

CONSOLIDATED INTERIM REPORT

OF THE FINANCIAL YEAR 2016/17

OF AB LINAS AGRO GROUP

FOR THE TWELVE MONTH PERIOD

ENDED 30 JUNE 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)
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

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 2,218 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 June, 2017.

*Dormant companies UAB Gerera (100% shares), UAB Dotnuvos Technika (100% shares) and SIA Erfolg Group (93.84% 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. Also 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 twelve months of 2016/17 financial year totaled EUR 645 million and was 4.7% more as compared to previous year (EUR 616 million).
- The Group's sales volume in tons reached 2.4 million of various grains and agricultural inputs and was 8% more as compared to previous year (2.2 million tons).
- The gross profit reached EUR 46 million or was 16% higher than a year before (EUR 40 million).
- Consolidated EBITDA was 32% higher and amounted to almost EUR 23 million as compared to the previous year (EUR 18 million).
- The Group's operating profit reached EUR 12 million or was 74% more as compared to the respective period of the previous year (EUR 7 million).
- Profit before taxes amounted to almost EUR 10 million (compared to EUR 5 million in previous year). The net profit attributable to the Group stood at EUR 8 million (EUR 4 million in previous year).

FINANCIAL RATIOS

	2013/14 12 months	2014/15 12 months	2015/16 12 months	2016/17 12 months	Change 2016/17 compared to 2015/16 (thousand EUR)	Change 2016/17 compared to 2015/16 (%)
Sales revenues (thousand EUR)	584,557	573,766	615,961	645,047	29,088	4.7
Sales in tons	2,339,135	1,968,469	2,187,388	2,364,713	177,325	8.1
Gross profit (thousand EUR)	43,199	41,480	39,881	46,479	6,598	16.5
EBITDA (thousand EUR)	34,731	21,781	17,135	22,695	5,560	32.5
Operating profit (thousand EUR)	26,287	12,337	7,232	12,593	5,361	74.1
Earnings before taxes EBT (thousand EUR)	24,005	10,360	5,316	10,350	5,034	94.7
Net profit (thousand EUR)	23,639	9,194	3,944	8,589	4,645	117.8
Margins, %						
Gross profit margin	7.39	7.23	6.47	7.21	0.73	11.3
EBITDA margin	5.94	3.80	2.78	3.52	0.74	26.5
Operating profit margin	4.50	2.15	1.17	1.95	0.78	66.3
Earnings before taxes margin	4.11	1.81	0.86	1.63	0.77	89.2
Net profit margin	4.04	1.60	0.64	1.33	0.69	107.9
Solvency ratios						
Current ratio	1.63	1.59	1.42	1.43	0.01	0.9
Debt / Equity ratio	0.66	0.63	0.59	0.65	0.06	10.2
Net financial debt / EBITDA	2.63	4.30	5.13	4.42	(0.71)	(13.9)
Return on equity (ROE), %	15.54	5.79	2.43	5.07	2.64	108.6
Return on capital employed (ROCE), %	10.05	3.99	2.82	4.50	1.68	59.6
Return on assets(ROA), %	7.60	2.91	1.19	2.43	1.24	104.2
Basic and diluted earnings per share (LTL) (EPS)	0.52	0.06	0.03	0.05	0.02	66.7
Price earnings ratio (P/E)*	4.55	11.42	22.17	12.88	(9.29)	(41.9)

* The closing price of the last day of AB Linas Agro Group accounting period

OVERVIEW

Despite the lower harvest in the Baltic countries in 2016 (9.7 million tons) as compared to 2015 (11 million tons), Group's total sales volume in tons grew by 8.1% and amounted to 2.4 million tons (2.2 million tons in FY2015/16). Due to accelerated sales of various grains originated from Lithuania and Latvia sales volumes of grain and feedstuff grew by 11% from 1.8 million tons to 2 million tons. Although, sales volumes of other products slightly dropped: sales in agricultural production dropped by 1%, in various inputs to farmers – by 2% and food products – by 2% as well.

The consolidated revenue of AB Linas Agro Group over twelve months of this financial year amounted to EUR 645 million and grew by 4.7% compared to previous year (EUR 616 million). The main reasons that had a positive impact on the revenues growth were increased sales in grain, oilseeds and feedstuff, where sales revenue went up from EUR 387 million to EUR 415 million. Decline in crop yield in agricultural companies controlled by the Group have negatively affected their sales, although recovery of raw milk prices partly compensated for such decline: the revenue gained from farming dropped by some 1% from EUR 27.1 million to EUR 26.8 million. Revenue of poultry business went up by 1% and was EUR 61 million compared to EUR 60 million the year before. The revenue gained from products and services for farming slightly dropped from EUR 168 million in FY 2015/16 to EUR 165 million.

The fourth financial quarter of the year was quite successful and profitable. Due to increased sales in various grains and feedstuff revenue was record high if compared to previous quarters and amounted to EUR 197 million or was 39% up if compared to the corresponding period of FY 2015/16 (EUR 142 million). The increased sales positively impacted the profitability of business. The Group finished the quarter with a EUR 6.6 million in operating profit (EUR 1.7 million in FY 2015/16). Operating profit was recorded in all Group's business Segments, where the largest one amounted to EUR 3.9 million in Agricultural Production business Segment (including EUR 1.9 million of positive change in fair value of biological assets).

Gross profit of AB Linas Agro Group over twelve months grew by 16% and amounted to EUR 46.5 million (EUR 39.9 million a year before), and operating profit increased from EUR 7.2 million to EUR 12.6 million. Group's EBITDA grew from EUR 17 million to almost EUR 23 million. Group's net profit attributable to shareholders increased as well and amounted to EUR 8.4 million as compared to EUR 4.1 million in FY 2015/16.

FINANCIAL COSTS

Financial expenses over referenced period increased from EUR 2.4 million to EUR 2.9 million as amount of financial loans increased from EUR 95 million to EUR 110 million. Borrowings increased as short-term loans to finance trade activity went up as sales of various agricultural inputs to the farmers increased and stock grew as well. Also long-term loans due to undergoing investments into poultry business were higher.

CASH FLOW

Group's cash flow from operating activities before the changes in working capital were positive and amounted to EUR 22 million as compared to EUR 17 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 22 million (positive EUR 23 million over the respective period of 2015/16 financial year), the reason was Group's payment to its supplier's. Group's cash and cash equivalents at the end of the reporting period amounted to almost EUR 9 million (EUR 7 million in 2015/16 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 EUR

	2016/17 12 months	2015/16 12 months	2014/15 12 months	2013/14 12 months	2012/13 12 months
Grain and Feedstuff Handling and Merchandising	9,399	9,617	7,484	10,978	23,379
Products and Services for Farming	2,837	2,816	965	1,796	7,645
Agricultural Production	3,017	758	3,532	4,848	8,232
Food products	1,832	(1,246)	3,193	9,888	n.d.
Other	89	(176)	97	2,745	(72)

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. Two companies of the Group - AB Linas Agro and Linas Agro AS - are holders of the European Good Trading Practice certificates. Also AB Linas Agro holds a certificate in trade of organic plant production issued by the PE Ekoagros, is ISCC (International Sustainability and Carbon certification) certified. AB Linas Agro received a GMP+ (European Good Manufacturing Practice) certification and SIA Linas Agro was ISCC certified during the reporting period.

The Group consistently expands the capacity of its own grain elevators, and currently the Group's own storage capacity for various grains and other products in Lithuania and Latvia exceeds 334 thousand tons. The capacities of the storage facilities at ports operated by the Group reach 260 thousand tons.

The total sales volume in this business Segment increased by 11.4% from 1.8 million tons to 2 million tons and sales revenue accelerated by 7.3% from EUR 389 million to EUR 415 million. The sales of traditional crops (wheat, rapeseed, barley) grew by 10% to EUR 317 million while their trading volume in tons went up from 1.5 million to 1.7 million.

The sales of feedstuff in tons decreased by 15% mainly due to the poor harvest in one of sourcing regions and sales revenue dropped from EUR 95 million to EUR 91 million. The Group produced and sold almost 10 thousand tons of feed or almost 36% more than a year before.

Due to lower grain harvest in the region, Grain storage facilities owned by the Group collected and processed over 457 thousand tons of various grains or 16% less as compared to the respective period of the 2015/16 financial year. The grain, harvested in autumn 2016 had high moisture content, and therefore

revenue and profit earned by grain elevators from the drying service went up. The gross profit of the Group-owned grain elevators grew 2.9 times from EUR 1.1 million to EUR 3.2 million.

Operating profit of this business Segment dropped by some 2% from EUR 9.6 million to EUR 9.4 million as profit margins of grain and feedstuff trade decreased.

The Group invested over EUR 6 million in grain storage facilities expansion during the reporting period. This investment will significantly strengthen the Group's trade and grain purchase positions in the northern and western parts of Lithuania.

The Group started to provide grain drying service in another plot in Latvia (Rezekne) during the referenced period, using for that assets of SIA Paleo which is being acquired by the Group. The Group also will open a new grain elevator in Kartena (Lithuania) beginning of the next financial year and also expand the capacity of some other grain elevators in Lithuania. Total Groups' own storage capacity in Lithuania is to increase by 76,400 tons.

PRODUCTS AND SERVICES FOR FARMING

This business Segment includes trade in seeds, plant protection products, fertilizers, agricultural machinery, design and 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. Since 1998 the Group is a shareholder of UAB Dotnuva Baltic, a wholesaler and retailer of agricultural machinery and grain storage facilities, a producer of certified seeds.

A poor yield of 2016 and decreased grain prices, also fluctuation of milk prices negatively influenced payment ability of the farmers and their possibility to expand and modernize farms. During the referenced period the sales of agricultural machinery and equipment for grain elevators were also influenced by the implementation of previously approved EU-supported projects. Although a share of EU support tended to decline in the farmers' investment structure, the expectations for EU support and delay in investments are still substantial in all Baltic countries.

Group's sales of new agricultural machinery decreased 6%. Revenue gained from sales and service of agricultural machinery and farming equipment dropped by 8% from EUR 60 million to EUR 55 million.

During the reporting period 35 projects of installing grain storage facilities has been implemented, that is 21% more than a year before and revenue from this activity grew by 60% amounting to EUR 19 million.

The decreased grain prices also had a negative impact on sales of various agricultural inputs (fertilizers, chemicals, seeds) where those dropped by 6% and amounted to EUR 87 million as compared to EUR 92 million a year ago. However, the Group strengthened its market positions in Latvia as 68 thousand tons of various fertilizers were sold there or 73% more as compared to previous year. Sales of various plant protection products and microelement fertilizers in Latvia also accelerated and grew by 56% and 70% accordingly. By using the warehouses of SIA Paleo (Latvia) with its storage capacity of 65.5 thousand tons for fertilizers, almost 78 thousand tons of fertilizers were handled.

The total revenue of this business Segment has dropped from EUR 168 million to EUR 165 million. The gross profit of this business Segment went up from EUR 16.3 million to EUR 17.0 million and operating profit slightly increased from EUR 2.82 million to EUR 2.84 million.

Investments in this business Segment were EUR 171 thousand. The bulk of it was directed for the modernization of the seed treatment line at the seed factory in Dotnuva.

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 17,232 ha of land or 1.5% more as compared to previous year. At the end of the reporting period the Group had 6,997 ha of own land.

9,058 ha of winter crops has been planted in autumn 2016, the crops of winter wheat, triticale and barley (6,293 ha in total) looked good in June, 2017. Around 80% of winter rapeseed crop looked good, 13% was in satisfactory condition, and 2% was lost. In spring 5,418 hectares were sown with spring crops: 2,399 ha of barley, 1,186 ha of bean, 1,057 ha of wheat, 516 ha of peas, and 260 hectares of sugar beet. There was a lack of moisture in May, but the crop was in good condition in June, so higher yields are expected than in previous year.

The unfavorable weather conditions during the harvest period in 2016 influenced the 8% decrease to 90 thousand tons in Group's total agricultural production output as compared to previous year. Over 77 thousand tons of crop production was sold over referenced period, or 8% less than in previous year.

The Group controlled farms own over 3,240 milking cows. Over 29 thousand tons of raw milk has been sold over the referenced period, or 2% more as compared to previous year. 1,385 tons of meat has been sold or 9% more than in previous year.

The agricultural companies of the Group spent EUR 5.5 million to obtain agricultural machinery and arable land.

The revenue of this business Segment went down 1.2% and amounted to EUR 26.8 million (EUR 27.0 million in 2015/16 year) as revenue from crop sales dropped from EUR 14.5 million to EUR 12.3 million.

The operating profit of the Segment after the changes in biological assets was positive and amounted to EUR 3 million (0.8 million profit was recorded in FY 2015/16). The fair value change of biological assets increased Segment's operating profit by EUR 1.9 million (a year ago this impact was negative resulted into EUR 2 million of loss).

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.

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 22 retail shops all over Latvia. During the reporting period, AS Putnu Fabrika Kekava received the BRC (British Retail Consortium) certification and ISO 50001:2012 certification, also has ISO 22000:2006 and Halal certification. Two years ago, the company launched a poultry breeding environment improvement project and brought morbidity down to a minimum. AS Putnu Fabrika Kekava was the first and the only poultry farm in the Baltic

States that received the right to mark their poultry meat as ‘Raised without Antibiotics’. At the end of the reporting period, the company began marketing chicken meat raised without any use of 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. During the reporting period, the company received ISO 50001:2012 certification, also has ISO 22000:2006 and Halal certification.

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

The poultry companies produced over 40 thousand tons of live weight or 6% more as compared to previous year. Companies sold over 29.5 thousand tons of poultry and poultry products or 2% less than a year before.

The price level of poultry in Europe was influenced by the high production of poultry throughout the EU and the particularly high overproduction of poultry in Poland and Romania. An average broiler price in the EU for the period July 2016–June 2017 was about EUR 178/100 kg and it has been EUR 183/100 kg over the same period of previous year.

Revenue from this business Segment slightly increased from EUR 60.3 million to EUR 61.0 million and previous operating loss of EUR 1.3 million has turned into operating profit amounting to EUR 1.8 million. Undergoing investments designated for modernization of production facilities resulted into higher profitability margins of certain products, also launching a new generation products “Raised without antibiotics” by the end of the financial year were the main contributors for increased profitability. A positive effect of fair value change in biological assets from negative EUR 0.7 million to positive EUR 0.2 million was a contributor as well.

The Group invested almost EUR 4.7 million over the referenced period to upgrade poultry production equipment.

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 89 thousand as compared to a EUR 176 thousand loss in previous year.

THE PUBLICLY DISCLOSED INFORMATION OTHER EVENTS OF THE REPORTING PERIOD

THE PUBLICLY DISCLOSED INFORMATION

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

31/5/2017 09:00 EET	AB Linas Agro Group notification about interim 9 months financial results of the financial year 2016/2017	Interim information	En, Lt
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28/2/2017 10:00 EET	AB Linas Agro Group notification about interim 6 months financial results of the financial year 2016/2017	Half Yearly information	En, Lt
20/12/2016 16:00 EET	Notification on AB Linas Agro Group manager's related party transactions	Notification on transactions concluded by managers of the companies	En, Lt
15/12/2016 16:00 EET	AB Linas Agro Group Notification about acquisition of voting rights	Acquisition or disposal of a block of shares	En, Lt
15/12/2016 16:00 EET	Notification on AB Linas Agro Group manager's related party transactions	Notification on transactions concluded by managers of the companies	En, Lt
02/12/2016 09:02 EET	AB Linas Agro Group investor's calendar for the 2017	Other information	En, Lt
30/11/2016 09:33 EET	Notification about interim 3 months financial results of the financial year 2016/17	Interim information	En, Lt
28/10/2016 10:33 EEST	Decisions of the Annual General Meeting of AB Linas Agro Group Shareholders, Held on 27 October 2016	Notification on material event	En, Lt
28/10/2016 10:14 EEST	Procedure for the payout of dividends for the financial year ended 30 June 2016	Notification on material event	En, Lt
28/10/2016 10:14 EEST	AB Linas Agro Group notification about the Annual information of financial year 2015/2016	Annual information	En, Lt
04/10/2016 16:00 EEST	Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Annual information	En, Lt
31/8/2016 12:18 EEST	Notification about interim 12 months financial results of the financial year 2015/2016	Interim information	En, Lt

OTHER EVENTS DURING THE REPORTING PERIOD

July 2016-June 2017	The authorized capital of Noreikiškių ŽŪB was increased by 77,000 euros.
July 2016-June 2017	The authorized capital of SIA Linas Agro Graudu Centrs was increased by 923,172 euros.
23/05/2017	The authorized capital of UAB Linas Agro Grūdų Centras KŪB was increased by 949,671.46 euros.
08/05/2017	The authorized capital of ŽŪK Kupiškio Grūdai was increased by 146,500 euros.
08/05/2017	The authorized capital of SIA Paleo was increased by 149,647 euros.
03/05/2017	The authorized capital of SIA Linas Agro was increased by 168,565 euros.

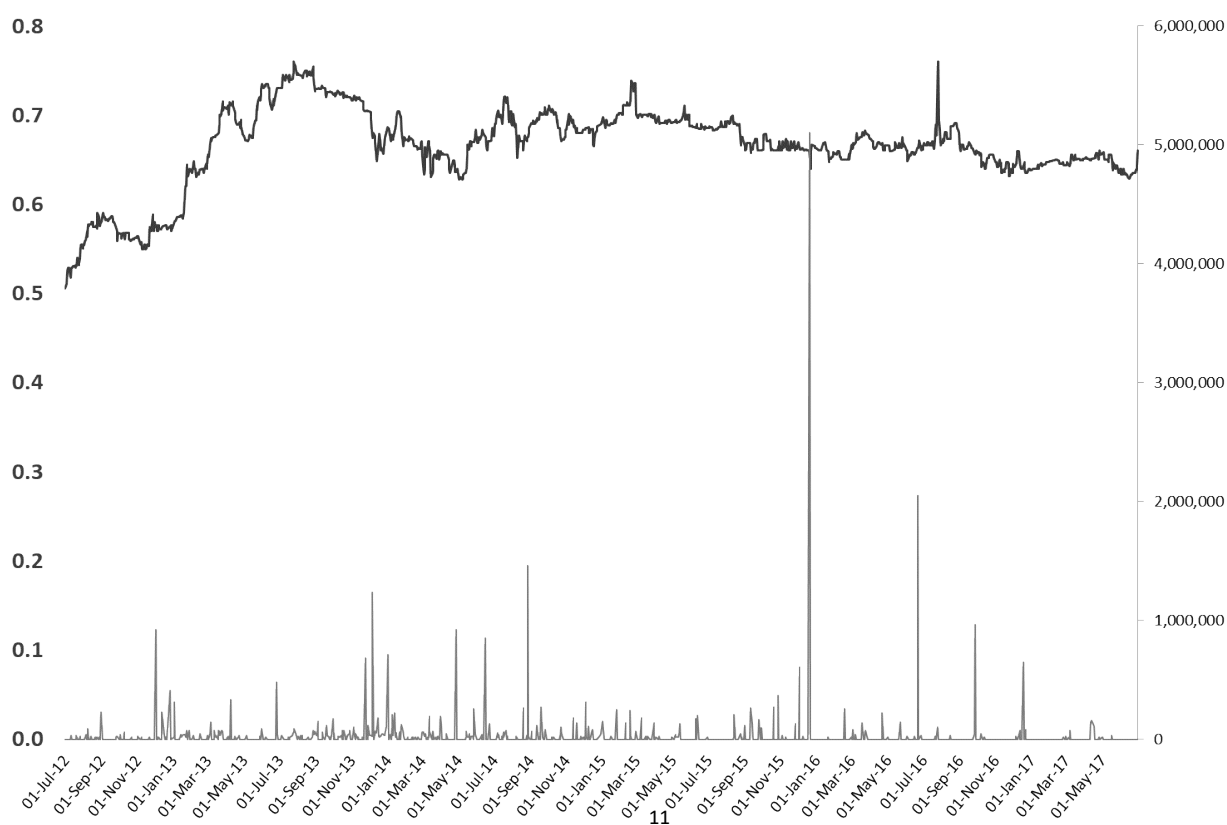
- July-December 2016 The authorized capital of ŽŪB Landvesta 5 was increased by 356,500 euros.
- 25/11/2016 The Company paid approved EUR 1,202 thousand dividends for the financial year ended 30 June 2016.
- 23/09/2016 The company transferred 3,000 units of its own shares to the employees of AB Linas Agro. After these transactions, the number of own shares owned by the Company was 782,972.
- 21/09/2016 The authorized capital of UAB Lineliai was increased by 90,000 euros.

SUBSEQUENT EVENTS

- 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 Šiauliai).
- 14/7/2017 The shareholder of UAB Lineliai made a decision to increase the authorized capital of the company by 80,000 euros.
- 14/7/2017 The shareholders of Noreikiškių ŽŪB made a decision to increase the authorized capital of the company by 70,000 euros.

PRICES AND TURNOVER OF SHARES OF AB LINAS AGRO GROUP

Information on changes in the prices of Company's shares and turnover from 01/07/2012 until the end of the reporting period, i. e. 30 June 2017, is presented in the following diagram:



CONTACT PERSONS

Finance Director

Tomas Tumėnas

Ph. + 370 45 507 393

Email t.tumenas@linasagro.lt

Investor Relations Specialist

Greta Vaitkevičienė

Ph. + 370 45 507 346

Email g.vaitkeviciene@linasagro.lt