



Consolidated Interim Report of AB Linas Agro Group

**for the Three-Month Period
of the Financial Year 2018/19,
Ended 30 September, 2018**

Information about the Company and the Group

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
LEI	529900UB9QON717IL030
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 Vilnius	LNA1L

AB Linas Agro Group together with its directly and indirectly controlled companies (hereinafter – subsidiaries) makes the Group, which was founded in 1991 and operates in four countries – Lithuania, Latvia, Estonia and Denmark. The financial year of the Group begins on 1 July. At the end of the reporting period the Group had 40 companies, and the total headcount was 2,174 employees. The Company does not have any branches and representative offices.

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.

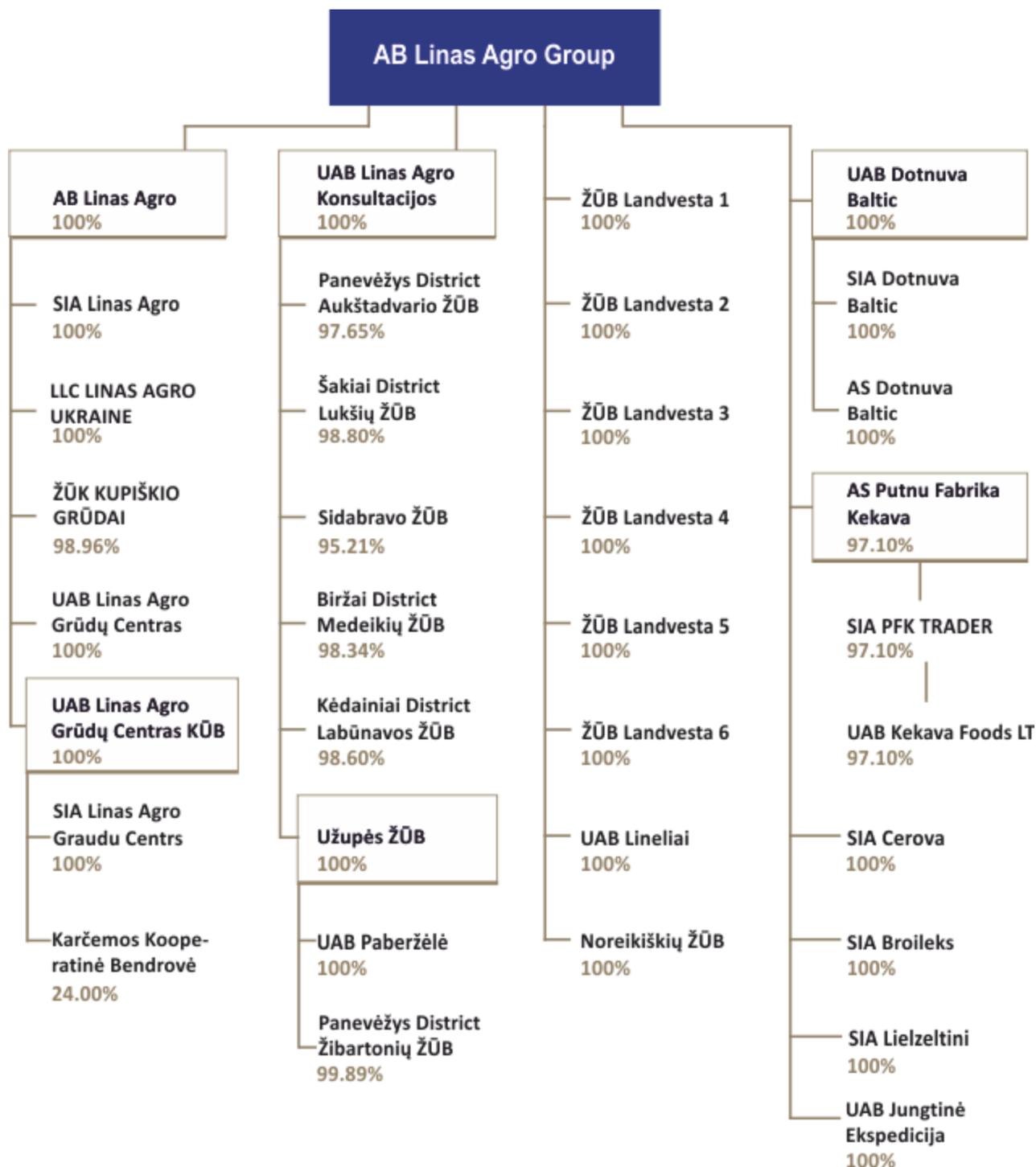
The Group is the leading exporter of grains and has own network of grain storage facilities. Also is one of the leaders in supplies of agricultural inputs (such as certified seeds, fertilizers and agricultural machinery) in Lithuania, has seed processing plant. The Group is a major milk producer in Lithuania and poultry producer in Latvia as well.

The Group's activities are subdivided into main four 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.

Information about subsidiaries of the Company

The Company controlled 40 companies* in Lithuania, Latvia and Estonia as at 30 September 2018.

*Dormant companies and the companies undergoing liquidation or merge are not included in the structural chart: UAB Gerera (dormant, 100% shares), UAB Dotnuvos Technika (dormant, 100% shares), Linas Agro A/S (under liquidation, 100% shares), SIA Erfolg Group (under liquidation, 97.10% shares), SIA Paleo (under merge to SIA Linas Agro Graudu Centrs, 100% shares).



Activity and Financial Results of the Group

- Consolidated revenue of AB Linas Agro Group in three months of 2018/19 financial year totaled EUR 156 million and was 21% more as compared to previous year (EUR 129 million).
- The Group's sales volume in tons reached 409 thousand tons of various grains and agricultural inputs and was 6% less as compared to previous year (435 thousand tons).
- The gross profit reached EUR 12.4 million and was 14% lower than a year before (EUR 14.5 million).
- Consolidated EBITDA was 16% lower and amounted to EUR 7.1 million as compared to the previous year (EUR 8.5 million).
- The Group's operating profit was EUR 4.4 million or 21% less as compared to the respective period of the previous year (EUR 5.6 million).
- Profit before taxes amounted to EUR 3.8 million (compared to EUR 5.2 million in previous year). The net profit attributable to the Group stood at EUR 3.3 million (EUR 4.3 million in previous year).

Financial Ratios

	2018/19 3 months	2017/18 3 months	2016/17 3 months	2015/16 3 months	2014/15 3 months
Sales in tons	409,619	435,483	500,620	475,399	421,293
Revenue (thousand EUR)	156,159	129,192	152,920	149,479	130,851
Gross profit (thousand EUR)	12,396	14,524	14,199	12,002	9,052
EBITDA (thousand EUR)	7,115	8,506	8,293	7,205	6,121
Operating profit (thousand EUR)	4,437	5,617	5,994	4,460	3,506
Net profit (thousand EUR)	3,403	4,715	4,444	3,464	2,235

Overview

As per data of International Grain Council (IGC), the world grain and oilseed production will be around 2,080 million tons in 2018 and will be 1.1% less as compared to that in 2017 (2,104 million tons), while world grain ending stocks have shrunken from 617 million to 560 million tons. Therefore, the global prices for various grains and oilseeds over July-September period went up as compared to the respective period of previous year. For instance, the price of wheat on Euronext exchange ranged between 180 and 205 euros per ton in July-September, while previous year it has been EUR 160-180 per ton.

The overall situation of harvest in all Baltic States has been challenging. First of all, heavy rains in 2017 have negatively affected planting of winter crop which is usually more productive, and secondly, very dry summer of 2018 have destroyed certain areas of summer crops and affected the overall yield. F.i., area planted with summer wheat in Lithuania has been 65 thousand hectares less than usual. Therefore, it is forecasted that overall harvest of cereals and oilseeds in Lithuania in 2018 will be 23% less as compared to 2017 and would amount to 4.1 million tons, in Latvia it will be 24% less amounting to 2.3 million and in Estonia will shrink 29% to 1.2 million tons.

Due to decreased yield in Lithuania and Latvia, the AB Linas Agro Group sales volume in tons dropped 6% from 435 thousand tons to 409 thousand tons. The biggest drop was observed in traditional products' group - wheat, barley and rapeseed – as their sales in tons plunged 20% to 218 thousand tons. The decreased yield had a negative impact on performance of Group controlled elevators as total volume of various grains they processed dropped 26% if compared to previous year. Appositively, better harvest in Russia and Ukraine and increased demand for various feedstuffs boosted their sales volumes in tons by 73%.

Group's consolidated revenue of the first three months of 2018/19 financial year amounted to EUR 159 million and was 21% higher as compared to previous year (EUR 129 million). Revenue of the largest Group's business Segment 'Grain and Feedstuff Handling and Merchandising' rose by 27% as sales of feedstuffs grew 139% from EUR 16 million to EUR 38 million. Revenue went up also due to increased world prices on various grains as those rose in a range of 15-20%. Sales in business Segment 'Products and Services for Farming' also increased 15%, where revenues of fertilizers, seeds and plant protection products businesses went up 36%, 17% and 11% accordingly, and sales of agricultural machinery grew 22%. Revenue of business Segment 'Food products' grew 19% and despite increased prices for grains and feedstuffs, gross profitability margin of this business Segment went up from 16.1% to 16.6%. Due to the draught the crop production in Group controlled farms was 27% less as compared to previous year, but drop in their revenue was not that big because of high grain prices and was 14%.

To optimize trading activities and reduce operating costs, improve customer service and avoid an internal competition between subsidiaries, the Group is carrying out some transformations in the organizational structure:

- Closing its trading company in Denmark, Linas Agro A / S, and also the dormant company in Latvia- SIA Erfolg Group; the liquidation processes are expected to be over by the end of the calendar year;
- Merging the fertilizer warehousing company SIA Paleo to the grain elevators company SIA Linas Agro Graudu Centrs, expecting to complete this process by 2019;
- Have transferred the seed sales business from UAB Dotnuva Baltic to AB Linas Agro, also sales and administration teams of Linas Agro and Dotnuva Baltic are being merged in Lithuania and Latvia.

The above changes should reduce the Group's operating costs by EUR 0.5-0.7 million.

In Ukraine, where the Group buys various feedstuffs, the company AB Linas Agro has established a subsidiary company LLC LINAS AGRO UKRAINE with the aim to strengthen the logistics of the Group.

Group's operating profit amounted to EUR 4.3 million and EBITDA was EUR 7.15 million compared to the corresponding EUR 5.6 million and EUR 8.5 million in previous year. Group's net profit amounted to EUR 3.4 million as compared to EUR 4.7 million EUR in 2017/18 financial year.

Financial Costs

Due to increased volumes of financials loans, Group's financial expenses increased over referenced period and amounted to EUR 0.8 million compared to that in 2017/18 financial year (EUR 0.6 million). The total amount of financial loans portfolio (including leasing) grew from EUR 179 million to EUR 195 million. The amount of financial loans grew by EUR 43 million over Q1 due to increased demand for working capital and undergoing long-term investments.

Cash Flow

Group's cash flow from operating activities before the changes in the working capital was negative and amounted to EUR 4 million as compared to EUR 9.4 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 48 million (negative EUR 67 million over the respective period of 2017/18 financial year), the reason was increase of stocks by EUR 25 million. Group's cash and cash equivalents amounted to EUR 10.5 million at the end of the reporting period (EUR 9.9 million in 2017/18 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

	2018/19 3 months	2017/18 3 months	2016/17 3 months	2015/16 3 months	2014/15 3 months
Grain and Feedstuff Handling and Merchandising	2,385	4,368	5,570	4,596	3,788
Products and Services for Farming	1,892	847	1,406	992	571
Agricultural Production	(424)	547	(478)	(454)	(1,494)
Food products	1,653	1,309	548	194	1,065
Other	(196)	3	(1)	71	32

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 330 thousand tons. The capacities of the storage facilities at ports operated by the Group reach 211 thousand tons.

Due to decreased harvest in the Lithuania and Latvia, the total sales volume in this business Segment dropped 6% from 324 thousand tons to 305 thousand tons. Grain elevators owned by the Group collected and processed over 295 thousand tons of various agricultural commodities or 26% less as compared to the respective period of the 2017/18 financial year (398 thousand tons). The sales of traditional crops (wheat, rapeseed, barley) decreased the most by 20%: their trading volumes dropped from 274 thousand tons to 219 thousand tons. Due increased world prices for various cereals, their sales revenue has remained almost unchanged and amounted to EUR 50 million. As an opposite, the sales of feedstuff in tons accelerated by 73% and sales revenue went up from EUR 16 million to EUR 38 million. A growing demand for various feedstuffs in export markets and sound harvest in sourcing regions (Russia, Ukraine) were the main reasons that positively affected sales of various feedstuffs.

The total revenue of this business Segment grew from EUR 72 million to EUR 91 million. Segment's operating profit dropped 45% from EUR 4.4 million to EUR 2.4 million. Taking into account a growing competition, lower harvest in Baltics' and shrunken revenue earned from drying services at Group elevator's (due to dry weather during harvesting season), the Group expects that operating profit of this business Segment will be EUR 0.5 million less in this financial year as compared to previous one.

Over 2 million euros were invested during the reporting period to expand grain storage facilities. In Latvia, the Group launched grain elevators in Grobina and Rezekne. The volume of grain processed in Group's elevators in Latvia grew 19% as compared to previous year up to 50 thousand tons.

Products and Services for Farming

This business Segment includes trade in seeds, plant protection products, fertilizers, agricultural and machinery, installation of grain cleaning, drying and storage facilities as well as livestock farms.

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 worldwide known brands. The Group is constantly increasing its own warehousing capacity, and currently the total storage capacity for warehousing seeds, fertilizers and plant protection products in Lithuania and Latvia is close to 101 thousand tons.

The subsidiary AB Linas Agro is one of the largest suppliers of fertilizers, plant protection products, certified seed to Lithuanian farmers, and SIA Linas Agro supplies agricultural inputs to Latvian farmers.

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 processing plant. The company has a certificate in preparation and trade of organic seeds issued by the PE Ekoagros. Dotnuva Baltic is the only representative of the 'Case IH', 'Kverneland', 'Agrifac', and 'Jeantil' brands in the Baltic States. Dotnuva Baltic is the leading distributor of plows and self-propelled sprayers in Lithuania, whereas Kverneland plows hold over 40% plow market share, and Agrifac self-propelled sprayers' market share is at 30%. The Group ranked as the second largest seller of the new western tractors in Lithuania. In order to ensure high standards of customer service and to provide quality service to the market, Dotnuva Baltic has joined the 'Red Excellence' Case IH international quality campaign, which unites Case IH dealers in Europe.

The weather conditions were favorable for winter crop sowing, this fact positively affected sales of fertilizers and plant protection products, which grew about 20% to EUR 28.4 million.

Due to the damage caused by drought, the financial situation of farmers has considerably worsened, while quality of grains was high, and all that affected farmers' decisions to use more own seeds rather than purchase certified seeds. Therefore, sales of certified seeds have shrunk by 17% to over 9 thousand tons as compared to previous year. Although prices for seeds went up and led to 4% revenue growth to EUR 8.2 million.

After the past two years, unfavorable for crop production, the following tendencies could be traced in Lithuanian agricultural machinery market: big farms are investing into more heavy, efficient and powerful agricultural machinery fleet, while small farms refrain from investing in new machinery and prefer used agricultural machinery instead. In Latvia, due to bad harvest farmers tend to postpone their purchases or relocate them into the next year.

Sales of the new agricultural machinery went up in Lithuania and Estonia and down in Latvia. The Group's revenue from the sale of new agricultural machinery increased by 23% to almost EUR 9.7 million. Sales of the used machinery increased in all Baltic states, total sales revenue in all countries grew 41% up to EUR 0.7 million. Sales revenue from spare parts went up 15% to EUR 2.6 million.

Due to lower 2018 cereals yield and especially favorable weather conditions during the harvesting season (no need to dry grain) farmers have slowed down investments in grain elevators, dryers and warehouses. Revenue from this business gained during the reporting period was almost EUR 1.4 million or 29% less as compared to previous year (EUR 1.9 million).

Revenue from this business Segment increased by 15% from EUR 37.8 million to EUR 43.4 million. The gross profit of the Segment grew 30% and amounted to EUR 5.1 million as compared to EUR 3.9 million in FY 2017/18, while operating profit rose 123% from EUR 0.8 million to EUR 1.9 million.

The Group predicts that operating profit of this business Segment will remain the same as it was in 2017/18.

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. At the end of the reporting period the Group had 7,489 ha of the own land. The harvested area amounted to 13,775 hectares, and 9,398 ha area was planted with winter crops- mainly wheat and rapeseed. The quality of planted crops was very good at the end of the reporting period.

The farming companies produced 68 thousand tons of agricultural production or 27% less than previous financial year. The amount of harvested wheat was the largest one - 33 thousand tons, of malting barley - almost 13 thousand, of rapeseed - 8 thousand tons and peas - 7 thousand tons. The average wheat yield was 5.76 t/ha, malting barley yield – 4.76 t/ha, rapeseed – 3.20 t/ha, and beans – 3.91 t/ha.

As much as 20.5 thousand tons of agricultural commodities were sold or 27% less than a year before. About 55% of the products have been sold to the other companies of the Group and 45% marketed outside the Group.

The Group controlled farms own 3,180 dairy cows, the decrease in number was insignificant. Over 7.6 thousand tons of raw milk have been sold over the referenced period, or 0.7% more than a year before. The average milk purchase price over the three-month period was 12% less than a year before, therefore sales revenue dropped from EUR 2.8 million to EUR 2.5 million. Meat sales volume was 457 tons (439 tons a year before).

The revenue of this business Segment dropped 14% from EUR 8.9 million to EUR 7.7 million and operating profit of EUR 0.5 million, gained previous year, has turned into loss amounting to EUR 0.4 million. The reason of decrease was drop in the yield of cereals.

During the reporting period, the Group invested over EUR 1 million to renew agricultural machinery and vehicles fleet, also renovate buildings. Though raw milk prices are on the low trend, the Group is positive regarding development of milk production on the long term and has plans to invest into milk production facilities and expand its cow herd.

The Group expects the operating profit of this business Segment to be 20% less as compared to previous year.

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. Business is conducted by Latvian poultry companies AS Putnu Fabrika Kekava (incl. 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 are marketed 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 and 1 in Lithuania. AS Putnu Fabrika Kekava have the right to mark their poultry meat as ‘Raised without Antibiotics’. During the reporting period AS Putnu Fabrika Kekava has received A grade BRC (British Retail Consortium) accreditation (formerly having B grade or lower rating), also has ISO 50001:2012 and ISO 22000:200 certification, and is Halal certified.

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.

An average poultry price over the reporting period was EUR 189 /kg or 2.8% higher as compared to previous year (EUR 184/kg).

The poultry companies produced over ten 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 almost the same than a year before.

Revenue from this business Segment increased by 19% from EUR 16.3 million to EUR 19.4 million while operating profit accelerated by 26% from EUR 1.3 million to EUR 1.7 million. Previous investments in

modernization of production influenced the profitability of the Segment, allowing the operating profit margin to increase from 8.0% to 8.5%.

The Group invested almost EUR 1.1 million during the referenced period to upgrade poultry production equipment and increase biosafety level. The renewal of 6 poultry houses allowed to increase the number of raised birds by 3%. The Group plans to further expand its poultry raising capacity, and also increase slaughtering capacity by 2020.

The Group expects to earn 10-15% more in operating profit for this business Segment as compared to previous year.

Other

This business Segment includes small activities, not attributable to other Segments, f.i., grain elevators' services to the third parties, sale of minor assets, etc.

The operating loss of this business Segment amounted to EUR 0.2 thousand as compared to EUR 3 thousand profit 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, 2018, the Company publicly disclosed and distributed via Nasdaq Vilnius GlobeNewswire system and in Company's website the following information:

19/9/2018 15:26 EEST	CORRECTION: AB Linas Agro Group investor's calendar for the 2018	Other information	En, Lt
31/8/2018 16:12 EEST	AB Linas Agro Group notification about interim 12-month financial results of the financial year 2017/2018	Interim Information	En, Lt
13/7/2018 09:42 EEST	AB Linas Agro Group signed employee stock option contracts	Other information	En, Lt

Other Events of the Reporting Period

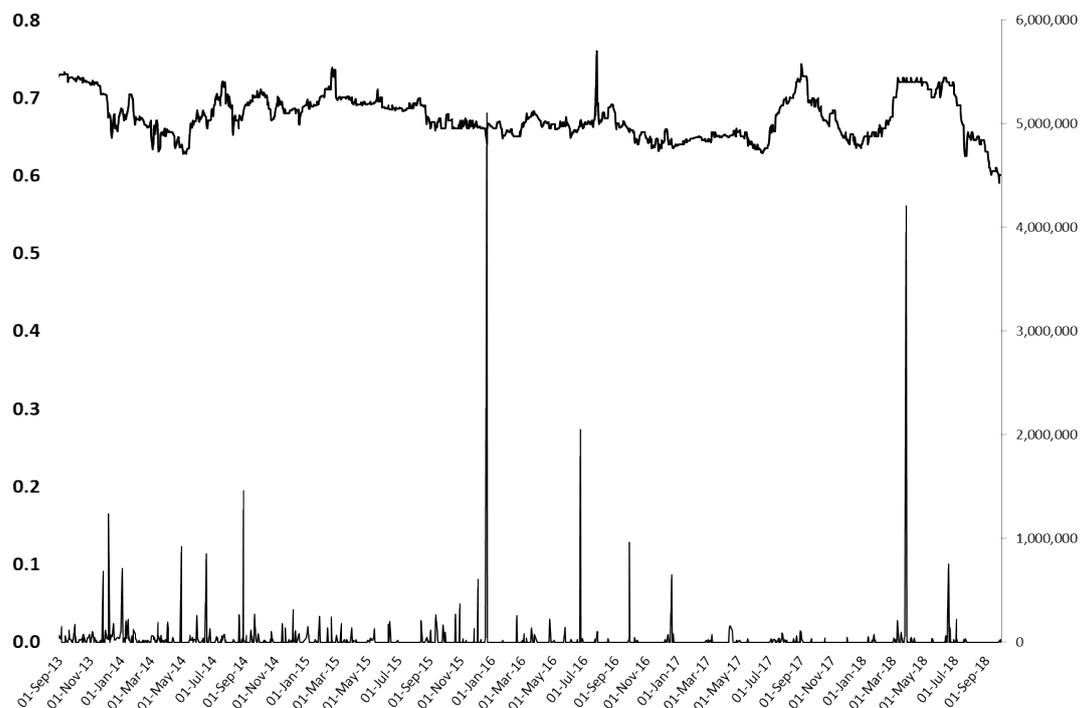
26/9/2018	The Company concluded Securities donation agreements and will transfer 9,000 own shares to the employees of the Group under AB Linas Agro Group Rules for Shares Issues approved in AB Linas Agro Group Extraordinary General Meeting of Shareholders on 01/06/2018.
19/9/2018	The authorized capital of UAB Lineliai was increased by 50,000 euros.
21/8/2018	The decision of the sole shareholder to reorganize the companies, by merging SIA Paleo to SIA Linas Agro Graudu Centrs, was made.
30/07/2018	AB Linas Agro founded a subsidiary in Ukraine LLC LINAS AGRO UKRAINA.

Subsequent Events

12/11/2018	The decision of the sole shareholder was made to increase capital of SIA Linas Agro by 1,000,000 euros.
08/11/2018	The capital of UAB Linas Agro Grūdų Centras KŪB was increased by 1,000,000 euros.
31/10/2018	Equity capital of Užupės ŽŪB was reduced by paying out EUR 140,000 to shareholders.
24/10/2018	The capital of LLC LINAS AGRO UKRAINA was increased by 2,800,000 UAH (87,000 euros).
October 2018	The Company transferred 9,000 own shares to the employees of the Group under AB Linas Agro Group Rules for Shares Issues.
10/10/2018	Participants of UAB Linas Agro Grūdų Centras KŪB approved the Activity agreement and decided to increase capital of UAB Linas Agro Grūdų Centras KŪB by 1,300,000 euros.

Prices and Turnover of Shares of AB Linas Agro Group

Information on changes in the prices of Company's shares and turnover from 01/09/2013 until the end of the reporting period, i. e. 30 September 2018, is presented in the following diagram:



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