# FINANCIAL RESULTS

## FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2019

# PRESENTING

Kęstutis Juščius
*CEO*

Martynas Repečka
*CFO*

# FINANCIAL HIGHLIGHTS FOR 9 MONTHS OF 2019

**Revenue**

**47.1 m**

vs.

42.2 m 9M 2018

**Gross profit**

**8.0 m**

vs.

1.8 m 9M 2018

# FINANCIAL HIGHLIGHTS FOR 9 MONTHS OF 2019

**EBITDA**
(incl. IFRS16)
**12.4 m**
vs.
1.7 m 9M 2018

**EBITDA**
(excl. IFRS16)
**7.9 m**
vs.
1.7 m 9M 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 result**
(incl. IFRS16)
**(1.3) m**
vs.
(4.9)m 9M 2018

**Net result**
(excl. IFRS16)
**(0.8) m**
vs.
(4.9)m 9M 2018

On the other hand, net result 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 nine months 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 9 MONTHS OF 2019

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

**Fin. debt**
(excl. IFRS16)
**55.5 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 as at 30 September 2019 increased by 55%. However, eliminating IFRS 16 effect financial liabilities as at 30 September 2019 slightly reduced compared to the end of 2018.

**Adjusted WC**
**40.2 m**
vs.
37.7 m 31 Dec 2018

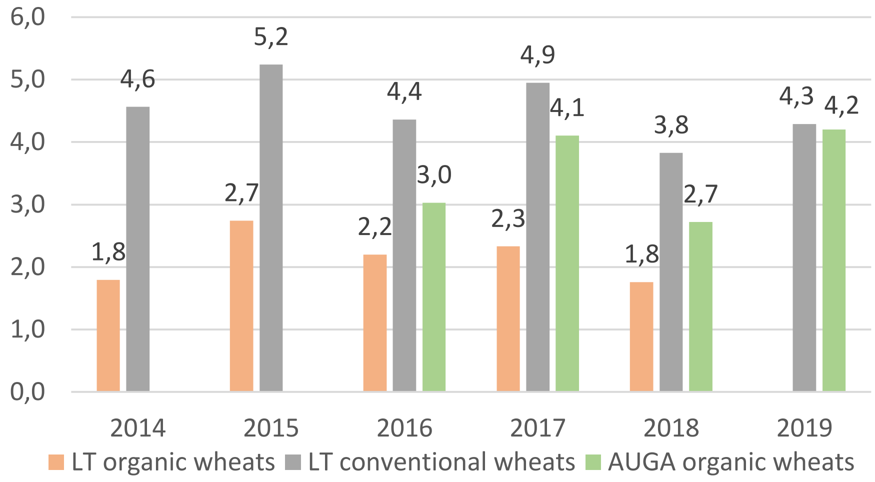
**Fin. debt - cash - WC**
(excl. IFRS16)
**14.5 m**
vs.
15.9 m 31 Dec 2018

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 cash and cash equivalents and adjusted working capital from financial liabilities level of the Group more clearly indicates financial liabilities not covered by cash and working capital operated by the Group.

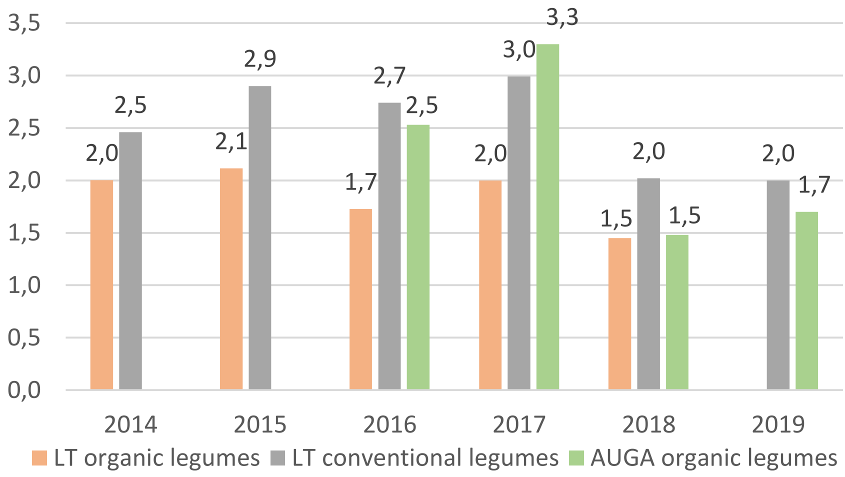
*Adjusted working capital = Current biological assets + Trade receivables, advance payments and other receivables + Inventory – Trade payables – Other payables and current liabilities.

# CROP GROWING SEGMENT

# PROGRESS IN THE SEASON OF 2018/2019




**Wheat yield in Lithuania, t/ha**




**Legumes yield in Lithuania, t/ha**

*NOTE: The data of LT organic farms in 2019 has not yet been published, the data of conventional farms in the LT is preliminary.*
*Reference: Lithuanian Statistics Department, data of the survey of the activities of Lithuanian agricultural producers included in the Farm Accountancy Data Network (FADN), the Group's data.*

- 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.
- Average wheat yield was 4.2 t/ha in 2018/2019 season compared to 2.7 t/ha in 2017/2018 and 4.1 t/ha in 2016/2017. The Group believes that the wheat yield potential this season was around 15% higher if weather conditions have been more average.
- Average legumes yield was only 1.7 t/ha in 2018/2019 season. It was slightly better than in 2018, but significantly lower than in 2017. Although, results from legumes were disappointing for two years in a row the Group constantly improves the technologies used in growing these crops and believes that upside yield potential is very significant should weather conditions been more average.
- As can be seen from the data presented, the Group average wheat and legumes yields are getting closer to the average yields achieved on non-organic farms in Lithuania. These are related to the technology being improved each year, the experience gained in organic farming, and improved land cultivation and land quality.

# CROPS PRICES, COSTS AND PROFIT (LOSS)

- The price of 1 tonne of wheat in the season of 2018/2019 was 2% lower compared to the season of 2017/2018, while legumes 1% higher. The prices of the respective organic grains are stable and the Group can sell the harvested production in the international markets for organic raw materials at the prices which reflect the "price premium" of organic produce.

| Average price of 1 tonne of crop, eliminating sales costs, EUR | 2018/2019 | 2017/2018 | Comparison 2018/2019 with 2017/2018, % |
|---|---|---|---|
| Wheat | 262 | 268 | -2% |
| Legumes | 359 | 354 | 1% |

- The costs per 1 ha of cultivated land of wheat and legumes increased by 5% comparing the seasons of 2017/2018 and 2018/2019. The cost increase is mainly related to better land preparation and more inputs to the land during the season to have better yield potential, which is not seen from the results due to unfavorable weather conditions.

| Cost per 1 ha cultivated land, EUR | 2018/2019 | 2017/2018 | Comparison 2018/2019 with 2017/2018, % |
|---|---|---|---|
| Wheat | 925 | 881 | 5% |
| Legumes | 830 | 790 | 5% |

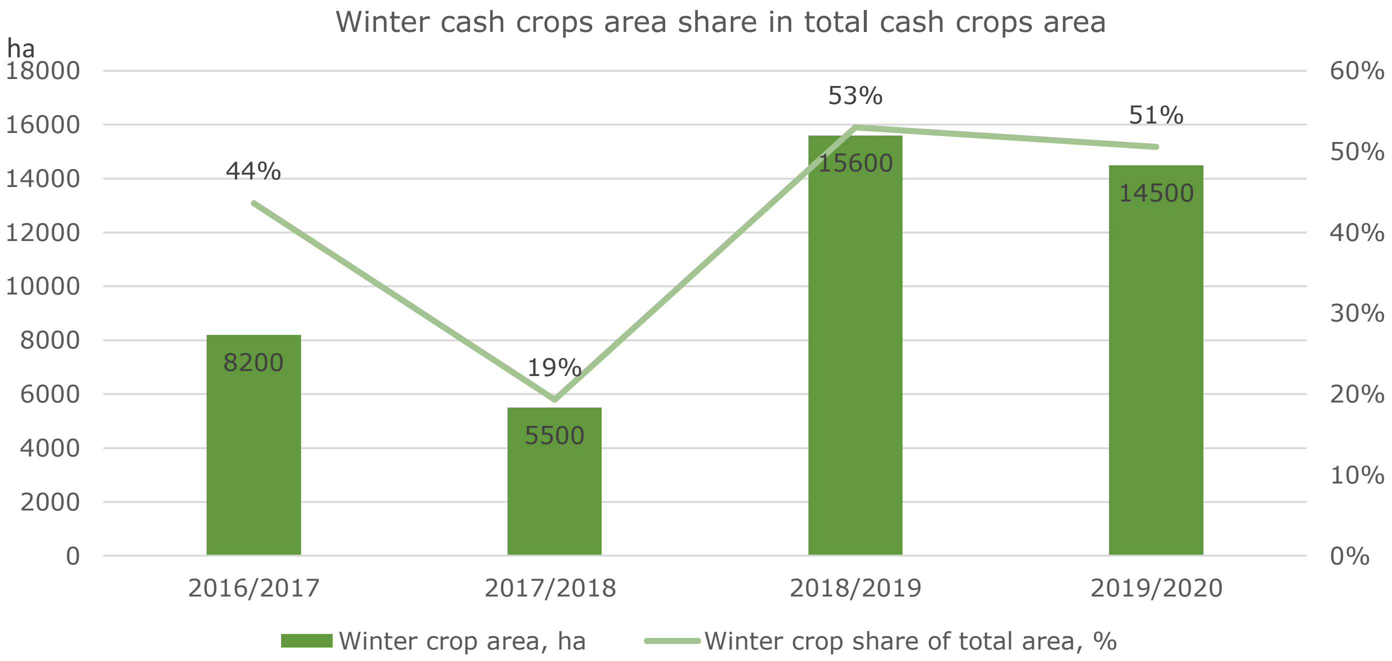
- Financial results per 1 ha of wheat significantly improved and the gain was 177 EUR/ha in 2018/2019 season compared to 154 EUR/ha loss in 2017/2018 season. Legumes were loss making during the season of 2018/2019 as well as in the previous season although the loss per ha reduced. The Group constantly improves the technologies used in growing legumes and believes that upside yield potential is very significant for these crops should weather conditions been more favorable.

| Gain (loss) on revaluation of agricultural produce at point of harvest, EUR/ha | 2018/2019 | 2017/2018 |
|---|---|---|
| Wheat | 177 | -154 |
| Legumes | -224 | -266 |

- Gross profit of crop growing segment including result of sales of agricultural produce, gain (loss) on changes in fair value of biological assets and agricultural subsidies, amounted to EUR 8.49 million in the first nine months of 2019 compared to EUR 1.81 million the year earlier.

# WELL PREPARED FOR THE SEASON OF 2019/2020

- Weather conditions in the fall of 2019 was favorable for autumn sowing and other preparatory land works for the season of 2019/2020. As a result, the seeding of winter crops and land preparation works were completed on time.
- During the autumn of 2019 the Group had sowed around 14.5 thousand ha of winter crops, which represent around half of the total cash crops area to be planted in the season of 2019/2020. For comparison, in the season of 2018/2019 around 15.6 thousand of winter cash crops were seeded. The condition of the winter crops as at reporting date is good.
- Favorable 2019 autumn weather also allowed for proper cultivation of the land and preparation for summer crop sowing in the spring of 2020.
- As a result the Group is well prepared for the season of 2019/2020 and positive about next year harvest potential.



# MUSHROOM GROWING SEGMENT

# STABLE BUSINESS AND SHARE OF ORGANIC MUSHROOMS

| | 9 months 2019 | 9 months 2018 |
|---|---|---|
| **Total mushrooms sold, tons** | **9,013** | **9,105** |
| Non-organic mushrooms, tons | 8,356 | 8,446 |
| Organic mushrooms, tons | 657 | 659 |
| **Total revenues from mushroom sales, EUR'000** | **19,276** | **17,278** |
| Non-organic mushrooms, EUR'000 | 17,307 | 15,323 |
| Organic mushrooms, EUR'000 | 1,969 | 1,954 |
| **Total cost of mushrooms sold, EUR'000** | **(17,865)** | **(15,623)** |
| Non-organic mushrooms, EUR'000 | (16,491) | (14,477) |
| Organic mushrooms, EUR'000 | (1,374) | (1,146) |
| **Total revenues from sales of mushroom seedbed, EUR'000** | **1,866** | **1,757** |
| **Total cost of sales of mushroom seedbed, EUR'000** | **(1,768)** | **(1,591)** |
| **Gross profit of mushroom growing segment, EUR’000** | **1,508** | **1,821** |

| | 9 months 2019 | 9 months 2018 | Change, 2019/2018 |
|---|---|---|---|
| **Average price of sold mushrooms, EUR/ton** | **2,139** | **1,898** | **13%** |
| Non-organic mushrooms, EUR/ton | 2,071 | 1,814 | 14% |
| Organic mushrooms, EUR/ton | 2,995 | 2,965 | 1% |
| **Average cost of sold mushrooms, EUR/ton** | **1,982** | **1,716** | **16%** |
| Non-organic mushrooms, EUR/ton | 1,974 | 1,714 | 15% |
| Organic mushrooms, EUR/ton | 2,090 | 1,739 | 20% |

The share of organic mushrooms sold and total volume remained stable 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 nine 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.

The average sales price of mushrooms and the average cost of sales of mushrooms increase is mostly related to the increase of sales of fresh mushrooms with packaging (the cost and sales price of packaged mushrooms is higher than that of weighed mushrooms sold in reusable containers).

# DAIRY SEGMENT

# BETTER YIELDS, ORGANIC MILK SALES SHARE STABLE

| | 9 months 2019 | 9 months 2018 |
|---|---|---|
| **Total tonnage sold, tons** | **19,144** | **17,537** |
| Non-organic milk, tons | 5,689 | 10,730 |
| Organic milk, tons | 12,909 | 6,200 |
| Cattle, tons | 546 | 607 |
| **Total revenues of diary segment, EUR'000** | **7,634** | **6,530** |
| Non-organic milk, EUR'000 | 1,831 | 3,351 |
| Organic milk, EUR'000 | 5,236 | 2,527 |
| Cattle, EUR'000 | 567 | 651 |
| **Total cost of of diary segment, EUR'000** | **(7,641)** | **(7,329)** |
| Milk, EUR'000 | (7,074) | (6,678) |
| Cattle, EUR'000 | (567) | (651) |
| **Revaluation of biological assets, EUR’000** | **(2,311)** | **(1,539)** |
| **Total subsidies, EUR’000** | **318** | **400** |
| **Gross profit of diary segment, EUR'000** | **(2,001)** | **(1,938)** |

| | 9 months 2019 | 9 months 2018 | Change, 2019/2018 |
|---|---|---|---|
| **Average price of milk sold, EUR/ton** | **380** | **347** | **9%** |
| Average price of non-organic milk, EUR/ton | 322 | 312 | 3% |
| Average price of organic milk, EUR/ton | 406 | 408 | (1%) |
| **Average price of cattle, EUR/ton** | **1,039** | **1,072** | **(3%)** |
| **Average cost of milk sold, EUR/ton** | **380** | **394** | **(4%)** |
| **Average cost of cattle, EUR/ton** | **1,039** | **1,072** | **(3%)** |

Sales volume increased due to better milk yields per cow. 20.04 kg per cow per day during 2019 9m vs 18.45 kg per cow per day during 2018 9m (9% increase).

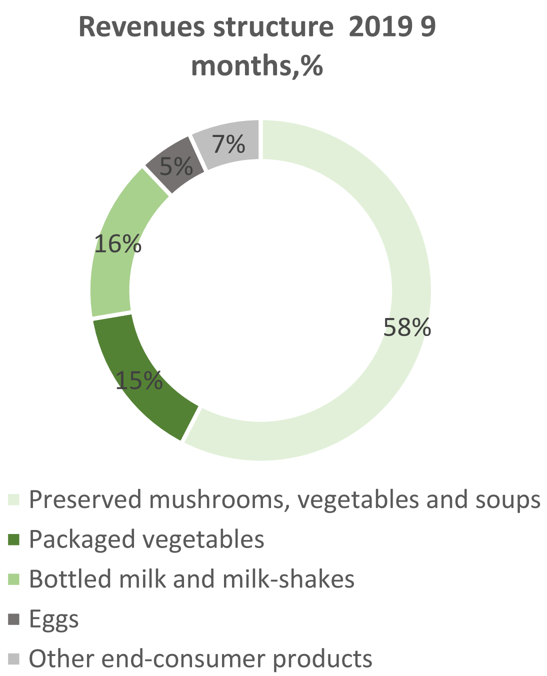
Share of milk sold at organic production prices by volume was around 69% in 9 months of 2019 significantly higher compared to 37% during same period in 2018. As in earlier periods the Group is aiming to have more diversified client portfolio to have more stable organic milk sales and further increase their share in total milk sales.

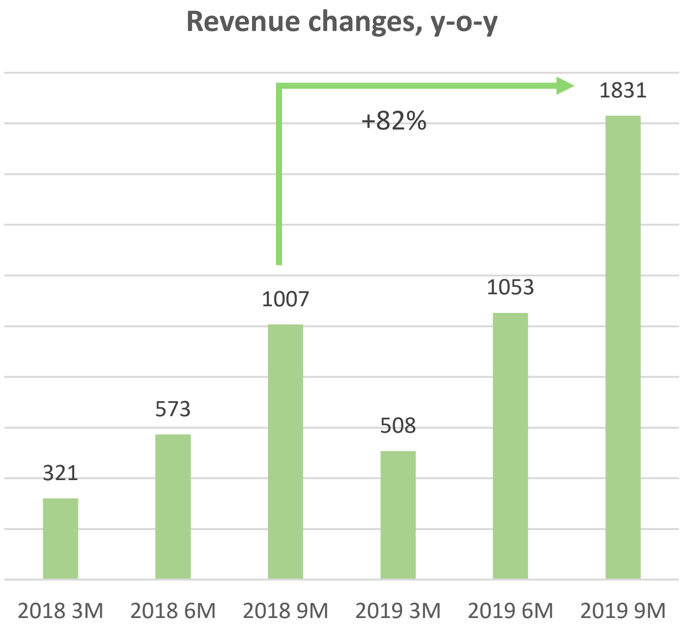
The Group is still in the process of certifying its organic milk production according to China organic farming requirements. These certificates will widen potential to sell all produced milk with organic price premium. The certification project is lagging behind the schedule, but the Group plans to complete the certification during the first quarter of 2020.

# END-CONSUMER PACKAGED GOODS

# NEW MARKETS, SALES FURTHER EXPANDING

| | 9 months 2019 | 9 months 2018 |
|---|---|---|
| Total revenue from end-consumer products, EUR'000 | 1,831 | 1,007 |
| Total cost of end-consumer products, EUR'000 | (1,826) | (943) |
| **Gross profit of other segments, EUR'000** | **6** | **64** |




Total revenues of end-consumer packaged goods segment amounted to EUR 1.83 million during the first nine months of 2019 compared to EUR 1.32 million a year earlier.

USA market was opened at the end of third quarter of 2019 and first orders already been delivered to Costco Wholesale USA. Negotiations with several major retailers in USA and other countries are in process with estimation to be finished in the first quarter of 2020.

Preserved products, especially ready-to-eat organic soups, remain the main export product in the segment. Although intense talks on expansion of range with dairy products are in process in Middle East.

# INVESTOR RELATIONS

**Financial data in MS Excel file**

In purpose to ensure more convenient access to the financial data of the Group and analyse them, the Group has prepared and publishes financial data that includes both data from previous periods and most recent reporting period in MS Excel format. The data file is available by the following link: http://auga.lt/en/for-auga-investors/

**News subscription**

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