

# Consolidated Interim Report of AB Linas Agro Group for the Financial Year 2019/20

*for the Three-month Period,  
Ended 30 September, 2019*



## Information about the Company and the Group

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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.linasagroup.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 the Ukraine. The financial year of the Group begins on 1 July. At the end of the reporting period the Group had 38 companies and 2,148 employees. The Company does not have any branches and representative offices.

## Contact Person

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Finance Director

Tomas Tumėnas

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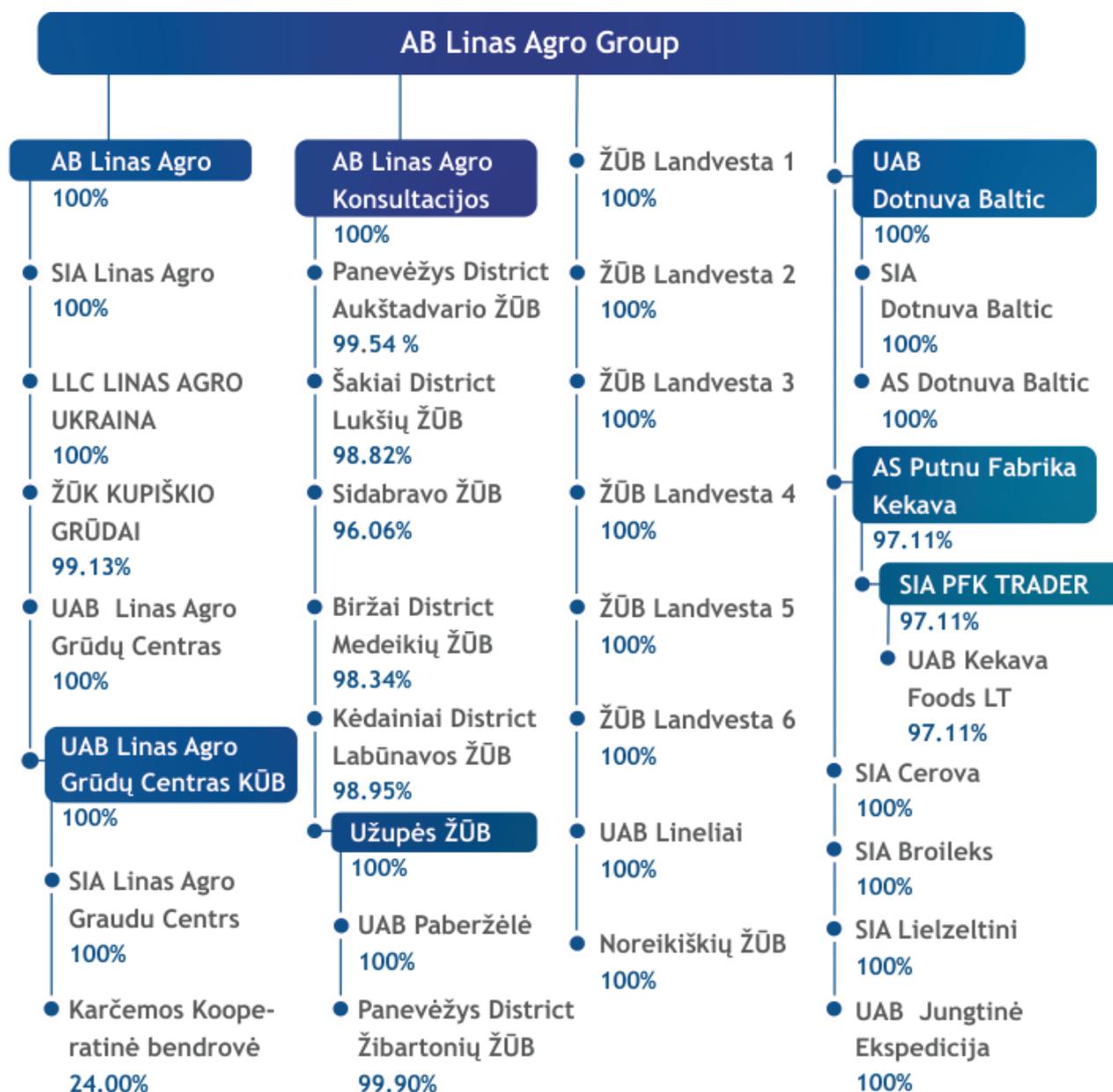
Email t.tumenas@linasagro.lt



## Information about subsidiaries of the Company

The Company controlled 38 companies\* in Lithuania, Latvia, Estonia and Ukraine as at 30 September 2019.

\*Dormant companies and the companies undergoing liquidation 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).



## 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's activities are subdivided into main four operating Segments: 'Grain and Feedstuff Handling and Merchandising', 'Products and Services for Farming', 'Agricultural Production', 'Food products'. Division into separate Segments is dictated by different types of products and character of related activities; however, activities of the Segments are often interconnected.

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.

## Activity and Financial Results of the Group

- Consolidated revenue of AB Linas Agro Group in three months of 2019/20 financial year totaled EUR 149 million and was 4% less as compared to previous year (EUR 156 million).
- The Group's sales volume in tons reached 438 thousand tons of various grains and agricultural inputs or 7% more as compared to previous year (409 thousand tons).
- The gross profit reached EUR 10.5 million and was 15% lower than a year before (EUR 12.4 million).
- Consolidated EBITDA was 33% lower and amounted to EUR 4.8 million as compared to the previous year (EUR 7.1 million).
- The Group's operating profit was EUR 1.4 million or 69% less as compared to the respective period of the previous year (EUR 4.4 million).
- Profit before taxes amounted to EUR 0.9 million (compared to EUR 3.8 million in previous year). The net profit attributable to the Group stood at EUR 0.6 million (EUR 3.3 million in previous year).

## Financial ratios

	2019/20 3 months	2018/19 3 months	2017/18 3 months	2016/17 3 months	2015/16 3 months
Sales in tons	438,161	409,619	435,483	500,620	475,399
Revenue (thousand EUR)	149,351	156,159	129,192	152,920	149,479
Gross profit (thousand EUR)	10,482	12,396	14,524	14,199	12,002
EBITDA (thousand EUR)	4,769	7,115	8,506	8,293	7,205
Operating profit (thousand EUR)	1,367	4,437	5,617	5,994	4,460
Net profit (thousand EUR)	703	3,403	4,715	4,444	3,464



## Overview

As per data of International Grain Council (IGC), the world grain and oilseed production will be around 2,162 million tons in 2019 and will be 0.9% more as compared to that in 2018 (2,143 million tons), while world grain ending stocks have shrunken from 620 million to 594 million tons. The global prices for various grains and oilseeds over July-September period slightly dropped as compared to the respective period of previous year. For instance, the price of wheat on Euronext exchange ranged between 165 and 175 euros per ton in July-September, while previous year it has been EUR 170-195 per ton.

The overall situation of harvest in all Baltic States has been better as compared to previous year, although different per geographical regions. Despite the fact that overall cereals harvest in Lithuania is expected to reach 5.1 million tons, which is 17% more as compared to previous year, 'Dzukija' region and the central part of Lithuania would account to the same harvest level as in 2018. In this year's harvest high and extra quality grains prevails. It is forecasted that overall harvest of cereals in Latvia will be 3.1 million tons or 53% more as compared to 2018.

Due to increased yield in Lithuania and Latvia, the sales volume of AB Linas Agro Group grew 7% from 409 thousand tons to 438 thousand tons.

Group's consolidated revenue of the first three months of 2019/20 financial year amounted to EUR 149 million and was 4% less as compared to previous year (EUR 156 million). Revenue of the largest Group's business Segment 'Grain and Feedstuff Handling and Merchandising' dropped by 5.5% as sales of feedstuffs declined 12% from EUR 42 million to EUR 37 million. Sales in business Segment 'Products and Services for Farming' declined 4% as well, where revenues of fertilizers, seeds and plant protection products businesses dropped by 12%, 2% and 2% accordingly, while sales of agricultural machinery grew by 21%. Revenue from business Segment 'Food products' remained almost unchanged and amounted to EUR 19.6 million. Due to the higher yields the crop production in Group controlled farms was 8% higher as compared to previous year and Segment's revenue went up 18.5% to EUR 9.1 million.

Group's operating profit amounted to EUR 1.4 million and EBITDA was EUR 4.8 million compared to the corresponding EUR 4.4 million and EUR 7.1 million in previous year. Group's net profit amounted to EUR 0.7 million as compared to EUR 3.4 million EUR in 2019/20 financial year.

## Financial Costs

Due to increased interest rate margins financial expenses increased over referenced period and amounted to EUR 0.9 million compared to that in 2018/19 financial year (EUR 0.8 million). The total amount of financial loans portfolio (including leasing) dropped from EUR 197 million to EUR 184 million. The amount of financial loans grew by EUR 28 million over Q1 due to increased demand for working capital.

## Cash Flow

Group's cash flow from operating activities before the changes in the working capital was positive and amounted to EUR 7.2 million as compared to negative EUR 3.9 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 7.7 million (negative EUR 47.8 million over the respective period of 2018/19 financial year), the reason was increase of stocks by EUR 70.8 million. Group's cash and cash equivalents amounted to EUR 7.6 million at the end of the reporting period (EUR 10.5 million in 2018/19 financial year).



## Performance Results of the Segments

Activities of the Group are divided into four main business Segments and 'Other' activities.

### Operating Profit (loss) by Segments, thousand euro

	2019/20 3 months	2018/19 3 months	2017/18 3 months	2016/17 3 months	2015/16 3 months
Grain and Feedstuff Handling and Merchandising	743	2,385	4,368	5,570	4,596
Products and Services for Farming	971	1,892	847	1,406	992
Agricultural Production	(814)	(424)	547	(478)	(454)
Food products	1,400	1,653	1,309	548	194
Other	5	(196)	3	(1)	71

### 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 company AB Linas Agro is the holder of the certificates of GTP (European Good Trading Practice) and GMP+ (European Good Manufacturing Practice), also holds the certificates in trade of organic plant production issued by the PE Ekoagros and ISCC (International Sustainability and Carbon certification). SIA Linas is also ISCC certified. The Group's own storage capacity for various grains and other agricultural commodities in Lithuania and Latvia exceeded 332 thousand tons, while the storage capacity at ports was 240 thousand tons at the end of the reporting period.

This year cereal crop yield in Lithuania is forecasted to be about 17% higher than last year, although drought in 2019 spring and summer reduced it, and in some areas part of the harvest was destroyed. Wheat yields increased by 31%, rapeseed by 37%, while barley supply fell by a quarter and legumes yield was 23% less. The conditions in Lithuania were favorable for harvesting and there was no need to dry the grain. The wheat grain grown in Lithuania, which is the Group's main export product, was of high quality. Meanwhile, rapeseed had low oil content due to the drought.

In Latvia, the forecast shows almost 18% higher crop yield and 79% higher rapeseed yield (both sown area and yield increased). In Estonia, the forecast shows nearly 27% higher grain and rapeseed yield (the Group does not export grain and rapeseed from Estonia).

The increased yield had a positive impact on performance of Group controlled elevators as total volume of various grains they processed accelerated 27% if compared to previous year to 374 thousand tons. In Latvia they handled 77% more grain than a year before, the main reason was the recent launch of two Group grain elevators in Latvia.



The sales of traditional products - wheat, barley and rapeseed – increased as their trade volume in tons went up 7% to 196 thousand tons. It was quite difficult to market high quality wheat at the beginning of the trading season, as good quality wheat was harvested in other countries as well. As much as 129 thousand tons of wheat were sold or 17% less than in previous year. Rapeseed trade volume in tons was twice as high as last year and their prices are on the rise. Feedstuff trade volume was 130 thousand tons or 16% bigger than a year before.

The revenue of this business Segment went down 5.5% year-on-year and operating profit amounted to EUR 0.7 million and was 69% lower compared to 2.4 million EUR profit in FY 2018/19.

The Group expects the operating profit of this business Segment to reach approximate results like in FY 2017/18.

## 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 total Group's storage capacity for warehousing seeds, fertilizers and plant protection products in Lithuania and Latvia was close to 105 thousand tons at the end of the reporting period.

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 factory. 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 and one of the largest sellers of the new western tractors in Lithuania. At the end of September administration and trading offices of Dotnuva Baltic and Linas Agro in Latvia started moving to one agricultural service and trade center that will open in October. It also lodge machinery department with machinery exposition, service workshop, warehouses of spare parts.

Early harvest of the main cereal crops and favorable weather allowed Lithuanian farmers to sow many winter crops. The weather conditions in Lithuania were favorable for the use of crop care products, while in Latvia farmers were not as much successful. Sales of certified cereal seed were directly influenced by support for areas sown with certified seed. However, rape certified seed sales were declining as farmers used their own seed. In order to meet the requirements of greening policy, this year farms sowed more fall cover crops like mustard and radish, therefore sales of cover crop mixtures increased 3.5 times. Over the reporting period, the own seed preparation factory prepared over 9 thousand tons of certified seeds or 16% more than in previous year. Over 10 thousand tons of seeds were sold, which is 9% more than in previous year. However, due to falling grain prices, the prices for cereal seed were 4% lower than a year before, resulting in 2% decrease in revenue gained from seed sales which amounted to EUR 8 million.

Falling prices of nitrogen and phosphorus fertilizers in the global market also affected the Baltic region market, which resulted in very large fluctuations in fertilizer prices - in some positions prices fell 20-60 Eur / t. Farmers, in the expectation of an even greater price decline, tended to postpone the purchase of fertilizers until spring, which is why demand for fertilizers is expected to increase in spring. Sales of fertilizers amounted to EUR 14 million and were 12% lower compared to last year's record highs.



The introduction of new products, the product portfolio, based on popular products and sales promotions were factors that have increased sales of plant care products in Lithuania and they were the best over the history. Sales in Latvia decreased by 7%, and the total sales of plant protection products and micronutrients went down 2% to EUR 4.6 million as a result.

The agricultural machinery business has not yet recovered after several consecutive difficult years as farmers are concerned about their commitments from previous years and very cautious about new investments. The market for tractors and harvesters is still shrunk, and competition between dealers is very high as everyone has big stocks. Although the overall tractor market fell by 50%, there were signs of recovery at the end of the reporting period: according to the tractor registry, more new western tractors were registered in Lithuania in September than in July and August, including *Case IH* tractors sold by the Group. With the contraction of the powerful machinery market in Lithuania, the Group was still able to increase sales of smaller inventories, such as trailed forage and grass machinery. In Latvia, new equipment sales were similar to previous year, but there was a growing interest in used equipment and its sales revenue grew by 90%. In Estonia, the agricultural machinery market has not yet recovered, as farmers had not yet marketed the harvested grain at the end of the reporting period. The sale of new machinery was carried out by repurchasing from the farmers their old machinery. The Group's total revenue from new and used equipment sales increased by 21 % to nearly EUR 10 million.

As customers tended to invest less in the purchase of new equipment and repair their existing equipment instead, the demand for spare parts and machinery service increased, and revenue from this business grew by 11% to EUR 3 million.

In Lithuania, the grain preparation equipment market is showing signs of recovery - farmers and agricultural companies are starting to regain interest in grain dryers. During the reporting period, a lot of meetings have been held with potential clients, where projects have been detailed and discussed. In Latvia as much as 90% of grain complex projects are used to be funded by EU, recently the funding for such projects has been halved and the further development of them completely depend on EU support. In Estonia, it will only be clear between November and December how many projects will be funded. During the reporting period, sales of grain equipment generated EUR 0.5 million revenue or nearly 56% less than in previous year.

Dairy farms invest in farm equipment only having EU support. The Group is currently running some minor dairy farm installation projects in Lithuania, but further investments into farms are planned only with the EU support. The Group does not sell farm equipment in Latvia and Estonia. During the reporting period, there was no trade in farm equipment with the third parties, only some farm projects were being implemented in Group-owned agricultural companies. Farm equipment sales are expected to recover by the end of the 2019 year.

The revenue of this business Segment went down 4% to EUR 42 million and operating profit amounted to EUR 0.9 million being 49% lower as compared to 1.9 million EUR profit in FY 2018/19.

The Group expects the operating profit of this business Segment to be 30% higher as compared to previous 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. At the end of the reporting period the Group owned 7,681 ha of arable land. During the reporting period, 14,076 ha crop area was harvested, 9,524 ha are sown with winter crops, mainly wheat and rapeseed. At the end of the reporting period, the crop was in very condition.

The companies harvested 69 thousand tons of crop production or 6% more than in previous financial year. The amount of harvested wheat was the largest one - over 36 thousand tons, malting barley – over 14 thousand tons, rapeseed – over 10 thousand tons. The average yield of wheat was 5.8 t / ha, malt barley – 5.95 t / ha, rapeseed – 3.56 t / ha.

Over 22 thousand tons of agricultural commodities were sold or 8% more than a year before. About 67% of the products have been sold to the other companies of the Group and 33% marketed outside the Group.

The Group controlled farms owned 3,196 dairy cows at the end of the reporting period, their number remained almost unchanged. Over 8 thousand tons of raw milk have been sold over the referenced period, or 6.6% more than a year before. The revenue from milk sales remained unchanged because the average three-month price for milk was EUR 257 / t or the lowest in the last three years. Meat sales volume was 383 tons (458 tons a year before).

The revenue of this business Segment accelerated by 18.5% to EUR 9.1 million and operating loss amounted to EUR 0.8 million as compared to 0.4 million EUR operating loss a year before.

During the reporting period, the Group invested almost EUR 1 million to update agricultural machinery and vehicles fleet, renovate office buildings and farming facilities and obtain arable land.

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 15% better 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. AS Putnu Fabrika Kekava have the right to mark their poultry meat as 'Raised without Antibiotics' AS Putnu Fabrika Kekava has A grade BRC (British Retail Consortium) accreditation, is Halal certified, also has ISO 50001:2012 and ISO 22000:200 certification.

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 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 average EU price for poultry meat during the reporting period was EUR 187.91 / 100 kg or 1% lower than in previous year (EUR 189.86 / 100 kg).

The poultry companies produced over 11 thousand tons of live weight or 6% more year-on-year. Companies sold over 8 thousand tons of poultry and poultry products or 1.6% more than a year before.

Revenue from this business Segment had a slight growth of 1% to EUR 19.6 million. The operating profit went down 15% from EUR 1.7 million to EUR 1.4 million.

The Group invested almost EUR 0.8 million during the referenced period for the development of poultry farming and biosafety, for the modernization of meat processing and other equipment.

The Group expects the operating profit of this business Segment to be the same like in 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 profit of this business Segment amounted to EUR 5 thousand as compared to 196 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 2019, the Company publicly disclosed and distributed via Nasdaq Vilnius Exchange Globenewswire system and in Company's website [www.linasagroup.lt](http://www.linasagroup.lt) the following information:

30/9/2019 10:03 EEST	Correction: AB Linas Agro Group investor's calendar for the 2019	Other information	EN, LT
12/9/2019 16:30 EEST	AB Linas Agro Group Notification about acquisition of voting rights	Acquisition or disposal of a block of shares	EN, LT
3/9/2019 16:30 EEST	Regarding resignation from the Board of "Linas Agro Group", AB	Notification on material event	EN, LT
2/9/2019 16:00 EEST	Correction: AB Linas Agro Group results for the twelve months of 2018/19	Interim information	EN, LT
30/8/2019 10:03 EEST	AB Linas Agro Group results for the twelve months of 2018/19	Interim information	EN, LT



## Other Events of the Reporting Period

9/26/2019	The capital of Noreikiškių ŽŪB was increased by 35,000 euros.
31/5/2019	The capital of UAB Lineliai was increased by 30,000 euros.
8/6/2019	The authorized capital of LLC LINAS AGRO UKRAINE was increased by 2,600,000 hryvnas (around 102,970 euros).

## Subsequent Events

November 2019	The Company transferred 2,000 own shares to the employees of the Group under AB Linas Agro Group Rules for Shares Issues.
25/10/2019	The Ordinary General Meeting of shareholders was held.

## Prices and Turnover of Shares of AB Linas Agro Group

Information on changes in the prices of Company's shares and turnover from 1/7/2014 until the end of the reporting period, i. e. 30 September 2019, is presented in the following diagram:

