



30 August 2012

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Financial results for the first half 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, today issues its financial results for the six months ended June 30, 2012.

Financial highlights

- Revenue increased by 26.6% year-on-year to US\$283.6 million (H1 2011: US\$223.9 million);
- EBITDA increased by 33.9% year-on-year and reached US\$122.1 million (H1 2011: US\$91.2 million), with EBITDA margin increasing up to 43.1% (H1 2011: 40.7%);
- Operating profit increased by 36.1% year-on-year to US\$114.5 million (H1 2011: US\$84.1 million);
- Net profit for the year grew by 45.6% year-on-year to US\$97.6 million (H1 2011: US\$67.0 million), with profit margin of 34.4% (H1 2011: 29.9%);

Operational highlights

- Total flock increased by 6.2% year-on-year to 25.9 million (H1 2011: 24.4 million). The number of laying hens increased by 9.6% year-on-year to 20.6 million (H1 2011: 18.8 million);
- Production of shell eggs increased by 8.0% to 3.106 billion units (H1 2011: 2.875 billion units);
- Sales of shell eggs to external clients increased by 12.8% year-on-year to 2.412 billion units (H1 2011: 2.139 billion units);
- The share of shell egg sales through modern retail chains increased to 31% of total sales to external customers (H1 2011: 30%);
- The average egg price increased by 26.4% year-on-year and amounted to UAH 0.67 excluding VAT (H1 2011: UAH 0.53 excluding VAT);
- The production of dry egg products increased by 22.4% year-on-year reaching 7.1 thousand tons (H1 2011: 5.8 thousand tons), or 541 million eggs in egg equivalent (H1 2011: 534 million eggs);
- The average price of dry egg products increased by 9.1% year-on-year to US\$7.54/kg (H1 2011: US\$6.91/kg);
- In H1 2012 export of shell eggs and egg products in egg equivalent amounted to 342 million eggs.

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

"I am pleased to report a strong first half performance, with all key financial metrics significantly ahead of the same period last year, which shows the effectiveness of our chosen strategy. Despite the presence of substantial price growth of eggs and egg products, demand for our products continued to increase. Due to this, the Company was able to significantly increase its exports to the Middle East, North Africa and Asia, as well as to increase sales of its products in the domestic market.

I would like to note that despite the fluctuations in world grain prices, the achieved result proves the effectiveness of the strategy of hedging the cost of grain in the forward contracts.

The Company continues to implement its investment projects “Avis” and “Chornobaivske”. The projects comply with the highest international standards and with the EU regulations on poultry keeping. Positive negotiations between Ukraine and the EU on the export of poultry products to Europe should yield new commercial opportunities.

The high quality of our products and our well-organised operating activities will allow us to continue our successful expansion into international markets and maintain market leadership in Ukraine in the second half of 2012, which will have a positive impact on the Company's financial results.”

Financial results review

	Units	H1 2012	H1 2011	Change, %
Revenue	US\$' 000	283 562	223 940	26.6%
Gross Profit	US\$' 000	113 938	84 263	35.2%
Gross Profit Margin	%	40.2%	37.6%	2.6%
EBITDA	US\$' 000	122 127	91 194	33.9%
EBITDA Margin	%	43.1%	40.7%	2.4%
Operating Profit	US\$' 000	114 483	84 097	36.1%
Operating Margin	%	40.4%	37.6%	2.8%
Net Profit	US\$' 000	97 600	67 036	45.6%
Net Profit Margin	%	34.4%	29.9%	4.5%

In H1 2012 the Company's revenue was US\$ 283.562 million (H1 2011: US\$ 223.940 million). The 26.6% year-on-year increase is due to growth in sales volumes as well as growth in export sales. The increase in the Company's revenues has also been affected by significant increases in the prices of shell eggs (26.4%) and egg products (9.1%). Total sales revenue of shell eggs and egg products amounted 83.7% (H1 2011: 78.7%) of the Company's revenues in the first half of 2012 and reached US\$ 237.309 million (H1 2011: US\$ 176.231 million). Export revenues were US\$ 35.708 million (H1 2011 US\$ 10.495 million) or 12.6% of the total revenue of the Company.

Gross profit amounted to US\$ 113.938 million (H1 2011: US\$ 84.263 million), a 35.2% year-on-year increase is due to steady growth in sales and an increase in selling prices in the two main segments of the Company. Gross profit margin also increased to 40.2% (H1 2011: 37.6%)

In the first half of 2012, EBITDA grew 33.9% year-on-year to US\$ 122.127 million (H1 2011: US\$ 91.194 million). EBITDA margin increased from 40.7% to 43.1%, mainly due to a significant increase in the sale prices of the products and the grain stocks purchased in 2011.

Net profit for the first half increased 45.6% year-on-year to US\$97.600 million (H1 2011: US\$67.036 million) with 4.5% profit margin increase to 34.4% (H1 2011: 29.9%).

General administrative expenses increased 144.6% year-on-year to US\$12.258 million (H1 2011: US\$5.011 million) as a result of increased employment costs following an expansion of the workforce and an increase in the minimum wage. The increase was also due to a consequent increase in the services provided by third parties.

Distribution expenses increased by 124.0% year-on-year to US\$7.958 million (H1 2011: US\$ 3.553 million), due to increases in transportation expenses following a diversification of the Company's distribution channels and a broader geography of sales. The increase in sales through

supermarkets and an active marketing support for the Company's packaged products under the umbrella brand "Kvochka" also contributed to the increase in distribution costs.

In the first half of 2012, the net inflow from the operating activities of the Company amounted to US\$ 147.219 million (H1 2011: US\$ 25.972 million). The significant increase in cash flow from operations is due to a reduction of trade receivables and a reduction in levels of provision as a consequence of their use in the operating process.

Net cash used in investing activities increased slightly to US\$50.574 million in the first half of 2012 (H1 2011: US\$ 50.686 million).

Net cash generated from financing activities was US\$1.847 million in the first half of 2012 (H1 2011: US\$11.774 million).

The Company's net debt amounted to US\$ (4.372) million at the end of reporting period (1H 2011: US\$114.836 million). The decrease in net debt is due to the funds accumulated at the Company's accounts for its investment program.

Net debt to EBITDA ratio decreased to -0.02 (based on 12-month EBITDA) from 0.3 as of December 31, 2011. Compared to the leaders of the agrarian market of Ukraine this is a low ratio of equity and debt. EBITDA covers the interest on the loans by 7.1.

Operating performance review by segment

Shell Egg Segment

	Units	H1 2012	H1 2011	Change,%
Total Production	Pieces (mln)	3 106	2 875	8,0%
Total Sales to Third Parties	Pieces (mln)	2 412	2 139	12,8%
Total Exports	Pieces (mln)	154,2	6,3	2347,6%
Average Sales Price	UAH (excl. VAT)	0,67	0,53	26,4%

During the first half of 2012 the Company increased its shell eggs production volume by 8.0% to 3.106 billion eggs year-on-year (H1 2011: 2.875 billion) mostly as a result of the growth in the population of laying hens in the first half of 2012. As of June 30, 2012, the Company's flock of laying hens was 20.6 million heads (H1 2011: 18.8 million heads).

Sales to external customers increased by 12.8% year on year as the Company developed its existing sales markets and reached new ones. The share of shell egg sales through modern retail chains (supermarkets) reached 31% of total sales to third parties (H1 2011: 30%).

The first half of 2012 results have shown robust growth in sales of "Kvochka" branded eggs ("Kvochka", "Organic eggs", "Kvochka Domashnyaya"). Furthermore, the sales of branded shell eggs in the first half of 2012 have increased by 7 times year on year.

In the first half of 2012, the Company has significantly increased its export volumes of shell eggs by 2347.6% to 154.2 million eggs (H1 2011: 6.3 million eggs) following increase of demand and diversification of the Company's export markets. The key export destination of the Company was Iraq. In addition to its core target markets the Company has started exporting shell eggs to new markets such as Mauritania, Republic of Djibouti, Gambia, Angola and Libya.

In the first half of 2012, the average egg price increased by 26.4% year on year as a result of the overall growth of shell egg prices in Ukraine, significant growth in export volumes of the Company

and increases in sales to supermarkets. In the second half of 2012, the Company expects a further increase in the average egg price.

Revenues from sales of eggs increased by 42.5% to US\$ 201.506 million (H1 2011: US\$ 141.423 million), representing 71.1% of the Company's revenues. The Company's revenues from the export of shell eggs have increased by 3501.3% to US\$ 19.915 million (H1 2011: US\$ 0.553 million).

Egg Products Segment

	Units	H1 2012	H1 2011	Change,%
Shell Eggs Processed	Pieces (mln)	541	534	1,3%
Overall production	Tons (thousand)	7,1	5,8	22.4%
Average Sales Price	US\$/Kg	7,54	6,91	9,1%

In the first six months of 2012, the Company processed 541 million eggs (H1 2011: 534 million eggs) and produced 7.1 thousand tons of dry egg products (H1 2011: 5.8 thousand tons).

In the first half of 2012, exports of egg products amounted to about 188 million eggs in egg equivalent. In the first half of 2012 the main markets for export of dry egg products have become Jordan, Turkey, Egypt, South Korea and Pakistan. In the first half of 2012, the Company began to export egg products to new markets of Taiwan and Egypt.

The average sales price for dry egg products increased 9.1% year on year primarily due to the changes in product mix sold as well as the growth of prices for all kinds of egg products in the market.

Revenues from the sale of dry egg products amounted to US\$ 35.803 million (H1 2011: US\$ 34.808 million), representing 12.6% of the Company's revenues. In the first half of 2012, revenues from the export of egg products increased by 59% and made US\$ 15.793 million.

Investment Projects

The construction of two poultry complexes for egg production "Avis" and "Chornobaivske" in Khmelnytsky and Kherson regions is going according to schedule. At these complexes, the Company uses equipment from OFFICINE FACCO & C.SpA, Big Dutchman International GmbH and SALMET International GmbH, the recognized leaders in the production of equipment for poultry farming.

Enriched cages used at the poultry farms meet the European Council Directive № 1999/74/EC on the protection of laying hens.

Avis: The development of the second stage of the site for the rearing young laying hens at the "Avis" poultry complex has been completed. Currently, the Company is in the process of construction and assembly.

The construction of the second stage of the site for the laying hens is progressing according to schedule. The capacity of the facilities for the laying hens is expected to increase to 5 million heads when they are fully commissioned in the first quarter of 2013.

The actual utilisation of the sites corresponds to the operational plans of the Company.

The construction of elevator with the capacity of about 60 thousand tons is complete.

Chornobaivske: At the end of the first half of 2012, the first stage of the site for the rearing of young laying hens was operating at full capacity. The Company is starting construction on the second stage of the rearing facility.

At the end of the reporting period the first stage of the facilities for the laying hens was operating at 20% of its capacity. Placement of birds is continuing according to schedule.

The actual utilisation of the sites corresponds to the operational plans of the Company.

LLC Imperovo Foods Egg Processing Plant: The first stage of the capacity expansion at LLC Imperovo Foods egg processing plant was completed. Currently the Company is working on doubling the capacity for processing eggs from 3 to 6 million units per day.

Activities for the second half of 2012

In the second half of 2012, the Company expects further growth in sales due to the high demand for eggs and egg products in Ukraine, as well as in the markets of the Middle East, Africa and Asia as a result of rapid economic development and the increase in income per capita in these regions. Part of the Company's sales growth will be driven by reduced exports from the EU.

As part of the export strategy, the Company plans to increase the number of export markets to 38 countries by the end of this year from 21 at the end of the last year.

The Company also plans to increase the sales of packaged eggs under the Kvochka brand in national retail chains, as well as to expand its presence in regional networks and traditional retail.

The Company continues to make advances in the liquid egg market, with its product range manufactured at the LLC Imperovo Foods egg processing plant. By the end of 2012, the Company plans to increase the production and export of liquid egg products, which today is in demand both in Ukraine and in the world.

In the second half of 2012, in line with the Company's plans, the first phase of the site for laying hens at the poultry farm "Chornobaivske" will be fully operational.

The Company continues to pursue its strategy and plans to achieve strong operating and financial results at the end of 2012.

- Ends -

There will be a conference call for analysts and investors today at 9.00 US Eastern time/14.00 UK time, 16.00 Kiev time and 17.00 Moscow time.

International number: +44 (0)20 7162 0025

Russian toll free number: 81 0800 2806 3011

Password: Avangard

A live webcast of the presentation will be available at <http://wcc.webeventservices.com/r.htm?e=505463&s=1&k=7439FB9CCCE6BF2F32D3DA1C3A86AEB6&cb=blank>

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

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- Ends -

Information for editors

AVANGARDCO IPL is one of the largest agro-industrial companies in Ukraine, specializing in the production of eggs and egg products. Based on figures for the first half of 2012, the Company holds a 32% share of the Ukrainian egg market (53% of the industrial egg market) and a 93% share of the Ukrainian egg products market. As of 30 June 2012, the total poultry stock of the Company was 25.9 million heads. The Company's production facilities are located in 14 regions of Ukraine and the Autonomous Republic of Crimea. As of 30 June 2012, the Company exported its products to 34 countries of the world, mostly to the Middle East, Asia and the CIS countries. As of 30 June 2012, revenues amounted to US\$283.562 million (1H2011: US\$223.940 million) and EBITDA was \$122.127 million (1H2011: US\$91.194 million).

The Company's shares, in the form of Global Depositary Receipts, have been traded 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.

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Interim consolidated statement of financial position

AS AT 30 JUNE 2012

(in USD thousand, unless otherwise stated)

	Note	30 June 2012	31 December 2011
ASSETS			
Property, plant and equipment	5	574 880	512 697
Non-current biological assets	6	45 557	44 304
Deferred tax assets	19	1 912	1 922
Other non-current assets	7	73 217	93 041
Total non-current assets		695 566	651 964
Inventories	9	165 595	202 279
Current biological assets	6	46 590	58 916
Trade accounts receivable, net	10	29 992	51 437
Prepaid income tax	19	7	-
Prepayments and other current assets, net	11	79 258	26 946
Taxes recoverable and prepaid, net	8	67 876	76 298
Cash and cash equivalents	12	332 617	237 814
Total current assets		721 935	653 690
TOTAL ASSETS		1 417 501	1 305 654
EQUITY			
Share capital	13	836	836
Share premium	13	201 164	201 164
Reserve capital	13	115 858	115 858
Retained earnings		769 427	673 909
Effect of translation into presentation currency		(68 114)	(67 761)
Equity attributable to the owners of the Company		1 019 171	924 006
Non-controlling interest		17 409	15 333
Total equity		1 036 580	939 339
LIABILITIES			
Long-term loans	14	4 684	15 384
Long-term bond liabilities	15	195 152	194 563
Deferred tax liabilities	19	55	86
Deferred income (non-current portion)	33, c)	5 205	5 351
Long-term finance lease	23	2 554	3 830
Total non-current liabilities		207 650	219 214
Short-term bond liabilities	24	25 023	25 013
Current portion of non-current liabilities	18	34 169	26 565
Short-term loans	16	66 967	53 063
Trade payables	20	19 809	17 894
Accrued expenses	21	1 900	1 601
Other current liabilities and accrued expenses	22	25 403	22 965
Total current liabilities		173 271	147 101
TOTAL LIABILITIES		380 921	366 315
TOTAL EQUITY AND LIABILITIES		1 417 501	1 305 654

Interim consolidated statement of comprehensive income
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

		6 months ended	
	Note	30 June 2012	30 June 2011
Revenue	25	283 562	223 940
Income from revaluation of biological assets at fair value	6	19 684	15 561
Cost of sales	27,28	(189 308)	(155 238)
GROSS PROFIT		113 938	84 263
General administrative expenses	28	(12 258)	(5 011)
Distribution expenses	29	(7 958)	(3 553)
Income from government grants and incentives	33.1	153	159
Income from special VAT treatment	33.2	18 935	11 231
Other operating income/(expenses), net	30	1 673	(2 992)
OPERATING PROFIT		114 483	84 097
Finance income	32	420	829
Finance cost	31	(17 298)	(15 766)
PROFIT BEFORE TAX		97 605	69 160
Income tax expense	19	(5)	(2 124)
PROFIT FOR THE PERIOD		97 600	67 036
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Effect of translation into presentation currency		(359)	(1 113)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		97 241	65 923
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		95 518	64 774
Non-controlling interests		2 082	2 262
		97 600	67 036
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		95 165	63 661
Non-controlling interests		2 076	2 262
		97 241	65 923
Earnings per share for the period USD (basic and diluted)	36	15	13

Interim consolidated statement of cash flows
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

	Note	6 months ended	
		30 June 2012	30 June 2011
Cash flows from operating activities			
Profit before tax		97 605	69 160
Adjustments for:			
Depreciation of property, plant and equipment	5	7 644	7 097
Change in allowance for irrecoverable amounts	30	894	366
Other provisions		299	882
Loss on disposal of current assets		367	-
Loss on disposal of property, plant and equipment		4	115
Impairment of current assets	30	658	15
Other income		(2 824)	-
Effect of fair value adjustments on biological assets	6	(19 684)	(15 561)
Gains realised from accounts payable written-off	30	(136)	(6)
Amortization of deferred income on government grants	33	(153)	(197)
Loss from disposal of VAT government bonds		-	32
Discount on long-term bonds amortization		589	530
Interest income		(420)	-
Interest payable		15 691	15 089
Operating profit before working capital changes		100 534	77 522
Decrease/(increase) in trade receivables		21 131	(15 134)
Increase in prepayments and other current assets		(52 489)	(24 815)
Decrease/(increase) in taxes recoverable and prepaid		8 422	(2 727)
Decrease in inventories		36 026	570
Increase in deferred income		7	38
Increase/(decrease) in trade payables		2 051	(4 305)
Decrease in biological assets		30 757	9 650
(Decrease)/increase in finance leases		(1 279)	-
Increase/(decrease) in advances received and other current liabilities and accruals		7 195	(10 778)
Cash generated from operations		152 355	30 021
Interest paid		(5 099)	(4 046)
Income tax paid		(37)	(3)
Net cash generated from operating activities		147 219	25 972
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(50 994)	(50 916)
VAT government bonds sale			230
Interest received		420	-
Net cash used in investing activities		(50 574)	(50 686)
Cash flows from financing activities			
New loans received		30 742	38 540
Repayment of loans		(19 941)	(37 757)
Interest paid for bonds issued		(12 648)	(12 538)
Proceeds from long-term bonds issued		-	(19)
Net cash used in financing activities		(1 847)	(11 774)
Effect from translation into presentation currency		5	1
Decrease/ (increase in restricted cash		1 200	(9 879)
Net increase/(decrease) in cash and cash equivalents		96 003	(46 366)
Cash and cash equivalents at the beginning of the period		230 640	183 065
Cash and cash equivalents at the end of the period	12	326 643	136 699