



29 November 2013

## AVANGARDCO INVESTMENTS PUBLIC LIMITED

### FINANCIAL RESULTS FOR THE FIRST 9 MONTHS OF 2013

**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 Eurasia, announces its financial results for the first 9 months of 2013 ended September 30, 2013.

#### Financial highlights

- Revenue increased by 4.7% year-on-year to US\$ 466.5 mln (9M 2012: US\$ 445.8 mln)
- EBITDA was up by 5.7% year-on-year to US\$ 205 mln (9M 2012: US\$ 194 mln), with EBITDA margin of 44%
- Net profit grew by 3.2% year-on-year to US\$ 162 mln (9M 2012: US\$ 157 mln)

#### Operational Highlights

- Total poultry flock increased by 14.6% year-on-year to 31.4 mln heads (9M 2012: 27.4 mln heads)
- The number of laying hens grew by 13.9% year-on-year to 24.6 mln heads (9M 2012: 21.6 mln heads)
- 41% of the total poultry flock and 37% of the total number of laying hens were housed at new poultry complexes “Avis” and “Chornobaivske”
- Production of shell eggs was up by 9.2% year-on-year to 5.118 bln pieces (9M 2012: 4.685 bln pieces)
- The export of shell eggs increased by 14.8% year-on-year to 349 mln pieces (9M 2012: 304 mln pieces)
- The average sales price of shell eggs remained unchanged year-on-year and stood at UAH 0.65/egg excl. VAT
- The volume of processed shell eggs was up by 58.5% year-on-year to 1,268 mln pieces (9M 2012: 800 mln pieces)
- The production of dry egg products increased by 47.4% year-on-year to 15.5 thousand tonnes (9 M 2012: 10.5 thousand tonnes)
- The average sale price of dry egg products increased by 2% year-on-year to US\$ 7.61/kg (9M 2012: US\$ 7.46 /kg)

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

*“We are pleased with our financial results for the first 9 months of 2013. Avangardco revenue has increased by nearly 5% year-on-year to about US\$ 467 mln with net profit rising by 3% year-on-year to US\$ 162 million. We maintain strong EBITDA margin of 44%.*

*These results demonstrate the success of our chosen strategy. We have further increased the production of dry egg products, and as a result, the share of this segment in the total revenue has grown. We continue to develop our exports markets and expand domestic sales channels.*

*The Company’s high margins were supported by our vertically integrated production model, the availability of grain inventories and the use of new production capacities at modern high-tech facilities.*

*We expect to see strong results for 2013, taking into account the Company’s achievements for the first 9 months of 2013.”*

The management will hold a conference call and webcast for investors and analysts today at 8.00 am US Eastern time, 13.00 pm UK time, 15.00 pm Kiev time and 17.00 pm Moscow time.

NAME: AVANGARD 9 MONTHS RESULTS CONFERENCE CALL

ID: 17015538

UK Free call 08000730438

Russia Free call 81080024342044

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A live webcast of the presentation will be available at:

<http://wcc.webeventservices.com/r.htm?e=727221&s=1&k=11E0182A9878A4984FB361A5A882A677&cb=blank>

Financial results for the first 9 months ended September 30, 2013 are available on the Company's website at: <http://avangard.co.ua/eng/for-investors/financial-overview/financial-reports/interim-reports/>.

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

## Financial Summary

	Units	9M 2013	9M 2012	Change
Revenue	US\$ '000	<b>466,542</b>	445,753	4.7%
Gross Profit	US\$ '000	<b>186,597</b>	173,960	7.3%
<i>Gross Profit Margin</i>	%	<b>40.0</b>	39.0	
EBITDA	US\$ '000	<b>205,025</b>	193,967	5.7%
<i>EBITDA Margin</i>	%	<b>43.9</b>	43.5	
Operating Profit	US\$ '000	<b>186,276</b>	182,515	2.1%
<i>Operating Margin</i>	%	<b>39.9</b>	40.9	
Net Profit	US\$ '000	<b>161,969</b>	156,977	3.2%
<i>Net Profit Margin</i>	%	<b>34.7</b>	35.2	

In the first nine months of 2013, the Company's consolidated revenue grew by 4.7% year-on-year to US\$ 466.5 mln (9M 2012: US\$ 445.8 mln) following the increase in exports and sales of dry egg products.

In the reporting period, total revenue from the sale of shell eggs and dry egg products was 88% of total consolidated revenue and amounted to US\$ 410.1 mln (9M 2012: US\$ 384.8 mln).

The Company's export revenues of shell eggs and egg products increased by 87.3% year-on-year to US\$ 130.2 mln (9M 2012: US\$ 69.5 mln) and totalled 28% of the Company's revenues.

In the reporting period, the cost of sales was slightly up by 3.3% year-on-year to US\$ 309.4 mln (9M 2012: US\$ 299.4 mln), due to the Company's grain feed reserves and increased production of eggs at new high-tech poultry complexes "Avis" and "Chornobaivske".

In the first 9 months of 2013, the Company's gross profit was up by 7.3% year-on-year to US\$ 186.6 mln (9M 2012: US\$174 mln) due to the stable cost of production and the increase in sales in a more profitable dry egg products segment. Gross profit margin amounted to 40% (9M 2012: 39%).

EBITDA was up by 5.7% year-on-year to US\$ 205 mln (9M 2012: US\$ 194 mln). EBITDA margin stood at 44%.

Net profit for the first nine months of 2013 increased by 3.2% year-on-year to US\$ 162 mln (9M 2012: US\$ 157 mln).

### Cash flow

As at September 30, 2013, net cash flow from the Company's operating activities was US\$ 142.8 mln (9M 2012: US\$ 167.4 mln).

Net cash used in investing activities amounted to US\$ 181.2 mln (9M 2012: US\$ 227.1 mln).

Net cash used in financing activities was US\$ 44.1 mln, compared to US\$ 7.0 mln received from financing activities in the nine months of 2012, due to the repayment of the Company's Ukrainian bonds and other loans.

### Debt Structure

As at September 30, 2013, the Company's total debt decreased to US\$ 320.1 mln (2012 FY: US\$ 352.2 mln).

The Company's net debt amounted to US\$ 199.1 mln as at the end of reporting period (2012 FY: US\$147.9 mln). The increase in net debt was due to the decrease in cash in connection with the active implementation of the investment program and the repayment of loans and short-term bonds.

Avangardco's Eurobond issue with a maturity on 29 October 2015 amounted to 61% of the Company's total debt.

The Company's total debt/LTM EBITDA ratio stood at 1.1 in line with its Eurobond covenants (2012 FY: 1.3).

### Segment review

#### Shell Egg Segment

	Units	9M 2013	9M 2012	Change
Total Production	Pieces (mln)	5,118	4,685	9.2%
Total Sales to Third Parties	Pieces (mln)	3,742	3,879	-3.5%
Export	Pieces (mln)	349	304	14.8%
Average Sales Price	UAH (excl. VAT)	0.65	0.65	0%

In the first 9 months of 2013, the production of shell eggs increased by 9.2% year-on-year to 5,118 mln pieces (9M 2012: 4,685 mln pieces) as a result of the increase in the number of laying hens.

The Company's sales to third parties decreased by 3.5% year-on-year to 3,742 mln pieces (9M 2012: 3,879 mln pieces) due to the growth in the volume of shell eggs used for further processing into dry egg products.

In the first 9 months of 2013, the Company increased its export volumes of shell eggs by 14.8% year-on-year to 349 mln pieces (9M 2012: 304 mln pieces). In the reporting period, the Company exported its shell eggs to Middle East, Africa and the CIS. At this time, the Company is one of the largest exporters of shell eggs in these regions.

As at September, 30, 2013, the average sales price of shell eggs remained unchanged year-on-year and amounted to UAH 0.65/egg excl. VAT (9M 2012: UAH 0.65/egg excl. VAT) due to an atypical price growth in the egg market in Ukraine and Europe in 2012.

The Company's revenue from sales of shell eggs was down by 3.6% year-on-year and amounted to US\$ 306.1 mln (9M 2012: US\$ 317.7 mln) as a result of the redistribution of shell eggs sales channels ( increase in internal sales of shell eggs for further processing into dry egg products).

## **Egg Products Segment**

	Units	9M 2013	9M 2012	Change
Processed Shell Eggs	Pieces (mln)	1,268	800	58.5%
Average Sales Price	US\$/kg (excl. VAT)	7.61	7.46	2.0%

In the first 9 months 2013, the volume of processed eggs increased by 58.5% year-on-year to 1,268 mln pieces (9M 2012: 800 mln pieces) due to the increased production capacities at the egg processing plant “Imperovo Foods”. The production of dry egg products was up by 47.4% year-on-year and amounted to 15.5 thousand tonnes (9M 2012: 10.5 thousand tonnes).

In the first 9 months of 2013, the average sales price for dry egg products increased by 2% year-on-year to US\$7.61 per kg (9M 2012: US\$7.46 per kg).

In the reporting period, export of dry egg products accounted for more than 80% of the total sales volume of dry egg products. The main markets for export of dry egg products are Middle East, North Africa and Asia.

The Company’s revenue from the sales of dry egg products was up by 54.8% year-on-year to US\$ 103.9 mln (9M 2012: US\$ 67.1 mln) and accounted for 22% of total revenue (9M 2012: 15%).

### **Investment projects**

The Company is making progress with the construction of its two poultry complexes for egg production, “Avis” and “Chornobaivske” in Khmelnytsky and Kherson regions, as well as the capacity expansion project at the egg processing plant “Imperovo Foods” LLC. The construction and assembly works are ongoing and progressing according to the schedule.

### **The outlook for the rest of the year 2013**

By the year end, the Company plans to increase the production volumes and sales of shell eggs and egg products as a result of the growing demand for these products during the winter holiday season in Ukraine, as well as the active pursuit of the Company’s export strategy. Avangardco IPL will continue to diversify its customer base both in Ukraine and overseas.

The Company plans to continue with the launch and placing of laying hens in its two poultry complexes "Avis" and "Chornobaivske", as well as increasing the daily egg processing capacity to 10 mln shell eggs at “Imperovo Foods” plant.

AVANGARDCO IPL continues to pursue its growth strategy and expects to achieve strong operating and financial results for 2013.

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## **Information for editors**

AVANGARDCO IPL is one of the largest agro-industrial companies in Ukraine, specializing in the production of shell eggs and dry egg products. As of 30 September 2013, the Company holds a 57% share of the industrial egg market and a 91% share of the Ukrainian dry egg products market. The Company has the largest population of laying hens in Ukraine. As of 30 September 2013, the population of laying hens was 24.6 mln heads.

AVANGARDCO IPL's production is vertically integrated. The Company's facilities are located in 14 regions of Ukraine and the Autonomous Republic of Crimea. The Company exports its products to 33 countries, mostly to the Middle East, Africa, Asia and the CIS.

The Company is in the process of significant capacity expansion at its two poultry complexes for egg production "Avis" and "Chornobaivske". These facilities will increase the total capacity to 30.1 mln laying hens and to 8.6 bln shell eggs annually.

As of September 30, 2013, the Company's revenues amounted to US\$ 466.5 mln (9M 2012: US\$ 445.8 mln) and EBITDA was US\$ 205 mln (9M 2012: US\$ 194 mln).

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 \$200 million 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 November 1, 2010.

## Consolidated Statement of Financial Position

AS AT 30 SEPTEMBER 2013

(in USD thousands, unless otherwise stated)

	30 September 2013	31 December 2012
<b>ASSETS</b>		
Property, plant and equipment	1,102,964	920,072
Non-current biological assets	72,216	46,724
Deferred tax assets	2,466	1,966
Other non-current assets	369	391
<b>Total non-current assets</b>	<b>1,178,015</b>	<b>969,153</b>
Inventories	146,815	177,886
Current biological assets	50,023	56,889
Trade accounts receivable, net	60,516	55,551
Prepaid income tax	58	18
Prepayments and other current assets, net	71,472	11,966
Taxes recoverable and prepaid	105,988	102,567
Cash and cash equivalents	120,981	204,298
<b>Total current assets</b>	<b>555,853</b>	<b>609,175</b>
<b>TOTAL ASSETS</b>	<b>1,733,868</b>	<b>1,578,328</b>
<b>EQUITY</b>		
Share capital	836	836
Share premium	201,164	201,164
Reserve capital	115,858	115,858
Retained earnings	1,058,140	899,357
Effect of translation into presentation currency	(80,015)	(68,135)
<b>Equity attributable to the owners of the Company</b>	<b>1,295,983</b>	<b>1,149,080</b>
<b>Non-controlling interest</b>	<b>53,404</b>	<b>18,115</b>
<b>Total equity</b>	<b>1,349,387</b>	<b>1,167,195</b>
<b>LIABILITIES</b>		
Long-term loans	57,993	3,969
Long-term bond liabilities	196,774	195,779
Deferred tax liabilities	48	72
Deferred income	4,838	5,047
Long-term finance lease	4	1,283
<b>Total non-current liabilities</b>	<b>259,657</b>	<b>206,150</b>
Short-term bond liabilities	-	25,023
Current portion of non-current liabilities	15,647	32,114
Short-term loans	50,000	94,368
Trade payables	16,516	24,435
Other accounts payable	42,661	29,043
<b>Total current liabilities</b>	<b>124,824</b>	<b>204,983</b>
<b>TOTAL LIABILITIES</b>	<b>384,481</b>	<b>411,133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,733,868</b>	<b>1,578,328</b>

**Consolidated Statement of Comprehensive Income**  
 FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013  
*(in USD thousands, unless otherwise stated)*

**9 months ended**

	<b>30 September 2013</b>	<b>30 September 2012</b>
Revenue	466,542	445,753
Profit from revaluation of biological assets at fair value	29,423	27,592
Cost of sales	(309,368)	(299,385)
<b>GROSS PROFIT</b>	<b>186,597</b>	<b>173,960</b>
General administrative expenses	(12,417)	(17,633)
Distribution expenses	(18,525)	(15,307)
Income from government grants and incentives	214	226
Income from special VAT treatment	32,632	36,101
Other operating income, net	(2,225)	5,168
<b>PROFIT FROM OPERATING ACTIVITIES</b>	<b>186,276</b>	<b>182,515</b>
Finance income	90	555
Finance costs	(24,896)	(26,083)
<b>PROFIT BEFORE TAX</b>	<b>161,470</b>	<b>156,987</b>
Income tax credit/(expense)	499	(10)
<b>PROFIT FOR THE PERIOD</b>	<b>161,969</b>	<b>156,977</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD:</b>		
Effect of translation into presentation currency	(11,882)	(426)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>150,087</b>	<b>156,551</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>		
Owners of the Company	158,783	154,333
Non-controlling interests	3,186	2,644
<b>PROFIT FOR THE PERIOD</b>	<b>161,969</b>	<b>156,977</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of the Company	146,903	153,910
Non-controlling interests	3,184	2,641
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>150,087</b>	<b>156,551</b>
<b>Earnings per share, USD (basic and diluted)</b>	<b>25</b>	<b>24</b>

## Consolidated Statement of Cash Flows

FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013

(in USD thousands, unless otherwise stated)

	9 months ended	
	30 September 2013	30 September 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit before income tax	161,470	156,987
Adjustments for:		
Depreciation of property, plant and equipment	18,749	11,452
Change in allowance for irrecoverable amounts	362	1,077
Other provisions	(284)	299
Loss on disposal of current assets	178	249
Loss on disposal of property, plant and equipment	406	30
Impairment of current assets	790	850
Other income	-	(1,573)
Effect of fair value adjustments on biological assets	(29,423)	(27,592)
Gains realised from accounts payable written-off	(212)	(768)
Amortization of deferred income on government grants	(214)	(226)
Discount on long-term bonds amortization	995	895
Interest income	(90)	(555)
Interest payable on loans	22,400	23,812
<b>Operating profit before working capital changes</b>	<b>175,127</b>	<b>164,937</b>
(Increase)/decrease in trade receivables	(4,969)	(18,611)
Increase in prepayments and other current assets	(59,864)	(42,664)
Decrease in taxes recoverable and prepaid	(3,421)	(29,392)
Decrease in inventories	30,743	65,881
Decrease in deferred income	5	(3)
Decrease in other non-current assets	22	-
(Decrease)/increase in trade payables	(7,707)	3,121
Decrease in biological assets	10,157	28,158
Decrease in finance leases	(1,279)	(1,917)
(Decrease)/increase in other accounts payable	10,414	4,999
<b>Cash generated from operations</b>	<b>149,228</b>	<b>174,509</b>
Interest paid	(6,407)	(7,106)
Income tax paid	(65)	(39)
<b>Net cash generated from operating activities</b>	<b>142,756</b>	<b>167,364</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments and receipts - property, plant and equipment	(181,279)	(227,684)
Interest received	90	555
<b>Net cash used in investing activities</b>	<b>(181,189)</b>	<b>(227,129)</b>



**Consolidated Statement of Cash Flows (cont.)**  
**FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**  
*(in USD thousands, unless otherwise stated)*

	<b>9 months ended</b>	
	<b>30 September 2013</b>	<b>30 September 2012</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New loans received	78,958	39,555
Repayment of loans	(85,769)	(20,897)
Interest paid for bonds issued	(13,038)	(13,984)
Repayment of short-term bonds	(25,023)	-
Blocked deposit	794	2,327
<b>Net cash generated from financing activities</b>	<b>(44,078)</b>	<b>7,001</b>
<b>Net (decrease)/increase in cash</b>	<b>(82,511)</b>	<b>(52,764)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>203,504</b>	<b>230,640</b>
Effect from translation into presentation currency	(12)	(122)
<b>Cash and cash equivalents at 30 September</b>	<b>120,981</b>	<b>177,754</b>