



29 May 2015

AVANGARDCO INVESTMENTS PUBLIC LIMITED

FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2015

Kyiv, Ukraine – AVANGARDCO INVESTMENTS PUBLIC LIMITED (LSE: AVGR) (the “Company” or “AVANGARDCO IPL”), the largest producer of shell eggs and egg products in Ukraine and number one producer in Europe, today announces its financial results for the first quarter ended 31 March 2015.

Financial highlights

- Consolidated revenue amounted to US\$72.4 mln, a decrease of 52% YoY (Q1 2014: US\$152.2 mln).
- Export sales revenue amounted to US\$24.0 mln or 33% of the Company’s consolidated revenue (Q1 2014: US\$61.6 mln or 40% of the Company’s consolidated revenue).
- Gross profit amounted to US\$14.6 mln, a decline of 76% YoY (Q1 2014: US\$59.7 mln).
- EBITDA amounted to US\$6.4 mln (Q1 2014: US\$61.2 mln), with EBITDA margin of 9% (Q1 2014: 40%).
- Net loss amounted to US\$52.2 mln (Q1 2014: net profit of US\$46.8 mln).

Operational Highlights

- Production of shell eggs totalled 1.051 bln units, a decline of 44% YoY (Q1 2014: 1.889 bln units).
- Sales of shell eggs to external clients amounted to 1.067 bln units, down by 16% YoY (Q1 2014: 1.264 bln units).
- Export of shell eggs decreased by 33% YoY to 108 mln units (Q1 2014: 162 mln units).
- The average sales price of shell eggs was UAH 1.07 per unit, excluding VAT, up by 60% YoY (Q1 2014: UAH 0.67 per unit, excluding VAT).
- The production of dry egg products amounted to 1,150 tonnes (Q1 2014: 6,802 tonnes).
- Sales of dry egg products totalled 3,251 tonnes (Q1 2014: 7,286 tonnes).
- The average sales price of dry egg products was US\$5.24/kg (Q1 2014: US\$ 7.04/kg).
- As at 31 March 2015, the total poultry flock amounted to 20.0 mln hens, a decrease of 41% YoY (31 March 2014: 34.1 mln).
- As at 31 March 2015, the number of laying hens amounted to 16.6 mln, down by 37% YoY (31 March 2014: 26.5 mln).

Irina Marchenko, Chief Executive Officer of AVANGARDCO IPL, commented:

The ongoing military confrontation and economic instability in Ukraine contributed to another challenging quarter for the business. In Q1 2015, the Company’s financial performance continued to be impacted by the devaluation of the Ukrainian hryvnia against the US dollar, as well as reduced sales volumes of shell eggs and dry egg products resulting from decreased production, a decline in domestic demand and loss of sales in Crimea and Eastern Ukraine.

In spite of these factors, the Company remains the biggest producer of shell eggs and dry egg products in both Ukraine and Europe. The Company continues to explore new export markets, having entered Bangladesh and the United Kingdom in Q1 2015. The Company’s management team is taking all necessary steps to navigate AVANGARDCO IPL through this challenging period, to ensure the business’ short and long term stability and growth.

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The management team will host an investor and analyst conference call at 15.00 pm (London), 17.00 pm (Kiev/Moscow) and 10.00 am (EST) on Friday, 29 May 2015, including a question and answer session.

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A live webcast of the presentation will be available at: <https://webconnect.webex.com/webconnect/onstage/g.php?MTID=e0c1a8c74b261466af0edfb7a01c82a31>

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

Financial results for the first quarter of 2015 ended 31 March 2015 are available on the Company's website at: <http://avangard.co.ua/eng/for-investors/financial-overview/financial-reports/interim-reports/>

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Financial results overview

	Units	Q1 2015	Q1 2014	Change
Consolidated Revenue	US\$ '000	72,426	152,199	(52%)
Gross Profit	US\$ '000	14,610	59,745	(76%)
<i>Gross Profit Margin</i>	%	20%	39%	-
EBITDA	US\$ '000	6,357	61,163	(90%)
<i>EBITDA Margin</i>	%	9%	40%	-
Operating Profit	US\$ '000	160	54,720	(100%)
<i>Operating Margin</i>	%	0.2%	36%	-
Net Profit	US\$ '000	(52,179)	46,799	-
<i>Net Profit Margin</i>	%	-	31%	-

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

Currency	31 March 2015	Weighted average for the 1 quarter ended 31 March 2015	31 March 2014	Weighted average for 1 quarter ended 31 March 2014
US dollar to Ukrainian Hryvnia	23.4426	21.1157	10.9546	8.8627

In the first quarter of 2015, the Company's consolidated revenue decreased by 52% year-on-year, amounting to US\$72.4 mln (Q1 2014: US\$152.2 mln). The decline in consolidated revenue was primarily due to the sharp 138% year-on-year devaluation of the Ukrainian Hryvnia against the US dollar (calculated at the weighted average rate for the quarter) and the significant reduction in the number of laying hens due to the closure of poultry farms in the Crimea and Eastern Ukraine. Additionally, the consolidated revenue was affected by the decline in sales volumes of shell eggs and egg products as well as the decrease in the average sales price of all the Company's products in dollar terms. However, the decline in the Company's consolidated revenue was partially offset by the increase in average sales price of shell eggs and egg products in Hryvnia.

In the first quarter of 2015, the Company's export revenues decreased by 61% year-on-year to US\$24.0 mln (Q1 2014: US\$61.6 mln) as a result of the decrease in export sales of shell eggs and dry egg products and their sales price. The share of export revenue in the consolidated revenue amounted to 33% (Q1 2014: 40%).

In the first quarter of 2015, the cost of sales in dollar terms fell by 37% year-on-year and amounted to US\$64.2 mln (Q1 2014: US\$101.7 mln) as a result of the devaluation of the Ukrainian Hryvnia against the US dollar. The cost of sales in Hryvnia terms increased as the cost of more than 70% of the cost components (grain, veterinary medicines, and packaging materials) is linked to other major currencies.

As a result, the Company's gross profit was down by 76% year-on-year to US\$14.6 mln (Q1 2014: US\$59.7 mln). Gross profit margin amounted to 20% (Q1 2014: 39%).

EBITDA was down by 90% year-on-year to US\$6.4 mln (Q1 2014: US\$61.2 mln). This was due to decreased revenue together with the increased cost per unit of output in Hryvnia terms as well as the reduction in income from the revaluation of biological assets and inventories of finished goods with the expired shelf life date being written off. EBITDA margin was 9% (Q1 2014: 40%).

In the first quarter of 2015, the Company reported a net loss of US\$52.2 mln (Q1 2014: net profit of US\$46.8 mln) which includes FX losses of US\$45.9 mln.

Cash flow

As at 31 March 2015, net cash outflow from operating activities amounted to US\$3.4 mln (31 March 2014: US\$39.4 mln) due to the decrease in operating profit coupled with the increase in credit receivables and decrease in credit payables.

Net cash used in investing activities amounted to US\$7.9 mln (31 March 2014: US\$28.7 mln).

Net cash received from financing activities was US\$6.3 mln (31 March 2014: US\$14.6 mln).

As at 31 March 2015, the Company's cash and cash equivalents decreased and amounted to US\$89.9 mln (31 March 2014: US\$178.5 mln) as a result of the negative cash flow from operating and investing activities.

Debt Structure

As at 31 March 2015, the Company's total debt amounted to US\$339.3 mln (31 December 2014: US\$343.8 mln). Net debt amounted to US\$249.4 mln (31 December 2014: US\$225.9 mln).

The Company's Eurobond issue with a maturity date of 29 October 2015 amounted to 59% of the Company's total debt.

Segment review

Shell Eggs Segment

	Units	As at 31.03.2015	As at 31.03.2014	Change
Total Poultry Flock	Heads (mln)	20.0	34.1	(41%)
Laying Hens	Heads (mln)	16.6	26.5	(37%)

As at 31 March 2015, the total poultry flock was down by 41% year-on-year to 20.0 million heads (Q1 2014: 34.1 million heads) and the number of laying hens decreased by 37% year-on-year to 16.6 million heads (Q1 2014: 26.5 million heads). The decrease in the number of poultry flock was largely due to the closure of poultry farms in the Autonomous Republic of Crimea and Eastern Ukraine.

As at 31 March 2015, approximately 64% of laying hens flock is at the Avis and Chornobaivske poultry complexes.

	Units	Q1 2015	Q1 2014	Change
Total Production	Pieces (mln)	1,051	1,889	(44%)
Total Sales to Third Parties	Pieces (mln)	1,067	1,264	(16%)
Export	Pieces (mln)	108	162	(33%)
Average Sales Price	UAH (excl. VAT)	1.07	0.67	60%

In the first quarter of 2015, the production volume of shell eggs decreased by 44% year-on-year to 1,051 million units (Q1 2014: 1,889 million units) due to the reduction in the number of laying hens.

Sales of shell eggs to external customers decreased by 16% year-on-year to 1,067 million units (Q1 2014: 1,264 million units).

In the first quarter of 2015, exports of shell eggs decreased by 33% year-on-year to 108 million units (Q1 2014: 162 million units) due to the decrease in production volumes. The decline in exports was also due to the increased competition between egg producers for export markets. The Company believes that this trend is only temporary and plans to increase the share of exports. The main export markets for shell eggs were the Middle East and North Africa, Central and West Africa and the CIS.

In the first quarter 2015, the share of shell eggs sales to supermarket chains increased to 38% (Q1 2014: 31%) of the Company's total sales to third parties, while sales through the lower margin wholesale channel declined to 52% (Q1 2014: 56%).

The average sales price of shell eggs increased by 60% year-on-year to 1.07 UAH per unit, excluding VAT (Q1 2014: 0.67 UAH per unit, excluding VAT).

In the first quarter of 2015, the shell egg segment's revenue decreased by 44% to US\$53.9 mln (Q1 2014: US\$95.6 mln). This year-on-year decrease was due to two main factors, namely a slight decrease in shell egg sales to third parties as well as the sharp devaluation of the Ukrainian Hryvnia against the US dollar as approximately 82% of the segment's revenue comes from sales in Ukraine.

Dry Egg Products Segment

	Units	Q1 2015	Q1 2014	Change
Dry egg products production	Tonnes	1,150	6,802	(83%)
Sales volume	Tonnes	3,251	7,286	(55%)
Average Sales Price	US\$/Kg	5.24	7.04	(26%)

In the first quarter of 2015, the production of dry egg products declined to 1,150 tonnes (Q1 2014: 6,802 tonnes) as sufficient inventory of finished products was available as well as due to the changes in the Company's sales strategy.

As a result, sales of dry egg products declined to 3,251 tonnes (Q1 2014: 7,286 tonnes).

In the first quarter of 2015, the export of dry egg products decreased to 2,120 tonnes (Q1 2014: 5,973 tonnes) due to the Company's strategy to balance its sales structure. The main importers of the Company's dry egg products were the Middle East and North Africa, Asia, Oceania and the EU. In the first quarter of 2015, the Company entered the new export market of Bangladesh and the United Kingdom.

In the first quarter of 2015, the average sales price of dry egg products decreased to US\$5.24/kg (Q1 2014: US\$7.04/kg) due to a reduction in export volumes.

In the first quarter of 2015, as a result of the decrease in sales and average sales price of dry egg products, revenues in the dry egg products segment decreased by 67% year-on-year to US\$16.9 mln (Q1 2014: US\$51.3 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 2014, the Company holds a 49% share of the industrial shell eggs market and a 91% share of the dry eggs products 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 farms for laying hens, 3 second order breeder farms, 10 farms for rearing young laying hens, 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 37 countries, with its primary export markets in the Middle East, Africa, Asia, the CIS and the EU.

The Company's shares, in the form of Global Depository 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 2015 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 2015

(in USD thousand, unless otherwise stated)

	31 March 2015	31 December 2014
ASSETS		
Property, plant and equipment	394 370	579 922
Non-current biological assets	11 112	21 637
Deferred tax assets	1 675	2 489
Held to maturity investments	10 527	17 959
Other non-current assets	19	28
Total non-current assets	417 703	622 035
Inventories	77 799	115 896
Current biological assets	26 860	28 228
Trade accounts receivable, net	84 337	79 221
Prepaid income tax	47	48
Prepayments and other current assets, net	16 734	29 094
Taxes recoverable and prepaid	22 630	45 949
Cash and cash equivalents	89 890	117 856
Total current assets	318 297	416 292
TOTAL ASSETS	736 000	1 038 327
EQUITY		
Share capital	836	836
Share premium	201 164	201 164
Reserve capital	115 858	115 858
Retained earnings	1 025 445	1 077 158
Effect of translation into presentation currency	(1 009 099)	(776 404)
Equity attributable to owners of the Company	334 204	618 612
Non-controlling interest	12 675	27 276
Total equity	346 879	645 888
LIABILITIES		
Long-term loans	73 828	79 844
Deferred tax liabilities	17	26
Deferred income	1 385	2 245
Long-term finance lease	50	63
Total non-current liabilities	75 280	82 178
Short-term bond liabilities	199 034	198 635
Current portion of non-current liabilities	16 471	15 368
Short-term loans	50 000	50 000
Trade payables	3 497	6 907
Other accounts payable	44 839	39 351
Total current liabilities	313 841	310 261
TOTAL LIABILITIES	389 121	392 439
TOTAL EQUITY AND LIABILITIES	736 000	1 038 327

Interim consolidated statement of profit and loss and other comprehensive income
FOR THE 3 MONTHS ENDED 31 MARCH 2015 THE 3 MONTHS ENDED 31 MARCH 2015
(in USD thousand, unless otherwise stated)

Revenue	72 426	152 199
Profit from revaluation of biological assets at fair value	6 387	9 275
Cost of sales	(64 203)	(101 729)
GROSS PROFIT	14 610	59 745
General administrative expenses	(1 554)	(5 456)
Distribution expenses	(3 586)	(5 660)
Income from government grants and incentives	24	68
Impairment of non current assets	-	-
Income from special VAT treatment	4 535	5 680
Other operating expenses	(13 869)	343
PROFIT FROM OPERATING ACTIVITIES	160	54 720
Finance income	1 119	39
Finance costs	(7 574)	(7 663)
Losses on exchange	(45 867)	(223)
(LOSS)/PROFIT BEFORE TAX	(52 162)	46 873
Income tax credit	(17)	(74)
(LOSS)/PROFIT FOR THE PERIOD	(52 179)	46 799
OTHER COMPREHENSIVE INCOME: <i>Items that are or may be reclassified subsequently to profit or loss</i>		
Effect from translation into presentation currency	(246 829)	(436 600)
TOTAL COMPREHENSIVE INCOME	(299 008)	(389 801)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	(51 713)	46 157
Non-controlling interests	(466)	642
	(52 179)	46 799
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	(284 406)	(371 785)
Non-controlling interests	(14 602)	(18 016)
	(299 008)	(389 801)
(Loss)/earnings per share, USD (basic and diluted)	(8)	7

Interim consolidated statement of cash flows
FOR THE 3 MONTHS ENDED 31 MARCH 2015
(in USD thousand, unless otherwise stated)

	3 months ended	
	31 March 2015	31 March 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax	(52 162)	46 873
Adjustments for:		
Depreciation of property, plant and equipment	6 197	6 443
Change in allowance for irrecoverable amounts	6 945	5
Other provisions	-	(675)
(Profit)/loss on disposal of current assets	9	21
Loss on disposal of property, plant and equipment	(1)	6
Impairment of current assets	7 704	324
Effect of fair value adjustments on biological assets	(6 387)	(9 275)
Gains realised from accounts payable written-off	(1)	(11)
Amortization of deferred income on government grants	(24)	(68)
Discount bonds amortization	399	359
Discount on VAT government bonds on initial recognition	-	-
Discount on VAT government bonds amortization	(542)	-
Impairment of non current assets	-	-
Interest income	(1 119)	(39)
Interest payable on loans	7 170	6 795
Losses on exchange	38 490	-
Operating profit before working capital changes	6 678	50 758
(Increase)/decrease in trade receivables	(27 993)	15 936
Decrease in prepayments and other current assets	2 590	8 423
Decrease/(increase) in taxes recoverable and prepaid	9 190	(5 836)
Increase in inventories	(7 534)	(19 609)
Decrease in deferred income	(115)	(1 277)
Decrease in other non-current assets	-	100
Decrease in trade payables	(1 275)	(5 239)
Decrease in biological assets	1 464	3 584
Increase/(decrease) in finance leases	4	(699)
Increase/(decrease) in other accounts payable	14 173	(5 023)
Cash generated from operations	(2 818)	41 118
Interest paid	(505)	(1 681)
Income tax paid	(33)	(28)
Net cash generated from operating activities	(3 356)	39 409
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments and receipts - property, plant and equipment	(11 227)	(28 689)
Interest received	1 076	39
Repayment of VAT government bonds	2 267	-
Net cash used in investing activities	(7 884)	(28 650)

Interim consolidated statement of cash flows (cont.)
FOR THE 3 MONTHS ENDED 31 MARCH 2015
(in USD thousand, unless otherwise stated)

	3 months ended	
	31 March 2015	31 March 2014
CASH FLOWS FROM FINANCING ACTIVITIES		
New loans received	8 592	17 590
Repayment of loans	(2 334)	(2 948)
Net cash generated from/(used in) financing activities	6 258	14 642
Net decrease in cash	(4 982)	25 400
Cash and cash equivalents at 1 January	117 856	156 804
Effect from translation into presentation currency	(22 984)	(3 732)
Cash and cash equivalents at 31 March	89 890	178 472