



**CONSOLIDATED INTERIM REPORT  
OF THE FINANCIAL YEAR 2015/16**

**OF AB LINAS AGRO GROUP**

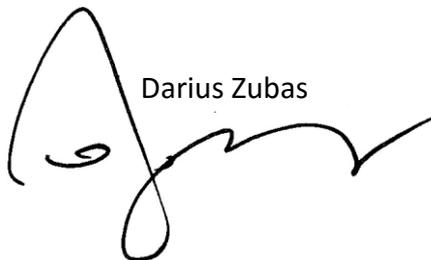
**FOR 3 MONTHS PERIOD  
ENDED 30 SEPTEMBER 2015**

## **C**ONFIRMATION 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 Lithuanian, 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 three months of the financial year 2015/16, 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 three months of the financial year 2015/16 includes fair review of the business development and activities, together with the description of the major risks and indeterminations incurred.

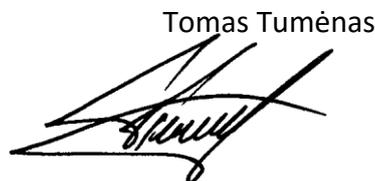
AB Linas Agro Group Managing Director

27 November 2015

Darius Zubas  


AB Linas Agro Group Finance Director

27 November 2015

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	<i>group@linasagro.lt</i>
Website	<i>www.linasagro.lt</i>
Bank account	LT07 7044 0600 0263 7111, AB SEB bank, bank code 70440
ISIN code	LT0000128092
Ticker in NASDAQ OMX Vilnius	LNA1L

## ABOUT THE GROUP

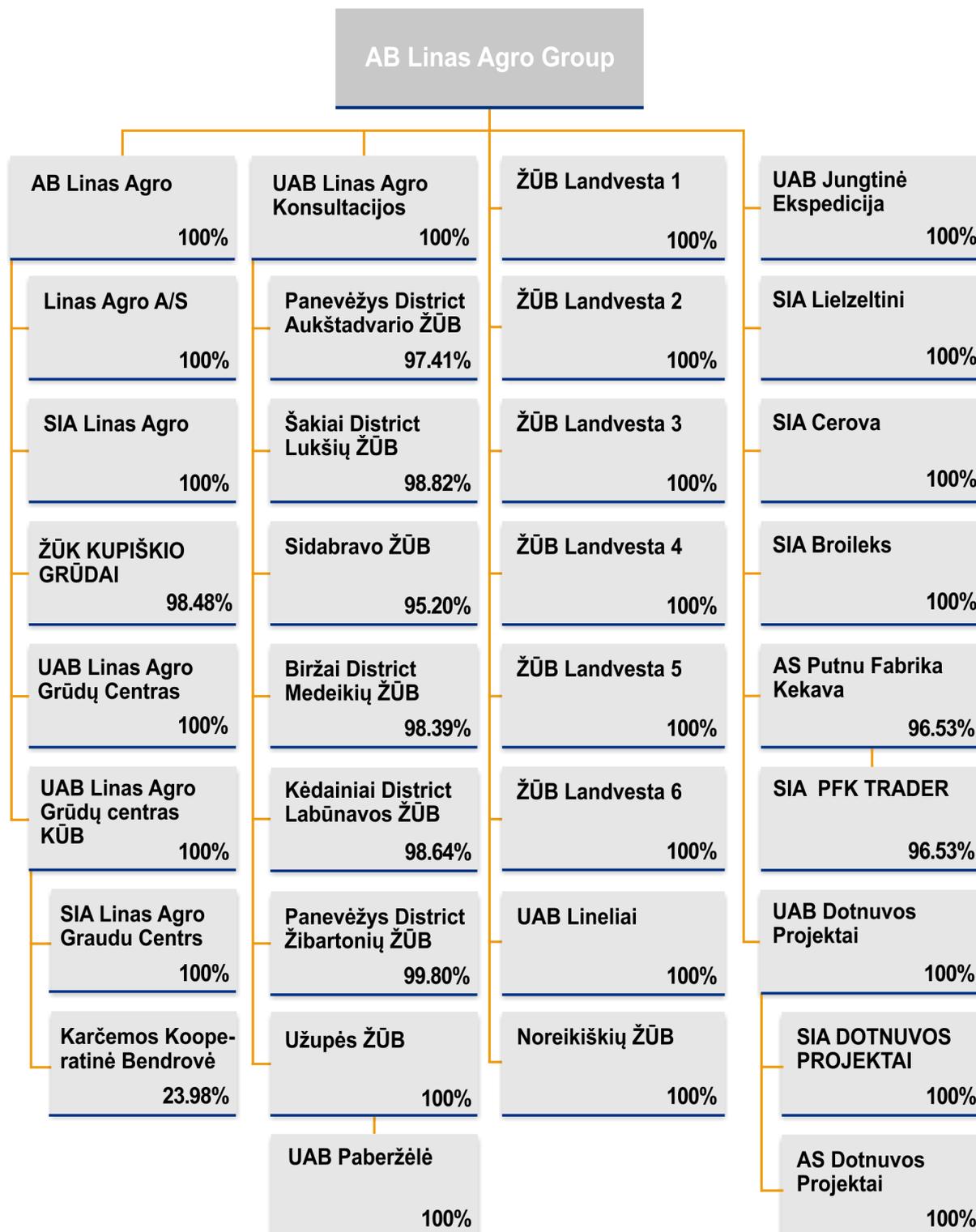
AB Linas Agro Group together with its directly and indirectly controlled companies (hereinafter – subsidiaries) makes the Group, which was founded in 1991 and had 38 companies at the end of the reporting period, and operates in four countries – Lithuania, Latvia, Estonia and Denmark. As at 30 September, 2015 the total headcount of the Group amounted to 2,173 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 37 companies\* in Lithuania, Latvia, Estonia and Denmark as at 30 September, 2015.

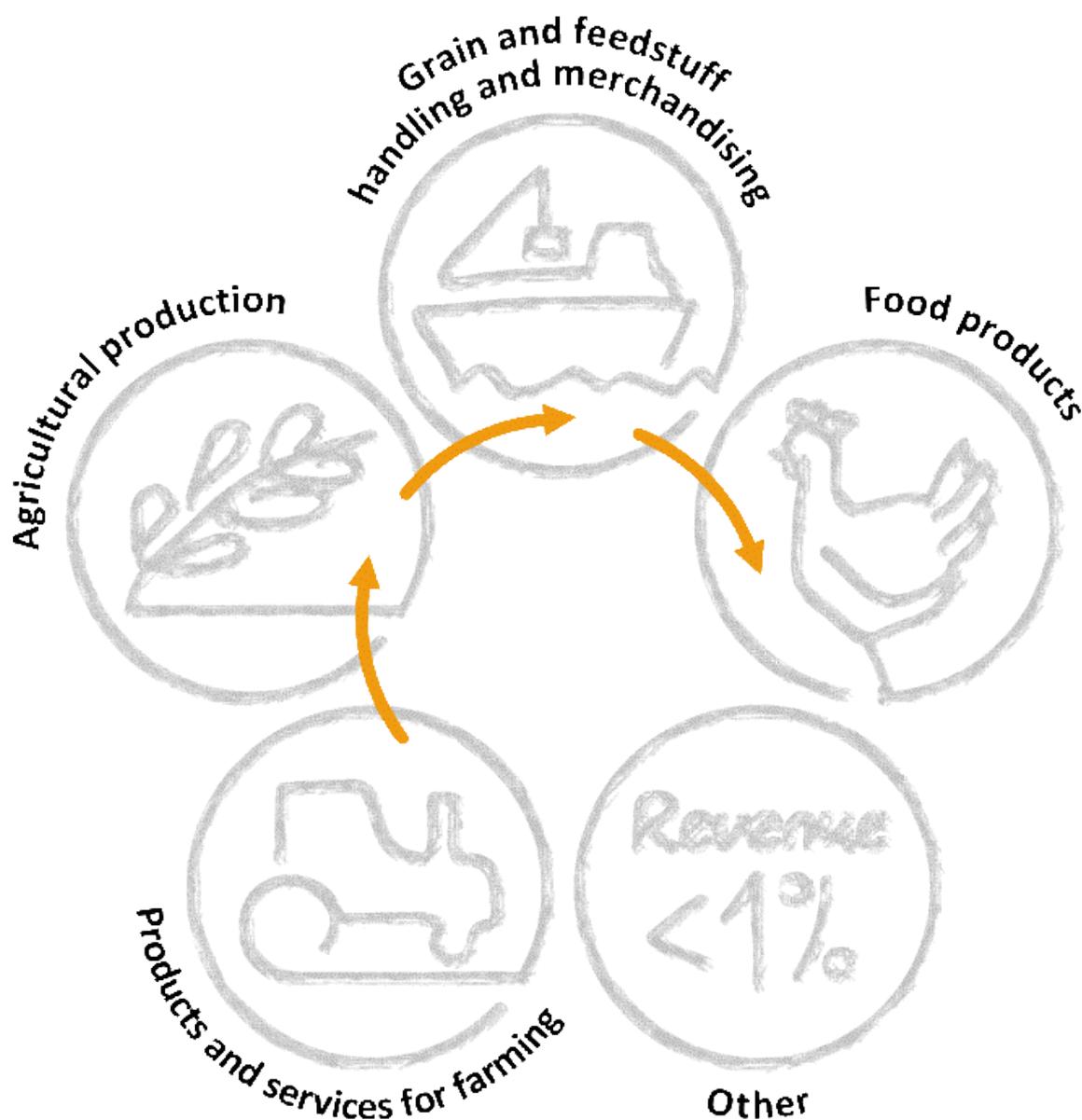
\*Dormant companies UAB Gerera (100% shares), UAB Dotnuvos Technika (100% shares) and SIA Erfolg Group (96.53% shares) not included).



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



## **A**CTIVITY AND FINANCIAL RESULTS OF THE GROUP

**C**onsolidated revenue of AB Linas Agro Group in the first quarter of 2015/16 financial year totaled EUR 149 million and was 15% more as compared to previous year (EUR 131 million).

**T**he Group's sales volume in tons reached 475 399 thousand tons of various grains and agricultural inputs and was 13% more as compared to previous year (421 thousand tons).

**G**rain storage facilities owned by the Group processed 439 thousand tons of various grains or 9.5% more as compared to the respective period of 2014/15 financial year (401 thousand tons).

**T**he gross profit reached EUR 12 million or was 33% more than a year before (EUR 9.1 million).

**C**onsolidated EBITDA went up from EUR 6.1 million to EUR 7.2 million.

**T**he Group's operating profit reached EUR 4.5 million or was 27% more as compared to the respective period of the previous year (EUR 3.5 million).

**T**he net profit before tax amounted to EUR 3.9 million (compared to EUR 2.9 million of the previous year). The net profit attributable to the Group reached EUR 3.5 million (EUR 2 million previous year).

## FINANCIAL RATIOS

	2015/16 3 months	2014/15 3 months	2013/14 3 months	2012/13 3 months	2011/12 3 months
Sales in tons	475,399	421,293	368,682	332,943	393,279
Revenue (thousand EUR)	149,479	130,851	130,427	98,085	128,572
Gross profit (thousand EUR)	12,002	9,052	10,306	7,091	9,147
EBITDA (thousand EUR)	7,205	6,121	8,978	11,874	6,748
Operating profit (thousand EUR)	4,460	3,506	7,472	9,413	6,064
Net profit (thousand EUR)	3,464	2,235	6,445	9,462	4,373

## OVERVIEW

The largest cereal harvest of 5.9 million tons in total, including 5.5 million tons of grain is being forecasted in Lithuania in 2015. It is expected that the average cereal yield in Lithuania will be similar to that of 2014, and will reach 3.9 tons per hectare. Compared with 2014, yields are expected to increase by 10.5 percent. While cereal crops have changed slightly, but as much as 43 percent more winter crops were sown, and their yield is greater than of the spring crops. Wheat yields increased the most (by 21 percent.). While due to lower rapeseed crop area the increase in rapeseed harvest is not expected. A record harvest is expected in neighboring Latvia as well, where it is predicted to be 2.58 million tons (16% more than in 2014).

As per data of International Grain Council (IGC), the world grain and oilseed harvest will be around 1,999 million tons in 2015 and will be slightly lower than in 2014 (2,030 million tons). The grain harvest is close to 2 billion tons for the third consecutive year. Therefore, world grain ending stocks are high and projected to reach 454 million tons this year (450 million tons in 2014). Large stocks of grain directly affect the global prices, which went up as compared to 2014, but still were at the average level. For instance, the price of wheat on MATIF exchange ranged between 170 and 195 euros per ton in July-September, while previous year it have been EUR 160-180 per ton, at the same time rapeseed price was 360 to 390 euros per ton, compared with the price of 320-340 euros per ton a year before.

The consolidated revenue of AB Linas Agro Group over the first three months of this financial year amounted to EUR 149 million and was 15% higher than the previous year (EUR 131 million). The main reasons behind the revenue growth were the increase in grain and feedstuffs trading volumes (revenue went up from EUR 8.8 million to EUR 95.7 million); the recovery in trade of agricultural machinery (the sales of UAB Dotnuvos Projektai increased by 35% as compared to the previous year) and an increase in crop yield in agricultural companies controlled by the Group (their revenue grew from EUR 6.6 million to EUR 9.8 million).

The same reasons that increased revenue also increased and the profitability of the Group. Gross profit of AB Linas Agro Group went up 32% to EUR 12 million, and operating profit 27% to EUR 4.5 million. Group's EBITDA amounted to EUR 7.2 million as compared to EUR 6.1 million in 2014/15 financial year.

## PERFORMANCE RESULTS OF 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

	2015/16 3 months	2014/15 3 months	2013/14 3 months	2012/13 3 months	2011/12 3 months
Grain and Feedstuff Handling and Merchandising	4,596	3,788	2,916	3,372	2,160
Products and Services for Farming	992	571	3,143	1,089	4,787
Agricultural Production	(454)	(1,494)	2,032	5,600	845
Food products	194	1,065	-	-	-
Other	71	32	(118)	(19)	(40)



### 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 logistics services. The Group has been operating in this field since 1991. This activity generates most of the Group's revenue.

Due to a good harvest and a successful commercial activity revenue of this segment rose from EUR 89 million to EUR 96 million. In total 381 thousand tons of grain and feedstuffs were sold (330 thousand tons in 2014/15 financial year). The sales of traditional crops (wheat, rapeseed, barley) increased the most by 41%: their trading income rose from EUR 55 million to EUR 78 million. The sales volumes of feedstuff decreased from EUR 98 million to EUR 49 million due to high ending stocks of feed manufacturers and a subsequent fall in demand, also because of poor harvests in some of the supply regions.

Grain storage facilities owned by the Group collected and processed 439 thousand tons of various grains or 9.5% more as compared to the respective period of the previous year (401 thousand tons). Differently from the previous season, this year harvested grain was dry and therefore the drop in the revenue from drying services has been recorded. Accordingly gross profit gained by elevators declined from EUR 3 million to EUR 1.9 million.

Segment operating profit increased by 27% from EUR 3.8 million to EUR 4.6 million. The Group expects a successful trading season for the entire segment.

During the reporting period the Group has invested nearly EUR 1.5 million to complete the construction of grain elevators in Jungėnai (Lithuania) and Jekabpils (Latvia) and also carried out technological upgrades of other grain storage facilities.



## PRODUCTS AND SERVICES FOR FARMING

This business Segment includes the sale of seeds, plant protection products, fertilizers, agricultural and forestry machinery, grain storage and other equipment.

Supply of certified seeds, fertilizers, plant protection products to farmers is a long term activity of the Group. The grounds of this activity trace back to 1993, when the Group began entering into future production purchase contracts with farmers and crediting agricultural activities in exchange for the grown products. A great share of certified seeds is prepared at UAB Dotnuvos Projektai seed processing factory.

Supply of agricultural machinery is business activity, developed in three countries – Lithuania, Latvia and Estonia. This activity includes wholesale and retail trade of new and used agricultural and forest machinery and spare parts, as well as design and installation of grain cleaning, drying and storage facilities and livestock farms.

Sales of agricultural machinery and equipment for grain elevators are directly affected by availability of EU structural funds. Starting from this season, the governments of Lithuania and Latvia have finally approved funding guidelines for certain small-scale structural funding in this area, therefore sales of these products already picked up. Revenue from agricultural machinery and grain processing equipment sales grew 4 times in Latvia, by 62% in Lithuania and by 60% in Estonia.

The Group remained the leader of the market in Lithuania in terms of the sales of the new tractors (having 26% market share), in Latvia the Group is considered to be the 4th market player with the market share 13%. In Estonia the market of the new tractors shrunk further by 33% if compared with 2014.

Therefore, revenue from the sale of agricultural equipment, tractors and spare parts as well as equipment for elevators grew from EUR 9 million to EUR 16 million. The operating profit from this business accelerated by 67% from EUR 0.6 million to almost EUR 1 million.

The Group has recently started selling livestock farm equipment, and the first milk farm modernization project has already been accomplished.

Though due to the seasonality in sales of fertilizers, seeds and pesticides, the first quarter is considered to be moderate in sales compared to others, the revenue from this business grew by 12% to EUR 22 million.

Sales revenue of this business segment amounted to EUR 38.3 and operating profit stood at EUR 0.99 million (revenue in FY 2014/15 was EUR 27 million and operating profit EUR 0.57 million).

The record harvest in Lithuania positively affected demand for silos and elevators equipment. The fact did not affect the outcome of the reporting period because designing and construction of such objects usually takes about 2 years, but will be have a positive effect on the fourth quarter of this financial year and financial results of FY 2016/17.



## 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 seven 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, Užupės ŽŪB and Sidabravo ŽŪB. Agricultural companies were cultivating 16,900 ha of land. The Group has 5,556 ha of own land, 140 ha are on an emphyteutic lease, and 1,188 ha are under long-term lease from the State.

The Group's agricultural companies harvested a record yield of crops – 84.5 thousand tons or 7.1% more as compared to previous year. Wheat harvest was the highest and amounted to 50.8 thousand tons, malting barley harvest was 12.3 thousand tons, rapeseed – 9.5 thousand.

The average yield of wheat was 6.9 tons/ha (forecasted average yield in Lithuania is 4.7 tons/ha), rapeseed – 4.7 tons/ha (3.1 tons/ha average in Lithuania), malting barley – 6.2 tons/ha (3.5 tons/ha average in Lithuania).

6 thousand ha were planted with wheat and 2.3 thousand ha with winter rapeseed this fall or 4% and 34% more as compared to previous season.

Group controlled farms own 3,185 milking cows or 45 more if compared to previous year. Over referenced period 8.1 thousand tons of raw milk has been sold or 15% more if compared to the respective period of previous year. The raw milk purchase price was 17% less compared what was a year ago.

The revenue of this business segment went up 48% and amounted to EUR 9.8 million (EUR 6.6 million in 2014/15 season) as revenue from sale of grains grew from EUR 4.3 million to EUR 7.1 million. The gross profit of the segment (before changes in biological assets) reached EUR 1.4 million (EUR 1.1 million in 2014/2015). After the changes in biological assets, operating loss dropped from EUR 1.5 million to only EUR 0.5 million.

The Group invested up to EUR 0.35 million over referenced period to upgrade farming equipment. Taking into consideration a record harvest in grains and expectations that raw milk purchase price already stabilized and not will go down further, the Group expects quite successful operating results for whole this season.



## 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 operates 25 retail shops all over Latvia.

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 poultry companies produced 9.5 thousand tons of live weight or 11% more as compared to previous year (8.5 thousand tons of live weight). Companies sold over 6.1 thousand tons of poultry and poultry products (7.2 thousand tons a year before).

The general fall in prices of raw materials negatively affected food prices all over the world. According to data of UN Food and Agricultural organization, FAO index, accounting also prices for meat, fell down from 192,7 to 156,3 points over the referenced period. An average broiler price in the EU for the period July-September, 2014 has been about EUR 195/100 kg and this year it was EUR 190/100 kg over the same period. The other reasons behind the downward trend for poultry prices were the Russian embargo on EU poultry production and a reduced poultry demand from China. Also the negative impact on the Baltic poultry producers' sales margins came from poultry production overcapacity in the neighboring Poland. The average price for fresh poultry meat sold by the Group declined by 7.4% and the price for processed meat fell by 6.7%.

Revenue from this business segment remained almost the same and amounted to EUR 15.6 million (EUR 15.5 million in FY 2014/15) while operating profit went down from EUR 1 million to EUR 0.2 million.

The Group invests to modernize the poultry business equipment. Contracts for the purchase of new production equipment for the total amount of EUR 6.7 million were made during the reporting period, from that amount EUR 2.07 million have been already invested.

Taking into account current market situation the Group expects the fall in profitability 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 71 thousand compared to EUR 32 thousand in previous year.

## FINANCIAL COSTS

Financial expenses over referenced period amounted to EUR 0.8 million and were 12% more than that in 2014/15 financial year (EUR 0.7 million). The main reason affecting increase in such expenditures was increase in the amount of financial loans (those grew from EUR 116 million to EUR 157 million). Borrowings went up as short-term loans to finance trade activity increased because commodity stocks and financing to the suppliers-farmers expanded. The amount of short term debts grew from EUR 82 million to EUR 119 million. At the end of the season stocks are sold, therefore amount of short term debts decrease as well.

## CASH FLOWS

Group's cash flow from operating activities before the changes in working capital increased to EUR 6.9 million as compared to EUR 5.7 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 46.8 million (negative EUR 5.5 million over the respective period of 2014/15 financial year), the reason was increase in stock because of active purchases of the Group of various grains during harvesting season (inventory and stocks grew by EUR 24 million). Group's cash and cash equivalents at the end of the reporting period amounted to EUR 9 million (EUR 18 million in 2014/15 financial year).

## THE PUBLICLY DISCLOSED INFORMATION AND OTHER EVENTS OF THE REPORTING PERIOD

### THE PUBLICLY DISCLOSED INFORMATION

During the reporting period ended 30 September, 2015, the Company publicly disclosed and distributed via Nasdaq Vilnius GlobeNewswire system and in Company's website the following information:

2015-09-29 09:00:32 EEST	Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Notification on material event	En, Lt
2015-08-28 09:06:34 EEST	Notification about interim 12 months financial results of the financial year 2014/2015	Interim information	En, Lt
2015-08-27 10:00:31 EEST	Changes in management of Latvian poultry farming companies owned by AB Linas Agro Group	Notification on material event	En, Lt
2015-07-31 09:00:32 EEST	Swedbank issues over 11m euros in loans to producers AS Putnu fabrika Ķekava and SIA Lielzeltiņi to AB Linas Agro Group controlled companies	Other information	En
2015-07-21 09:36:32 EEST	SEB Bank increasing its financing for AB "Linas Agro" by EUR 26 million	Notification on material event	En, Lt

## OTHER EVENTS DURING THE REPORTING PERIOD

18/08/2015	The company UAB Žemės Ūkio Investicijos was delisted from the Center of Register of Republic of Lithuania.
Jul-Aug, 2015	The share capital of Noreikiškių ŽŪB was increased from 433,000 to 449,000 euros.
30/07/2015	The Company additionally acquired 299 shares of AS Putnu Fabrika Kekava.
17/07/2015	The authorized capital of ŽŪB Landvesta 4 was increased from 553,753.48 to 603,777.11 euros.
14/07/2015	There was made a decision to increase authorized capital of UAB Lineliai from 553,000 to 638,000 euros.

## PRICES OF SHARES AND TURNOVER OF AB LINAS AGRO GROUP

Starting from 17 February 2010, the Company has been listed on NASDAQ OMX Vilnius Stock Exchange. 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. 30 September 2015, is presented in the following diagram:



## **C**ONTACT PERSONS

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