



31 May 2016

## AVANGARDCO INVESTMENTS PUBLIC LIMITED

### FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2016

**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 number one producer in Europe, today announces its financial results for the first quarter ended 31 March 2016.

#### Financial highlights

- Consolidated revenue amounted to US\$39.8 mln, a decrease of 45% YoY (Q1 2015: US\$72.4 mln).
- Export sales revenue amounted to US\$15.4 mln or 39% of the Company’s consolidated revenue (Q1 2015: US\$24.0 mln or 33% of the Company’s consolidated revenue).
- Gross profit amounted to US\$8.3 mln, a decline of 43% YoY (Q1 2015: US\$14.6 mln).
- Operating profit increased to US\$5.3 mln (Q1 2015: US\$0.2 mln)
- EBITDA amounted to US\$9.6 mln, an increase of 50% YoY (Q1 2015: US\$6.4 mln). EBITDA margin rose to 24% (Q1 2015: 9%).
- Net loss amounted to US\$4.0 mln (Q1 2015: net loss of US\$52.2 mln).

#### Operational Highlights

- Production of shell eggs totalled 627 mln units, a decline of 40% YoY (Q1 2015: 1.051 bln units).
- Sales of shell eggs amounted to 475 mln units, down 55% YoY (Q1 2015: 1.067 bln units).
- Exports of shell eggs totalled 75 mln units, a decline of 31% YoY (Q1 2015: 108 mln units).
- The average sales price of shell eggs was UAH 1.53 per unit, excluding VAT, up 43% YoY (Q1 2015: UAH 1.07 per unit, excluding VAT).
- The production of dry egg products amounted to 1,575 tonnes, up 37% YoY (Q1 2015: 1,150 tonnes).
- Sales of dry egg products totalled 1,638 tonnes, down 50% YoY (Q1 2015: 3,251 tonnes).
- Exports of dry egg products amounted to 1,387 tonnes, a decline of 35% YoY (Q1 2015: 2,120 tonnes).
- The average sales price of dry egg products was up 8% YoY to US\$5.68/kg (Q1 2015: US\$5.24/kg).
- As at 31 March 2016, the total poultry flock amounted to 13.5 mln hens (31 March 2015: 20.0 mln).
- As at 31 March 2016, the number of laying hens amounted to 10.7 mln hens (31 March 2015: 16.6 mln).

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

“Taking into consideration the challenging economic and market conditions, we managed to achieve good financial results for the first quarter of 2016. The Company’s EBITDA amounted to US\$9.6 million with EBITDA margin of 24%. However, we ended the first quarter with a net loss of US\$4.0 million. This was largely due to changes to the special VAT regime and FX differences.

In line with our previously announced strategy, we have focused our shell eggs sales approach on more profitable retail channels and exports. This new sales structure has had a positive effect on both revenues and average sales prices. As a result, we now sell more than 53% of shell eggs through supermarket chains and another 16% are exported. The share of less profitable wholesale sales decreased from 52% in Q1 2015 to 31% in Q1 2016.

The change in the sales mix and slower rates of the Ukrainian hryvnia devaluation against the main world currencies led to an increase in average sales price in US dollar terms, which also contributed to improved revenue.

We are focused on increasing exports and expanding our geographic reach to more stable regions as opposed to our historic Middle Eastern export markets, which remain unstable. With this in mind, we successfully increased exports to the EU, which now accounts for more than 76% of egg product sales. We are also well represented in the Far East and Asia.

The last few years have been challenging for AvangardCo and Ukraine. However, with the first signs of gradual recovery within our economy, we hope business conditions in the country will improve soon, which will further support the Company's operational processes and financial growth. We look to the future with moderate optimism."

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The management team will host a conference call and webcast for investors and analysts on Tuesday, 31 May 2016 at 09.00 am New York time, 14.00 pm UK time, 16.00 pm Kiev and Moscow time.

Name: AVANGARDCO Q1 2016 FINANCIAL RESULTS

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A live webcast of the presentation will be available at:

<https://webconnect.webex.com/webconnect/onstage/g.php?MTID=e61a2d90ad40fa1b17e739619a5ee503a>

Please register approximately 15 minutes prior to the start of the call.

Financial results for the first quarter ended 31 March 2016 are 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	Q1 2016	Q1 2015	Change
Consolidated Revenue	US\$ '000	<b>39,839</b>	72,426	(45%)
Gross Profit	US\$ '000	<b>8,281</b>	14,610	(43%)
<i>Gross Profit Margin</i>	%	<b>21%</b>	20%	1 pp
EBITDA	US\$ '000	<b>9,566</b>	6,357	50%
<i>EBITDA Margin</i>	%	<b>24%</b>	9%	15 pp
Operating Profit	US\$ '000	<b>5,302</b>	160	-
<i>Operating Margin</i>	%	<b>13%</b>	-	-
Net Profit (Loss)	US\$ '000	<b>(3,974)</b>	(52,179)	-

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

Currency	31 March 2016	Weighted average for the Q1 ended 31 March 2016	31 March 2015	Weighted average for Q1 ended 31 March 2015
US dollar to Ukrainian Hryvnia	26.218	25.654	23.443	21.116

In the first quarter of 2016, the Company's consolidated revenue decreased by 45% year-on-year to US\$39.8 mln (Q1 2015: US\$72.4 mln). The decline in consolidated revenue was primarily due to a reduction in sales volumes of shell eggs and egg products by 55% year-on-year and 50% year-on-year respectively, as well as a further devaluation of the Ukrainian Hryvnia against the US dollar. The decline in the Company's consolidated revenue was partially offset by the increase in the average sales price of shell eggs and egg products in dollar terms.

In the first quarter of 2016, the Company's export revenues decreased by 36% year-on-year to US\$15.4 mln (Q1 2015: US\$24.0 mln) as a result of the decrease in export sales of shell eggs and dry egg products. The share of export revenue in the consolidated revenue rose to 39% (Q1 2015: 33%).

In the first quarter of 2016, the cost of sales in dollar terms fell by 50% year-on-year to US\$32.2 mln (Q1 2015: US\$64.2 mln) which is mainly due to the decrease in sales volumes.

Gross profit was down by 43% year-on-year to US\$8.3 mln (Q1 2015: US\$14.6 mln). Gross profit margin rose to 21% (Q1 2015: 20%) as the cost of sales declined at a faster pace than sales revenue.

In the first quarter of 2016, profit from operating activities increased and amounted to US\$5.3 mln (Q1 2015: US\$0.2 mln). EBITDA was up by 50% year-on-year to US\$9.6 mln (Q1 2015: US\$6.4 mln). EBITDA margin was 24% (Q1 2015: 9%).

In the first quarter of 2016, the Company reported a net loss of US\$4.0 mln (Q1 2015: net loss of US\$52.2 mln). This was due to the ongoing negative impact of the devaluation of the national currency, reflected in FX losses of US\$2.1 mln (Q1 2015: US\$45.9 mln) as well as due to changes to the special VAT regime in Ukraine introduced in December 2015.

### Cash flow and debt structure:

As at 31 March 2016, net cash inflow from operating activities amounted to US\$2.0 mln (31 March 2015: net cash outflow of US\$3.4 mln) due to increased operating profit.

Net cash used in investing activities amounted to US\$4.8 mln for maintenance capex (31 March 2015: US\$7.9 mln).

Net cash used in financing activities was US\$1.9 mln (31 March 2015: net cash generated from financing activities US\$6.3 mln).

As at 31 March 2016, net cash outflow amounted to US\$4.8 mln (31 March 2015: net cash outflow of US\$5.0 mln). Cash and cash equivalents decreased to US\$24.0 (31 March 2015: US\$89.9 mln) as cash outflow from financing and investing activities exceeded the funds inflow from operating activities.

As at 31 March 2016, the Company's total debt amounted to US\$341.0 mln (31 December 2015: US\$336.4 mln). Net debt amounted to US\$317.0 mln (31 December 2015: US\$305.0 mln).

The Company's Eurobonds, which have been extended to mature on 29 October 2018, amounted to 61% of the Company's total debt.

### Segment review

#### Shell Eggs Segment

	Units	As at 31.03.2016	As at 31.03.2015	Change
Total Poultry Flock	Heads (mln)	13.5	20.0	(33%)
Laying Hens	Heads (mln)	10.7	16.6	(36%)

As at 31 March 2016, the total poultry flock was down by 33% year-on-year to 13.5 million heads (31 March 2015: 20.0 million heads) and the number of laying hens decreased by 36% year-on-year to 10.7 million heads (31 March 2015: 16.6 million heads). The decrease in the poultry flock size was due to the full suspension of laying farms in Eastern Ukraine close to the conflict zone<sup>1</sup>. This was also due to a lower domestic demand for shell eggs resulting from the reduction in consumers' purchasing power. Approximately 76% of laying hens are located at the newly built Avis and Chornobaivske poultry complexes.

	Units	Q1 2016	Q1 2015	Change
Total Production	Pieces (mln)	627	1,051	(40%)
Sales	Pieces (mln)	475	1,067	(55%)

<sup>1</sup> The "Donetska" and "Volnovahska" laying farms in the Donetsk region and the "Bogoduhivska" laying farm in the Kharkiv region

Export	Pieces (mln)	<b>75</b>	108	(31%)
Average Sales Price	UAH (excl. VAT)	<b>1.53</b>	1.07	43%

In the first quarter of 2016, the production volume of shell eggs decreased by 40% year-on-year to 627 million units (Q1 2015: 1,051 million units) due to the reduction in the number of laying hens.

Concurrently, sales of shell eggs decreased by 55% year-on-year to 475 million units (Q1 2015: 1,067 million units). The share of shell eggs sales to supermarket chains significantly increased to 53% (Q1 2015: 38%) of the Company's total sales, while sales through the lower margin wholesale channel declined to 31% (Q1 2015: 52%).

In the first quarter of 2016, exports of shell eggs decreased by 31% year-on-year to 75 million units (Q1 2015: 108 million units), largely due to the unstable situation in Iraq, one of the Company's key export markets for shell eggs. The share of export sales reached 16% (Q1 2015: 10%), split between three export markets: Iraq, UAE and Moldova.

The average sales price of shell eggs increased by 43% year-on-year to 1.53 UAH per unit, excluding VAT (Q1 2015: 1.07 UAH per unit, excluding VAT) due to inflation and increased share of sales to supermarkets and exports. In the first quarter of 2016, the average sales price in dollar terms increased by 18% year-on-year and amounted to US\$0.060 per unit (Q1 2015: US\$ 0.051 per unit).

In the first quarter of 2016, the segment's revenue decreased by 47% year-on-year to US\$28.3 mln (Q1 2015: US\$53.9 mln), resulting from the decreased sales of shell eggs. The growth of the average sales price in dollar terms had a positive impact on the segment's revenues. The segment's profit amounted to US\$2.4 mln (Q1 2015: US\$8.6 mln).

### Dry Egg Products Segment

	Units	Q1 2016	Q1 2015	Change
Dry egg products production	Tonnes	<b>1,575</b>	1,150	37%
Sales volume	Tonnes	<b>1,638</b>	3,251	(50%)
Export	Tonnes	<b>1,387</b>	2,120	(35%)
Average Sales Price	US\$/Kg	<b>5.68</b>	5.24	8%

In the first quarter of 2016, the production of dry egg products rose by 37% year-on-year to 1,575 tonnes (Q1 2015: 1,150 tonnes).

Sales of dry egg products declined by 50% year-on-year to 1,638 tonnes (Q1 2015: 3,251 tonnes) due to unusual high sales in Q1 2015.

In the first quarter of 2016, exports of dry egg products declined by 35% year-on-year to 1,387 tonnes (Q1 2015: 2,120 tonnes), largely due to the volatile situation in the MENA region. To offset this, the Company has started to increase sales to the more stable countries in the EU. As a result, in the first quarter of 2016, sales to the EU accounted for 76% of the total export volume of dry egg products (Q1 2015: 19%). The main importers of the Company's dry egg products were the EU, Asia and the Far East and MENA.

In the first quarter of 2016, the average sales price of dry egg products increased 8% year-on-year to US\$ 5.68/kg (Q1 2015: US\$5.24kg) due to a different sales breakdown within product mix and geography, as well as an increased share of export sales.

In the first quarter of 2016, the segment's revenue was down 45% year-on-year to US\$9.3 mln (Q1 2015: US\$16.9 mln) due to the decreased sales of dry egg products. The significant impact of FX and financing costs caused the segment's loss of US\$2.4 mln (Q1 2015: net loss of US\$15.2 mln).

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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 dry egg products. As at 31 December 2015, the Company holds a 35% share of the industrial shell egg market and a 80% share of the dry egg product market in Ukraine. The Company's laying hens flock is one of the largest globally.

AVANGARDCO IPL has a vertically integrated production cycle. The Company's facilities are located in 14 regions of Ukraine and the Autonomous Republic of Crimea. The Company has 19 laying farms, 3 hatcheries, 10 rearing farms, 6 feed mills, 3 long-term storage facilities and the Imperovo Foods egg processing plant, which is one of the most technologically-advanced facilities for processing eggs in Europe.

The Company exports its products to the Middle East, Africa, Asia, the CIS and EU.

The Company's shares, in the form of Global Depositary Receipts, have been trading on the London Stock Exchange since May 2010. The Eurobond issue for approximately US\$200 mln with a maturity on 29 October 2018 was included in the official list of the UK Listing Authority (UKLA) and admitted to trading on a regulated market of the London Stock Exchange on 1 November 2010.

**###**

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

**Interim consolidated statement of financial position**

AS AT 31 MARCH 2016

*(in USD thousand, unless otherwise stated)*

	<b>31 March 2016</b>	<b>31 December 2015</b>
<b>ASSETS</b>		
Property, plant and equipment	373 622	404 930
Non-current biological assets	8 188	13 403
Deferred tax assets	2 528	2 761
Held to maturity investments	7 024	9 257
Other non-current assets	5	6
<b>Total non-current assets</b>	<b>391 367</b>	<b>430 357</b>
Inventories	59 221	58 149
Current biological assets	17 627	13 736
Trade accounts receivable, net	55 205	56 665
Prepaid income tax	40	72
Prepayments and other current assets, net	15 511	21 027
Taxes recoverable and prepaid	14 331	12 858
Cash and cash equivalents	24 019	31 307
<b>Total current assets</b>	<b>185 954</b>	<b>193 814</b>
<b>TOTAL ASSETS</b>	<b>577 321</b>	<b>624 171</b>
<b>EQUITY</b>		
Share capital	836	836
Share premium	201 164	201 164
Reserve capital	115 858	115 858
Retained earnings	917 415	921 435
Effect of translation into presentation currency	(1 060 564)	(1 018 085)
<b>Equity attributable to owners of the Company</b>	<b>174 709</b>	<b>221 208</b>
<b>Non-controlling interests</b>	<b>11 066</b>	<b>13 847</b>
<b>Total equity</b>	<b>185 775</b>	<b>235 055</b>
<b>LIABILITIES</b>		
Long-term bond liabilities	206 649	202 871
Long-term loans	63 293	64 423
Deferred tax liabilities	376	410
Deferred income	1 234	1 384
Dividends payable	29 542	29 542
Long-term finance lease	23	28
<b>Total non-current liabilities</b>	<b>301 117</b>	<b>298 658</b>
Current portion of non-current liabilities	21 138	19 125
Short-term loans	50 000	50 000
Trade payables	2 230	3 375
Other accounts payable	17 061	17 958
<b>Total current liabilities</b>	<b>90 429</b>	<b>90 458</b>
<b>TOTAL LIABILITIES</b>	<b>391 546</b>	<b>389 116</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>577 321</b>	<b>624 171</b>

**Interim consolidated statement of profit and loss and other comprehensive income**  
**FOR 3 MONTHS ENDED 31 MARCH 2016**  
*(in USD thousand, unless otherwise stated)*

	<b>3 months ended</b>	
	<b>31 March 2016</b>	<b>31 March 2015</b>
Revenue	39,839	72,426
Profit from revaluation of biological assets at fair value	635	6,387
Cost of sales	(32,193)	(64,203)
<b>GROSS PROFIT</b>	<b>8,281</b>	<b>14,610</b>
General administrative expenses	(1,822)	(1,554)
Distribution expenses	(1,521)	(3,586)
Income from government grants and incentives	24	24
Income from special VAT treatment	28	4,535
Other operating income/(expenses)	312	(13,869)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	<b>5,302</b>	<b>160</b>
Finance income	757	1,119
Finance costs	(7,827)	(7,574)
Losses on exchange	(2,137)	(45,867)
<b>LOSS BEFORE TAX</b>	<b>(3,905)</b>	<b>(52,162)</b>
Income tax expenses	(69)	(17)
<b>LOSS FOR THE PERIOD</b>	<b>(3,974)</b>	<b>(52,179)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Effect from translation into presentation currency	(45,306)	(246,829)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(49,280)</b>	<b>(299,008)</b>
<b>LOSS ATTRIBUTABLE TO:</b>		
Owners of the Company	(4,020)	(51,713)
Non-controlling interests	46	(466)
	<b>(3,974)</b>	<b>(52,179)</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
<b>TO:</b>		
Owners of the Company	(46,453)	(284,406)
Non-controlling interests	(2,827)	(14,602)
	<b>(49,280)</b>	<b>(299,008)</b>
Loss per share, USD (basic and diluted)	<b>(1)</b>	<b>(8)</b>

**Interim consolidated statement of cash flows**  
**FOR 3 MONTHS ENDED 31 MARCH 2016**  
*(in USD thousand, unless otherwise stated)*

	<b>3 months ended</b>	
	<b>31 March 2016</b>	<b>31 March 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(3,905)	(52,162)
Adjustments for:		
Depreciation of property, plant and equipment	3,775	6,197
Change in allowance for irrecoverable amounts	5	6,945
(Profit)/loss on disposal of current assets	(352)	9
Loss/(profit) on disposal of property, plant and equipment	173	(1)
Impairment of current assets	489	7,704
Effect of fair value adjustments on biological assets	(635)	(6,387)
Gains realised from accounts payable written-off	(1)	(1)
Amortization of deferred income on government grants	(24)	(24)
Discount bonds amortization	493	399
Discount on VAT government bonds amortization	(384)	(542)
Interest income	(373)	(1,119)
Interest payable on loans	7,328	7,170
Losses on exchange	8,193	38,490
<b>Operating profit before working capital changes</b>	<b>14,782</b>	<b>6,678</b>
Increase in trade receivables	(1,511)	(27,993)
(Increase)/decrease in prepayments and other current assets	(609)	2,590
(Increase)/decrease in taxes recoverable and prepaid	(751)	9,190
Increase in inventories	(6,236)	(7,534)
Decrease in deferred income	(9)	(115)
Decrease in trade payables	(877)	(1,275)
Decrease in biological assets	1,937	1,464
Decrease in finance leases	2	4
(Decrease)/increase in other accounts payable	(4,647)	14,173
<b>Cash generated from operations</b>	<b>2,080</b>	<b>(2,818)</b>
Interest paid	(82)	(505)
Income tax paid	(11)	(33)
<b>Net cash generated from operating activities</b>	<b>1,988</b>	<b>(3,356)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments and receipts - property, plant and equipment	(7,006)	(11,227)
Repayment of VAT government bonds	-	2,267
Interest received	2,239	1,076
<b>Net cash used in investing activities</b>	<b>(4,769)</b>	<b>(7,884)</b>



**Interim consolidated statement of cash flows (cont.)**  
**FOR 3 MONTHS ENDED 31 MARCH 2016**  
*(in USD thousand, unless otherwise stated)*

	<b>3 months ended</b>	
	<b>31 March 2016</b>	<b>31 March 2015</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New loans received	-	8,592
Repayment of loans	(1,944)	(2,334)
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,944)</b>	<b>6,258</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,725)</b>	<b>(4,982)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>31,307</b>	<b>117,856</b>
Effect from translation into presentation currency	(2,563)	(22,984)
<b>Cash and cash equivalents at 31 March</b>	<b>24,019</b>	<b>89,890</b>