



11 April 2014

AVANGARDCO INVESTMENTS PUBLIC LIMITED

AUDITED FINANCIAL RESULTS FOR 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, today announces its full year consolidated audited IFRS financial results for the year ended 31 December 2013.

Financial highlights

- Revenue increased by 5% year-on-year to US\$ 661.2 mln (2012: US\$ 629.3 mln)
- Gross profit grew by 3% year-on-year to US\$ 266.7 mln (2012: US\$ 258.5 mln)
- EBITDA increased by 8% year-on-year to US\$ 301.2 mln (2012: US\$ 279.8 mln) with EBITDA margin of 45.6% (2012: 44.5%)
- Operating profit increased by 4% year-on-year to US\$ 275.8 mln (2012: US\$ 264.5 mln)
- Net profit was up by 4% year-on-year to US\$ 238.1 mln (2012: US\$ 228.2 mln)

Operational highlights

- Total flock increased by 18% year-on-year to 32.5 mln heads (2012: 27.5 mln heads)
- The number of laying hens grew by 18% year-on-year to 27 mln heads (2012: 22.8 mln heads)
- Production of shell eggs was up by 12% year-on-year to 7.019 bln pieces (2012: 6.287 bln pieces)
- Sales of shell eggs to external clients decreased by 2% year-on-year to 5.093 bln pieces (2012: 5.223 bln pieces)
- The average sales price of eggs decreased by 1% year-on-year and amounted to UAH 0.69 per unit, excluding VAT (2012: UAH 0.70 per unit, excluding VAT)
- The volume of processed shell eggs increased by 73% year-on-year to 1.864 bln pieces (2012: 1.078 bln pieces)
- The average sales price of dry egg products decreased by 6% year-on-year to US\$ 7.64/kg (2012: US\$ 8.11/kg)
- The export of shell eggs and dry egg products increased by 73% year-on-year to 1.9 bln eggs in egg equivalent (2012: 1.1 bln eggs in egg equivalent).

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

“2013 was another successful year for AVANGARDCO IPL. During the year the Company produced more than 7 bln eggs and around 23 thousand tonnes of dry egg products, solidifying its position as the largest producer of shell eggs and dry egg products in Ukraine and Eurasia. At the end of the year, AVANGARDCO IPL increased its revenue by 5% to US\$ 661 mln. Net profit grew by 4% to US\$ 238 mln and EBITDA margin increased to 45.6%.

In 2013, the Company successfully completed the construction of two poultry complexes for egg production "Avis" and "Chornobaivske" with the capacity of more than 11 mln laying hens. As a result the Company's egg production capacity increased to 8.6 bln pieces. The Company installed at these poultry complexes the most advanced technologies and production equipment from the leading suppliers which is expected to result in improved production efficiencies and decrease the cost of production.

In the reporting period, AVANGARDCO IPL increased the volume of processed shell eggs by 73% year-on-year to 1.864 bln pieces. The significant growth in production volume was due to the successful completion of the first stage of capacity expansion from 3 mln to 6 mln eggs per day at the egg processing plant "Imperovo Foods". We plan to further increase its processing capacities up to 10 mln eggs per day to better satisfy the growing demand for egg products due to the increase in food production globally.

Since the launch of the Company over ten years ago, AVANGARDCO IPL has developed a large client base. We sell our products across Ukraine, as well as export them to 33 countries in the Middle East, Africa, Asia and the CIS. In 2013 the Company continued to actively develop its export sales which accounted for 29% of total sales revenue compared to 20% in 2012. During the year we exported almost 1.9 bln eggs and egg products in egg equivalent.

Our 2013 financial results serve as a proof to the success of the Company's development strategy. We have completed the construction of our major investment projects. The Company is the largest producer of shell eggs and dry egg products in Ukraine and Eurasia, as well as developed a wide distribution network across its key markets while delivering consistently strong financial performance".

Political situation

AVANGARDCO IPL continues to closely monitor the political situation in the country, which has worsened since the beginning of 2014 and would like to reassure all its stakeholders that all the Company's production facilities operate in usual mode.

The Company will continue to update the market with any further developments.

Outlook

In 2014, the Company will continue to commission new production facilities at poultry complexes "Avis" and "Chornobaivske". AVANGARDCO IPL plans to increase the processing capacity up to 10 mln eggs per day at its egg processing plant "Imperovo Foods".

The Company will pay special attention to the distribution of products and pricing, as well as cost control, taking into account significant UAH devaluation. As far as the Company's assets in Crimea are concerned, AVANGARDCO IPL plans to limit their use until the situation in the region has stabilized.

In 2014, the Company will continue to expand its distribution network across all channels, including developing its retail channel, as well as further penetrating the market with "Kvochka"-branded products. Export strategy involves expanding into new export markets including the EU market. Starting from 2013 as a result of the significant increase in the production of dry egg products the Company has been actively developing its distribution. The Company is negotiating with new customers and introducing loyalty programmes for its clients. In 2014 we will continue to develop this area.

In 2014, the Company expects stable demand for eggs in Ukraine and a growing demand for eggs and egg products in global markets. The Company expects moderate growth in prices for shell eggs and egg products during the year.

Dividends

As AVANGARDCO IPL has announced before, the Company adopted its dividend policy in September 2013. The dividend payout ratio for dividend payments in 2014 on the basis of 2013 financial results was set at 25%. We plan to approve the payment of dividends at the next AGM in 2014.

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The management will hold a conference call and webcast for investors and analysts today at 9.00 am US Eastern time, 14.00 pm UK time, 16.00 pm Kiev time and 17.00 pm Moscow time.

NAME: AVANGARD FULL YEAR 2013 FINANCIAL RESULTS

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A live webcast of the presentation will be available at:

<https://webconnect.webex.com/webconnect/onstage/g.php?t=a&d=662851077>

Financial results for the full year ended December 31, 2013 are available on the Company's website at:

<http://avangard.co.ua/eng/for-investors/financial-overview/financial-reports/annualreports>

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

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Financial Summary

	Units	2013	2012	Change, %
Revenue	US\$ '000	661,202	629,306	5%
Gross Profit	US\$ '000	266,665	258,537	3%
<i>Gross Profit Margin</i>	%	40.3	41.1	
EBITDA	US\$ '000	301,237	279,768	8%
<i>EBITDA Margin</i>	%	45.6	44.5	
Operating Profit	US\$ '000	275,750	264,484	4%
<i>Operating Margin</i>	%	41.7	42.0	
Net Profit	US\$ '000	238,083	228,233	4%
<i>Net Profit Margin</i>	%	36.0	36.3	

In 2013, the Company's consolidated revenue grew by 5% year-on-year and amounted to US\$ 661.2 mln (2012: US\$ 629.3 mln) due to the increase in production volumes of shell eggs and dry egg products, as well as the growth of sales volumes of dry egg products including export sales.

In 2013, the Company's revenue derived from its two main business segments, shell eggs and egg products, amounted to US\$ 589.9 mln (2012: US\$ 565.0 mln) or 89% of the Company's consolidated revenue. The remaining 11% of the Company's consolidated revenue was attributed to the Company's non-core activities associated with its vertically integrated production process, including production and sales of day-old chicks, young laying hens, poultry meat, feed, organic fertilizer and other.

In 2013, the share of egg products segment in consolidated revenue significantly increased to 23% (2012: 17%) due to the capacity expansion at the egg processing plant "Imperovo Foods". The share of the shell egg segment decreased to 66% (2012: 73%) in line with the Company's strategy to diversify production.

The Company's export revenues from shell eggs and egg products increased by 49% to US\$ 190.7 mln (2012: US\$ 127.8 mln), which represents 29% of the Company's total revenue (2012: 20%) and is in line with the Company's strategy to increase export sales.

In 2013, the cost of sales grew by 8% year-on-year to US\$ 429.7 mln (2012: US\$ 397.0 mln) as a result of the increase in sales volumes.

The Company's 2013 gross profit grew by 3% year-on-year to US\$ 266.7 mln (2012: US\$ 258.5 mln) with gross profit margin of 40.3% (2012: 41.1%). The increase in gross profit was due to stable production costs and the increase in sales of egg products.

EBITDA increased by 8% year-on-year to US\$ 301.2 mln (2012: US\$ 279.8 mln) with EBITDA margin increasing to 45.6% (2012: 44.5%) as a result of a strong vertical integration of operations which allows AVANGARDCO IPL to control its costs at each stage of the production process.

In 2013, net profit was up by 4% year-on-year to US\$ 238.1 mln (2012: US\$ 228.2 mln) with net profit margin of 36.0% (2012: 36.3%).

Cash flow

In 2013, net cash flow from operating activities was US\$ 187.4 mln (2012: US\$ 277.5 mln) due to the increase in trade accounts receivable, prepayments and inventories.

Net cash used in investing activities decreased by 42% year-on-year and amounted to US\$ 184.7 mln (2012: US\$ 321.0 mln) following the completion of the Company's large-scale capital investment programme in 2013.

Net cash used in financing activities was US\$ 49.5 mln compared to US\$ 16.5 mln received in 2012. The increase was due to the repayment of Ukrainian bonds and other loans.

Debt Structure

As of 31 December 2013, the Company's total debt decreased to US\$ 322.8 mln (2012: US\$ 352.2 mln).

The Company's net debt amounted to US\$ 166.0 mln as at the end of reporting period (2012: US\$ 147.9 mln). The increase in net debt was due to the decrease in cash associated with the implementation of the investment programme.

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, which is significantly below its Eurobond covenants (2012: 1.3).

Segment review

Shell Egg Segment

	Units	2013	2012	Change,%
Total Production	Pieces (bln)	7.019	6.287	12%
Total Sales to Third Parties	Pieces (bln)	5.093	5.223	(2%)
Export	Pieces (mln)	499	516	(3%)
Average Sales Price	UAH (excl. VAT)	0.69	0.70	(1%)

As of 31 December 2013, total poultry flock was up by 18% year-on-year to 32.5 mln heads (2012: 27.5 mln heads) and the population of laying hens increased by 18% year-on-year to 27.0 mln heads (2012: 22.8 mln heads). In 2013, the increase in poultry flock followed the launch of new capacities and the placement of poultry flock at poultry complexes "Avis" and "Chornobaivske".

In 2013, the production volume of shell eggs increased by 12% year-on-year to 7.019 bln pieces (2012: 6.287 bln pieces) due to the increase in the population of laying hens and the launch of new production facilities.

Sales to external customers amounted to 5.093 bln pieces (2012: 5.223 bln pieces). The Company significantly increased the volume of shell eggs sold internally for further processing into egg products following the increase in processing capacities at "Imperovo Foods" processing plant.

In 2013, the exports of shell eggs decreased by 3% year-on-year to 499 mln pieces (2012: 516 mln pieces) in line with the Company's strategy to increase the volumes of shell eggs used for further processing into egg products.

In 2013, shell eggs were mainly exported to the countries of the Middle East and North Africa, Central and West Africa, and the CIS countries.

In 2013, the average selling price of shell eggs decreased by 1% year-on-year to 0.69 UAH per unit, excluding VAT (2012: 0.70 UAH per unit, excluding VAT).

The Company's revenue from the sales of shell eggs decreased by 5% year-on-year to US\$ 436.8 mln (2012: US\$ 458.3 mln). The decrease in the segment's revenue was due to the redistribution of shell eggs sales channels (an increase in internal sales of shell eggs for further processing into egg products).

Egg Products Segment

	Units	2013	2012	Change, %
Processed Shell Eggs	Pieces (bln)	1.864	1.078	73%
Average Sales Price	US\$/kg (excl. VAT)	7.64	8.11	(6%)

In 2013, the volume of processed shell eggs increased by 73% year-on-year to 1.864 bln pieces (2012: 1.078 bln pieces) due to increased processing capacities at "Imperovo Foods" processing plant. The production of dry egg products was up by 63% year-on-year and amounted to 22,915 tonnes (2012: 14,066 tonnes).

In line with its plans for 2013 the Company continued to develop exports of shell eggs and egg products which amounted to 1.9 bln eggs in egg equivalent (2012: 1.1 bln eggs in egg equivalent), representing around 30% of the Company's total sales.

In 2013, the Company exported its dry egg products to the markets of the Middle East, North Africa and Asia.

As of 31 December 2013, the average sales price of egg products decreased by 6% year-on-year to US\$ 7.64/kg (2012: US\$ 8.11/kg) due to a significant increase in export sales volumes to new and existing customers.

The Company's revenue from sales of egg products increased by 44% year-on-year to US\$ 153.1 mln (2012: 106.6 mln) due to the growth in production and sales of dry egg products.

– The End –

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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 31 December, 2013 the Company holds a 57% share of the industrial egg market and a 91% share of the dry egg products market in Ukraine. The Company has the largest population of laying hens in Ukraine with 32.5 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 nineteen farms for laying hens; three second order breeder farms; ten farms for rearing young laying hens; six feed mills; three long-term storage facilities and the egg processing plant "Imperovo Foods", 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 31 December, 2013, the Company's revenues amounted to US\$ 661.2 mln (2012: US\$ 629.3 mln) and EBITDA was US\$ 301.2 mln (2012: US\$ 279.8 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.

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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.

Consolidated statement of financial position

AS AT 31 DECEMBER 2013

(in USD thousand, unless otherwise stated)

	31 December 2013	31 December 2012
ASSETS		
Property, plant and equipment	1, 103, 630	920, 072
Non-current biological assets	76, 678	46, 724
Deferred tax assets	3, 059	1, 966
Other non-current assets	373	391
Total non-current assets	1, 183, 740	969, 153
Inventories	193, 382	177, 886
Current biological assets	60, 648	56, 889
Trade accounts receivable, net	88, 972	55, 551
Prepaid income tax	85	18
Prepayments and other current assets, net	30, 845	11, 966
Taxes recoverable and prepaid	104, 439	102, 567
Cash and cash equivalents	156, 804	204, 298
Total current assets	635, 175	609, 175
TOTAL ASSETS	1, 818, 915	1, 578, 328
EQUITY		
Share capital	836	836
Share premium	201, 164	201, 164
Capital contribution reserve	115, 858	115, 858
Retained earnings	1, 132, 803	899, 357
Foreign currency translation reserve	(68, 194)	(68, 135)
Equity attributable to owners of the Company	1, 382, 467	1, 149, 080
Non-controlling interests	64, 631	18, 115
Total equity	1, 447, 098	1, 167, 195
LIABILITIES		
Long-term loans	61, 495	3 969
Long-term bond liabilities	197, 131	195 779
Deferred tax liabilities	44	72
Deferred income	4, 743	5 047
Long-term finance lease	1	1 283
Total non-current liabilities	263, 414	206 150
Short-term bond liabilities	-	25, 023
Current portion of non-current liabilities	14, 504	32, 114
Short-term loans	50, 000	94, 368
Trade payables	15, 084	24, 435
Other accounts payable	28, 815	29, 043
Total current liabilities	108, 403	204, 983
TOTAL LIABILITIES	371, 817	411, 133
TOTAL EQUITY AND LIABILITIES	1, 818, 915	1, 578, 328

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2013

(in USD thousand, unless otherwise stated)

	Year ended	
	31 December 2013	31 December 2012
Revenue	661, 202	629, 306
Profit from revaluation of biological assets at fair value	35, 158	26, 191
Cost of sales	(429, 695)	(396, 960)
GROSS PROFIT	266, 665	258, 537
General administrative expenses	(16, 746)	(22, 559)
Distribution expenses	(25, 630)	(20, 056)
Income from government grants and incentives	299	305
Income from special VAT treatment	55, 198	46, 484
Other operating (expenses)/income,net	(4, 036)	1, 773
PROFIT FROM OPERATING ACTIVITIES	275, 750	264, 484
Finance income	124	680
Finance costs	(38, 887)	(36, 936)
PROFIT BEFORE TAX	236, 987	228, 228
Income tax credit	1, 096	5
PROFIT FOR THE YEAR	238, 083	228, 233
OTHER COMPREHENSIVE INCOME: <i>Items that will never be reclassified to profit or loss</i>		
Effect of translation into presentation currency	(60)	(377)
Effect from changes in ownership	41, 880	-
TOTAL COMPREHENSIVE INCOME	279, 903	227, 856
PROFIT FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the Company	236, 032	225, 448
Non-controlling interests	2, 051	2, 785
PROFIT FOR THE YEAR	238, 083	228, 233
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	233, 387	225, 074
Non-controlling interests	46, 516	2, 782
TOTAL COMPREHENSIVE INCOME	279, 903	227, 856
Earnings per share, USD (basic and diluted)	37	35

Consolidated statement of cash flows
 FOR THE YEAR ENDED 31 DECEMBER 2013
 (in USD thousand, unless otherwise stated)

	Year ended	
	31 December 2013	31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	236, 987	228, 228
Adjustments for:		
Depreciation of property, plant and equipment	25, 487	15, 284
Change in allowance for irrecoverable amounts	683	375
Other provisions	131	134
Loss on disposal of current assets	377	527
Loss on disposal of property, plant and equipment	365	28
Impairment of current assets	1, 123	846
Other income	-	(2, 054)
Effect of fair value adjustments on biological assets	(35, 158)	(26, 191)
Gains realised from accounts payable written-off	(296)	(861)
Amortization of deferred income on government grants	(299)	(302)
Discount on long-term bonds amortization	1, 352	1, 216
Interest income	(124)	(680)
Interest payable on loans	28, 770	32, 176
Operating profit before working capital changes	259, 398	248, 726
Increase in trade receivables	(33, 272)	(4, 082)
(Increase)/decrease in prepayments and other current assets	(9, 785)	14, 573
Increase in taxes recoverable and prepaid	(1, 872)	(26, 269)
(Increase)/decrease in inventories	(16, 030)	27, 210
Decrease in deferred income	(5)	(2)
Decrease/(increase) in other non-current assets	18	(34)
(Decrease)/increase in trade payables	(9, 055)	7, 402
Decrease in biological assets	479	25, 121
Decrease in finance leases	(2, 552)	(2, 553)
Increase/(Decrease) in other accounts payable	7, 342	(2, 615)
Cash generated from operations	194, 666	287, 477
Interest paid	(7, 136)	(9, 946)
Income tax paid	(92)	(81)
Net cash generated from operating activities	187, 438	277, 450
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments and receipts - property, plant and equipment	(184, 808)	(321 635)
Interest received	124	680
Net cash used in investing activities	(184, 684)	(320, 955)

Consolidated statement of cash flows (cont.)
 FOR THE YEAR ENDED 31 DECEMBER 2013
(in USD thousand, unless otherwise stated)

	Year ended	
	31 December 2013	31 December 2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
New loans received	85,334	97,048
Repayment of loans	(88,516)	(61,603)
Interest paid for bonds issued	(22,043)	(25,335)
Repayment of short-term bonds	(25,023)	-
Blocked deposit	794	6,380
Net cash (used)/generated from financing activities	(49,454)	16,490
Net decrease in cash	(46,700)	(27,015)
Cash and cash equivalents at 1 January	203,504	230,640
Effect from translation into presentation currency	-	(121)
Cash and cash equivalents at 31 December	156,804	203,504