



STRATEGY PRESENTATION FOR INVESTORS

AUGA group, AB
May, 2020

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This presentation covers the 2020-2025 strategy of AUGA group, AB.

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ABOUT THE COMPANY



AUGA group is the largest vertically integrated organic food producer in Europe providing sustainably grown food from field to shelf.

The Company's competitive advantages:

- Economy of scale
- Vertical integration
- Full traceability
- Synergies among different branches of agriculture

Main facts

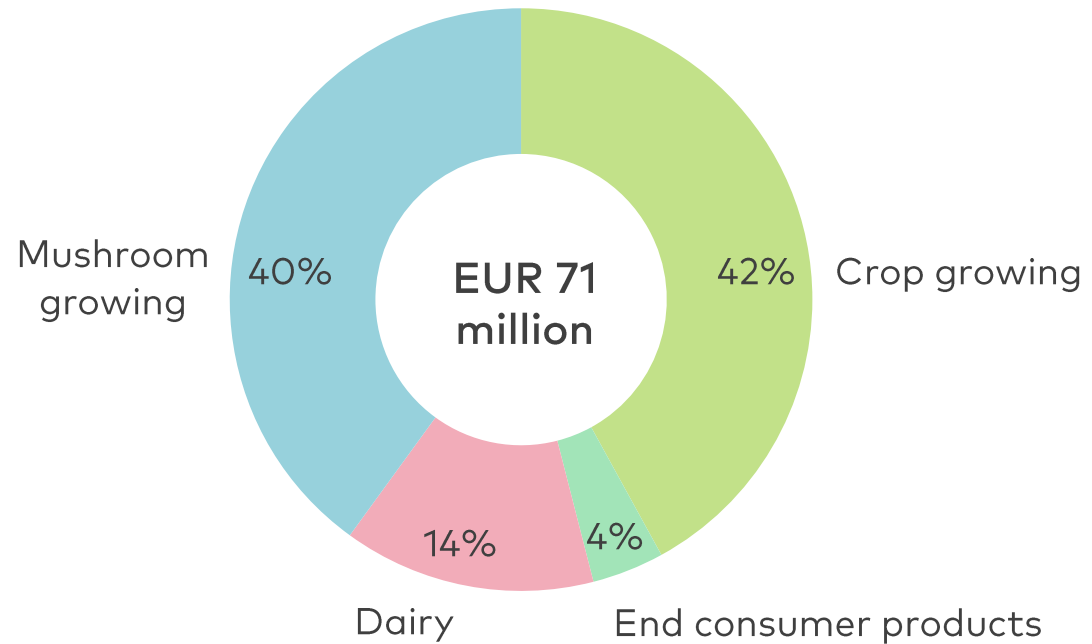
1 200 employees

39 000 ha of arable land

EUR 71 million revenue, of which 70% comes from export*

Listed on [Nasdaq Vilnius](#)

Revenue distribution by main segments, 2019



*Audited financial results, 2019

ABOUT THE COMPANY

In five years, AUGA's group of companies has transformed itself from a conventional agricultural operation to a technology-based (AGTECH) organic food production business with a strategic focus on sustainability.

Transformation milestones



2015

Start of organic farming (24 000 ha)

Commencing supply of organic mushrooms

2016

The company renamed to AUGA group, AB

Introduction of AUGA brand

Launch of organic packaged vegetables

2017

Fully certified organic farming

Launch of organic soups, milk and grain products

Arable land area increases to 32 000 ha

2018

Successful SPO

Introduction of the first Sustainability Report

Arable land area increases to 38 000 ha

2019

Introduction of independent board model

Issue of green bonds

Expansion of product range and export markets

2020

2020-2025 strategy approved

Strategic focus on sustainability and AGTECH

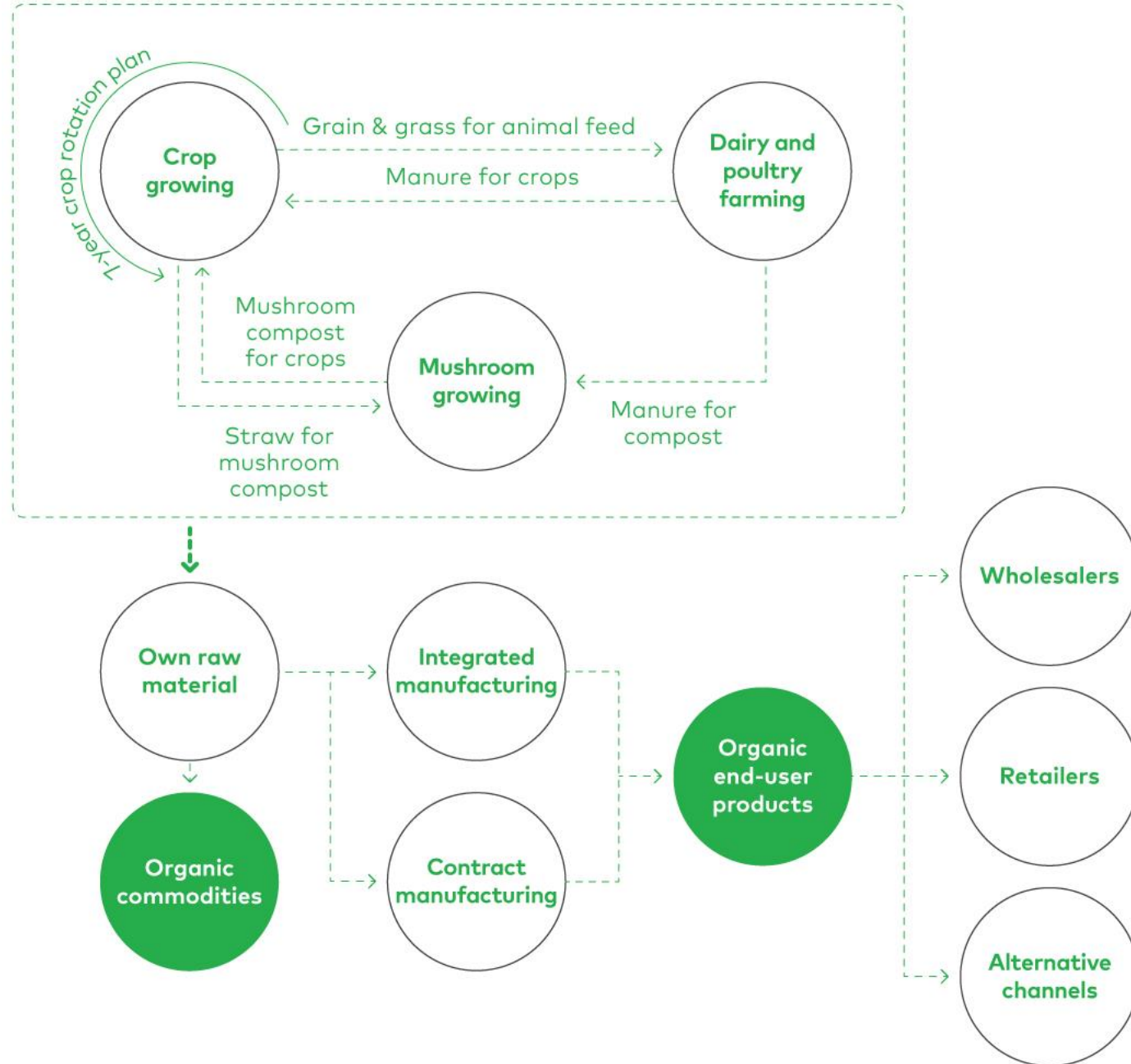


ABOUT THE COMPANY

The Company is developing a closed-loop organic farming model which aims to achieve synergies among different branches of agriculture and the re-use of organic waste.

A vertically integrated production chain ensures that production is fully traceable, which is extremely important in organic farming.

Sustainable business model



ABOUT THE COMPANY

AUGA group's team of 1 200 employees brings together agricultural professionals and technical engineers with many years of experience, alongside experts in finance, marketing, and other fields.

* The team of specialists and engineers consists of 150 employees.

Team

- The Company's team of specialists and engineers* has almost 1000 years of experience
- High job satisfaction rate (4/5 employees are satisfied with their job)
- Employees are motivated with share options



ABOUT THE COMPANY

The Company's visionary and majority shareholder Kęstutis Juščius formed a new management team during the transformation of the Company, implementing a set of ambitious goals.

Management team



Kęstutis Juščius,
CEO



Tadas Baliutavičius,
Managing director



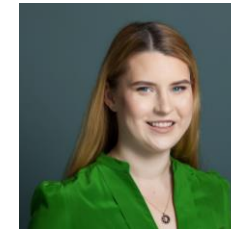
Mindaugas Ambrasas,
CFO



Armandas Šimulis,
Head of Asset
Management department



Gediminas Judzentas,
Marketing manager



Elina Chodzkaitė-Barauskienė,
Business development manager



Laurynas Miškinis,
Sales manager



Viktorija Gružauskienė,
Head of Human Resources

ABOUT THE COMPANY

As of 2018, the Company began publishing Sustainability Reports.

The independent Board, formed in 2019, is actively engaged in the implementation of good governance practices.

The Board consists of professionals from the fields of finance and investment through to sustainability, energy, FMCG and academia.

Governance

- Independent Board – a unique case in Lithuania
- The Board consists of well-known professionals
- Sustainability Reports and good governance practices



ABOUT THE COMPANY

Shareholders

227 416 252 shares

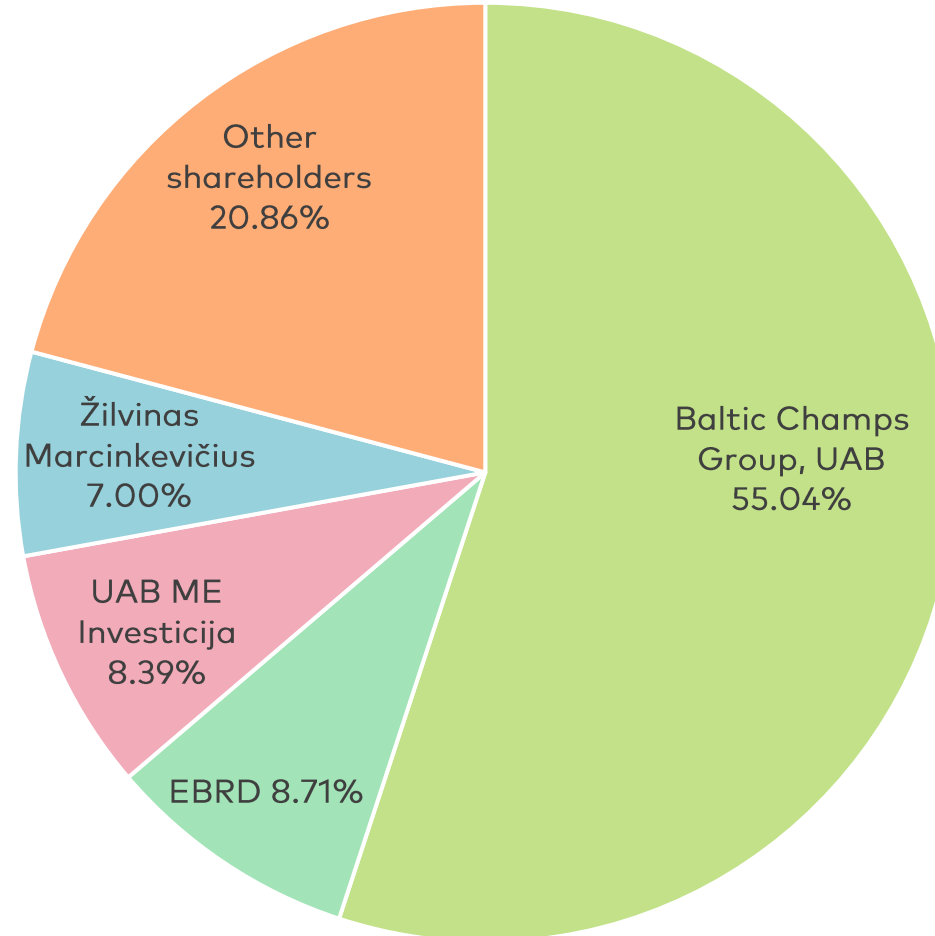
1 541 shareholders* (increased by 18.4% over the year)



The Company's shares are listed on the Nasdaq Baltic Main List.

Largest Shareholders:

- Baltic Champs Group (100% shares belong to Kęstutis Juščius),
- European bank for reconstruction and development (EBRD),
- ME investicija – one of the largest institutional investors in the Baltics.



* Number of shareholders and foreign intermediaries on whose behalf the shares managed by their clients are accounted for in 2020. April 23

The Farm to Fork strategy of the EU

The Farm to Fork strategy is a new comprehensive approach to how Europeans value food sustainability.

- In May 2020, the European Commission announced the Farm to Fork strategy which is aimed at the tackling the key challenges of sustainable food systems
- The strategy lies at the heart of the EU Green Deal, aiming to make Europe the first climate-neutral continent by 2050
- The Farm to Fork strategy will determine the sustainable food value chain



Farm to Fork goals for organic and sustainable

All food chain actors are expected to adhere to sustainability by making the best use of nature-based, technological, digital and space-based solutions to deliver better climate and environmental results, increase climate resilience and reduce and optimise the use of inputs.

Sustainability requirements in the EU food system are expected to be accompanied by policies that help raise standards globally.

- To ensure that at least 25% of all EU agricultural land is devoted to organic farming by 2030¹ (currently the rate is 7.7%²)
- To achieve the climate and environmental objectives of the Green Deal (to increase the GHG emission reduction target to 50% by 2030, or by 55% compared to 1990 levels¹), while improving the incomes of primary producers and reinforcing EU competitiveness
- To reduce the use of chemical and hazardous pesticides by 50% by 2030, which will affect the cost structure of conventional farming, reduce their efficiency and competitive advantage vs. imports to the EU



¹European Commission, The Farm to Fork Strategy, 2020

²IFOAM EU, Organic in Europe



EU STRATEGY

Sustainable food production practices



AUGA Strategy 2025, published in April 2020 corresponds to the proposed sustainable food production practices established by the Farm to Fork Strategy that was announced in May 2020.

Farm to Fork strategy, released May 2020

AUGA strategy 2025, released April 2020

Carbon sequestration from farming activities	Regenerative crop-rotation
Methane emission reduction from livestock by developing the production of renewable energy	Biogas cycle infrastructure and vehicles
Towards more sustainable livestock farming with feedstock additives	Specialised feed technology for livestock



Source: [European Commission, The Farm to Fork Strategy, 2020](#)





ORGANIC MARKET TRENDS

ORGANIC MARKET TRENDS

In 2018, global organic sales reached EUR 92 bn.

In 10 years, consumers have more than tripled their consumption of organic products, and demand continues to grow.

Organic products markets



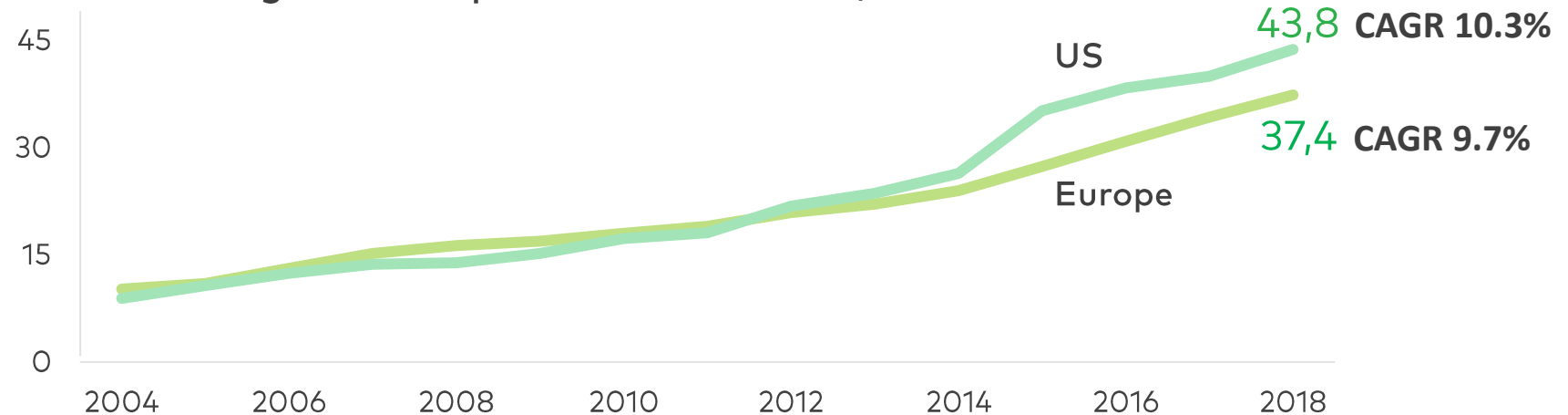
Country	Market size, EUR bn	Growth 2018/19
Germany	12.0	+9.7%
France	9.7	+15.4%*
Italy	4.2	+16.0%
UK	2.8	+4.5%
Switzerland	2.7	+13.3%*
Denmark	1.8	+12.9%*

The largest organic markets in Europe

▲ The largest per capita consumption per year – EUR 312

▲ The largest market share of organic products in the country – 11.5%

Organic food products retail sales, EUR bn



* data of 2018

Source: <http://www.ifoam-eu.org/en/organic-europe>; <http://www.organic-europe.net>; <https://www.organic-world.net/yearbook/yearbook-2019.html>; https://statistics.fibl.org/world/retail-sales-world.html?tx_statisticdata_pi1%5Bcontroller%5D=Element2Item&cHash=35a0fcd89ae099d2ff14fe1ddb38a1aa; <https://orgprints.org/37391/14/2-Schaack-2020-Germany.pdf>, <https://orgprints.org/37391/3/3-Lacarcce-2020-France.pdf>, <https://orgprints.org/37391/4/4-Zanoli-2020-Italy.pdf>, https://www.biosuisse.ch/media/Ueberuns/Medien/BioloZahlen/JMK2019/DE/7_2018_bio_in_zahlen_de.pdf, <http://www.ekoweb.nu/attachments/67/68.pdf>, <https://orgprints.org/37391/11/1-Willer-2020-Europe.pdf>, <https://www.organicdenmark.com/facts-figures-about-danish-organics>, https://orgprints.org/37391/10/5-Holdstock_2020_UK.pdf

ORGANIC MARKET TRENDS

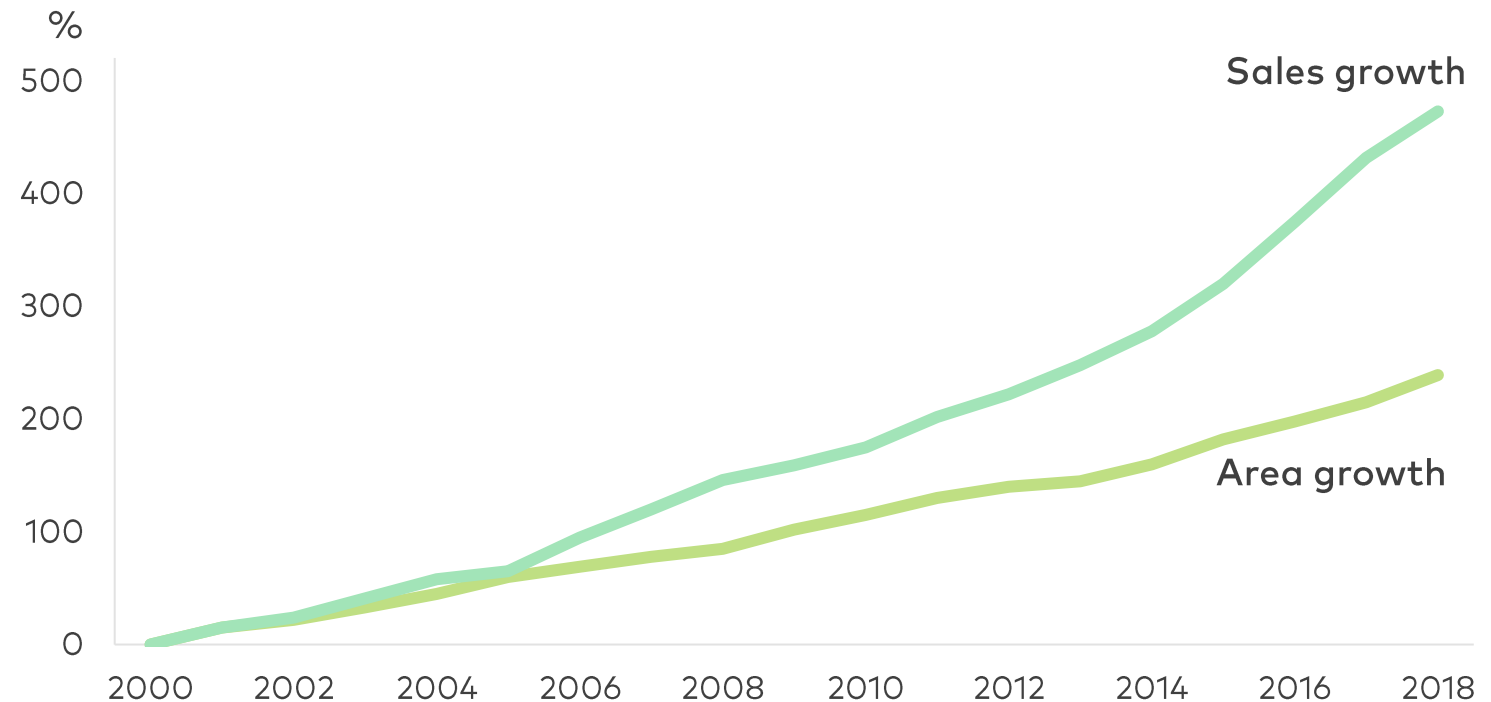
Organic farmland area



After lagging behind for a long time, in 2018 the EU's organic farmland area grew at a similar pace as the retail market for organic products - 7.5%.

The EU long-term strategy and member states programs aim to stimulate the further growth of organic farming over the next decade.

Overall change in the EU organic farmland and organic products retail sales from 2000 base



Source: <http://www.ifoam-eu.org/en/organic-europe> , <http://www.organic-europe.net> , <https://shop.fibl.org/chen/mwdownloads/download/link/id/1294/>

ORGANIC MARKET TRENDS

Germany, the largest EU market, is a benchmark for major organic product prices.

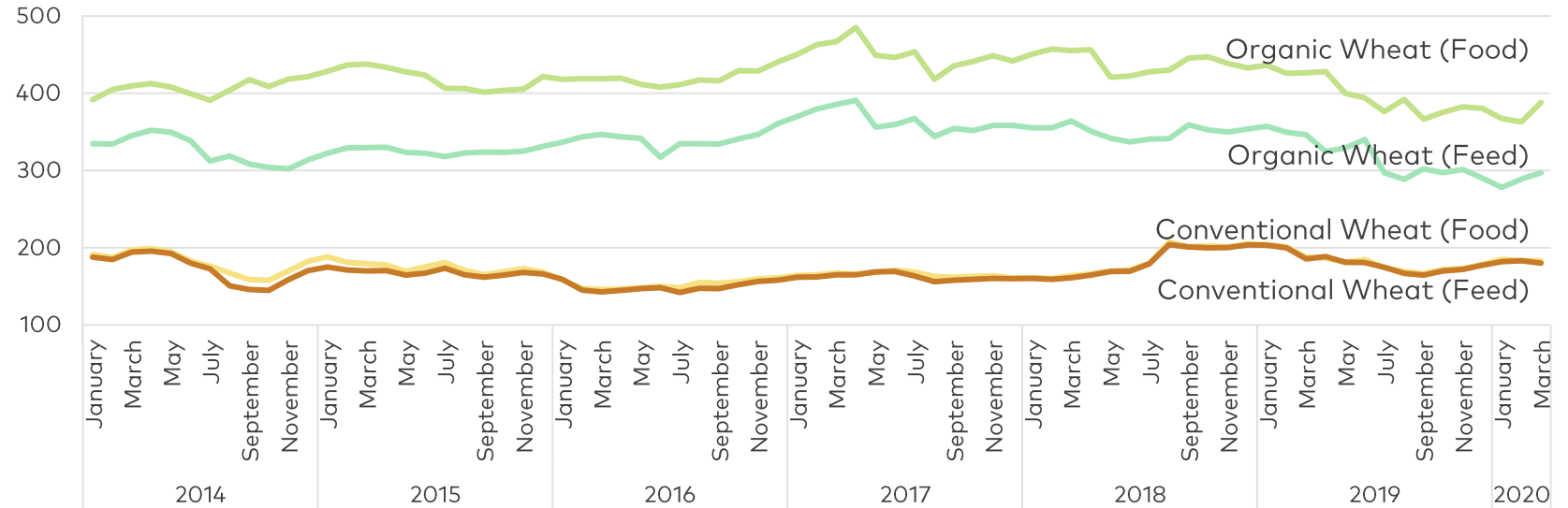
Organic grain prices are not linked to conventional grain prices and demand.

Organic milk prices are higher and less volatile compared to conventional milk prices.

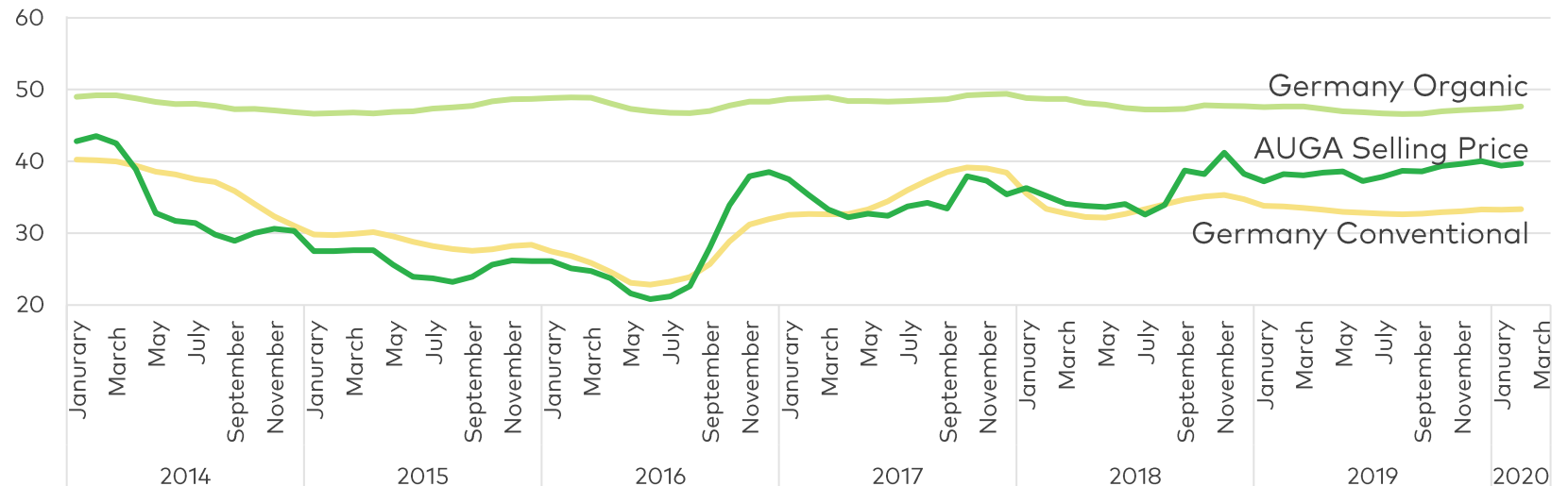
Price dynamics



Organic vs Conventional wheat price in Germany, EUR/t



Organic vs Conventional raw milk price, EUR/100 kg



Source: www.ami-informiert.de, <http://www.stat.gov.lt/>, www.ami-informiert.de, <http://www.stat.gov.lt/>, <https://www.bmel-statistik.de/>, <https://ec.europa.eu/agriculture/market-observatory/milk>

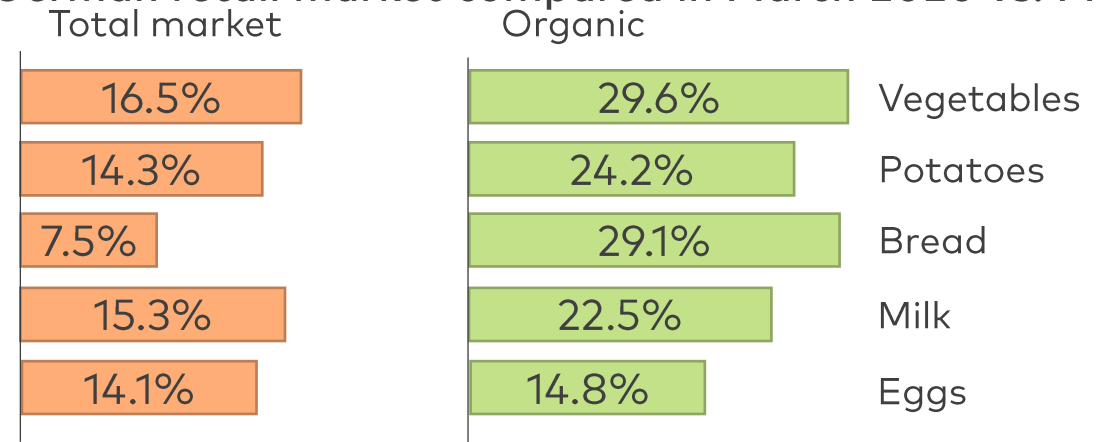
ORGANIC MARKET TRENDS

Consumers prefer home-cooked food, so they not only buy more, but also choose healthier, more environmentally friendly products.

As in the 2008-2010 crisis, the market for organic products did not suffer a negative impact. In fact, it is even growing faster than conventional products.

COVID - 19 impact

- According to market research conducted in Germany¹ and France² in 2020, the consumption of organic products grew faster than conventional consumption in many categories
 - There are two main factors that have a positive effect on the organic product market:
 - 1) Increased concerns about health and nutrition
 - 2) The possibility to choose more organic ingredients when making food at home
 - Similar trends can be observed in other countries³
- Growth of German retail market compared in March 2020 vs. March 2019**





SHORT-TERM STRATEGY (2020-2023)

SHORT-TERM STRATEGY

The main goal of the Short-term strategy is to increase efficiency in the existing business segments.

The Company will be able to deliver affordable organic production to consumers.

Efficiency agenda



Crop growing

- Alignment of organic wheat and pulse yield levels with the geographic conventional average
- Implementation of expedient organic seed mechanisms in AUGA farms
- Introduction of farming best practices in AUGA farms

Dairy

- Improvement of animal welfare
- Introduction of customised animal care programmes from milking to feeding
- Alignment of cost structure for organic milk with the level of conventional

Mushroom growing

- Review of the whole mushroom cultivation cycle
- Introduction of technology solutions in the most labour-intensive areas (i.e. picking and packaging)
- Increase of the share of sales in the organic market

Fast moving consumer goods

- Expansion of AUGA and private labels in existing and new markets
- Raising AUGA brand awareness
- Definition of the sustainability criteria



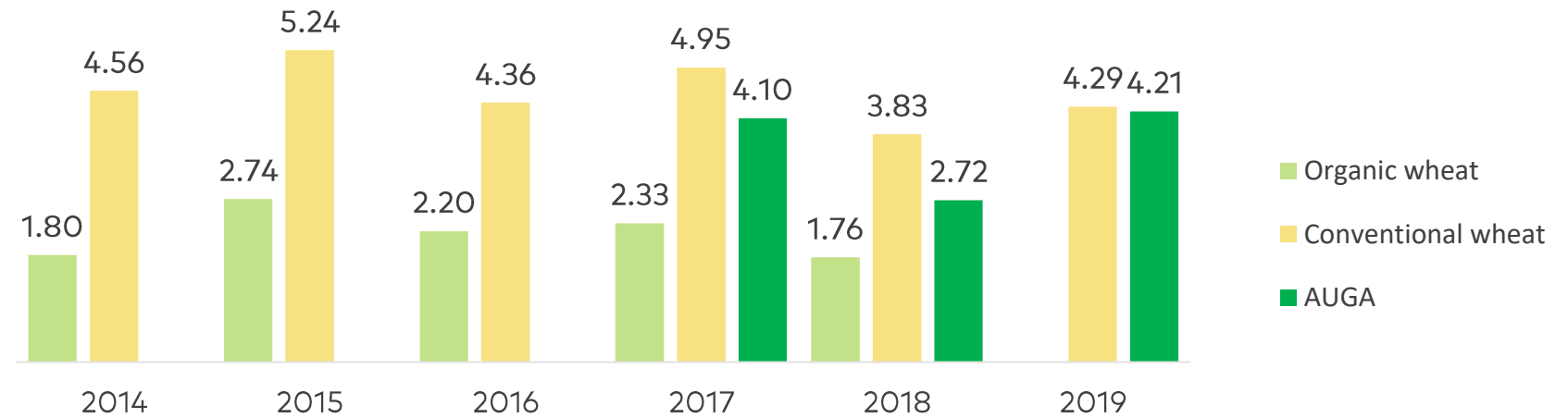
SHORT-TERM STRATEGY

Crop yields

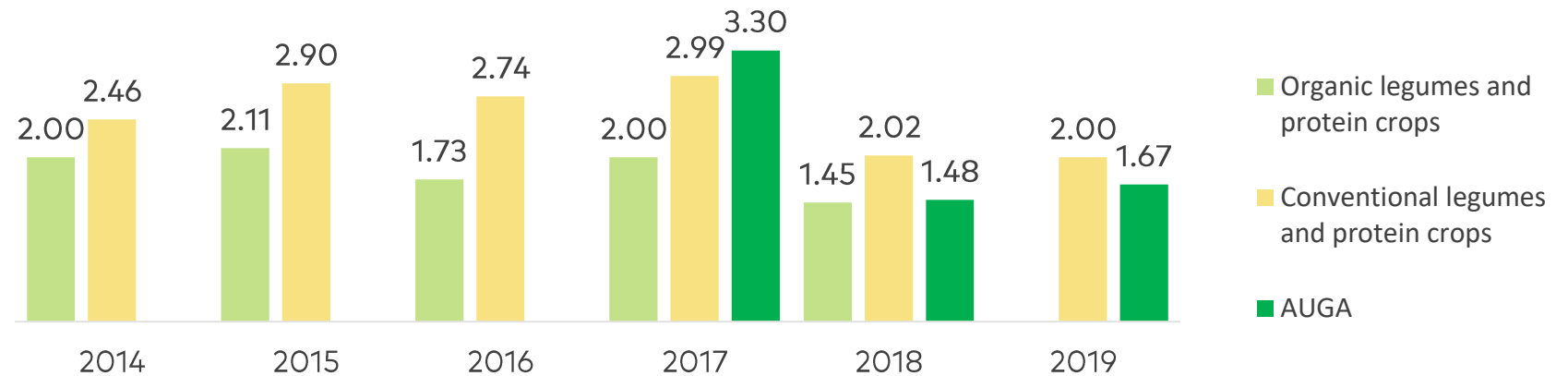


AUGA organic farms target to achieve the average yields of conventional farms.

Wheat yields in Lithuania, t/ha



Legumes and protein crops yields in Lithuania, t/ha



SHORT-TERM STRATEGY

The latest results do not represent the full potential of the Company:

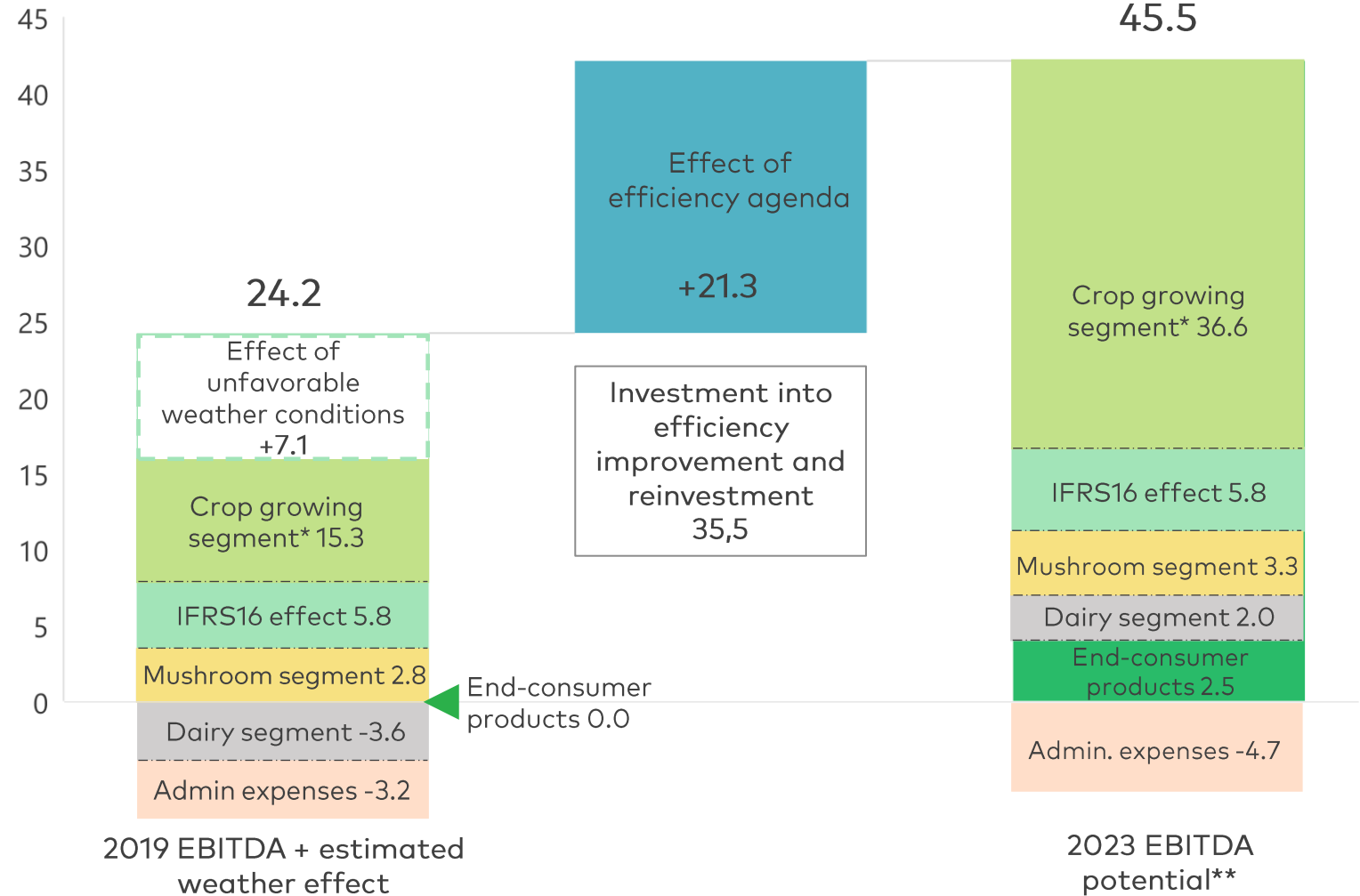
2017 – first year of fully certified organic farming.

2017-2019 - new technologies were developed and implemented.

2018-2019 - results were affected by particularly unfavorable weather conditions

EBITDA potential

Group EBITDA potential, EUR million



* Agricultural produce including commodities, feed and seeds at the average climate conditions and current price levels.

** The information provided in this document is the Company's forecast related to the Company's financial situation, results of operations, plans and future objectives. We caution that no forward-looking statement and /or forecast is a guarantee of future performance and that actual results could differ materially from those contained in these statements. By their nature, forward-looking statements and/or forecasts involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied in this document under the same conditions (ceteris paribus)

SHORT-TERM STRATEGY

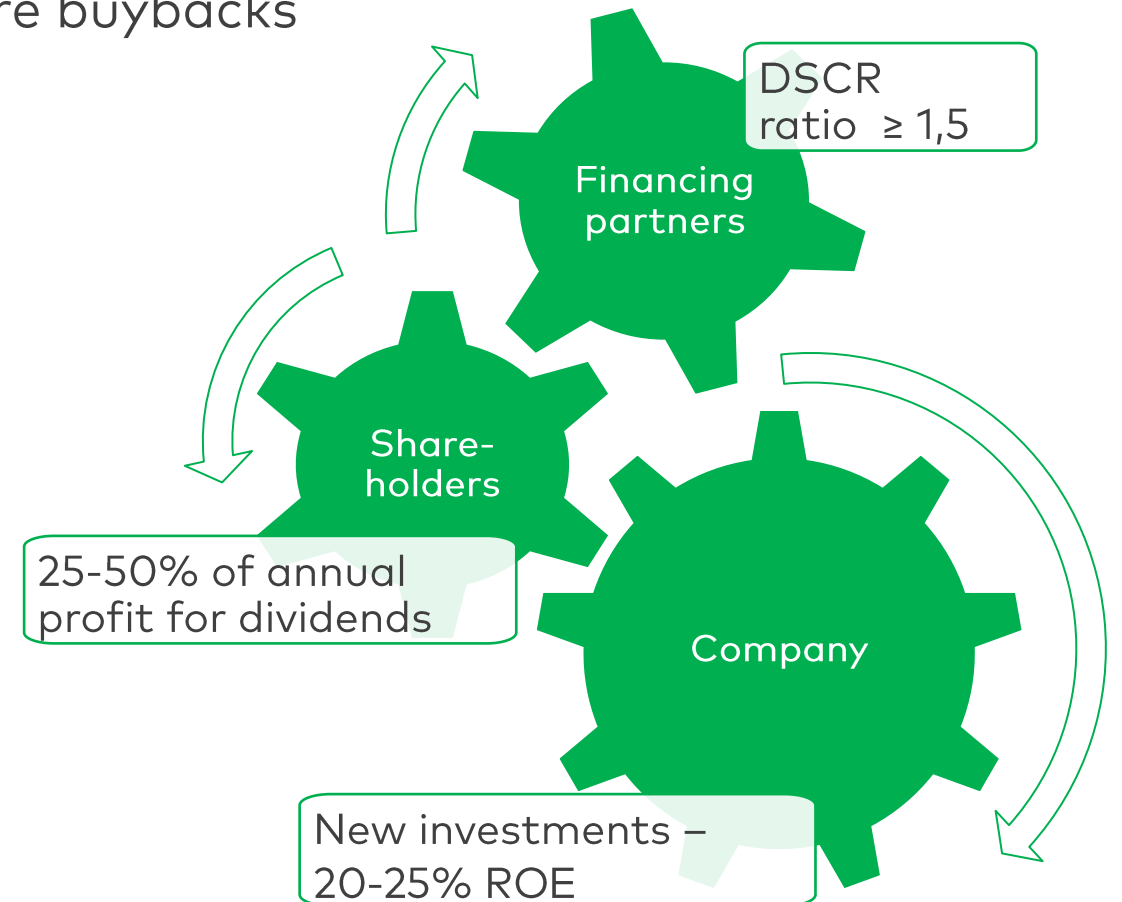
We will seek to utilize the potential of both the bond market (especially green bonds) and our co-operation with financial institutions.

To minimize the effects of outside factors (especially weather conditions) on short term results, we aim to make long-term financing a larger part of our financial liabilities.

Free cash flow, not needed for the activity of the company and investments, will be paid out to shareholders.

Financing and dividend policy

- The use of a wide range of financial instruments
- Long term financing
- Free cash flow will be used for dividend payments or share buybacks





THE FUTURE OF AUGA (2020-2025)

THE FUTURE OF AUGA

The Company's new vision and mission



Vision – a synonym for sustainable food and lifestyle

Mission – deliver organic food with no cost to nature

In 2015, the strategic decision to switch to organic farming and produce organic products was made.

In 2020, the Company is taking a new step and developing a new standard for sustainable organic food in the food value chain. This is focused on building environmental and long-term sustainability for the AUGA community.

CONSUMERS

a more sustainable way to eat



FARMERS

a more sustainable way to work



PRIVATE AND INSTITUTIONAL LENDERS

a more sustainable way to invest



SHAREHOLDERS

a more sustainable way to receive financial returns



THE FUTURE OF AUGA

Consumers, especially young people, are worried about the future and would agree to change their consumption habits and buy sustainable products, but expect fair prices.

Consumers demand sustainability

90% say that the climate crisis makes them feel insecure about the future¹

75% of 21-34-year olds say they would change their consumption habits to reduce their environmental impact²

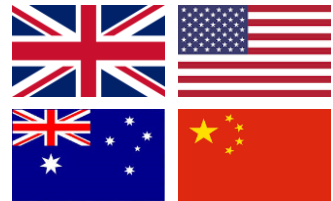
71% say that sustainability criteria influence their purchasing habits³

83% would always choose a brand with a better history of sustainability

70% would agree to pay more for sustainable products and services, but 77% say products should still not be more expensive⁴



auga



Source: ¹WGSN Future Consumer 2020. www.wgsn.com

²<https://www.nielsen.com/us/en/insights/article/2018/was-2018-the-year-of-the-influential-sustainable-consumer/>

³SB INSIGHT AB, 2020. Representative survey of 1200 respondents in Baltic countries. Term "sustainability" covers Social and Environmental issues.

⁴The New Sustainability Re-Generation. INNOVATION GROUP report 2018



THE FUTURE OF AUGA


Current challenges in the food value chain



Globally, agriculture accounts for about 23% of total GHG emissions (from farming activities and deforestation due to agricultural development).

Organic farms, meanwhile, face the efficiency and sustainability challenges of not achieving high yields while incurring higher costs than traditional farms.

The AGTECH solutions offered on the market are unable to solve either global or local challenges.

	Conventional farming	Organic farming	 SOFA model
Efficiency	High	Low	High
Environmental impact	Big	Small	Minimal
Products	Contaminated	Clean	Clean



THE FUTURE OF AUGA

The food value chain has been fragmented due to various interests and the diverging outlook towards innovation among the different market participants.

The consumer demand for sustainable food is not enough to mobilise the industry.

If one segment in the chain refuses to change, the whole dynamic falls apart.

Why AUGA?

- The scope of activities will ensure an immediate impact (39 thousand ha of operated farmland)
- Vertically-integrated operations will allow changes to be implemented throughout the value chain
- The Company's long-standing track record will serve as a guarantee when attracting financial resources

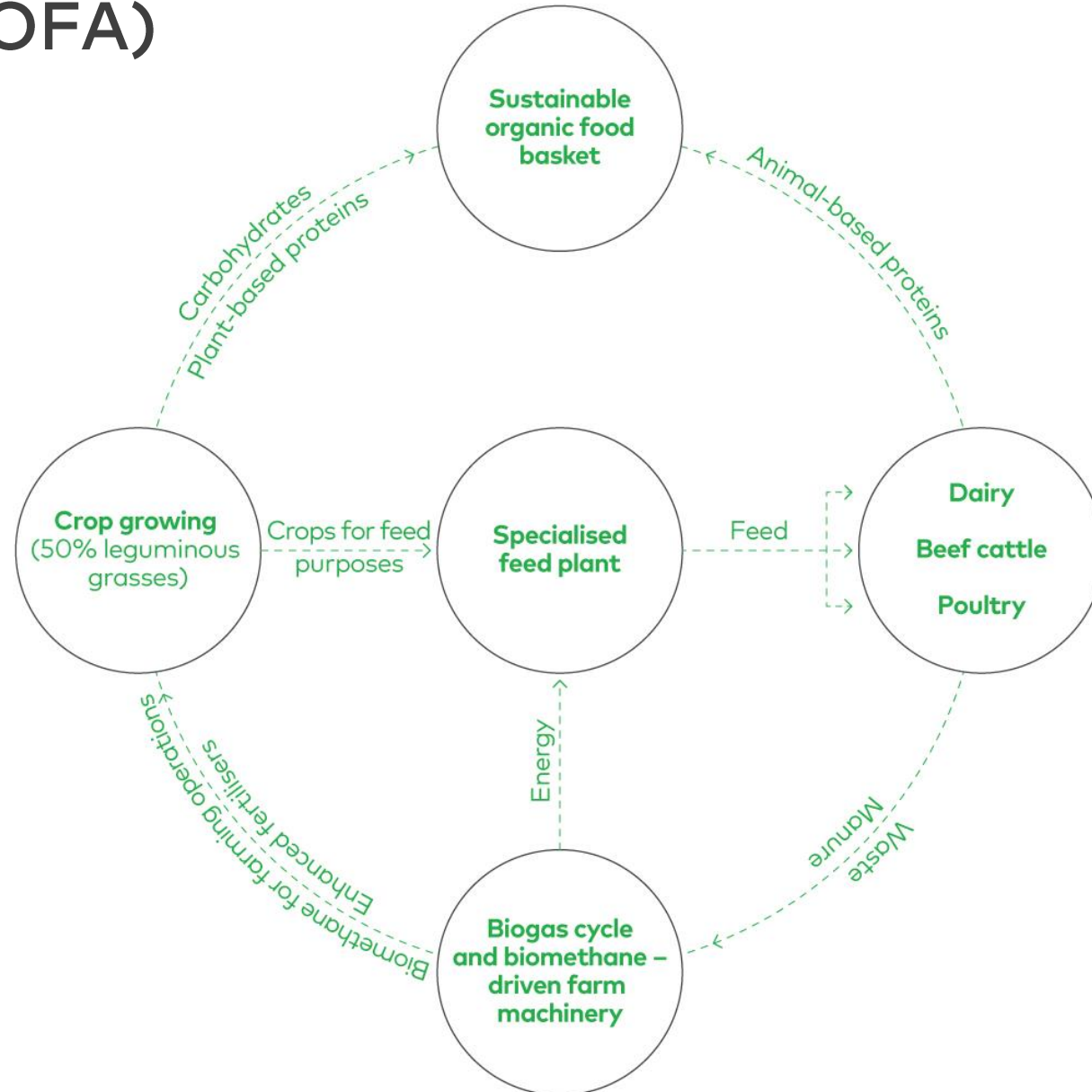


THE FUTURE OF AUGA

The AUGA Innovation Agenda (2020-2025) will facilitate essential technological connections within the SOFA model to deliver organic food with no cost to nature:

- 1) Biogas cycle infrastructure and vehicles,
- 2) Specialised feed technology,
- 3) Regenerative crop-rotation.

Sustainable organic food architecture (SOFA)



* Based on the synergies of the previously applied AUGA closed-loop sustainable farming model

THE FUTURE OF AUGA

CO₂ and equivalent emission reduction targets



The use of fossil fuels in agricultural operations is being replaced by biomethane from animal manure.

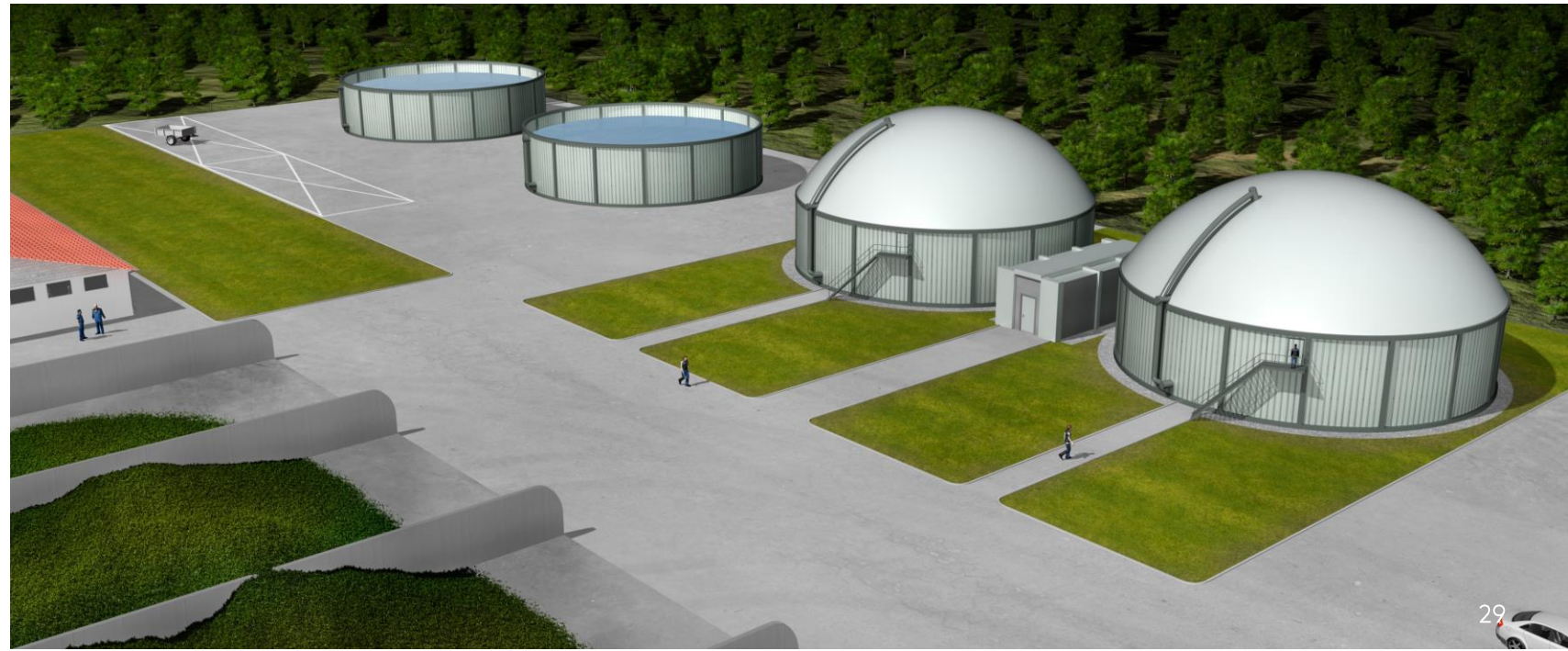
Methane emissions from animal enteric fermentation are reduced by using specialized feed technology.

Emissions from soil are reduced by using the perennial legume crop rotation method.

50% less emissions from fossil fuel use on farms

50% less emissions per one tonne of cow's milk

30% less emissions from agricultural dry matter yield per tonne



THE FUTURE OF AUGA

In 2019, the green financing market (bonds and loans) reached EUR 238.7 bn., but only 3% of all financing was dedicated to land use (agriculture and forestry).

The AUGA community model will bring together institutional and private lenders who want to invest in sustainable food value chain technologies.

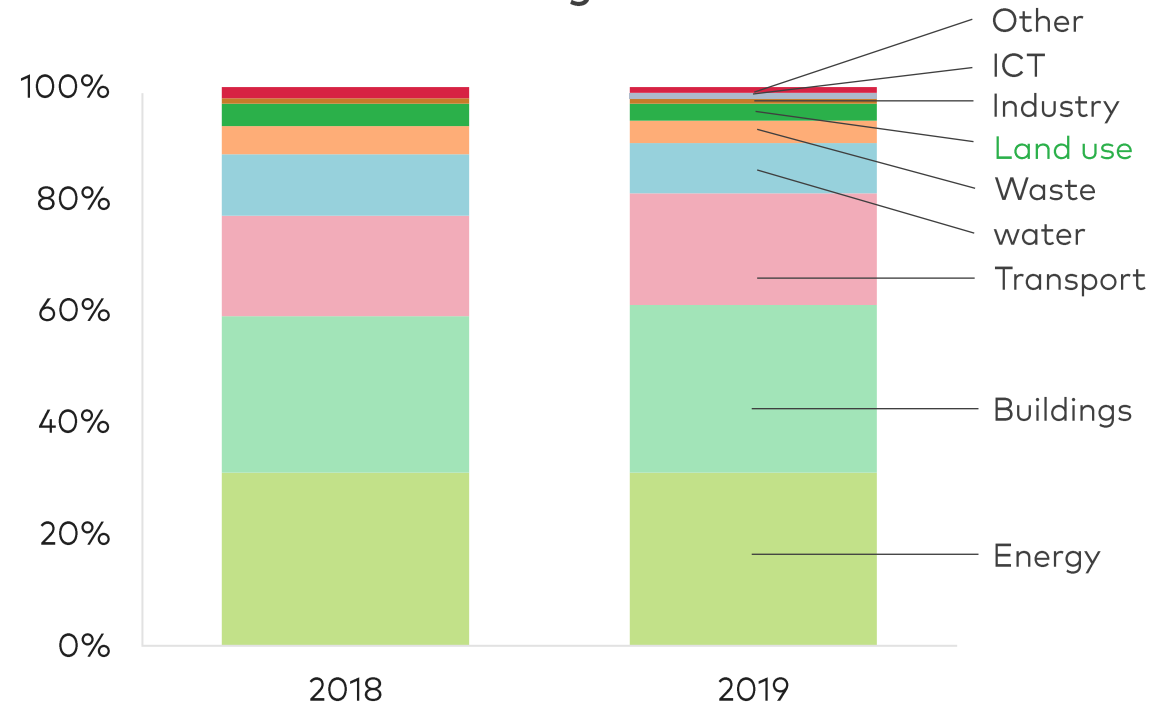
Investments will reach not only AUGA, but also small farmers.

Sustainable financing through institutional and private lenders



- Agriculture is currently unable to access green financing
- Lenders will have the opportunity to invest in SOFA sustainable food chain goals
- Both AUGA group and small farmers will have an opportunity to innovate

Global use of green bonds



Source: https://www.climatebonds.net/files/reports/2019_annual_highlights-final.pdf

THE FUTURE OF AUGA

AUGA will have the opportunity to multiply its business model outside of current AUGA farms via the support of its community and AGTECH.

The company seeks to create a threefold opportunity for its shareholders:

1. to multiply their investment,
2. to empower the future of the food value chain, and
3. to help save the planet.

Benefits to shareholders

- Threefold increase in the value of the company during the implementation of the strategy, and growth prospects following it. This will ensure an asset-light business model and a return on capital of $\geq 15\%$
- Contribution to a sustainable food value chain that will reduce CO₂ eq. emissions
- Contribution to nature conservation through investment choices



THE FUTURE OF AUGA

AUGA community



The company seeks to implement its business model by uniting its ambitious and motivated team with members of the AUGA community who will express their preference for a more sustainable life via their consumption, and their active engagement in the food value chain.

CONSUMERS

a more sustainable way to eat



FARMERS

a more sustainable way to work



PRIVATE AND INSTITUTIONAL LENDERS

a more sustainable way to invest



SHAREHOLDERS

a more sustainable way to receive financial returns



THE FUTURE OF AUGA

We invite you to join the community!

You will always have a place in the AUGA community

We invite you to contribute with:

- know-how
- financial resources you would like to invest
- determination to promote sustainability

Although AUGA has set itself very ambitious goals to achieve within 5 years, it is nevertheless aware that it does not know everything about the food industry. That is why it is open to members focused on value creation and nature conservation.

The AUGA community will be unsurpassed in agricultural technology in five years.

Every member of the community will be proud to be part of it because sustainability is the way of the future.



Investment opportunities

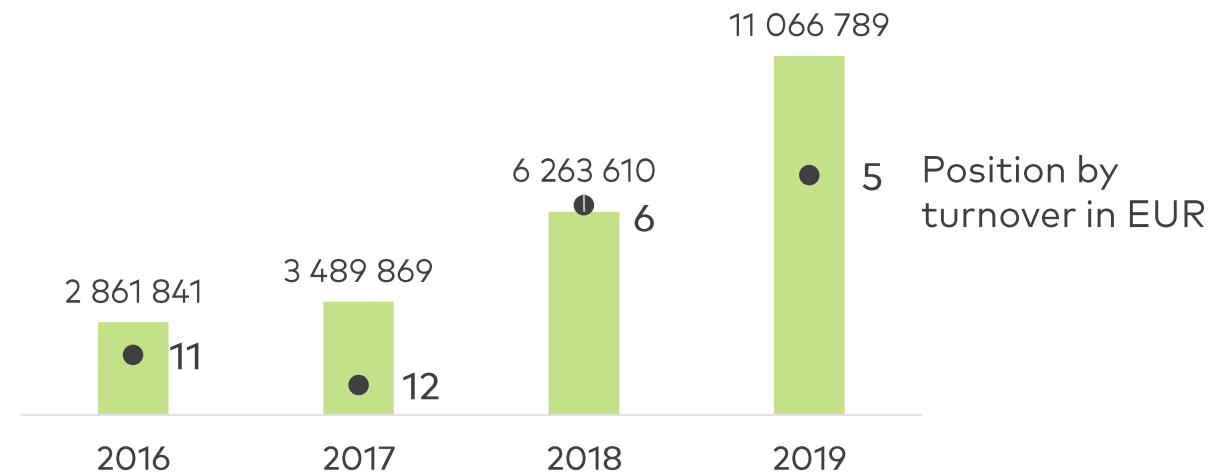
- Nasdaq Vilnius, Baltic Main List: [AUG1L](#)
- Nasdaq Vilnius, Green Bonds: [AUGB060024A](#)
- Information for investors, data in MS Excel format: [/http://auga.lt/en/for-auga-investors/](http://auga.lt/en/for-auga-investors/)
- Analyst reports: <http://auga.lt/en/for-auga-investors/analyst-coverage/>
- News for investors subscription: <http://cutt.ly/auga>

The turnover of AUGA group, AB shares has grown every year.

In 2019, the Company's shares were in fifth place according to the trading turnover on the Baltic Main List* of the Nasdaq Vilnius stock exchange.

The Company's large number of shareholders and number of freely traded shares ensures liquidity.

AUGA group, AB number of shares turnover on Nasdaq Vilnius



* In 2016 and 2017 The company's shares were listed on the Baltic Secondary List. Since 2018, the shares have been upgraded to the Nasdaq Baltic Main List.