



## 2018 FINANCIAL RESULTS

05 April, 2019



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# MACRO AND MARKET OVERVIEW

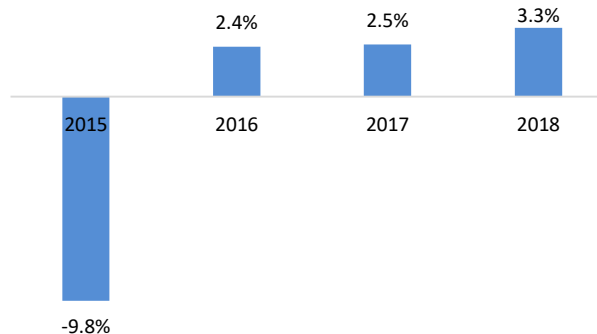


# MACROECONOMIC OVERVIEW

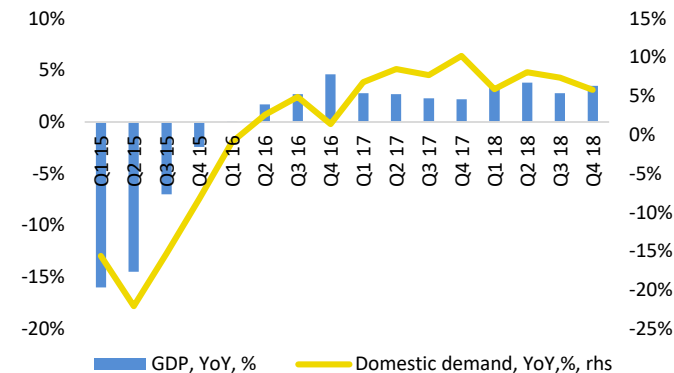
## IN 2018, UKRAINE'S ECONOMY CONTINUED TO RECOVER FROM THE 2014-2015 RECESSION:

- The Ukrainian authorities have been able to restore macro-economic stability and growth following the economic collapse of 2014–2015
- Ukraine's GDP growth accelerated to 3.3% YoY in 2018 (FY 2017: +2.5% YoY)
- Private consumption, which grew 8.9% YoY (FY2017: 9.5% YoY), was one of the key drivers of economic growth. Consumption growth was supported by strong growth in real wages, pension benefits and labor migrant remittances
- Inflation decelerated to 10.9% YoY in 2018 (FY2017: +14.4% YoY) and is expected to continue its downward path in 2019
- FX market was relatively stable as the Ukrainian Hryvnia depreciated just 2% YoY\*\* against the US dollar in 2018 following a 83% \*\* YoY drop in 2015
- Retail trade turnover decelerated to 6.1% YoY in Jan-Dec 2018 (Jan-Dec 2017: +6.5% YoY). Retail trade is also being maintained by high consumer demand and continuing growth of personal income (mostly wages)
- The current economic recovery is expected to continue. The IMF expects Ukraine's GDP to increase by 2.7% YoY and inflation of 7.3% YoY in 2019
- At the same time, the fund considers economic growth to be too low to recover the incomes lost during the crisis, whilst the business environment remains weak and external financing conditions have become tighter and more volatile

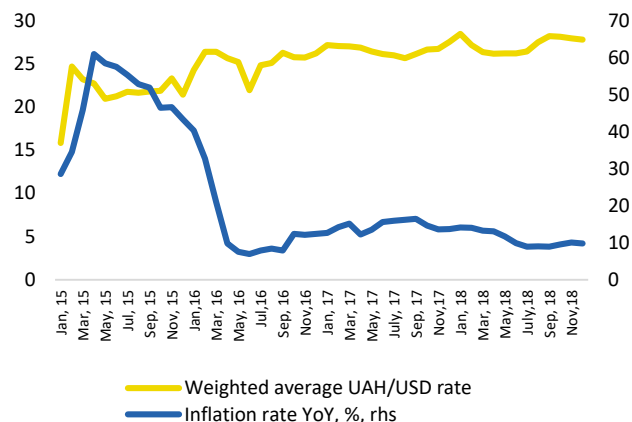
## CHANGE OF GDP IN CONSTANT 2010 PRICES YoY, %\*



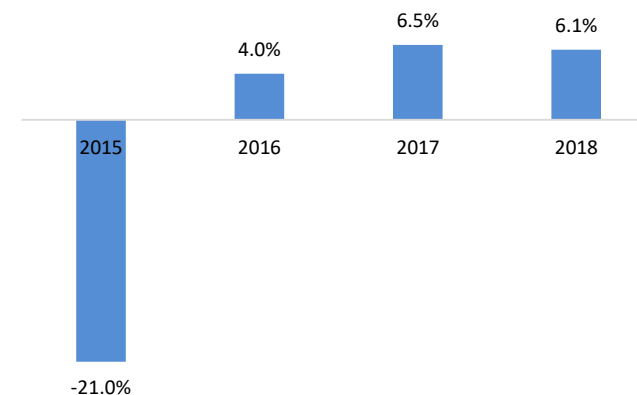
## GDP VS DOMESTIC DEMAND\*



## CPI\* AND UAH/USD EXCHANGE RATE



## CHANGE IN RETAIL TRADE TURNOVER IN COMPARABLE PRICES YoY, % \*



## AVERAGE FX UAH/USD

2014	2015	Δ	2015	2016	Δ	2016	2017	Δ	2017	2018	Δ
11.91	21.829	83%	21.829	25.546	17%	25.546	26.595	4%	26.595	27.202	2%

\*Excluding the Autonomous Republic of Crimea, the city of Sevastopol and the military conflict zone in Eastern Ukraine

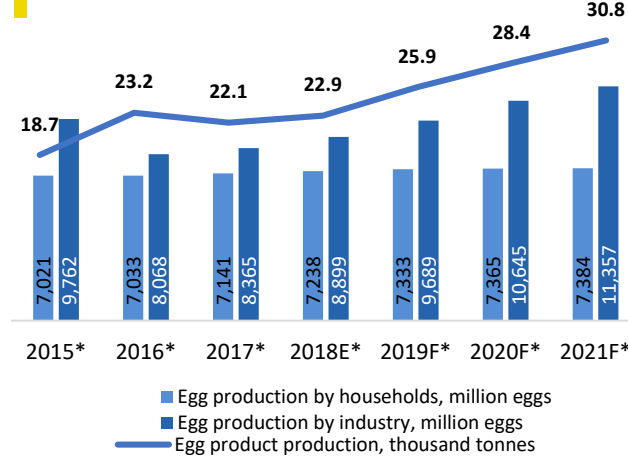
\*\*Calculated at weighted average rate for the period

Source: State Statistics Service of Ukraine, Pro-Consulting, IMF, Company data

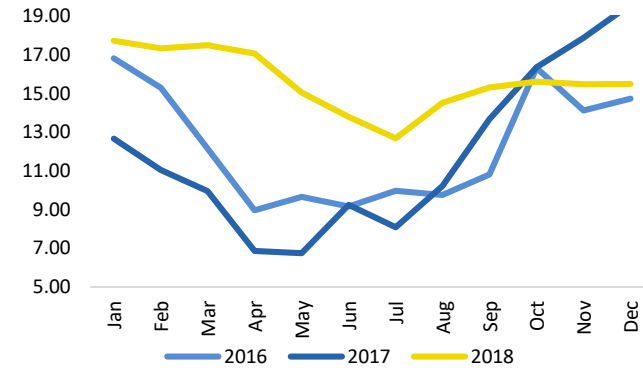
# DOMESTIC EGG AND EGG PRODUCT MARKET

- In 2018, shell egg production in Ukraine increased by 4.1% YoY to 16.1 billion eggs and was mainly a result of a 6.4% YoY increase in shell egg production by industry. 1.4% YoY increase in household production continues to be a result of a depressed purchasing power of population
- Recovery in shell egg production by industry was due to stronger exports, whilst domestic consumption remains rather low
- In 2018, export of shell eggs grew 20% YoY in volume terms, whilst export of egg products was up 57% YoY to 14,000 tonnes, including 7,843 tonnes of dry egg products and 6,178 tonnes of liquid egg products
- Domestic market price rebalanced as increased export sales helped to avoid significant seasonal price drops
- In 2018, the domestic price for shell eggs grew 32% YoY

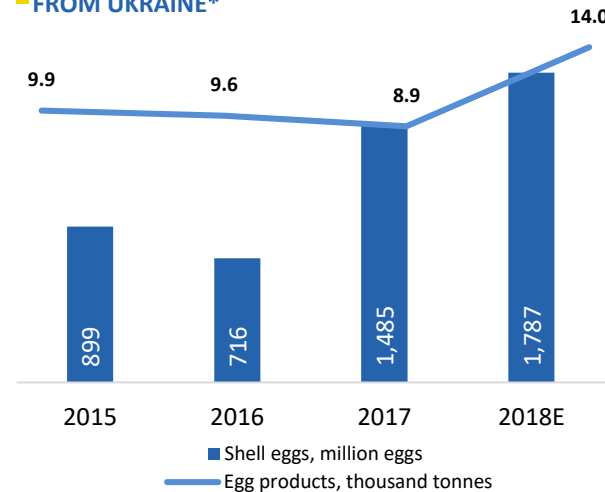
**EGG AND EGG PRODUCT PRODUCTION IN UKRAINE**



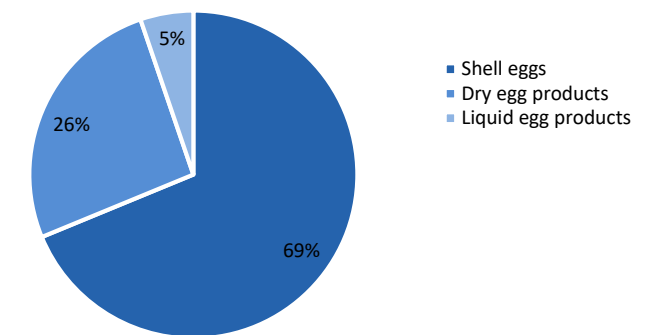
**SHELL EGG SALES PRICE TREND IN UKRAINE, UAH PER 10 EGGS NET OF VAT**



**EXPORT OF SHELL EGGS AND EGG PRODUCTS FROM UKRAINE\***



**BREAKDOWN OF EXPORT OF SHELL EGGS AND EGG PRODUCTS FROM UKRAINE IN EGG EQUIVALENT IN 2018, %**

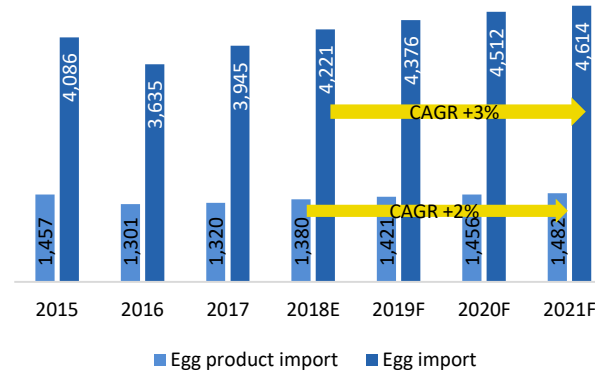


\*Excluding the Autonomous Republic of Crimea, the city of Sevastopol and military conflict zone  
Source: SSSU, Pro-consulting, Company data

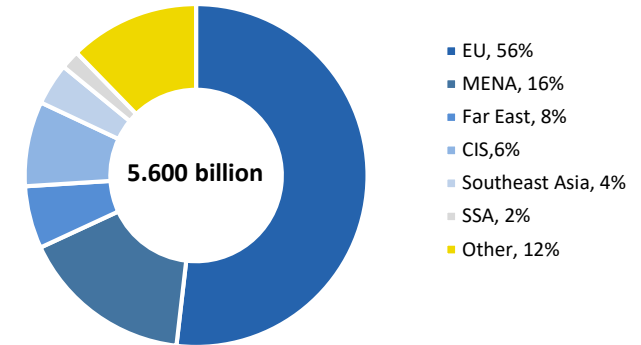
# WORLD EGG AND EGG PRODUCT MARKET

- In 2018, the global market environment for shell eggs and egg products remained favourable. The global import of eggs and egg products in monetary terms rose by 7.0% YoY and 4.5% YoY respectively
- MENA remains Ukraine's largest export market for shell eggs. In 2018, MENA increased its imports of shell eggs by 7.3% YoY. This growth was largely attributed to Iraq (up by 5% YoY and 49% of total imports in value terms) and Turkey (up by 22% YoY and 5% of total imports in value terms). Both Iraq and Turkey import Ukrainian shell eggs
- The key and most attractive region for Ukrainian egg products continue to be the EU. In 2018, the EU increased its imports of egg products by 3.6% YoY. This growth accounted for Germany (up by 16% YoY and 23% of total imports in value terms), France (up by 14% YoY and 10% of total imports in value terms) and Denmark (up by 43% YoY and 6% of total imports in value terms). Both Denmark and Germany are the importers of Ukrainian egg products
- MENA remains Ukraine's largest export destination for shell eggs and egg products. In 2018, MENA accounted for 68% of Ukrainian shell egg and egg product export revenue. The share of sales to the EU grew to 14% (2017: 10%)

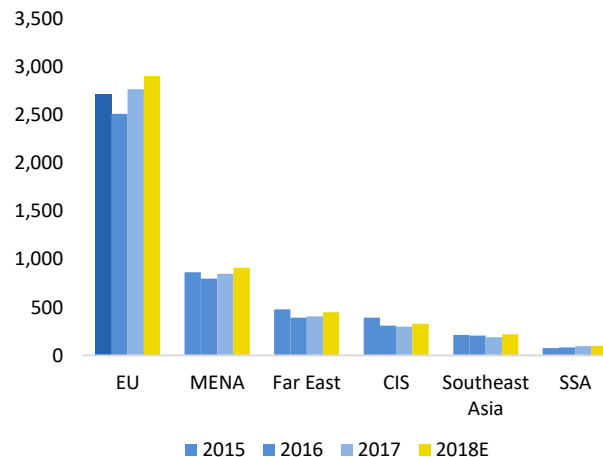
**WORLD IMPORT OF EGGS AND EGG PRODUCTS, USD MILLION**



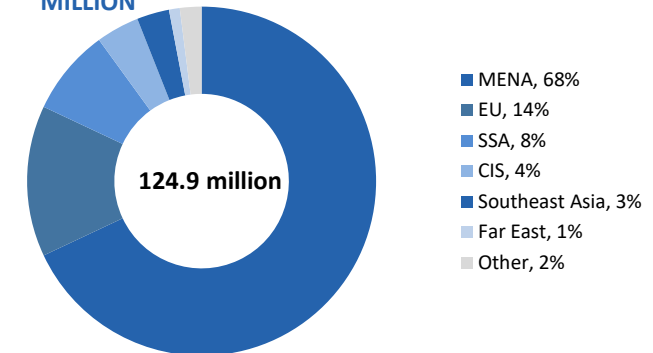
**BREAKDOWN OF WORLD IMPORT OF EGGS AND EGG PRODUCTS IN 2018E, USD MILLION**



**IMPORT OF EGGS AND EGG PRODUCTS IN THE KEY REGIONS, USD MILLION**



**BREAKDOWN OF EXPORT OF SHELL EGGS AND EGG PRODUCTS FROM UKRAINE BY REGION IN 2018, USD MILLION**





# AVANGARDCO PERFORMANCE

# OUTPUT AND SALES

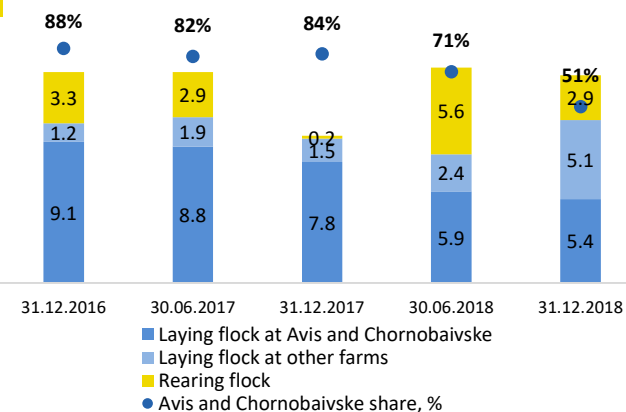
- As at 31 December 2018, the total poultry flock increased by 41% YoY. The Company increased its poultry flock in order to meet growing export demand. For the same reason, since the end of 2018, AVANGARDCO IPL has reopened some of its poultry farms, which were suspended throughout 2014 -2018 due to weak domestic demand and loss of sales markets in Crimea and Eastern Ukraine
- 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
- Sales of shell eggs increased due to the increase in export sales (More details on export on Slide 12)
- Sales of dry egg products more than tripled YoY due to higher sales to both export and domestic markets (More details on export on Slide 12)
- The share of dry egg product export sales fell to 51% of the total dry egg product sales as a result of the higher sales of inventories in the domestic market

	31.12.2017	31.12.2018	%
<b>POULTRY FLOCK</b>			
Total poultry flock, million heads, eop	9.5	<b>13.4</b>	41%
Laying hens, million heads, eop	9.3	<b>10.5</b>	13%
	2017	2018	%
<b>SHELL EGGS</b>			
Production, million eggs	2,399	<b>2,625</b>	9%
Processing, million eggs	542	<b>560</b>	3%
Sales, million eggs	1,869	<b>2,106</b>	13%
Export, million eggs	558	<b>822</b>	47%
Average sales price, UAH/egg	1.17	<b>1.56</b>	33%
Average sales price, USD/egg	0.044	<b>0.057</b>	30%
<b>DRY EGG PRODUCTS</b>			
Production, tonnes	6,368	<b>6,482</b>	2%
Sales, tonnes	3,264	<b>11,114</b>	241%
Export, tonnes	2,561	<b>5,708</b>	123%
Average sales price, USD/kg	4.30	<b>3.51</b>	(18%)

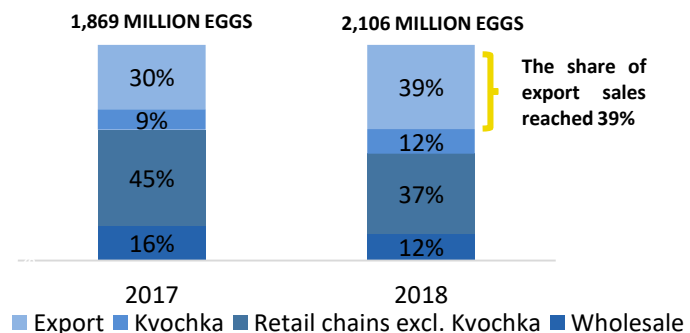
Sales of 'Kvochka' increased 36% YoY



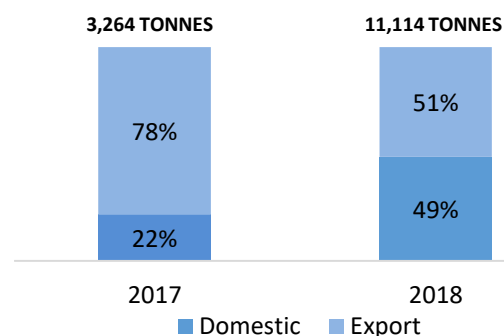
## LAYING FLOCK, MILLION HENS



## SHELL EGG SALES PROFILE BY VOLUME, %



## EGG PRODUCT SALES PROFILE BY VOLUME, %



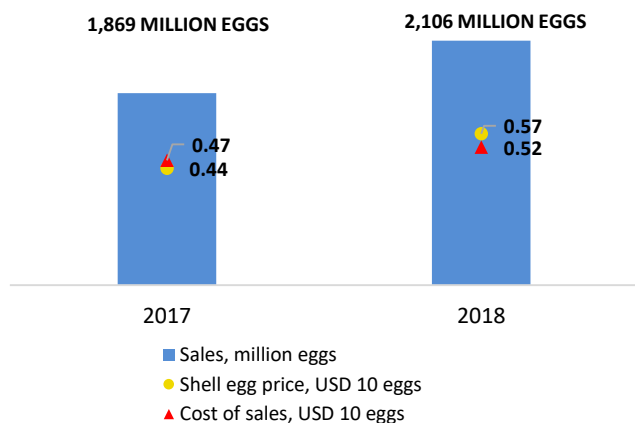


# SALES PRICE AND COST OF SALES

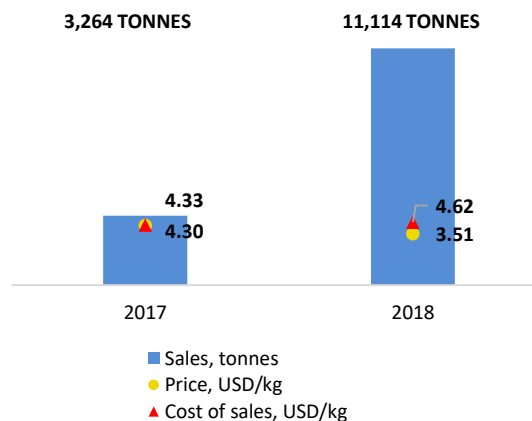
- In 2018, the price for shell eggs rose 33% YoY driven by favourable domestic market conditions and the absence of trade bans preventing export sales
- The average sales price for dry products decreased 18% YoY as the Company sold most of its inventories of dry egg products in the domestic market at lower prices
- A YoY increase in the cost per egg was related to the increased domestic costs of key feed components (grain and oil crops) as well as increased costs of packaging materials associated with growing export sales and sales of the 'Kvochka' packaged eggs
- In 2018, the cost of feed accounted for 71% of total shell egg costs (2017: 67%)
- Cost per 1 kg of egg product in US dollar terms rose 7% YoY dependent on cost per egg used for processing

	2017	2018	Change, YoY%
Average shell egg sales price, UAH/10 eggs	11.7	<b>15.6</b>	33%
Cost of egg, UAH/10 eggs	12.5	<b>14.2</b>	14%
Average shell egg sales price, USD/10 eggs	0.44	<b>0.57</b>	30%
Cost of egg, USD/ 10 eggs	0.47	<b>0.52</b>	11%
Average egg product sales price, USD/kg	4.30	<b>3.51</b>	(18%)
Cost of egg products, USD/kg	4.33	<b>4.62</b>	7%

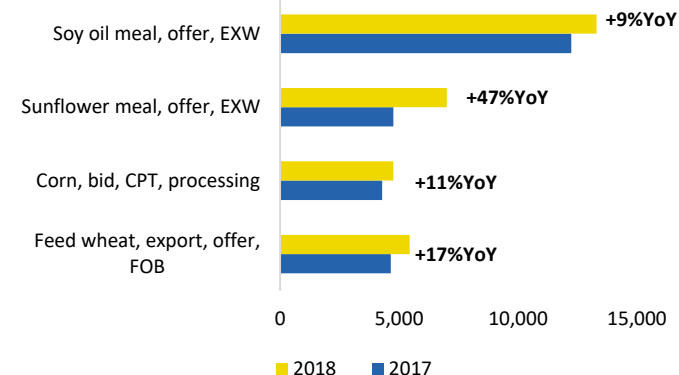
## SHELL EGG SALES PRICE AND COST OF SALES DYNAMICS



## 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 2018, the consolidated revenue increased by 33% YoY to USD 169.9 million. (More details on Revenue and EBITDA on Slide 11)
- The cost of sales rose 32% YoY to USD 178.0 million due to the increased sales and the higher costs of its main components (grain and oil crops, packaging materials)
- The gross profit amounted to USD 1.7 million. Income from revaluation of biological assets at fair value of USD 9.8 million had a positive impact on the Company's financial results
- The loss from operating activities totaled USD 15.9 million. In addition to the factors mentioned above, the loss was a result of the higher general, administrative and distribution expenses due to increased sales as well as no income from government grants and incentives in the reporting period (2017: USD 19.2 million).
- Negative EBITDA was USD 0.9 million
- In 2018, the Company's net loss amounted to USD 55.8 million

USD'000 (unless otherwise stated)	2017	2018	%
<b>CONSOLIDATED REVENUE</b>	127,887	<b>169,878</b>	33%
<b>GROSS PROFIT/(LOSS)</b>	(10,137)	<b>1,675</b>	-
<b>GROSS PROFIT MARGIN</b>	-	<b>1%</b>	-
<b>OPERATING LOSS</b>	(3,792)	<b>(15,931)</b>	-
<b>EBITDA</b>	11,757	<b>(898)</b>	-
<b>EBITDA MARGIN</b>	9%	-	-
<b>NET LOSS</b>	(7,469)	<b>(55,794)</b>	-

# REVENUE AND EBITDA

**CONSOLIDATED REVENUE ROSE 33% YoY TO USD 169.9 MILLION:**

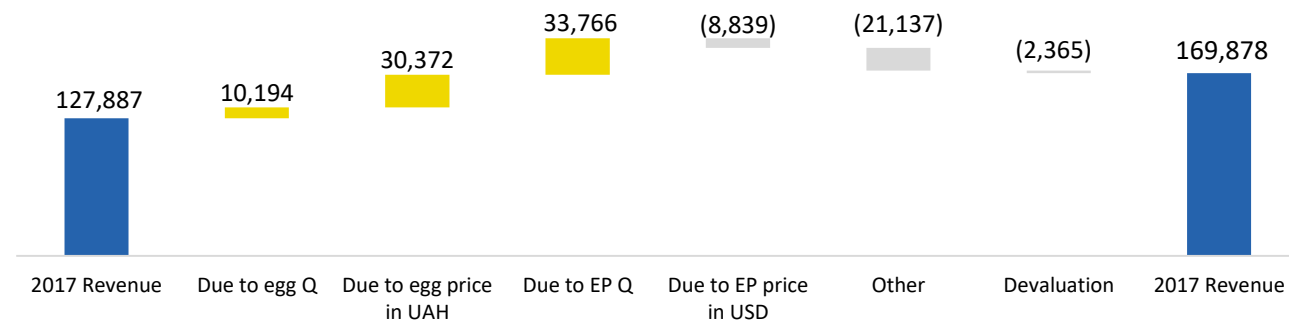
**Positive influence:**

- 13% YoY increase in sales of shell eggs
- 33% YoY surge in the average sales price for shell eggs in the Ukrainian Hryvnia
- 241% YoY increase in dry egg product sales

**Negative influence:**

- 18% YoY decline in the average sales price of dry egg products in US dollar terms
- Decreased revenue from the Other Activities Segment due to reduction of grain trading operations.
- 2% YoY\* depreciation of the Ukrainian Hryvnia against the US dollar

**REVENUE BRIDGE, USD THOUSAND**



**NEGATIVE EBITDA OF USD 0.9 MILLION RESULTED FROM:**

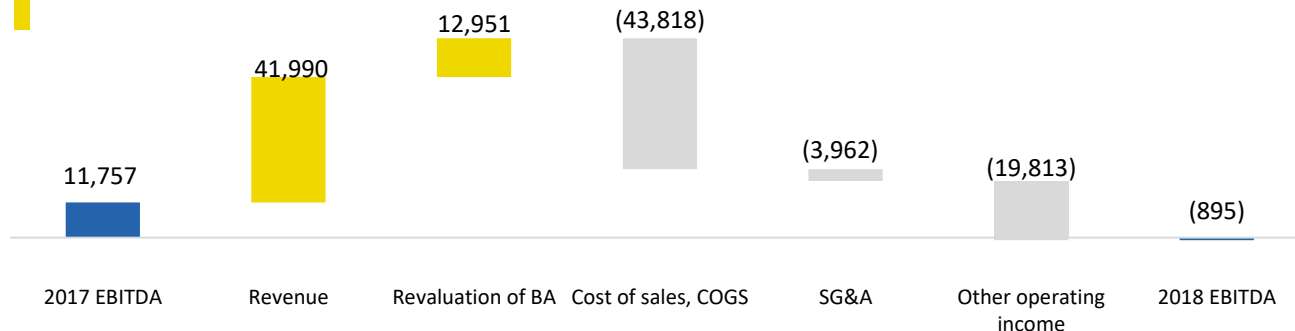
**Positive influence:**

- 33% YoY increase in consolidated revenue
- Income from revaluation of biological assets at fair value of USD 9.8 million

**Negative influence:**

- Increase in the cost of sales by 32% YoY
- Increase in SG&A expenses by 24% due to higher sales as well as utility tariffs, transportation costs etc
- Decrease in other operating income due to no income from government grants and incentives in the reporting period (2017: USD 19.2 million)

**EBITDA BRIDGE, USD THOUSAND**



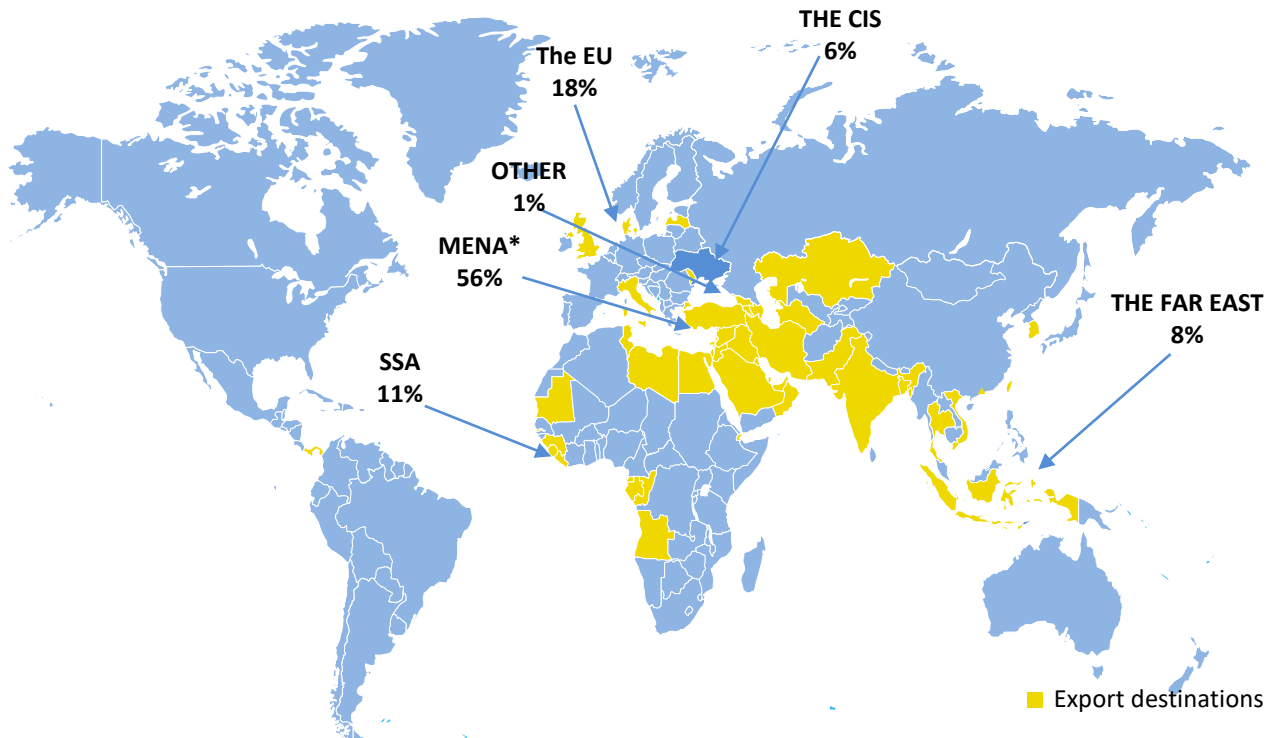
Source: Company data, NBU

\* Calculated at weighted average rate for the period, slide 4

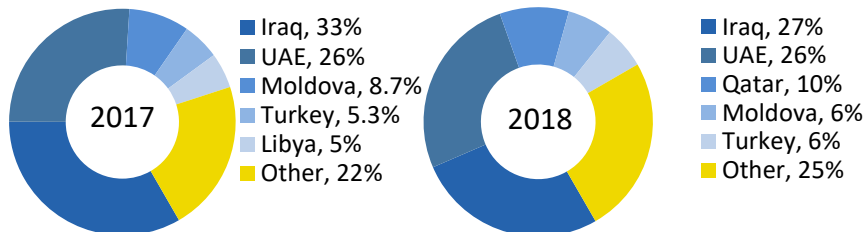
# EXPORT REVENUE

- In 2018, the Company's export revenues increased by 74% YoY to USD 66.1 million, driven by increased export sales of both shell eggs and dry egg products and the higher export price for shell eggs. The share of export revenue in the consolidated revenue reached 39%
- Exports of shell eggs grew by 47% YoY to 822 million units benefiting from the greater diversification of its sales destinations and increased sales to key markets for the Company: Iraq, the UAE, Qatar, Liberia, Turkey and Moldova. Another reason is a growing recognition of Ukraine as a large and reliable supplier of high quality and safe shell eggs and egg products globally
- In 2018, export of dry egg products rose 123% YoY to 5,708 tonnes as a result of a recovery of sales to the EU, the Far East and Middle East
- 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. Started exporting to the Gabonese Republic and India

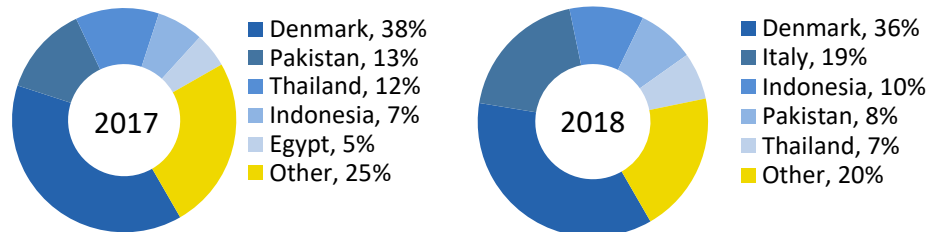
2018 EXPORT BY REGION, % OF EXPORT REVENUE



SHELL EGG EXPORT BY REGION, % OF EGG EXPORT REVENUE



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



\*Including Turkey and Pakistan

# KEY SEGMENT RESULTS

- Sales of shell eggs and dry egg products generated 94% of consolidated revenue

## SHELL EGG SEGMENT:

- Shell Egg segment's revenue increased by 47% YoY to USD 120.8 million as a result of the increased export sales and an increase in the average sales price
- Gross profit amounted to USD 16.9 million
- The segment's net profit totaled USD 15.2 million

## DRY EGG PRODUCT SEGMENT:

- The segment's revenue was up by 178% YoY to USD 39.0 million due to the increased sales
- Gross loss was USD 12.4 million as the average sales price of 1 kg of egg product was lower than the cost of sales
- The segment's loss amounted to USD 28.7 million

## POULTRY SEGMENT:

- The segment's revenue fell by 72% YoY to USD 4.8 million. The poultry sales in 2017 were higher due to extensive flock replenishment which was not the case in 2018
- In 2018, the Company started exporting slaughtered laying hens to foreign markets

## ANIMAL FEED SEGMENT:

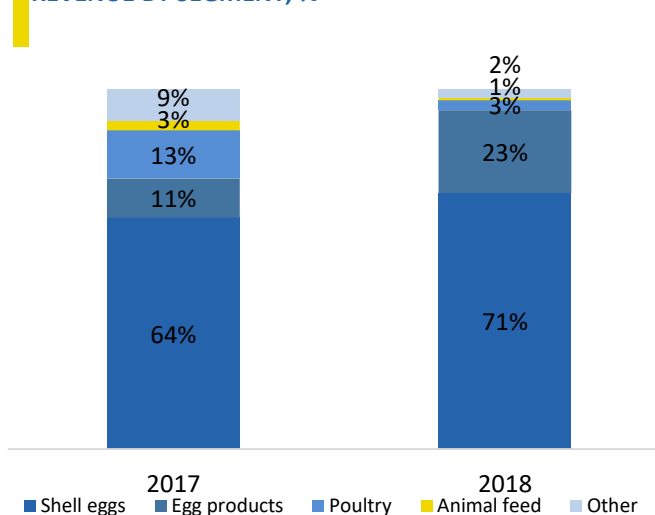
- The segment's revenue fell by 65% YoY to USD 1.2 million

## OTHER ACTIVITIES SEGMENT:

- The segment's revenue fell by 64% YoY to USD 4.1 million following a reduction in grain trading operations

USD'000 (unless otherwise stated)	Shell eggs			Egg products		
	2017	2018	%	2017	2018	%
<b>REVENUE</b>	82,125	<b>120,837</b>	47%	14,042	<b>38,970</b>	178%
<i>Export, % of sales</i>	30%	<b>36%</b>	6 p.p.	88%	<b>55%</b>	(33 p.p.)
<i>Revenue, % of total sales</i>	64%	<b>71%</b>	7 p.p.	11%	<b>23%</b>	12 p.p.
<b>GROSS PROFIT/(LOSS)</b>	(3,701)	<b>16,852</b>	-	(97)	<b>(12,418)</b>	-
<i>Gross profit margin, %</i>	-	<b>14%</b>	-	-	-	-
<b>OPERATING PROFIT/(LOSS)</b>	6,783	<b>15,275</b>	-	2,426	<b>(22,525)</b>	-
<i>Operating profit margin, %</i>	8%	<b>13%</b>	5 p.p.	17%	-	-
<b>NET PROFIT/(LOSS)</b>	6,970	<b>15,177</b>	118%	914	<b>(28,738)</b>	-
<i>Net profit margin, %</i>	8%	<b>13%</b>	5 p.p.	7%	-	-

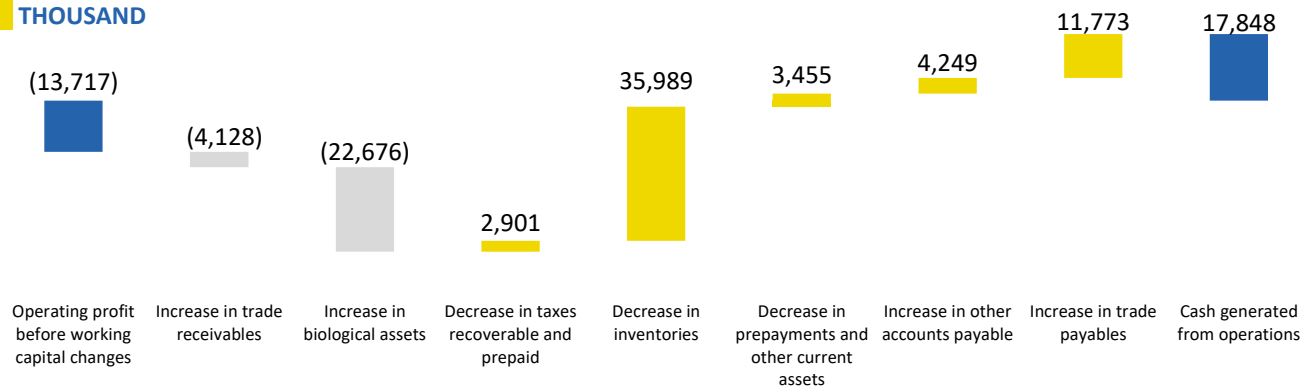
REVENUE BY SEGMENT, %



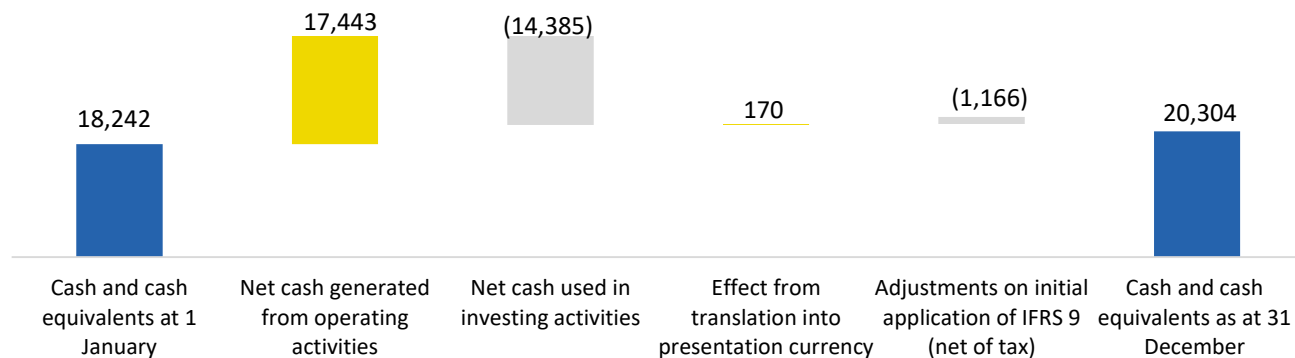
# WORKING CAPITAL AND CASH FLOW

- As at 31 December 2018, net cash generated from operating activities amounted to USD 17.4 million. Increase in cash generated from operations was largely due to sales of dry egg product inventories
- Net cash used in investing activities increased and was USD 14.4 million driven by the recommissioning of several poultry farms previously suspended due to demand contraction
- In the reporting period, there was no cash used/generated from financing activities
- Net cash inflow amounted to USD 3.1 million
- Cash and cash equivalents amounted to USD 20.3 million

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



## CASH FLOW, USD THOUSAND

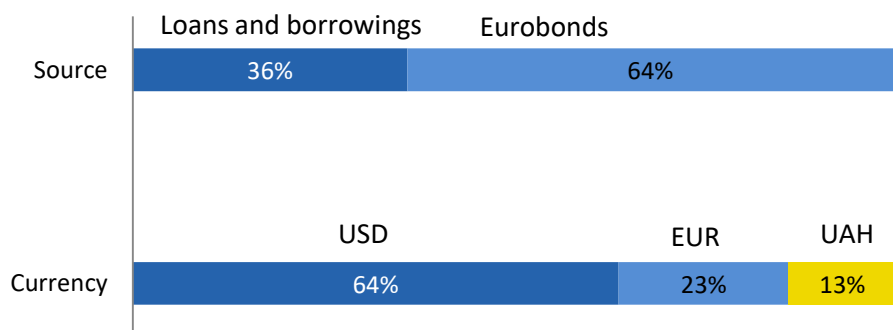


\*Net working capital

# DEBT STRUCTURE

- Total debt was USD 367.4 million as a result of PIK payment accumulation
- Net debt was USD 347.1 million
- The debt portfolio mainly consists of Eurobonds that represent 64% of total debt
- 87% 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
- On February 2019, AVANGARDCO IPL completed its debt restructuring with Oschadbank, Ukraine's State Savings Bank, following negotiations over the past year. As a result of the restructuring deal, debt maturity was extended to 2032. The companies have also agreed to significantly lower interest rate and shift a major part of debt repayment to the second half of repayment period

## TOTAL DEBT STRUCTURE AS AT THE PERIOD END, %

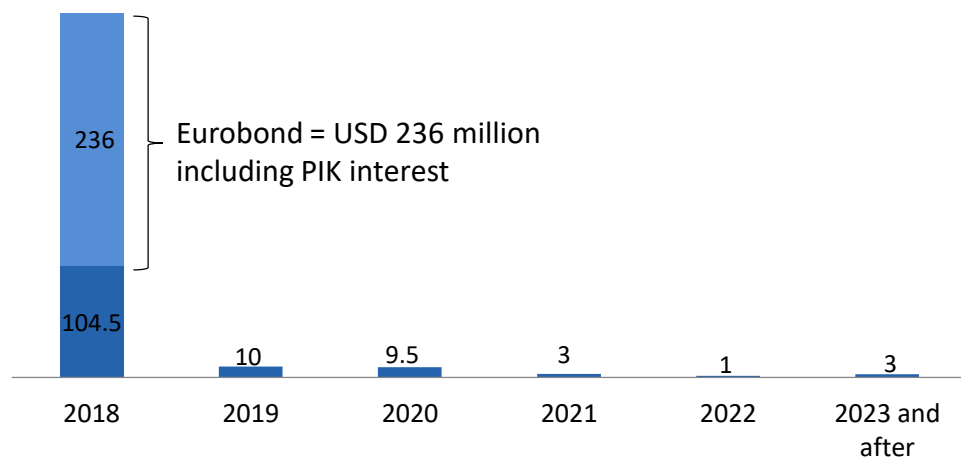


\*Excluding interest

## DEBT STRUCTURE, USD THOUSAND

	31.12.2017	31.12.2018
<b>TOTAL DEBT</b>	366,035	<b>367,427</b>
Long-term loans	42,750	<b>320</b>
Current portion of long-term debt	91,673	<b>131,218</b>
Bond liability	231,612	<b>235,889</b>
<b>CASH AND CASH EQUIVALENTS</b>	18,242	<b>20,305</b>
<b>NET DEBT</b>	347,793	<b>347,122</b>

## LOAN PORTFOLIO SERVICING SCHEDULE, USD MILLION\*





# APPENDIX





# BALANCE SHEET

USD'000	31.12.2017	31.12.2018	%
<b>NON-CURRENT ASSETS</b>	<b>349,879</b>	<b>364,477</b>	4%
Property, plant and equipment	334,640	325,805	
Non-current biological assets	3,732	30,316	
Deferred tax assets	8,662	8,259	
Investments measured at amortised cost	2,840	-	
Other non-current assets	5	97	
<b>CURRENT ASSETS</b>	<b>162,902</b>	<b>151,868</b>	(7%)
Inventories	56,301	19,697	
Current biological assets	16,160	21,796	
Trade accounts receivable, net	45,376	54,484	
Prepaid income tax	35	55	
Prepayments and other current assets, net	8,939	16,731	
Taxes recoverable and prepaid	17,849	18,800	
Cash and cash equivalents	18,242	20,305	
<b>TOTAL ASSETS</b>	<b>512,781</b>	<b>516,345</b>	0.7%
<b>TOTAL EQUITY</b>	<b>84,521</b>	<b>43,172</b>	(49%)
<b>NON-CURRENT LIABILITIES</b>	<b>73,602</b>	<b>24,437</b>	(67%)
<b>CURRENT LIABILITIES</b>	<b>354,658</b>	<b>448,736</b>	27%
Short-term bond liabilities	231,612	235,889	
Current portion of non-current liabilities	91,760	137,990	
Trade accounts payable	2,298	13,795	
Other payables	28,988	61,062	
<b>TOTAL LIABILITIES</b>	<b>428,260</b>	<b>473,173</b>	10%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>512,781</b>	<b>516,345</b>	0.7%
<b>NET DEBT</b>	<b>347,793</b>	<b>347,122</b>	(0.2%)

# INCOME STATEMENT

USD'000	2017	2018	YoY, %
<b>REVENUE</b>	<b>127,887</b>	<b>169,878</b>	<b>33%</b>
(Loss)/profit from revaluation of biological assets at fair value	(3,108)	9,843	
Cost of sales	(134,916)	(178,046)	
<b>GROSS PROFIT/(LOSS)</b>	<b>(10,137)</b>	<b>1,675</b>	<b>-</b>
General administrative expenses	(8,955)	(10,429)	
Distribution expenses	(7,746)	(10,215)	
Income from government grants and incentives	19,242	89	
Impairment loss on trade and other receivables, net	4,488	(9,185)	
Gain on derecognition of financial assets measured at amortised cost	-	11,929	
Other operating income/(expenses), net	(684)	205	
<b>OPERATING PROFIT/LOSS</b>	<b>(3,792)</b>	<b>(15,931)</b>	<b>-</b>
Financial income	1,982	1,199	
Financial expenses	(33,699)	(31,275)	
Gains/(losses) on exchange	24,729	(9,209)	
<b>LOSS BEFORE TAX</b>	<b>(10,780)</b>	<b>(55,216)</b>	<b>-</b>
Income tax credit	3,311	(578)	
<b>LOSS FOR THE PERIOD</b>	<b>(7,469)</b>	<b>(55,794)</b>	<b>-</b>
<b>EBITDA</b>	<b>11,757</b>	<b>(898)</b>	<b>-</b>
EBITDA margin	9%	-	-

# CASH FLOW STATEMENT

USD'000	2017	2018
<b>LOSS BEFORE INCOME TAX</b>	<b>(10,780)</b>	<b>(55,216)</b>
<b>OPERATING PROFIT/ (LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>858</b>	<b>(13,717)</b>
Change in net working capital	7,023	31,565
Interest paid	(3,504)	(332)
Income tax paid	(19)	(73)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>4,357</b>	<b>17,443</b>
Purchases of PP&E	(1,585)	(15,022)
Interest received	1,032	637
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(553)</b>	<b>(14,385)</b>
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>3,804</b>	<b>3,057</b>
Cash at the beginning of the year	12,570	18,242
Adjustments on initial application of IFRS 9 (net of tax)	-	(1,166)
Effects of translation into presentation currency	1,868	170
Cash at the end of the period	18,242	20,304