



29 August 2014

**AVANGARDCO INVESTMENTS PUBLIC LIMITED**  
**FINANCIAL RESULTS FOR THE FIRST HALF OF 2014**

**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 half ended 30 June, 2014.

**Financial highlights**

- Consolidated revenue amounted to US\$262.7 mln. A 14% year-on-year decrease (H1 2013: US\$304.3 mln) was primarily due to the Ukrainian hryvnia devaluation against the US dollar by 29%.
- Export sales revenue amounted to US\$101.9 mln or 39% of the Company's consolidated revenue (H1 2013: 25%), up by 32% year-on-year (H1 2013: US\$77.4 mln).
- Gross profit amounted to US\$80.8 mln, down by 32% year-on-year (H1 2013: US\$118.6 mln).
- EBITDA amounted to US\$79.0 mln, down by 41% year-on-year (H1 2013: US\$134.7 mln). EBITDA margin was 30%.
- Net profit amounted to US\$52.0 mln, a decrease of 51% year-on-year (H1 2013: US\$105.6 mln)
- As of 30 June 2014, cash and cash equivalents amounted to US\$236.1 mln (30 June 2013: US\$159.0 mln).

**Operational Highlights**

- Production of shell eggs totalled 3.680 bln units, up by 9% year-on-year (H1 2013: 3.378 bln units).
- Sales of shell eggs to external clients amounted to 2.402 bln units, down by 4% year-on-year (H1 2013: 2.503 bln units).
- The average sales price of shell eggs was UAH 0.68 per unit, excluding VAT, up by 8% year-on-year (H1 2013: UAH 0.63 per unit, excluding VAT).
- The volume of shell eggs processed for the production of dry egg products was 1.203 bln units, up by 67% year-on-year (H1 2013: 721 mln units).
- The production of dry egg products amounted to 14,012 tonnes, up by 58% year-on-year (H1 2013: 8,893 tonnes).
- The sales volume of dry egg products amounted to 12,385 tonnes, up by 65% year-on-year (H1 2013: 7,527 tonnes).
- Export of dry egg products amounted to 10,074 tonnes, up by 60% year-on-year (H1 2013: 6,303 tonnes).
- The average sales price of dry egg products was US\$ 6.69/kg, down by 13% year-on-year (H1 2013: US\$ 7.65/kg).
- The total poultry flock was 30.7 mln hens, up by 1% year-on-year (H1 2013: 30.3 mln). The number of laying hens amounted to 22.8 mln hens, remaining flat year-on-year.

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

“Due to the rapid devaluation of the Ukrainian hryvnia against the US dollar, the Company's consolidated revenue decreased by 14% year-on-year to US\$262.7 mln, net income decreased by 51% year-on-year to US\$52.0 mln and EBITDA margin was down to 30%, amid a complex political situation in Ukraine, the annexation of the Crimean peninsula and the military conflict in eastern Ukraine.

The Company was able to partially offset the negative impact of the Ukrainian hryvnia devaluation by increasing the share of export sales in total sales revenue to 39%, as well as by expanding sales volumes of shell eggs to the retail chains.

We cannot fully counterbalance the negative effect of the national currency devaluation against the US dollar and now expect softer financial results in the US dollar terms, our reporting currency, for the full year compared to 2013.

In the current environment, the Company leverages all available resources to effectively support the operations and reduce the impact of the negative factors affecting our business”.

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There will be a conference call and webcast for analysts and investors today at 09.00 am US Eastern time, 14.00 pm UK time, 16.00 pm Kiev time and 17.00 pm Moscow time.

#### AVANGARD 1H 2014 FINANCIAL RESULTS CONFERENCE CALL

UK	0800 694 5707
Russia	8108 002 408 2044
USA	1866 254 0808
Standard dial-in	+44 (0) 1452 541 003

Financial results for the first half, ended June 30, 2014 are available on the Company's site at <http://avangard.co.ua/eng/for-investors/financial-overview/financial-reports/annualreports/>

A live webcast of the presentation will be available at <https://webconnect.webex.com/webconnect/onstage/g.php?t=a&d=662694851>

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

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#### Financial Summary

	Units	H1 2013	H1 2014	Change
Revenue	US\$ '000	304,288	<b>262,680</b>	(14%)
Gross Profit	US\$ '000	118,605	<b>80,797</b>	(32%)
<i>Gross Profit Margin</i>	%	39%	<b>31%</b>	
EBITDA	US\$ '000	134,654	<b>78,951</b>	(41%)
<i>EBITDA Margin</i>	%	44%	<b>30%</b>	
Operating Profit	US\$ '000	121,957	<b>67,949</b>	(44%)
<i>Operating Margin</i>	%	40%	<b>26%</b>	
Net Profit	US\$ '000	105,561	<b>51,991</b>	(51%)
<i>Net Profit Margin</i>	%	35%	<b>20%</b>	

In the first half of 2014, the Company's consolidated revenue amounted to US\$262.7 mln (H1 2013: US\$304.3 mln). A 14% year-on-year decrease in the consolidated revenue was primarily due to the Ukrainian hryvnia devaluation against the US dollar by 29% year-on-year. The decline in revenue was also due to the lower sales of shell eggs to third parties by 4% year-on-year and a reduction in the selling price of dry egg products by 13% year-on-year. However, the increase in sales of dry egg products together with an increase of shell eggs exports and its sales to retail chains partially offset the decline in the Company's consolidated revenue.

The Company's revenues from the export grew 32% year-on-year to US\$101.9 mln (H1 2013: US\$77.4 mln) and amounted to 39% of the Company's consolidated revenue (H1 2013: 25%).

In the first half of 2014, cost of sales in dollar terms fell by 7% year-on-year and amounted to US\$190.9 mln (H1 2013: US\$206.4 mln) due to the Ukrainian hryvnia devaluation against the US dollar. The cost of sales in Hryvnia terms increased due to the increased value of fodder and its components<sup>1</sup>.

Gross profit was down by 32% year-on-year to US\$80.8 mln (H1 2013: US\$118.6 mln). Gross profit margin was down to 31% (H1 2013: 39%) due to the decrease in shell eggs and dry egg products sales margin.

In the first half of 2014, EBITDA was down by 41% to US\$79.0 mln (H1 2013: US\$134.7 mln). The decrease in EBITDA was due to the reduction in gross profit and an increase in marketing expense for the promotion of the Company's branded products and an increase in foreign exchange losses. Due to the fact that EBITDA decreased by a higher proportion than revenues, EBITDA margin decreased and amounted to 30% (H1 2013: 44%).

During the reporting period, net profit decreased by 51% year-on-year to US\$52.0 mln (H1 2013: US\$105.6 mln) mostly due to Hryvnia devaluation against the US dollar. Net profit margin was down to 20% (H1 2013: 35%).

## Cash flow

As at 30 June 2014, net cash flow from operating activities was US\$106.2 mln (30 June 2013: US\$79.3 mln) due to the fact that during the reporting period the Company has not entered into forward purchase agreements of grain as a result of the unstable situation in Ukraine and expected decrease in grain prices.

Net cash used in investing activities was US\$33.6 mln (30 June 2013: US\$75.9 mln). The decrease in cash used in investing activities was due to the completion of financing of the Company's investment programmes and the relatively small amount of financing needs for the maintenance of current assets.

Net cash received in financing activities was US\$12.1 mln (30 June 2013: US\$(47.9) mln) due to the prolongation of the loan received from the "State Savings Bank of Ukraine" until 2017, and drawing down on the existing credit lines in the European banks to purchase equipment and parts.

At the end of the reporting period, the Company's net cash flow amounted to US\$84.7 mln (30 June 2013: US\$(44.5) mln). As of 30 June 2014 cash and cash equivalents increased to US\$236.1 mln (30 June 2013: US\$159.0 mln).

## Debt Structure

As at 30 June 2014, the Company's total debt increased to US\$342.2 mln (31 December 2013: US\$322.8 mln).

At the end of the reporting period, the Company's net debt amounted to US\$106.1 mln (31 December 2013: US\$166.0 mln).

The Eurobond issue with a maturity on 29 October 2015 amounts to 58% of the Company's total debt. The Company's total debt/LTM EBITDA ratio equals to 1.4 which is in line with the covenants on Eurobonds.

The Company has a low debt burden and sufficient export revenue to meet its financial obligations. In the first half of 2014, export revenue amounted to US\$101.9 mln or 39% of the Company's consolidated revenue. Thus, export revenue exceeds the Company's financial costs in the US dollars by 6 times.

## Segment review

### Shell Egg Segment

	Units	H1 2013	H1 2014	Change,%
Total Production	Pieces (bln)	3.378	<b>3.680</b>	9%
Total Sales to Third Parties	Pieces (bln)	2.503	<b>2.402</b>	(4)%

<sup>1</sup> Certain elements of the cost of sales structure (cost of grain, oilseeds, veterinary medicines, packaging materials, fuel, etc.) indirectly depend on the stability of foreign exchange rates, which contributed to higher cost of sales.

Export	Pieces (mln)	241	<b>308</b>	28%
Average Sales Price	UAH (excl. VAT)	0.63	<b>0.68</b>	8%

In the first half of 2014, the production volume of shell eggs increased by 9% year-on-year to 3.680 bln pieces (1H 2013: 3.378 bln pieces).

As a result of the increase in the share of shell egg processing, sales to external customers were down by 4% year-on-year to 2.402 bln pieces (1H 2013: 2.503 bln pieces). The Company continues to strengthen its presence in existing sales channels by increasing the share of exports and sales to supermarkets.

In the first half of 2014, the share of shell egg sales through supermarkets reached 37% of total sales to third parties (1H 2013: 35%). In the first half of 2014, the Company increased by four times its sales of packaged eggs under the umbrella brand "Kvochka" to 97.3 mln pieces (1H 2013: 25.3 mln pieces) or 4% of total Company's sales to third parties (H1 2013: 1%).

In the first half of 2014, export sales of shell eggs increased by 28% year-on-year to 308 mln pieces (1H 2013: 241 mln pieces), which had a positive impact on the shell egg export revenue, which grew by 20% year-on-year to US\$ 34.6 mln (H1 2013: US\$ 28.8 mln). During the reporting period, the Company exported shell eggs mainly to the Middle East and North Africa, Central and West Africa, and the CIS countries.

In the first half of 2014, the average sales price increased by 8% year-on-year to 0.68 UAH per unit, excluding VAT (1H 2013: 0.63 UAH per unit, excluding VAT) as a result of increased share of shell eggs sales through supermarket chains and export.

In the first half of 2014, the Company's revenue from sales of shell eggs decreased by 20% year-on-year to US\$158.1 mln (H1 2013: US\$198.8 mln) due to the Ukrainian hryvnia devaluation against the US dollar and the decrease in sales of shell eggs to third parties. The partial reduction of revenue in the segment was offset by the growth in the shell egg average sales price. Revenue from the sale of shell eggs amounted to 60% of the Company's consolidated revenue.

### ***Egg Products Segment***

	Units	H1 2013	H1 2014	Change,%
Dry egg products production	Tonnes	8,893	<b>14,012</b>	58%
Total Sales to Third Parties	Tonnes	7,527	<b>12,385</b>	65%
Export	Tonnes	6,303	<b>10,074</b>	60%
Average Sales Price	US\$/Kg (excl. VAT)	7.65	<b>6.69</b>	(13%)

In the first half of 2014, the volume of processed shell eggs increased by 67% year-on-year to 1.203 bln pieces (1H 2013: 721 mln pieces) due to the ramp-up of processing capacities at the "Imperovo Foods" processing plant. As a result the production of dry egg products increased by 58% year-on-year and amounted to 14,012 tonnes (1H 2013: 8,893 tonnes).

In the first half of 2014, total sales of dry egg products increased by 65% year-on-year to 12,385 tonnes (H1 2014: 7,527 tonnes), while domestic sales of dry egg products increased by 89% year-on-year and amounted to 2,312 tonnes (H1 2013: 1,224 tonnes).

The Company's export volume of dry egg products increased by 60% year-on-year to 10,074 tonnes (H1 2014: 6,303 tonnes). The Company's revenue from export sales of dry egg products increased by 39% year-on-year and amounted to US\$ 67.3 mln (H1 2013: US\$ 48.5 mln). During the reporting period, the Company exported its dry egg products to the Middle East, North Africa and Asia.

In the first half of 2014, the average sales price of dry egg products decreased by 13% year-on-year to US\$ 6.69/kg (1H 2013: US\$ 7.65/kg) due to the increase in export wholesale sales as the Company continues to pursue its strategy of expanding international presence of its products and strengthening its position in export markets.

The Company's revenue from sales of dry egg products was up by 44% year-on-year to US\$82.8 mln (H1 2013: US\$57.6 mln) and amounted to 32% of the Company's consolidated revenue.

#### **Outlook for H2 2014**

- The Company's main objectives for H2 2014 are: further redistribution of shell egg sales to the sales channels with higher margins, including an increase of sales volumes of packaged eggs under the umbrella brand "Kvochka", as well as an increase in sales volumes of dry egg products.
- The Company will continue to increase the utilisation of its new and more efficient production capacities at the "Avis" and "Chornobaivske" poultry complexes. However, since the Company has suspended its operations in Crimea, and limited the use of poultry farms in the Donetsk and Lugansk regions, we expect that the level of shell egg production at the year-end will not exceed the previous year level.
- In the second half of 2014, the Company expects that the average sales price of shell eggs in the Hryvnia equivalent will slightly increase.
- The military conflict in eastern Ukraine and the annexation of Crimea led to a decline in demand for shell eggs in the domestic market. Despite the fact that in the second half of the year egg consumption traditionally increases, we expect a decline in domestic sales of shell eggs due to the reduced demand. However, we expect growing demand for shell eggs and egg products on global markets, which will allow the Company to increase the export volumes.
- In H2 2014, the Company will continue to pay special attention to the development of existing export markets and the expansion of export sales.
- In August 2014, the Company received a certificate of Kosher status of its shell eggs and egg products that will allow the Company to attract new customers and expand the presence of its products in new markets.
- The "Imperovo Foods" processing plant and "Avis" poultry complex have passed all the audits to obtain permission to export to the EU. In the second half of 2014, we expect to receive the Euronumber and to enter the EU market with the first shipments of dry egg products.

- Ends-

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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 June 2014 the Company holds a 55% share of the industrial shell egg market and a 92% share of the dry egg products market in Ukraine. As of 30 June 2014, the Company has the largest population of laying hens in Ukraine with 22.8 mln heads.

Production cycle of AVANGARDCO IPL is vertically integrated. 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 "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 33 countries, with its primary export markets in the Middle East, Africa, Asia and the CIS.

As of 30 June 2014, the Company’s revenues amounted to US\$262.7 mln (1H 2013: US\$304.3 mln) and EBITDA was US\$79.0 mln (1H 2013: US\$134.7 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 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 November 1, 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.

**Condensed consolidated statement of financial position****AS AT 30 JUNE 2014***(in USD thousand, unless otherwise stated)*

	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>ASSETS</b>		
Property, plant and equipment	761,469	1,103,630
Non-current biological assets	44,139	76,678
Deferred tax assets	2,652	3,059
Other non-current assets	253	373
<b>Total non-current assets</b>	<b>808,513</b>	<b>1,183,740</b>
Inventories	122,583	193,382
Current biological assets	44,585	60,648
Trade accounts receivable, net	64,258	88,972
Prepaid income tax	36	85
Prepayments and other current assets, net	11,034	30,845
Taxes recoverable and prepaid	87,201	104,439
Cash and cash equivalents	236,080	156,804
<b>Total current assets</b>	<b>565,777</b>	<b>635,175</b>
<b>TOTAL ASSETS</b>	<b>1,374,290</b>	<b>1,818,915</b>
<b>EQUITY</b>		
Share capital	836	836
Share premium	201,164	201,164
Capital contribution reserve	115,858	115,858
Retained earnings	1,184,421	1,132,803
Foreign currency translation reserve	(530,151)	(68,194)
<b>Equity attributable to owners of the Company</b>	<b>972,128</b>	<b>1,382,467</b>
<b>Non-controlling interest</b>	<b>27,464</b>	<b>64,631</b>
<b>Total equity</b>	<b>999,592</b>	<b>1,447,098</b>
<b>LIABILITIES</b>		
Long-term loans	82,400	61,495
Long-term bond liabilities	197,859	197,131
Deferred tax liabilities	28	44
Deferred income	3,097	4,743
Long-term finance lease	79	1
<b>Total non-current liabilities</b>	<b>283,463</b>	<b>263,414</b>
Current portion of non-current liabilities	12,044	14,504
Short-term loans	50,000	50,000
Trade payables	13,277	15,084
Other accounts payable	15,914	28,815
<b>Total current liabilities</b>	<b>91,235</b>	<b>108,403</b>
<b>TOTAL LIABILITIES</b>	<b>374,698</b>	<b>371,817</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,374,290</b>	<b>1,818,915</b>

**Condensed consolidated statement of profit or loss and other comprehensive income**  
**FOR THE 6 MONTHS ENDED 30 JUNE 2014**  
*(in USD thousand, unless otherwise stated)*

	<b>6 months ended</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>
Revenue	262,680	304,288
Profit from revaluation of biological assets at fair value	9,049	20,717
Cost of sales	(190,932)	(206,400)
<b>GROSS PROFIT</b>	<b>80,797</b>	<b>118,605</b>
General administrative expenses	(6,907)	(8,614)
Distribution expenses	(10,798)	(10,510)
Income from government grants and incentives	118	157
Income from special VAT treatment	33,341	21,099
Other operating (expenses)/income, net	(28,602)	1,220
<b>PROFIT FROM OPERATING ACTIVITIES</b>	<b>67,949</b>	<b>121,957</b>
Finance income	83	67
Finance costs	(16,651)	(16,962)
<b>PROFIT BEFORE TAX</b>	<b>51,381</b>	<b>105,062</b>
Income tax credit	610	499
<b>PROFIT FOR THE PERIOD</b>	<b>51,991</b>	<b>105,561</b>
<b>OTHER COMPREHENSIVE INCOME:</b> <i>Items that are or may be reclassified subsequently to profit or loss</i>		
Effect from translation into presentation currency	(499,497)	(61)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(447,506)</b>	<b>105,500</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>		
Owners of the Company	51,602	103,967
Non-controlling interests	389	1,594
	<b>51,991</b>	<b>105,561</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of the Company	(410,355)	103,908
Non-controlling interests	(37,151)	1,592
	<b>(447,506)</b>	<b>105,500</b>
<b>Earnings per share, USD (basic and diluted)</b>	<b>8</b>	<b>16</b>



**Condensed consolidated statement of cash flows**  
**FOR THE 6 MONTHS ENDED 30 JUNE 2014**  
*(in USD thousand, unless otherwise stated)*

	<b>6 months ended</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	51,381	105,062
Adjustments for:		
Depreciation of property, plant and equipment	11,002	12,697
Change in allowance for irrecoverable amounts	115	283
Other provisions	(489)	(143)
(Profit)/Loss on disposal of current assets	(9)	55
Loss on disposal of property, plant and equipment	2,346	281
Impairment of current assets	845	468
Effect of fair value adjustments on biological assets	(9,049)	(20,717)
Gains realised from accounts payable written-off	(3,071)	(165)
Amortization of deferred income on government grants	(118)	(157)
Discount on long-term bonds amortization	728	655
Interest income	(83)	(67)
Interest payable on loans	14,702	16,327
Losses on exchange	34,192	-
<b>Operating profit before working capital changes</b>	<b>102,492</b>	<b>114,579</b>
Increase in trade receivables	(4,877)	(5,471)
Decrease/(increase) in prepayments and other current assets	10,887	(70,586)
(Increase)/decrease in taxes recoverable and prepaid	(19,074)	13,320
Decrease in inventories	9,368	30,990
(Decrease)/increase in deferred income	(126)	4
Decrease in other non-current assets	120	24
Increase/(decrease) in trade payables	3,539	(9,742)
Decrease in biological assets	13,559	20,261
Decrease in finance leases	(886)	(1,278)
Decrease in other accounts payable	(3,749)	(7,731)
<b>Cash generated from operations</b>	<b>111,253</b>	<b>84,370</b>
Interest paid	(5,005)	(4,998)
Income tax paid	(41)	(46)
<b>Net cash generated from operating activities</b>	<b>106,207</b>	<b>79,326</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments and receipts - property, plant and equipment	(33,686)	(75,978)
Interest received	83	67
<b>Net cash used in investing activities</b>	<b>(33,603)</b>	<b>(75,911)</b>

**Condensed consolidated statement of cash flows (cont.)**  
**FOR THE 6 MONTHS ENDED 30 JUNE 2014**  
*(in USD thousand, unless otherwise stated)*

	<b>6 months ended</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New loans received	78,726	61,198
Repayment of loans	(56,595)	(73,030)
Interest paid for bonds issued	(10,000)	(11,686)
Repayment of short-term bonds	-	(25,023)
Blocked deposit	-	602
<b>Net cash generated from/(used in) financing activities</b>	<b>12,131</b>	<b>(47,939)</b>
<b>Net increase/(decrease) in cash</b>	<b>84,735</b>	<b>(44,524)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>156,804</b>	<b>203,504</b>
Effect from translation into presentation currency	(5,459)	(12)
<b>Cash and cash equivalents at 30 June</b>	<b>236,080</b>	<b>158,968</b>