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Consolidated Interim Report
of AB Linas Agro Group
for the Three-month Period of the
Financial Year 2017/18 ,
Ended 30 September, 2017



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)
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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

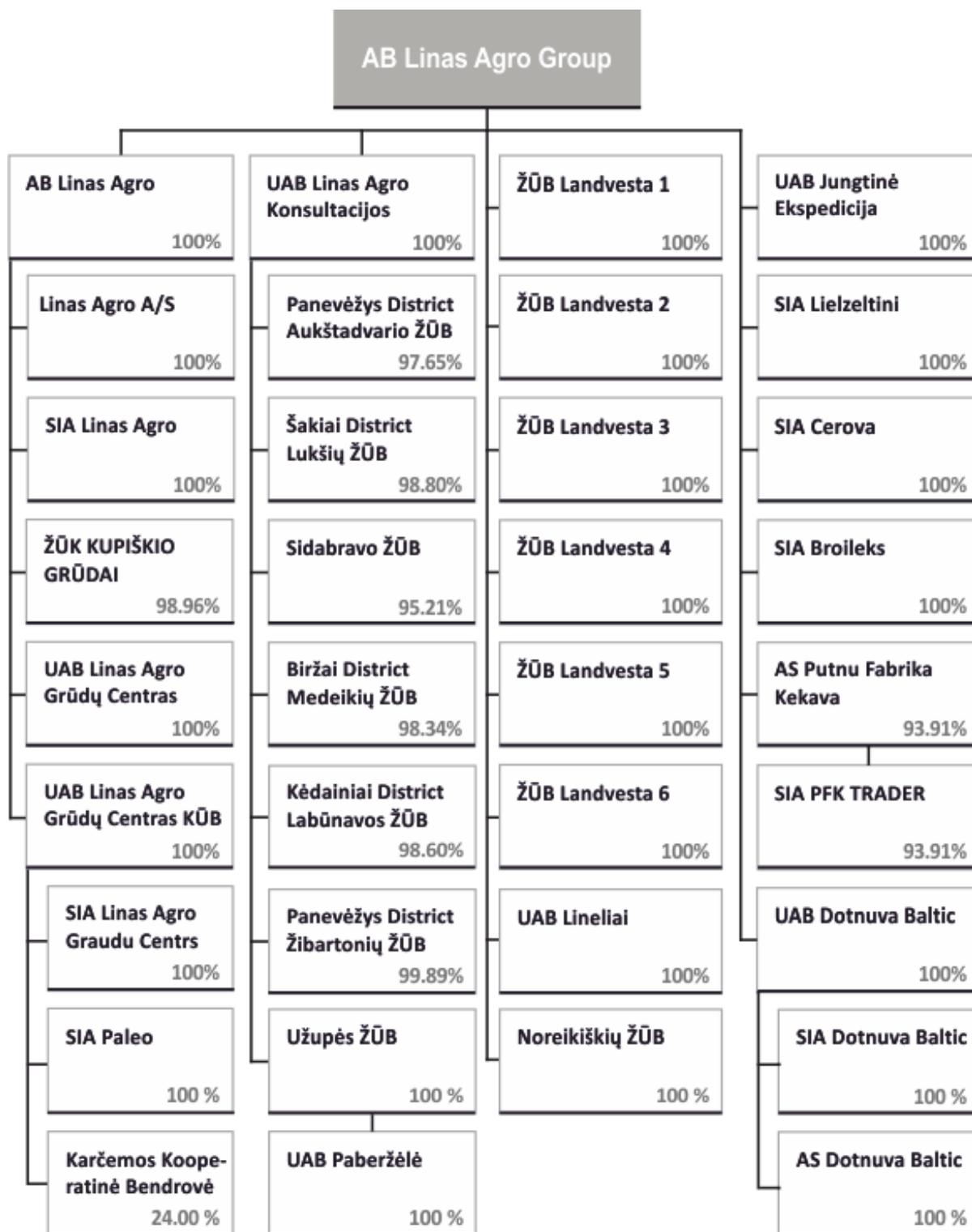
Linas Agro Group together with its directly and indirectly controlled companies (hereinafter – subsidiaries) makes the Group, which was founded in 1991 and had 39 companies at the end of the reporting period, and operates in four countries – Lithuania, Latvia, Estonia and Denmark. As at 30 June 2017, the total headcount of the Group amounted to 2,229 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 30 September 2017.

*Dormant companies UAB Gerera (100% shares), UAB Dotnuvos Technika (100% shares) and SIA Erfolg Group (93.91% 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. In addition, 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 three months of 2017/18 financial year totaled EUR 129 million and was 16% less as compared to previous year (EUR 153 million).
- The Group's sales volume in tons reached 435 thousands of various grains and agricultural inputs and was 13% less as compared to previous year (500 thousand tons).
- The gross profit reached EUR 14.5 million or was 2% higher than a year before (EUR 14.2 million).
- Consolidated EBITDA was 3% higher and exceeded EUR 8.5 million as compared to the previous year (EUR 8.3 million).
- The Group's operating profit was EUR 5.6 million or 6% lower as compared to the respective period of the previous year (EUR 5.9 million).
- Profit before taxes amounted to EUR 5.2 million (compared to EUR 5.4 million in previous year). The net profit attributable to the Group stood at EUR 4.3 million (EUR 4.2 million in previous year).

Financial Ratios

	2017/18	2016/17	2015/16	2014/15	2013/14
	3 months				
Sales in tons	435,483	500,620	475,399	421,293	368,682
Revenue (thousand EUR)	129,192	152,920	149,479	130,851	130,427
Gross profit (thousand EUR)	14,524	14,199	12,002	9,052	10,306
EBITDA (thousand EUR)	8,506	8,293	7,205	6,121	8,978
Operating profit (thousand EUR)	5,617	5,994	4,460	3,506	7,472
Net profit (thousand EUR)	4,715	4,444	3,464	2,235	6,445

Overview

In 2017, the grain and oilseed production situation should be treated as complex. From one hand, the world grain and oilseed production is expected to be quite big as it was in 2016. As per data of International Grain Council (IGC), the world grain and oilseed production will be around 2,079 million tons in 2017 and will be 3.3% less as compared to that in 2016 (2,134 million tons). It would be the second largest yield in the world since 2014, mostly due to a record harvest in Russia and China. Therefore, world grain ending stocks are high and projected to reach 496 million tons this year (523 million tons in 2016). The above affect the global prices, which have stabilized as compared to 2016, although remains vulnerable. For instance, the price of wheat on Euronext exchange ranged between 160 and 180 euros per ton in July-September, while previous year it has been EUR 160-175 per ton, at the same time rapeseed price was 360-380 euros per ton, compared to the price of 363-375 euros per ton a year before.

From the other hand, during the reporting period, weather conditions during harvesting season were exceptionally bad in all three Baltic countries due to relentless rain. Harvesting has been delayed by three weeks in Estonia; in mid-September only 57% of cereals, 47% of oilseed rape (92% of winter and 8% of summer) and 24% of legumes were harvested. Due to heavy rain, the crop area of almost 409 thousand hectares have been affected in Lithuania; that accounts for 27% of all cereals area. Crops in the area of 67 thousand hectares have been totally lost. The Government of Lithuania announced extreme situation in numerous municipalities of the country. The forecast shows that the total harvest in Lithuania will be 5% less as compared to previous year and would amount to 5.5 million tons (5.8 million tons in 2016). Rain has also negatively affected the average yields of various grains, which forecasted to decrease on average by about 0.5-1 t/ha, as compared to 2016 year. Milling quality grains are dominating in this year's harvest accounting to 70% of total grain harvest. Similar situation observed in Latvia as well. In northern and eastern Latvia, rainfall made damage to crops in total area of 73 thousand hectares. It is expected that total cereal harvest in Latvia will amount to 2.5 million tons (has been 2.7 million tons in 2016); most of the grain will be food grade.

Decreased grain supply from Lithuania and Latvia, high carry-over world stocks and severe competition in export markets, what in turn is affected by record harvest in Russia and China as well as in USA (due to high crop harvest and weak US dollar), poses many challenges for Baltic grain traders.

Overall situation in grains and oilseeds market also directly affects prices for food products. Those, on average grew by 7%. According to data of UN Food and Agricultural organization, FAO index went up from 167 to 178 points on average for the period July-September, mainly due to increased milk prices (40% index increase). Meat price index, which also accounts prices for poultry products, went up 6.7% from 164 to 174

points. All of the listed reasons have had a direct impact on the results of the Group during first quarter of the financial year, and will affect the entire performance for the financial year 2017/18.

The total volume in tons sold by AB Linas Agro Group products dropped by 13% from 500 thousand tons to 435 thousand tons and consolidated revenue of the first three months of 2017/18 financial year amounted to EUR 129 million and was 16% less as compared to previous year (EUR 153 million). The main reason behind the revenue drop was the slowed down sales in business Segment 'Grain and Feedstuff Handling and Merchandising' (those declined by 22%) as well as a plunge in sales down 15% in the business Segment 'Product and Services to Farming', reflecting difficult situation with Baltic grain harvest. Revenue in other business Segments increased if compared to the respective period of previous year.

Despite quite challenging grain market environment Group's profitability remained almost unchanged. Gross profit of AB Linas Agro Group went up 2% to EUR 14.5 million (EUR 14.2 million a year before). Group's operating profit amounted to EUR 5.2 million and EBITDA was EUR 8.5 million compared to the corresponding EUR 5.4 million and EUR 8.3 million in previous year. Group's net profit attributable to the shareholders also stayed unchanged and amounted to EUR 4.3 million compared to EUR 4.4 million EUR in 2016/17 financial year.

Financial Costs

Due to low interest rate basis, Group's financial expenses over referenced period almost unchanged and amounted to EUR 0.6 million compared to that in 2016/17 financial year (EUR 0.7 million). The total amount of financial loans portfolio (including leasing) grew from EUR 160 million to EUR 180 million. The amount of financial loans over first quarter of this financial year grew by EUR 83 million since July due to increased sales of various inputs to farmers and undergoing investments into poultry business and Group's grain elevators.

Cash Flow

Group's cash flow from operating activities before the changes in the working capital increased to EUR 9.4 million as compared to EUR 9.7 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 66.8 million (negative EUR 57.9 million over the respective period of 2016/17 financial year), the reason was increase of stocks by EUR 95 million over first three months of this financial year as the new trading season started. Group's cash and cash equivalents amounted to EUR 9.9 million at the end of the reporting period (EUR 10.1 million in 2016/17 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 euro

	2017/18 3 months	2016/17 3 months	2015/16 3 months	2014/15 3 months	2013/14 3 months
Grain and Feedstuff Handling and Merchandising	4,368	5,570	4,596	3,788	2,916
Products and Services for Farming	847	1,406	992	571	3,143
Agricultural Production	547	(478)	(454)	(1,494)	2,032
Food products	1,309	548	194	1,065	-
Other	3	(1)	71	32	(118)

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. The companies AB Linas Agro and Linas Agro AS are the holders of the European Good Trading Practice certificates. The companies AB Linas Agro and SIA Linas are ISCC (International Sustainability and Carbon certification) certified. In addition, AB Linas Agro holds a certificate in trade of organic plant production issued by the PE Ekoagros, and has GMP+ (European Good Manufacturing Practice) certification. The Group consistently expands the capacity of its own grain elevators, and currently the Group's own storage capacity for various grains and other agricultural commodities in Lithuania and Latvia is 288 thousand tons. The capacities of the storage facilities at ports operated by the Group reach 176 thousand tons.

Grain elevators owned by the Group collected and processed 398 thousand tons of various grains or 4% more as compared to the respective period of the 2016/17 financial year (384 thousand tons).

Almost 1.3 million euros were invested over the reporting period to expand grain storage facilities in Kupiškis, Lukšiai (Šakiai district), Kartena (Kretinga district), Pasvalys, and Joniškis. A new grain reception station was opened in Skrunda, Latvia. The volume of sourced grain, oilseeds and legumes in Latvia grew by almost 36% up to 204 thousand tons.

Due to decreased harvest in the Lithuania and Latvia, the total sales volume in this business Segment dropped by 18% from 393 thousand tons to 324 thousand tons. The sales of traditional crops (wheat, rapeseed, barley) decreased the most by 23%: their trading volumes dropped from 355 thousand tons to 274 thousand tons. Due to drop in volumes of aforementioned commodities, their sales revenue has shrunk by 34% from EUR 76 million to EUR 50 million. As an opposite, the sales of feedstuff in tons accelerated by 31% and sales revenue went up from EUR 11 million to EUR 16 million. A growing demand for various feedstuffs in export markets and sound harvest in sourcing regions (Russia, Belarus) were the main reasons that positively affected sales of various feedstuffs.

Total revenue of this business Segment dropped from 92 million to 72 million. Operating profit of this business Segment declined by 22% from EUR 5.6 million to EUR 4.4 million. Taking into account severe competition in export markets and lower cereals harvest in the Baltic region, although higher profitability from drying services provided by grain elevators, the Group expects to earn the same operating profit for this business Segment for the financial year as compared to previous year.

Products and Services for Farming

This business Segment includes trade in seeds, plant protection products, fertilizers, agricultural machinery, 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. The Group represents strong brands. The subsidiary UAB Dotnuva Baltic is a wholesaler and retailer of agricultural machinery and grain storage facilities, has an agricultural machinery service network in the Baltic States and a seed preparation plant. UAB Dotnuva Baltic has a certificate in preparation and trade of organic seeds issued by the PE Ekoagros. The modernization of the seed preparation plant in Dotnuva during previous financial year allowed increase the production of certified cereal seeds by 20% up to 10 thousand tons this year (the investment paid off over the year). The Group is constantly increasing its own warehousing capacity, and currently the total storage capacity for storing seeds, fertilizer and plant protection products in Lithuania and Latvia exceeds 131 thousand tons.

The fact that part of the crops remained unharvested in all three Baltic States, as well as that some of farmers were not able to sow winter crops, have strongly negatively influenced the sales of seeds for winter crops and fertilizers this autumn.

During the respective period, there was no EU support for modernization of farms in Lithuania, which negatively affected the sales of new equipment. The market for new equipment in Lithuania is strongly shrinking. After a long period of low milk prices, dairy farms in Lithuania and Latvia are still very carefully planning their investments, the market for dairy farm equipment has shrunk, and competition between suppliers of farm equipment has increased significantly.

According to data of official registers, 205 new western tractors were registered in Lithuania in July-September 2017, which is almost 60% less than in previous year (505). In Latvia, the number of registered new western tractors over the same period was 133, which makes 23% more than a year before. In Estonia, there were 72 new western tractors registered in the same period or 4% less than the last year.

Decreased cereal harvest in Lithuania and Latvia as well as difficult planting conditions due to heavy rain had negative impact on farmer's ability to plant winter crops. Because of that, the area of 291 thousand ha either has not been planted of winter crops, or plants were lost. That would have a negative impact for next year's harvest. Due to this, farmers have been quite conservative in predicting their future income and minimizing their purchases of various inputs. Over the respective period the sales of new agricultural machinery declined by 43% from EUR 14 million to EUR 8 million, while sales of second-hand agricultural machinery grew from EUR 0.4 million to EUR 0.5 million. Sales of various fertilizers and plant protection products plunged by 20% and 5% accordingly, amounting to EUR 12 million and EUR 3.8 million respectively. As farmers needed to re-plant the crop in the flooded areas, the demand for seeds went up and the Group has sold 18% more of various seeds and the sales revenue gained was EUR 7.9 million. Revenue from sales of equipment for grain elevators increased further from EUR 1.2 million in FY 2016/17 to EUR 2 million.

The gross profit of this business Segment dropped from EUR 4.9 million to EUR 3.9 million and the operating profit went down from EUR 1.4 million to EUR 0.8 million.

The Group expects to earn less operating profit for this business Segment as compared to previous year, but should remain close to the results achieved in 2015/16 financial year.

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 17,266 ha of land or 34 ha more as compared to previous year. At the end of the reporting period the Group had almost 7,143 ha of the own land or 381 ha more as compared to previous year.

Weather conditions were not favorable for the crop production during the respective period: it has been raining during the harvesting period. Due to bad weather conditions, 202 hectares of crop were left unharvested. Although the yield was 15% or an average 1.1 t / ha higher than a year before (f. i., of winter wheat, malting barley and peas), due to the rainy weather in August, all the grain and rapeseed had to be dried, also about 25% of wheat was of feed quality.

The Group's total agricultural production output was 95,555 tones or almost 22% higher compared to previous year. The amount of harvested wheat was the largest one - 53 thousand tons, of malting barley - almost 15 thousand and of rapeseed – 12 thousand tons. Sales of crop production made 28 thousand tons, or 9% more than in previous year. Sales of grain decreased almost 5% to 22.7 thousand tons, if compared to 23.9 thousand tons in previous year.

Autumn sowing due to poor weather conditions has been complicated; the planting targets have been not reached. Winter crops were planted on 6,993 hectares in autumn, the area being 23% less than in previous year.

The Group controlled farms own 3,200 milking cows. The milk yield of cows was similar to that of previous year, except for Sidabravo ŽŪB, with an average daily milk yield growing by almost 18% to 30.44 l per cow (25.82 l in the previous year). 7,601 tons of raw milk has been sold over the referenced period, figure being similar to that a year before (7,561 tons). The milk prices in July-September period were 60% higher than a year before, therefore sales revenue went up from EUR 1.7 million to EUR 2.8 million.

The revenue of this business Segment grew by 11% and amounted to EUR 8.9 million (EUR 8 million in 2016/17 year) and red figures (operating loss EUR 0.5 million in the respective period of 2016/17) have changed into the operating profit of EUR 0.5 million. If raw milk purchasing prices would remain at the current level, the Group would expect better Segment's performance as compared to previous year.

The agricultural companies of the Group spent over EUR 1.1 million to obtain agricultural machinery and arable land.

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 business is run by Latvian poultry companies AS Putnu Fabrika Kekava (with subsidiary SIA PFK Trader), SIA Lielzeltini, SIA Broileks, and SIA Cerova.

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 company's products sold under the trademark "Top choice poultry" in the export markets. The subsidiary of the company, SIA PFK Trader operates 21 retail shops all over Latvia. AS Putnu Fabrika Kekava has received the BRC (British Retail Consortium) certification ISO

50001:2012 and ISO 22000:200 certification, also is Halal certified. AS Putnu Fabrika Kekava is the only poultry farm in the Baltic States that received the right to mark their poultry meat as 'Raised without Antibiotics'.

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. The company has received ISO 22000:2006 and ISO 50001:2012 certifications, also is Halal certified.

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

The poultry companies produced 10.3 thousand tons of live weight or 3% more as compared to previous year. Companies sold over 8 thousand tons of poultry and poultry products or 15% more than a year before.

An average broiler price in the EU for the period July–September 2016 has been about EUR 177 / 100 kg and this year it has been EUR 184 / 100 kg over the same months. The increase in poultry prices was conditioned by the threat of avian influenza on the EU market, rising prices for alternative meat (pork) and restrictions on the imports of Brazilian poultry meat into the EU due to a salmonella scandal. Imports into the EU decreased 10%.

The poultry companies sold over 8.4 thousand tons of poultry and poultry products (7.1 thousand tons a year before).

Revenue from this business Segment increased by 11% from EUR 14.7 million to EUR 16.3 million while operating profit accelerated from EUR 0.5 million to EUR 1.3 million due to successful sales in the home market (Lithuania and Latvia) as well as in Scandinavia. Previous investments in modernization of production influenced the profitability of the Segment, allowing the operating profit margin to increase from 4% to 8%.

The Group invested over EUR 1.3 million during the referenced period to upgrade poultry production equipment.

Taking into account the current market situation, successful sales of the new products, the Group expects better 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 3 thousand as compared to a one thousand euros loss in previous year.

The Publicly Disclosed Information and Other Events of the Reporting Period

The Publicly Disclosed Information

During the reporting period ended 30 September, 2017, the Company publicly disclosed and distributed via Nasdaq Vilnius GlobeNewswire system and in Company's website the following information:

31/8/2017 10:10 EEST	AB Linas Agro Group notification about interim 12 months financial results of the financial year 2016/2017	Interim information	EN, LT
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Other Events of the Reporting Period

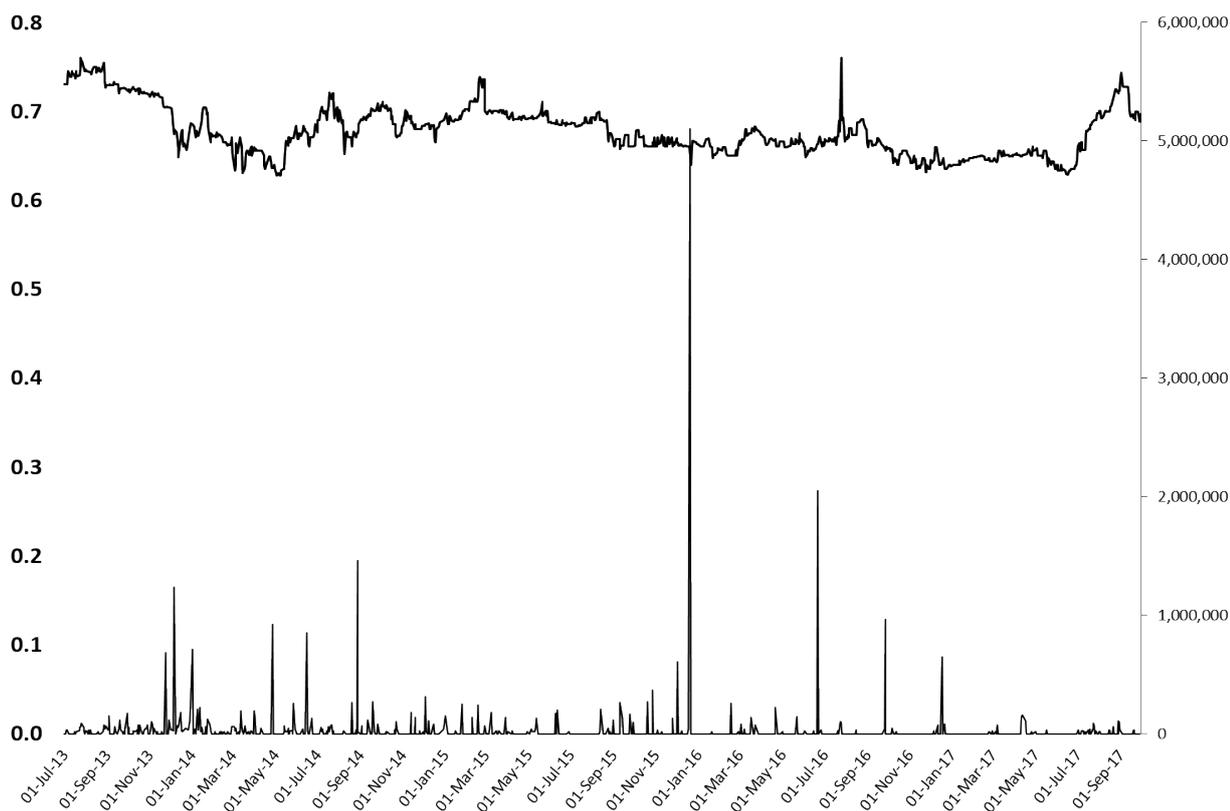
27/9/2017	The authorized capital of UAB Lineliai was increased by 80,000 euros.
24/7/2017	The Company signed the Issuer's Securities Accounting Management Agreement with Šiaulių Bankas AB (code of legal entity 112025254, address: Tilžės St. 149, LT-76348
14/7/2017	The shareholders of Noreikiškių ŽŪB made a decision to increase the authorized capital of the company by 70,000 euros.

Subsequent Events

31/10/2017	Equity capital of Užupės ŽŪB reduced by paying out EUR 750,660.80 to shareholders.
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Prices and Turnover of Shares of AB Linas Agro Group

Information on changes in the prices of Company's shares and turnover from 01/07/2013 until the end of the reporting period, i. e. 30 September 2017, is presented in the following diagram:



Agreements concluded with intermediaries of the public securities market

On July 24, 2017, the Company signed the agreement of the Issuer's securities accounting management contract with AB Šiaulių Bankas, represented by the Securities Transactions Division (code 112025254, address: Šeimyniškių St 1A, LT-09312 Vilnius).

The securities of the subsidiaries of the Company are not being traded on regulated markets.

Contact Persons

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