FINANCIAL RESULTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

PRESENTING

Kęstutis Juščius
CEO

Martynas Repečka
CFO

FINANCIAL HIGHLIGHTS FOR 6 MONTHS OF 2019

Revenue

28.8 m

vs.

25.0 m 6M 2018

Gross profit

6.3 m

vs.

4.3 m 6M 2018

FINANCIAL HIGHLIGHTS FOR 6 MONTHS OF 2019

EBITDA
(incl. IFRS16)
9.3 m
vs.
4.1 m 6M 2018

EBITDA
(excl. IFRS16)
6.3 m
vs.
4.1 m 6M 2018

EBITDA increased as a result of the change in accounting policy after implementation of new IFRS 16 requirements. Depreciation of right-of-use assets and interest expenses related to lease liabilities arising from right-of-use assets are now excluded from calculation of EBITDA, whereas operating lease expenses were previously included in calculation of EBITDA.

Net profit
(incl. IFRS16)
0.3 m
vs.
0.5 m 6M 2018

Net profit
(excl. IFRS16)
0.7 m
vs.
0.5 m 6M 2018

On the other hand, net profit decreased as a result of the change in accounting policy after implementation of new IFRS16 requirements. Depreciation of right-of-use assets and interest expenses related to lease liabilities arising from right-of-use assets were higher compared to land rent expenses during the first half of the year 2019.

*EBITDA = net cash flow from operating activities before changes in working capital and net interest paid, as it is disclosed in cash flow statement, including gain (loss) on changes in fair value of biological assets.

FINANCIAL HIGHLIGHTS FOR 6 MONTHS OF 2019

Fin. debt
(incl. IFRS16)
89.6 m
vs.
55.9 m 31 Dec 2018

Fin. debt
(excl. IFRS16)
57.0 m
vs.
55.9 m 31 Dec 2018

Adoption of IFRS 16 also had a significant impact on the level of financial liabilities of the Group disclosed in financial statements. Due to the adoption of IFRS 16 the financial liabilities increased by 63%. However, eliminating IFRS 16 effect financial liabilities as at 30 June 2019 remained almost at the same level as at the end of 2018.

Adjusted WC
42.0 m
vs.
37.7 m 31 Dec 2018

Fin. debt - WC
(excl. IFRS16)
15.0 m
vs.
18.1 m 31 Dec 2018

Important factor evaluating financial liabilities level of the Group is to take into account working capital level. Organic agriculture is very working capital intensive business and working capital changes have significant impact to cash flows of the Group and inevitably financial liabilities level. Deducting adjusted working capital from financial liabilities level of the Group more clearly indicates financial liabilities not covered by working capital operated by the Group.

*Adjusted working capital = Current biological assets + Trade receivables, advance payments and other receivables + Inventory – Trade payables – Other payables and current liabilities.

CROP GROWING SEGMENT

PROGRESS IN THE SEASON OF 2018/2019

	CULTIVATED AREA, HA			YIELDS, T/HA		
	Season			Season		
	2016/2017	2017/2018	2018/2019	2016/2017	2017/2018	2018/2019 (forecast)
Wheat	6 548	8 854	11 503	4,10	2,83	4,16
Legumes	4 117	10 684	8 039	3,30	1,41	1,75
Other cash crops	8 130	8 950	9 129	4,97	5,10	7,69
Total cash crops	**18 795**	**28 488**	**28 671**			
Forage crops	**8 223**	**9 009**	**9 884**			

- Shortage of rain in spring and beginning of summer of 2019 as well as unusually hot June of 2019 had negative impact on most cash crops yield potential, especially legumes. This impact was taken into account in fair value estimation of crops as at 30 June 2019.

- The estimated fair value of all crops as at 30 June 2019 is higher than the costs incurred by EUR 3.29 million and this difference was accounted as gain on changes in fair value of biological assets in financial statements.

- 2018/2019 year season is the last in five year cycle and there are still important technical details to be cleared with governmental institutions regarding the amount of organic farming subsidies for the year 2019. The amount of organic farming subsidies for the Group for the year 2019 could be lower compared to 2018. However, until calculations are completed, the Group does not adjust subsidies accrual assumptions for the year 2019.

- Gross profit of crop growing segment in 2019 6M was EUR 6.31 million vs EUR 4.44 million in 2018 6M.

MUSHROOM GROWING SEGMENT

STABLE BUSINESS AND FINANCIAL RESULTS

	6 months 2019	6 months 2018
Total mushrooms sold, tons	**6 001**	**6 017**
Non-organic mushrooms, tons	5 562	5 578
Organic mushrooms, tons	439	439
Total revenues from mushroom sales, EUR'000	**12 645**	**11 074**
Non-organic mushrooms, EUR'000	11 292	9 797
Organic mushrooms, EUR'000	1 352	1 277
Total cost of mushrooms sold, EUR'000	**(11 686)**	**(10 068)**
Non-organic mushrooms, EUR'000	(10 831)	(9 333)
Organic mushrooms, EUR'000	(855)	(735)
Total revenues from sales of mushroom seedbed, EUR'000	**1 158**	**1 268**
Total cost of sales of mushroom seedbed, EUR'000	**(1 073)**	**(1 199)**
Gross profit of mushroom growing segment, EUR’000	**1 044**	**1 075**

	6 months 2019	6 months 2018	Change, 2019/2018
Average price of sold mushrooms, EUR/ton	**2,107**	**1,840**	**14%**
Non-organic mushrooms, EUR/ton	2,030	1,756	15%
Organic mushrooms, EUR/ton	3,080	2,907	6%
Average cost of sold mushrooms, EUR/ton	**1,947**	**1,673**	**16%**
Non-organic mushrooms, EUR/ton	1,947	1,673	16%
Organic mushrooms, EUR/ton	1,948	1,673	16%

The share of organic mushrooms sold slightly declined (total volume remaining the same) as there is a shortage of fresh mushrooms in the market and part of organic mushrooms which was previously sold to processors during the first six months of 2019 were sold as fresh non-organic mushrooms. Serving fresh market is priority for the Group due to better prices and the purpose of keeping strong relations with the clients.

Since prices of fresh mushrooms are higher than those sold to processors, increased share of fresh mushrooms also had impact on average prices – organic and non-organic average prices increased. List prices were also successfully increased to major clients to compensate production cost increases.

DAIRY SEGMENT

ORGANIC MILK SALES FURTHER INCREASING

	6 months 2019	6 months 2018
Total tonnage sold, tons	**13 055**	**12 099**
Non-organic milk, tons	4 611	8 075
Organic milk, tons	8 088	3 569
Cattle, tons	356	455
Total revenues of diary segment, EUR'000	**5 206**	**4 494**
Non-organic milk, EUR'000	1 526	2 550
Organic milk, EUR'000	3 290	1 465
Cattle, EUR'000	390	479
Total cost of of diary segment, EUR'000	**(5 132)**	**(5 107)**
Milk, EUR'000	(4 742)	(4 628)
Cattle, EUR'000	(390)	(479)
Revaluation of biological assets, EUR’000	**(1 492)**	**(944)**
Total subsidies, EUR’000	**350**	**344**
Gross profit of diary segment, EUR'000	**(1 068)**	**(1 213)**

	6 months 2019	6 months 2018	Change, 2019/2018
Average price of milk sold, EUR/ton	**0,379**	**0,345**	**10%**
Average price of non-organic milk, EUR/ton	0,331	0,316	5%
Average price of organic milk, EUR/ton	0,407	0,410	(1%)
Average price of cattle, EUR/ton	**1,096**	**1,054**	**4%**
Average cost of milk sold, EUR/ton	**0,373**	**0,397**	**(6%)**
Average cost of cattle, EUR/ton	**1,096**	**1,054**	**4%**

Sales volume increased due to better milk yields per cow. 19.61 kg per cow per day during 2019 6m vs 18.31 kg per cow per day during 2018 6m (9% increase). Increase in milk yields per cow relates to changes in cow feedstock mix.

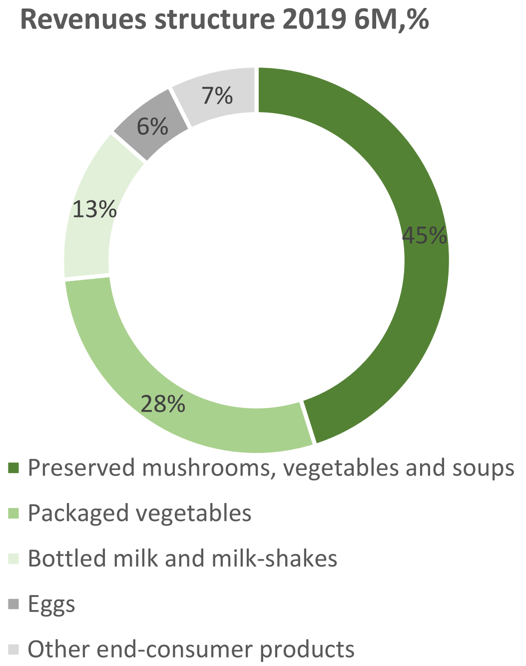
Share of milk sold at organic production prices by volume was around 64% in six months of 2019 significantly higher compared to 31% during same period in 2018. As in earlier periods the Group is aiming to have more diversified client portfolio to have more stable organic milk sales and further increase their share in total milk sales.

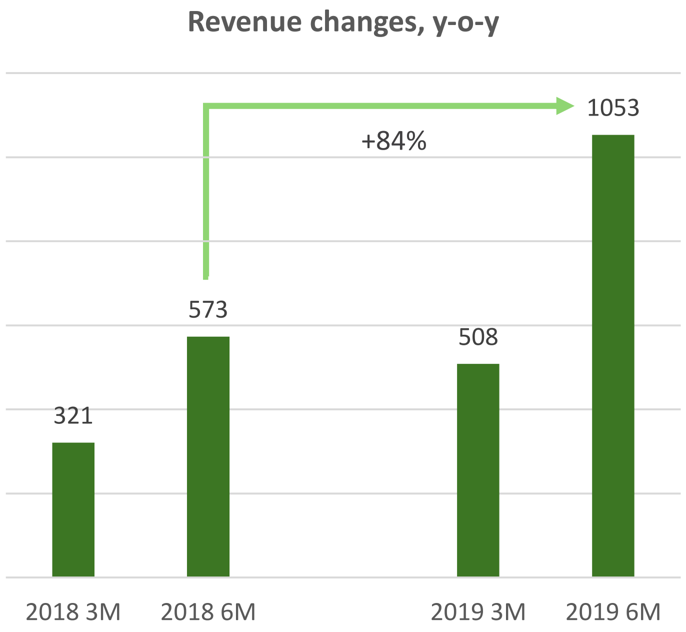
The Group is in the process of certifying its organic milk production according to China organic farming requirements. These certificates will widen potential to sell all produced milk with organic price premium. The Group plans to finish certification in 2019 Q3.

END-CONSUMER PACKAGED GOODS

NEW MARKETS, SALES FURTHER EXPANDING

	6 months 2019	6 months 2018
Total revenue from end-consumer products, EUR'000	1 053	573
Total cost of end-consumer products, EUR'000	(1 008)	(582)
Gross profit of other segments, EUR'000	**45**	**(9)**





The expansion of export volumes was led by agreements with South Korea, the United Arab Emirates, Romania, Ukraine, Northern Macedonia and Portugal. Trade agreements were also reached with new clients in the Czech Republic and Hungary in the second quarter of the year.

The United Arab Emirates became one of the most successful new export markets in the first half of this year. The Group started selling its products in the biggest retail chain Carrefour and other retailers in the United Arab Emirates. During the last several months this country became one of the main export markets of end-consumer packaged goods for the Group.

Further export development focus remained on the USA and Asian markets. In the US market the Group is currently negotiating with potential partners, collecting orders and signing supply contracts. Compared to the first half of last year, sales of end-user packed products in Japan increased successfully. The number of retail outlets, sales geography and product range has expanded in Japan.

OTHER UPDATES

- New management model
- Employee share option plan

NEW MANAGEMENT MODEL

- In the light of good corporate governance practices and in order to create the most transparent and effective governance system, the company has abandoned the Supervisory Board this year by choosing the independent Board model.
- The governance model implemented by the AUGA group when the Board members are independent is unique and creates preconditions for the highest standards of transparency and accountability to shareholders and investors.
- **This is the first case in Lithuania when members of the Board of a non-governmental company are not affiliated with a controlling shareholder.**
- Currently, the Board of AUGA group consists of five new members.
- Former Chairman of the Board Kęstutis Juščius took the position of the CEO.

NEW MANAGEMENT BOARD

Dalius Misiūnas
Independent member and chairman of the management board

Tomas Kučinskas
Independent member of the management board

Andrej Cyba
Independent member of the management board

Murray Steele
Independent member of the management board

Tomas Krakauskas
Member of the management board

NEW CEO

Kęstutis Juščius
Main shareholder and CEO

EMPLOYEE SHARE OPTION PLAN

- The establishment of the AUGA group, AB Employee Option Plan was approved by shareholders at the annual general shareholders' meeting which took place on 30 April, 2019. The Employee Option Plan is designed to provide long-term benefits for the employees, increase their performance and motivation to remain in the entity's employment.

- Under the plan, participants are granted options to receive the Company's shares which only vest if service conditions are met. The service condition for the Option receiver is to complete a 3-year term of service to the Group. After the condition is met employee is eligible to exercise the option. If the receiver does not fulfill the service condition – the option does not come into force and he is not eligible to exercise the option.

- Expenses during granted options vesting period are accrued in the profit (loss) statement as OPEX and equity based on the days lapsed since the grant date till the reporting date.

- **It is important to note that these expenses are non-cash as after vesting period will end new shares will be issued from Reserve to provide shares for employees increasing share capital.**

- Share options outstanding at the end of the reporting period have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Share options granted 30 June 2019
2018-10-12	2021-05-30	0,458	200 000
2019-04-17	2022-05-30	0,374	2 348 860
		Total	**2 548 860**

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Thank you!

Find out more at www.auga.lt