



# Linus Agro Group AB

## CONSOLIDATED ACTIVITY REPORT

6 months of FY 2009/2010

linas  agro

February 2010

## CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 and No. 20 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 2009-2010 interim Consolidated Report for the first six months of the financial year 2009-2010 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



A handwritten signature in blue ink, appearing to be "Darius Zubas", written over a horizontal dotted line.

AB Linas Agro Group Finance Director Tomas Tumėnas



A handwritten signature in blue ink, appearing to be "Tomas Tumėnas", written over a horizontal dotted line.

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## 1. REPORTING PERIOD OF THE 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 first six months of the financial year 2009-2010, and all the figures are stated as at 31 December 2009, if not indicated otherwise. AB Linas Agro Group is also referred to as the Company in this report.

## 2. COMPANY DETAILS

|                               |  |
|-------------------------------|--|
| Company name:                 | AB Linas Agro Group  |
| Legal-organizational form:    | Public limited liability company                           |
| Authorised capital:           | LTL 120,000,000  |
| 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:            | Smėlynė 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 products, 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), grain storage services (drying, cleaning, warehousing of grains, and production of feed) providing company UAB "Linās Agro" Grūdų Centras KŪB and holding UAB "Linās Agro" Konsultacijos, controlling agricultural farms. 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 Jungtinė Ekspedicija.

The largest company of the Group in term of revenues is AB Linas Agro. The main activity of AB Linas Agro is international sales of agricultural products. The company is involved in sales of various grains, oilseeds, feedstuff and solid biofuel. The main activity of the company in Lithuania includes organization of crop growing programmes and crop marketing. 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 oilseed rape. Other subsidiaries of AB Linas Agro are vertically integrated and commonly create added value in agricultural commodities manufacturing, processing and marketing chain.

The Company also can be engaged in other activities defined by the Company's Statute.

#### 4. AGREEMENTS CONCLUDED WITH INTERMEDIARIES OF THE PUBLIC SECURITIES MARKET

On 11 November 2009 the Company entered into the Agreement on the Services for the Company with AB Swedbank (legal entity code 112029651, Savanoriu av. 19, LT-03502, Vilnius), represented by the Financial Securities Department.

#### 5. AUTHORISED CAPITAL OF THE COMPANY

The authorised capital of AB Linas Agro Group, registered in the Register of Legal Entities of the Republic of Lithuania, amounts to LTL 120,000,000.

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 | 120,000,000        | 1                     | 120,000,000         | 100.00                       |
| <b>Total:</b>              | <b>120,000,000</b> | <b>-</b>              | <b>120,000,000</b>  | <b>100.00</b>                |

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 31 December 2009 controlling more than 5 % of shares: Akola ApS – 79.99%, Darius Zubas – 14.20%, Vytautas Šidlauskas – 5.01%.

## 9. EMPLOYEES

As at 31 December 2009 AB Linas Agro Group had 518 employees or 16 employees less than as at 31 December 2008 (534 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 2.050.000,00 Lt (two million and fifty thousand Litas) (calculated individually for every type of transaction);
- 4) decisions to pledge and mortgage property, plant and equipment the book value whereof exceeds 2.050.000,00 Lt (two million and fifty thousand Litas) (calculated for the total amount of transactions);
- 5) decisions to offer surety or guarantee for the obligations of third persons the amount whereof exceeds 2.050.000,00 Lt (two million and fifty thousand Litas);
- 6) decisions to acquire property, plant and equipment the price whereof exceeds exceed 2.050.000,00 Lt (two million and fifty thousand Litas);
- 7) decisions to conclude contracts with the price whereof exceeds 2.050.000,00 Lt (two million and fifty thousand Litas);
- 8) decisions to take and provide the loan with the amount whereof exceeds exceed 2.050.000,00 Lt (two million and fifty thousand Litas);
- 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 Statute 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 31 December 2009):

**Darius Zubas** – 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 – 12.06% 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** – 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 – 6.83% of shares and votes.

Shareholder of Akola ApS – 25% of shares and votes;

The Board member of Rosenkrantz A/S;

Stakeholder of ŽŪB Dotnuvos Agroservisas – 0.009%.

**Dainius Pilkauskas** – 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 – 0.6% of shares and votes;

Shareholder of Akola ApS - 2% of shares and votes;

Stakeholder of ŽŪB Dotnuvos Agroservisas – 0.001%.

**Arūnas Zubas** – 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 – 0.6% of shares and votes.

Shareholder of Akola ApS – 2% of shares and votes.

Stakeholder of ŽŪB Dotnuvos Agroservisas – 0.001%.

**Arūnas Jarmolavičius** – 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** – 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** – 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 31 December 2009):

**Darius Zubas** – 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.

**Ramute Masiokaite** – chief accountant (Smėlynės Str. 2C, Panevėžys). No held shares of the company. No records of conviction for crimes related to ownership, management procedures, and finances. Workplaces during the previous 10 years – AB Linas Agro Group.

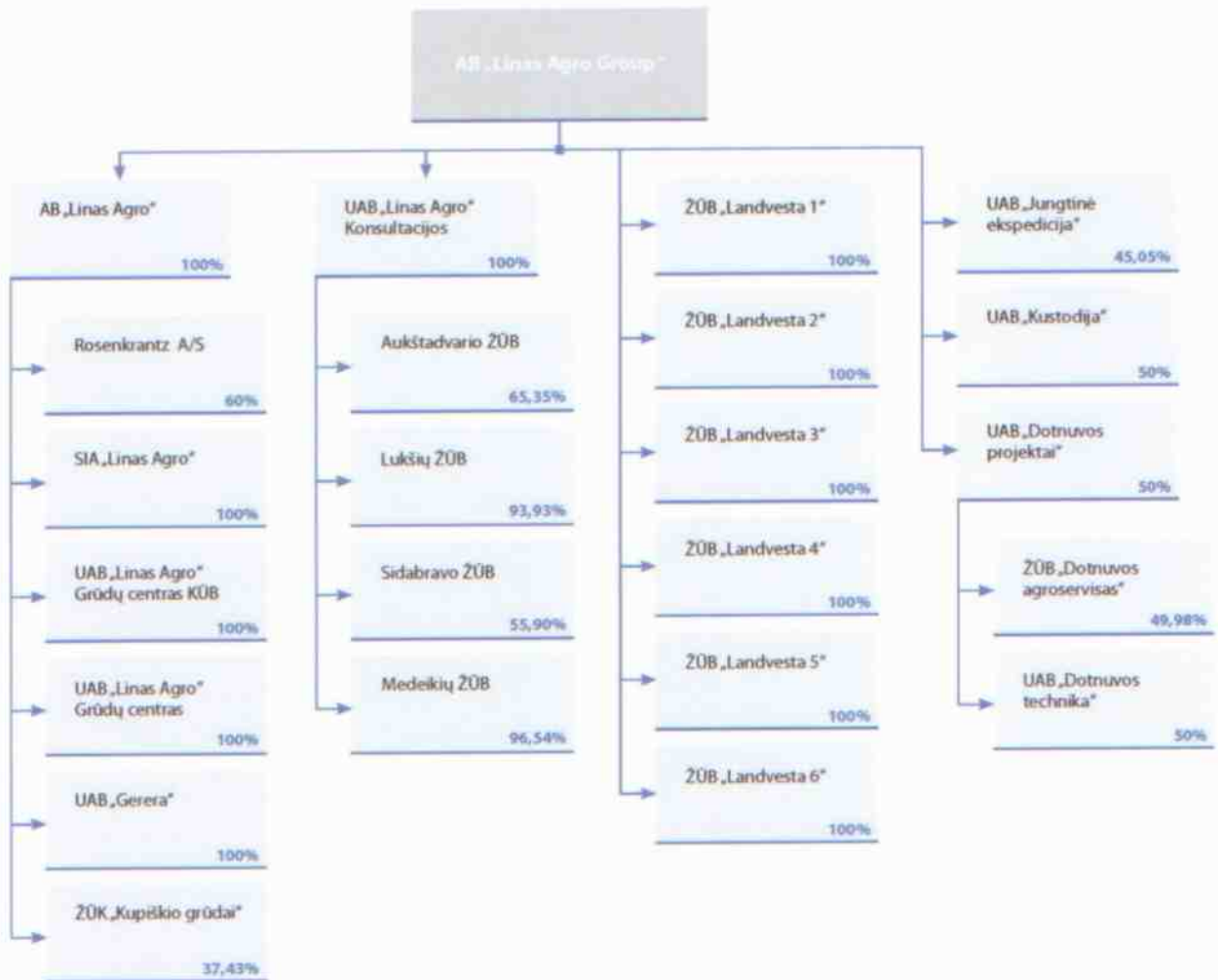
## 11. REFERENCES AND OTHER EXPLANATORY NOTES ON THE INFORMATION DISCLOSED IN THE FINANCIAL STATEMENTS

All the financial data disclosed in interim financial report for the first six months of the season 2009-2010 are presented in accordance with the International Standards on Auditing, if not indicated otherwise. Financial data is not audited.

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 31 December 2009, summary structure):



### 13. INFORMATION ON ACTIVITY RESULTS OF THE GROUP

The first half of the season of 2009-2010 was quite successful for the companies of AB Linas Agro Group while some of them experienced negative impact of the recession. The consolidated non audited profit before tax (EBT) exceeded LTL 32 million and was higher as compared to the previous period (LTL 26 million). Consolidated non-audited turnover of the Group amounted to LTL 554 million and was by 26 % lower as compared with the same period of FY 2008-2009. Despite of that AB Linas Agro Group succeeded to increase the quantity of sold products from 769 thousand to 817 thousand (up by 6 %) over the referenced period.

Decrease in revenues in monetary units is explained by the drop of world prices on agricultural products worldwide. Decline in those prices was different for various products and in average amounted to 30 %. The gross profit of the Group grew from 5.5 % to 8 % and was LTL 45 million. The net profit of AB Linas Agro Group reached LTL 25.7 million.

The Group's export share amounted to 73 % as of total sales with major export regions being Europe (44 %), Asia (14 %) and Africa (7 %).

The highest in term of revenues Group's subsidiary was AB Linas Agro, which sales in July 2009-December 2009 amounted to LTL 420 million and was by 9 % lower as compared to the same period in the previous year. The company was the most profitable within the Group and its profit before tax amounted to LTL 23 million (LTL 17 million – 2008-2009 six months) and net profit - LTL 19 million (LTL 14 million – 2008-2009 six months).

The revenue of another important Group's company – Rosenkrantz A/S amounted to LTL 365 million. It was by 30 % lower as compared with the previous period (LTL 523 million). The Company's profit before tax amounted to LTL 4 million. The net profit reached LTL 3 million. Drop in revenues is explained by the already mentioned decline of the prices on agricultural products in the world market.

Another important in terms of profitability Group's company UAB Linas Agro Grūdų Centras KŪB reached LTL 13 million in revenues or 13 % less as compared to the corresponding period of the previous year. The profit before tax remained almost unchanged and amounted to LTL 7.3 million.

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 28 thousand. Farming companies group Landvesta, which principal activity is agricultural land rent, also generated losses up to LTL 38 thousand. Sharp decline of grain and milk purchase prices negatively affected performance of farming companies, the total six-month operating loss for the group was LTL 3.7 million.

Despite of economical downturn, group's joint-ventures such as UAB Dotnuvos Projektai and UAB Kustodija, in which the group controls 50 % of shares accordingly, operated successfully. The net profit of above mentioned companies totalled to LTL 2.5 million and LTL 0.007 million respectively.

Over the first six months of 2009-2010 season the Group's operating expenses totalled to LTL 12.6 million and were 17 % lower as compared with the previous year (LTL 15.2 million). This is primarily explained by the diminished expenditures in consulting, insurance and office maintenance expenses.

The major part of operating expenses included expenses related to the main activity: expenses for salaries and taxes amounted to 63 % of all operating costs (increased by 6.8 % if compared with the same period of first six months in 2008-2009).

Decline in prices for agricultural products directly affected a need for working capital, which declined as well. Group's amount of financial debts declined from LTL 149 million (1st July 2008-2009) to LTL 128 million (present). That positively influenced level of financial expenditures as those went down from LTL 7.3 million (first six months of 2008-2009) to current figures – LTL 3.1 million. Group's financial leverage dropped and was 56 %.

Main financial consolidated AB Linas Agro Group indicators are presented in the table below:

| Main financial consolidated AB Linas Agro Group indicators               | 2009-2010<br>6 months | 2008-2009<br>6 months |
|--|-----------------------|-----------------------|
| Sales, in LTL thousand   | 554,357               | 749,798               |
| Profit before depreciation, interest and taxes - EBITDA, in LTL thousand | 38,008                | 36,178                |
| EBITDA / sales indicator, %  | 6.9                   | 4.8                   |
| Profit before interest and taxes - EBIT, in LTL thousand                 | 34,173                | 32,298                |
| Profit before interest and taxes - EBIT, %                               | 6.2                   | 4.3                   |
| Gross profit, in LTL thousand  | 45,067                | 41,019                |
| Gross profit, %  | 8.1                   | 5.5                   |
| Net profit, in LTL thousand  | 25,741                | 19,869                |
| Net profit, %  | 4.6                   | 2.6                   |
| Equity return, %   | 14                    | 12                    |
| Return on capital used in the activity of the company, %                 | 11                    | 10                    |
| <b>Main solvency indicators</b>  |                       |                       |
| Liquidity ratio  | 1.35                  | 1.20                  |
| Turnover of accounts receivable in days                                  | 85                    | 80                    |
| Turnover of accounts payable in days                                     | 47                    | 38                    |
| Turnover of inventories in days  | 64                    | 46                    |
| Turnover in cash in days   | 102                   | 87                    |
| Financial leverage, %  | 56                    | 64                    |

### *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. 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.

#### **15. 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.

#### **16. 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.

#### **17. SUBSEQUENT EVENTS**

At the beginning of the year 2010, AB Linas Agro Group successfully accomplished its initial public offering of shares. As of 12<sup>th</sup> of February 2010, AB NASDAQ OMX Vilnius, has included companies shares to be listed in Vilnius Stock Exchange (Baltic Main List). From that date the Group become a listed company to which is applied the Company Management Code of listed companies.

On 17<sup>th</sup> of February 2010, AB Linas Agro Group has increased its share capital from LTL 120 million to LTL 158.94 million.