



AUGA GROUP, AB

Green Bond Report

In December 2019, AUGA group, AB (hereinafter Company) issued and successfully distributed its first tranche of green bonds (hereinafter Bonds).

This Green Bond Report provides an overview on the allocation of funds raised as of December 31, 2020.

2020

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CEO'S FOREWORD



Dear Investors,

In December 2019, AUGA group was the first fully privately-owned listed entity in the Baltic states to issue green bonds. It was also one of the largest bond issues on the Nasdaq Baltic in terms of value and number of investors. The successful issue of the first tranche of green bonds, with demand exceeding supply, showed that both institutional and private investors trusted our vision to develop the sustainable food production concept.

The funds raised allowed the Company to refinance the costs incurred in the process of converting from conventional to organic agriculture and continue the development of sustainable agriculture innovations. For investors it proved to be an attractive and relatively liquid investment, being the top 3 most traded non government bond on the Nasdaq Baltic Bond List in 2020.

No doubt 2020 was an extraordinary year. Despite all the instability caused by the COVID-19 pandemic, the operations of AUGA group were not disrupted and the Company improved financial results every quarter. The pandemic shook up the world in many ways and brought a lot of challenges, but it also revealed increased consumer concern about sustainability and accelerated demand for organic products. As we were witnessing a clear breakthrough in the fast-moving consumer goods segment, it further strengthened our commitment to transform the food production value chain into a more sustainable one.

In April 2020, AUGA group introduced its five-year [strategy](#) aiming to deliver organic food with no cost to nature and to become a synonym for sustainability. The key goals of the Company include improving efficiency in existing business units, designing a sustainable organic food architecture, and reducing greenhouse gas emissions. The long-term objective is a neutral carbon footprint through our core business segments, and we intend to achieve it with green projects that were highlighted both in the Green Bond Framework and in the AUGA Strategy 2025. Namely, biogas cycle infrastructure and vehicles, specialised feed technology, and regenerative crop rotation.

Later in the year the European Commission also announced the "Farm to Fork" strategy which is aimed at tackling the key challenges of sustainable food systems, as part of the EU Green Deal to make Europe the first climate neutral continent by 2050. The AUGA strategy very much aligns with the EU proposed sustainable food production practices.

We are confident that our Company will contribute to the achievement of common goals with our innovations and bring a more sustainable way to eat, to work, to invest, and to receive financial returns for the AUGA community.

Kęstutis Juščius

CEO of AUGA group, AB



OUR APPROACH TO SUSTAINABILITY AND GREEN PROJECTS

The mission of AUGA is to deliver organic food with no cost to nature. The goal of the Company is to reduce its total emissions by 27% by 2025 and the ultimate goal is to achieve a carbon neutral footprint in the long term. The emissions targets are set versus their 2019 baseline, audited by [Carbon Footprint Ltd.](#)

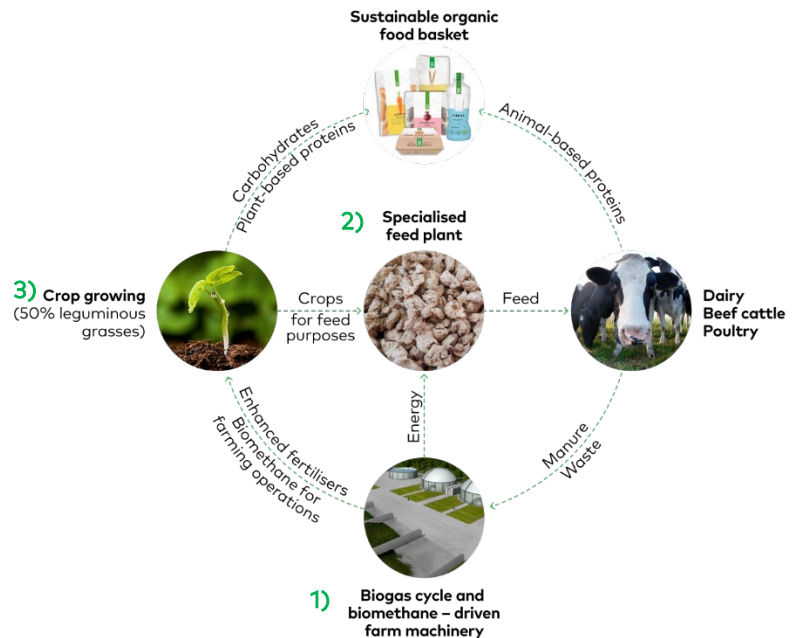
Key roles in the new business model that will enable to achieve these goals are attributed to the following technologies and processes: biogas infrastructure, specialised feed technology, and regenerative crop-rotation.

AUGA Sustainable Organic Food Architecture (SOFA) model:

1) Biogas cycle infrastructure will enable farm operations to run without fossil fuels. Manure in the cycle, in its secondary role, will be utilised both for fertilisation, and as a source for the production of biofuel.

2) Specialised feed technology will reduce methane emissions from ruminants.

3) Regenerative crop-rotation will see a share of cereal cultures substituted for leguminous grasses that have carbon sequestration and nitrogen fixation capabilities. This will not only reduce the absolute rate of emissions but will also become an integral part of the company's livestock operations.



In addition to an overall emission reduction target AUGA group has set specific objectives for its operations, directly associated to the three main green projects it is developing. By 2025, the Company is aiming to cut emissions from the use of fossil fuels on its farms by 40% (and decrease by 50% emissions via the consumption of fuels in its farming operations), lower methane emissions from enteric fermentation in livestock by at least by 33% (and by 50% decrease emissions per tonne of cow's milk produced) and diminish emissions from managed soil by 20% (and by 30% less emissions per tonne of agricultural dry matter yield).

The impact on CO₂ emissions as a specific result of green projects will not yet reflect in the CO₂ emissions report in 2020, as these are still in the development stage and their impact cannot yet be calculated separately.

Annual CO₂ reports are published as part of the Sustainability reports, together with the audited annual financial report on [Nasdaq](#). Separate Sustainability reports are also published on the Company's [website](#). The report for 2020 will be made available on April 9, 2021.

The progress of green projects and their impact on the reduction of emissions will be also covered in future Sustainability reports.



GREEN BOND FRAMEWORK

[AUGA's Green Bond Framework](#) covered the Company's bonds planned to be issued in multiple tranches during the period of 2019 IVQ – 2020 IVQ under both private placement as well as public offering formats. The Framework has been developed following the [ICMA Green Bond Principles](#) and the four key components:

1. Use of proceeds
2. Evaluation and selection process
3. Management of proceeds
4. Reporting

The Green Bond Framework prepared by AUGA group has received a Second Party Opinion [certification](#) from CICERO (Centre for International Climate Research). It was rated "Medium Green" and received "Good" evaluation for governance procedures. The Second Opinion concludes that the Green Bond Framework is in line with the stated definition of green bonds within the Green Bond Principles. CICERO also noted that investors should, however, be aware that AUGA's Green Bond Framework is intended for financing new initiatives as well as existing debt. For the existing debt, no screening is applied. AUGA's green bond framework thus permits proceeds to be used for general corporate purposes and in that case is not fully aligned with all four Green Bond Principles.

The Company intended to use the proceeds of the bonds issued under this Green Bond Framework for the following purposes:

1. Working capital and general corporate purposes related with the ongoing sustainability initiatives of the Company (closed-loop organic farming; mill-till technology and renewable energy), which includes refinancing the costs incurred as a result of the process of converting from conventional to organic agriculture in the period after 2015; and
2. Financing R&D projects related to improving sustainability, including biogas, specialised feed, and crop rotation practices.

Immediately after issuance of the first tranche in the Bond programme, a Selection Committee was created in the Company with the following composition: CEO, CFO, Head of Business Development and Innovation, Head of Legal, Head of Quality and Environmental Specialist. The Selection Committee is responsible for both negative screening guidance and selection of the green projects. For refinancing, partial repayments of existing debt incurred in the process of acquiring land and converting to organic farming was to take place without screening. In respect of future financing of green projects, eligible projects will be selected and approved by the Selection Committee or, should the volume and size of the projects to be considered so merit, by the Board of the Company.



ABOUT THE GREEN BOND

Timetable	
25 November 2019	Bank of Lithuania approved the base prospectus for the programme.
27 November 2019	Final terms of tranche 1 under the base prospectus for the programme of bonds were announced.
13 December 2019	Successful allocation of tranche 1 bonds was approved.

Bonds of AUGA group, AB attracted 485 investors. Total demand was 125 percent of the offer base.

Investors from the Baltic Sea region formed the majority of the demand. Retail investors accounted for approx. 26 percent of total demand.

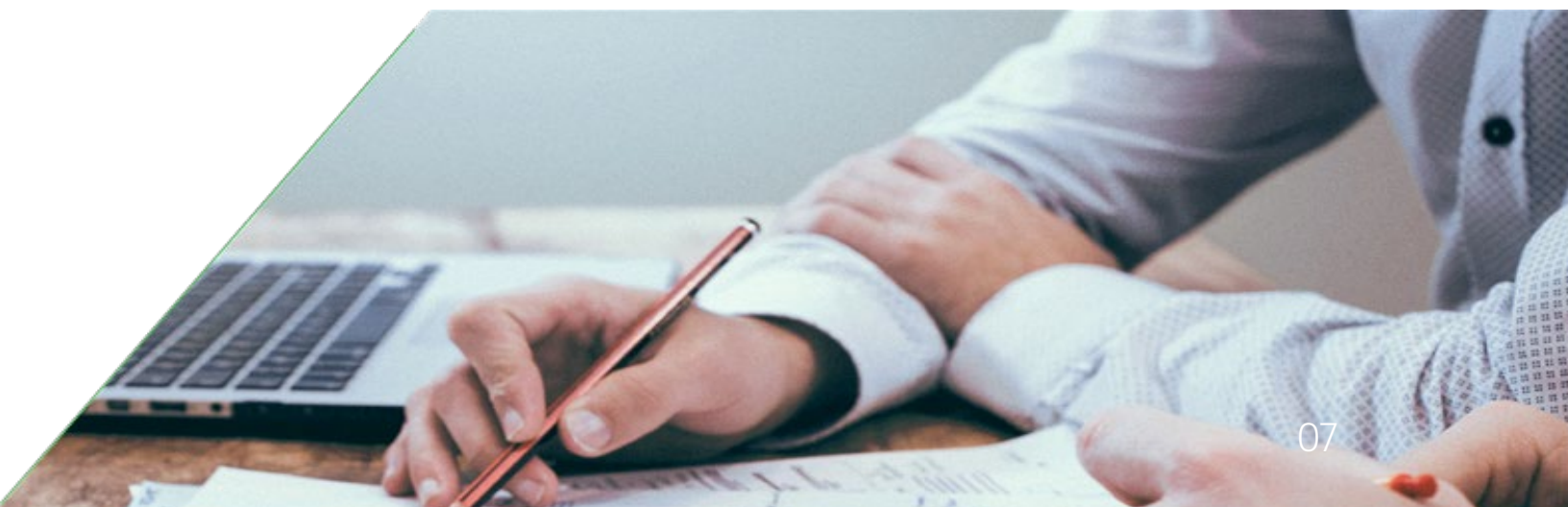
Green bond details	
Issuer	AUGA group, AB
ISIN code	LT0000404238
Listing	Nasdaq Vilnius
Denomination	EUR 1,000
Issue size	EUR 20,000,000
Tenor	2019-2024
Maturity date	17.12.2024
Fixed coupon rate	6%, annually
Planned use of proceeds*	<p>(i) up to EUR 1.23 million and accrued interest up to the date of payment thereof for repayment of the outstanding part of the acquisition price of the land plots, to be provided as collateral.</p> <p>(ii) up to total aggregate of EUR 4.5 million – partial repayment of credits to the current financing banks of the Company’s group in exchange for release of part of collateral.</p> <p>(iii) up to EUR 1.03 million and accrued interest up to the date of payment thereof for redemption of bonds of nominal value EUR 1,000,000, issued by one of the Group Companies AWG Investment 1, UAB, with the early redemption fee being 3% from nominal value from ORION Private Debt Fund I.</p> <p>(iv) working capital and other general corporate purposes, including for ensuring continuity of the organic farming projects that the Company develops to make its operations, processes and products more sustainable.</p>

*As indicated in Final terms of tranche 1 under the base prospectus for the Programme.



USE OF PROCEEDS FROM TRANCHE 1

Net proceeds	EUR 19,073,819.85
Use of proceeds	EUR 19,073,819.85
Repayment of the outstanding part of the acquisition price (including accrued interest) of the land plots provided as collateral.	EUR 1,291,283.38
Partial repayment of loans / debt to financing banks.	EUR 4,500,000.00
Redemption of bonds (including accrued interest, redemption fee), issued by AWG Investment 1, UAB from ORION Private Debt Fund I.	EUR 1,072,739.73
Working capital and other general corporate purposes. All payments were screened by The Selection Committee. Proceeds were not used for purposes not related to the development and continuity of the organic farming business (e.g. payments for fossil fuel, etc.).	EUR 11,934,033.53
R&D activities. As only 1st tranche of EUR 20 million from the planned EUR 60 million programme was issued, the Company continues development of its sustainable business model, investments into R&D activities from its own funds, loans from financial institutions and other financing sources.	EUR 275,763.21



MAIN EVENTS AFTER THE ISSUE OF THE FIRST GREEN BOND

2020-02-19	<u>AUGA group, AB became the first Baltic issuer on the Nasdaq Sustainable Bond Network</u>
2020-04-02	<u>Group's comments on the COVID-19 pandemic's effects on the AUGA group, AB business operating environment</u>
2020-04-27	<u>AUGA group, AB introduces its five-year strategy</u>
2020-04-30	<u>Annual Ordinary general meeting of shareholders</u>
2020-05-29	<u>Companies controlled by AUGA group, AB acquired control of the Cooperative company "Grybai LT"</u>
2020-06-20	<u>Enlight Research published its first report on AUGA group, AB</u>
2020-11-16	<u>WOOD & Company has published a report on AUGA group, AB</u>
2020-11-26	<u>The companies of AUGA group, AB have signed agreements with financial institutions to refinance loans and provide additional limits</u>

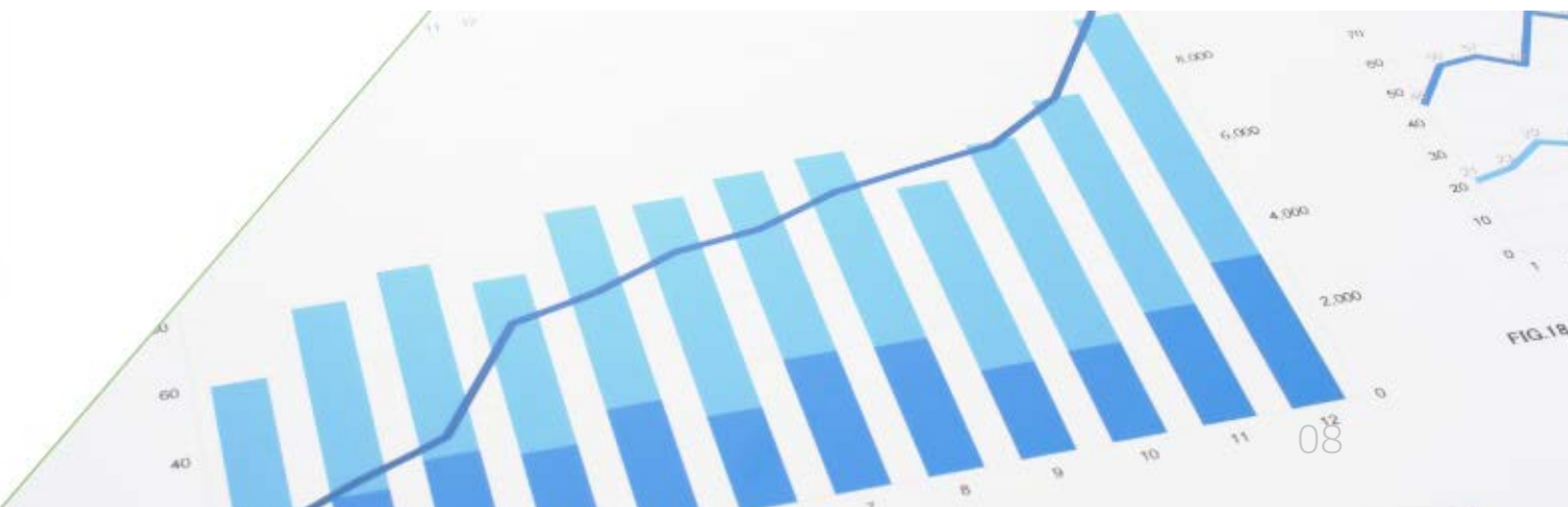


FIG.18