



May 31, 2017

AVANGARDCO INVESTMENTS PUBLIC LIMITED

FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2017

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 first quarter ended 31 March 2017.

Financial highlights*

- Consolidated revenue amounted to US\$34.0 mln, a decrease of 15% YoY (Q1 2016: US\$39.8 mln).
- Export revenue from sales of shell eggs and dry egg products amounted to US\$7.6 mln or 22% of the Company’s consolidated revenue (Q1 2016: US\$15.4 mln or 39% of the Company’s consolidated revenue).
- Gross loss amounted to US\$1.6 mln (Q1 2016: gross profit of US\$8.3 mln).
- Operating loss amounted to US\$3.7 mln (Q1 2016: operating profit of US\$5.3 mln)
- EBITDA was US\$0.1 mln (Q1 2016: US\$9.6 mln).
- Net loss amounted to US\$5.3 mln (Q1 2016: net loss of US\$4.0 mln).

**Financials include operations with grain, purchased from an affiliated party. Detailed information on this is available in the Financial results overview section.*

Operational Highlights

- Production of shell eggs totalled 462 mln units, a decline of 26% YoY (Q1 2016: 627 mln units).
- Sales of shell eggs amounted to 360 mln units, down 24% YoY (Q1 2016: 475 mln units).
- Export of shell eggs totalled 30 mln units, a decline of 60% YoY (Q1 2016: 75 mln units).
- The average sales price of shell eggs was UAH 1.13 per unit, excluding VAT, down 26% YoY (Q1 2016: UAH 1.53 per unit, excluding VAT).
- The production of dry egg products amounted to 1,095 tonnes, down 30% YoY (Q1 2016: 1,575 tonnes).
- Sales of dry egg products totalled 1,188 tonnes, down 27% YoY (Q1 2015: 1,638 tonnes).
- Exports of dry egg products amounted to 1,111 tonnes, a decline of 20% YoY (Q1 2016: 1,387 tonnes).
- The average sales price of dry egg products was down 7% YoY to US\$5.27/kg (Q1 2016: US\$5.68/kg).
- As at 31 March 2017, the total poultry flock amounted to 14.0 mln hens, up 4% YoY (31 March 2016: 13.5 mln hens).
- As at 31 March 2017, the number of laying hens amounted to 10.6 mln hens, down 1% YoY (31 March 2016: 10.7 mln hens).

Important events post Q1 2017:

- **Eurobonds:** AVANGARDCO IPL is in discussions with an ad hoc committee of bondholders regarding a proposal on its US\$200,000,000 10.0% Notes due in 2018 (ISIN: XS0553088708) which it expects to share with bondholders in due course. It is possible that the proposal will include a request by AVANGARDCO IPL to restructure the April 2017 interest payment due under the Notes.
- **Import ban:** On 14 May 2017, the State Service of Ukraine for Food Safety and Consumer Protection notified the World Organization for Animal Health that all the regions in Ukraine are now free from avian influenza. The notification can be found at: http://www.oie.int/wahis_2/public/wahid.php/Diseaseinformation/WI. Ukraine expects its trading partners to lift the import restrictions in the near future, thus enabling the Company to increase its export sales*.

**AVANGARDCO IPL has rigorous biosecurity measures in place at all its production facilities and is committed to maintaining the highest standards for quality and food safety in its production of consumer goods. There have been no cases of avian influenza detected at any of AvangardCo's production facilities.*

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

“AVANGARDCO IPL continues to operate in extremely challenging domestic and export markets resulting in reduced overall revenue and profitability. Volatile shell egg prices amid high costs and weak consumer demand all impacted domestic sales, whilst the temporary trade ban and geopolitical instability in our key export markets, in particular the Middle East, affected our export revenues.

The current operational challenges have impacted the Company’s debt servicing capabilities and we are now engaged in discussions with an ad hoc committee of bondholders, the outcome of which will be announced in due course.

Our priority is to find the best solution to satisfy all parties and we are grateful to all stakeholders for their continued support and understanding.

I am confident that AVANGARDCO IPL is well placed to return to profitability in the future and re-emerge as the leading shell egg and dry egg product producer globally.”

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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 the ad hoc committee of bondholders.

The press release, presentation and financial statements for the first quarter ended 31 March 2017 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	Q1 2017	Q1 2016	Change
Consolidated Revenue	US\$ '000	34,004	39,839	(15%)
Gross Profit/(Loss)	US\$ '000	(1,570)	8,281	-
<i>Gross Profit Margin</i>	%	-	21%	-
Operating Profit/(Loss)	US\$ '000	(3,704)	5,302	-
<i>Operating Margin</i>	%	-	13%	-
EBITDA	US\$ '000	100	9,566	(99%)
<i>EBITDA Margin</i>	%	-	24%	-
Net Profit/(Loss)	US\$ '000	(5,342)	(3,974)	-

In Q1 2017, the Company conducted operations on trading grain purchased from an affiliate of Ukrlandfarming PLC at market rates. This was reflected in the ‘Other activities’ segment. Since these operations are of a technical nature and have a minimum margin, they do not affect AvangardCo’s operational and net profit.

	Units	Grain trading in Q1 2017	Consolidated financials excluding grain trading in Q1 2017	Q1 2016	Change excluding grain trading

Consolidated Revenue	US\$ '000	8,003	26,001	39,839	(35%)
Cost of sales	US\$ '000	7,119	28,246	32,193	(12%)
Gross Profit/(Loss)	US\$ '000	884	(2,454)	8,281	-
<i>Gross Profit Margin</i>	%	11%	-	21%	-
Distribution expenses	US\$ '000	282	1,315	1,521	(14%)
Operating Profit/(Loss)	US\$ '000	602	(4,306)	5,302	-
<i>Operating Margin</i>	%	8%	-	13%	-
EBITDA	US\$ '000	-	(502)	9,566	-
<i>EBITDA Margin</i>	%	-	-	24%	-
Net Profit/(Loss)	US\$ '000	-	(5,945)	(3,974)	-

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

Currency	31 March 2017	Weighted average for the Q1 ended 31 March 2017	31 March 2016	Weighted average for Q1 ended 31 March 2016
US dollar to Ukrainian Hryvnia	26.976	27.061	26.218	25.654

In Q1 2017, the Company's consolidated revenue, excluding grain trading operations, decreased by 35% YoY to US\$26.0 mln (Q1 2016: US\$39.8 mln). This was due to the following key factors that continue to depress the Company's revenues:

- The 24% YoY decline in shell egg sales amid a 26% YoY decrease in their average sales price in the Ukrainian Hryvnia. In US dollar terms, the average sales price fell 30% YoY to US\$0.042 per egg (Q1 2016: US\$0.060 per egg);
- The 27% YoY and 7% YoY decline in sales and the average sales price of egg products in US dollar terms respectively;
- The decline in the share of export revenue; and
- The ongoing devaluation of the Ukrainian Hryvnia against the US dollar.

In Q1 2017, the Company's export revenues from the sales of shell and dry egg products decreased by 50% YoY to US\$7.6 mln (Q1 2016: US\$15.4 mln) as a result of the decline in export sales of both shell eggs and dry egg products by 60% YoY and 20% YoY respectively. The share of export revenue in the consolidated revenue was 22% (Q1 2016: 39%).

In Q1 2017, the cost of sales, excluding grain trading operations, fell by 12% YoY to US\$28.2 mln (Q1 2016: US\$32.2 mln) due to lower sales of shell eggs and dry egg products.

The gross loss, excluding grain trading operations, amounted to US\$2.5 mln (Q1 2016: gross profit US\$8.3 mln) as a result of lower consolidated revenue and a reduced margin in the key Shell Eggs segment. In Q1 2017, the Company's average shell egg sales price was lower than its cost of sales.

In Q1 2017, the loss from operating activities, excluding grain trading operations, amounted to US\$4.3 mln (Q1 2016: operating profit of US\$5.3 mln). In addition to the aforementioned reasons, this was impacted by no additional income coming from the special VAT regime for agricultural producers, which was stopped in 2017. However, the Company improved the management of its trade receivables, whilst partially recovering outstanding trade receivables of US\$2.0 mln. This had a positive impact on the "Other Operating income".

Negative EBITDA, excluding grain trading operations, amounted to US\$0.5 mln (Q1 2016: positive EBITDA of

US\$9.6 mln).

In Q1 2017, the Company's net loss, excluding grain trading operations, was US\$5.9 mln (Q1 2016: net loss of US\$4.0 mln). This was due to the unfavorable price trends in the domestic and global markets combined with low sales and high costs.

Cash flow and debt structure:

As at 31 March 2017, net cash generated from operating activities amounted to US\$3.0 mln (31 March 2016: US\$2.0 mln), mainly due to the repayment of trade receivables by the Company's customers.

Net cash generated in investing activities amounted to US\$0.4 mln (31 March 2016: net cash used in investing activities US\$4.8 mln). Positive cash flow was a result of a decreased maintenance capex.

In the reporting period, there was no cash used/generated from financing activities (31 March 2016: net cash used in financing activities US\$1.9 mln).

As at 31 March 2017, net cash inflow amounted to US\$3.5 mln (31 March 2016: net cash outflow of US\$4.7 mln). Cash and cash equivalents amounted to US\$19.8 mln (31 March 2016: US\$24.0 mln).

As at 31 March 2017, the Company's total debt amounted to US\$349.8 mln (31 December 2016: US\$344.1 mln). Net debt decreased to US\$330.1 mln (31 December 2016: US\$331.5 mln).

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

Segment review

Poultry flock management:

	Units	As at 31.03.2017	As at 31.03.2016	Change
Total Poultry Flock	Heads (mln)	14.0	13.5	4%
Laying Hens	Heads (mln)	10.6	10.7	(1%)

As at 31 March 2017, the total poultry flock increased by 4% YoY and amounted to 14.0 mln heads (31 March 2016: 13.5 mln heads) due to the increase in the rearing flock (+20% YoY) to replenish the laying flock.

As at 31 March 2017, the number of laying hens decreased by 1% YoY to 10.6 mln heads (31 March 2016: 10.7 mln heads).

Approximately 84% of the laying hens are now located at the newly built and more efficient Avis and Chornobaivske poultry complexes.

Shell Eggs Segment:

	Units	Q1 2017	Q1 2016	Change
Total Production	Units (mln)	462	627	(26%)
Processing	Units (mln)	93	134	(31%)
Sales	Units (mln)	360	475	(24%)
Export	Units (mln)	30	75	(60%)

Average Sales Price	UAH (excl. VAT)	1.13	1.53	(26%)
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In Q1 2017, the production volume of shell eggs decreased by 26% YoY to 462 mln units (Q1 2016: 627 mln units) due to the replenishment of the laying flock, which in Q1 2017 has not yet reached its peak of productivity.

Sales of shell eggs decreased by 24% YoY to 360 mln units (Q1 2016: 475 mln units) due to:

- The decline in export sales affected by the import ban on Ukrainian poultry products imposed by a number of countries due to avian influenza, coupled with the ongoing geopolitical instability impacting exports to the MENA region;
- The price of shell eggs fell below the cost of sales due to an oversupply in the Ukrainian market following the import ban.

In Q1 2017, the Company decreased the volume of shell eggs for processing by 31% YoY to 93 mln units (Q1 2016: 134 mln units) to avoid further build-up of inventories of dry egg products.

In Q1 2017, exports of shell eggs decreased by 60% YoY to 30 mln units (Q1 2016: 75 mln units). In the reporting period, there were no sales to Iraq, which was historically one of the key export markets for AvangardCo. Before the trade ban, the Company's sales to Iraq suffered from instability within the country combined with increasingly challenging trade logistics.

In the reporting period, the share of export sales fell to 8% (Q1 2016: 16%). The Company continued to export shell eggs to the UAE, Moldova, Syria, Azerbaijan, Turkey and Liberia.

In addition to export, the Company sold shell eggs to supermarkets and to wholesale customers. The share of sales through supermarkets has increased significantly reaching 71% of total sales (Q1 2016: 53%), whilst the share of sales to the lower margin wholesale channel reduced to 21% (Q1 2016: 31%).

In Q1 2017, the average sales price of shell eggs decreased by 26% YoY to 1.13 UAH per unit, excluding VAT (Q1 2016: 1.53 UAH per unit, excluding VAT) affected by an oversupply of shell eggs in the domestic market amid reduced demand.

In Q1 2017, the segment's revenue decreased by 47% YoY to US\$15.0 mln (Q1 2016: US\$28.3 mln) as a result of the reduction of shell egg sales and a lower sales price. The segment's net profit amounted to US\$2.7 mln (Q1 2016: net profit of US\$2.4 mln) due to the repayment of outstanding trade receivables by the Company's customers.

Dry Egg Product Segment:

	Units	Q1 2017	Q1 2016	Change
Dry egg products production	Tonnes	1,095	1,575	(30%)
Sales volume	Tonnes	1,188	1,638	(27%)
Export	Tonnes	1,111	1,387	(20%)
Average Sales Price	US\$/Kg	5.27	5.68	(7%)

In Q1 2017, the production of dry egg products was reduced by 30% YoY to 1,095 tonnes (Q1 2016: 1,575 tonnes) to avoid the build-up of dry egg product inventories.

Sales of dry egg products declined by 27% YoY to 1,188 tonnes (Q1 2016: 1,638 tonnes) mainly as a result of lower export sales.

In Q1 2017, exports of dry egg products declined by 20% YoY to 1,111 tonnes (Q1 2016: 1,387 tonnes), amounting to 94% of total sales (Q1 2016: 85% of total sales). This was largely due to a reduction in sales to Denmark and Jordan.

In the reporting period, the Company sold egg products to 11 countries in the EU, Asia, the Far East, the Middle East and North Africa.

The downward global pricing trend continued into Q1 2017, which combined with changes in the product mix and sales geography, forced the average sales price of dry egg products to decline 7% YoY to US\$ 5.27/kg (Q1 2016: US\$5.68kg).

In Q1 2017, the segment's revenue was down by 33% YoY to US\$6.3 mln (Q1 2016: US\$9.3 mln) due to the decreased sales of dry egg products and a lower sales price. The segment's net loss was US\$5.0 mln (Q1 2016: net loss of US\$2.4 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 2016, the Company holds a 31% share of the industrial shell egg market and a 87% 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. 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.

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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.

Interim consolidated statement of financial position

AS AT 31 MARCH 2017

(in USD thousand, unless otherwise stated)

	31 March 2017	31 December 2016
ASSETS		
Property, plant and equipment	357,364	357 821
Non-current biological assets	14,723	14 273
Deferred tax assets	5,708	5 663
Held to maturity investments	4,266	5 700
Other non-current assets	5	5
Non-current assets	382,066	383 462
Inventories	61,963	62,144
Current biological assets	15,612	7,755
Trade accounts receivable, net	26,901	40,628
Prepaid income tax	42	41
Prepayments and other current assets, net	14,034	14,412
Taxes recoverable and prepaid	10,646	8,479
Cash and cash equivalents	19,756	12,570
Current assets	148,954	146,029
TOTAL ASSETS	531,020	529,491
EQUITY		
Share capital	836	836
Share premium	201,164	201,164
Reserve capital	115,858	115,858
Retained earnings	859,554	864,457
Effect of translation into presentation currency	(1,057,809)	(1,053,923)
Equity attributable to owners of the Company	119,603	128,392
Non-controlling interests	10,214	10,418
Total equity	129,817	138,810
LIABILITIES		
Long-term bond liabilities	222,288	219,014
Long-term loans	90,281	93,924
Deferred tax liabilities	354	351
Deferred income	1,110	1,123
Dividends payable	29,542	29,542
Long-term finance lease	2	3
Non-current liabilities	343,577	343,957
Current portion of non-current liabilities	37,337	31,224
Trade payables	2,509	3,062
Other accounts payable	17,780	12,438
Current liabilities	57,626	46,724
TOTAL LIABILITIES	401,203	390,681
TOTAL EQUITY AND LIABILITIES	531,020	529,491

Interim consolidated statement of profit and loss and other comprehensive income
FOR 3 MONTHS ENDED 31 MARCH 2017
(in USD thousand, unless otherwise stated)

	for the 3 months ended	
	31 March 2017	31 March 2016
Revenue	34,004	39,839
(Loss)/profit from revaluation of biological assets at fair value	(209)	635
Cost of sales	(35,365)	(32,193)
GROSS (LOSS)/PROFIT	(1,570)	8,281
General administrative expenses	(1,930)	(1,822)
Distribution expenses	(1,597)	(1,521)
Income from government grants and incentives	22	24
Income from special VAT treatment	-	28
Other operating income	1,371	312
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	(3,704)	5,302
Finance income	572	757
Finance costs	(7,897)	(7,827)
Gains/(losses) on exchange	5,724	(2,137)
NET FINANCE COSTS	(1,601)	(9,207)
LOSS BEFORE TAX	(5,305)	(3,905)
Income tax credit	(37)	(69)
LOSS FOR THE PERIOD	(5,342)	(3,974)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Effect from translation into presentation currency	(3,651)	(45,306)
TOTAL COMPREHENSIVE INCOME	(8,993)	(49,280)
LOSS ATTRIBUTABLE TO:		
Owners of the Company	(4,903)	(4,020)
Non-controlling interests	(439)	46
	(5,342)	(3,974)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	(8,789)	(46,453)
Non-controlling interests	(204)	(2,827)
	(8,993)	(49,280)
Loss per share		
Basic and diluted (USD)	(1)	(1)

Interim consolidated statement of cash flows
FOR 3 MONTHS ENDED 31 MARCH 2017
(in USD thousand, unless otherwise stated)

	for the 3 months ended	
	31 March 2017	31 March 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(5,305)	(3,905)
Adjustments for:		
Depreciation of property, plant and equipment	3,774	3,775
Change in allowance for irrecoverable amounts	(1,969)	5
Loss/(profit) on disposal of current assets	206	(352)
Loss on disposal of non current assets	2	173
Impairment of current assets	34	489
Effect of fair value adjustments on biological assets	209	(635)
Gains realised from accounts payable written-off	(15)	(1)
Amortization of deferred income on government grants	(22)	(24)
Discount bonds amortization	566	493
Discount on VAT government bonds amortization	(294)	(384)
Interest income	(278)	(373)
Interest payable on loans and bonds	7,353	7,328
(Gains)/losses on exchange	(5,724)	8,193
Operating (loss)/profit before working capital changes	(1,463)	14,782
Decrease/(increase) in trade receivables	14,151	(1,511)
Decrease/(increase) in prepayments and other current assets	1,694	(609)
Increase in taxes recoverable and prepaid	(324)	(751)
Decrease/(increase) in inventories	434	(6,236)
Decrease in deferred income	(1)	(9)
Decrease in trade payables	(561)	(877)
(Increase)/decrease in biological assets	(8,516)	1,937
Decrease/(increase) in finance leases	(1)	2
Decrease in other accounts payable	(1,147)	(4,647)
Cash generated from operations	4,266	2,080
Interest paid	(1,223)	(82)
Income tax paid	(11)	(11)
Net cash generated from operating activities	3,032	1,988
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments and receipts - property, plant and equipment	(348)	(7,006)
Interest received	783	2,239
Net cash generated/(used in) investing activities	435	(4,769)

Interim consolidated statement of cash flows (cont.)
FOR 3 MONTHS ENDED 31 MARCH 2017
(in USD thousand, unless otherwise stated)

	for the 3 months ended	
	31 March 2017	31 March 2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	-	(1,944)
Net cash used in financing activities	-	(1,944)
Net increase/(decrease) in cash and cash equivalents	3,467	(4,725)
Cash and cash equivalents at 1 January	12,570	31,307
Effect from translation into presentation currency	3,719	(2,563)
Cash and cash equivalents at 31 March	19,756	24,019