

# CONSOLIDATED INTERIM REPORT

OF THE FINANCIAL YEAR 2013/2014

## OF AB LINAS AGRO GROUP

FOR 9 MONTHS PERIOD ENDED 31 MARCH 2014

linas  agro





## 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 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 nine months of the financial year 2013/2014, 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 2013/2014 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

Darius Zubas

30 May 2014

AB Linas Agro Group Finance Director

Tomas Tumėnas

30 May 2014



## COMPANY DETAILS

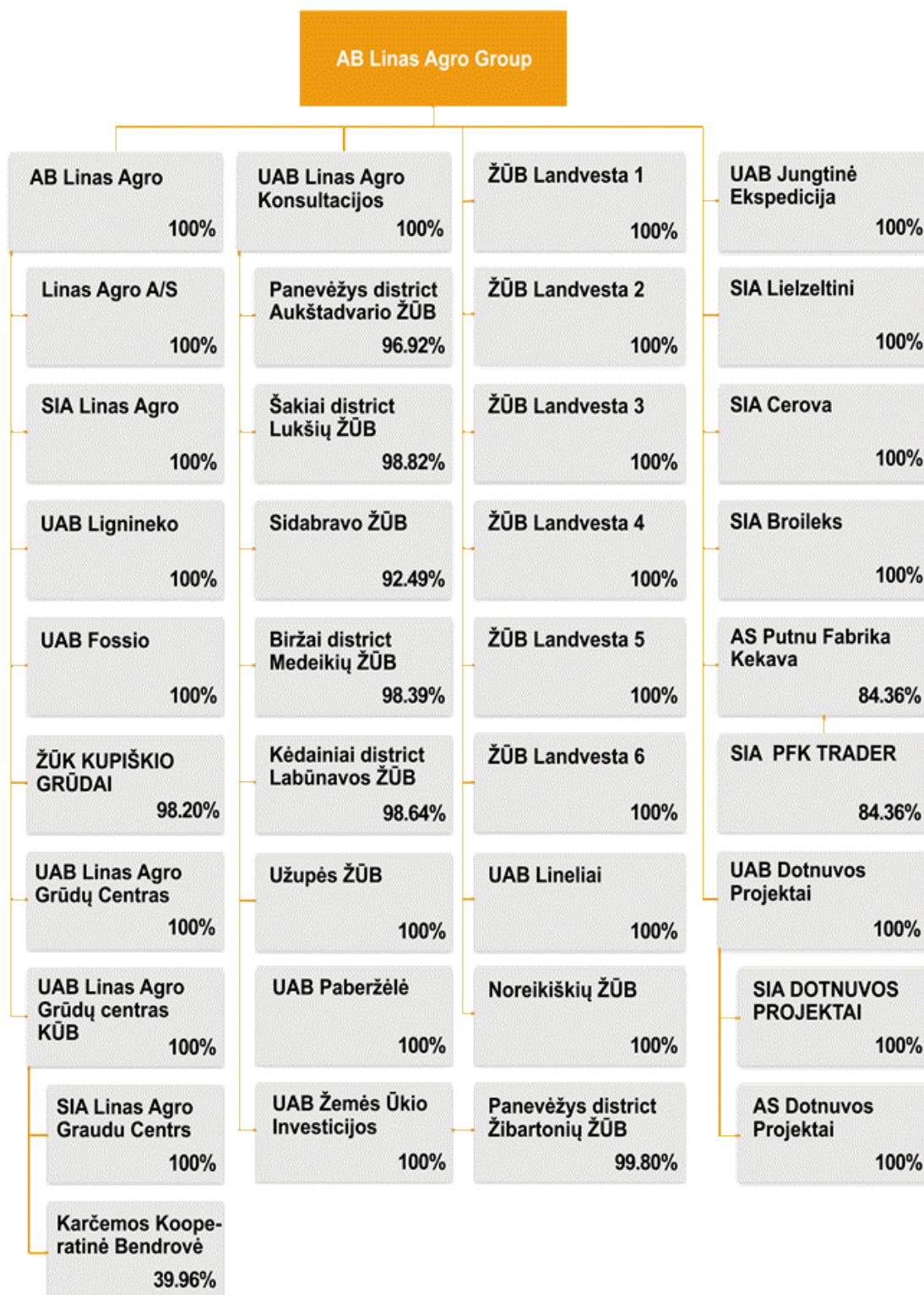
Company name	AB Linas Agro Group
Legal form	Public company
Date and place of registration	27/11/1995 in Panevezys
Code of legal entity	148030011
VAT identification number	LT480300113
Company register	State Enterprise Centre of Registers (Valstybės įmonė Registrų centras)
Address	Smėlynės St. 2C, LT-35143 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 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 31 March, 2014 the total headcount of the Group amounted to 2,232 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 (AS AT 31 MARCH 2014)\*:**



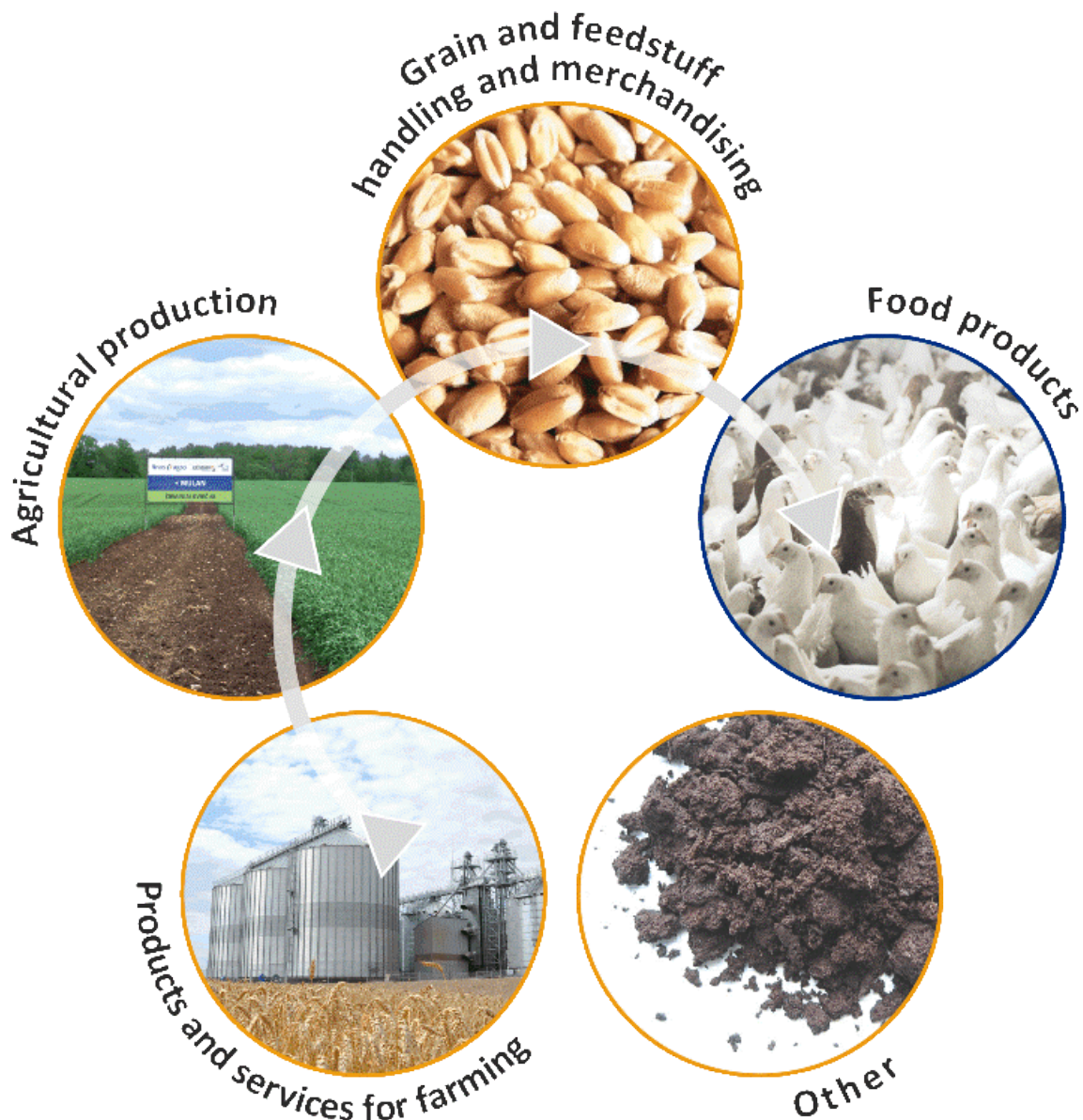
\* Dormant companies UAB Gerera (100% shares) and UAB Dotnuvos Technika (100% shares) not included.



The subsidiaries controlled by the Company produce, handle and merchandise agricultural 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'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.

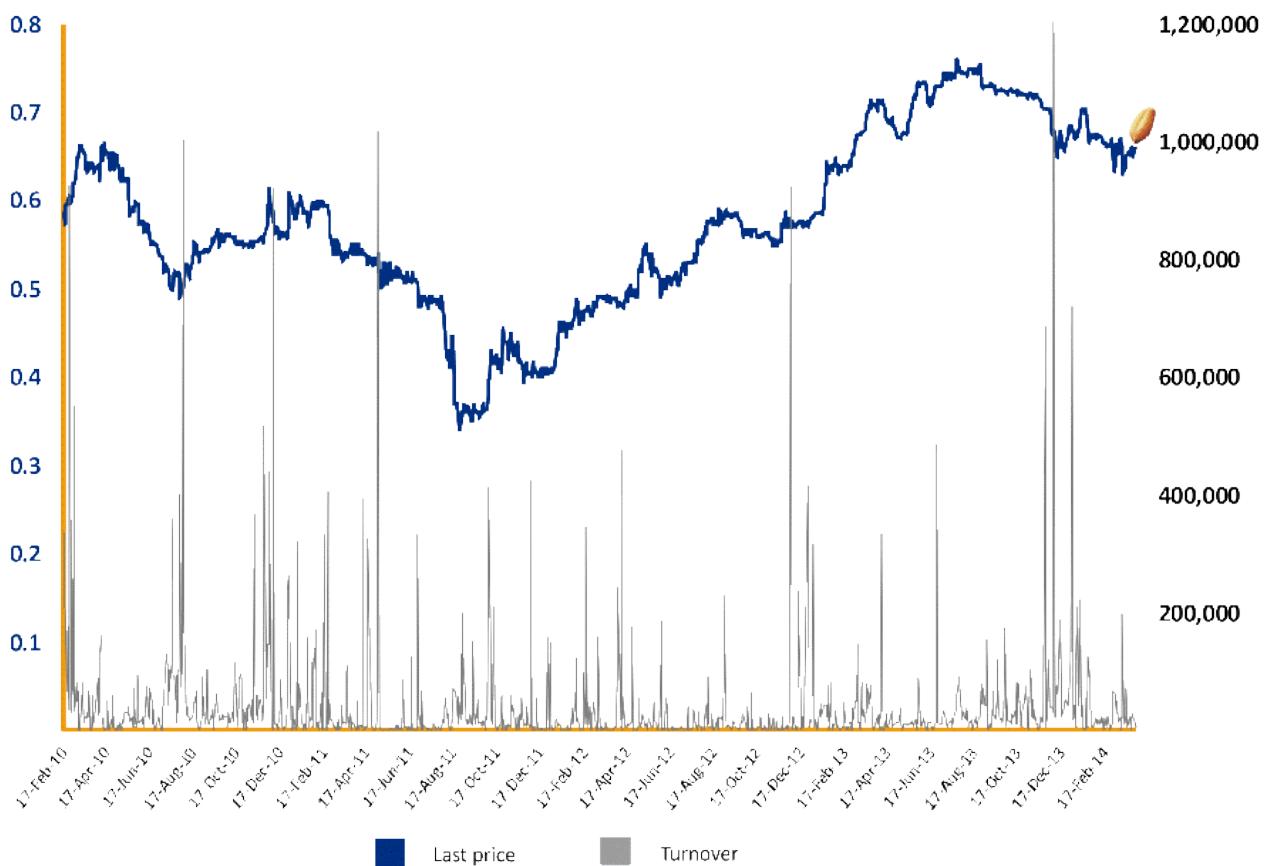
*Food products* – a new activity segment that appeared in 2013/2014 financial year after the Company acquired a group of Latvian poultry companies.










## 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 starting trade until the end of the reporting period, i. e. 31 March 2014, is presented in the following diagram:





## ACTIVITY RESULTS OF THE GROUP

-  Consolidated revenue of AB Linas Agro Group totaled LTL 1,581 million during nine months of 2013/2014 financial year and was 4.6% less as compared to previous year (LTL 1,658 million). Revenue for the third quarter totaled LTL 579 million and grew 8.2% as compared to previous year (LTL 535 million).
-  The Group's sales volume in tons reached 1.6 million tons of various grains and agricultural inputs and was 1.4% more as compared to previous year (1.5 million tons).
-  Consolidated Group's EBITDA decreased to LTL 75.3 million as compared to previous year (LTL 116 million). EBITDA for the third quarter was LTL 23 million and also less as compared to LTL 25 million in 2012/2013.
-  The Group's operating profit reached LTL 55 million or was 43% less as compared to the respective period of the previous year (LTL 97 million) and the net profit before tax amounted to almost LTL 50 million (compared to LTL 95 million previous year). The net profit attributable to the Group reached LTL 40 million (LTL 83 million previous year).
-  During the third quarter AB Linas Agro Group acquired three Latvian poultry companies: SIA Lielzeltini, SIA Cerova and SIA Broileks which have been consolidated into the Group since February 2014. Group spent EUR 6.5 million on acquisition of the shares of Latvian companies.

### 1. FINANCIAL RATIOS

	2013/2014 9 months	2012/2013 9 months	2011/2012 9 months	2010/2011 9 months
Sales in tons	1,559,926	1,538,972	1,062,503	1,230,000
Sales revenue (thousand LTL)	1,580,914	1,657,702	1,083,305	1,140,194
Gross profit (thousand LTL)	98,204	122,792	65,772	62,138
EBITDA (thousand LTL)	75,319	116,000	108,900	26,100
Operating profit (thousand LTL)	55,150	96,657	99,815	17,500
Profit before taxes EBT (thousand LTL)	49,794	95,353	95,069	12,900
Net profit, attributable to the Group (thousand LTL)	40,361	83,170	75,334	11,229



## 2. OVERVIEW

The consolidated revenue of AB Linas Agro Group over nine months of 2013/2014 financial year amounted to LTL 1,581 million and was 4.6% lower as compared to LTL 1,658 million earned during the same period of the previous year. Although if compared to the same period of 2011/2012 financial year those grew 46%. The main reason explaining earnings close to that of a record financial year 2012/2013 was growth in grain and feedstuff trade volume, also complete consolidation of UAB Dotnuvos Projektai (LTL 196 million sales revenue has been added on). In addition recently acquired Latvian poultry companies generated revenue of LTL 63 million.

The Group managed to maintain its gross profitability above 6% and earned LTL 98 million in gross profit (LTL 123 million in 2012/2013 financial year). As was forecasted, the Group earned bigger gross profit (LTL 41 million) during the third quarter of financial year if compared to preceding reporting periods – the first and the second quarters (accordingly LTL 36 million and LTL 22 million). The gross profit margin in third quarter stood at 7.1% (6.3% in the respective period of 2012/2013 financial year). The growth of margin resulted from increased profitability in feedstuffs trade and poultry business performance on overall profitability of the Group. Recent investments of the Group have been focused on enhancement of profitability of the Group and show the consistency of the Group in increasing its long-term profitability.

The Group's operating profit amounted to LTL 55 million and was 43% less if compared to the respective period of 2012/2013 financial year (LTL 97 million). Operating profit was affected by the increase in operating costs from LTL 56 million to LTL 71 million, mostly due to the consolidation of UAB Dotnuvos Projektai and Latvian poultry companies (standalone fixed expenditures of above companies amounted to LTL 23 million and LTL 6 million accordingly). It should be noted that in 2012/2013 financials a positive LTL 19.6 million goodwill has been accounted due to the acquisition of agricultural company Kėdainiai district Labūnavos ŽŪB, while in this financial year the amount of positive goodwill of acquisition of agricultural company Panevėžys district Žibartonių ŽŪB was LTL 8 million. If we omit the impact of the goodwill on the Group's financials, the operating profit of AB Linas Agro Group would stand at LTL 47 million, being less as compared to LTL 77 million in 2012/2013 financial year.

The main Group's business segments operated profitably. Taking into account business seasonality in business segment *Agricultural production*, the loss occurred in one business segment only – *Other* (loss of LTL 0.8 million).





### 3. ACTIVITY RESULTS BY SEGMENTS

#### OPERATING PROFIT (THOUSAND LTL) BY SEGMENTS:

	2013/2014 9 months	2012/2013 9 months	2011/2012 9 months
Grain and Feedstuff Handling and Merchandising	27,517	83,976	24,344
Products and Services for Farming	4,622	19,783	87,739
Agricultural Production	(188)	10,396	(2,436)
Food products	32,824	n/a	n/a
Other	(805)	(693)	2,502

#### 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.

Sales revenue of the segment over nine months of financial year amounted to LTL 1,193 million (LTL 1,395 million during 2012/2013 financial year) and operating profit amounted to LTL 27 million (LTL 84 million in 2012/2013). Decline in revenue is explained by decrease in traded volumes, as those dropped from 1,354 million tons to 1,299 million tons. Drop in operating profit was influenced by less profitable sales of traditional products like wheat and oilseed rape if compared to the respective period of previous year. The declined volumes of purchased grain and good weather conditions during the harvest season decreased demand for grain drying service and this had a negative impact on income of grain elevators, which amounted to LTL 24 million (LTL 35 million previous year). As it was expected, the majority of profitable grain sales contracts have been shifted to the second half of 2013/2014 financial year, and operating profit for third quarter amounted to LTL 19.2 million or was 2.3 times higher if compared to operating profit in the first half of 2013/2014 financial year.

Grain storage facilities owned by the Group processed 425 thousand tons of grain or 23% less than previous year. This is explained by lower grain harvest in the region than previous year that resulted in grain sourcing decrease, in addition, some grain was transported to the port directly from the farmers.



## 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.

Sales revenue of this segment reached LTL 317 million and was 26% higher as compared to previous year (LTL 251 million). An increase in revenue is mainly attributable due to consolidation of a new business segment – trade in agricultural machinery – within the Group. If we eliminate the above mentioned sales (or LTL 119 million), revenue of the segment grew up from LTL 164 million to LTL 197 million. Demand for seeds increased in spring as winter crops were frost-killed and had to be replaced with summer crops, and their trading income almost doubled to LTL 34 million; fertilizer trading revenue went 11% up to LTL 148 million and income from plant protection products grew by 19% and amounted to LTL 15 million.

The gross profit of the segment increased from LTL 25 million to LTL 33 million while operating profit dropped four times from LTL 19.7 million to LTL 4.7 million. This was caused by the drop in agricultural machinery sales as the vast majority of agricultural equipment is purchased using the EU funds. The market shrank significantly as EU funding program has not been confirmed yet (f. i., tractors market shrank 45% in Lithuania, 50% in Latvia and 20% in Estonia) – this had an impact on revenue as well as operating profit. UAB Dotnuvos Projektai has formed LTL 2.5 million in provision for bad debts, which also had negative impact on operating profit.

The Group forecast that sales of agricultural machinery will be 40% less than last year. Farmers' decision to buy less farm machinery and grain storage facilities is affected not only by lack of funding from the EU, but also by fallen grain market prices. After the approval of EU funding program and guidelines the rebound in sales and profitability should commence in 2014/2015 financial year.

The Group launched agricultural machinery service station and spare parts warehouse in Latvia. Also land plots for future industrial objects in Lithuania, Latvia and Estonia have been acquired. The Group constructs storage facility for liquid fertilizers in Kėdainiai, Lithuania with capacity of 2,500 cubic meters that will store quantity equal to 5 railway wagons or 3,250 tons of fertilizer.



## 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.

Total revenue of this segment amounted to LTL 72 million (LTL 63 million in 2012/2013 financial year). Though revenue from agricultural production sales decreased for the fallen crop purchase prices, the acquisition of agricultural company Panevezys district Žibartonių ŽŪB enabled to increase revenue of the segment by 14 percent.

The segment's gross profit increased from LTL 3.5 million to LTL 6.4 million and its operating profit was almost a zero (a loss of LTL 0.2 million), compared to LTL 10.3 million earned in 2012/2013 financial year. In fact, performance was positively influenced by positive goodwill from acquisition of agricultural farms. And if we eliminate a positive impact of the goodwill this year and last year, the operating loss of the segment would amount to LTL 9.7 million and LTL 9.3 million respectively. Such results should be treated as normal, reflecting seasonality of the business.

Over 57 thousand tons of crop production was sold during the reporting period, of which 35 thousand tons of wheat, 11 thousand tons of oilseed rape and 6 thousand tons of malting barley.

In autumn 6,000 hectares were sown with winter wheat and 2,000 ha – with winter oilseed rape, respectively 25% and 28% more than the previous year. Due to adverse winter weather conditions 46% of winter crop was lost.

The companies raise 2,996 dairy cows and within nine months have sold over 17 thousand tons of milk or 41% more than the previous year. The average milk yield per cow per year is 7.9 tons.

Around 1,029 tons of beef cattle were sold during nine months (672 tons in 2012/2013).

Agricultural companies have invested LTL 3.8 million over referenced period to renew their agricultural machinery fleet. Panevėžys district Aukštadvario ŽŪB is completing installation of a new milking parlor.

## 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.

The company SIA Putnu Fabrika Kekava is included in the Group as from November, 2013, and the other companies as from February, 2014, respectively, their results are consolidated in the Group's results since then.

The revenue of AS Putnu Fabrika Kekava for five months period amounted to LTL 54 million and the total revenue of SIA Broileks, SIA Cerova and SIA Lielzeltini for two months was LTL 18 million. After acquisition of AS Putnu Fabrika Kekava, the company finished its restructuring procedure and 49% of old company's debts have been written off. Therefore the company recognized around LTL 14 million income as *other income*. That also had a positive effect on profitability of the segment, which amounted to LTL 33 million during the reporting period. Operating profit of the segment in the third quarter of the financial year was LTL 12.3 million.

## OTHER

This business segment includes small activities, not attributable to other segments. The sales of this business segment are predominated essentially by sales of raw lignin.

Due to undergoing investigations of usage of this product, its sales volume was small and amounted to LTL 0.15 million and operating loss was LTL 0.8 million, compared to revenue LTL 0.5 million and operating loss LTL 0.7 million previous year. The Group actively negotiates with probable buyers of this product or whole lignin stock and expects positive results from this business segment till the end of this financial year.

## 4. FINANCIAL COSTS

Financial expenses amounted to LTL 7.3 million over referenced period and were 9% more than that in 2012/2013 financial year (LTL 6.7 million). The main reasons affecting an increase in the expenses was consolidation of Latvian poultry companies and increased total loan portfolio, as credit institution loans to those companies amounted to LTL 54 million. Taking into account Group's investment plans, the treasury of the Group predicts that demand for banking financing would increase but financial expenditures are expected to remain at the same level as in 2012/2013 financial year.



## 5. CASH FLOWS

Group's cash flow from operating activities before the changes in working capital decreased to LTL 44 million as compared to LTL 82 million of the corresponding period of the previous year. Cash flow from operating activities after changes in working capital was negative amounting to LTL 138 million (negative LTL 94 million over the respective period of 2012/2013 financial year). That reflects normal business practice in respective period. Group's cash and cash equivalents at the end of the reporting period amounted to LTL 35 million (LTL 77 million in 2012/2013 financial year).

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

### THE PUBLICLY DISCLOSED INFORMATION

During the reporting period ended March 31, 2014, the Company publicly disclosed and distributed via NASDAQ OMX GlobeNewswire system and in Company's website the following information:

AB Linas Agro Group notification about interim 6 months financial results of the financial year 2013/2014	Interim information	En, Lt	28/02/2014 09:00:34 EET
AB Linas Agro Group has completed the acquisition of Latvian poultry companies and extended loans to two of them	Notification on material event	En, Lt	10/02/2014 15:00:33 EET
AB Linas Agro Group investor's calendar for the 2014	Other information	En, Lt	18/12/2013 11:00:33 EET
AB Linas Agro Group AB acquired claim in respect of Putnu Fabrika Kekava	Notification on material event	En, Lt	6/12/2013 15:00:31 EET
AB Linas Agro Group notification about interim 3 months financial results of the financial year 2013/2014	Interim information	En, Lt	27/11/2013 09:48:32 EET
AB Linas Agro Group acquired shares of AS Putnu fabrika Kekava and rights granted thereby	Notification on material event	En, Lt	30/10/2013 09:00:31 EET
AB Linas Agro Group received the permission to acquire poultry companies in Latvia	Notification on material event	En, Lt	28/10/2013 5:00:31 EET



Procedure for the payout of dividends for the financial year ended 30 June 2013	Notification on material event	En, Lt	25/10/2013 09:19:33 EEST
AB Linas Agro Group notification about the Annual information of the financial year 2012/2013	Annual information	En, Lt	25/10/2013 09:16:33 EEST
Results of voting of the Annual General Meeting of AB Linas Agro Group, held on 24 of October, 2013	Notification on material event	En, Lt	25/10/2013 09:12:32 EEST
Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Notification on material event	En, Lt	2/10/2013 09:00:31 EEST
Changes in AB Linas Agro group business segments	Notification on material event	En, Lt	10/9/2013 09:15:31 EEST
AB Linas Agro Group acquired farming company, together with its owner	Notification on material event	En, Lt	5/9/2013 11:45:30 EEST
AB Linas Agro Group notification about interim twelve month financial results of the financial year 2012/2013	Interim information	En, Lt	30/8/2013 09:00:32 EEST
SEB Bank issued AB Linas Agro an LTL 200 million credit line	Notification on material event	En, Lt	6/8/2013 09:06:30 EEST
AB Linas Agro Group is planning to acquire a property management company that owns farming company	Notification on material event	En, Lt	22/7/2013 16:09:30 EEST
AB Linas Agro Group is planning to acquire poultry companies in Latvia	Notification on material event	En, Lt	3/7/2013 13:16:31 EEST
AB Linas Agro Group received Exporter of the Year Award	Other information	En, Lt	2/7/2013 08:30:31 EEST

## OTHER EVENTS DURING THE REPORTING PERIOD

- 05/03/2014 AB Linas Agro Group became a member of Panevėžys District Žibartonių ŽŪB by increasing share capital of the company from LTL 3,149,746.49 to LTL 3,152,746.49.
- 07/02/2014 AB Linas Agro Group acquired 100% of the shares of SIA Broileks (Latvia).
- 07/02/2014 AB Linas Agro Group acquired 100% of the shares of SIA Cerova (Latvia).



- 05/02/2014 Share capital of SIA DOTNUVOS PROJEKTAI was increased from LVL 60,000 to EUR 2,000,000.
- 2013–2014 In November–December months and February UAB Linas Agro Konsultacijos additionally acquired 31,611.12 worth of shares of Panevėžys District Žibartonių ŽŪB.
- 2013–2014 In December–March months share capital of Noreikiškių ŽŪB was increased from LTL 1,010,000 to LTL 1,138,000.
- 2014 In January-February months AB Linas Agro Group acquired 100 pct shares of SIA Lielzeltini (Latvia).
- 2013–2014 In Q4 of 2013 and January 2014 UAB Linas Agro Konsultacijos acquired 68,130.59 worth of shares of Sidabravo ŽŪB.
- 27/01/2014 Restructuring procedure of Latvian chicken meat producer AS Putnu Fabrika Kekava (PFK) was finalized.
- 09/01/2014 UAB Fossio was established after splitting part of the assets and liabilities from UAB Lignineko.
- 2013 In December share capital of ŽŪB Landvesta 2 was increased from LTL 855,000 to LTL 1,182,000.
- 2013 In November-December months share capital of ŽŪB Landvesta 1 increased from LTL 323,000 to LTL 2,422,000.
- 2013 In August-December months share capital of UAB Lineliai increased from LTL 60,000 to LTL 1,610,000.
- 31/12/2013 Share capital of ŽŪB Landvesta 3 increased from LTL 102,000 to LTL 726,000.
- 31/12/2013 Share capital of ŽŪB Landvesta 4 increased from LTL 437,000 to LTL 1,912,000.
- 31/12/2013 Share capital of ŽŪB Landvesta 5 increased from LTL 1,014,493 to LTL 2,353,000.
- 31/12/2013 Share capital of ŽŪB Landvesta 6 increased from LTL 320,000 to LTL 1,837,000.
- 27/12/2013 Share capital of AS Dotnuvos Projektai increased from EUR 100,000 to EUR 1,300,000.
- 07/11/2013 Share capital of AS Putnu Fabrika Kekava was increased from LVL 5,632,620 to LVL 8,973,944, the number of shares owned by AB Linas Agro Group did not change after share capital increase.
- 08/10/2013 Share capital of SIA Linas Agro increased from LVL 500,000 to LVL 1,554,206.



- 04/10/2013 Share capital of UAB Linas Agro Konsultacijos increased from LTL 10,144,600 to LTL 38,400,000.
- 24/07/2013 AB SEB bank has increased its credit line to AB Linas Agro issued a year before by LTL 50 million to LTL 200 million.

## **SUBSEQUENT EVENTS**

- 2014 In April-May months share capital of Noreikiškių ŽŪB increased from LTL 1,038,000 to LTL 1,208,000.
- 2014 In April-May months Linas Agro Konsultacijos additionally acquired 10,687.17 worth of shares of Sidabravo ŽŪB.
- 30/04/2014 100 percent of shares of UAB Lignineko were sold.
- 2014 In April UAB Linas Agro Konsultacijos additionally acquired 2,854.36 worth of shares of Panevėžys district Žibartonių ŽŪB.
- 23/04/2014 Shareholders of AS Putnu Fabrika Kekava decided to increase share capital of the company.

## **CONTACT PERSONS**

Finance Director

Tomas Tumėnas

Ph. + 370 45 507 393

Email [t.tumenas@linasagro.lt](mailto:t.tumenas@linasagro.lt)

Investor Relations Specialist

Agnė Barauskaitė

Ph. + 370 45 507 346

Email [a.barauskaite@linasagro.lt](mailto:a.barauskaite@linasagro.lt)