



April 05, 2019

AVANGARDCO INVESTMENTS PUBLIC LIMITED

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 consolidated audited IFRS financial results for the year ended 31 December 2018.

2018 Financial Highlights

- Consolidated revenue amounted to US\$169.9 mln, an increase of 33% YoY (2017: US\$127.9 mln).
- Export revenue amounted to US\$66.1 mln, or 39% of the Company’s consolidated revenue (2017: US\$37.9 mln, or 30% of the Company’s consolidated revenue).
- Gross profit amounted to US\$1.7 mln (2017: gross loss of US\$10.1 mln).
- Operating loss was US\$15.9 mln (2017: operating loss of US\$3.8 mln).
- Negative EBITDA was US\$0.9 mln (2017: positive EBITDA of US\$11.8 mln).
- Net loss amounted to US\$55.8 mln (2017: net loss of US\$7.5 mln).

2018 Operational Highlights

- Production of shell eggs totalled 2,625 mln units, up by 9% YoY (2017: 2,399 mln units).
- Sales of shell eggs amounted to 2,106 mln units, up by 13% YoY (2017: 1,869 mln units).
- Export of shell eggs amounted to 822 mln units, up by 47% YoY (2017: 558 mln units).
- The average sales price of shell eggs was UAH1.56 per unit, excluding VAT, up by 33% YoY (2017: UAH1.17 per unit, excluding VAT).
- The average sales price of shell eggs in US dollar terms was US\$0.057 per unit, excluding VAT, up by 30% YoY (2017: US\$0.044 per unit, excluding VAT).
- The production of dry egg products amounted to 6,482 tonnes, up by 2% YoY (2017: 6,368 tonnes).
- Sales of dry egg products more than tripled YoY to 11,114 tonnes (2017: 3,264 tonnes).
- Exports of dry egg products doubled YoY to 5,708 tonnes (2017: 2,561 tonnes).
- The average sales price of dry egg products was US\$3.51/kg, down by 18% YoY (2017: US\$4.30/kg).
- As at 31 December 2018, the total poultry flock amounted to 13.4 mln hens, up by 41% YoY (31 December 2017: 9.5 mln hens).
- As at 31 December 2018, the number of laying hens amounted to 10.5 mln hens, up by 13% YoY (31 December 2017: 9.3 mln hens).

Post-period highlights:

Restructuring deal with Oschadbank: 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 the repayment period.

Important events:

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>

Recovery of previously impaired assets: In 2018, AVANGARDCO IPL resumed operations and recovered assets of the poultry farm Bakhmutska (Interbusiness) in the amount of US\$1.8 mln, which were impaired in 2014 due to the military conflict in Eastern Ukraine. The poultry farm Bakhmutska is located in the village of Berestove in the Donetsk region controlled by Ukraine.

AVANGARDCO's production facilities in the occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and the Donetsk and Luhansk regions remain suspended.

AVANGARDCO IPL receives Halal certification for shell eggs: On February 2019, AVANGARDCO IPL has certified its production of shell eggs at the Avis and Chornobaivske poultry complexes to comply with the Halal requirements. The Company has had its egg products Halal certified since 2009.

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

“In 2018, the business environment remained broadly favourable both domestically and internationally. AVANGARDCO IPL increased its export of shell eggs by 47% YoY to 822 million units and doubled YoY its export of dry egg products to 5,708 tonnes. In the reporting period, the share of export sales reached 39% of the consolidated revenues. This growth in the Company's exports was driven by significant demand for our products globally. Currently, Ukraine is one of the world's largest exporters of shell eggs and egg products, with a notable contribution from AVANGARDCO IPL, the leading producer of shell eggs and dry egg products in Ukraine.

Domestically, AVANGARDCO IPL remained focused on increasing sales through high-margin retail chains. The Company was particularly successful in increasing sales of Kvochka branded products, which grew 36% YoY.

In the dry egg product segment, we managed to restore our sales after trade bans imposed in 2017 were lifted, whilst further diversifying the geography of exports and expanding our customer base. In order to acquire new customers, we have also expanded our product portfolio to include egg products with salt and sugar as additives and liquid egg melange. We plan to sell liquid egg products largely in Ukraine starting from 2019.

In addition, in 2018, the Company began implementing new steps to expand its global outreach and started exporting slaughtered laying hens to 6 foreign markets.

Going forward, we will continue to focus on improving the Company's operational profitability whilst further pursuing our sales expansion strategy. 2019 is a crucial year for us, as the Company continues negotiations with its creditors regarding the restructuring of its debt obligations with an aim of finding a mutually beneficial and timely solution, which will ensure the Company's financial stability.”

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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 year ended 31 December 2018 will be available on the Company's website at: <http://avangardco.ua/en/investor-relations/data-book/annual-reports/annual-reports/>

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Financial results overview:

	Units	2018	2017	Change
Consolidated Revenue	US\$ '000	169,878	127,887	33%
Gross Profit/(Loss)	US\$ '000	1,675	(10,137)	-
<i>Gross Profit Margin</i>	%	1%	-	-
Operating Loss	US\$ '000	(15,931)	(3,792)	-
EBITDA	US\$ '000	(898)	11,757	-
<i>EBITDA Margin</i>	%	-	9%	-

Net Loss	US\$ '000	(55,794)	(7,469)	-
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The exchange rates used for the preparation of consolidated financial statements:

Currency	31 December 2018	Weighted average for the year ended 31 December 2018	31 December 2017	Weighted average for the year ended 31 December 2017
US dollar to Ukrainian Hryvnia	27.688	27.202	28.067	26.595

In 2018, the Company's consolidated revenue increased by 33% YoY to US\$169.9 mln (2017: US\$127.9 mln). This was due to the increase in sales of shell eggs and dry egg products and the higher average sales price for shell eggs.

In 2018, the Company's export revenues increased by 74% YoY to US\$66.1 mln (2017: US\$37.9 mln), 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% (2017: 30%).

In 2018, the cost of sales rose by 32% YoY to US\$178.0 mln (2017: US\$134.9 mln) due to the increased sales and the higher costs of its components (grain and oil crops, packaging materials).

The gross profit amounted to US\$1.7 mln (2017: gross loss of US\$10.1 mln). Income from revaluation of biological assets at fair value of US\$9.8 mln had a positive impact on the Company's financial results.

In 2018, the loss from operating activities was US\$15.9 mln (2017: operating loss of US\$3.8 mln). 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: US\$19.2 mln).

Negative EBITDA was US\$0.9 mln (2017: positive EBITDA of US\$11.8 mln) largely due to high cost of sales.

In 2018, the Company's net loss amounted to US\$55.8 mln (2017: net loss of US\$7.5 mln).

Cash flow and debt structure:

As at 31 December 2018, net cash generated from operating activities amounted to US\$17.4 mln (31 December 2017: net cash generated from operating activities of US\$4.4 mln).

Net cash used in investing activities increased and amounted to US\$14.4 mln (31 December 2017: net cash used in investing activities of US\$0.6 mln), driven by the recommissioning of several poultry farms previously suspended due to demand contraction.

In 2018 and 2017, there was no cash used/generated from financing activities.

As a result, net cash inflow amounted to US\$3.1 mln (31 December 2017: net cash inflow of US\$3.8 mln).

Cash and cash equivalents amounted to US\$20.3 mln (31 December 2017: US\$18.2 mln).

As at 31 December 2018, the Company's total debt amounted to US\$367.4 mln (31 December 2017: US\$366.0 mln). Net debt was US\$347.1 mln (31 December 2017: US\$347.8 mln).

The Company's Eurobond issue, which had a maturity date of 29 October 2018, amounted to 64% of the Company's total debt.

Segment review

Poultry flock management:

	Units	As at 31.12.2018	As at 31.12.2017	Change
Total Poultry Flock	Heads (mln)	13.4	9.5	41%

Laying Hens	Heads (mln)	10.5	9.3	13%
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As at 31 December 2018, the total poultry flock increased by 41% YoY to 13.4 mln heads (31 December 2017: 9.5 mln heads). 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.

As at 31 December 2018, the number of laying hens increased by 13% YoY to 10.5 mln heads (31 December 2017: 9.3 mln laying hens).

Shell Eggs Segment:

	Units	2018	2017	Change
Total Production	Units (mln)	2,625	2,399	9%
Processing	Units (mln)	560	542	3%
Sales	Units (mln)	2,106	1,869	13%
Export	Units (mln)	822	558	47%
Average Sales Price	UAH (excl. VAT)	1.56	1.17	33%
Average Sales Price	US\$ (excl. VAT)	0.057	0.044	30%

In 2018, the production volume of shell eggs increased by 9% YoY to 2,625 mln units (2017: 2,399 mln units) due to the increase in the laying hens flock.

The volume of shell eggs for processing was increased by 3% YoY to 560 mln units (2017: 542 mln units) and is in line with the Company's production plan and its dry egg product stock availability.

In the reporting period, sales of shell eggs rose by 13% YoY to 2,106 mln units (2017: 1,869 mln units) driven by expansion of export sales.

In 2018, exports of shell eggs grew by 47% YoY to 822 mln units (2017: 558 mln 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 the reporting period, the share of export sales reached 39% of total sales in volume terms (2017: 30%), with the Company exporting shell eggs to 23 countries across the Middle East and North Africa (MENA), Sub-Saharan Africa, Asia and the CIS region. The Company also started exporting to the Gabonese Republic.

In addition to export, the Company sold shell eggs to domestic supermarkets and to wholesale customers. The share of sales through supermarkets equaled to 49% of total sales (2017: 54%), whilst the share of sales to the lower margin wholesale channel reduced to 12% (2017: 16%).

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 2018, sales of the 'Kvochka' packaged eggs increased by 36% YoY to 241 mln units (2017: 177 mln units).

In 2018, the average sales price of shell eggs rose by 33% YoY to 1.56 UAH per unit, excluding VAT (2017: 1.17 UAH per unit, excluding VAT) driven by favourable domestic market conditions and the absence of trade bans preventing export sales.

In 2018, the segment's revenue rose by 47% YoY to US\$120.8 mln (2017: US\$82.1 mln) driven by the increased export sales and the higher average sales price. The segment's net profit increased by 118% YoY to US\$15.2 mln (2017: profit of US\$7.0 mln).

Dry Egg Product Segment:

	Units	2018	2017	Change
Dry egg products production	Tonnes	6,482	6,368	2%
Sales volume	Tonnes	11,114	3,264	241%
Export	Tonnes	5,708	2,561	123%
Average Sales Price	US\$/Kg	3.51	4.30	(18%)

In 2018, the Company increased the output of dry egg products by 2% YoY to 6,482 tonnes (2017: 6,368 tonnes).

In 2018, sales of dry egg products more than tripled YoY to 11,114 tonnes (2017: 3,264 tonnes). This was due to higher sales to both export and domestic markets.

In the reporting period, the export of dry egg products rose 123% YoY to 5,708 tonnes and amounted to 51% of the total sales (2017: 2,561 tonnes or 78% of the total sales). This was a result of a recovery of sales to the EU, the Far East and Middle East.

In 2018, the Company sold its egg products to 20 countries in the EU, the Far East, the MENA, Sub-Saharan Africa and the CIS. The Company continued to grow its sales of dry egg products to the EU. Sales to Denmark and Italy accounted for 51% of overall dry egg product export sales. The Company also started exporting to India.

In 2018, the average sales price of dry egg products decreased by 18% YoY to US\$3.51/kg (2017: US\$4.30/kg) as the Company sold most of its inventories of dry egg products in the domestic market at lower prices.

In 2018, the segment's revenue was up 178% YoY to US\$39.0 mln (2017: US\$14.0 mln) due to the increased sales. The segment's loss was US\$28.7 mln (2017: profit of US\$0.9 mln) and was attributed to a negative margin in the 'Dry Egg Product' segment due to the higher cost of sales against the average sales price.

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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.

Consolidated statement of financial position

AS AT 31 DECEMBER 2018

(in USD thousand, unless otherwise stated)

	31 December 2018	31 December 2017
ASSETS		
Property, plant and equipment	325,805	334,640
Non-current biological assets	30,316	3,732
Deferred tax assets	8,259	8,662
Investments measured at amortized cost	-	2,840
Other non-current assets	97	5
Non-current assets	364,477	349,879
Inventories	19,697	56,301
Current biological assets	21,796	16,160
Trade accounts receivable, net	54,484	45,376
Prepaid income tax	55	35
Prepayments and other current assets, net	16,731	8,939
Taxes recoverable and prepaid	18,800	17,849
Cash and cash equivalents	20,305	18,242
Current assets	151,868	162,902
TOTAL ASSETS	516,345	512,781
EQUITY		
Share capital	836	836
Share premium	201,164	201,164
Reserve capital	115,858	115,858
Retained earnings	799,717	857,723
Effect of translation into presentation currency	(1,082,335)	(1,099,825)
Equity attributable to owners of the Company	35,240	75,756
Non-controlling interests	7,932	8,765
TOTAL EQUITY	43,172	84,521
LIABILITIES		
Long-term loans	320	42,750
Deferred tax liabilities	295	308
Deferred income	928	1,002
Dividends payable	22,894	29,542
Non-current liabilities	24,437	73,602
Short-term bond liabilities	235,889	231,612
Current portion of non-current liabilities	137,990	91,760
Trade payables	13,795	2,298
Other accounts payable	61,062	28,988
Current liabilities	448,736	354,658
TOTAL LIABILITIES	473,173	428,260
TOTAL EQUITY AND LIABILITIES	516,345	512,781

Consolidated statement of profit and loss and other comprehensive income
FOR THE YEAR ENDED 31 DECEMBER 2018
(in USD thousand, unless otherwise stated)

	for the year ended	
	31 December 2018	31 December 2017
Revenue	169,878	127,887
Income/(loss) from revaluation of biological assets at fair value	9,843	(3,108)
Cost of sales	(178,046)	(134,916)
GROSS PROFIT/(LOSS)	1 675	(10,137)
General administrative expenses	(10,429)	(8,955)
Distribution expenses	(10,215)	(7,746)
Income from government grants and incentives	89	19,242
Impairment loss on trade and other receivables, net	(9,185)	4,488
Gain on derecognition of financial assets measured at amortised cost	11,929	-
Other operating income/(expenses)	205	(684)
LOSS FROM OPERATING ACTIVITIES	(15,931)	(3,792)
Finance income	1,199	1,982
Finance costs	(31,275)	(33,699)
(Losses)/income on exchange	(9,209)	24,729
NET FINANCE COSTS	(39,285)	(6,988)
LOSS BEFORE TAX	(55,216)	(10,780)
Income tax credit	(578)	3,311
LOSS FOR THE YEAR	(55,794)	(7,469)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Effect from translation into presentation currency	17,914	(46,820)
TOTAL COMPREHENSIVE INCOME	(37,880)	(54,289)
LOSS ATTRIBUTABLE TO:		
Owners of the Company	(54,536)	(6,734)
Non-controlling interests	(1,258)	(735)
	(55,794)	(7,469)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	(37,046)	(52,636)
Non-controlling interests	(833)	(1,653)
	(37,880)	(54,289)
Loss per share		
Basic and diluted (USD)	(9)	(1)

Consolidated statement of cash flows
FOR THE YEAR ENDED 31 DECEMBER 2018
(in USD thousand, unless otherwise stated)

	for the year ended	
	31 December 2018	31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(55,216)	(10,780)
Adjustments for:		
Depreciation of property, plant and equipment	14,703	15,411
Change in allowance for irrecoverable amounts	9,185	(4,488)
Loss/(gain) on disposal of current assets	1,724	(31)
Loss on disposal of non current assets	63	30
Impairment of current assets	330	138
Effect of fair value adjustments on biological assets	(9,843)	3,108
Gains realised from accounts payable written-off	(102)	(400)
Amortization of deferred income on government grants	(89)	(91)
Discount bonds amortization	2,349	2,304
Discount on VAT government bonds amortization	(689)	(1,088)
Interest income	(510)	(894)
Interest payable on loans and bonds	28,865	31,327
Income from received government grants VAT	-	(19,151)
Gain on derecognition of financial assets measured at amortised cost	(11,929)	-
Recovery of previously impaired assets	(1,767)	-
Losses/(income) on exchange	9,209	(14,537)
Operating profit before working capital changes	(13,717)	858
Increase in trade receivables	(4,128)	(4,023)
Decrease in prepayments and other current assets	3,455	8,843
Decrease/(increase) in taxes recoverable and prepaid	2,901	(6,250)
Decrease in inventories	35,989	4,026
Decrease in deferred income	-	(1)
Increase/(decrease) in trade payables	11,773	(306)
Increase in biological assets	(22,676)	(1,579)
Decrease in finance leases	-	(3)
Increase in other accounts payable	4,249	6,316
Cash generated from operations	17,848	7,881
Interest paid	(332)	(3,504)
Income tax paid	(73)	(19)
Net cash generated from operating activities	17,443	4,357
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments and receipts - property, plant and equipment	(15,022)	(1,585)
Proceeds from sale of non-current assets	-	-
Interest received	637	1,032
Net cash used in investing activities	(14,385)	(553)

Consolidated statement of cash flows (cont.)
FOR THE YEAR ENDED 31 DECEMBER 2018
(in USD thousand, unless otherwise stated)

	for the year ended	
	31 December 2018	31 December 2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	-	-
Interest paid for bonds issued	-	-
Net cash used in financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	3,057	3,804
Cash and cash equivalents at 1 January	18,242	12,570
Adjustments on initial application of IFRS 9 (net of tax)	(1,166)	-
Effect from translation into presentation currency	170	1,868
Cash and cash equivalents as at 31 December	20,304	18,242