



**March 21, 2012**

**AVANGARDCO INVESTMENTS PUBLIC LIMITED  
FINANCIAL RESULTS FOR 2011**

**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 the second largest in the world, announces its financial results for the year to 31 December 2011.

**Financial highlights**

- Revenue increased by 25.8% yoy to US\$553.3 mln (2010: US\$439.7 mln) driven by sales growth in shell eggs and egg products and the increase in egg prices;
- EBITDA was up by 27% yoy and reached US\$245.8 mln (2010: US\$193.5 mln), with EBITDA margin of 44%;
- Operating profit increased by 30% yoy to US\$231.5 mln (2010: US\$180.9 mln), with an operating profit margin of 41.8%
- Net profit for the year grew by 6.2% yoy to US\$196.3 mln (2010: US\$184.8 mln), with profit margin of 35.5%;
- Cash balance stood at US\$230.6 mln at the end of 2011 (2010: US\$183.1 mln).

**Operational highlights**

- Total flock increased by 3.3% yoy to 25.1 mln (2010: 24.3 mln). In 2011 the number of laying hens increased by 9.6% to 20.5 mln (2010: 18.7 mln);
- Production of shell eggs increased by 34.7% to 5.955 bln (2010: 4.420 bln);
- Sales of shell eggs to external clients increased by 25% yoy to 4.862 bln (2010: 3.888 bln);
- The share of shell egg sales through modern retail chains (supermarkets) increased to 30% of total sales to external customers (2010: 16%);
- The average selling price of eggs increased by 12.3% yoy and amounted to UAH 0.64<sup>1</sup>/US\$0.08<sup>2</sup> (2010: UAH 0.57<sup>\*3</sup> / US\$0.07<sup>4</sup>);
- The production of dry egg products increased by 19.6% yoy reaching 12.2 thou tonnes (2010: 10.2 thou tons), or 1.1 bln eggs in egg equivalent (2010: 0.8 bln eggs);
- The Company exported approximately 1.1 bln shell eggs and dry egg products in egg equivalent;
- The average sale price of dry egg products decreased by 1.9% yoy, or US\$8.05/kg. (2010: US\$8.21/kg);
- Revenue from the export of shell eggs and egg products grew by 29.4% to US\$105.6 mln, or 19% of total revenue. Key sales export destinations in 2011 were: the Middle East (10.5%) and the Far East (8.3%);

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<sup>1</sup> Excl. VAT

<sup>2</sup> Average exchange rate in 2011: 1 US\$ = UAH 7.9677; 2010: 1 US\$ = UAH 7.9353

<sup>3</sup> Excl. VAT

<sup>4</sup> Average exchange rate in 2011: 1 US\$ = UAH 7.9677; 2010: 1 US\$ = UAH 7.9353

- In November 2011 the Company launched the renewed brand of packaged eggs "Kvochka" ("Mother Hen"), which combines high quality and affordability;
- The Company launched the 1<sup>st</sup> stage of facilities for laying hens at its new egg production complex Avis.

**Nataliya Vasylyuk, Chief Executive Officer of AVANGARDCO IPL, said:**

*"I am pleased to report a strong performance by the Company in 2011 with significant growth in revenue, EBITDA and operating profit. This result was achieved on the back of the increase in shell egg production to almost 6 billion pieces and continued diversification of our sales channels, both domestically and for export. Our egg products production grew to 1.1 billion of eggs equivalent in the same period. This year we became the number one egg producer in Eurasia and the second largest company globally in terms of production volumes of shell eggs and egg products, an achievement unmatched by any other company from the former USSR. This success is testament to both our progress as a company, and also to Ukraine's agricultural potential."*

**Current trading and outlook**

The Company expects further growth in sales due to high demand for shell eggs and egg products in Ukraine, as well as the active implementation of its export plans. Furthermore, levels of sales will be supported by an increase in the Company's poultry flock. The Company will continue to diversify its customer base in Ukraine, paying special attention to retail channel and development of additional brands. Due to record harvests in Ukraine in the fall of 2011, the Company was able to purchase grains at a very attractive price to use for feeding its flocks in the remainder of 2011 and the majority of 2012.

**Financial and Operational Review**

<b>US\$ '000</b>	<b>2011</b>	<b>2010</b>	<b>Change yoy</b>
Revenue	553,310	439,703	25.8%
Gross Profit	223,775	157,746	41.9%
<i>Gross Profit Margin</i>	40.4%	35.9%	/
EBITDA	245,834	193,539	27.0%
<i>EBITDA Margin</i>	44.4%	44.0%	/
Operating Profit	231,504	180,902	28.0%
<i>Operating Margin</i>	41.8%	41.1%	/
Net Profit	196,294	184,758	6.2%
<i>Net Profit Margin</i>	35.5%	42.0%	/

**Operational Review**

The Company's revenue increased by 25.8% year-on-year as a result of 25% growth in sales volumes of shell eggs and 10% growth in sales volumes of dry egg products, as well as an increase in shell egg prices of 12.3%. The Company's Shell Eggs segment accounted for 70% of the Company's total revenue in 2011. Revenue from sales of shell eggs to external clients was US\$389.3 mln, a 38.9% increase over the previous year (2010: US\$280.3 mln). This result was achieved due to a 35% growth year-on-year in the production of shell eggs from 4.42 bln to 5.96 bln shell eggs.

In 2011, the Company increased its total total flock by 3.3% from 24.3 mln to 25.1 mln. The number of laying hens increased by 9.6% to 20.5 mln (2010: 18.7 mln). 1.5 mln of the growth is as a result of the introduction of new production capacities in the new egg production complex Avis.

As previously announced, the Company's average price of shell eggs increased by 12.3% year-on-year to UAH 0.64<sup>5</sup>/ US\$0.08<sup>6</sup> (2010: UAH 0.57<sup>7</sup>/ US\$ 0.07<sup>8</sup>). The average price growth in 2011 was connected with the significant increase in export volumes, particularly in Q4 2011, and the reallocation of distribution channels focused on modern sales channels (supermarkets).

The production of dry egg product increased by 19.6% year-on-year to 12.2 thou tons (2010: 10.2 thou tons), following a strong growth in demand in both domestic and export markets. The average selling price for dry egg products declined by 1.9% year-on-year to US\$8.05 (2010: US\$ 8.21) following a shift in sales mix and the lower volume of high-end products, including albumin.

In 2011, the Company exported approximately 1.1 bln shell eggs and dry egg products in egg equivalent. Key shell eggs and dry egg products export markets in 2011 were the Middle East – 10% and the Far East – 8.3%.

The Company's 2011 gross profit increased by 41.9% year-on-year reflecting strong sales volume growth and additional profit received from by-segments. Gross profit margin increased to 40.4%, compared to 35.9% in the previous year, due to rigorous control over the costs of sales.

General administrative expenses increased 83.6% year-on-year to US\$13.2 mln (2010: US\$7.2 mln) as a result of increased employment costs following expansion of the workforce and an increase in the minimum wage and the consequent increase in the services provided by third parties.

Distribution expenses increased by 98.4% year-on-year to US\$10.0 mln (2010: US\$ 5.1 mln), due to salary increases and transportation expenses growth following the diversification of the distribution channels and the increase in supermarket sales.

EBITDA grew 27% year-on-year to US\$245.8 mln (2010: US\$193.5 mln), EBITDA margin stood at to 44% (2010: 44%).

Operating profit was up 28% year-on-year with operating profit margin increasing slightly from 41.1% to 41.8%.

In 2011 there were no changes in Ukrainian legislation regarding agricultural enterprises and government support, but the Company's income from state subsidies has decreased significantly year-on-year to US\$0.3 mln (2010: US\$17.5 mln) due to the absence of loans in the Company's portfolio, the interest on which is compensatory.

Profit for the year increased 6.2% year-on-year to US\$196.3 mln (2010: US\$184.8 mln) with profit margin of 35.5%.

## **Financial Review**

In 2011 the Company had net cash generated from operating activities of US\$185.7 mln (2010: net cash used in operating activities - US\$159 mln). This is a result of no significant fluctuations in the working capital, namely in stocks, trade payables and advances received if compared to 2010.

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<sup>5</sup> Without VAT

<sup>6</sup> Average exchange rate in 2011: 1 US\$ = UAH 7.9677; 2010: 1 US\$ = UAH 7.9353

<sup>7</sup> Without VAT

<sup>8</sup> Average exchange rate in 2011: 1 US\$ = UAH 7.9677; 2010: 1 US\$ = UAH 7.9353

Net cash used in investing activities was US\$161.6 mln in 2011, (2010: net cash generate from investing activities - US\$147.5 mln) in line with the Company's investment programme.

Net cash generated from financing activities was US\$31.7 mln in 2011 (2010: US\$192.6 mln). The Company received US\$95 mln of new loans and repaid US\$38.1 mln, as well as repaying US\$25.2 mln of interest on outstanding bonds.

The Company's cash balance stood at US\$230.6 mln at the end of 2011 (95% of it was denominated in US\$) (2010: US\$183.1 mln). The Company's net debt amounted to US\$80.3 mln at the end of 2011 (2010:US\$77.7 mln).

### **Other information**

In 2011 LLC Imperovo Ltd that owns property, plant and equipment of the Company's egg processing plant LLC Imperovo Foods joined the Group.

**###**

There will be a conference call for analysts and investors today at 10.00 US Eastern time/14.00 UK time, 16.00 Kiev time and 18.00 Moscow time.

<b>International number:</b>	+44 (0)20 7162 0025
<b>Russia toll free number:</b>	81 0800 2806 3011
<b>ID:</b>	Avangard

A live webcast of the presentation will be available at <http://wcc.webeventservices.com/r.htm?e=440167&s=1&k=57C796B9D8BA83BF03043FA424C149F4&cb=blank>, please register approximately 15 minutes prior to the start of the call.

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**Consolidated statement of financial position**  
**AS AT 31 DECEMBER 2011**  
*(in US\$ thousands, unless otherwise stated)*

	<b>31 December 2011</b>	<b>31 December 2010</b>
<b>ASSETS</b>		
Property, plant and equipment	512.697	396.236
Held-to-maturity financial assets	-	295
Non-current biological assets	44.304	59.078
Deferred tax assets	1.922	-
Other non-current assets	93.041	60.428
<b>Non-current assets</b>	<b>651.964</b>	<b>516.037</b>
Inventories	202.279	185.624
Current biological assets	58.916	44.705
Trade accounts receivable, net	51.437	54.678
Prepaid income tax	-	7
Prepayments and other current assets, net	26.946	41.829
Taxes recoverable and prepaid, net	76.298	53.084
Cash and cash equivalents	237.814	183.065
<b>Total current assets</b>	<b>653.690</b>	<b>562.992</b>
<b>TOTAL ASSETS</b>	<b>1.305.654</b>	<b>1.079.029</b>
<b>EQUITY</b>		
Share capital	836	836
Share premium	201.164	201.164
Reserve capital	115.858	115.858
Retained earnings	673.909	482.328
Effect of translation into presentation currency	(67.761)	(64.587)
<b>Equity attributable to owners of the Company</b>	<b>924.006</b>	<b>735.599</b>
Non-controlling interest	15.333	10.620
<b>Total equity</b>	<b>939.339</b>	<b>746.219</b>
<b>LIABILITIES</b>		
Long-term loans	15.384	30.999
Long-term bond liabilities	194.563	193.471
Deferred tax liabilities	86	1.110
Deferred income (non-current portion)	5.351	5.676
Long-term finance lease	3.830	6.372
<b>Total non-current liabilities</b>	<b>219.214</b>	<b>237.628</b>
Short-term bond liabilities	25.013	25.120
Current portion of non-current liabilities	26.565	4.319
Short-term loans	53.063	1.036
Trade payables	17.894	23.191
Current income tax liabilities	-	6
Accrued expenses	1.601	1.308
Other current liabilities and accrued expenses	22.965	40.202
<b>Total current liabilities</b>	<b>147.101</b>	<b>95.182</b>
<b>TOTAL LIABILITIES</b>	<b>366.315</b>	<b>332.810</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.305.654</b>	<b>1.079.029</b>

**Consolidated statement of comprehensive income**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
*(in US\$ thousands, unless otherwise stated)*

	<b>31 December 2011</b>	<b>31 December 2010</b>
Revenue	553.310	439.703
Profit on revaluation of biological assets at fair value	23.697	26.187
Cost of sales	(353.232)	(308.144)
<b>GROSS PROFIT</b>	<b>223 775</b>	<b>157.746</b>
General administrative expenses	(13.161)	(7.168)
Distribution expenses	(10.035)	(5.058)
Income from government grants and incentives	318	17.504
Income from special VAT treatment	38.037	21.910
Other operating income and expenses	(7.430)	(4.032)
<b>OPERATING PROFIT</b>	<b>231.504</b>	<b>180.902</b>
Finance income	1.492	34.058
Finance cost	(33.106)	(29.948)
Income from the purchase of subsidiary	191	-
<b>PROFIT BEFORE TAX</b>	<b>200.081</b>	<b>185.012</b>
Income tax expense	(3.787)	(254)
<b>PROFIT FOR THE YEAR</b>	<b>196.294</b>	<b>184 758</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR:</b>		
Effect of translation into presentation currency	(3.174)	(450)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>193.120</b>	<b>184.308</b>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>		
Owners of the Company	191.943	182.221
Non-controlling interests	4.351	2.537
	<b>196.294</b>	<b>184.758</b>
Owners of the Company	189.424	181.771
Non-controlling interests	3.696	2.537
	<b>193.120</b>	<b>184.308</b>
<b>Earnings per share US\$</b> (basic and diluted)	<b>30</b>	<b>32</b>

**Consolidated statement of cash flows**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
*(in US\$ thousands, unless otherwise stated)*

	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Profit before tax	200.081	185.012
Adjustments for:		
Depreciation of property, plant and equipment	14.330	12.637
Change in allowance for irrecoverable amounts	814	433
Other provisions	293	30
Loss on disposal of property, plant and equipment	233	56
Impairment of current assets	1.129	259
Effect of fair value adjustments on biological assets	(23.697)	(26.187)
Profit on payables written-off	(26)	(869)
Amortization of deferred income on government grants	(306)	306
Loss from disposal of held to maturity investments	32	-
Discount on long-term bonds amortization	1.092	-
Bargain purchase	(191)	-
Interest income	(1.492)	(34.058)
Interest payable	30.849	25.799
<b>Operating profit before working capital changes</b>	<b>223.141</b>	<b>163.418</b>
Decrease/(increase) in trade receivables	3.282	(7.200)
Decrease/(increase) in prepayments and other current assets	14.061	(23.208)
Increase in taxes recoverable and prepaid	(20.291)	(24.376)
Increase in inventories	(17.120)	(93.127)
Decrease in deferred income	(20)	(593)
Decrease in trade payables	(5.297)	(44.828)
Decrease/(increase) in biological assets	23.401	(11.140)
Decrease in finance leases	(802)	-
Decrease in advances received and other current liabilities and accrued expenses	(15.456)	(94.344)
<b>Cash generated from/(used in) operations</b>	<b>204.899</b>	<b>(135.399)</b>
Interest paid	(12.256)	(23.526)
Income tax paid	(6.782)	(34)
<b>Net cash generated from/(used in) operating activities</b>	<b>185.661</b>	<b>(158.959)</b>
<b>Cash flows from investing activities:</b>		
Payments and receipts – property, plant and equipment	(113.021)	(82.157)
Payments for prepayments of property, plant and equipment	(32.613)	(1)
Decrease in bank deposits	-	156.421
Proceeds from disposal of held to maturity investments	225	-
Payment of acquisition of held to maturity investments	-	(255)
Payment of acquisitions of subsidiary	(17.722)	-
Interest received	1.502	73.459
<b>Net cash (used in)/generated from investing activities</b>	<b>(161.629)</b>	<b>147.468</b>

**Consolidated statement of cash flows (cont.)**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
*(in US\$ thousands, unless otherwise stated)*

	<b>2011</b>	<b>2010</b>
<b>Cash flows from financing activities</b>		
New loans received	94.976	166.646
Repayment of loans	(38.056)	(364.351)
Interest paid for bonds issued	(25.183)	(4.267)
Proceeds from long-term bonds issued	-	193.471
Repayment of short-term bonds issued	(19)	
Increase in share capital – share issue (nominal value)	-	192
Increase in share capital – share premium	-	201.164
<b>Net cash generated from financing activities</b>	<b>31.718</b>	<b>192.855</b>
Effect from translation to presentation currency	(1.201)	-
<b>Net increase in cash and cash equivalents</b>	<b>54.749</b>	<b>181.364</b>
<b>Restricted cash</b>	<b>(7.174)</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>183.065</b>	<b>1.701</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>230.640</b>	<b>183.065</b>