



August 30, 2019

## AVANGARDCO INVESTMENTS PUBLIC LIMITED

### FINANCIAL RESULTS FOR THE FIRST HALF OF 2019

**Kyiv, Ukraine** – AVANGARDCO INVESTMENTS PUBLIC LIMITED (LSE: AVGR) (the “Company” or “AVANGARDCO IPL”), the largest producer of shell eggs and dry egg products in Ukraine and Europe, today announces its financial results for the six months ended 30 June 2019.

#### H1 2019 Financial highlights

- Consolidated revenue amounted to US\$84.8 mln, an increase of 25% YoY (H1 2018: US\$68.1 mln).
- Export revenue increased by 57% YoY to US\$44.8 mln, with its share amounting to 53% of the Company’s consolidated revenue (H1 2018: US\$28.6 mln, or 42% of the Company’s consolidated revenue).
- Gross loss was US\$65.0 mln (H1 2018: gross loss of US\$4.6 mln).
- Net loss amounted to US\$110.9 mln (H1 2018: net loss of US\$36.3 mln).

#### H1 2019 Operational highlights

- Production of shell eggs totalled 1,777 mln units, up 44% YoY (H1 2018: 1,232 mln units).
- Sales of shell eggs amounted to 1,585 mln units, up 92% YoY (H1 2018: 826 mln units).
- Export of shell eggs amounted to 785 mln units, up 164% YoY (H1 2018: 297 mln units).
- The average sales price of shell eggs was UAH1.23 per unit, excluding VAT, down 24% YoY (H1 2018: UAH1.62 per unit, excluding VAT).
- The average sales price of shell eggs in US dollar terms was US\$0.046 per unit, excluding VAT, down 25% YoY (H1 2018: US\$0.061 per unit, excluding VAT).
- The production of dry egg products amounted to 2,378 tonnes, down 34% YoY (H1 2018: 3,600 tonnes).
- Sales of dry egg products amounted to 2,282 tonnes, down 34% YoY (H1 2018: 3,433 tonnes).
- Export of dry egg products totalled 1,592 tonnes, down 46% YoY (H1 2018: 2,934 tonnes).
- The average sales price of dry egg products was US\$3.84/kg, up 4% YoY (H1 2018: US\$3.70/kg).
- As at 30 June 2019, the total poultry flock amounted to 16.0 mln hens, up by 15% YoY (30 June 2018: 13.9 mln hens).
- As at 30 June 2019, the number of laying hens amounted to 11.2 mln hens, up by 35% YoY (30 June 2018: 8.3 mln hens).

**Eurobonds:** AVANGARDCO IPL continues to be in discussions with various creditor groups to agree the terms of a holistic restructuring of its indebtedness. As part of these discussions, the Company is working with an ad hoc committee of bondholders regarding the treatment of AVANGARDCO’s US\$200,000,000 10.0% Notes due in 2018 (ISIN: XS0553088708). Further updates will be made as the restructuring develops and will be available at: <http://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/US05349V2097USUSDIOBE.html?lang=en>

#### **Nataliya Vasylyuk, Chief Executive Officer of AVANGARDCO IPL, commented:**

“AVANGARDCO has had a challenging first half of 2019 with results below our forecasts. This was largely due to ample supply in both domestic and global markets resulting in the below-cost reduction of the price of shell eggs. In H1 2019, the Company’s average sales price of shell eggs fell to its lowest level since 2017 and affected the Company’s revenue.

At the same time, lower prices for fuel and the key feed components (grain and oil crops) allowed the Company to reduce its costs per unit of output but failed to offset the adverse impact of highly fluctuating shell egg prices on the Company’s profitability.

Despite of the challenges facing the industry, the Company has continued to execute its export growth strategy. As a result, its export sales grew by 57% YoY to US\$44.8 million and were largely attributed to a continued solid

growth in the shell egg export sales (up by 164% YoY to 785 million eggs). The share of export revenue in the consolidated revenue reached the target of 53%.

Looking ahead, the Company expects the overall market conditions to remain challenging, although anticipates less pressure on market prices due to seasonal factor. In H2 2019, AVANGARDCO will continue to pursue its sales growth strategy while maintaining the utmost quality of products and working with overseas partners. The Company's focus remains on restoring its profitability and completing the debt restructuring process in 2019."

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The management team will not hold an investor and analyst conference call for this set of results due to the ongoing discussions with various creditor groups.

The press release, presentation and financial statements for the six months ended 30 June 2019 will be available on the Company's website at: <http://avangardco.ua/en/investor-relations/data-book/annual-reports/interim-reports/>

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#### Financial results overview:

	Units	H1 2019	H1 2018	Change
Consolidated Revenue	US\$ '000	84,777	68,060	25%
Cost of Sales	US\$ '000	(105,769)	(70,148)	51%
Gross Loss	US\$ '000	(65,049)	(4,630)	-
Net Loss	US\$ '000	(110,885)	(36,266)	-

#### The exchange rates used for the preparation of consolidated financial statements:

Currency	30 June 2019	Weighted average for H1 ended 30 June 2019	30 June 2018	Weighted average for H1 ended 30 June 2018
US dollar to Ukrainian Hryvnia	26.166	26.932	26.189	26.746

In H1 2019, the Company's consolidated revenue increased by 25% YoY to US\$84.8 mln (H1 2018: US\$68.1 mln) due to higher shell egg sales.

In H1 2019, the Company's export revenues increased 57% YoY to US\$44.8 mln (H1 2018: US\$28.6 mln), driven by increased export sales of shell eggs. The share of export revenue in the consolidated revenue reached 53% (H1 2018: 42%).

In H1 2019, the cost of sales rose by 51% YoY to US\$105.8 mln (H1 2018: US\$70.1 mln) due to the increase in the volume of shell egg sales. The reduction in the cost per unit of output following lower prices for fuel and the key feed components (grain and oil crops) allowed the Company to partially mitigate further cost increase in the reporting period.

The gross loss amounted to US\$65.0 mln (H1 2018: gross loss of US\$4.6 mln) and includes loss from revaluation of biological assets at fair value of US\$44.1 mln.

In H1 2019, the Company's net loss amounted to US\$110.9 mln (H1 2018: net loss of US\$36.3 mln).

#### Cash flow and debt structure:

As at 30 June 2019, net cash used in operating activities amounted to US\$6.0 mln (30 June 2018: net cash generated from operating activities of US\$5.3 mln) and was largely due to the negative margin in the key "Shell Egg" and "Dry Egg Product" segments.

Net cash used in investing activities increased to US\$14.2 mln (30 June 2018: net cash used in investing activities of US\$1.2 mln) as a result of the increased maintenance capex.

In H1 2019, net cash used in financing activities was US\$0.7 mln (30 June 2018: US\$0 mln) and was due to lease payments as well as interest payments on the recently restructured debt from Oschadbank, Ukraine's State Savings Bank.

As a result, net cash outflow amounted to US\$20.9 mln (30 June 2018: net cash inflow of US\$4.1 mln).

Cash and cash equivalents amounted to US\$0.6 mln (30 June 2018: US\$24.3 mln).

As at 30 June 2019, the Company's total debt increased and amounted to US\$391.5 mln (31 December 2018: US\$387.5 mln).

According to Note 12 of the Company's Financial Statements, its liabilities consist of principal as well as accrued and unpaid interests. In H1 2019, due to the significant change in terms, the Company derecognised its liability from Oschadbank and recognised a new restructured financial liability at its fair value. The result of these operations was reflected in the items "Financial Income" and "Financial Expenses" of the Company's Financial Statements.

Net debt was US\$390.9 mln (31 December 2018: US\$367.2 mln).

The Company's Eurobond issue, which had a maturity date of 29 October 2018, amounted to 60% of the Company's total debt.

## Segment review

### Poultry flock management:

	Units	As at 30.06.2019	As at 30.06.2018	Change
Total Poultry Flock	Heads (mln)	<b>16.0</b>	13.9	15%
Laying Hens	Heads (mln)	<b>11.2</b>	8.3	35%

As at 30 June 2019, the total poultry flock increased by 15% YoY to 16.0 mln heads (30 June 2018: 13.9 mln heads). The number of laying hens increased by 35% YoY to 11.2 mln heads (30 June 2018: 8.3 mln heads). The Company increased its poultry flock in order to expand its global and domestic market presence.

### Shell Egg Segment:

	Units	H1 2019	H1 2018	Change
Total Production	Units (mln)	<b>1,777</b>	1,232	44%
Processing	Units (mln)	<b>213</b>	308	(31%)
Sales	Units (mln)	<b>1,585</b>	826	92%
Export	Units (mln)	<b>785</b>	297	164%
Average Sales Price	UAH (excl. VAT)	<b>1.23</b>	1.62	(24%)
Average Sales Price	US\$ (excl. VAT)	<b>0.046</b>	0.061	(25%)

In H1 2019, the production volume of shell eggs increased by 44% YoY to 1,777 mln units (H1 2018: 1,232 mln units) due to the increase in the laying hens flock and its greater productivity.

The volume of shell eggs for processing was decreased by 31% YoY to 213 mln units (H1 2018: 308 mln units) due to temporarily softer demand for dry egg products in the key markets for the Company.

In the reporting period, sales of shell eggs rose by 92% YoY to 1,585 mln units (H1 2018: 826 mln units) underpinned by robust growth of export sales.

In H1 2019, exports of shell eggs grew by 164% YoY to 785 mln units (H1 2018: 297 mln units) benefiting from the greater diversification of its sales destinations as well as higher demand for shell eggs due to their lower price. Another reason is a growing recognition of the Company as a large and reliable supplier of high quality and safe shell eggs globally.

In the reporting period, the share of export sales reached 50% of total sales in volume terms (H1 2018: 36%), with the Company exporting shell eggs to 22 countries across the Middle East and North Africa (MENA), Sub-Saharan Africa, Asia and the CIS region. The Company also started exporting to Tanzania and Singapore.

On the domestic market, the Company sells its shell eggs to retail (supermarket chains and traditional trade) and wholesale customers. The share of sales through supermarkets fell to 33% of total sales (H1 2018: 47%) due to the increased export sales. The share of sales to the wholesale channel was 17% (H1 2018: 17%).

In the reporting period, the Company began to distribute its shell eggs through the traditional trade channel directly to local retailers, corner stores and medium-size businesses. The management believes that this will help the Company to expand its domestic sales, improve working capital management as well as brand recognition.

The Company has continued to successfully increase sales of the value-added packaged eggs under its brand 'Kvochka', with positive impact from its integrated marketing campaign. In H1 2019, sales of the 'Kvochka' packaged eggs increased by 12% YoY to 128 mln units (H1 2018: 114 mln units).

In H1 2019, the average sales price of shell eggs fell by 24% YoY to 1.23 UAH per unit, excluding VAT (H1 2018: 1.62 UAH per unit, excluding VAT). The decline in the shell egg price was largely attributable to the ample supply in both domestic and international markets.

In H1 2019, the segment's revenue rose by 44% YoY to US\$72.2 mln (H1 2018: US\$50.1 mln) driven by the increased sales. The segment's net loss was US\$102.0 mln (H1 2018: profit of US\$22.5 mln) and includes loss from revaluation of biological assets at fair value of US\$44.4 mln.

#### **Dry Egg Product Segment:**

	<b>Units</b>	<b>H1 2019</b>	<b>H1 2018</b>	<b>Change</b>
Dry egg product production	Tonnes	<b>2,378</b>	3,600	(34%)
Sales volume	Tonnes	<b>2,282</b>	3,433	(34%)
Export	Tonnes	<b>1,592</b>	2,934	(46%)
Average Sales Price	US\$/Kg	<b>3.84</b>	3.70	4%

Due to the unfavorable market situation, in H1 2019, the Company decreased the output of dry egg products by 34% YoY to 2,378 tonnes (H1 2018: 3,600 tonnes).

In H1 2019, sales of dry egg products decreased by 34% YoY to 2,282 tonnes (H1 2018: 3,433 tonnes). This was a result of lower export sales.

In the reporting period, the export of dry egg products fell 46% YoY to 1,592 tonnes and amounted to 70% of the total sales (H1 2018: 2,934 tonnes or 85% of the total sales). This decline reflects weaker demand for egg products from producers that temporarily replaced egg products with shell eggs due to their lower price. Another major reason is the temporary suspension of imports from a number of key markets for the Company, including Jordan, Saudi Arabia and Pakistan.

In H1 2019, the Company sold its egg products to 17 countries in the EU, the Far East, the MENA and the CIS. The Company also started exporting to Slovakia and Lebanon.

In H1 2019, the average sales price of dry egg products increased by 4% YoY to US\$3.84/kg (H1 2018: US\$3.70/kg).

In H1 2019, the segment's revenue was down 31% YoY to US\$8.8 mln (H1 2018: US\$12.7 mln) due to the decreased sales. The segment's profit was US\$4.1 mln (H1 2018: loss of US\$9.1 mln) and includes financial income of US\$23.3 mln from the derecognition of the Company's liability from Oschadbank and recognition of a new restructured financial liability at its fair value.

- Ends -

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**Information for editors**

AVANGARDCO IPL is one of the largest agro-industrial companies in Ukraine, specialising in the production of shell eggs and egg products. As at 31 December 2018, the Company holds a 30% share of the industrial shell egg market and a 66% share of the dry egg product market in Ukraine. The Company's laying hens flock is one of the largest in Europe.

AVANGARDCO IPL has a vertically integrated production cycle and manages every stage of the value chain, from producing animal feed and breeding laying hens to selling shell eggs and egg products. The Company's facilities are located in Ukraine and comprise 19 laying farms, 3 hatcheries, 10 rearing farms, 6 feed mills, 3 long-term storage facilities, 2 full-cycle poultry complexes Avis and Chornobaivske and the Imperovo Foods egg processing plant, which is one of the most technologically-advanced facilities for processing eggs in Europe.

In 2018, the Company exported its products to 39 countries, with its primary export markets in the Middle East, Africa, Asia, the Far East and the CIS.

The Company's shares, in the form of Global Depositary Receipts, have been trading on the London Stock Exchange since May 2010.

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Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of AVANGARDCO IPL. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might", the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in the Company's geographical locations, rapid technological and market changes in our industry, as well as many other risks specifically related to AVANGARDCO IPL and its operations.

**Condensed consolidated statement of financial position**

AS AT 30 JUNE 2019

*(in USD thousand, unless otherwise stated)*

	30 June 2019	31 December 2018
<b>ASSETS</b>		
Property, plant and equipment	345,816	325,805
Non-current biological assets	8,435	30,316
Deferred tax assets	5,472	8,259
Right of use assets	4,480	-
Other non-current assets	103	97
<b>Non-current assets</b>	<b>364,306</b>	<b>364,477</b>
Inventories	14,974	19,697
Current biological assets	10,556	21,796
Trade accounts receivable, net	29,711	54,484
Prepaid income tax	69	55
Prepayments and other current assets, net	9,897	16,731
Taxes recoverable and prepaid	21,919	18,800
Cash and cash equivalents	603	20,305
<b>Current assets</b>	<b>87,729</b>	<b>151,868</b>
<b>TOTAL ASSETS</b>	<b>452,035</b>	<b>516,345</b>
<b>EQUITY</b>		
Share capital	836	836
Share premium	201,164	201,164
Reserve capital	115,858	115,858
Retained earnings	688,556	799,717
Effect of translation into presentation currency	(1,064,610)	(1,082,335)
<b>Equity attributable to owners of the Company</b>	<b>(58,196)</b>	<b>35,240</b>
<b>Non-controlling interests</b>	<b>8,570</b>	<b>7,932</b>
<b>TOTAL EQUITY</b>	<b>(49,626)</b>	<b>43,172</b>
<b>LIABILITIES</b>		
Long-term loans	65,296	320
Deferred tax liabilities	-	295
Lease liabilities	3,946	-
Deferred income	935	928
Dividends payable	22,891	22,894
<b>Non-current liabilities</b>	<b>93,068</b>	<b>24,437</b>
Short-term bond liabilities	235,877	235,889
Current portion of non-current liabilities	97,697	158,032
Trade payables	28,532	13,795
Other accounts payable	46,487	41,020
<b>Current liabilities</b>	<b>408,593</b>	<b>448,736</b>
<b>TOTAL LIABILITIES</b>	<b>501,661</b>	<b>473,173</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>452,035</b>	<b>516,345</b>

**Condensed consolidated statement of profit and loss and other comprehensive income**  
FOR THE 6 MONTHS ENDED 30 JUNE 2019  
*(in USD thousand, unless otherwise stated)*

	<b>for the 6 months ended</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
Revenue	84,777	68,060
Loss from revaluation of biological assets at fair value	(44,057)	(2,542)
Cost of sales	(105,769)	(70,148)
<b>GROSS LOSS</b>	<b>(65,049)</b>	<b>(4,630)</b>
General administrative expenses	(10,626)	(4,835)
Distribution expenses	(7,322)	(4,307)
Income from government grants and incentives	45	45
Impairment loss on trade and other receivables, net	(14,057)	(2,630)
Impairment of non current assets	(6,757)	-
Other operating expenses	(4,584)	(1,011)
<b>LOSS FROM OPERATING ACTIVITIES</b>	<b>(108,350)</b>	<b>(17,368)</b>
Finance income	2,042	702
Finance costs	(3,754)	(16,975)
Income/(losses) on exchange	2,098	(2,053)
<b>NET FINANCE COSTS</b>	<b>386</b>	<b>(18,326)</b>
<b>LOSS BEFORE TAX</b>	<b>(107,964)</b>	<b>(35,694)</b>
Income tax expenses	(2,921)	(572)
<b>LOSS FOR THE PERIOD</b>	<b>(110,885)</b>	<b>(36,266)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b> <i>Items that are or may be reclassified subsequently to profit or loss</i>		
Effect from translation into presentation currency	19,357	32,752
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(91,528)</b>	<b>(3,514)</b>
<b>LOSS ATTRIBUTABLE TO:</b>		
Owners of the Company	(109,891)	(35,947)
Non-controlling interests	(994)	(319)
	<b>(110,885)</b>	<b>(36,266)</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of the Company	(92,166)	(5,296)
Non-controlling interests	638	1,782
	<b>(91,528)</b>	<b>(3,514)</b>
<b>Loss per share</b>		
<b>Basic and diluted (USD)</b>	<b>(17)</b>	<b>(6)</b>

**Condensed consolidated statement of cash flows**  
FOR THE 6 MONTHS ENDED 30 JUNE 2019  
*(in USD thousand, unless otherwise stated)*

	<b>for the 6 months ended</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(107,964)	(35,694)
Adjustments for:		
Depreciation of property, plant and equipment	8,558	7,106
Change in allowance for irrecoverable amounts	14,057	2,630
Loss on disposal of current assets	2,142	-
Gain on disposal of non current assets	(42)	(29)
Impairment of current assets	3,005	100
Discount loans amortization	1,748	-
Effect of fair value adjustments on biological assets	44,057	2,542
Gains realised from accounts payable written-off	(341)	(5)
Amortization of deferred income on government grants	(45)	(45)
Gain from de-recognition of long-term loans, net	(1,642)	-
Discount bonds amortization	-	1,318
Discount on VAT government bonds amortization	-	(401)
Interest income	(400)	(301)
Interest payable on loans and bonds	1,868	15,623
Finance expenses on lease	340	-
Impairment of non current assets	6,757	-
(Income)/losses on exchange	(2,098)	12,605
<b>Operating (loss)/profit before working capital changes</b>	<b>(30,000)</b>	<b>5,449</b>
Decrease in trade receivables	24,719	9,382
(Increase)/decrease in prepayments and other current assets	(5,132)	13,644
Increase in taxes recoverable and prepaid	(1,969)	(4,139)
Decrease in inventories	554	8,707
Decrease in deferred income	-	(1)
Increase in trade payables	13,879	4,223
Increase in biological assets	(8,932)	(10,027)
Increase/(decrease) in other accounts payable	1,600	(21,783)
<b>Cash (used in)/generated from operations</b>	<b>(5,281)</b>	<b>5,454</b>
Interest paid	(657)	(93)
Income tax paid	(63)	(45)
<b>Net cash (used in)/generated from operating activities</b>	<b>(6,001)</b>	<b>5,316</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments and receipts - property, plant and equipment	(16,256)	(1,613)
Acquisition of subsidiary	(103)	-
Interest received	217	370
Proceed from sale of VAT government bonds	1,935	-
<b>Net cash used in investing activities</b>	<b>(14,207)</b>	<b>(1,243)</b>



**Condensed consolidated statement of cash flows (cont.)**  
**FOR THE 6 MONTHS ENDED 30 JUNE 2019**  
*(in USD thousand, unless otherwise stated)*

	<b>for the 6 months ended</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loans	(498)	-
Payment of lease liabilities	(201)	-
<b>Net cash used in financing activities</b>	<b>(699)</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(20,907)</b>	<b>4,073</b>
Cash and cash equivalents at 1 January	20,304	18,242
Adjustments on initial application of IFRS 9 (net of tax)	-	(1,190)
Effect from translation into presentation currency	1,206	3,189
<b>Cash and cash equivalents as at 30 June</b>	<b>603</b>	<b>24,314</b>