



May 31, 2018

AVANGARDCO INVESTMENTS PUBLIC LIMITED

FINANCIAL RESULTS FOR THE FIRST QUARTER OF 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 financial results for the first quarter ended 31 March 2018.

Financial Highlights

- Consolidated revenue amounted to US\$41.1 mln, an increase of 21% YoY (Q1 2017: US\$34.0 mln).
- Export revenue from sales of shell eggs and dry egg products rose by 127% YoY and amounted to US\$17.3 mln, or 42% of the Company’s consolidated revenue (Q1 2017: US\$7.6 mln, or 22% of the Company’s consolidated revenue).
- Gross loss amounted to US\$3.6 mln (Q1 2017: gross loss of US\$1.6 mln).
- Operating loss was US\$12.8 mln (Q1 2017: operating loss of US\$3.7 mln).
- Negative EBITDA was US\$9.1 mln (Q1 2017: positive EBITDA of US\$0.1 mln).
- Net loss amounted to US\$11.4 mln (Q1 2017: net loss of US\$5.3 mln).

Operational Highlights

- Production of shell eggs totalled 664 mln units, up 39% YoY (Q1 2017: 462 mln units).
- Sales of shell eggs amounted to 493 mln units, up 37% YoY (Q1 2017: 360 mln units).
- Export of shell eggs increased sixfold to 200 mln units (Q1 2017: 30 mln units).
- The average sales price of shell eggs was UAH1.76 per unit, excluding VAT, up 56% YoY (Q1 2017: UAH1.13 per unit, excluding VAT).
- The average sales price of shell eggs in US dollar terms was US\$0.06 per unit, excluding VAT, up 50% YoY (Q1 2017: US\$0.04 per unit, excluding VAT).
- The production of dry egg products amounted to 1,839 tonnes, up 68% YoY (Q1 2017: 1,095 tonnes).
- Sales of dry egg products totalled 1,651 tonnes, up 39% YoY (Q1 2017: 1,188 tonnes).
- Export of dry egg products totalled 1,413 tonnes, up 27% YoY (Q1 2017: 1,111 tonnes).
- The average sales price of dry egg products was US\$3.80/kg, down 28% YoY (Q1 2017: US\$5.27/kg).
- As at 31 March 2018, the total poultry flock amounted to 13.3 mln hens, down 5% YoY (31 March 2017: 14.0 mln hens).
- As at 31 March 2018, the number of laying hens amounted to 9.3 mln hens, down 12% YoY (31 March 2017: 10.6 mln hens).

Important events:

Eurobonds: AVANGARDCO IPL continues to be in discussions with various creditor groups. As part of these discussions, the Company has begun working with an ad hoc committee of bondholders and its advisor on the proposal of the restructuring of its US\$200,000,000 10.0% Notes due in 2018 (ISIN: XS0553088708). The Company expects that any restructuring of the Company’s debt including the Notes will include a request to restructure the interest payments due under the Notes on 2 May 2018, 2 May 2017 and 30 October 2017. Further updates will be made available as the restructuring develops.

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

“In Q1 2018, AVANGARDCO reported higher consolidated revenue driven by stronger export sales of shell eggs and dry egg products as its export share grew to a record 42% of the Company’s total sales. We also saw further improvements in market conditions, including growth in sales price for shell eggs in both export and domestic markets. However, our gross profit was negatively affected by two main factors: an increase in domestic prices

for key feed components (grain and oil crops), accounting for c.68% of the Company's cost of sales of shell eggs, along with weak prices for dry egg products in both Ukraine and globally.

To date, the average sales price for shell eggs is significantly higher when compared to recent years. Looking ahead, if it stays at the current level, it should be sufficient to offset the higher cost of sales and seasonally low sales of shell eggs due to lower domestic demand and higher supply from households during Q2 and Q3. The Company expects that these favourable price and export trends, if continue, will positively contribute to its Q2 performance."

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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 2018 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 2018	Q1 2017	Change
Consolidated Revenue	US\$ '000	41,099	34,004	21%
Gross Loss	US\$ '000	(3,551)	(1,570)	-
Operating Loss	US\$ '000	(12,778)	(3,704)	-
EBITDA	US\$ '000	(9,058)	100	-
Net Loss	US\$ '000	(11,404)	(5,342)	-

In Q1 2017 and Q1 2018, 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.

In the reporting period, the Company's revenues from these operations amounted to US\$ 1.1 mln, with a gross profit margin of 4.6% (Q1 2017: revenue of US\$ 8.0 mln, with a gross profit margin of 11.0%). Since these operations are of a technical nature and had a minimum margin, they do not affect AVANGARDCO's operating and net profit.

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

Currency	31 March 2018	Weighted average for Q1 ended 31 March 2018	31 March 2017	Weighted average for Q1 ended 31 March 2017
US dollar to Ukrainian Hryvnia	26.544	27.320	26.976	27.061

In Q1 2018, the Company's consolidated revenue increased by 21% YoY to US\$41.1 mln (Q1 2017: US\$34.0 mln). This was due to the increase in sales of shell eggs and dry egg products amid the higher average sales price for shell eggs; whilst the lower average sales price for dry egg products and a decrease in revenues from grain trading had a negative effect on the Company's revenue.

In Q1 2018, the Company's export revenues rose by 127% YoY to US\$17.3 mln (Q1 2017: US\$7.6 mln). This was a result of 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 42% (Q1 2017: 22%).

In Q1 2018, the cost of sales rose by a mere 1% YoY to US\$35.6 mln (Q1 2017: US\$35.4 mln). This was despite an increase in the cost of sales of both shell eggs and dry egg products by 6% YoY (per unit in US dollars) and by 8% YoY (per 1 kg in US dollars), respectively, which was largely offset by a lower volume of grain trading

operations in the reporting period.

The gross loss amounted to US\$3.6 mln (Q1 2017: gross loss of US\$1.6 mln) as a result of revaluation of the Company's biological assets at fair value of US\$9.1 mln.

In Q1 2018, the loss from operating activities was US\$12.8 mln (Q1 2017: operating loss of US\$3.7 mln).

Negative EBITDA was US\$9.1 mln (Q1 2017: positive EBITDA of US\$0.1 mln).

In the reporting period, forex gains largely from the retranslation of long-term bond liabilities were US\$8.9 mln.

In Q1 2018, the Company's net loss amounted to US\$11.4 mln (Q1 2017: net loss of US\$5.3 mln).

Cash flow and debt structure:

As at 31 March 2018, net cash generated from operating activities amounted to US\$6.7 mln (31 March 2017: net cash inflow of US\$3.0 mln).

Net cash outflow from investing activities amounted to US\$0.7 mln (31 March 2017: net cash inflow from investing activities amounted to US\$0.4 mln).

In Q1 2017 and Q1 2018, there was no cash used/generated from financing activities.

As a result, net cash inflow amounted to US\$6.0 mln (31 March 2017: net cash inflow of US\$3.5 mln).

Cash and cash equivalents amounted to US\$25.3 mln (31 March 2017: US\$19.8 mln).

As at 31 March 2018, the Company's total debt amounted to US\$373.7 mln (31 December 2017: US\$366.0 mln). Net debt was US\$348.4 mln (31 December 2017: US\$347.8 mln).

The Company's Eurobond issue, which has a maturity date of 29 October 2018, amounted to 63% of the Company's total debt.

Segment review

Poultry flock management:

	Units	As at 31.03.2018	As at 31.03.2017	Change
Total Poultry Flock	Heads (mln)	13.3	14.0	(5%)
Laying Hens	Heads (mln)	9.3	10.6	(12%)

As at 31 March 2018, the total poultry flock amounted to 13.3 mln heads, up by 40% compared to 9.5 mln heads at 31 December 2017 (31 March 2017: 14.0 mln heads); whilst the number of laying hens remained flat at 9.3 mln heads compared to year end (31 March 2017: 10.6 mln laying hens).

Shell Eggs Segment:

	Units	Q1 2018	Q1 2017	Change
Total Production	Units (mln)	644	462	39%
Processing	Units (mln)	158	93	70%
Sales	Units (mln)	493	360	37%
Export	Units (mln)	200	30	>100%

Average Sales Price	UAH (excl. VAT)	1.76	1.13	56%
Average Sales Price	US\$ (excl. VAT)	0.06	0.04	50%

In Q1 2018, the production volume of shell eggs rose by 39% YoY to 644 mln units (Q1 2017: 462 mln units) due to the replenishment of the laying flock during 2017, which resulted in the flock's greater productivity.

In Q1 2018, the Company increased the volume of shell eggs for processing by 70% YoY to 158 mln units (Q1 2017: 93 mln units) due to the increased domestic demand for dry egg products and a gradual recovery in the Company's export sales to its traditional export markets.

In Q1 2018, sales of shell eggs rose by 37% YoY to 493 mln units (Q1 2017: 360 mln units) driven by a sixfold YoY increase in export sales, amounting to 200 mln units (Q1 2017: 30 mln units). This was due to greater diversification of the Company's export destinations and the resumption of sales to Iraq.

In the reporting period, the share of export sales reached 41% (Q1 2017: 8%), with the Company exporting shell eggs to 15 countries in the Middle East and North Africa (MENA), Sub-Saharan Africa, Asia and the CIS region.

In addition to export sales, the Company sold shell eggs through domestic retail and wholesale distributors. The share of retail sales was 45% of total sales (Q1 2017: 71%), whilst the share of sales to the lower margin wholesale channel reduced to 14% (Q1 2017: 21%).

The Company has continued to develop its sales of the value-added packaged eggs under its brand 'Kvochka', including through an integrated marketing campaign. In Q1 2018, sales of the 'Kvochka' packaged eggs increased by 75% YoY to 70 mln units (Q1 2017: 40 mln units).

In Q1 2018, the average sales price of shell eggs grew by 56% YoY to UAH1.76 per unit, excluding VAT (Q1 2017: UAH1.13 per unit, excluding VAT). This price growth was driven by favorable market conditions in Ukraine as the price remained at its Q4 2017 level, rather than going down as it has in previous Q1 periods.

In Q1 2018, the segment's revenue rose by 112% YoY to US\$31.8 mln (Q1 2017: US\$15.0 mln) as a result of the increased export sales and the higher average sales price. The segment's profit increased by 25% YoY to US\$3.4 mln (Q1 2017: net profit of US\$2.7 mln).

Dry Egg Product Segment:

	Units	Q1 2018	Q1 2017	Change
Dry egg products production	Tonnes	1,839	1,095	68%
Sales volume	Tonnes	1,651	1,188	39%
Export	Tonnes	1,413	1,111	27%
Average Sales Price	US\$/Kg	3.80	5.27	(28%)

In Q1 2018, the Company increased the output of dry egg products by 68% YoY to 1,839 tonnes (Q1 2017: 1,095 tonnes).

In Q1 2018, sales of dry egg products increased by 39% YoY to 1,651 tonnes (Q1 2017: 1,188 tonnes) due to higher sales to both domestic and export markets.

In Q1 2018, the export of dry egg products rose by 27% YoY to 1,413 tonnes (Q1 2017: 1,111 tonnes) as a result of a gradual recovery of sales to the EU, the Far East and Middle East as well as a greater diversification of the Company's export markets.

In the reporting period, the Company sold dry egg products to 16 countries in the EU, the Far East, the MENA, Sub-Saharan Africa and the CIS. The Company continued to grow sales of its dry egg products to the EU, which amounted to 54% of its total dry egg product exports, selling to Denmark and Italy.

In Q1 2018, the average sales price of dry egg products decreased by 28% YoY to US\$3.80/kg (Q1 2017: US\$5.27/kg) as import restrictions in H1 2017 and stronger competition in the Company's export markets forced it to sell its dry egg products at lower prices to maintain its market positions.

In Q1 2018, despite a weaker sales price for dry egg products, the segment's revenue was up by 0.3% YoY to US\$6.3 mln (Q1 2017: US\$6.3 mln). The segment's loss was US\$5.3 mln (Q1 2017: net loss of US\$5.0 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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For investor inquiries:

Valeriya Nikitina
AVANGARDCO IPL
Investor Relations Manager
phone: +38 044 393 40 50
mob.: +38 067 223 46 88
e-mail: ir@avangardco.ua

FTI Consulting London

Elena Kalinskaya
phone: +44 (0) 20 3727 1000
e-mail: avangard@fticonsulting.com

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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 2017, the Company holds a 29% share of the industrial shell egg market and a 63% 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 Far East, the CIS and the 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.

Condensed consolidated statement of financial position

AS AT 31 MARCH 2018

(in USD thousand, unless otherwise stated)

	31 March 2018	31 December 2017
ASSETS		
Property, plant and equipment	349,297	334,640
Non-current biological assets	2,124	3,732
Deferred tax assets	9,160	8,662
Held to maturity investments	1,414	2,840
Other non-current assets	5	5
Non-current assets	362,000	349,879
Inventories	49,864	56,301
Current biological assets	15,768	16,160
Trade accounts receivable, net	46,100	45,376
Prepaid income tax	39	35
Prepayments and other current assets, net	9,537	8,939
Taxes recoverable and prepaid	19,740	17,849
Cash and cash equivalents	25,338	18,242
Current assets	166,386	162,902
TOTAL ASSETS	528,386	512,781
EQUITY		
Share capital	836	836
Share premium	201,164	201,164
Reserve capital	115,858	115,858
Retained earnings	846,890	857,723
Effect of translation into presentation currency	(1,089,899)	(1,099,825)
Equity attributable to owners of the Company	74,849	75,756
Non-controlling interests	9,807	8,765
Total equity	84,656	84,521
LIABILITIES		
Long-term loans	43,478	42,750
Deferred tax liabilities	326	308
Deferred income	1,036	1,002
Dividends payable	29,542	29,542
Non-current liabilities	74,382	73,602
Short-term bond liabilities	233,747	231,612
Current portion of non-current liabilities	96,564	91,760
Trade payables	2,043	2,298
Other accounts payable	36,994	28,988
Current liabilities	369,348	354,658
TOTAL LIABILITIES	443,730	428,260
TOTAL EQUITY AND LIABILITIES	528,386	512,781

Condensed consolidated statement of profit and loss and other comprehensive income
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

	for the 3 months ended	
	31 March 2018	31 March 2017
Revenue	41,099	34,004
Loss from revaluation of biological assets at fair value	(9,063)	(209)
Cost of sales	(35,587)	(35,365)
GROSS LOSS	(3,551)	(1,570)
General administrative expenses	(2,208)	(1,930)
Distribution expenses	(1,876)	(1,597)
Income from government grants and incentives	22	22
Other operating (expenses)/income	(5,165)	1,371
LOSS FROM OPERATING ACTIVITIES	(12,778)	(3,704)
Finance income	365	572
Finance costs	(7,835)	(7,897)
Gains/(losses) on exchange	8,859	5,724
NET FINANCE INCOME/(COSTS)	1,389	(1,601)
LOSS BEFORE TAX	(11,389)	(5,305)
Income tax credit	(15)	(37)
LOSS FOR THE PERIOD	(11,404)	(5,342)
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	11,539	(3,651)
TOTAL COMPREHENSIVE INCOME	135	(8,993)
LOSS ATTRIBUTABLE TO:		
Owners of the Company	(10,833)	(4,903)
Non-controlling interests	(571)	(439)
	(11,404)	(5,342)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	(907)	(8,789)
Non-controlling interests	1,042	(204)
	135	(8,993)
Loss per share		
Basic and diluted (USD)	(2)	(1)

Condensed consolidated statement of cash flows
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

	for the 3 months ended	
	31 March 2018	31 March 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(11,389)	(5,305)
Adjustments for:		
Depreciation of property, plant and equipment	3,689	3,774
Change in allowance for irrecoverable amounts	5,193	(1,969)
(Profit)/loss on disposal of current assets	(1)	206
(Profit)/loss on disposal of non current assets	(21)	2
Impairment of current assets	31	34
Effect of fair value adjustments on biological assets	9,063	209
Gains realised from accounts payable written-off	2	(15)
Amortization of deferred income on government grants	(22)	(22)
Discount bonds amortization	690	566
Discount on VAT government bonds amortization	(207)	(294)
Interest income	(158)	(278)
Interest payable on loans and bonds	7,130	7,353
Gains on exchange	(4,256)	(5,724)
Operating profit/(loss) before working capital changes	9,744	(1,463)
(Increase)/decrease in trade receivables	(3,322)	14,151
Decrease in prepayments and other current assets	498	1,694
Decrease/(increase) in taxes recoverable and prepaid	910	(324)
Decrease in inventories	9,365	434
Decrease in deferred income	(1)	(1)
Decrease in trade payables	(378)	(561)
Increase in biological assets	(7,063)	(8,516)
Decrease in finance leases	-	(1)
Decrease in other accounts payable	(2,934)	(1,147)
Cash generated from operations	6,819	4,266
Interest paid	(91)	(1,223)
Income tax paid	(29)	(11)
Net cash generated from operating activities	6,699	3,032
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments and receipts - property, plant and equipment	(1,185)	(348)
Interest received	491	783
Net cash generated/(used in) investing activities	(694)	435

Condensed consolidated statement of cash flows (cont.)
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

	for the 3 months ended	
	31 March 2018	31 March 2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	-	-
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	6,005	3,467
Cash and cash equivalents at 1 January	18,242	12,570
Effect from translation into presentation currency	1,091	3,719
Cash and cash equivalents at 31 March	25,338	19,756