



EUROPE'S BIGGEST ORGANIC FOOD PRODUCER FROM FIELD TO SHELF

AUGA GROUP AB
MARCH 2018



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AGENDA

1. Executive summary
2. Company highlights
3. Transformation to organic farming
4. Organic world
5. Corporate governance and share details
6. Company financials
7. Peers
8. Management notes
9. Relative pricing to peers (2017)
10. Appendices

Presented by



Kęstutis Juščius
The chairman of the board



Linas Bulzgys
Board member, CEO

EXECUTIVE SUMMARY

Overview

- With 38,000 ha under management, AUGA is the largest vertically integrated organic agriculture company in the EU
- AUGA controls all processes from seed to final product
- Considering equity capital injection for development of recent acquisitions and new investment projects: poultry, dairy, biogas, other technologies-

Key strengths

- Large scale organic supply from one source with full traceability
- Wide range of organic commodities and end-consumer products
- Certified with the EU Organic, USDA, BRC, Kosher, Global GAP
- Experienced and skilled management
- Strong R&D

Strategy

- Focus only on organic and sustainable food production
- Achieve efficiency by utilizing scale of operations, synergies among different agricultural sectors and applying latest scientific knowledge to improve all production processes
- Grow share of value-added end-consumer products using proprietary and contracted manufacturing, with full process control from field to shelf

Investment opportunity

- Booming global organic market
- Healthy and sustainable food trends, driven by new consumer generation
- Unique company know-how and operational set-up
- Vertical integration backed by economies of scale



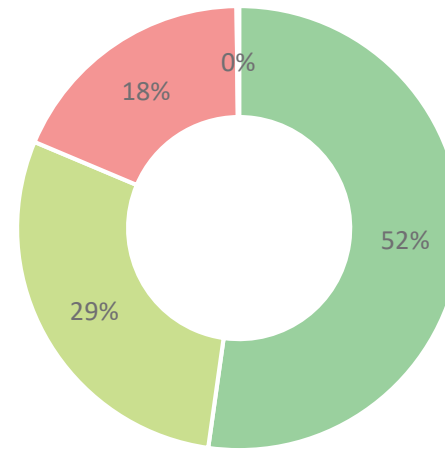
COMPANY HIGHLIGHTS

- Main revenue stream is generated by 3 segments: mushrooms, agriculture (crops) and milk
- Gross profit mainly comes from agricultural business segment (around 90%)
- Company is export oriented; ca. 80% of sales are export
- End-consumer products comprise significant part of sales

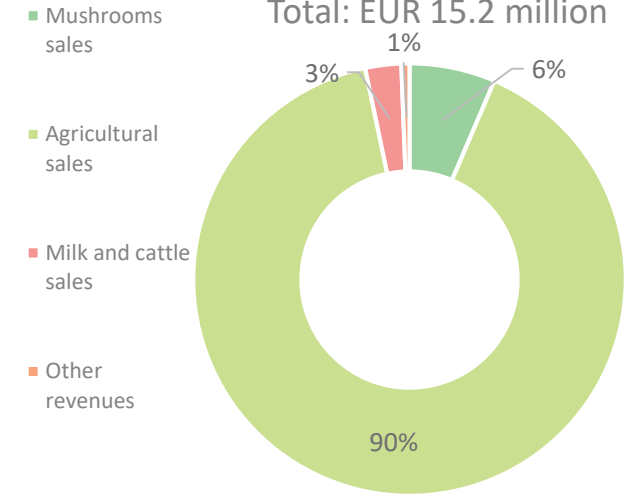
Financial Overview

EURm	2015	2016	Unaudited 2017
Revenue	47.4	39.6	48.8
Revenue growth, % y-o-y	13.1	(16.4)	23.1
Gross profit	10.4	10.8	15.2
EBITDA	10.7	9.6	13.1
Net profit	5.6	2.1	4.7
Net debt	42.6	30.3	42.9

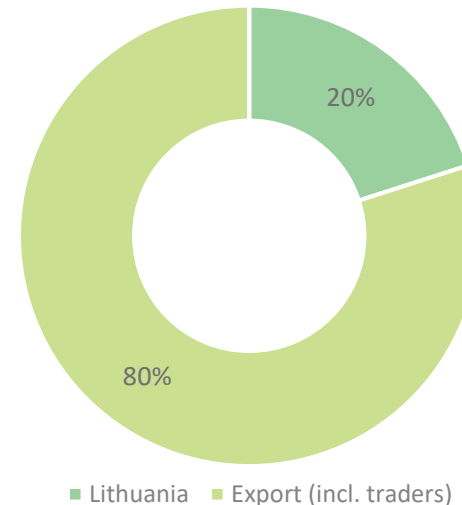
2017 sales by segment
Total: EUR 48.8 million



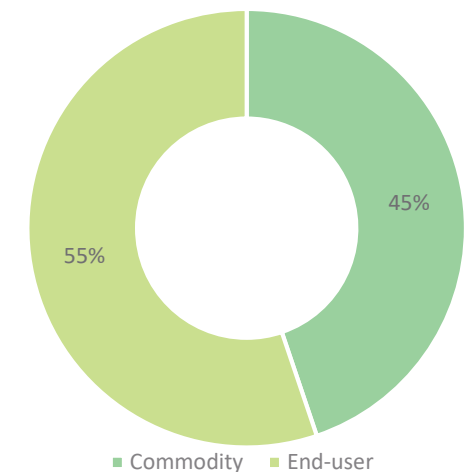
2017 gross profit by segment
Total: EUR 15.2 million



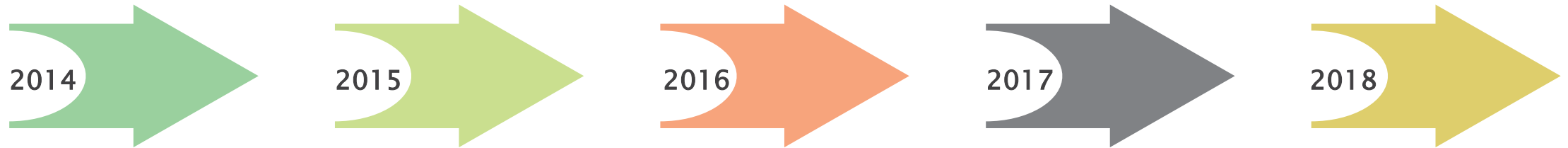
2017 sales geography



2017 sales by markets



TRANSFORMATION MILESTONES



2014 Merger of Agrowill Group and Baltic Champs	2015 Start of organic farming	2016 2nd transition year	2017 Fully certified organic farming Acquisition of KTG Agrar	2018 Integrated organic food company Acquisition of Raseiniu Agra
New era begins for the company	Launch of organic mushrooms	Launch of organic packaged vegetables	Launch of organic milk and grain products	Sales growth of branded and PL end user products

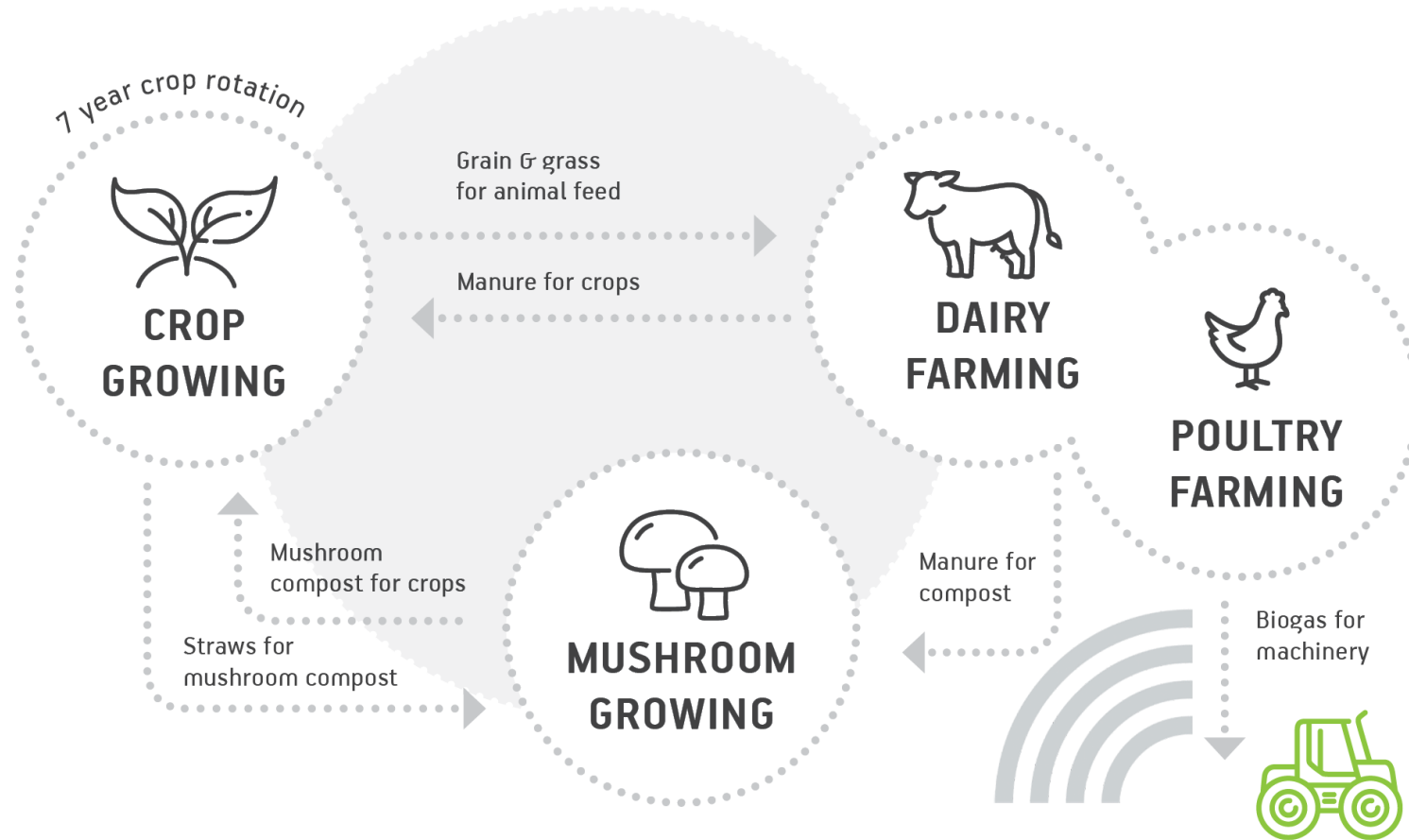
Arrival of new controlling shareholder via Baltic Champs denotes strategic change in operational influence and direction

- Already EUR 15m invested:
- New technology for organic fertilization
 - New technology for cultivation and weed control
 - Loose cattle grazing
 - New equipment for vegetable growing and processing
 - Prototyping poultry farms

- New development projects:
- Expanding poultry farms
 - Prototyping and building new generation dairy farms
 - Combined feedstock production plant
 - Organic seed preparation plant
 - Biogas conversion and purification
 - Biomethane fuel application for tractors
 - Other R&D activities



INTEGRATED SUSTAINABLE FARMING MODEL

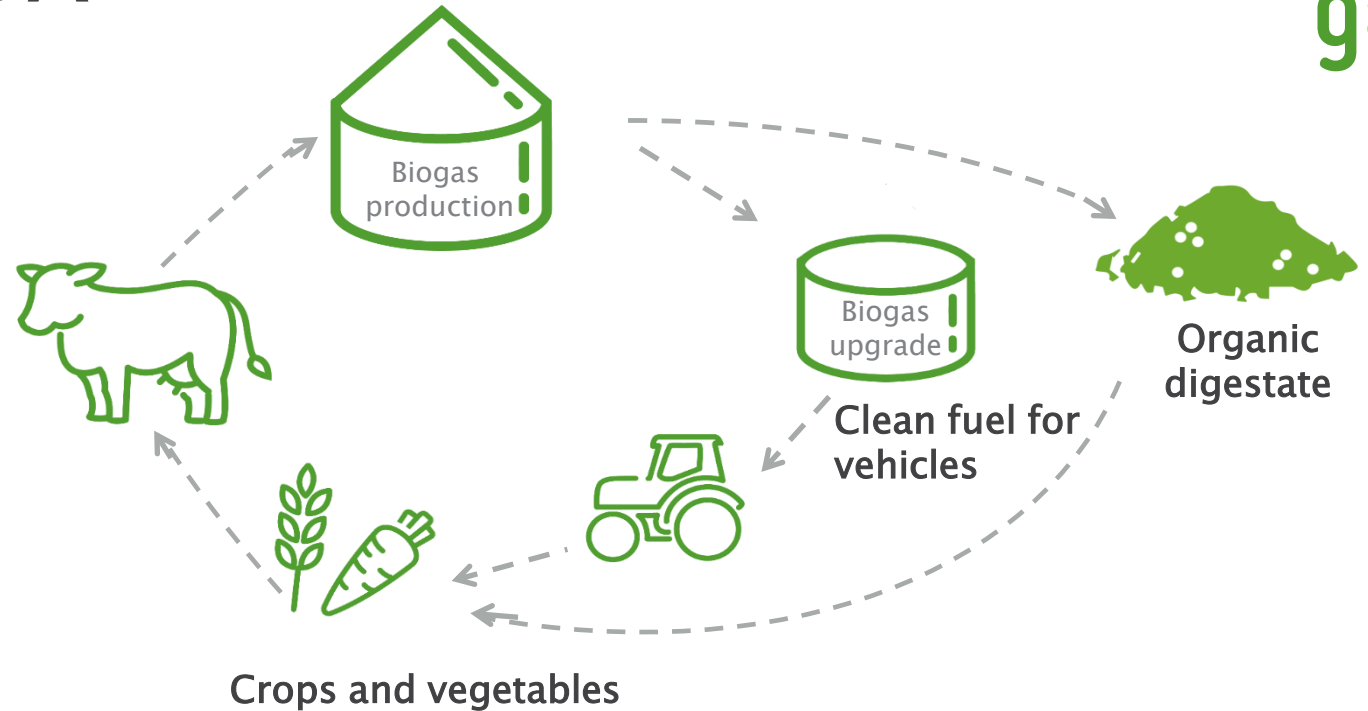


Synergy among different branches of agriculture with focus on sustainability.



SUSTAINABILITY AGENDA

- Planned projects to convert cow manure to biogas and use it for fuel
- Organic digestate from biogas production used as fertilizer can improve crop yield by 18%*
- In line with sustainable farming principles, efficient and economically viable, it can provide climate benefit of 148% compared to fossil fuels



- Already applying min till technology to improve land quality and preserve biodiversity
- Already purchasing only green electricity and utilizing in-house renewable energy plants (solar and wind)

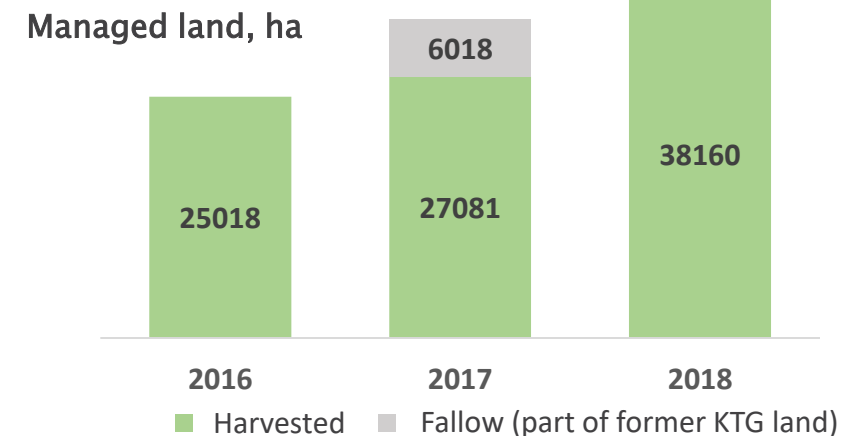
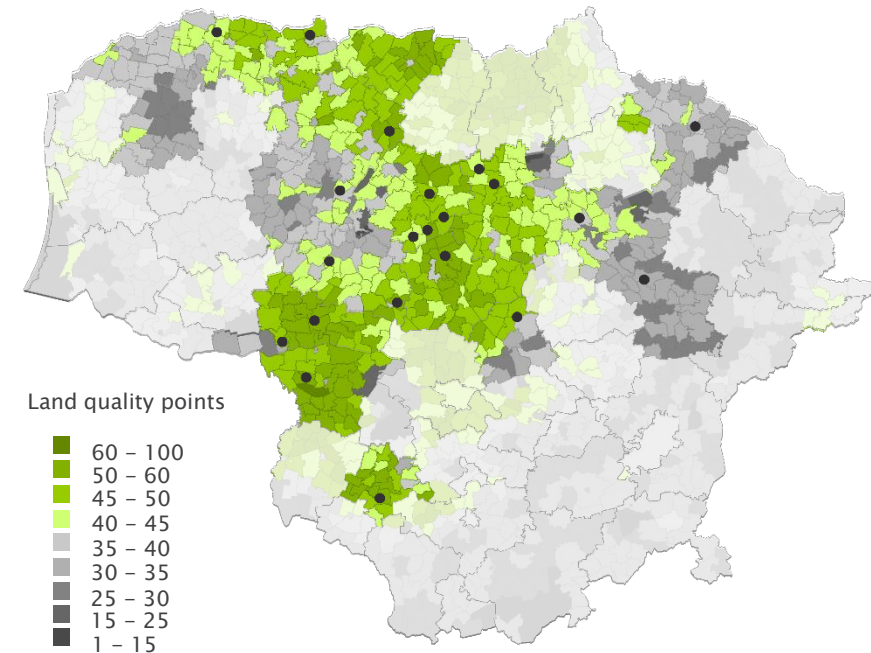


*Source: Ecofys "Biofuels and food security" Carlo Hamelinck, 2013, „Report on analysis of sustainability performance for organic biogas plants“: SUSTAINGAS 2014

OPERATIONAL ASSETS

- Operating in the most fertile areas of Lithuania
- After acquisitions of KTG Agrar and Raseiniu Agra, the harvested land area expanded from 27k ha in 2017 to 38k ha in 2018
- 8.4% of land is owned, rest is managed on the basis of long term lease agreements
- In 2016, average cost of asset (land) in Lithuania was 3,340 EUR/ha, vs. 19,614 EUR/ha in Germany, 9,100 EUR/ha in Poland
- In 2016, land rent cost per year was on avg. 124 EUR/ha for AUGA group (125 EUR/ha in 2017), vs. Germany average 288 EUR/ha, Poland average 209.9 EUR/ha
- All AUGA land is certified organic. Due to recent acquisitions 18% of AUGA land is in P2 transition period, to be completed in 2019

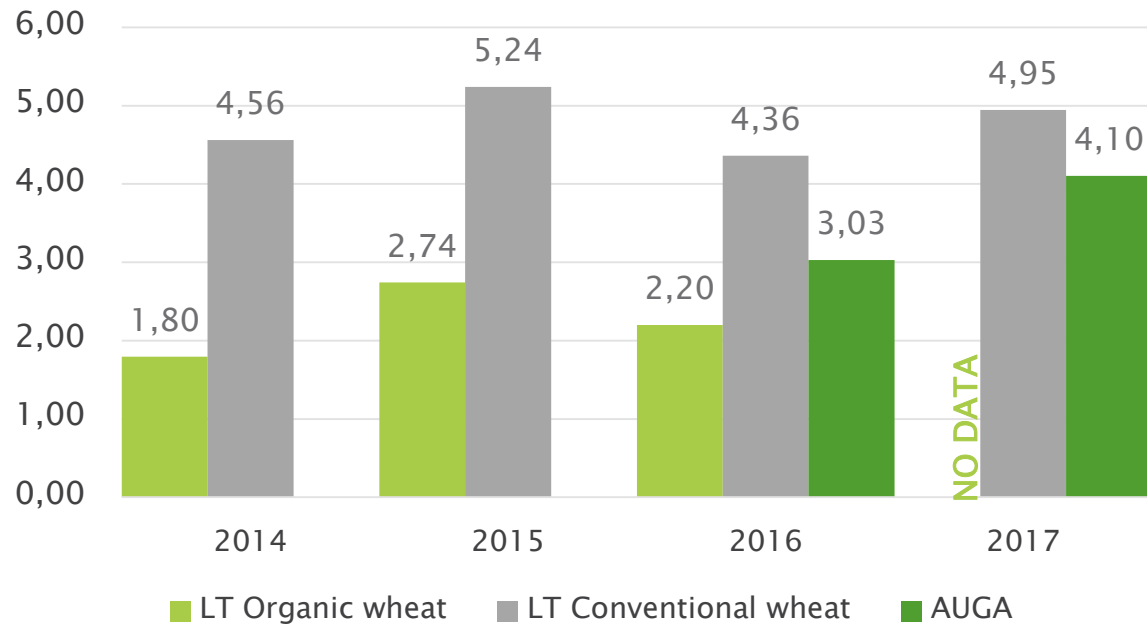
Location of main AUGA farms



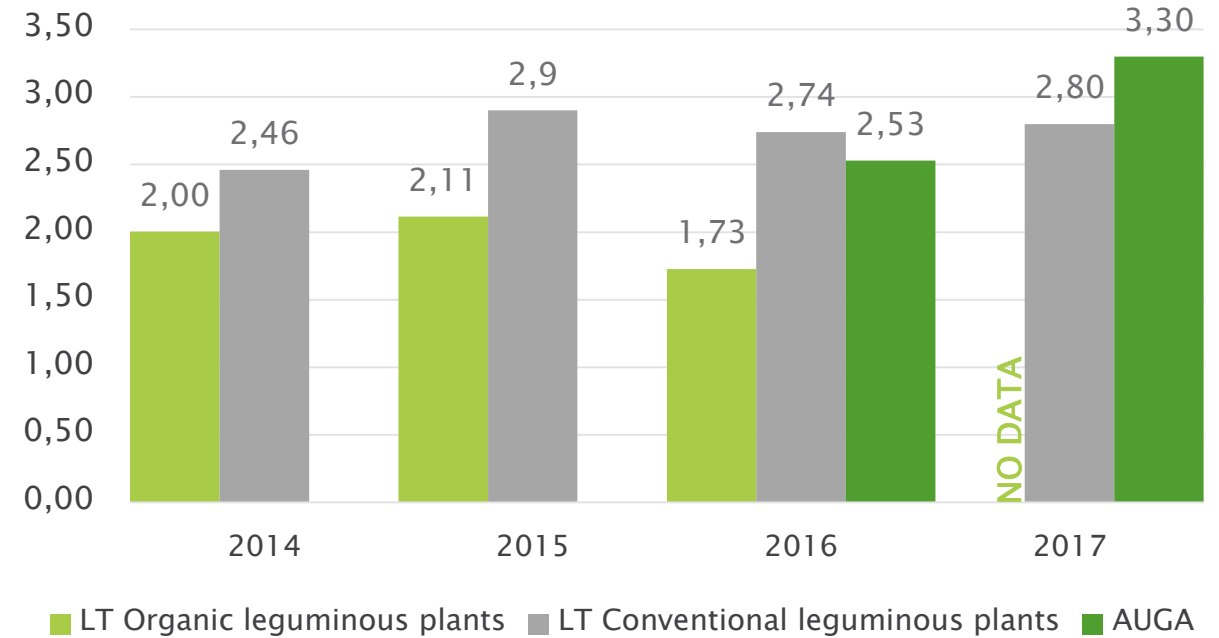
Source: https://www.destatis.de/DE/Publikationen/StatistischesJahrbuch/LandForstwirtschaft.pdf?__blob=publicationFile, <http://www.vic.lt/?mid=151&id=26954>, <http://stat.gov.pl>.

PROVEN ACHIEVEMENTS: ABOVE AVERAGE YIELDS

Wheat yield, t/ha in Lithuania



Leguminous plants yield, t/ha in Lithuania



Source: Lithuanian institute of agrarian economics, AUGA group data

PROVEN ACHIEVEMENTS: AUGA ORGANIC POULTRY FARMS



AUGA PRODUCT PORTFOLIO



BEETROOTS & MUSHROOMS

READY TO EAT SOUPS

RAPESEED OIL

FRESH VEGETABLES



FRESH MUSHROOMS



PULSES

FLOUR



NEW PRODUCTS IN 2018

EGGS



SUGAR



MILK PRODUCTS



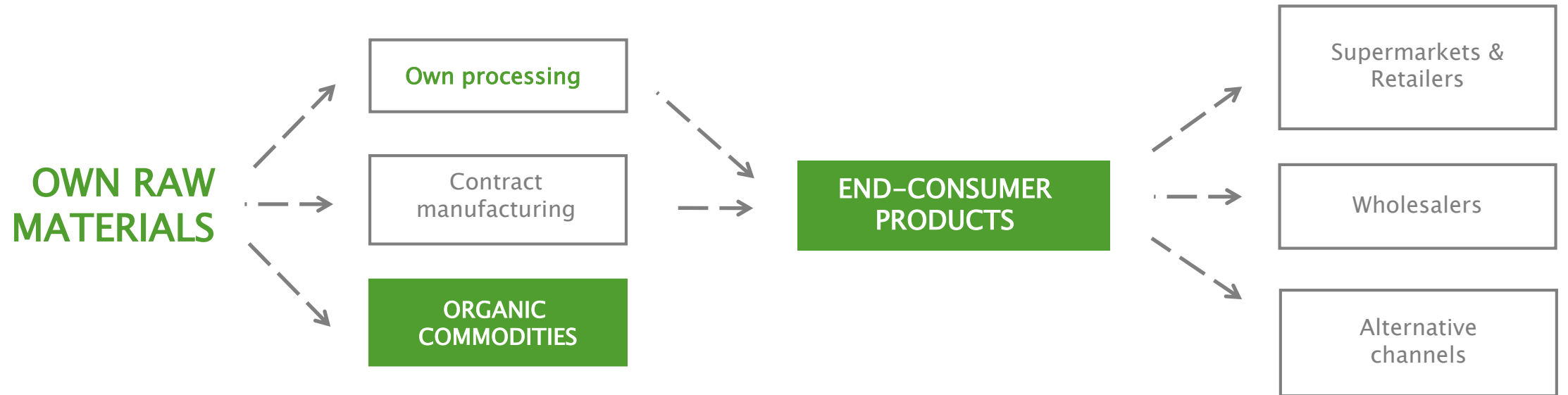
OAT FLAKES



BUCKWHEAT



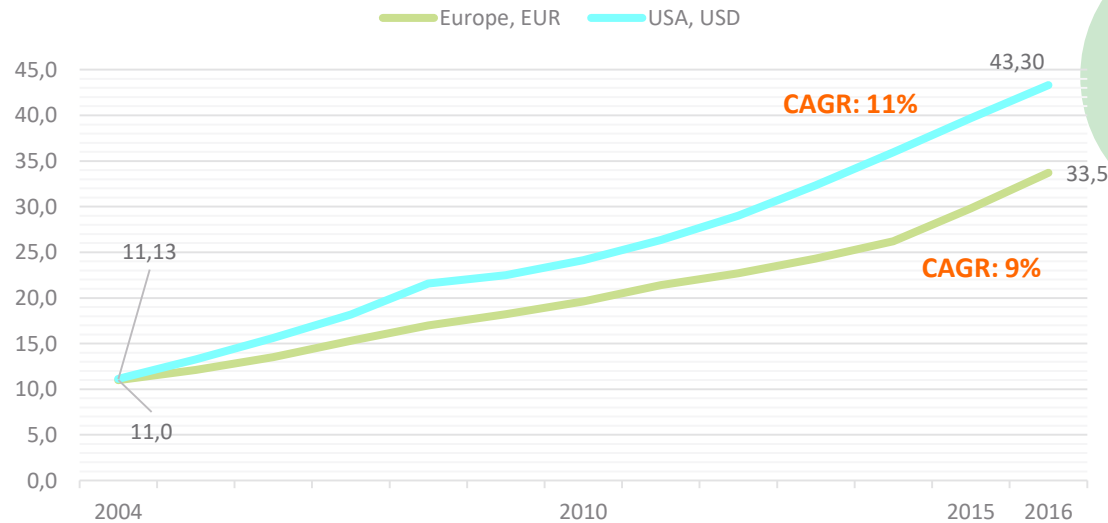
ROUTE TO MARKET



ORGANIC WORLD

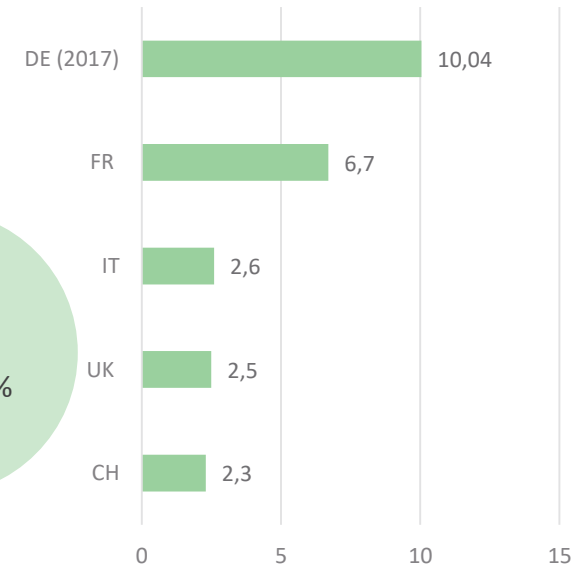
- In 10 years, consumers have more than tripled their consumption of organic products, and demand continues to grow
- CAGR of organic market in EU 9% and US 11% from 2004 to 2016
- In 2016, global organic sales reached 90 billion US dollars (USD 43.3 bn US, EUR 33.5 bn Europe)
- Highest organic products consumption per capita is in Europe: Switzerland (EUR 262), Denmark (EUR 191), Sweden (EUR 177)
- Most European markets continued double-digit growth in 2016: France (22%), Denmark (14%), Norway (20%), Ireland (22%)

Organic retail sales development in Europe and USA
2004–2016, billion



- European Organic Retail Sales Value EUR 33.5 bn
- Switzerland Per Capita EUR 274
- Germany Organic Retail Sales Value EUR 10.04 bn
- France Organic Market growth 22% in 2016

Organic sales in 2016 bn EUR

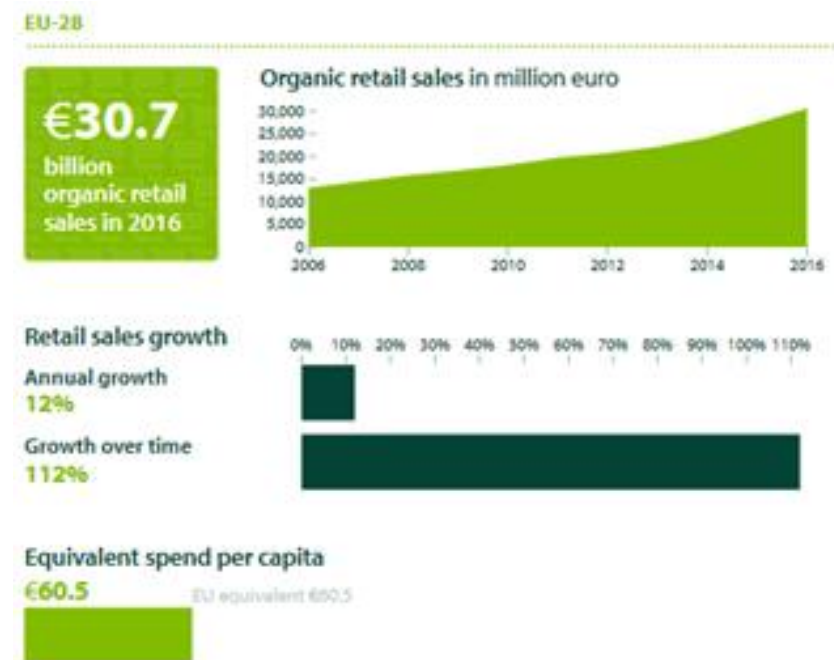


Source: <http://www.ifoam-eu.org/en/organic-europe> ; <http://www.organic-europe.net> ; <http://www.organic-world.net/yearbook/yearbook-2018.html>



ORGANIC RETAIL SALES VS. FARMLAND IN EUROPE

- Retail sales of organic products grow faster than their supply capacity (farmland)
- In 2016, European organic farmland area increased by 6.7%, while sales grew by 12%



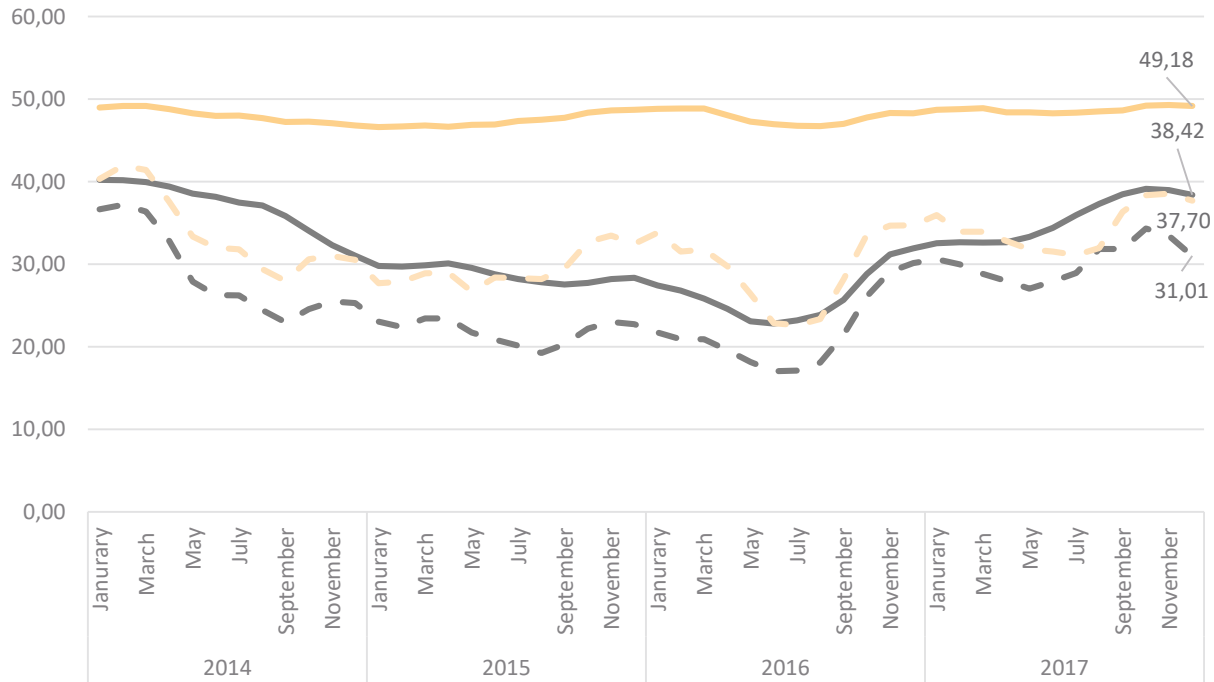
Source: <http://www.ifoam-eu.org/en/organic-europe> ; <http://www.organic-europe.net>

ORGANIC VS. CONVENTIONAL PRICES



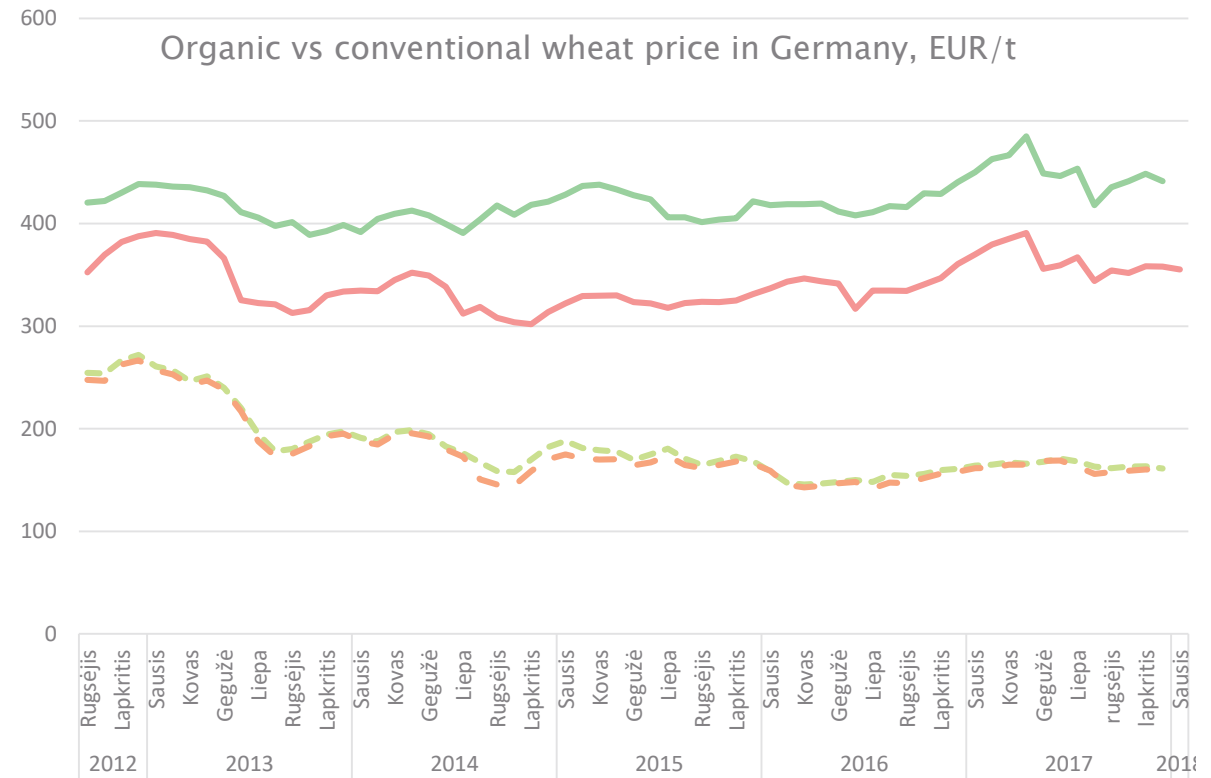
- Organic products prices are higher than conventional products and did not suffer price decline, contrary to conventional
- Germany, as largest EU market, is a benchmark for major organic products prices

Organic vs conventional Raw Milk Price, EUR/t



Germany conventional Lithuania conventional Germany organic Lithuania organic

Organic vs conventional wheat price in Germany, EUR/t

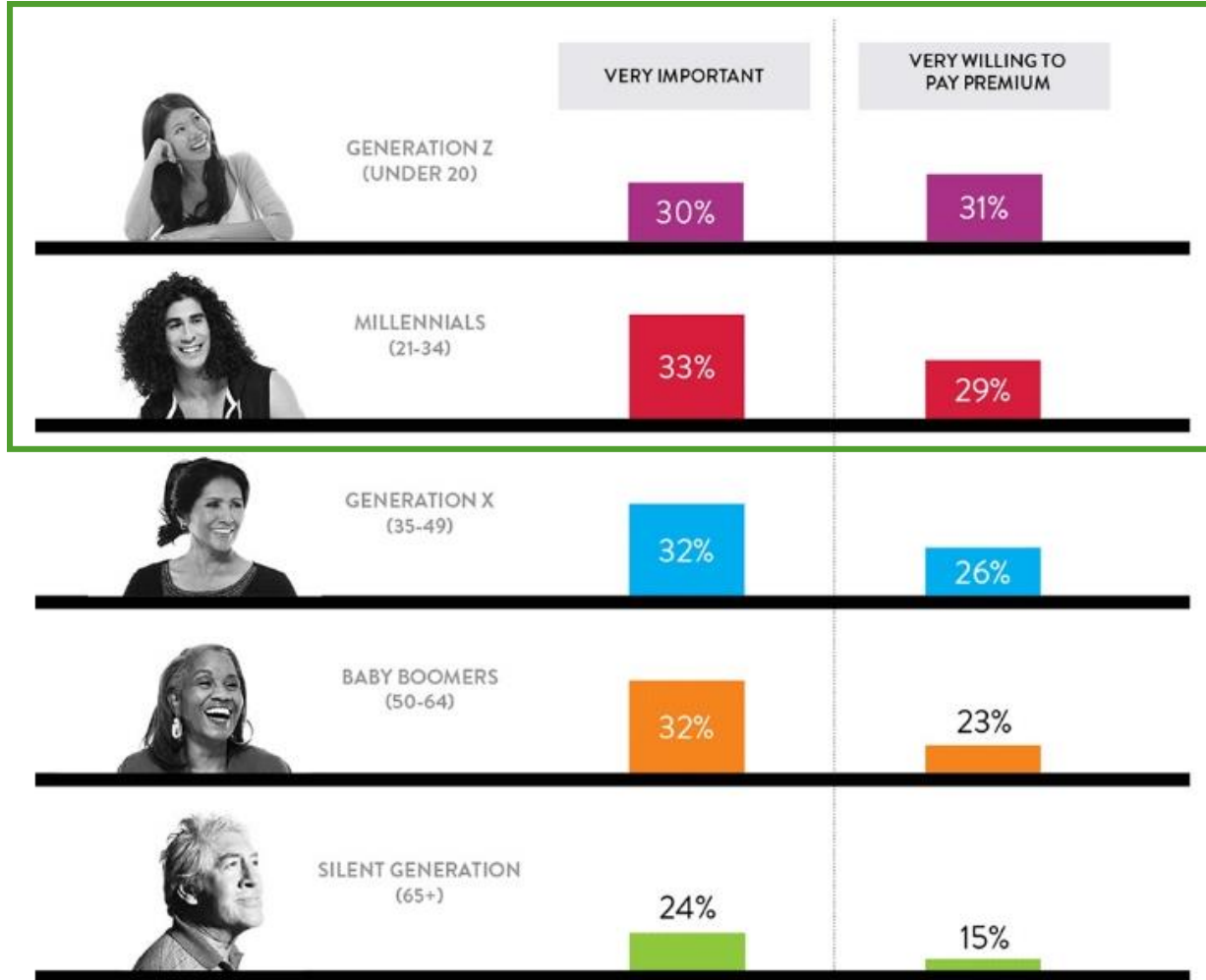


ORGANIC FOOD IS A MEGA CONSUMER TREND



GAP BETWEEN THOSE THAT THINK HEALTHY ATTRIBUTES ARE IMPORTANT AND THEIR WILLINGNESS TO PAY PREMIUM FOR IT*

CONSUMER ATTITUDES TOWARDS FOOD**



80%

believe they can improve their life by choosing healthier food

75%

believe that today most of the food is not natural and not ecological

62%

would agree to ban the use of any pesticides and chemical fertilizers

75%

agree that it is more important how the product was produced than who sells it

Source:

* Nielsen Global Health and Wellness Survey 2014.

** The truth about health & wellness. McCann Truths 2015. US, Canada, UK, Germany, France, Italy, Spain, Sweden, Holland, Croatia, Lithuania

CORPORATE GOVERNANCE

Supervisory board



Vladas Lašas
Chairman of the Supervisory Board

Doctor of technical sciences and the chairman of the supervisory board of AB AUGA group



Rimantas Rudzkis
Member of the Supervisory Board

A senior researcher at Mathematics and Informatics Institute of Vilnius University



Liudas Navickas
Member of the Supervisory Board

The investment advisor, consulting Domeina company

Management board



Kęstutis Juščius
The chairman of the board

The founder and the chairman of the board of UAB Baltic Champs Group



Linas Bulzgys
Board member, CEO

CEO of AB AUGA group since 2015



Marijus Bakas
Board member

Head of Širvintai unit of UAB Baltic Champs



Linas Strėlis
Independant board member

Board member of AB Vilkyškių Pieninė and AB Umega group

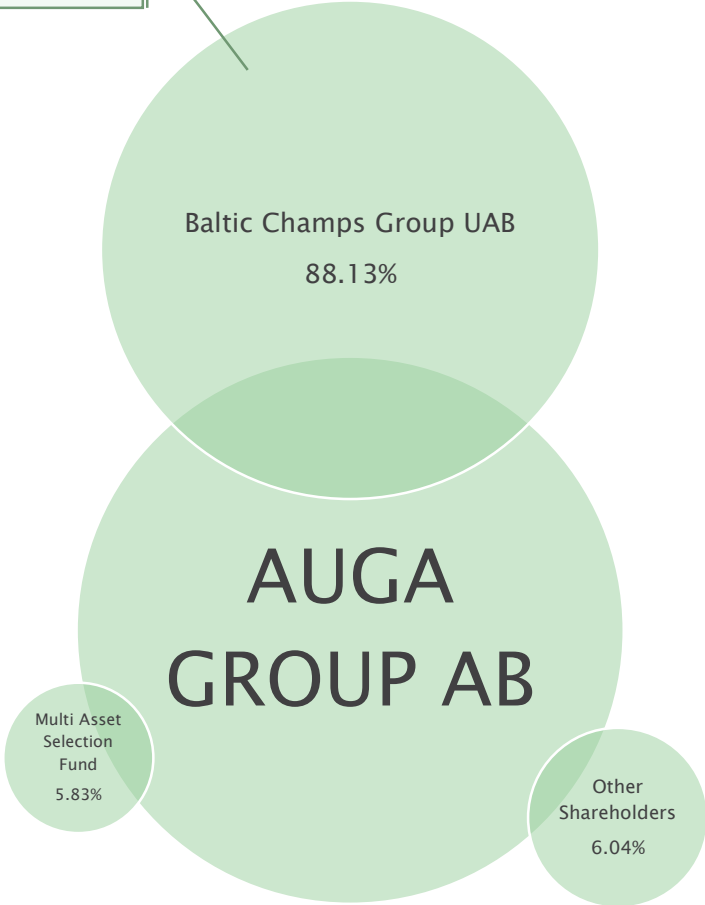


Agnė Jonaitytė
Board member

Attorney at law

SHAREHOLDER STRUCTURE AND LISTING DETAILS

Kęstutis Juščius
The chairman of the board



- AUGA Group is currently dual-listed

- Admission to trading on the Baltic Secondary List of Nasdaq Vilnius Stock Exchange (AUG1L) from 2 April 2008
- Admission to trading on the Warsaw Stock Exchange (AUG) from 8 July 2011

- The company has intentions to move from the Baltic Secondary List to the Baltic Main List
- An increase in equity would allow for an increase in free float



INCOME STATEMENT

EUR'000	2015	2016	2017
Revenues	47,425	39,630	48,784
Cost of sales	-36,735	-27,985	-38,012
Gain (loss) on changes in fair value of biological assets	-289	-868	4,477
Gross profit	10,401	10,777	15,249
Operating expenses	-6,069	-7,014	-8,989
Revaluation of investment property	3,339	0	0
Other income	458	127	306
Operating profit	8,129	3,890	6,566
EBITDA	10,748	9,623	13,104
Finance cost	-2,001	-2,098	-1,908
Profit (loss) before income tax	6,128	1,792	4,658
Income tax expense	-569	353	83
Net profit (loss) for the year	5,559	2,145	4,741

2017 =unaudited

BALANCE SHEET

EUR'000	2015	2016	2017
Assets			
Non-current assets			
Property, plant and equipment	89,634	76,262	87,345
Biological assets	6,637	6,858	8,029
Other non-current assets	10,590	3,573	5,737
Total non-current assets	106,861	86,693	101,111
Current assets			
Biological assets - crops	4,067	5,223	11,447
Inventory	8,856	15,157	26,369
Trade receivables, advance payments & other receivables	11,414	13,367	11,560
Cash and cash equivalents	4,068	1,650	623
Total current assets	28,405	35,397	49,999
Total assets	135,266	122,090	151,110
Equity and liabilities			
Capital and reserves			
Share capital and premium	62,241	62,241	55,089
Reserves	8,002	4,541	9,253
Retained earnings (accumulated deficit)	-1,434	5,163	16,967
Equity attributable to equity holders of the Company	68,809	71,945	81,309
Non-controlling interest	321	293	382
Shareholders equity, total	69,130	72,238	81,691
Non-current liabilities			
Non-current financial debt	21,319	20,365	22,974
Grants	3,852	3,286	2,708
Deferred tax liability	2,820	433	811
Total non-current liabilities	27,991	24,084	26,493
Current liabilities			
Current financial debt	25,359	11,625	20,581
Trade payables	8,473	8,796	15,494
Other payables and current liabilities	4,313	5,347	6,851
Total current liabilities	38,145	25,768	42,926
Total liabilities	66,136	49,852	69,419
Total equity and liabilities	135,266	122,090	151,110

2017 =unaudited

CASHFLOW STATEMENT

EUR'000	2015	2016	2017
Cash flows from / (to) operating activities			
Net profit (loss) before income tax	6,128	1,792	4,741
Adjustments for non-cash expense (income) items and other adjustments			
Depreciation expense	6,177	6,058	6,804
Amortisation expense	151	50	0
Other adjustments	773	4,181	-1,940
Changes in working capital			
(Increase) decrease in biological assets	1,419	-2,245	-2,004
(Increase) decrease in trade receivables and prepayments	-2,690	-1,289	6,013
(Increase) decrease in inventory	-65	-7,567	-11,273
(Decrease) increase in trade and other payables	-1,473	1,723	3,649
	10,420	2,703	5,990
Income tax paid	-735	0	0
Interest received, gross	50	48	0
Interest paid, gross	-1,676	-1,945	-1,908
Net cash flows from / (to) operating activities	8,059	806	4,082
Cash flows from / (to) investing activities			
Purchase of property, plant and equipment	-4,198	-4,329	-9,027
Purchase of non-current intangible assets	-2	-14	-198
Other investing activities	2,656	5,773	-1,973
Net cash flows from / (to) investing activities	-1,544	1,430	-11,199
Cash flows from / (to) financing activities			
Loans repaid to banks	-12,768	-19,101	-7,381
Borrowings received	14,795	17,352	12,130
Other borrowings obtained (paid)	-4,521	-851	-1,399
Finance lease repayments	-851	-2,054	2,740
Other	-156	0	0
Net cash flows from / (to) financing activities	-3,501	-4,654	6,090
Net (decrease) / increase in cash and cash equivalents	3,014	-2,418	-1,027
Cash and cash equivalents at the beginning of the period	1,054	4,068	1,650
Cash and cash equivalents at the end of the period	4,068	1,650	623

2017 = unaudited

au
ga

Thank you!

Find out more at www.auga.lt
More videos about AUGA at [Youtube](#)



APPENDIX 1: ANNOUNCEMENT AND PROCEEDS

AUGA group, AB seeks to raise up to EUR 20 million of additional share capital through a public offering by the middle of 2018

On January 22, 2018, AUGA group's, AB (the Company) Management Board decided to initiate the process of raising additional capital to finance business development of the Company through a public offering of the new issue of the Company's shares. The General Meeting is scheduled for March 28, 2018 for the purpose of adopting the respective decisions.

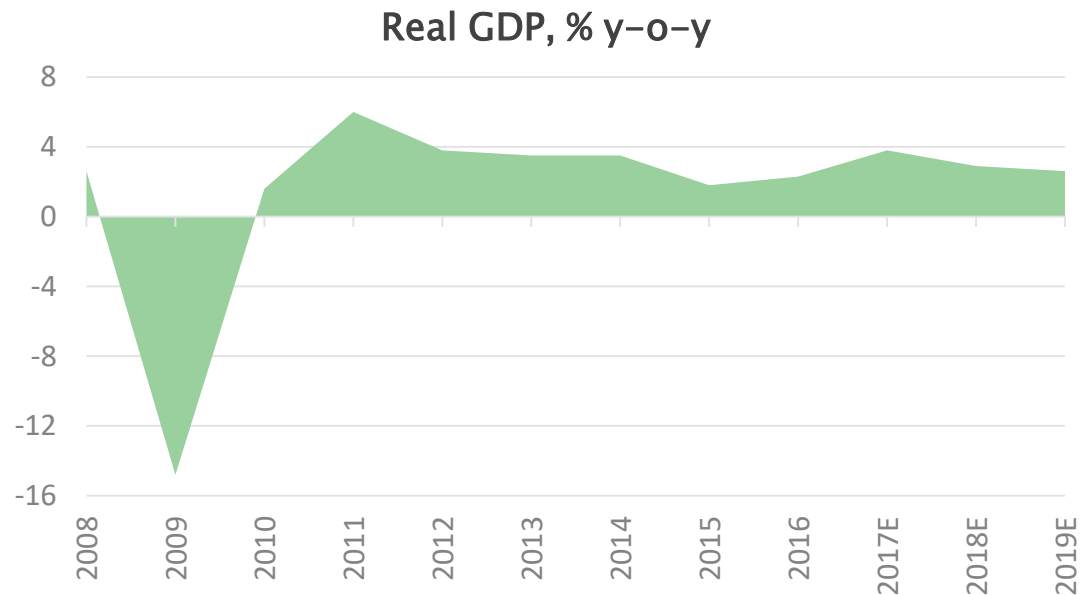
It is expected to raise up to EUR 20 million of additional share capital, which would be used to finance ongoing acquisitions and to invest in further business development.

In any case the public offering of shares of the company will be done solely on the basis of the issue prospectus, to be approved by the Bank of Lithuania and announced by the company.

<https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=819850&messageId=1030398>



APPENDIX 2: LITHUANIAN MACRO SETTING



- Of the three Baltics, Lithuania’s efforts to diversify its trade away from Russia has done the most to mute the impact of the Russian embargo in long run
- Growth for 2017 is estimated at 3.6%, up from 2.3% in 2016 (2018E: 2.8%; 2019E: 2.6%) – which is consistently faster than the EU average
- As with its Baltic neighbours, wages are rising as well as employment levels, supporting private consumption and forming the basis of the sustained improvement in GDP
- Agriculture remains a key segment contributing consistently to over 3.0% of gross GDP (2016 EU28 average = 1.3%)

(current prices)	2013	2014	2015	2016
Lithuania				
– Total gross value added, EURm	31,690	33,068	33,709	34,789
– Agriculture, forestry and fishing gross value added, EURm	1,251	1,252	1,288	1,155
– % gross value added	3.9	3.8	3.8	3.3
– % gross GDP	3.6	3.4	3.4	3.0
EU28				
– Total gross value added, EURm	12,158,356	12,571,778	13,241,913	13,331,932
– Agriculture, forestry and fishing gross value added, EURm	208,695	204,796	204,311	200,551
– % gross value added	1.7	1.6	1.5	1.5
– % gross GDP	1.5	1.5	1.4	1.3

Source: Eurostat

APPENDIX 3: AUGA GROUP VIDEOS



<https://www.youtube.com/watch?v=ixak1ANw7EY>



https://www.youtube.com/watch?v=evS46h_tqAE



<https://www.youtube.com/watch?v=1n8woCaa778>



<https://www.youtube.com/watch?v=EFTIFwIGHpo>



<https://www.youtube.com/watch?v=4eCz93zn0HY>



https://www.youtube.com/watch?v=p_U--qXMNBw

