



22 November 2012

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Operational and unaudited financial results for 3Q and for the first 9 months of 2012

Kyiv, Ukraine – AVANGARDCO INVESTMENTS PUBLIC LIMITED (LSE: AVGR) (the “Company”, or “AVANGARDCO IPL”), the leading producer of shell eggs and egg products in Ukraine and number one producer in Eurasia, announces operating and unaudited financial results for 3Q 2012 and for the first 9 months of 2012 ended 30 September 2012.

Operational highlights for 3Q 2012

- Total shell eggs production grew by 3.7% YoY to 1,579 m (3Q 2011: 1,523 m)
- Shell eggs sales to external buyers increased by 5.2% YoY to 1,467 m (3Q 2011: 1,394 m)
- Average sales price of shell eggs grew by 12.5% YoY to UAH 0.63/egg excl. VAT (3Q 2011: UAH 0.56/egg excl. VAT)
- Egg processing volume increased by 3.2% YoY to 259 m (3Q 2011: 251 m)
- Average selling price of dry egg products grew by 3.2% YoY to USD 7.37/kg (3Q 2011: USD 7.14/kg).

Operational highlights for the first 9 months of 2012

- As at 30 September 2012, the Company’s poultry flock grew by 11.8% YoY to 27.4 m (30 September 2011: 24.5 m). The laying hens flock increased by 5.9% YoY to 21.6 m (9M 2011: 20.4 m)
- Total shell eggs production grew by 6.5% YoY to 4,685 m (9M 2011: 4,398 m)
- Shell eggs sales to external buyers increased by 9.8% YoY to 3,879 m (9M 2011: 3,533 m)
- Average sales price of shell eggs grew by 20.4% YoY to UAH 0.65/egg excl. VAT (9M 2011: UAH 0.54/egg excl. VAT)
- Egg processing volume increased by 1.9% YoY to 800 m (9M 2011: 785 m)
- Average selling price of dry egg products grew by 7.5% YoY to USD 7.46/kg (9M 2011: USD 6.94/kg).

Financial highlights for 3Q 2012

- Consolidated revenue rose by 46.2% YoY to USD 162.2 m (3Q 2012: USD 110.9 m)
- EBITDA rose by 45.5% YoY to USD 71.8 m (3Q 2011: USD 49.4 m). EBITDA margin was 44.3% (3Q2011: 44.5%)
- Net income was up by 38.7% YoY to USD 59.4 m (3Q 2011: USD 42.8 m). Net income margin for the period was 36.6% (3Q 2011: 38.6%).

Financial highlights for the first 9 months of 2012

- Revenue increased by 33.1% YoY to USD 445.8 m (9M 2011: USD 334.9 m)
- EBITDA grew by 38.0% YoY to USD 194.0 m (9M 2011: USD 140.6 m) with EBITDA margin expanding to 43.5% (9M 2011: 42.0%)
- Net income rose by 42.9% YoY to USD 157.0 m (9M 2011: USD 109.9 m) with net income margin up to 35.2% (9M 2011: 32.8%).

Nataliya Vasylyuk, CEO of AVANGARDCO IPL, commented:

"I am delighted to present our results for the first 9 months of 2012 which continue to demonstrate strong growth across all key financial and operational indicators, underpinning the Company's leadership in the shell eggs and egg products market both in Ukraine and Eurasia. Our strategy, aimed at increasing production volumes, entering new sales markets and controlling our costs, continues to prove its effectiveness: the Company's revenue grew by 33% year-on-year in the first 9 months of 2012, and our net income increased by 43%.

These results were achieved through increasing production volumes on the back of the steadily growing demand for our products both domestically and internationally. I would like to stress that while the prices of shell eggs and egg products have risen year-on-year, we continued to keep our production costs at a relatively low level through our successful grain purchasing strategy, which allowed us to hedge against fluctuations in grain prices.

We expect AVANGARDCO IPL to show healthy financial results for the full year, as we continue to implement our stated development strategy."

A conference call for analysts and investors is scheduled for today, 9:00 EST, 14:00 GMT, 16:00 Kyiv time, and 18:00 Moscow time.

International number: +44 (0)20 7162 0025

Toll-free line in Russia: 81 0800 2806 3011

Password: Avangard

The presentation slides will be streamed in real time at:

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Financial report for the first nine months of 2012 is available on our website at: <http://avangard.co.ua/eng/for-investors/financial-overview/financial-reports/interim-reports/>. Please contact us at ir@avangardco.ua if there are problems with the file download.

Please make sure you are logged in 15 minutes before the conference call.

Financial summary:

	Unit	3Q 2012	3Q 2011	Change, %	9 months 2012	9 months 2011	Change, %
Revenue	USD '000	162, 191	110, 928	46.2	445, 753	334, 868	33.1
Gross profit	USD '000	60, 022	43, 880	36.8	173, 960	128, 143	35.8
Gross margin	%	37.0	39.6	-2.6	39.0	38.3	0.7
EBITDA	USD '000	71, 840	49, 364	45.5	193, 967	140, 558	38.0
EBITDA margin	%	44.3	44.5	-0.2	43.5	42.0	1.5
Operating profit	USD '000	68, 032	45, 818	48.5	182, 515	129, 915	40.5
Operating margin	%	41.9	41.3	0.6	40.9	38.8	2.1
Net income	USD '000	59, 377	42, 815	38.7	156, 977	109, 851	42.9
Net margin	%	36.6	38.6	-2.0	35.2	32.8	2.4

Financial results overview for 3Q 2012

In the reporting quarter, the Company's consolidated revenue amounted to USD 162.2 million (3Q 2011: USD 110.9 million). Its 46.2% year-on-year growth is attributed to the increase in sales of the Company's two main segments, shell eggs and egg products, and the growth in shell egg prices due to favorable market conditions.

The Company reported gross profit of USD 60.0 million (3Q 2011: USD 43.9 million), a 36.8% increase year-on-year. The Company's gross margin was 37.0% (3Q 2011: 39.6%). Its 2.6% decrease is due to year on year decrease in share of income from revaluation of biological assets in the total amount of gross profit.

EBITDA grew by 45.5% year-on-year to USD 71.8 million (3Q 2011: USD 49.4 million). EBITDA margin was 44.3% (3Q 2011:44.5%).

The Company's net income was up by 38.7% year-on-year to USD 59.4 million (3Q 2011: USD 42.8 million) with net income margin 36.6% (3Q 2011: 38.6%).

Financial results overview for the first 9 months of 2012

During the reporting period, the Company's consolidated revenue growth showed a year-on-year increase of 33.1%, reaching USD 445.8 million (9M 2011: USD 334.9 million). The growth resulted from the increased sales in two main segments of the business and a significant rise in prices of shell eggs and egg products (20.4% year-on-year and 7.5% year-on-year, respectively). Revenue from the sale of shell eggs and egg products accounted for 86.3% of the Company's total revenue for the period (9M 2011: 83.4%), reaching USD 384.8 million (9M 2011: USD 279.4 million). Export revenue from the sale of shell eggs and egg products stood at USD 69.5 million (9M 2011: USD 13.2 million), or 15.6% of the Company's total revenue.

Gross profit for the reporting period amounted to USD 174.0 million, a 35.8% increase year-on-year compared to USD 128.1 million for the first 9 months of 2011. This growth resulted primarily from strong sales, as well as an increase in the selling price in two main product groups – shell eggs and egg products. Gross margin also increased to 39.0% (9M 2011: 38.3%).

The Company's EBITDA was up by 38.0% year-on-year to USD 194.0 million (9M 2011: USD 140.6 million), with EBITDA margin showing a year-on-year increase of 1.5% to 43.5%.

Net income for the first 9 months of 2012 rose by 42.9% year-on-year to USD 157.0 million (9M 2011: USD 109.9 million) with net income margin growing by 2.4% to 35.2% (9M 2011: 32.8%).

The Company's net operating cash flow for the first 9 months of 2012 was USD 167.4 million (9M 2011: USD 61.1 million).

Net cash used in investing activities stood at USD 227.1 million (9M 2011: USD 123.2 million).

Net cash used in financing activities was USD 4.7 million (9M 2011: USD 39.4 million).

At the end of the reporting period, the Company's net debt was USD 153.2 million, compared to USD 155.2 million in the previous period.

Net debt / EBITDA ratio was 0.5 (based on 12-month EBITDA). The Company's leverage is relatively low, compared its market peers.

Operational overview by segment:

	Unit	As at 30 September 2012	As at 30 September 2011	Change, %
Total flock	bird (m)	27.4	24.5	11.8
Laying hens flock	bird (m)	21.6	20.4	5.9

The Company's total poultry flock grew by 11.8% year-on-year, while the laying hens flock increased by 5.9% year-on-year.

Shell eggs segment

	Unit	3Q 2012	3Q 2011	Change, %	9 months 2012	9 months 2011	Change, %
Production	egg (m)	1,579	1,523	3.7	4,685	4,398	6.5
Sales to external buyers	egg (m)	1,467	1,394	5.2	3,879	3,533	9.8
Export	egg (m)	149.7	101.2	47.9	303.9	107.5	182.7
Average selling price	UAH (excl. VAT)	0.63	0.56	12.5	0.65	0.54	20.4

In 3Q 2012, the production of eggs grew by 3.7% year-on-year and by 6.5% year-on-year in the first 9 months of 2012, as a result of the growth of the laying hens flock.

In 3Q 2012, the average selling price of shell eggs grew by 12.5% year-on-year to UAH 0.63/egg excl. VAT (3Q 2011: UAH 0.56/egg excl. VAT). Over the first 9 months of 2012, the average selling price of shell eggs increased by 20.4% year-on-year, following the growth in prices across all distribution channels.

In the reporting quarter, the sales of shell eggs increased by 5.2% year-on-year as a result of growth in domestic distribution channels and increase in exports. Over the first 9 months of 2012, the sales of shell eggs increased by 9.8% year-on-year. The Company remains focused on the development of the existing domestic distribution channels and export sales, as well as growing sales through retail chains.

In the reporting quarter, the Company increased its exports of shell eggs by 47.9% year-on-year to 149.7 million eggs (3Q 2011: 101.2 million). In the first nine months of 2012, eggs export sales nearly tripled year-on-year. The Company exported shell eggs to the markets of Middle East and North Africa region, Central and West Africa countries and the CIS.

Kvochka brand

- In 3Q 2012, the Company started offering its Kvochka-branded products through Megamarket, Ashan and Perekrestok retail chains. As at 30 September 2012, the Company's branded products were sold in 12 major national retail chains.
- The Company is expanding its products' presence in traditional retail outlets through a distributor. In the reporting period, Kvochka-branded products were sold in over 350 traditional retail outlets. In total the Company's packaged products are sold in over 1,500 outlets.
- AVANGARDCO IPL continues to expand the shelf presence of Kvochka-branded products through large marketing campaigns and in-store advertising and promotions.

Eggs products segment

	Unit	3Q 2012	3Q 2011	Change, %	9 months 2012	9 months 2011	Change, %
Eggs processed	egg (m)	259	251	3.2	800	785	1.9
Averages selling price	USD/kg (excl. VAT)	7.37	7.14	3.2	7.46	6.94	7.5

In the reporting period, LLC Imperovo Foods, the Company's shell eggs processing plant, was working at full production capacity and increased the volume of processed eggs by 3.2% year-on-year in 3Q2012 and by 1.9% year-on-year for the first 9 months of 2012.

In the reporting quarter, the average selling price of dry egg products increased by 3.2% year-on-year to USD 7.37/kg (3Q 2011: USD 7.14/kg). In the first 9 months of 2012, the average selling price increased by 7.5% year-on-year to USD 7.46/kg (9M 2011: USD 6.94/kg) due to changes in the product range.

During the first 9 months of 2012, the Company was exporting egg products to the Middle East, North Africa, and Asia.

Investment projects

Construction of two poultry complexes, Avis in the Khmelnytsky Region and Chornobaivske in the Kherson Region, is proceeding according to schedule.

Avis

- Second stage of the rearing site with a capacity of 1 million birds will be commissioned in 1H 2013.
- Second stage of the laying hens site for 2.2 million birds will be commissioned in 2H 2013 (line 1 of the second stage was commissioned in October 2012).
- Feed mill with an annual capacity of 500,000 tonnes comprising a soya bean extrusion plant and a grain elevator for 56,000 tonnes will be commissioned in April 2013. The equipment for the mill has been delivered in full, and installation works are under way.
- Construction of the 56,000 tonnes grain elevator for the feed mill has been completed. In October 2012, the grain elevator received its first shipments of grain.

Chornobaivske

- Second stage of the rearing site with a capacity of 1 million birds will be commissioned in 1H 2013.
- First stage of the laying hens site for 1.75 million birds has been commissioned.
- Second stage of the laying hens site for 1.26 million birds will be commissioned in 1H 2013.
- Third stage with a capacity of 2.967 million birds will be commissioned in 2H 2013.
- Feed mill with an annual capacity of 500,000 tonnes comprising a full-fat soya bean line with a capacity of 30 tonnes/hr and a grain elevator with a capacity of 56,000 tonnes will be commissioned in 2H 2013. The equipment for the facilities has been paid for and will be delivered starting February 2013. The site is being prepared for construction, which is scheduled to begin in December 2012.

LLC Imperovo Foods, shell eggs processing plant

- Currently, the Company is implementing Stage 1 of the project aimed at increasing the facility's egg processing capacity from 3 million to 6 million eggs per day.

The construction progress at *Avis* and *Chornobaivske* complexes can be tracked at: <http://avangard.co.ua/eng/about/projects/>

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IR contacts:

Alina Korniets

AVANGARDCO IPL

Acting Head of Investor Relations

Telephone: +38 044 393 40 50

Mobile: +38 067 664 49 99

e-mail: a.korniets@avangardco.ua

FTI Consulting London

Larisa Kogut-Millings
+44 (0) 20 72 69 7216

FTI Consulting Moscow

Oleg Leonov
Olga Terebova
+7 495 795 06 23

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Notes to Editors:

Avangardco IPL is one of Ukraine's largest agro-industrial companies, specialising in production of shell eggs and egg products. As at 30 September, 2012, the total poultry flock of the Company was 27.4 million birds. The Company's facilities are located in 14 regions of Ukraine and the Autonomous Republic of Crimea. The Company exported its products to 34 countries, mostly in the Middle East, Asia, and the CIS. As at 30 September 2012, the Company's revenue amounted to USD 445.8 million (9M 2011: USD 334.9 million), and EBITDA reached USD 194.0 million (9M 2011: USD 140.6 million).

The Company's Global Depositary Receipts have been traded on the London Stock Exchange since May 2010. The Company's Eurobonds of around USD 200 million with a maturity on 29 October, 2015 were included in the official list of the UK Listing Authority (UKLA) and admitted to trading on the regulated market of the London Stock Exchange starting 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 30 SEPTEMBER 2012

(in USD thousand, unless otherwise stated)

	30 September 2012	31 December 2011
ASSETS		
Property, plant and equipment	718,394	512,697
Non-current biological assets	49,792	44,304
Deferred tax assets	1,912	1,922
Other non-current assets	100,499	93,041
Total non-current assets	870,597	651,964
Inventories	138,987	202,279
Current biological assets	52,862	58,916
Trade accounts receivable, net	69,803	51,437
Prepaid income tax	4	-
Prepayments and other current assets, net	68,778	26,946
Taxes recoverable and prepaid	105,690	76,298
Cash and cash equivalents	182,601	237,814
Total current assets	618,725	653,690
TOTAL ASSETS	1,489,322	1,305,654
EQUITY		
Share capital	836	836
Share premium	201,164	201,164
Reserve capital	115,858	115,858
Retained earnings	828,241	673,909
Effect of translation into presentation currency	(68,184)	(67,761)
Equity attributable to the owners of the Company	1,077,915	924,006
Non-controlling interest	17,974	15,333
Total equity	1,095,889	939,339

LIABILITIES

Long-term loans	4,326	15,384
Long-term bond liabilities	195,458	194,563
Deferred tax liabilities	55	86
Deferred income (non-current portion)	5,122	5,351
Long-term finance lease	1,917	3,830
Total non-current liabilities	206,878	219,214
Short-term bond liabilities	25,022	25,013
Current portion of non-current liabilities	33,532	26,565
Short-term loans	75,807	53,063
Trade payables	20,247	17,894
Accrued expenses	1,900	1,601
Other current liabilities and accrued expenses	30,047	22,965
Total current liabilities	186,555	147,101
TOTAL LIABILITIES	393,433	366,315
TOTAL EQUITY AND LIABILITIES	1,489,322	1,305,654

Interim consolidated statement of comprehensive income

FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012

(in USD thousand, unless otherwise stated)

	9 months ended	
	30 September 2012	30 September 2011
Revenue	445,753	334,868
Income from revaluation of biological assets at fair value	27,592	26,292
Cost of sales	(299,385)	(233,017)
GROSS PROFIT	173,960	128,143
General administrative expenses	(17,633)	(8,734)
Distribution expenses	(15,307)	(7,137)
Income from government grants and incentives	226	239
Income from special VAT treatment	36,101	23,665
Other operating income/expenses, net	5,168	(6,261)
OPERATING PROFIT	182,515	129,915
Finance income	555	1,339
Finance cost	(26,083)	(19,283)
PROFIT BEFORE TAX	156,987	111,971
Income tax expense	(10)	(2,120)
PROFIT FOR THE PERIOD	156,977	109,851
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:		
Effect of translation into presentation currency	(426)	(1,167)
TOTAL COMPREHENSIVE INCOME	156,551	108,684

PROFIT FOR THE PERIOD ATTRIBUTABLE TO

Owners of the Company	154,333	107,194
Non-controlling interests	2,644	2,657
	156,977	109,851

TOTAL COMPREHENSIVE INCOME
ATTRIBUTABLE TO:

Owners of the Company	153,910	106,027
Non-controlling interests	2,641	2,657
	156,551	108,684

Earnings for the year per share, USD (basic and diluted)

24	17
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Interim consolidated statement of cash flows

FOR THE 9 months ended 30 September 2012

(in USD thousand, unless otherwise stated)

	9 months ended	
	30 September 2012	30 September 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	156, 987	111, 971
Adjustments for:		
Depreciation of property, plant and equipment	11, 452	10, 643
Change in allowance for irrecoverable amounts	1, 077	363
Other provisions	299	879
Loss on disposal of current assets	220	156
Loss on disposal of property, plant and equipment	30	154
Impairment of current assets	850	-
Other income	(1, 573)	-
Effect of fair value adjustments on biological assets	(27, 592)	(26, 292)
Gains realised from accounts payable written-off	(768)	(7)
Amortization of deferred income on government grants	(226)	(275)
Loss from VAT government bonds sale	-	32
Discount on long-term bonds amortization	895	804
Interest income	(555)	(1, 329)
Interest payable on loans	23, 812	17, 943
Operating profit before working capital changes	164, 908	115, 042
Decrease/(increase) in trade receivables	(18, 611)	2, 927
(Increase) in prepayments and other current assets	(42, 664)	(17, 851)
Decrease/(increase) in taxes recoverable and prepaid	(29, 392)	(15, 781)
Decrease in inventories	65, 910	(40, 279)
Increase in deferred income	(3)	69
Decrease in trade payables	3, 121	(3, 807)
(Increase)/decrease in biological assets	28, 158	21, 682

(Decrease)/increase in finance leases	(1, 917)	-
Increase/(decrease) in advances received and other current liabilities and accruals	4, 999	4, 419
Cash generated from operations	174, 509	66, 421
Interest paid	(7, 106)	(5, 311)
Income tax paid	(39)	(5)
Net cash generated from operating activities	167, 364	61, 105

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant and equipment	(227, 684)	(107, 079)
Acquisition of Company	-	(17, 721)
VAT government bonds sale		230
Interest received	555	1, 339
Net cash used in investing activities	(227, 129)	(123, 231)

CASH FLOWS FROM FINANCING ACTIVITIES:

New loans received	39, 555	91, 056
Repayment of loans	(20, 897)	(37, 757)
Interest paid for bonds issued	(13, 984)	(13, 837)
Proceeds from short-term bonds issued	-	(19)
Net cash generated from/(used in) financing activities	4, 674	39, 443

Effect from translation into presentation currency	(121)	-
Decrease/(increase) in restricted cash	2, 327	(9, 878)
Net increase/(decrease) in cash	(52, 885)	(22, 683)

Cash at the beginning of the year	230, 640	183, 065
Cash at the end of the year	177, 754	150, 498

