



AUGA group Report on 2020 - 2025 Strategy Implementation



AUGA group Strategy 2020-2025

As the implementation period of the 2020–2025 strategy comes to an end, the year 2025 marks an important stage of strategic assessment, change management, and self-evaluation for AUGA group. Over the past five years, the organisation has consistently pursued the implementation of its long-term strategic objectives while strengthening the foundation of its operating model. At the end of 2024, when financial uncertainties became apparent, restructuring processes were initiated across 27 companies within the AUGA group (hereinafter - the Group). After a year of intensive focus on legal processes and negotiations with key creditors, the Group is returning to a phase of operational normalisation and reviewing what has been achieved during this relatively short but transformation-intensive five-year period.

In order to realize AUGA group's vision - to become a synonym for sustainable food and lifestyle - and its mission - to deliver organic food with no cost to nature - two agendas were established at the beginning of 2020: the Efficiency agenda for the Group's core business segments, and the Innovation agenda for the development and implementation of a technological and organisational model for sustainable agriculture.

The main components of the Efficiency agenda were as follows:

1. Crop growing: to implement regenerative crop rotation plans by applying more targeted seed mechanisms and increasing the efficiency of grass cultivation and processing, based on the experience accumulated within the AUGA Academy.
2. Dairy: to enhance animal welfare by implementing a tailored animal care programme, defining the key components of daily well-being from milking to feeding.
3. Mushroom cultivation: to review the entire mushroom growing cycle by introducing technologies in key labour-intensive areas, such as harvesting and packaging.
4. Fast-moving consumer goods: to pursue the mission of strengthening market positions with AUGA group and private label brands not only in established but also in new markets, while promoting sustainability practices together with customers.

The second element of the strategy is the implementation of the operational model of sustainable organic food architecture (hereinafter – SOFA), as outlined in the Innovation Agenda. SOFA was developed with the aim of creating a new standard for sustainable food production by leveraging technological innovations and improved operational organization.

In 2023, a new organisational structure was introduced to support the SOFA operational model, managed by the AUGA community: AUGA Tech was established to focus on the development and production of innovative agricultural technologies; AUGA SOFA aimed to enhance sustainable farming standards and provide services under franchise agreements; and AUGA Trade was responsible for managing contract manufacturing, trade, and marketing of sustainable products.

Although the overall strategic direction of AUGA group remained unchanged, its implementation was significantly affected by major external factors, including the COVID-19 pandemic, the war in Ukraine, the energy crisis, and recurring adverse weather conditions, which severely impacted the performance of the Crop-growing business segment for several consecutive years. In response to market changes and the inconsistency of climatic conditions, difficult decisions were made, such as transitioning part of the arable land from organic farming to regenerative conventional agriculture.

During the implementation of strategic initiatives and efforts to improve their execution efficiency - particularly in developing AUGA Tech technologies - financial difficulties were encountered. These challenges weakened the Group's ability to meet its financial obligations and, in 2024, led to the initiation of restructuring procedures for some companies within AUGA group. The aim of these procedures is to

ensure business continuity, restore the solvency of all Group companies, reduce the financial burden, and meet obligations to creditors, while also creating conditions for the restoration of long-term business value and the preservation of jobs. Accordingly, the Group has refocused its efforts on restoring financial stability and ensuring the long-term viability of its core operations.

This strategy implementation report presents the achievements of each business segment over the period 2020–2025, and also highlights the strategic actions arising from the Company’s restructuring plan that have a direct impact on the strategy or further development of the segments discussed.

Strategy implementation overview: per segment

Below is a summary of the implemented initiatives planned in the Strategy for 2020-2025:

Years / Segment	Crop growing	Dairy	Mushroom growing	FMCG
2020	Improving agronomic practices and standards	Improving herd management and feeding practices	Self-assessment of opportunities for automation solutions in the mushroom cultivation cycle	International market expansion and accessibility improvement for fast-moving consumer goods (FMCG)
2021	<i>Preparatory work for structural changes</i>	<i>Preparatory work for structural changes</i>	Testing automation solutions in the mushroom cultivation cycle	<i>Preparatory work for structural changes</i>
2022	Development of regenerative crop rotation practices	Continuous focus on improving animal welfare	Self-assessment work on mushroom product development	<i>Preparatory work for structural changes</i>
2023	Transition to regenerative conventional crop growing in 1/3 of arable lands Establishment of AUGA SOFA to formalize the AUGA sustainable farming standard and provide agricultural services	Separation of the dairy farming business segment from crop growing Continuous efficiency implementation as the price premium for organic products decreases	A comprehensive review of the growing cycle and work organization was carried out	New line of more sustainable organic products launched Sale of the group company Grybai LT, which produced canned soups Enabling the activities of AUGA Trade, aimed at organizing the production, trade and marketing of sustainable products
2024	Discontinued activities in Mažeikiai district (3,300 ha)	Partial transition to conventional dairy farming	Focus on cost control and sales channel optimisation	An expansion of the More sustainable organic product line to include a yogurt category

2025	Continued crop growing in 33 510 ha	Consistent improvement of milk yield and herd quality	A binding preliminary share purchase agreement for Baltic Champs was signed on December 4, 2025	The more sustainable line of organic products has been expanded with a new upgraded lactose-free yogurts
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Crop growing segment

At the beginning of the strategy implementation, the main focus in the crop growing segment was on improving the viability of organic farming and increasing efficiency. These goals were pursued by reducing structural costs and selecting appropriate crop rotation and agronomic practices adaptable to a circular business model. The initial improvements, which increased yields of cereals and legumes, delivered results in 2020, supported by favourable trend on demand for organic products - which had been growing by around 10% annually prior to the crisis period. These business conditions enabled the maintenance of a price premium for organic commodities , partially compensating for higher production costs and lower yields.

Following a decline in crop growing results in 2021, performance recovered in 2022 due to higher yields, market price dynamics, and the continued development of regenerative crop rotation. As it became evident that the price premium for organic products was decreasing and eventually converging with conventional raw material prices - while organic farming remained significantly more cost-intensive - AUGA group began applying a dual farming approach in 2023, combining organic production with regenerative conventional agriculture practices on part of its land. This decision reduced operational risk, improved cash flow stability, and contributed to better cost alignment under challenging market conditions. During the year, AUGA SOFA was also established to operationalize the objectives of the AUGA Community business model - ensuring sustainable farming standards and providing services to agricultural cooperatives and farmers.

In 2024, economic performance differences between various AUGA group crop farms became particularly evident, leading to the exit from unprofitable operations in the Mažeikiai region, where 3,300 hectares of fragmented and high-cost farmland had been cultivated. During this period, the integration of a new business activity—biomethane production—into crop farming, including the use of digestate as an organic fertilizer, strategically strengthened circularity and improved the efficiency of by-product utilization.

By the end of the 2025 strategy period, the Group’s total cultivated land amounted to 33,510 hectares, of which 18,590 hectares were farmed organically and 14,920 hectares under regenerative conventional farming principles. The main crops grown across both systems include winter wheat, beans, rapeseed, and peas.

Dairy Segment

Productivity growth was already evident in 2020, as the average milk yield per cow increased due to improved herd management and revised feeding practices. In 2022, favourable price conditions further supported the segment - higher average milk prices offset and exceeded rising production costs, improving profitability. This was also supported by consistent focus on animal welfare, calf-rearing standards, and feed quality.

At the beginning of 2023, the separation of the dairy business - initiated at the end of 2022 - was implemented. The objective of this organisational change was to enable the dairy segment to realize its full economic potential, lead in the adoption of advanced agricultural technologies, and improve

sustainability indicators in one of the largest emission sources within the EU agricultural value chain - dairy farming. It also aimed to create conditions for achieving strategic goals such as aligning cost structures of organic and conventional milk, improving animal welfare, and implementing tailored animal care programmes from milking to feeding.

The most significant positive impact in the dairy segment was observed in 2024, when the Group implemented decisive structural changes. Some dairy farms transitioned from organic to conventional production to reduce cost intensity, while the sales strategy was revised through long-term contracts ensuring a meaningful premium for organic milk. Combined with a comprehensive cost review, these actions significantly improved the segment's economic sustainability and independence. It is also important to note that raw milk prices became considerably more favourable. In 2025, the dairy segment demonstrated growth in performance for the second consecutive year.

The organisational separation of the dairy segment from crop production laid the foundation for one of the key strategic directions approved in AUGA group's restructuring plan in 2025- the creation of a Sustainable Dairy Farms Fund. The 10 dairy farms comprising this segment will form the basis of this fund, aimed at attracting additional capital and further increasing the value generated by the segment.

Mushroom Growing Segment

In the early stages of strategy implementation, efforts were made to introduce automation solutions to optimise costs and reduce labour-intensive operations. However, in 2022, a sharp increase in energy prices and labour shortages led to losses, exposing structural vulnerabilities in the business model.

In response, the main focus in 2023 shifted to stabilising the base for operations. A comprehensive review of the growing cycle and work organisation improved efficiency and allowed the segment to return to positive EBITDA. In 2024, priority was given to pricing discipline and maintaining stable production volumes. Instead of pursuing capital-intensive expansion, the Group focused on cost control and optimisation of sales channels, enabling the segment to contribute to overall business continuity during the restructuring period.

In 2025, the mushroom growing segment was prepared for sale as part of the key changes required for the successful restructuring of AUGA group. The planned sale was considered a necessary step to reduce financial pressure, simplify the Group's business structure, and focus resources on core activities. On December 4 of the same year, a binding preliminary share purchase agreement for Baltic Champs was signed, and the transaction was fully completed in early 2026.

FMCG

During 2020–2025, the Company implemented initiatives aimed at expanding higher value-added consumer segments and achieving scale. The strategy was based on product innovation, export growth, and diversification of sales channels. In the FMCG segment, the main focus was on expanding the portfolio of fresh and processed products for end consumers, including dairy and oat-based products, eggs, and vegetables.

In 2020, the consumer products segment experienced rapid growth, mainly driven by accelerating export expansion in international markets. This significantly increased annual sales revenue and expanded the Company's geographical presence.

A major development occurred in May 2023 with the launch of an updated line of more sustainable organic products, strengthening AUGA group's position in the everyday consumer goods market. The new dairy product line included milk, kefir, butter, sour cream, cottage cheese, and eggs. This direction continued in 2024, when AUGA Trade expanded the product line, making it more accessible through

new distribution channels, with increased focus on B2B clients, educational institutions, and the HORECA sector. As a result, the FMCG segment remained one of the most resilient business areas, ensuring revenue stability and supporting the 'AUGA: mission No Cost to Nature' brand during a period of financial challenges.

It is important to note that the Group's company Grybai LT, which preserved ready-to-eat soups, canned vegetables, and stews, was sold in June 2023. This decision was made because the activity no longer aligned with AUGA group's strategy - due to the high reliance on ingredients that could not be grown within the Group's farms under its sustainable farming standards, the business became incompatible with the long-term vision of delivering sustainable food to consumers.

In 2024, the FMCG segment entered a new phase of expanding its sustainable organic product line by introducing a new category - yogurt. During 2025, the product was further improved in response to changing consumer expectations, and by the end of the year, an updated lactose-free yogurt line was launched.

AUGA group Innovation Agenda

For many years, AUGA group has consistently pursued the reduction of the negative environmental impact of the agricultural sector, particularly greenhouse gas (GHG) emissions, which account for more than 20% of global emissions. The transition to a more sustainable business model began in 2020 alongside the implementation of a new business strategy. The foundation for this transition had been laid earlier—in 2018, when the Company assessed its operational emissions, and even as early as 2015, when it began shifting from conventional to organic food production.

The goal of the strategy was to develop a sustainable organic food production model integrated into the Group's long-term circular economy-based operating model. This model is designed to address key technological challenges in the food industry.

The Company's strategy set out the following emission reduction targets:

- to reduce total fossil fuel-related emissions on farms by 40% by 2025 (including a 50% reduction in emissions from fuel used for farming operations);
- to reduce total methane emissions from enteric fermentation in livestock by at least 33% (including a 50% reduction in emissions per tonne of produced cow's milk);
- to reduce emissions from managed soils by 20% (including a 30% reduction in emissions per tonne of dry matter in crop production).

During the planned period, not all ambitious emission reduction targets were achieved, primarily because the sustainable agricultural technologies intended to directly enable progress toward these targets were not fully deployed. Nevertheless, the strategic direction of emission reduction allowed the Group to steadily build competencies and gradually develop a more sustainable food value chain by implementing practices that ensure incremental emission reduction.

Although the Group did not succeed in achieving a radical technological shift - namely, implementing farm operations based on sustainable agricultural technologies with minimal environmental emissions - the readiness levels of the planned AUGA sustainable technologies reached TRL 6 (prototype maturity stage) and TRL 8 (pre-commercial stage). However, these technologies were not commercialised and, therefore, were not deployed in practice.

While sustainability goals remained among the key strategic priorities, by the end of the strategy implementation period it became evident that the organization had placed excessive strategic focus on sustainability initiatives without sufficiently assessing their financial viability and short-term implementation potential.

In addition to technological innovation aimed at replacing conventional agricultural machinery with fossil fuel-free alternatives, the Group has for many years applied existing market practices to reduce environmental impact incrementally. These include minimal tillage (min-till) and regenerative crop rotation, which help preserve soil health and biodiversity. The Group has also ensured more sustainable livestock farming by using perennial leguminous grasses in animal feed, which result in lower emissions. Furthermore, the Group uses green electricity in its operations.

The data presented below illustrates AUGA group’s greenhouse gas (GHG) emissions for the period 2020–2025, including baseline figures for 2019. The data reflects total greenhouse gas emissions expressed in tonnes of carbon dioxide equivalent (t CO₂e), covering all three emission scopes - Scope 1, Scope 2, and Scope 3. Detailed descriptions of these scopes are provided in the 2025 Sustainability Report.

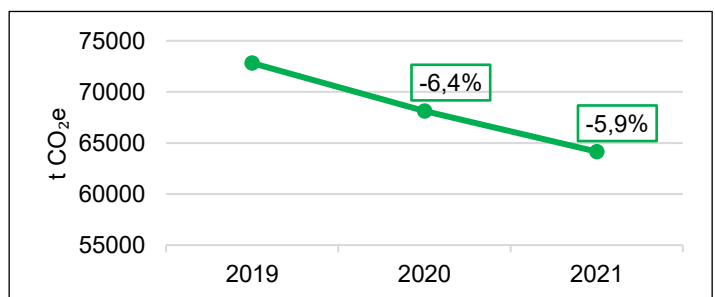
The targets related to emissions from fuel used in farming operations, emissions per tonne of produced cow’s milk, and emissions per tonne of dry matter in crop production include emissions directly associated with the Group’s agricultural, production, and supply chain activities (Scope 1).

It is important to note that some of the results presented below cannot be calculated from the 2019 baseline to 2025, as part of the data was recalculated in 2023. Therefore, two datasets are presented (2019–2021 and 2022–2025), reflecting different methodological approaches to indicator calculation. The recalculation was carried out to align the GHG accounting methodology with the latest recommendations applicable to the agricultural sector, including the incorporation in 2023 of new emission sources related to land use, land-use change, and forestry (LULUCF sector). Additionally, the Group expanded its GHG accounting to include new emission sources resulting from the conversion of part of its land to regenerative conventional agriculture and introduced more detailed livestock emission accounting based on manure management systems at each farm. The 2022 figures were retrospectively recalculated under the updated methodology; however, recalculating data older than three years (pre-2022) using the new methodology would have been as inaccurate, as the required data had not been collected previously or the relevant activities had not yet been carried out. The baseline year (2019) defined in the Group’s strategy also cannot be retrospectively recalculated or used for annual emission comparisons. The Group had planned to recalculate emission reduction targets and establish a new baseline year in 2024, but this was not implemented due to restructuring processes initiated at the Group level.

The dynamics of the aforementioned targets are presented below.

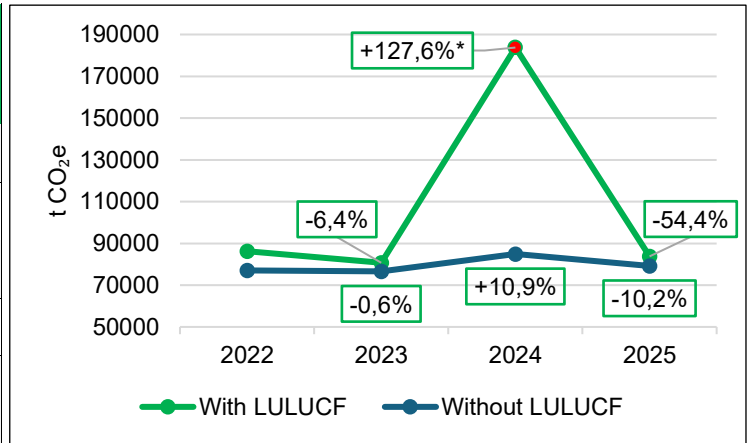
Group’s GHG emissions, 2019 - 2021

Year	Total (t CO ₂ e)	Change 2019/2021
2019	72 820	↓ 11,9%
2020	68 133	
2021	64 150	



Group's GHG emissions difference, 2022 - 2025

Year	Total (t CO ₂ e) with LULUCF	Total (t CO ₂ e) without LULUCF
2022	86 206	77 090
2023	80 731	76 608
2024	183 758*	84 934
2025	83 780	79 260
Change 2022/2025	↓ 2,8%	↑ 2,8%



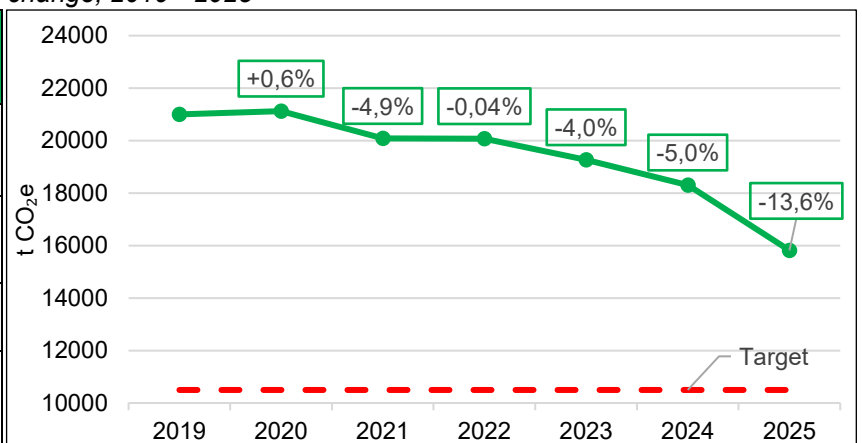
Note: Emissions data for 2019-2021 are presented according to the reporting methodology in force at that time and were not retrospectively adjusted after the update of the GHG calculation methodology in 2023. Indicators for 2022-2025 reflect revised emissions data published in the 2024 Sustainability Report, following methodological improvements aimed at ensuring greater data accuracy and comparability.

* The sharp increase is related to the change in agricultural areas - about 17 thousand ha of organic land was converted to conventional, therefore, a one-time jump was methodologically recorded.

Overview of GHG emission reduction targets:

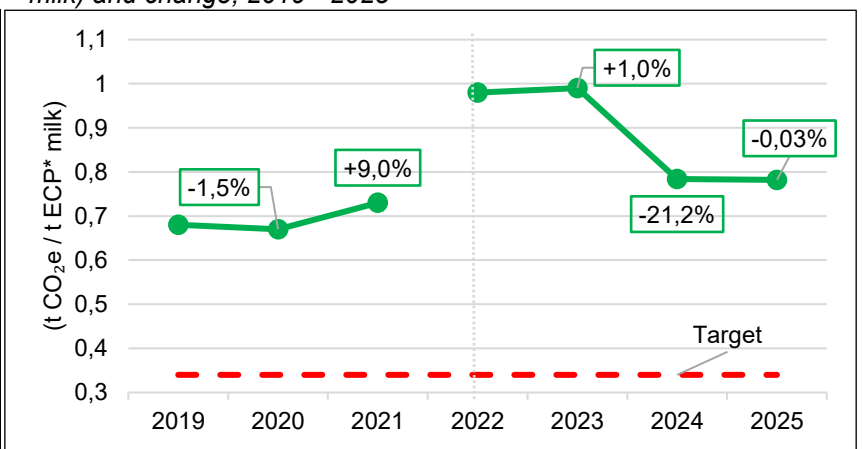
Fossil fuel consumption (t CO₂e) and change, 2019 - 2025

Year	Value
2019	20 993
2025	15 817
Target	10 497 (-50%)
Change 2019/2025	↓ 24,7%



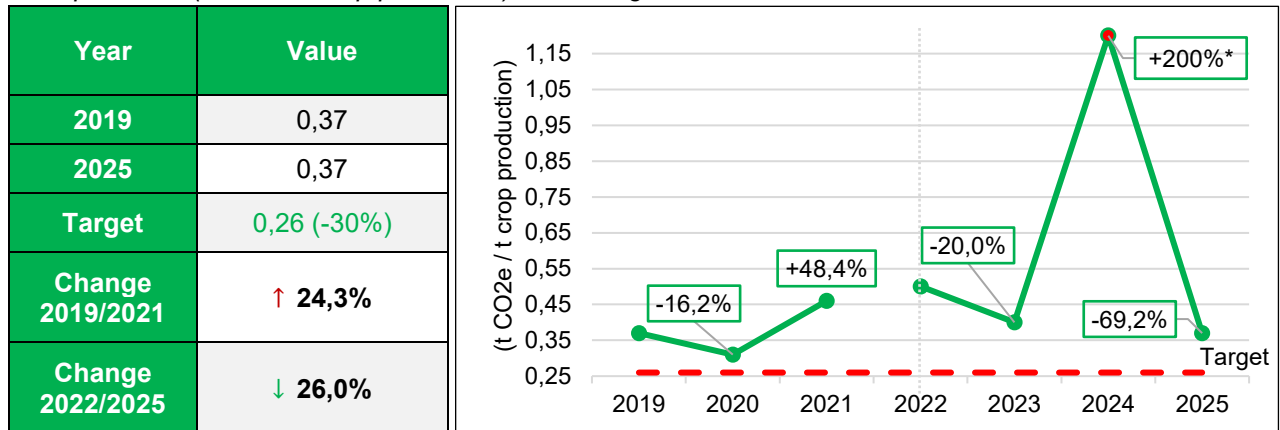
Cow's milk production (t CO₂e / t ECP* milk) and change, 2019 - 2025

Year	Value
2019	0,68
2025	0,78
Target	0,34 (-50%)
Change 2019/2021	↑ 8,9%
Change 2022/2025	↓ 20,4%



* ECP (energy-adjusted milk) is a relative unit of measurement for milk quantity. Raw milk production is converted into milk quantity adjusted to 4% fat and 3.3% protein content.

Yield produced (t CO₂e / t crop production) and change, 2019 - 2025



*The sharp increase is related to the change in agricultural areas - about 17 thousand ha of organic land was converted to conventional, therefore, a one-time increase was methodologically recorded.

AUGA Tech Technology Development

The ultimate goal set out in the strategy was to initiate significant change in one of the most environmentally polluting industries in the world by producing sustainable food using newly developed, globally unique technologies. This objective was reflected across the Company’s entire portfolio of engineering solutions, developed by a dedicated team of AUGA Tech engineers assembled specifically for this purpose.

The portfolio consists of the following technologies: AUGA M1 (TRL 8 - pre-commercial stage), a biomethane- and electricity-powered hybrid tractor; AUGA E1 (TRL 6 - prototype maturity stage), a multifunctional agricultural platform; and Cattle Tech (TRL 6 - prototype maturity stage), a feed processing technology whose trials demonstrated a 15% increase in milk yield and a 20% reduction in methane emissions from enteric fermentation, resulting in a 33% overall reduction in emissions per liter of milk.

These initiatives were designed to reduce environmental impact across the entire value chain by improving resource efficiency, lowering emissions, and directly integrating innovation into agricultural practices, thereby aligning technological progress with long-term sustainability goals. To accelerate the commercialisation of the ‘Mission No Cost to Nature’ technology portfolio, the Group established an expert advisory board and prepared a EUR 75 million capital-raising project.

This project aimed to replace conventional agricultural machinery used on AUGA group farms with more sustainable technologies developed by AUGA Tech engineers and to demonstrate in pilot farms the possibility of minimising emissions from agricultural operations through technology, thereby achieving the emission reduction targets set in the 2020–2025 strategy. However, this ambitious project was not implemented due to objective internal and external factors, and technological development activities at AUGA Tech were subsequently put on hold.

The innovative and globally unique technologies developed by AUGA Tech were undoubtedly highly ambitious and progressed successfully through the early stages of development. However, as they approached commercialisation, they began to require significantly greater human and financial resources. At the same time, demand for sustainability among consumers and the broader market began to decline, while interest from potential industrial partners weakened due to a slowdown in the agricultural machinery industry.

It can, therefore, be argued that these technologies may have been developed somewhat ahead of market readiness to adopt or accelerate such changes. On the other hand, the knowledge gained and

technological achievements may still be leveraged in the future, as the Company - having a better understanding of real business conditions - is now better prepared for potential commercialisation. Once financial stability is restored and market demand reassessed, the possibility of commercialising at least part of these technologies remains open.

Conclusion

In summary, the 2020–2025 Strategy period can be described as a formative phase in the development of AUGA group, from which valuable lessons were learned. The initial years of the strategy were marked by significant achievements across core business segments and breakthroughs within the Innovation Agenda, including the development of AUGA M1, AUGA E1, and Cattle Tech. These initiatives demonstrated AUGA group's ability to lead in sustainable agri-food technologies and set ambitious standards for the future of farming.

However, at the stage of commercialisation, the technologies proved to be ahead of market demand and required more capital than was feasible given the Company's financial capacity to implement such large-scale technological transformation.

It is important to note that biomethane production - initially launched as an R&D project - became a commercialised part of the crop production segment, generating revenue and contributing to improved yields in organic farming through the use of digestate as an organic fertiliser.

In later years, as economic conditions deteriorated and financial constraints intensified, the Group had to adapt and shift its strategic focus toward financial discipline and strengthening its core revenue-generating activities. As a result, large-scale commercialisation of technologies was suspended during this period.

It should be noted that the foundational elements of AUGA group's strategy were successfully implemented. However, the commercialisation of sustainable agricultural technologies was intended to be the transformative change that would fully deliver on both strategic agendas - not only in terms of sustainability but also economically, as these technologies were expected to meet performance targets with planned financial returns. Due to limited resources, however, these technological development plans remained unfulfilled.

This deviation, although necessary, did not diminish the strategic importance of previous innovations and values; rather, it highlighted the importance of timing, market maturity, and capital alignment in implementing transformative change.

The strategy implementation period provided the organisation with valuable lessons, which are already being applied and will continue to shape future directions - potentially with a less ambitious agenda and more controlled operational scope:

- **Insufficient focus on strengthening core business potential and revenue growth** limited the Company's ability to improve performance.
- **A 100% focus on organic production** limited the diversification of financial and climate-related risks.
- **Overly ambitious planning for the commercialization of agricultural technologies** led to optimistic assumptions about commercial potential and market entry timelines.
- **A high level of debt at the Group level** increased financial risk and reduced flexibility in responding to market changes.
- **The prioritisation of emission reduction targets** was not sufficiently aligned with commercially viable and economically sustainable solutions.

Based on the experience gained, the Group will place greater emphasis on operational efficiency, financial sustainability, and the gradual commercialisation of technological solutions going forward. These key lessons learned will form the foundation for strengthening the Group's agricultural business segments in the future.