



23 May 2014

## AVANGARDCO INVESTMENTS PUBLIC LIMITED

### FINANCIAL AND OPERATIONAL RESULTS FOR THE FIRST QUARTER OF 2014

**Kyiv, Ukraine** – AVANGARDCO INVESTMENTS PUBLIC LIMITED (LSE: AVGR) (the “Company” or “AVANGARDCO IPL”), the largest producer of shell eggs and dry egg products in Ukraine and number one producer in Eurasia, today announces its financial and operational results for the first three months ended 31 March 2014.

#### Financial Highlights

- Consolidated revenue decreased by 2% year-on-year to US\$152.2 mln (Q1 2013: US\$155.8 mln)
- Revenue derived from two main business segments, shell eggs and dry egg products, grew by 7% year-on-year to US\$ 146.9 mln (1Q 2013: US\$ 136.7 mln)
- Revenue from the export of eggs and dry egg products increased by 71% year-on-year to US\$ 61.6 mln (Q1 2013: US\$ 36.0 mln) and accounted for 40% of the Company’s consolidated revenue (Q1 2013: 23%).
- EBITDA amounted to US\$ 60.9 mln (Q1 2013: US\$73.1 mln) with EBITDA margin of 40%
- Net profit decreased by 23% year-on-year to US\$46.8 mln (Q1 2013: US\$ 60.7 mln)

#### Operational Highlights

- Production of shell eggs was up by 14% year-on-year to 1.889 bln pieces (1Q 2013: 1.654 bln pieces)
- The average sales price of shell eggs decreased by 1.5% year-on-year and amounted to UAH 0.67 per unit, excluding VAT (Q1 2013: UAH 0.68 per unit, excluding VAT)
- Export volumes of shell eggs increased by 57% year-on-year to 162 mln pieces (1Q 2013: 103 mln pieces)
- The volume of processed shell eggs increased to 584 mln pieces (1Q 2013: 271 mln pieces)
- The production of dry egg products doubled year-on-year to 6,802 tonnes (Q1 2013: 3,399 tonnes)
- Export of shell eggs and dry egg products amounted to 788 mln eggs in egg equivalent (1Q 2013: 347 mln eggs in egg equivalent), representing around 43% of the Company's total sales volume
- The average sales price of dry egg products decreased by 9% year-on-year to US\$7.04/kg (Q1 2013: US\$7.71/kg)
- Total flock increased by 25% year-on-year to 34.1 mln (Q1 2013: 27.2 mln). The number of laying hens grew by 19% year-on-year to 26.5 mln (Q1 2013: 22.3 mln)

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

“In the first quarter 2014 revenue in our main business segments, shell eggs and dry egg products, increased by 7% year-on-year as a result of doubling of the production and sales of dry egg products. However, our consolidated revenue declined by 2% year-on-year due to the impact of the Ukrainian hryvnia devaluation against the US dollar, our reporting currency. Share of export revenue continued to grow and accounted for 40% of total revenue, reaching US\$ 62 mln.

Both net profit and EBITDA were impacted by the Ukrainian hryvnia devaluation. Despite these developments AVANGARDCO IPL’s business operations continued to perform strongly.

During 2014 we expect strong demand for our products. The Company will continue to pay close attention to the development of export markets with an objective to further increase the volume of export sales while maintaining focus on the cost control”.

###

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.

Title: AVANGARD Q1 2014 FINANCIAL RESULTS  
 ID: 51208204  
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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=290949741>

Financial results for the first quarter ended 31 March, 2014 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	Q1 2014	Q1 2013	Change
Revenue	US\$ '000	<b>152,199</b>	155,823	(2%)
Gross Profit	US\$ '000	<b>59,745</b>	62,198	(4%)
<i>Gross Profit Margin</i>	%	<b>39.3%</b>	39.9%	
EBITDA	US\$ '000	<b>60,940</b>	73,103	(17%)
<i>EBITDA Margin</i>	%	<b>40.0%</b>	46.9%	
Operating Profit	US\$ '000	<b>54,497</b>	69,438	(22%)
<i>Operating Margin</i>	%	<b>35.8%</b>	44.6%	
Net Profit	US\$ '000	<b>46,799</b>	60,699	(23%)
<i>Net Profit Margin</i>	%	<b>30.7%</b>	39.0%	

In the first quarter 2014, the Company's consolidated revenue was down by 2% year-on-year and amounted to US\$152.2 mln (Q1 2013: US\$155.8 mln) due to the devaluation of the Ukrainian hryvnia as nearly 60% of the Company's revenue comes from sales in the domestic market.

In the first quarter 2014, the Company's revenue derived from its two main business segments, shell eggs and dry egg products, grew by 7% year-on-year to US\$ 146.9 mln (1Q 2013: US\$ 136.7 mln) due to an increase in the production and sales of dry egg products.

The Company's revenue from the export of shell eggs and dry egg products increased by 71% year-on-year to US\$ 61.6 mln (Q1 2013: US\$ 36.0 mln) and accounted for 40% of the consolidated revenue (Q1 2013: 23%), which is in line with the Company's strategy to grow its export revenues.

In the first quarter 2014, despite the significant growth of production, the cost of sales slightly decreased to US\$ 101.7 mln (Q1 2013: US\$102.5mln). This was due to the Company maintaining significant stocks of raw materials.

In the first quarter 2014 the Company's gross profit decreased by 4% year-on-year to US\$ 59.7 mln (Q1 2013: US\$ 62.2 mln) due to the decrease in revenue in the US dollar terms. Gross profit margin remained at 39.3% (Q1 2013: 39.9%).

EBITDA decreased by 17% year-on-year to US\$ 60.9 mln (Q1 2013: US\$ 73.1 mln) which was mainly due to the devaluation of the Ukrainian hryvnia against the US dollar. It was further impacted by lower prices for dry egg products due to increase of sales volumes to new and exciting customers, and a related increase in marketing costs to promote the Company's products. EBITDA margin stood at 40.0% (Q1 2013: 46.9%).

In the first quarter 2014, net profit decreased by 23% year-on-year to US\$46.8 mln (Q1 2013: US\$ 60.7 mln).

## Debt Structure

As of 31 March 2014, the Company's total debt increased to US\$ 335.9 mln (31 December 2013: US\$ 322.8 mln).

At the end of reporting period the Company's net debt amounted to US\$ 157.4 mln (31 December 2013: US\$ 166.0 mln). The decrease in net debt was due to an increase in cash balance. As of 31 March 2014, cash and cash equivalents amounted to US\$ 178.5 mln (31 December 2013: US\$156.8 mln).

AVANGARDCO IPL's Eurobond issue with a maturity on 29 October 2015 amounted to 59% of the Company's total outstanding debt.

The Company's total debt/LTM EBITDA ratio stood at 1.16, which is significantly below its Eurobond covenants.

## Segment Review

	Units	As of 31 March 2014	As of 31 March 2013	Change
Total Poultry Flock	Heads (mln)	34.1	27.2	25%
Laying Hens	Heads (mln)	26.5	22.3	19%

As of 31 March 2014, the total poultry flock was up by 25% year-on-year to 34.1 mln heads (31 March 2013: 27.2 mln heads) and the number of laying hens increased by 19% year-on-year to 26.5 mln heads (31 March 2013: 22.3 mln heads) which is in line with the Company's operational plans. The increase in poultry flock followed the launch of new capacities and the placement of poultry flock at two poultry complexes "Avis" and "Chornobaivske".

As at March 31, 2014, 41% of the total poultry flock was housed at new poultry complexes (36% of the total population of laying hens).

## Shell Egg Segment

	Units	Q1 2014	Q1 2013	Change
Total Production	Pieces (bln)	1.889	1.654	14%
Total Sales to Third Parties	Pieces (bln)	1.264	1.315	(4%)
Export	Pieces (mln)	162	103	57%
Average Sales Price	UAH (excl. VAT)	0.67	0.68	(1.5%)

In the first quarter 2014, the production volume of shell eggs increased by 14% year-on-year to 1.889 bln pieces (1Q 2013: 1.654 bln pieces) due to the increase in the number of laying hens.

Sales to external customers were down by 4% year-on-year to 1.264 bln pieces (1Q 2013: 1.315 bln pieces) due to increased volumes of shell eggs sent for further processing into dry egg products and in line with the Company's strategy.

In the first quarter 2014, the exports of shell eggs increased by 57% year-on-year to 162 mln pieces (1Q 2013: 103 mln pieces). During the reporting period shell eggs were mainly exported to the countries of the Middle East and North Africa, Central and West Africa, and the CIS countries.

In the first quarter 2014, the share of shell egg sales through modern retail chains (supermarkets) was 31% of total sales to third parties (1Q 2013: 35%). The Company sells its products to the majority of national and regional retailers across Ukraine. The Company's products are also widely sold through traditional retail outlets.

In the first quarter 2014 the Company doubled its sales of packaged eggs under the umbrella brand "Kvochka" to 25.9 mln pieces (Q1 2013: 12.2 mln pieces) thanks to the growing popularity of the "Kvochka" brand among

Ukrainian consumers. The Company continues to expand the presence of the "Kvochka" branded products in regional networks and traditional retail outlets.

In the first quarter 2014, the average sales price decreased by 1.5% year-on-year to 0.67 UAH per unit, excluding VAT (1Q 2013: 0.68 UAH per unit, excluding VAT).

Revenue in shell egg segment decreased by 14% year-on-year to US\$ 95.6 mln (1Q 2014: US\$ 111.1 mln).

### **Dry Egg Products Segment**

	<b>Units</b>	<b>Q1 2014</b>	<b>Q1 2013</b>	<b>Change</b>
Processed Shell Eggs	Pieces (mln)	<b>584</b>	271	115%
Average Sales Price	US\$/Kg (excl. VAT)	<b>7.04</b>	7.71	(9%)

In the first quarter 2014, the volume of processed shell eggs increased year-on-year to 584 mln pieces (1Q 2013: 271 mln pieces) due to increased processing capacities at "Imperovo Foods" plant. The production of dry egg products doubled year-on-year and amounted to 6,802 tonnes (1Q 2013: 3,399 tonnes).

In the first quarter 2014, the Company's export of shell eggs and dry egg products amounted to 788 mln eggs in egg equivalent (1Q 2013: 347 mln eggs in egg equivalent), representing around 43% of the Company's total sales in volume terms.

During the reporting period, the Company exported its dry egg products to the markets of the Middle East, North Africa and Asia.

In the first quarter 2014, the average sales price of dry egg products decreased by 9% year-on-year to US\$ 7.04/kg (1Q 2013: US\$ 7.71/kg) due to a significant increase in export sales volumes to new and existing customers in order to expand the Company's clients base.

Revenue from sales of dry egg products doubled year-on-year to US\$ 51.3 mln (1Q 2013: US\$ 25.6 mln) and accounted for 34% of the consolidated revenue (1Q 2013: 16%) in line with the Company's strategy.

### **Investment Projects**

The Company continues to gradually bring on line additional capacities in accordance with its investment programme.

### **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.

– 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. As of 31 March 2014, the Company has the largest population of laying hens in Ukraine with 26.5 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 exports its products to 33 countries, with its primary export markets in the Middle East, Africa, Asia and the CIS.

As of 31 March 2014, the Company's revenues amounted to US\$ 152.2 mln (1Q2013: US\$ 155.8 mln) and EBITDA was US\$ 60.9 mln (1Q2013: US\$ 73.1 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.

###

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.

**Interim Consolidated Statement of Financial Position**

AS AT 31 MARCH 2014

*(in USD thousand, unless otherwise stated)*

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>ASSETS</b>		
Property, plant and equipment	821,166	1,103,630
Non-current biological assets	50,720	76,678
Deferred tax assets	2,232	3,059
Other non-current assets	273	373
<b>Total non-current assets</b>	<b>874,391</b>	<b>1,183,740</b>
Inventories	155,166	193,382
Current biological assets	54,074	60,648
Trade accounts receivable, net	67,301	88,972
Prepaid income tax	23	85
Prepayments and other current assets, net	21,942	30,845
Taxes recoverable and prepaid	80,462	104,439
Cash and cash equivalents	178,472	156,804
<b>Total current assets</b>	<b>557,440</b>	<b>635,175</b>
<b>TOTAL ASSETS</b>	<b>1,431,831</b>	<b>1,818,915</b>
<b>EQUITY</b>		
Share capital	836	836
Share premium	201,164	201,164
Reserve capital	115,858	115,858
Retained earnings	1,178,960	1,132,803
Effect of translation into presentation currency	(486,136)	(68,194)
<b>Equity attributable to owners of the Company</b>	<b>1,010,682</b>	<b>1,382,467</b>
<b>Non-controlling interest</b>	<b>46,615</b>	<b>64,631</b>
<b>Total equity</b>	<b>1,057,297</b>	<b>1,447,098</b>
<b>LIABILITIES</b>		
Long-term loans	72,630	61,495
Long-term bond liabilities	197,490	197,131
Deferred tax liabilities	32	44
Deferred income	3,398	4,743
Long-term finance lease	92	1
<b>Total non-current liabilities</b>	<b>273,642</b>	<b>263,414</b>
Short-term bond liabilities	-	-
Current portion of non-current liabilities	15,861	14,505
Short-term loans	50,000	50,000
Trade payables	9,834	15,084
Other accounts payable	25,197	28,814
<b>Total current liabilities</b>	<b>100,892</b>	<b>108,403</b>
<b>TOTAL LIABILITIES</b>	<b>374,534</b>	<b>371,817</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,431,831</b>	<b>1,818,915</b>

## Interim Consolidated Statement of Comprehensive Income

FOR THE 3 MONTH ENDED 31 MARCH 2014

(in USD thousand, unless otherwise stated)

	3 months ended	
	31 March 2014	31 March 2013
Revenue	152,199	155,823
Profit from revaluation of biological assets at fair value	9,275	8,841
Cost of sales	(101,729)	(102,466)
<b>GROSS PROFIT</b>	<b>59,745</b>	<b>62,198</b>
General administrative expenses	(5,456)	(3,961)
Distribution expenses	(5,660)	(3,965)
Income from government grants and incentives	68	76
Income from special VAT treatment	5,680	13,097
Other operating income, net	120	1,993
<b>PROFIT FROM OPERATING ACTIVITIES</b>	<b>54,497</b>	<b>69,438</b>
Finance income	39	42
Finance costs	(7,663)	(8,756)
<b>PROFIT BEFORE TAX</b>	<b>46,873</b>	<b>60,724</b>
Income tax credit/(expense)	(74)	(25)
<b>PROFIT FOR THE PERIOD</b>	<b>46,799</b>	<b>60,699</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
<i>Items that will never be reclassified to profit or loss</i>		
Effect of translation into presentation currency	(436,600)	744
Effect from changes in ownership	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(389,801)</b>	<b>61,443</b>
<b>PROFIT FOR THE PERIOD</b>		
<b>ATTRIBUTABLE TO:</b>		
Owners of the Company	46,157	59,794
Non-controlling interests	642	905
<b>PROFIT FOR THE PERIOD</b>	<b>46,799</b>	<b>60,699</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		
<b>ATTRIBUTABLE TO:</b>		
Owners of the Company	(371,785)	60,538
Non-controlling interests	(18,016)	905
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(389,801)</b>	<b>61,443</b>
<b>Earnings per share, USD</b> (basic and diluted)	<b>7</b>	<b>9</b>

**Interim Consolidated Statement of Cash Flows**  
**FOR THE 3 MONTH ENDED 31 MARCH 2014**  
*(in USD thousand, unless otherwise stated)*

	<b>3 months ended</b>	
	<b>31 March 2014</b>	<b>31 March 2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit before income tax	46,873	60,724
Adjustments for:		
Depreciation of property, plant and equipment	6,443	3,669
Change in allowance for irrecoverable amounts	5	2
Other provisions	(675)	(223)
Loss on disposal of current assets	21	142
Loss on disposal of property, plant and equipment	6	135
Impairment of current assets	324	21
Other income	-	(709)
Effect of fair value adjustments on biological assets	(9,275)	(8,841)
Gains realised from accounts payable written-off	(11)	(13)
Amortization of deferred income on government grants	(68)	(76)
Discount on long-term bonds amortization	359	323
Interest income	(39)	(42)
Interest payable on loans	6,795	8,810
<b>Operating profit before working capital changes</b>	<b>50,758</b>	<b>63,922</b>
Increase in trade receivables	15,936	(7,611)
((Increase)/decrease in prepayments and other current assets)	8,423	(38,327)
Increase in taxes recoverable and prepaid	(5,836)	270
(Increase)/decrease in inventories	(19,609)	16,260
Decrease in deferred income	(1,277)	(1)
Decrease/(increase) in other non-current assets	100	336
(Decrease)/increase in trade payables	(5,239)	(6,351)
Decrease in biological assets	3,584	4,616
Decrease in finance leases	(699)	(158)
Increase/(Decrease) in other accounts payable	(5,023)	6,352
<b>Cash generated from operations</b>	<b>41,118</b>	<b>39,308</b>
Interest paid	(1,681)	(3,251)
Income tax paid	(28)	(32)
<b>Net cash generated from operating activities</b>	<b>39,409</b>	<b>36,025</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments and receipts - property, plant and equipment	(28,689)	(60,301)
Interest received	39	42
<b>Net cash used in investing activities</b>	<b>(28,650)</b>	<b>(60,259)</b>



**Interim Consolidated Statement of Cash Flows (cont.)**  
 FOR THE 3 MONTH ENDED 31 MARCH 2014  
*(in USD thousand, unless otherwise stated)*

	<b>3 months ended</b>	
	<b>31 March 2014</b>	<b>31 March 2013</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New loans received	17,590	14,700
Repayment of loans	(2,948)	(29,891)
Interest paid for bonds issued	-	(9,815)
Repayment of short-term bonds	-	-
Blocked deposit	-	-
<b>Net cash (used)/generated from financing activities</b>	<b>14,642</b>	<b>(25,006)</b>
<b>Net decrease in cash</b>	<b>25,400</b>	<b>(49,240)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>156,804</b>	<b>203,504</b>
Effect from translation into presentation currency	(3,732)	-
<b>Cash and cash equivalents at 31 March</b>	<b>178,472</b>	<b>154,264</b>