo ŽŪB from the non-controlling shareholders.

On 30 December 2010 AB Linas Agro Group sold 381 shares or 2.34% of shares of PJ-SC UKRAGRO NPK to the management of PJ-SC UKRAGRO NPK.

On 10 January 2011 AB Linas Agro Group sold 489 or 3% of shares of of PJ-SC UKRAGRO NPK to the management of PJ-SC UKRAGRO NPK.

On 6 April UAB Linas Agro Konsultacijos acquired 70% of shares of Užupės ŽŪB for LTL 7,000.

On 8 April 2011 AB SEB bank issued a LTL 16.4 million loan for the expansion of Linas Agro Grūdų centras KŪB.

5. SUBSEQUENT EVENTS

On 11 July 2011 AB SEB bank increased credit limit to AB Linas Agro by LTL 64 million.

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