



H1 2019 FINANCIAL RESULTS

30 August 2019



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MACRO AND MARKET OVERVIEW



MACRO AND INDUSTRY OVERVIEW

MACRO OVERVIEW:

- In Q2 2019, Ukraine's GDP growth accelerated to 4.6%** YoY and was the highest since Q4 2016
- Domestic demand remains the main driver of the economic growth
- 10.3% YoY increase in retail turnover further indicates the sustained increase in consumer demand and was itself a result of higher household income (real disposable income of households grew 7.7% YoY in Q1 2019)
- Annual consumer price inflation came in at 9.0% YoY in June
- FX market was relatively stable. In H1 2019, the Ukrainian Hryvnia slightly depreciated by 0.7% YoY*** against the US dollar
- The IMF expects Ukraine's GDP to increase 2.7% YoY and inflation of 8.0% YoY in 2019

INDUSTRY REVIEW:

- In H1 2019, shell egg production in Ukraine increased by 5.0% YoY to 8.6 billion eggs and was a result of 8.6% YoY increase in shell egg production by industry
- Production of shell eggs by households slightly increased by 1.2% YoY to 4.0 billion eggs
- Increase in shell egg production by industry was largely due to stronger exports (up by 69% YoY in volume terms according to the State Fiscal Service of Ukraine) as well as stronger domestic demand
- In H1 2019, the unfavorable balance of supply and demand in the USA put a downward pressure on the global shell egg prices and effected sales of Ukrainian producers
- According to SSSU, the domestic price for shell eggs fell 22% YoY in H1 2019. This decline was a result of higher shell eggs production by both households and industry

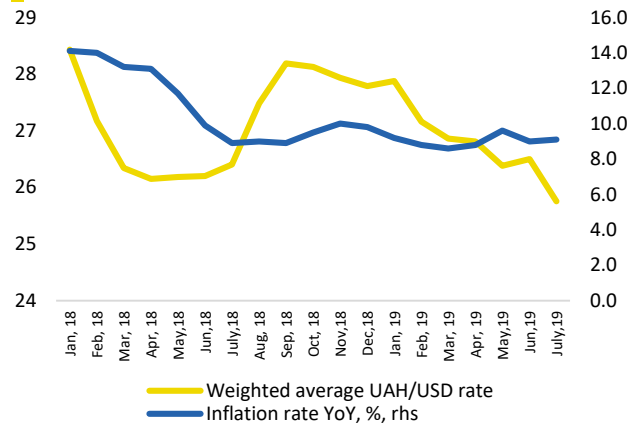
*Excluding the Autonomous Republic of Crimea, the city of Sevastopol and military conflict zone

** According to preliminary estimate from SSSU

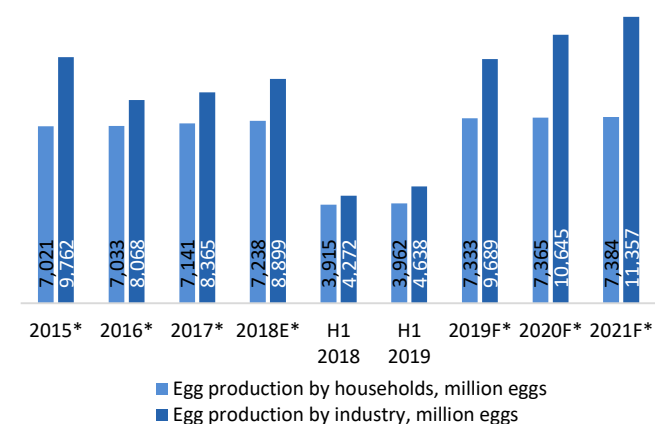
***Calculated at weighted average rate for the period

Source: SSSU, Pro-consulting, Company data

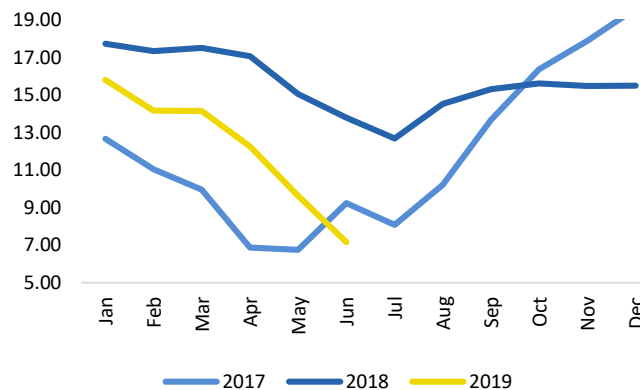
CPI* AND UAH/USD EXCHANGE RATE



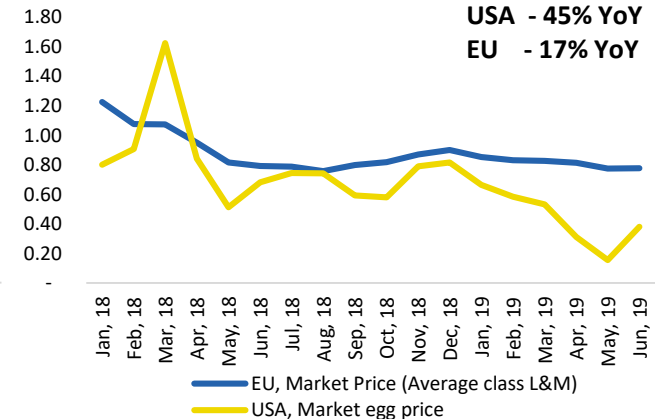
SHELL EGG PRODUCTION IN UKRAINE



SHELL EGG SALES PRICE TREND IN UKRAINE, UAH PER 10 EGGS NET OF VAT



SHELL EGG PRICE TREND IN EU AND USA, USD PER 10 EGGS



Source: USDA, the European Commission

AVERAGE FX UAH/USD

2017	2018	Δ	H1 2018	H1 2019	Δ
26.595	27.202	2%	26.746	26.932	0.7%



AVANGARDCO PERFORMANCE

OUTPUT AND SALES

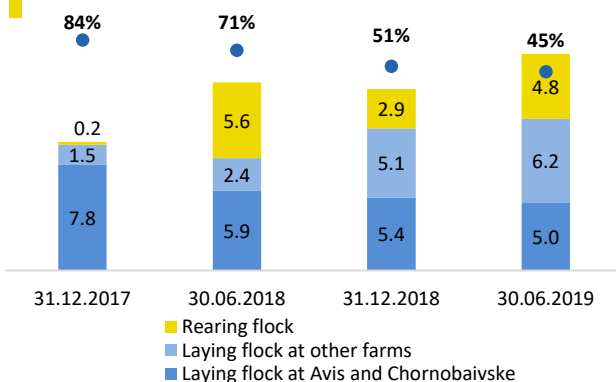
- As at 30 June 2019, the total poultry flock and laying flock increased by 15% YoY and 35% YoY respectively. The Company increased its poultry flock in order to expand its global and domestic market presence
- The share of the laying flock at Avis and Chornobaivske fell as a result of relocating the flock to enhance the Company's regional presence
- The production volume of shell eggs increased by 44% YoY due to the increase in the laying hens flock and its greater productivity
- Sales of shell eggs increased by 92% YoY underpinned by robust growth of export sales
- Due to the unfavorable market situation, the Company decreased the production of dry egg products by 34% YoY
- Sales of dry egg products decreased by 34% YoY. This was a result of lower export sales (More details on export on Slide 9)

	30.06.2018	30.06.2019	%
POULTRY FLOCK			
Total poultry flock, million heads, eop	13.9	16.0	15%
Laying hens, million heads, eop	8.3	11.2	35%
	H1 2018	H1 2019	%
SHELL EGGS			
Production, million eggs	1,232	1,777	44%
Processing, million eggs	308	213	(31%)
Sales, million eggs	826	1,585	92%
Export, million eggs	297	785	164%
Average sales price, UAH/egg	1.62	1.23	(24%)
Average sales price, USD/egg	0.061	0.046	(25%)
DRY EGG PRODUCTS			
Production, tonnes	3,600	2,378	(34%)
Sales, tonnes	3,433	2,282	(34%)
Export, tonnes	2,934	1,592	(46%)
Average sales price, USD/kg	3.70	3.84	4%

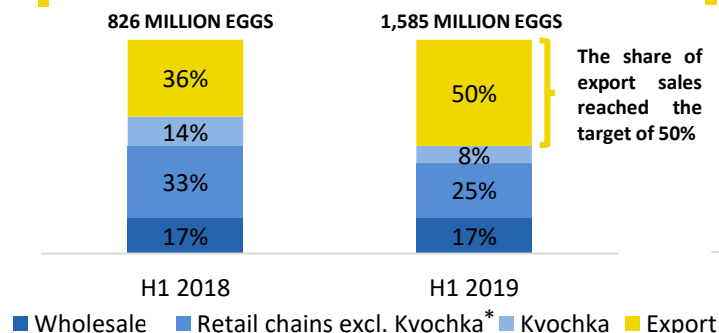
Sales of 'Kvochka' increased 12% YoY



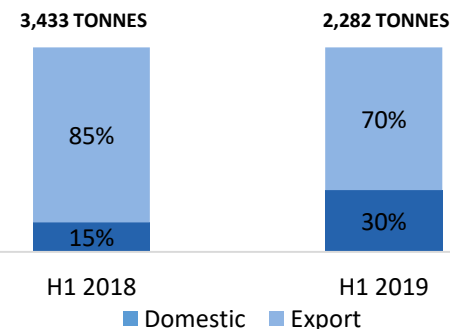
LAYING FLOCK, MILLION HENS



SHELL EGG SALES PROFILE BY VOLUME, %



EGG PRODUCT SALES PROFILE BY VOLUME, %



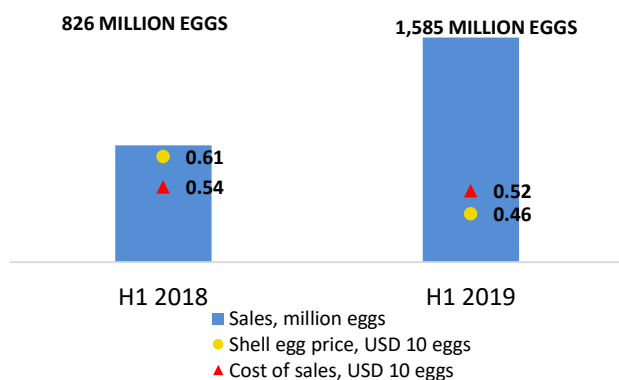
*Including direct sales to the traditional trade. In the reporting period, the Company began to distribute its shell eggs through the traditional trade channel directly to local retailers, corner stores and medium-size businesses

SALES PRICE AND COST OF SALES

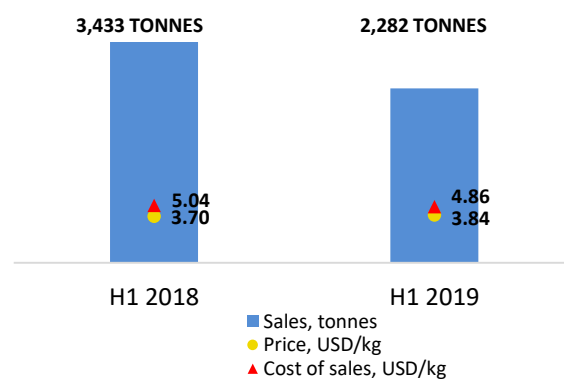
- In H1 2019, the average price for shell eggs dropped 24% YoY. The dip in shell egg price was largely attributable to the ample supply in both domestic and international markets
- The average sales price for dry products increased 4% YoY
- A YoY decrease in the cost per egg was related to lower prices for fuel and the key feed components (grain and oil crops)
- In H1 2019, the cost of feed accounted for 69% of total shell egg costs (H1 2018: 70%)
- Cost per 1 kg of egg product in US dollar terms fell 4% YoY dependent on cost per egg used for processing

	H1 2018	H1 2019	Change, YoY%
Average shell egg sales price, UAH/10 eggs	16.2	12.3	(24%)
Cost of egg, UAH/10 eggs	14.4	13.9	(3%)
Average shell egg sales price, USD/10 eggs	0.61	0.46	(25%)
Cost of egg, USD/ 10 eggs	0.54	0.52	(4%)
Average egg product sales price, USD/kg	3.70	3.84	4%
Cost of egg products, USD/kg	5.04	4.86	(4%)

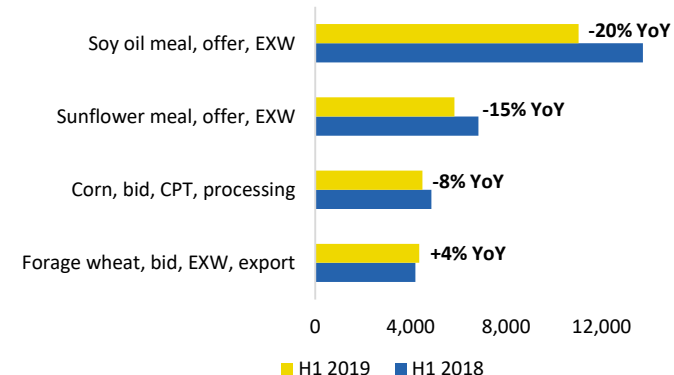
SHELL EGG SALES PRICE AND COST OF SALES DYNAMICS



EGG PRODUCT SALES PRICE AND COST OF SALES DYNAMICS



PRICE FOR THE KEY FEED COMPONENTS IN UKRAINE, UAH TONNE NET OF VAT



Source: APK Inform

INCOME STATEMENT HIGHLIGHTS

- In H1 2019, the consolidated revenue increased by 25% YoY to USD 84.8 million
- The cost of sales rose 51% YoY to USD 105.8 million due to the increase in the volume of shell egg sales
- The gross loss amounted to USD 65.0 million and includes loss from revaluation of biological assets at fair value of USD 44.1 million
- In H1 2019, the Company's net loss amounted to USD 110.9 million

USD'000 (unless otherwise stated)	H1 2018	H1 2019	%
CONSOLIDATED REVENUE	68,060	84,777	25%
COST OF SALES	(70,148)	(105,769)	51%
GROSS LOSS	(4,630)	(65,049)	-
NET LOSS	(36,266)	(110,885)	-

CONSOLIDATED REVENUE ROSE 25% YoY TO USD 84.8 MILLION:

Positive influence:

- 92% YoY increase in sales of shell eggs
- 4% YoY increase in the average sales price of dry egg products in US dollar terms

Negative influence:

- 24% YoY drop in the average sales price for shell eggs in the Ukrainian Hryvnia
- 34% YoY decrease in dry egg product sales volume
- Decreased revenue from the "Other Activities" Segment due to no sales of feed to third parties
- 0.7% YoY* depreciation of the Ukrainian Hryvnia against the US dollar

REVENUE BRIDGE, USD THOUSAND

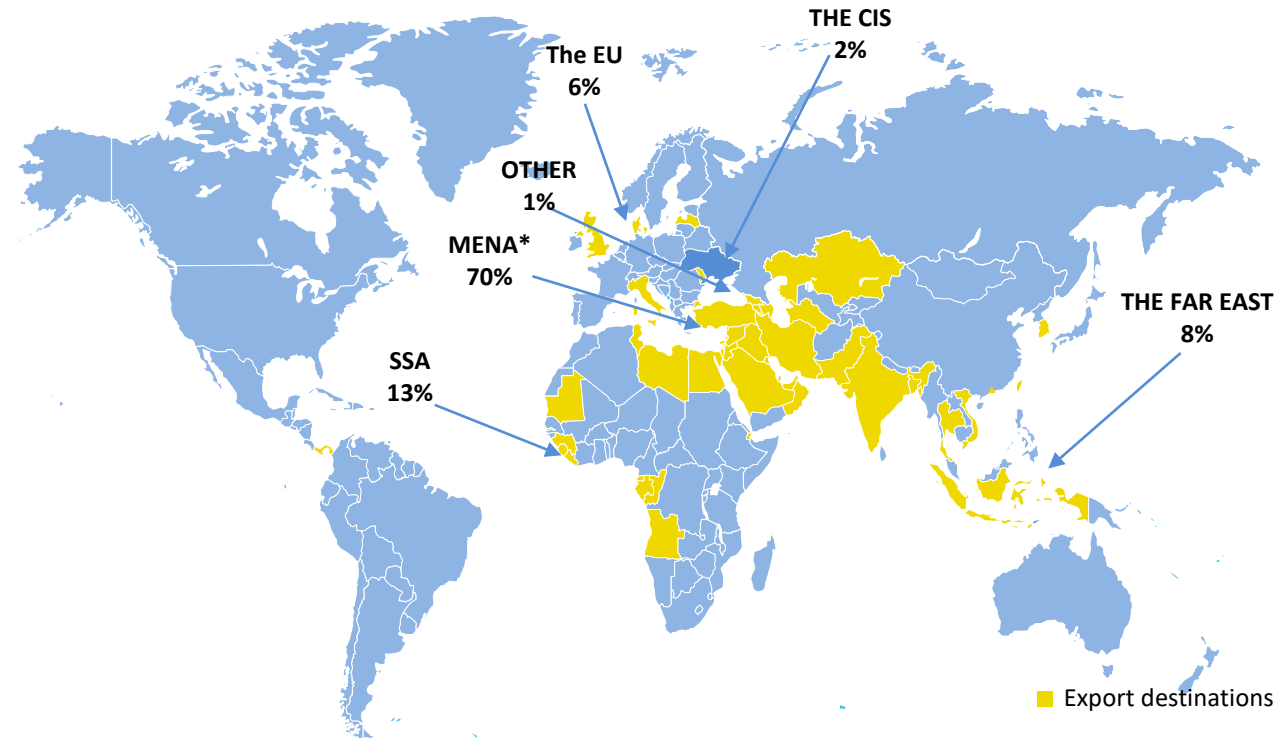


EXPORT REVENUE

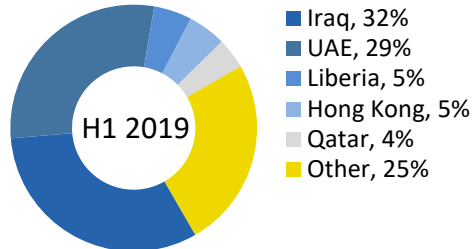
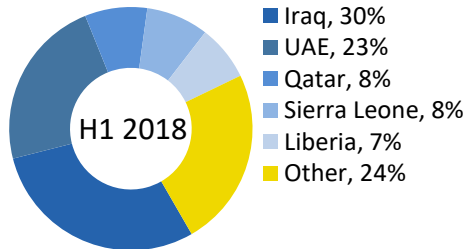
Pakistan

- In H1 2019, the Company's export revenues increased by 57% YoY to USD 44.8 million, driven by the increased export sales of shell eggs. The share of export revenue in the consolidated revenue reached the target of 53%
- Exports of shell eggs grew by 164% YoY to 785 million 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
- Export of dry egg products fell 46% YoY to 1,592 tonnes. This decline reflects softer 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 exported its products to 35 countries, with its primary export markets in the Middle East, Africa, Asia, the Far East and the CIS. Started exporting to Singapore, Slovakia, Lebanon and Tanzania

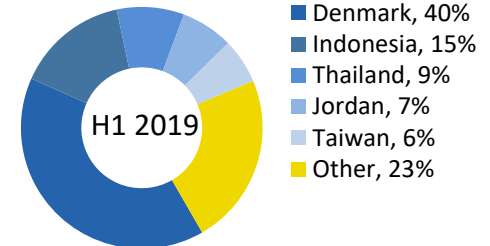
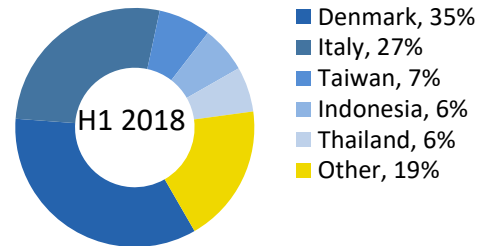
H1 2019 EXPORT BY REGION, % OF EXPORT REVENUE



SHELL EGG EXPORT BY REGION, % OF EGG EXPORT REVENUE



EGG PRODUCT EXPORT BY REGION, % OF EGG PRODUCT EXPORT REVENUE



KEY SEGMENT RESULTS

- Sales of shell eggs and dry egg products generated 95% of the consolidated revenue

SHELL EGG SEGMENT:

- Shell Egg segment's revenue increased by 44% YoY to USD 72.2 million as a result of the increased sales
- Gross loss amounted to USD 54.1 million and was attributed to the negative margin in the segment due to the higher cost of sales against the average sales price
- The segment's net loss totaled USD 102.0 million and included loss from revaluation of biological assets of USD 44.4 million

DRY EGG PRODUCT SEGMENT:

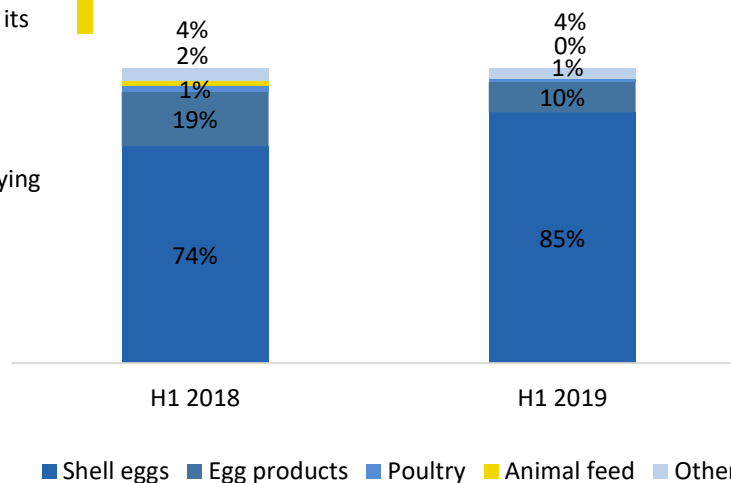
- The segment's revenue was down by 31% YoY to USD 8.8 million due to lower sales
- Gross loss was USD 2.3 million as the average sales price of 1 kg of egg product was lower than the cost of sales
- The segment's profit amounted to USD 4.1 million and includes financial income of USD 23.3 million from the derecognition of the Company's liability from Oschadbank, Ukraine's State Savings Bank, and recognition of a new restructured financial liability at its fair value

POULTRY SEGMENT:

- The segment's revenue fell by 24% YoY to USD 1.0 million due to lower sales
- In H1 2019, the Company exported its slaughtered laying hens to Liberia, Congo, Equatorial Guinea and Ghana

USD'000 (unless otherwise stated)	Shell eggs			Egg products		
	H1 2018	H1 2019	%	H1 2018	H1 2019	%
REVENUE	50,088	72,153	44%	12,698	8,756	(31%)
<i>Export, % of sales</i>	33%	53%	20 p.p.	92%	67%	(25 p.p.)
<i>Revenue, % of total sales</i>	74%	85%	11 p.p.	19%	10%	(9 p.p.)
GROSS PROFIT/(LOSS)	1,597	(54,093)	-	(4,615)	(2,347)	-
<i>Gross profit margin, %</i>	3%	-	-	-	-	-
OPERATING PROFIT/(LOSS)	23,049	(79,937)	-	1,224	(15,025)	-
<i>Operating profit margin, %</i>	46%	-	-	10%	-	-
NET PROFIT/(LOSS)	22,546	(102,042)	-	(9,110)	4,051	-
<i>Net profit margin, %</i>	45%	-	-	-	46%	-

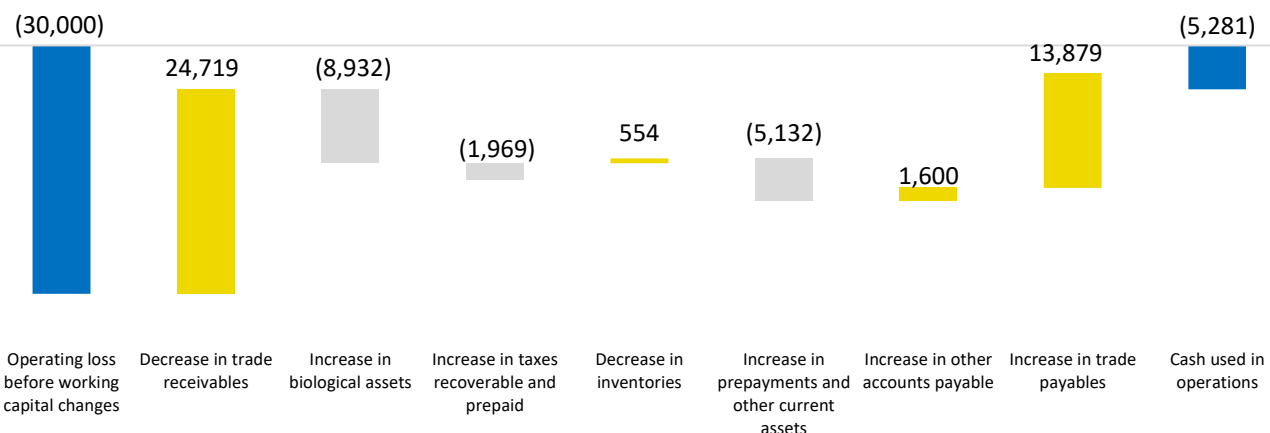
REVENUE BY SEGMENT, %



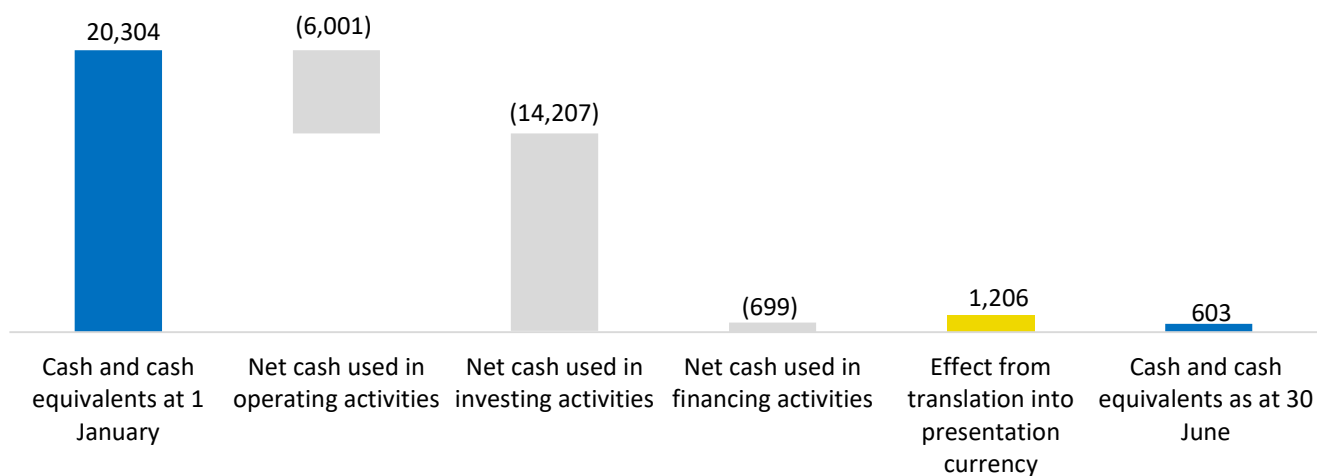
WORKING CAPITAL AND CASH FLOW

- As at 30 June 2019, net cash outflow from operating activities amounted to USD 6.0 million 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 USD 14.2 million as a result of increased maintenance capex
- Net cash used in financing activities was USD 0.7 million and was due to lease payments as well as interest payments on the recently restructured debt from Oschadbank
- Net cash outflow amounted to USD 20.9 million
- As at 30 June 2019, cash and cash equivalents amounted to USD 0.6 million

OPERATING PROFIT BEFORE NWC* TO NET CASH FROM OPERATIONS BRIDGE, USD THOUSAND



CASH FLOW, USD THOUSAND

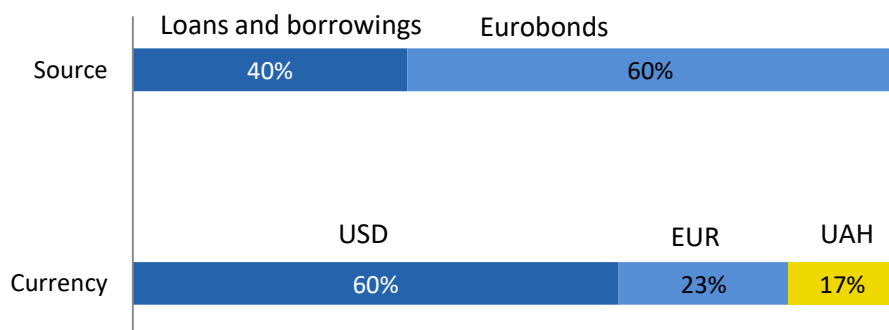


*Net working capital

DEBT STRUCTURE

- Total debt increased to USD 391.5 million
- 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 USD 390.9 million
- The debt portfolio mainly consists of Eurobonds that represent 60% of total debt
- 83% of total debt is USD and EUR denominated
- 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 USD 200,000,000 10.0% Notes due in 2018 (ISIN: XS0553088708). Further updates will be made as the restructuring develops

TOTAL DEBT STRUCTURE AS AT THE PERIOD END, %

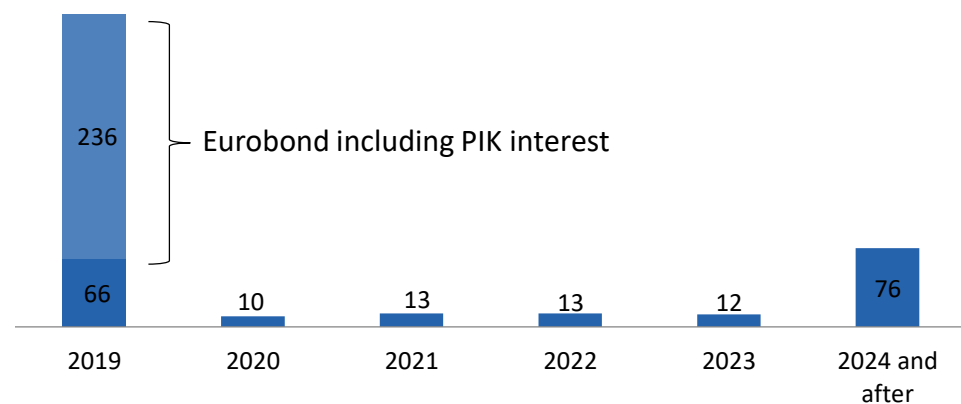


*Including interest

DEBT STRUCTURE AT FAIR VALUE, USD THOUSAND

	31.12.2018	30.06.2019
TOTAL DEBT	387,470	391,455
Long-term loans	320	65,296
Current portion of long-term debt	151,261	90,282
Bond liability	235,889	235,877
CASH AND CASH EQUIVALENTS	(20,305)	(603)
NET DEBT	367,165	390,852

LOAN PORTFOLIO SERVICING SCHEDULE, USD MILLION*





APPENDIX



BALANCE SHEET

USD'000	31.12.2018	30.06.2019	%
NON-CURRENT ASSETS	364,477	364,306	(0.05%)
Property, plant and equipment	325,805	345,816	
Non-current biological assets	30,316	8,435	
Deferred tax assets	8,259	5,472	
Right of use assets	-	4,480	
Other non-current assets	97	103	
CURRENT ASSETS	151,868	87,729	(42%)
Inventories	19,697	14,974	
Current biological assets	21,796	10,556	
Trade accounts receivable, net	54,484	29,711	
Prepaid income tax	55	69	
Prepayments and other current assets, net	16,731	9,897	
Taxes recoverable and prepaid	18,800	21,919	
Cash and cash equivalents	20,305	603	
TOTAL ASSETS	516,345	452,035	12%
TOTAL EQUITY	43,172	(49,626)	-
NON-CURRENT LIABILITIES	24,437	93,068	281%
CURRENT LIABILITIES	448,736	408,593	(9%)
Short-term bond liabilities	235,889	235,877	
Current portion of non-current liabilities	158,032	97,697	
Trade accounts payable	13,795	28,532	
Other payables	41,020	46,487	
TOTAL LIABILITIES	473,173	501,661	6%
TOTAL EQUITY AND LIABILITIES	516,345	452,035	(12%)
NET DEBT	367,165	390,852	6%

INCOME STATEMENT

USD'000	2018	H1 2018	H1 2019	YoY, %
REVENUE	169,878	68,060	84,777	25%
(Loss)/profit from revaluation of biological assets at fair value	9,843	(2,542)	(44,057)	
Cost of sales	(178,046)	(70,148)	(105,769)	
GROSS PROFIT/(LOSS)	1,675	(4,630)	(65,049)	-
General administrative expenses	(10,429)	(4,835)	(10,626)	
Distribution expenses	(10,215)	(4,307)	(7,322)	
Income from government grants and incentives	89	45	45	
Impairment loss on trade and other receivables, net	(9,185)	(2,630)	(14,057)	
Impairment of non-current assets	-	-	(6,757)	
Gain on derecognition of financial assets measured at amortised cost	11,929	-	-	
Other operating income/(expenses), net	205	(1,011)	(4,584)	
OPERATING PROFIT/LOSS	(15,931)	(17,368)	(108,350)	-
Financial income	1,199	702	2,042	
Financial expenses	(31,275)	(16,975)	(3,754)	
Gains/(losses) on exchange	(9,209)	(2,053)	2,098	
LOSS BEFORE TAX	(55,216)	(35,694)	(107,964)	-
Income tax credit	(578)	(572)	(2,921)	
LOSS FOR THE PERIOD	(55,794)	(36,266)	(110,885)	-

CASH FLOW STATEMENT

USD'000	H1 2018	H1 2019
LOSS BEFORE INCOME TAX	(35,694)	(107,964)
OPERATING PROFIT/ (LOSS) BEFORE WORKING CAPITAL CHANGES	5,449	(30,000)
Change in net working capital	5	24,719
Interest paid	(93)	(657)
Income tax paid	(45)	(63)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	5,316	(6,001)
Purchases of PP&E	(1,613)	(16,256)
Acquisition of subsidiary	-	(103)
Interest received	370	217
Proceed from sale of VAT government bonds	-	1,935
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	(1,243)	(14,207)
Repayment of loans	-	(498)
Payment of lease liabilities	-	(201)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	-	(699)
NET INCREASE/(DECREASE) IN CASH	4,073	(20,907)
Cash at the beginning of the year	18,242	20,304
Adjustments on initial application of IFRS 9 (net of tax)	(1,190)	-
Effects of translation into presentation currency	3,189	1,206
Cash at the end of the period	24,314	603