

AUGA group Strategy 2025

The current 2020-2025 Strategy was originally set to conclude at the end of 2025, with 2024 marking its penultimate year. However, over the past three years, unfavourable market conditions, a liquidity crisis, and a weakened capital market have significantly hindered the progress of Company's strategy implementation. These challenges affected both business efficiency initiatives requiring additional investment and sustainable technology development efforts aimed at implementing the full SOFA model in farming and dairy operations.

As a result, by the end of 2024, the Group was unable to fully meet its financial obligations. Consequently, the Group announced that it was facing financial difficulties, leading to the initiation of restructuring procedures for some of the companies under the AUGA group's control. Under these circumstances, the Company fully shifted its focus back to efficiency and cost-cutting initiatives, while halting sustainable technology development.

To remind, the key pillars of the AUGA Strategy 2025 encompassed two areas of action: efficiency improvement in all of its business segments and setting a sustainable standard for sustainable farming through technology advances and operational organisation, namely, through the model of SOFA (i.e. sustainable organic food architecture).

As mentioned above, significant shifts in priorities took place - key objectives became restoring financial stability, ensuring the long-term viability of the Company's core business segments, and strengthening the overall resilience of the Group. Rather than pursuing radical and differentiated innovation strategy, the focus shifted toward an incremental, efficiency-driven approach. For the time being, the primary goals foresee protecting the interests of employees, creditors, shareholders, and other stakeholders while ensuring business continuity and restoring long-term solvency.

As a consequence, this Strategy implementation report will provide an overview of the actions taken to execute the Company's Strategy, as well as the changes it underwent due to the restructuring procedures introduced later in the year. It is important to note that the current Strategy continues to serve as a reference point for AUGA group's operations.

Strategy implementation review

In line with the conclusions of the interim Strategy review conducted at the beginning of 2024, efforts throughout the year focused on reinforcing business segments as stand-alone operational structures. Additionally, efficiency initiatives were implemented to optimize the operational base, which had been affected by inflationary pressures and low commodity market prices.

Furthermore, a capital-raising initiative and the formation of an expert panel for the "Mission No Cost to Nature" technology portfolio were undertaken. This initiative aimed to alleviate financial and resource-management pressures on the Group while facilitating a transition from polluting technologies to emission-saving alternatives.

Maintaining a consistent organic production - which had already been partially converted to a sustainable conventional method - across over 37,700 of land - had a substantial impact on the Group's cash flow. This challenge was further compounded by an economic environment where the price premium between organic and conventional production remained narrow throughout the year.

Key initiatives per segment that commenced in 2024 and remain of significance in the period of restructuring procedures are the following:

Crop farming: The Board has consistently benchmarked farming operations, recognizing that its adaptive model has been the most effective approach to utilizing different croplands and farm structures

based on their fertility rates, soil composition and a number of other organisational and managerial aspects.

During 2024, this remained an ongoing strategic initiative at the Board level and the Group continued its efficiency agenda initiated in previous years. As a result of this process, on 30th of September 2024 the operations were decided to be ceased in Mažeikiai region, where 3,300 ha were cultivated. The loss generated in this region in 2024 amounted to more than EUR 2 million, losses were also incurred in previous periods due to poor consolidation of plots and high costs of their cultivation. The decrease in cultivated land areas reduces the need for working capital, leading to lower financial costs and improving the Group's overall financial performance.

The Company is also exploring alternative ways to organize its farming operations so as to optimise costs related to agricultural machinery that can bear direct positive impact on segment performance, which is a continuous effort stemming from 2024.

Finally, it is important to highlight the positive impact of the Company's newly integrated activity — biomethane production. Organic crop cultivation stands to benefit significantly from the use of digestate, a by-product of biomethane, which enhances soil fertility, leading to increased yields and improved crop quality. As an organic fertilizer, digestate not only reduces dependence on synthetic alternatives but also reinforces the sustainability of the entire production cycle.

Dairy: At the beginning of the second quarter of 2024, some dairy farms, accounting for 27% of the total herd, began to operate in a non-organic way to reduce production costs and improve financial results. Until the end of 2023, only a minimal price premium was ensured for organic raw milk compared to conventional milk (which directly depended on the price of raw conventional milk), but in 2024 the sales strategy was changed - a significant price premium was agreed with the main organic milk processors through long-term contracts. These two initiatives helped optimising segments performance in an increasingly positive market environment for the dairy segment.

Operating expenses (OPEX) have been systemically reviewed across all divisions of the Company, given that labour is a significant component in operations and one of the most money-intensive resources. Consequently, after a thorough assessment of management and production functions, positions within farms and the broader Group have been cut, merged or otherwise optimised, to enhance efficiency and effectiveness.

Mushroom growing segment: With the long-standing segment of mushroom growing, the key priority for the 2024 has been to undertake the pricing policy adjustments throughout the sales channels and to maintain production volumes that ensure consistent financial performance.

FMCG: AUGA Trade, a subsidiary of AUGA group, continued to deliver more sustainable organic products to the market throughout the reporting period. In 2024, the Company expanded its sustainable products portfolio by introducing yogurts in three different flavors. AUGA Trade also actively increased its sales channels, with a notable focus on B2B clients, while also growing its consumer base among educational institutions, HORECA, and retail sectors. Given its focus on essential food products, sales growth remains steady and consistent.

AUGA Tech: The key strategic priority in 2024 was set out to advance AUGA Tech to a commercially mature stage by partnering with a credible strategic or financial investor, while ensuring separate financing for AUGA group's core segments and AUGA Tech.

In line with such a priority, in April 2024, the Company applied for EUR 75 million in financing from ILTE, a national development bank, in order to scale the AUGA "Mission no cost to nature" farming technology portfolio, which included fossil-fuel free agricultural machinery (TRL 6/8) and feed system Cattle Tech (TRL6). However, due to the inability to attract additional external capital under the financing scheme's conditions, the Company's application was not satisfied. Such unfortunate turn of events reflects a

broader context of financial challenges in the agricultural machinery market, where its key players are experiencing 30-40% declines in their respective revenues.

In an effort to bring the technology portfolio closer to the market, the key achievements in the engineering field include the continued advancement of the biomethane- and electricity-powered hybrid tractor, AUGA M1, which has reached the pre-series production stage (TRL8) and undergone its second season of real-field testing. The technology has been patented in major markets, including the United States, China, Australia, and Eurasian Patent Convention states. Additionally, the Company introduced the multifunctional agricultural platform, AUGA E1, which has reached the prototype stage (TRL6).

Considering the current economic situation and evaluating that the state of AUGA Tech's innovation portfolio might be ahead of its time, the Board decided to put this initiative on hold. The Board may reconsider this decision, once stability is regained. AUGA group will reassess its strategy and market readiness for the technologies, while secured patents will allow capital attraction and monetization of the innovations in response to the market conditions, preserving the value of the technologies in question in the long-term, but not spending any further Company resources on these initiatives.

In 2024, the Group took a major step by launching a new production activity - biomethane production from secondary raw materials (manure) generated in livestock farms. In under five years, this initiative has evolved from a research project into a commercially viable operation, generating positive cash flow. This breakthrough proves that biomethane – one of the most cost-effective and sustainable alternative fuels – can be both environmentally and financially rewarding. Moreover, this initiative reinforces the Group's commitment to a circular economy, turning waste into energy.

Finally, emissions reduction remains a cornerstone of AUGA group's long-term strategy and a key component of its long-term commitment to sustainability. The Company will continue implementing sustainable agricultural practices in alignment with market conditions and demand, focusing on enhancing efficiency while minimizing environmental impact. At this stage, the Company will meet the minimum reporting requirements but will not establish quantifiable emission reduction targets or fully account for Scope 3 emissions. Instead, it aims to maintain its current pace in adopting sustainable agronomic practices, recognizing that true sustainability must be pursued in a manner that ensures long-term viability and is in line with how the broader market develops.

Conclusion

The implementation of AUGA group's 2020–2025 Strategy over the past year has been significantly affected by economic challenges, including unfavorable market conditions, liquidity constraints, and capital market instability. These pressures necessitated a strategic pivot—from ambitious innovation and sustainable technology development to a focus on financial stability through core revenue-generating activities: crop production, animal husbandry, biomethane production, mushroom cultivation, and end-user products.

While the immediate priority is to restore financial health, ensure business continuity, and optimize resource use, AUGA group remains committed to operational efficiency and the continuation of its core sustainable practices. The integration of biomethane production into the business model, along with ongoing operational restructuring, represents a critical step toward building long-term resilience. By refining efficiency measures and remaining responsive to market dynamics, AUGA group is positioning itself to recover and reaffirm its leadership in sustainable food value chain operations.