



1H2013 Financial result
Management Presentation
30 August, 2013



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2. Market positioning
3. Investment projects update
4. Financial results

Appendix: financial snapshot



1. Avangard at a glance



1.1. Avangard's overview

#1 egg / dry egg products producer in Ukraine*

- 55% share in the industrial production of shell eggs in 1H2013
- 90% share in the production of dry egg products in 1H2013
- 88% share in export of eggs and dry egg products from Ukraine in 1H2013

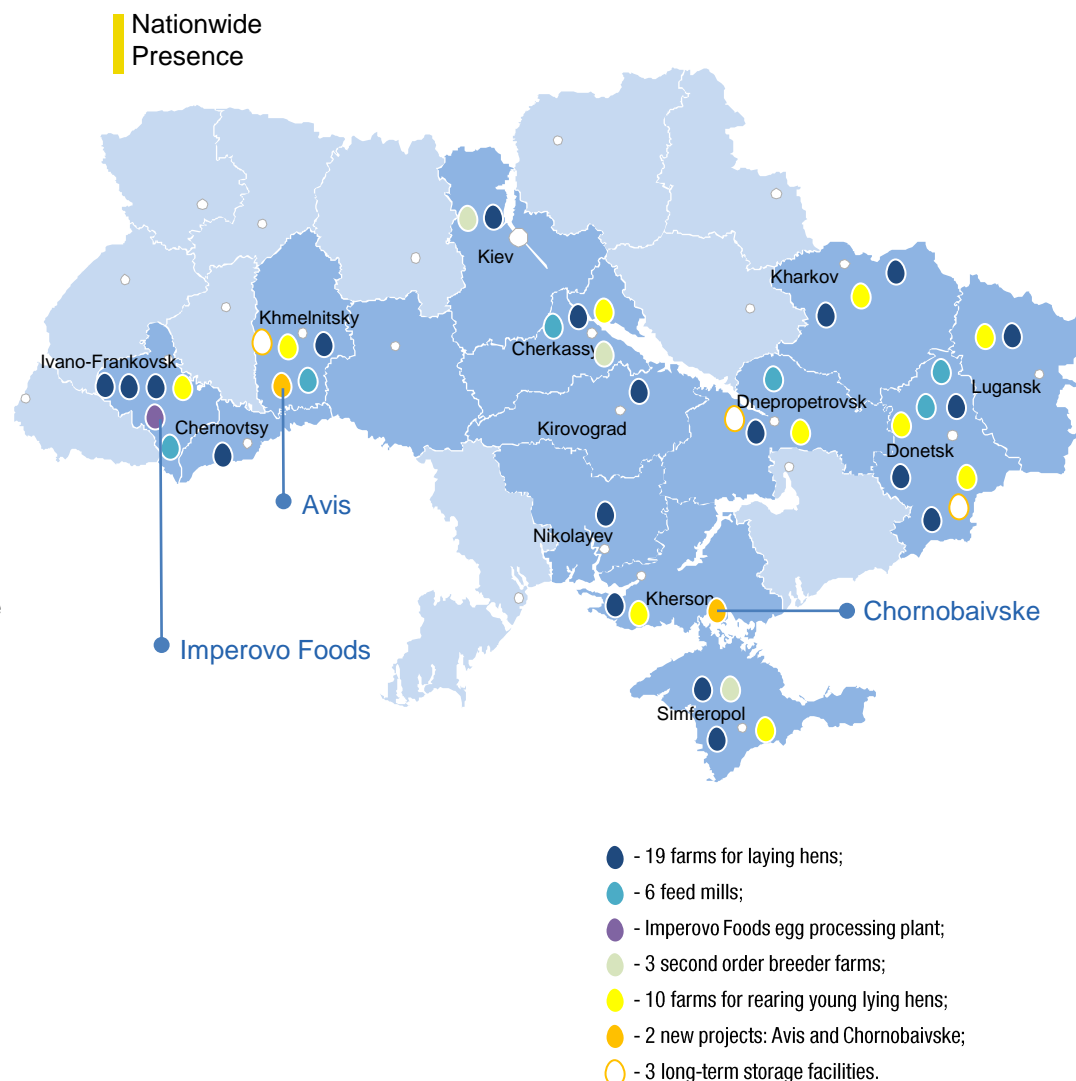
Investment projects update

- Greenfield Avis and Chornobaivske complexes and Imperovo are on schedule
- Rearing sites at new complexes are capable of operating at full capacity of 5.045 mln hens
- Stage 2 of industrial laying hens sites are in progress
- Current total capacity of industrial sites at new complexes is 7.715 mln hens of 11.184 mln hens
- Avis fodder mill complex is at stage of the final works for installation of equipment and the start-up works, that will be completed by the end of the year
- Production sites are fully compliant with European standards
- Actual utilization of the sites corresponds to the operational plans of the Company

Distribution and Sales

- Shell eggs are sold for export as well as to domestic wholesale and retail customers with increasing share of export and retail chains
- Export to 33 countries
- Export constituted 25% of the total revenue of the Company in 1H2013
- Currently shell eggs are exported primarily to the Middle East, Asia, Africa and CIS
- Shell eggs are sold to 27 national and regional retail chains across Ukraine. "Kvochka" is presented in about 2400 outlets.

*According to data from SSCU, Pro-Consulting



1.2. Strong Operational and Financial Performance in 1H2013

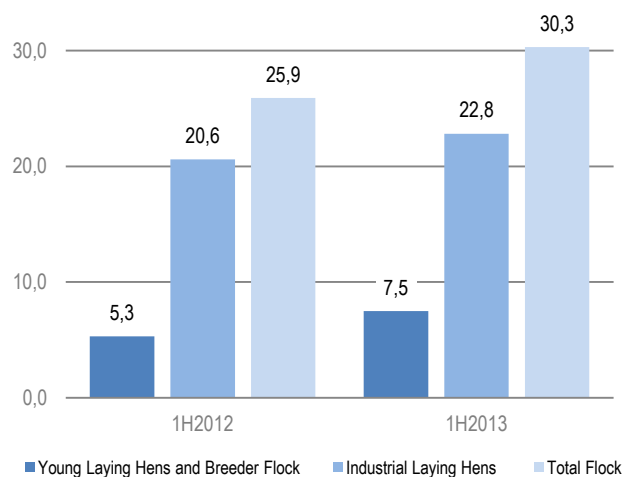
Operational Performance

- Shell eggs production (+8.8%): **3.4 bln pcs** in 1H2013 vs. 3.1 bln pcs in 1H2012
- Sales to third parties (+3.8%): **2.5 bln pcs** in 1H2013 vs. 2.4 bln pcs in 1H2012
- Average selling shell eggs price (-6.0%): **0.63 UAH (excl. VAT)** in 1H2013 vs. 0.67 UAH (excl. VAT) in 1H2012
- Average selling egg products price(+1.5%): **7.65 \$/kg** in 1H2013 vs. 7.54 \$/kg in 1H2012
- Export sales of eggs and egg products (+117%): **\$77m** in 1H2013 vs. \$36m in 1H2012
- Total flock (+17.0%): **30.3 mln heads** as at 30 Jun. 2013 vs. 25.9 mln heads as at 30 Jun. 2012
- **41%** of total flock as at 30 Jun. 2013 was placed at new complexes (**35%** of laying hens flock)

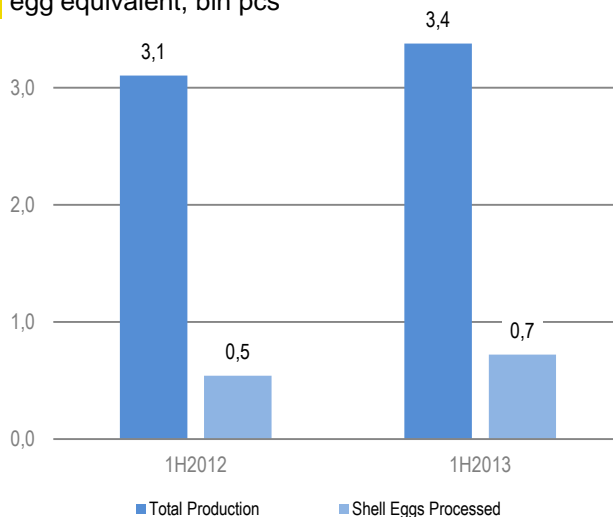
Financial Performance

- Revenue (+7.3%): **\$304.3m** in 1H2013 vs. \$283.6m in 1H2012
- EBITDA (+10.3%): **\$134.7m** in 1H2013 vs. \$122.1m in 1H2012
- EBITDA margin (+1.2%): **44.3%** in 1H2013 vs. 43.1% in 1H2012
- Gross debt/LTM EBITDA: **1.1**

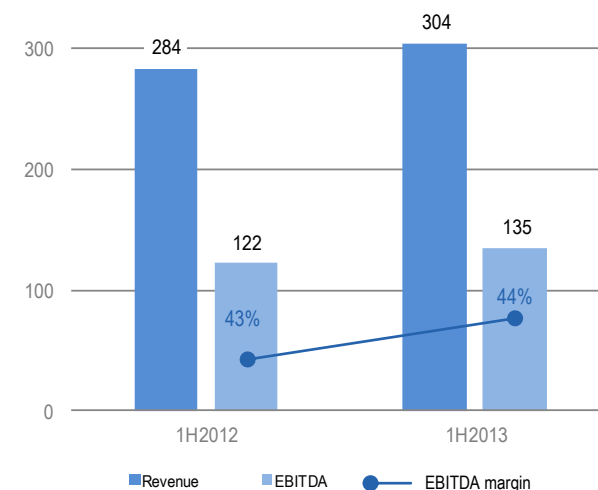
Total flock, mln heads*



Production of Shell Eggs and Egg Products in egg equivalent, bln pcs



Key Financial Indicators, USD mln



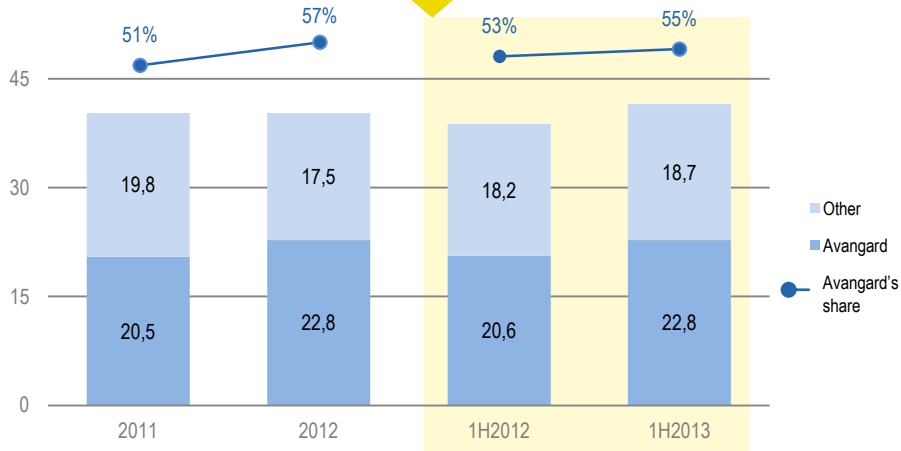
* As at 31 Mar.



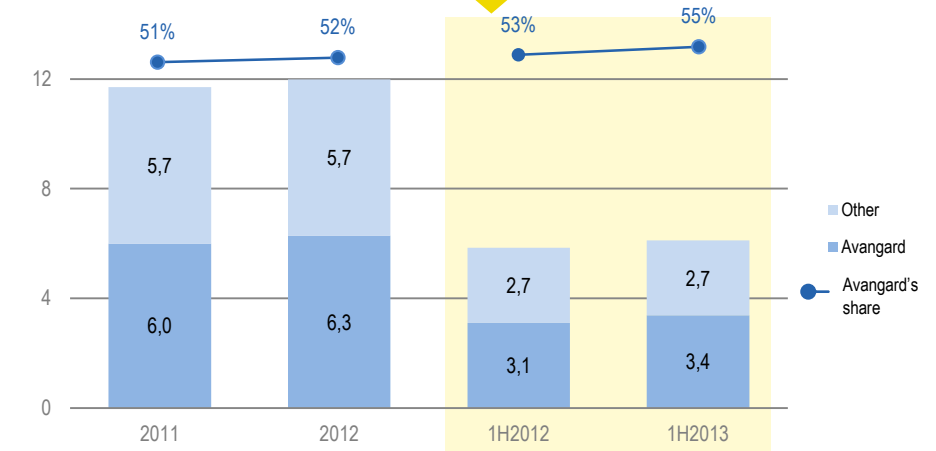
2. Market positioning

2.1. Industry leader

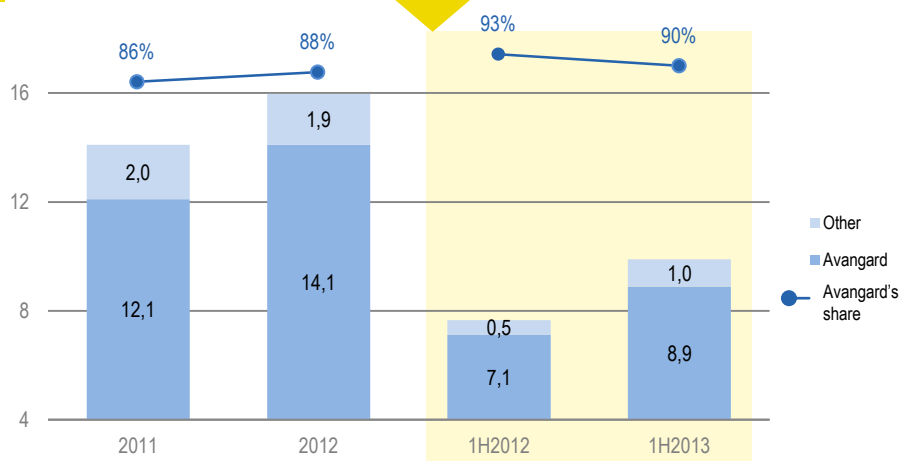
Industrial Laying Flock, mln hens



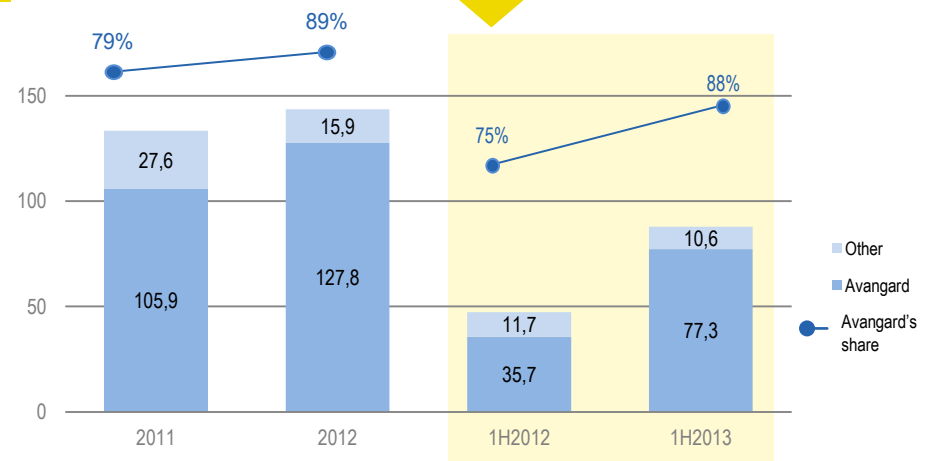
Industrial Production Shell Eggs, bln pcs



Industrial Productions of Dry Egg Products, ths tons



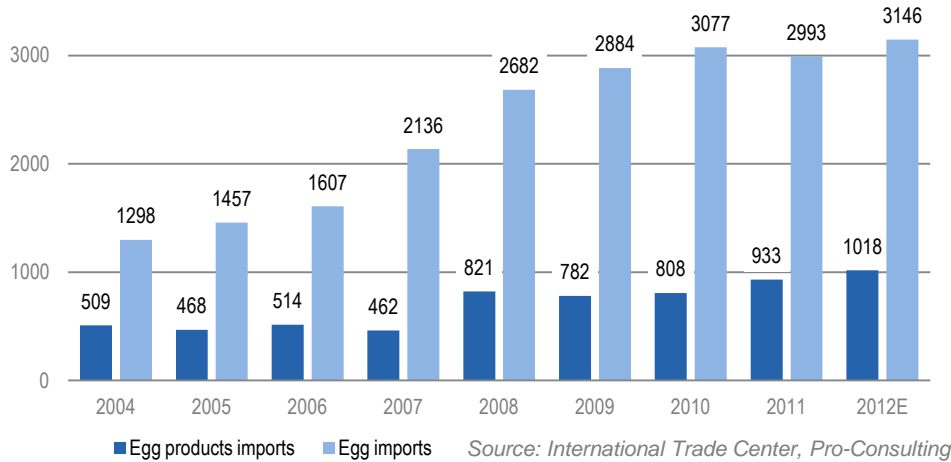
Export of Shell Eggs and Egg Products from Ukraine, \$ mln



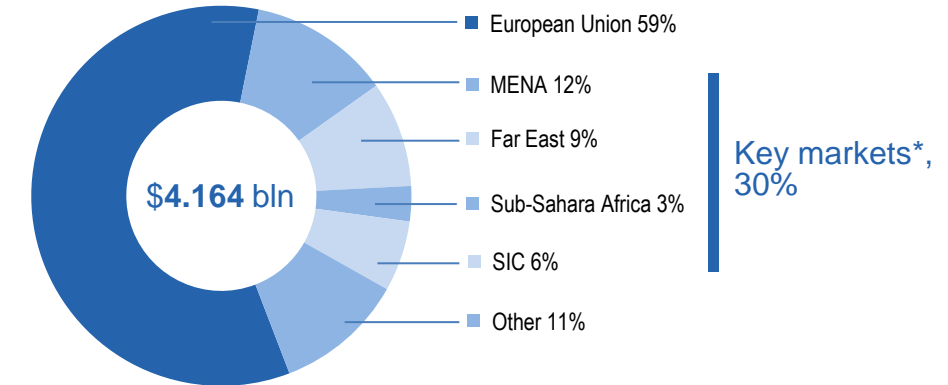
* Source: Pro-Consulting, Avangard's Data

2.2. Strong market fundamentals: world

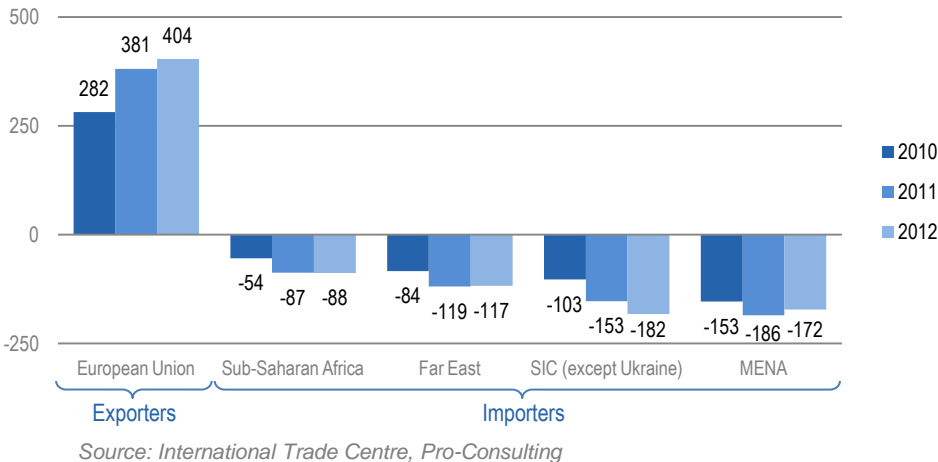
World Imports of Eggs and Egg Products, \$ mln



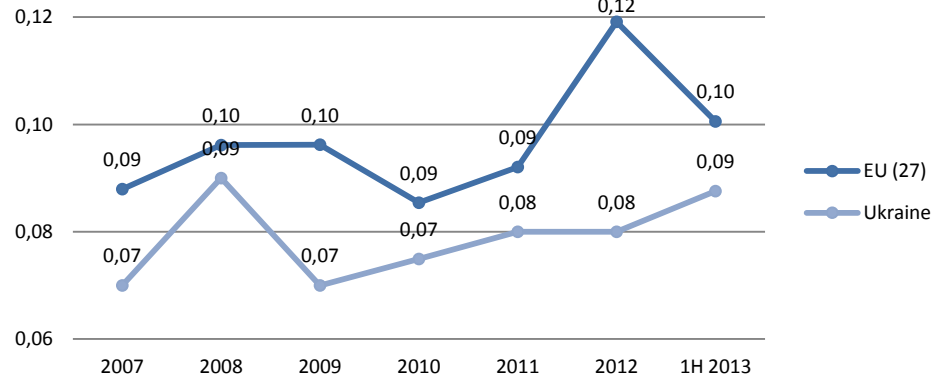
Structure of World Imports of Eggs and Egg Products in 2012E, \$ mln



Trade balance of the most active regions in the eggs and egg products trade, \$ mln



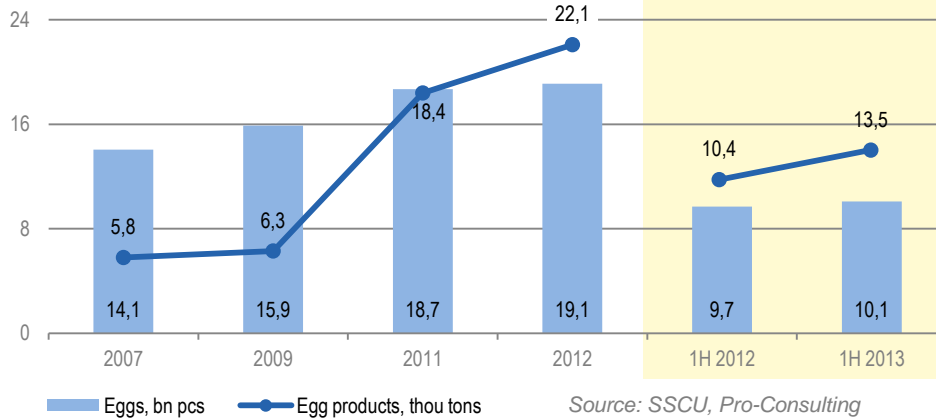
Average Domestic Price of Eggs in EU and Ukraine, \$/egg



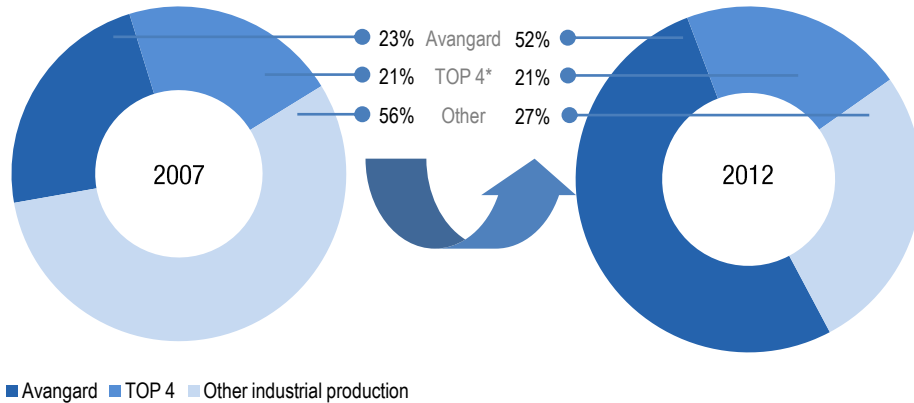
Emergence of middle class in MENA and Asia will further drive consumption of eggs/egg products in the region

2.3. Strong market fundamentals: Ukraine

Eggs and Egg Products Production in Ukraine



Industry Consolidation

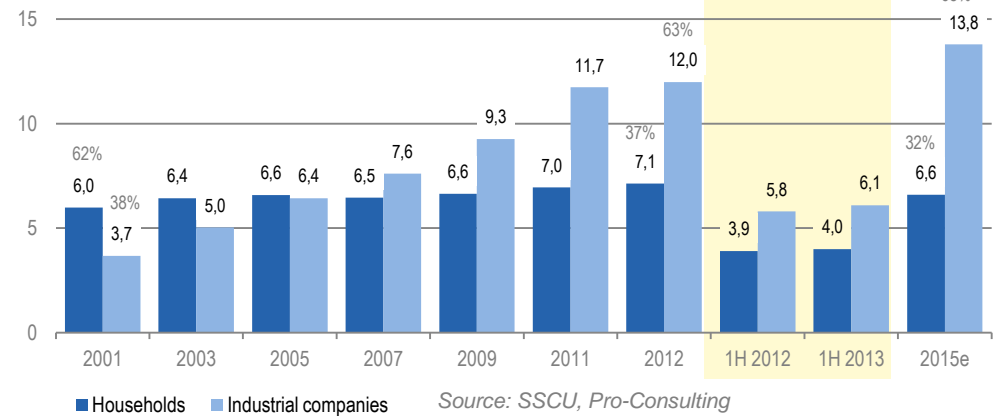


*Top 4: Inter-Agrosystem, Ovostar, Landgut Ukraine, Agrofirma Berezanskaya PF

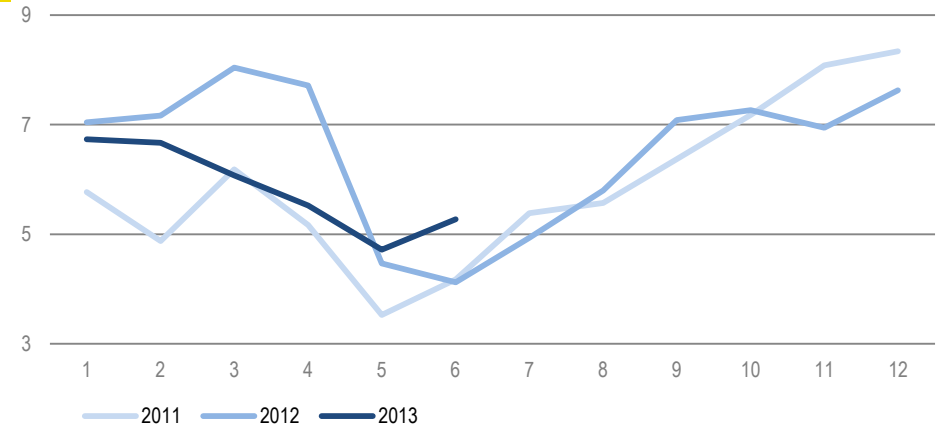
Source: Pro-Consulting, Company data

Market consolidation will drive further price increases

Households vs Industrial Companies, bln pcs



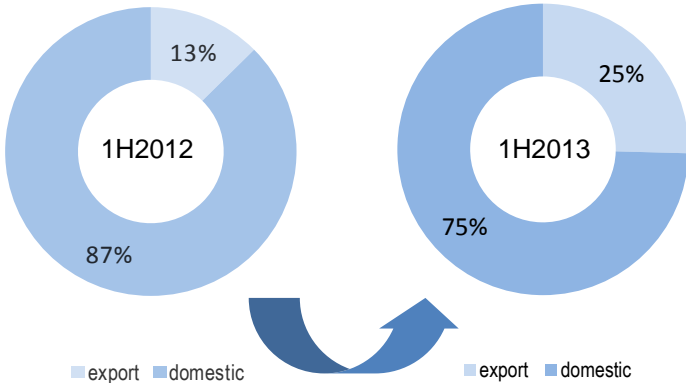
Egg price in Ukraine, UAH / 10 pcs



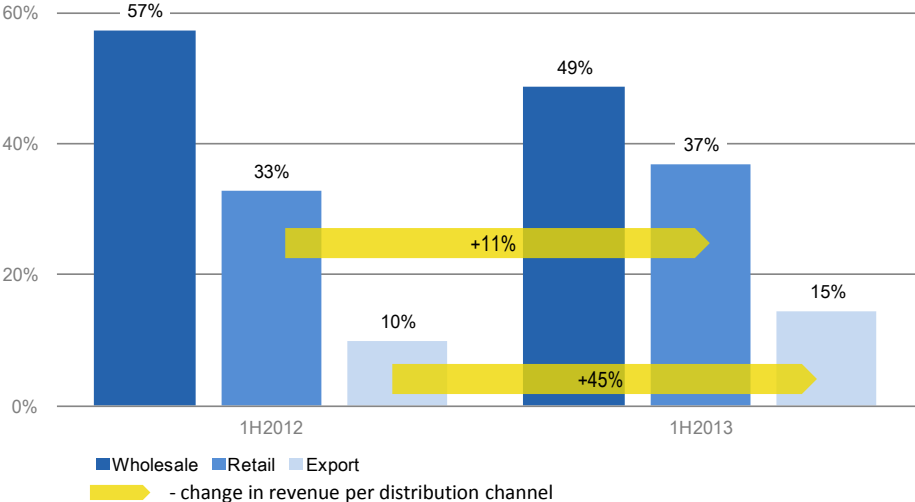
2.4. Diversified Sales Structure

- Increase of export in total sales
- Growing focus on retail sales of shell eggs
- Export strategy aimed to expand sales:
 - ✓ Eggs – MENA, CIS;
 - ✓ Egg Products – Middle East, Asia

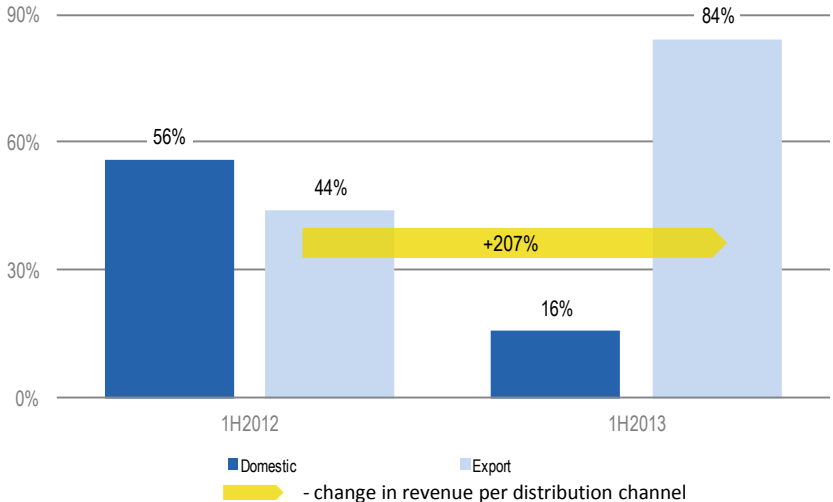
Sales Structure of Eggs and Egg product, % of Revenue



Eggs Sales Channels, % of Revenue



Egg Products Sales Channels, % of Revenue



2.5. Diversified Sales Structure

**2009-2011:
20 markets**

- Armenia
- Azerbaijan
- Georgia
- Hong Kong
- Indonesia
- Iraq
- Jordan
- Kazakhstan
- Kuwait
- Moldova
- Oman
- Pakistan
- Saudi Arabia
- South Korea
- Syria
- Thailand
- Turkey
- Turkmenistan
- UAE
- Vietnam

**2012:
12 markets**

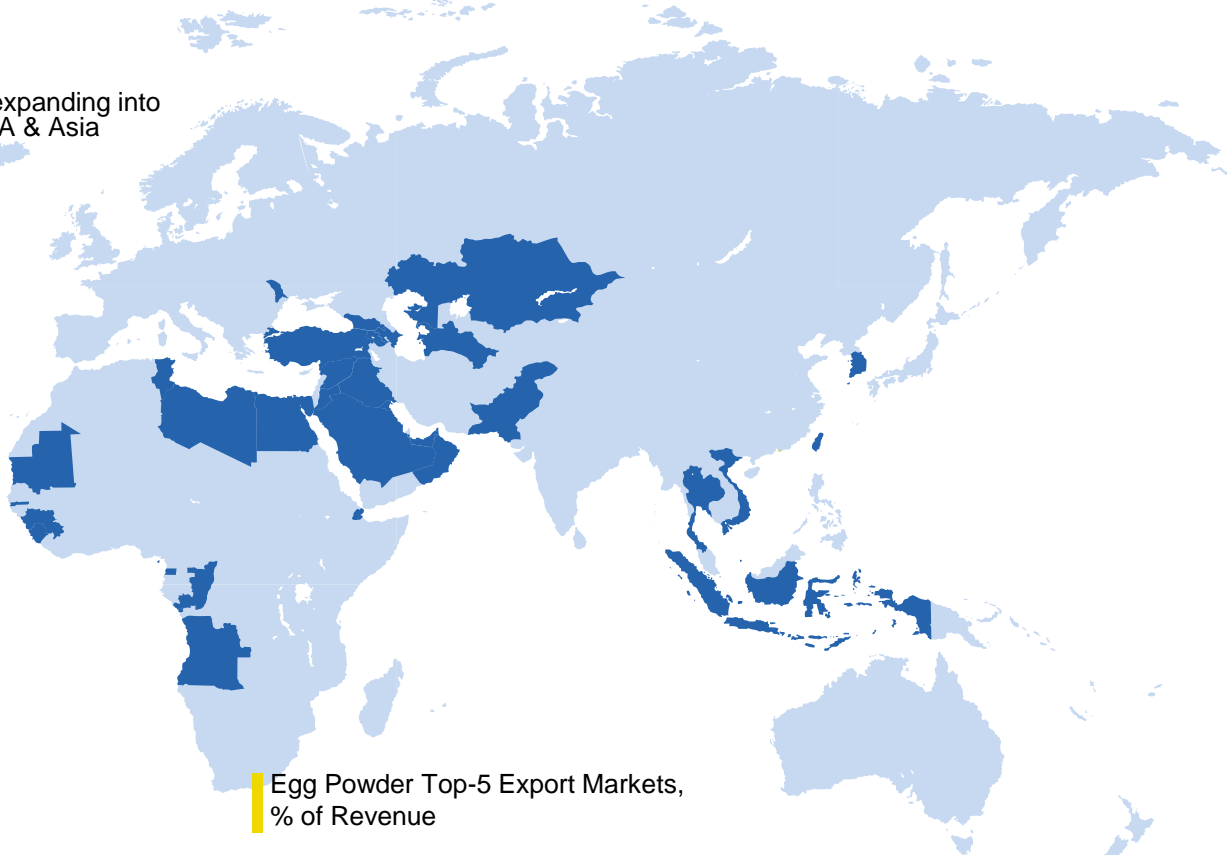
- Angola
- Egypt
- Gambia
- Liberia
- Libya
- Mauritania
- Republic of Djibouti
- Taiwan
- Tunisia
- Congo
- Sierra Leone
- Equatorial Guinea

**1H2013:
1 market**

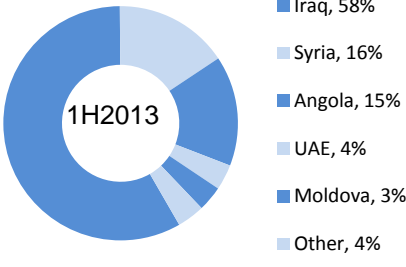
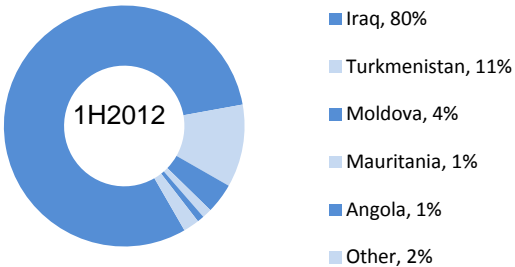
- Guinea Bissau

**2009-1H2013:
33 markets**

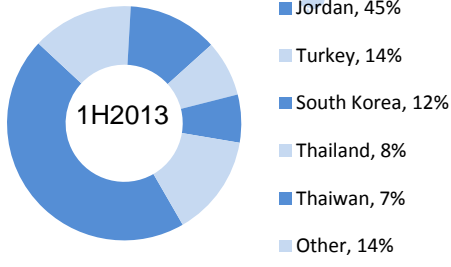
Export strategy – expanding into key markets: MENA & Asia



Eggs Top-5 Export Markets, % of Revenue



Egg Powder Top-5 Export Markets, % of Revenue



2.6. Development of branded product line

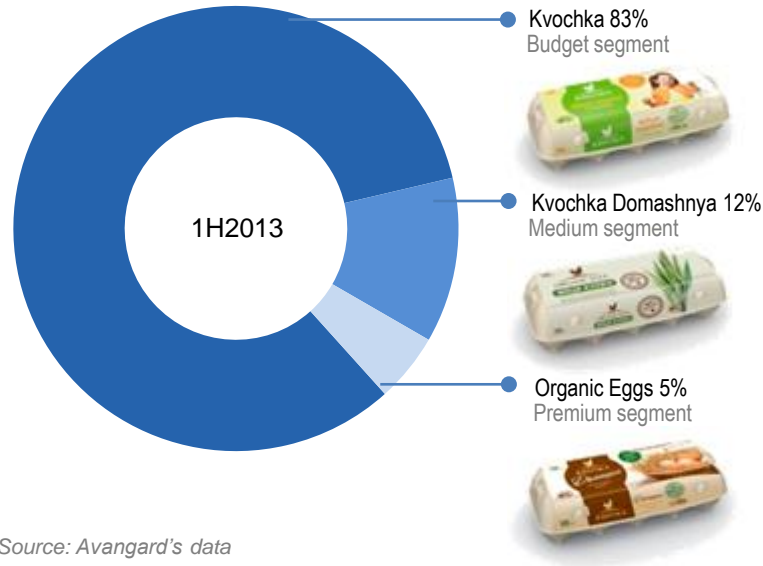
- The Company sells non-branded and branded shell eggs in the main retail chains in Ukraine

- Packaged shell eggs under the “Kvochka” umbrella brand are represented in the most popular consumer price segments

- “Kvochka” demonstrates positive dynamics in the leading Ukrainian supermarket chains. In 1H2013 we cover about 2400 outlets.

- In 1H2013 the Company sold 25.3 mln pieces packaged eggs under the umbrella brand “Kvochka”, which was 23.4% higher compared to the 1H2012

Sales of Packaged Shell Eggs, 1H2013



Sales of “Kvochka” by Avangardco IPL’s Major Key Accounts, 1H2013

Supermarket	%
ATB	37%
Fozzy	31%
Pakko	6%
Megamarket	5%
Eko	4%
Auchan	3%
Karavan	2%
Perekrestok	1%
Ekspansiya	1%
Velyka Kyshenya	1%
Other	10%

- Growing focus on modern trade (supermarket chains) as primary distribution sales channel
- Increase share of sales of branded products



3. Investment project update

3.1. Investment project

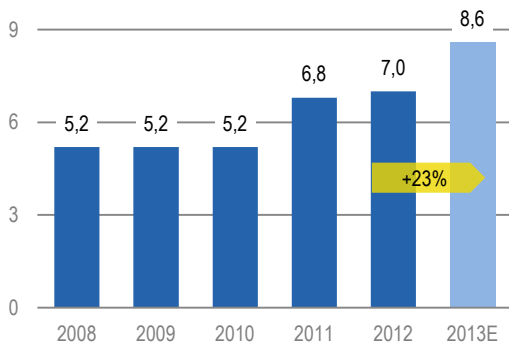
Implementation of projects:

- Avis egg production complex
- Chornobaivske egg production complex
- Expansion of Imperovo Foods egg processing plant

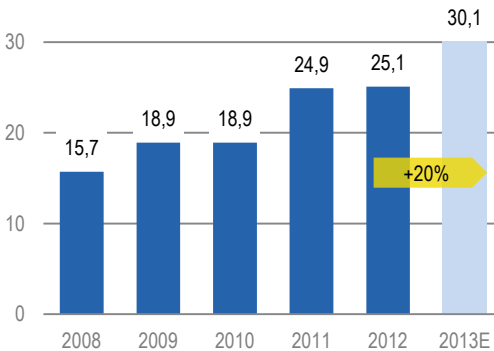
Breakdown of Capital Expenditures, \$ mln

	Before IPO	2010	2011	2012	1h2013	2h2013E	2014E	Total
Avis	124	54	59	97,6	11	16	8,4	370
Chornobaivske	147	14	51	93	30	17	16	368
Imperovo Foods	-	-	-	115	21	24	0	160
Maintenance	-	-	-	16	10	12	39	77
TOTAL CAPEX	271	68	110	322	72	69	63	975

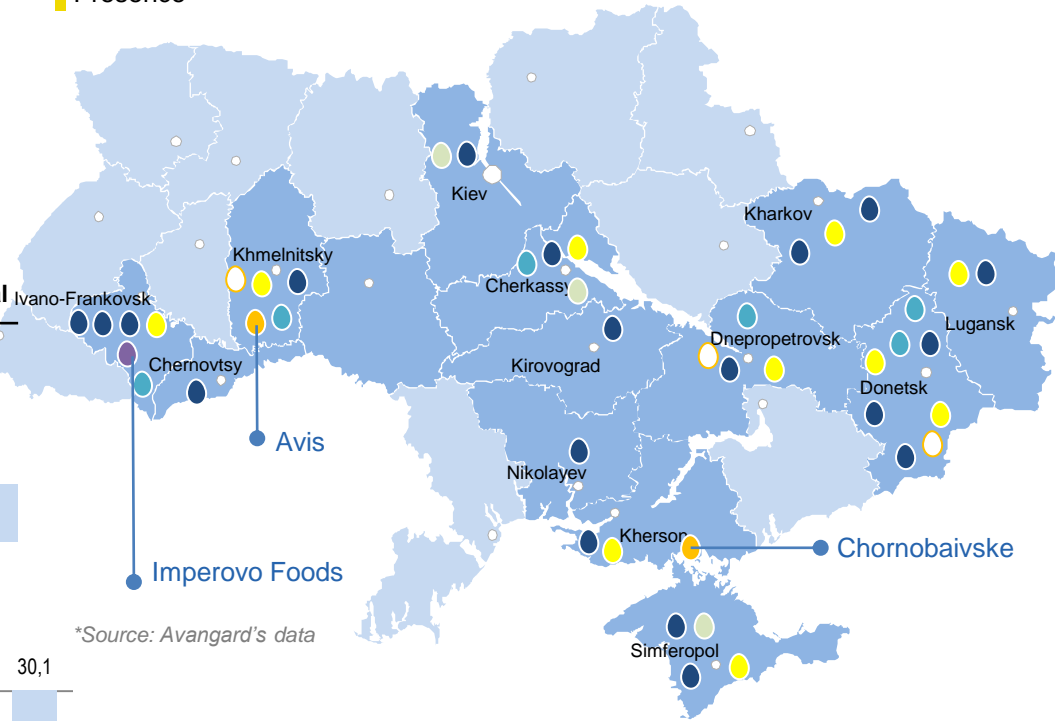
Capacity in shell eggs production, bln pieces



Capacity, mln laying hens



Nationwide Presence



*Source: Avangard's data

- - 19 farms for laying hens;
- - 6 feed mills;
- - Imperovo Foods egg processing plant;
- - 3 second order breeder farms;
- - 10 farms for rearing young laying hens;
- - 2 new projects: Avis and Chornobaivske;
- - 3 long-term storage facilities.

3.2. On-going capacity expansion plan

- Avis and Chornobaivske egg production complexes are under construction with rearing sites and 1st stage of industrial sites fully completed. Upon completion, the projects are expected to increase the annual egg production capacity to **30.1 mln laying hens** and total egg output capacity to **8.6 bln pcs.**
- Equipment from leading European suppliers, namely **Salmet International GmbH, Officine Facco&C.Spa and Big Dutchman GmbH**

Avis egg production complex

- Construction of new “Avis” poultry farm of **5.2 mln laying hens** and **1,616 mln shell eggs** once fully operational
- Rearing site with total capacity of **2.635 mln hens** is capable of operating
- 2nd stage of industrial site is in progress. Current total capacity of **4.705 mln hens** is capable of operating
- Fodder mill complex is at stage of the final works for installation of equipment and the start-up works, that will be completed by the end of the year
- Biogas unit is on schedule

Chornobaivske egg production complex

- Construction of new “Chornobaivske” poultry farm of **6.0 mln laying hens** and **1,865 mln shell eggs** once fully operational
- Rearing site with total capacity of **2.410 mln hens** is capable of operating
- 2nd stage of industrial site is in progress. Current total capacity of **3.011 mln hens** is capable of operating
- Fodder mill complex is in progress
- Biogas unit is on schedule

Imperovo Foods egg processing plant

- The processing capacity has been increased to **6 mln eggs per day** and since May 2013 “Imperovo Foods” operates at full capacity
- Currently the processing capacity is being gradually modernized to process **10 mln eggs per day.**
- The equipment is supplied by **SANOVO International A/S**

Avis. Industrial site, 2nd stage



Chornobaivske. Rearing Site.



Imperovo Foods egg processing plant.
Cooling and reservation line

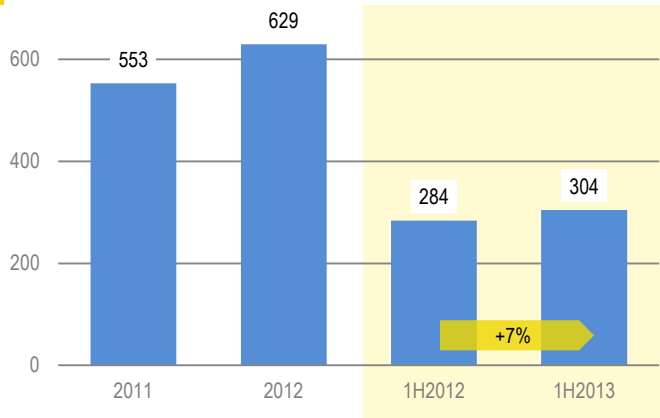




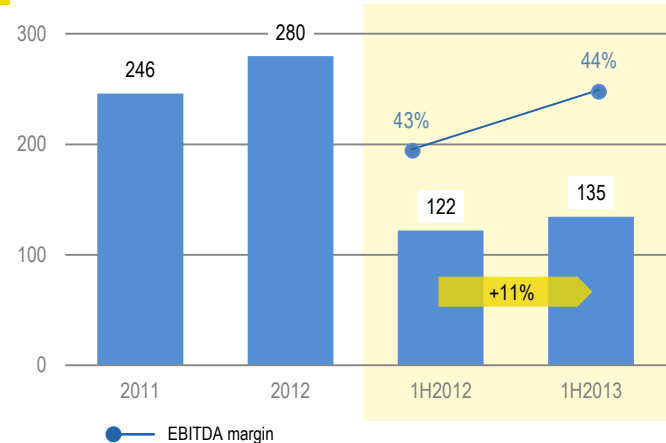
4. Financial results

4.1. Key financial highlights

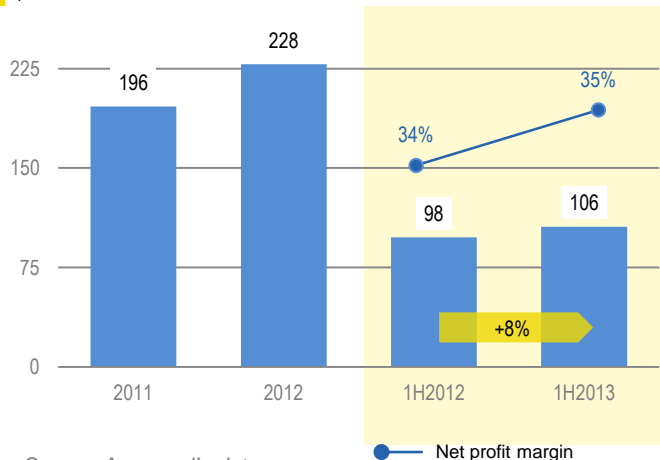
Revenue, \$ mln



EBITDA, \$ mln

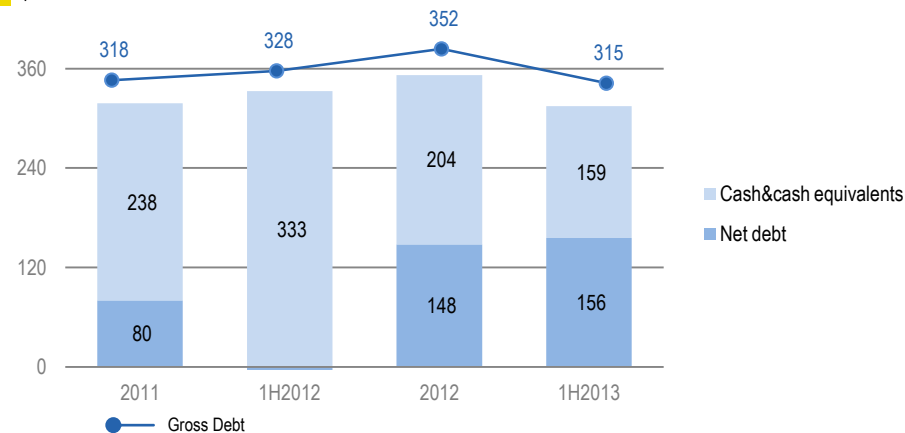


Net Profit, \$ mln



Source: Avangard's data

Gross Debt Structure, \$ mln



4.2. Key segment results

SALES REVENUE, \$'000	1H2012	1H2013	change, %
Shell egg	201,506	198,757	-1,4%
Egg products	35,803	57,568	60,8%
Other	46,253	47,963	+3,7%

Decrease in Shell Eggs segment revenue was due to:

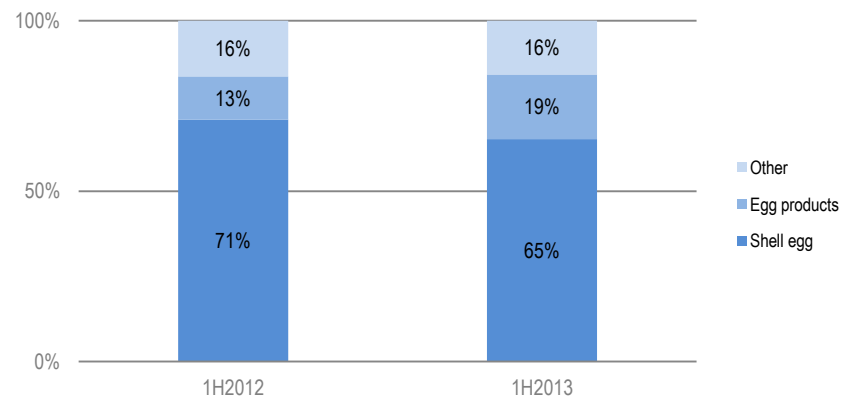
- decrease in average selling price by 6%

Increase in Egg Products segment revenue was due to:

- increase in average selling price by 1,5%
- expanding export sales

Revenue share of key segments (eggs and egg products) increased by 8% in 1H2013

Sales Revenue Structures, %



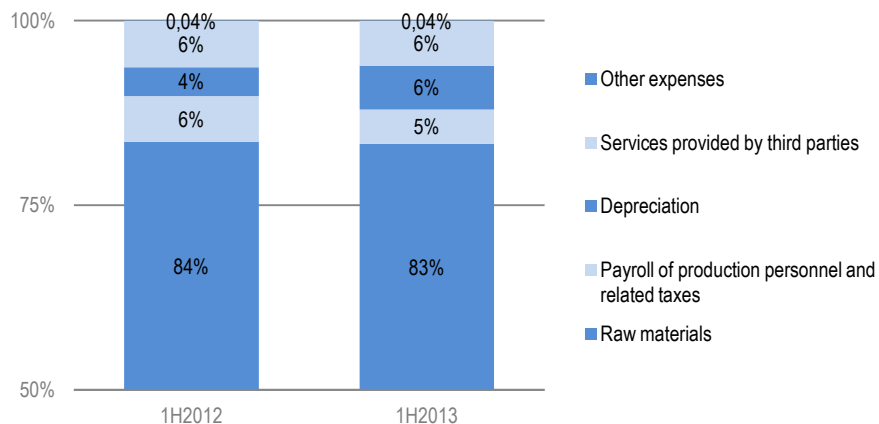
Source: Avangard's data

4.3. Cost structure

Cost of Finished Goods Sold by Elements

\$'000	1H2012	1H2013	change, %
Raw materials	157 318	171 046	9%
Salaries and wages	11 653	9 512	-18%
Depreciation	7 321	12 267	68%
Services provided by third parties	11 777	12 384	5%
Other	83	78	-6%
Total COGS	188 152	205 287	9%

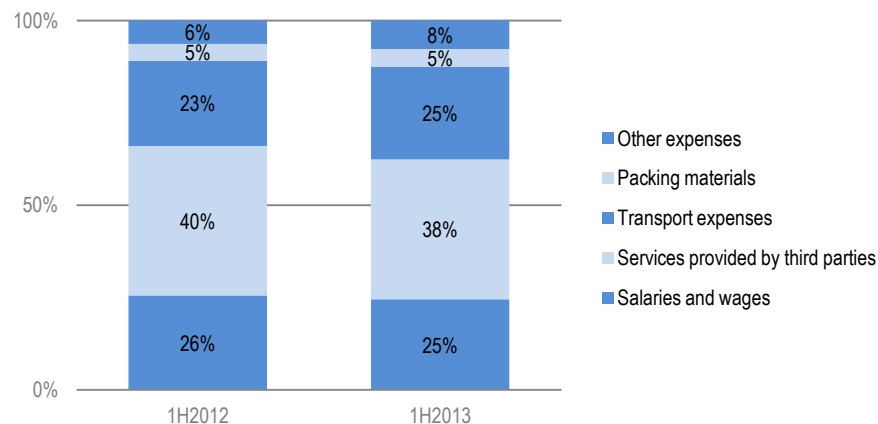
Cost of Finished Goods Sold Structure



General, Administration and Distribution Costs by Elements

\$'000	1H2012	1H2013	change, %
Salaries and wages	5 176	4 691	-9%
Services provided by third parties	8 180	7 244	-11%
Transport expenses	4 657	4 807	3%
Packing materials	931	918	-1%
Other expenses	1 272	1 464	15%
Total GA&D	20 216	19 124	-5%

General, Administration and Distribution Costs Structure



Source: Avangard's data

4.4. Debt structure

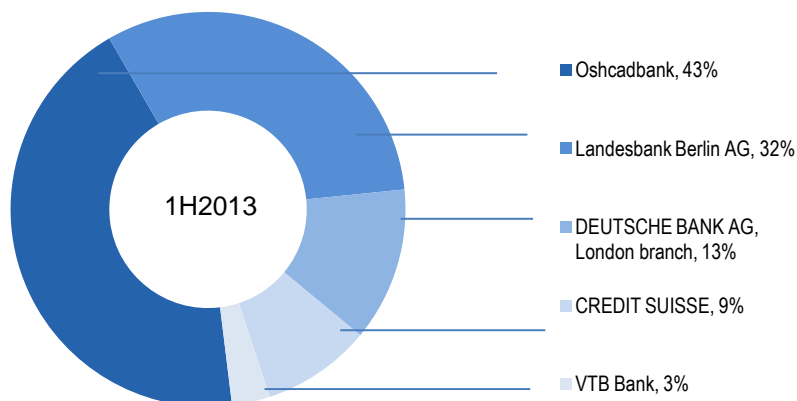
Low financial leverage

- Net debt position of \$156 mln as of 30.06.2013
- Total debt/LTM EBITDA – 1.08x
- Net debt/LTM EBITDA – 0.53x
- Financial leverage coefficient made up 10.9% as at 30.06.2013 vs. 11.2% as at 31.12.2012

Financial leasing constitutes minor part of Avangard's liabilities (ca. 0.8%). The Company leases equipment and cars

Avangardco IPL fully complies with the covenants

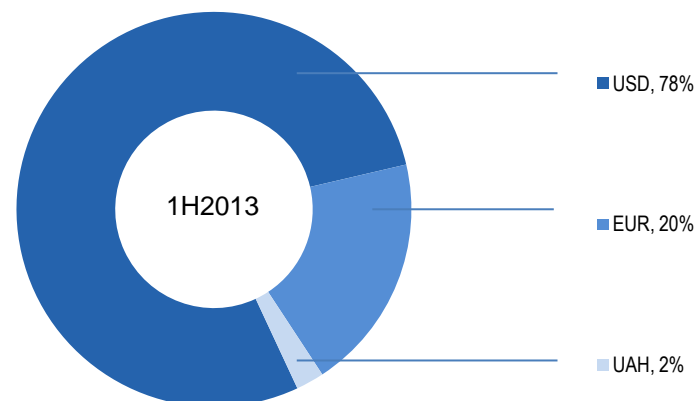
Loan Portfolio by Creditor in 1H2013*



Debt structure

\$'000	2012	1H2013	% change
Total Debt	352,232	314,754	-11%
Long-term	232,841	264,754	14%
Short-term	119,391	50,000	-58%
Net Debt	147,934	155,594	5%
			covenant
Net debt/LTM EBITDA	0,5	0,5	-
Total debt/LTM EBITDA	1,3	1,1	<=3.0

Loan Portfolio Structure by Currency in 1H2013



*excl. bonds, leasing and commodity credits / Source: Avangard's data



Appendix: financial snapshot

Balance sheet

\$'000	2012	1H2013	change, %
NON-CURRENT ASSETS	969,153	1,030,135	6%
Property, plant and equipment	920,072	983,556	
Non-current biological assets	46,724	43,746	
Deferred tax assets	1,966	2,466	
Other non-current assets	391	367	
CURRENT ASSETS	609,175	598,433	-2%
Inventories	177,886	146,774	
Current biological assets	56,889	59,922	
Trade accounts receivable, net	55,551	61,019	
Prepaid income tax	18	39	
Prepayments and other current assets, net	11,966	82,272	
Taxes recoverable and prepaid	102,567	89,247	
Cash and cash equivalents	204,298	159,160	
TOTAL ASSETS	1,578,328	1,628,568	3%
TOTAL EQUITY	1,167,195	1,272,695	9%
NON-CURRENT LIABILITIES	206,150	254,334	23%
CURRENT LIABILITIES	204,983	101,539	50%
Loans and bonds	151,505	65,666	
Trade Accounts Payable	24,435	14,528	
Other Payables	29,043	21,345	
TOTAL LIABILITIES	411,133	355,873	-13%
NET DEBT	147,934	155,594	5%

Source: Avangard's data

Income statement

\$'000	1H2012	1H2013	change, %
REVENUE	283,562	304,288	7%
Income from revaluation of biological assets at fair value	19,684	20,717	
Cost of sales	-189,308	-206,400	
GROSS PROFIT	113,938	118,605	4%
General administrative expenses	-12,258	-8,614	
Distribution expenses	-7,958	-10,510	
Income from government grants and incentives	153	157	
Income from special VAT treatment	18,935	21,099	
Other operating income/expenses, net	1,673	1,220	
OPERATING PROFIT/(LOSS)	114,483	121,957	7%
Financial income	420	67	
Financial expenses	-17,298	-16,962	
PROFIT BEFORE TAX	97,605	105,062	8%
Income tax expenses	-5	499	
PROFIT/(LOSS) FOR THE PERIOD	97,600	105,561	8%
EBITDA	122,127	134,654	10%
EBITDA margin	43%	44%	1%

Source: Avangard's data

Cash flow statement

\$'000	1H2012	1H2013
PROFIT BEFOR INCOME TAX	97,605	105,062
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	100,534	114,579
(Increase)/decrease in net working capital	51,821	-30,209
Interest paid	-5,099	-4,998
Income tax paid	-37	-46
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	147,219	79,326
Purchases of PP&E	-50,994	-75,978
(Increase)/Decrease in bank deposits	-	-
Net cash generated from/(used in) other investment activities	420	67
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	-50,574	-75,911
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	-647	-47,939
Effects of translation into presentation currency	5	-12
Decrease/ (increase in restricted cash)	1,200	602
NET INCREASE/(DECREASE) IN CASH	95,998	-44,524
Cash at the beginning of the year	230,640	203,504
Cash at the end of the period	326,643	158,968

Source: Avangard's data