



Management Presentation
Q1 2015 Financial Results
29 May, 2015



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1. AVANGARDCO IPL at a glance

Avangardco IPL business highlights

The ongoing military confrontation and economic instability in Ukraine contributed to another challenging quarter for Avangardco.

- **In spite of these factors, Avangardco remains the industry leader in Ukraine and one of the leading producers globally*:**
 - ✓ 49% share in the industrial production of shell eggs in Ukraine
 - ✓ 91% share in the production of dry egg products in Ukraine
 - ✓ 72% share in export of eggs and dry egg products from Ukraine
- **Diversified sales channels:**
 - ✓ 33% of the Company's total consolidated revenue derived from export
 - ✓ Export sales to 37 countries, including new markets of Bangladesh and the UK
 - ✓ Main export destinations: MENA, SSA, the Far East, the CIS, the EU
 - ✓ 10% of the Company's total shell egg sales were from export sales
 - ✓ Shell egg sales to supermarket chains increased to 38% of the Company's total sales to third parties, while sales through a lower margin wholesale channel declined to 52% in Q1 2015
 - ✓ 65% of the Company's total egg product sales derived from export sales of dry egg products

Key Metrics*

Continued negative impact on the Ukrainian economy resulting from the military conflict:

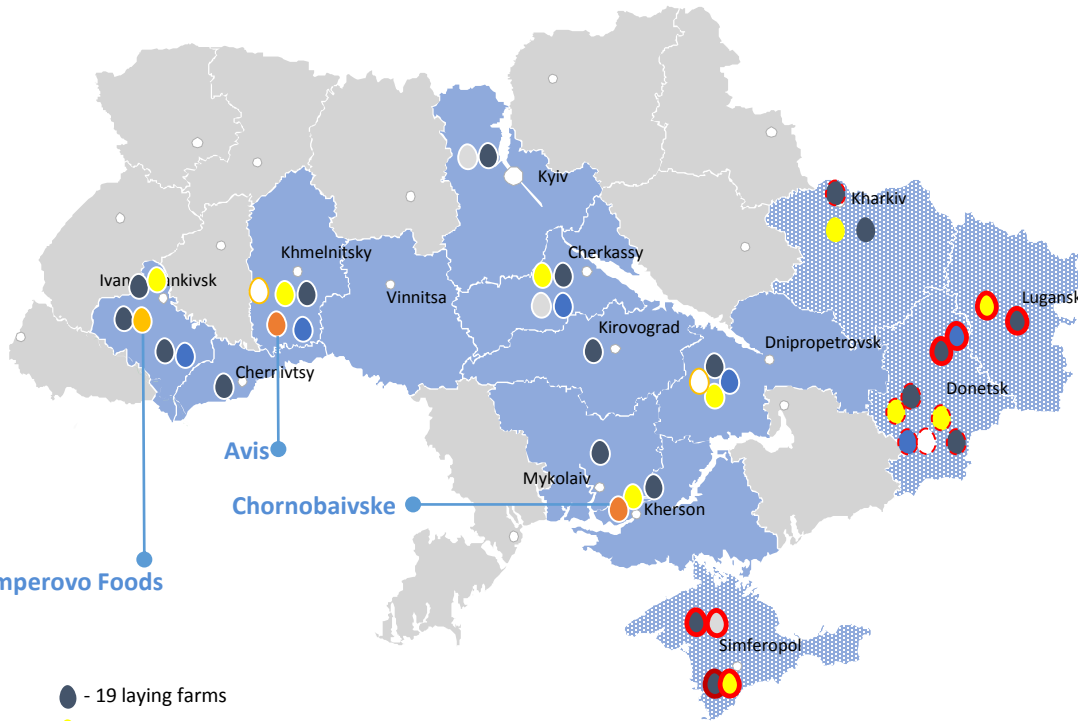
- ✓ Further devaluation of the Ukrainian Hryvnia against the world currencies
- ✓ Sharp decrease in industrial production
- ✓ Decrease in retail trade turnover due to the reduced real income of the population
- **Real GDP:**
 - ✓ 2014 – decrease by 6.8% YoY
 - ✓ Q1 2015 – decrease by 17.6% YoY
- **CPI:**
 - ✓ 2014: 24.9% YoY;
 - ✓ April 2015: 60.9% YoY
- **Currency devaluation:**
 - ✓ 2014 UAH/USD: average 49% YoY;
 - ✓ 2014 UAH/EUR: average 48% YoY
 - ✓ Q1 2015 UAH/USD: average 138% YoY
 - ✓ Q1 2015 UAH/ EUR: average 96% YoY
- **Refinancing rate:**
 - ✓ 04.03.2015 – 30.00%
 - ✓ 06.02.2015 – 19.50%
 - ✓ 13.11.2014 – 14.00%
 - ✓ 17.07.2014 – 12.50%
 - ✓ 15.04.2014 – 9.50%
 - ✓ 31.12.2013 – 6.50
- Agriculture amounted to 10.3% of GDP in 2014

Industry update*

- Reduced demand for consumer goods due to decline in population's living standards (in April a decrease in retail trade turnover amounted to 29.6% YoY)
- Partial loss of sales market in the Crimea, Lugansk and Donetsk regions (Crimea totalled up to 5% of Ukrainian shell egg consumer market and Donbass and Lugansk regions amounted to 14%)
- Growth in production of shell eggs by households in Ukraine

*According to data from SSCU, NBU, Pro-Consulting, Company data

Facilities overview



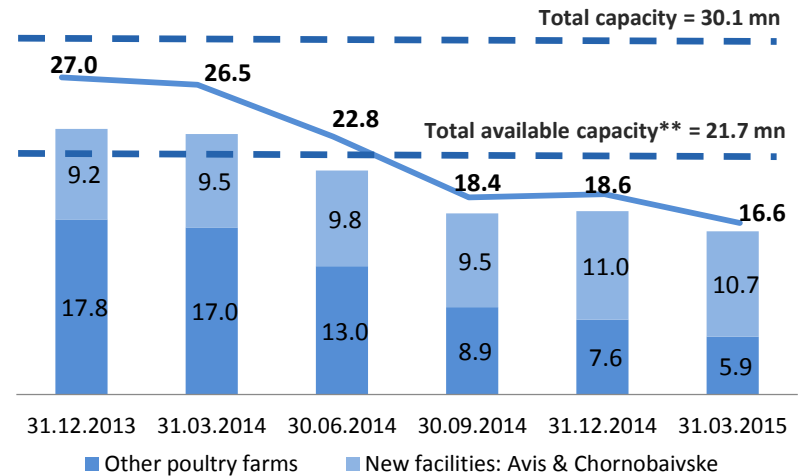
- - 19 laying farms
- - 10 rearing farms
- - 6 feed mills
- - 3 hatcheries
- - 3 long-term storage facilities
- - 2 new poultry complexes: Avis and Chornobaivske
- - Imperovo Foods egg processing plant
- - facilities that are not in operations now due to ongoing military conflict in Eastern Ukraine and annexation of Crimea
- - facilities working at the minimum level of production capacity as located in the areas close to the conflict zone

One of the largest populations of laying hens in the world*

All facilities are located in 14 of the 24 regions of Ukraine and the Autonomous Republic of Crimea:

- total production capacity of **8.6 bn** eggs and **30.1 mn** laying hens
- two modern poultry complexes Avis and Chornobaivske with total production capacity of **3.5 bn** eggs and **11.2 mn** laying hens respectively
- as at 31 March 2015, approximately **64%** of laying hens flock is at the Avis and Chornobaivske poultry complexes

Total number of laying hens, mn heads



* According to data from SSCU, Pro-Consulting, Egg Industry Journal (www.WATTAgNet.com)
 ** excluding impaired facilities in Eastern Ukraine and Crimea with total production capacity of 3.7 mn laying hens and 1.1 bn eggs and farms in the areas close to and in the conflict zone that are working at the minimum level of production capacity. The Company will bring those facilities back into the operation cycle when the situation stabilises.

Operational and financial performance in Q1 2015

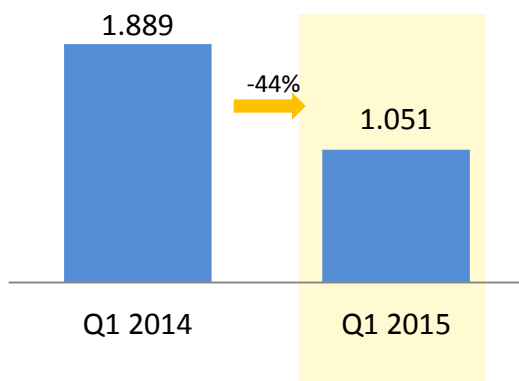
Operational performance

- Total flock (-41%YoY): **20.0 mn heads** as at 31 March 2015
- The number of laying hens (-37%YoY): **16.6 mn heads** as at 31 March 2015
- Shell eggs production (-44%YoY): **1.051 bn pcs**
- Sales of shell eggs to third parties (-16%YoY): **1.067 bn pcs**
- Export sales of shell eggs (-33%YoY): **108 mn pcs**
- Average shell egg sales price (+60%YoY): **1.07 UAH/egg (excl. VAT)**
- Dry egg products produced (-83%YoY): **1.150 th tonnes**
- Dry egg product sales (-55% YoY): **3.251 th tonnes**
- Average egg product sales price (-26%YoY): **5.24 USD/kg**

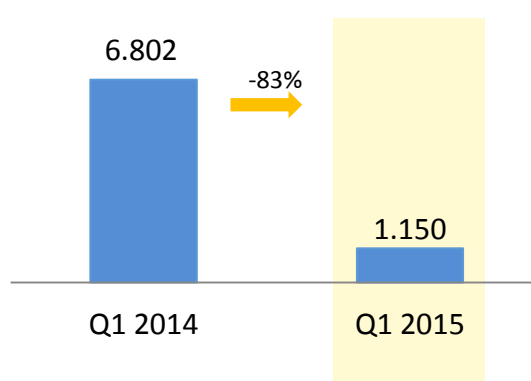
Financial performance

- Revenue (-52%YoY): **USD72.4 mn**
- Export revenue (-61%YoY): **USD24.0 mn** or **33%** of total revenue
- EBITDA (-90%YoY): **USD6.4 mn**
- EBITDA margin: **9%**
- Net loss reached **USD52.2 mn**, incl. losses on exchange USD45.9 mn

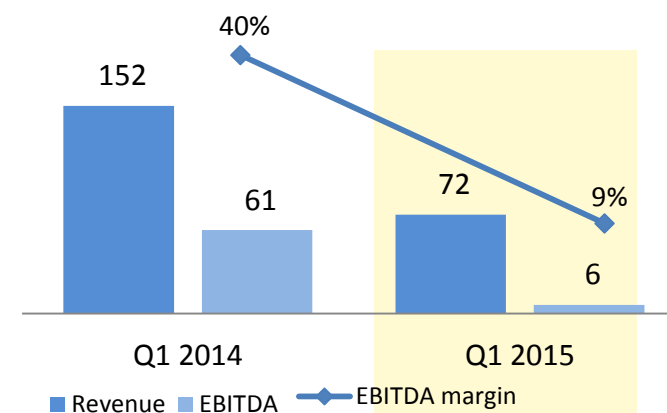
Production of shell eggs, bn pcs



Production of egg products, th tonnes



Key financial indicators, USD mn






2. Business overview

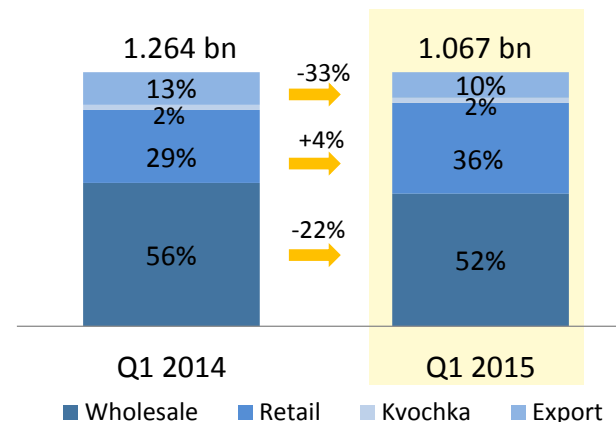
Diversification of sales

- Production of shell eggs declined by **44% YoY** due to the reduction in the number of laying hens
- **16% YoY** decrease in sales of shell eggs to third parties was due to the decline in production volumes and partial loss of sales markets in the Crimea and Eastern Ukraine
- Share of shell egg sales to supermarkets chains **increased to 38%** from the total sales to 3rd parties
- Sales of Kvochka-branded eggs decreased by **19% YoY** due to the decrease in the purchasing power of the population
- Export of shell eggs decreased by **33% YoY** due to decrease in production volumes as well as the increased competition between egg producers for export markets
- Export share of shell eggs amounted to **10%** of the total shell egg sales to 3rd parties
- Sales of dry egg products declined as well as did export sales due to the strategy to balance sales structure and get rid of inventories

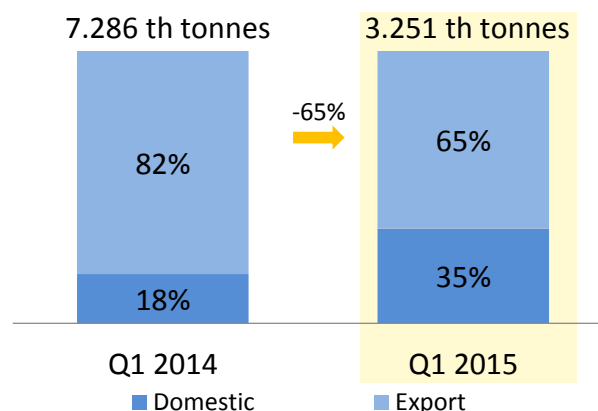
The Company's strategy:

- to expand export sales of shell eggs and dry egg products with the focus on MENA, SSA, the Far East, the CIS and the EU markets
- to expand sales of shell eggs to retail chains and further penetrate the market with Kvochka-branded products

Egg sales to third parties by volume, %



Egg product sales by volume, %



Export strategy in action

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

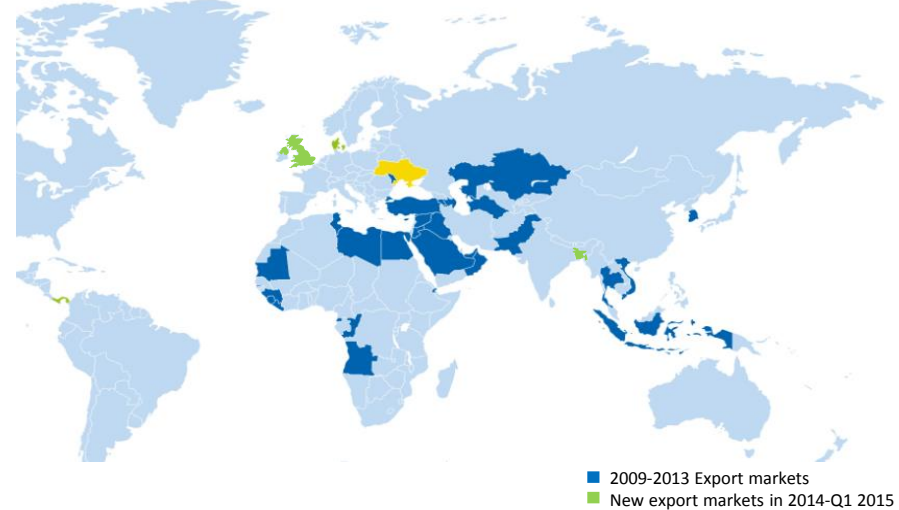
2013: 1 market

- Guinea Bissau

2014-Q1 2015: 4 markets

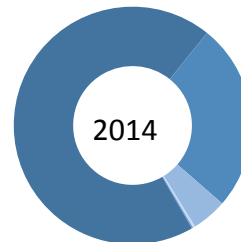
- Denmark
- Panama
- Bangladesh
- UK

- Export to 37 markets
- In Q1 2015 the top export markets for shell eggs were **Iraq, UAE and Moldova** and the top export markets for egg products were **Indonesia, Denmark, Turkey, Pakistan and Taiwan**



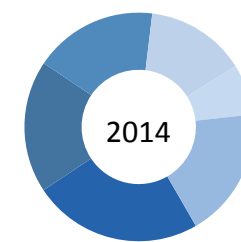
Source: SSCU, International Trade Center, European Commission, Pro-Consulting, Company data

Top-5 egg export markets, % of revenue



- Iraq-69.1%
- Liberia-25.6%
- Moldova-4.8%
- Turkey-0.3%
- UAE-0.2%
- other

Top-5 egg product export markets, % of revenue



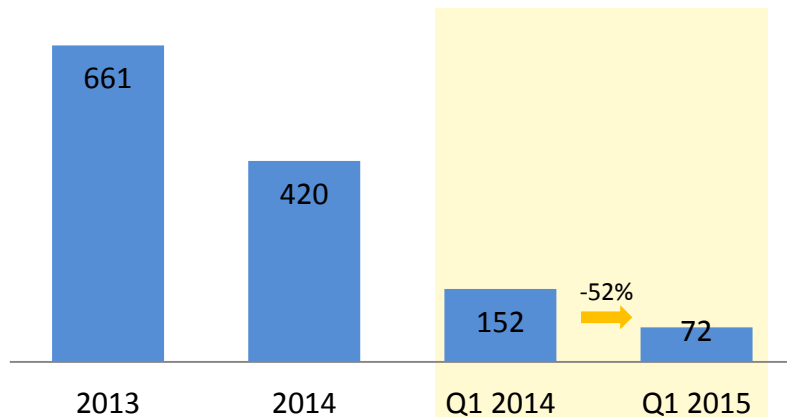
- Jordan-24.0%
- Taiwan-18.7%
- UAE-17.5%
- Indonesia-14.2%
- Turkey-7.2%
- other-18.4%



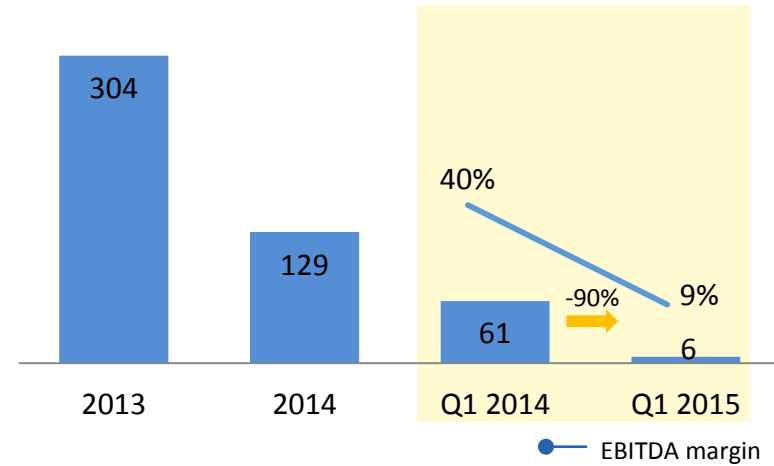

3. Financial performance

Key financial highlights

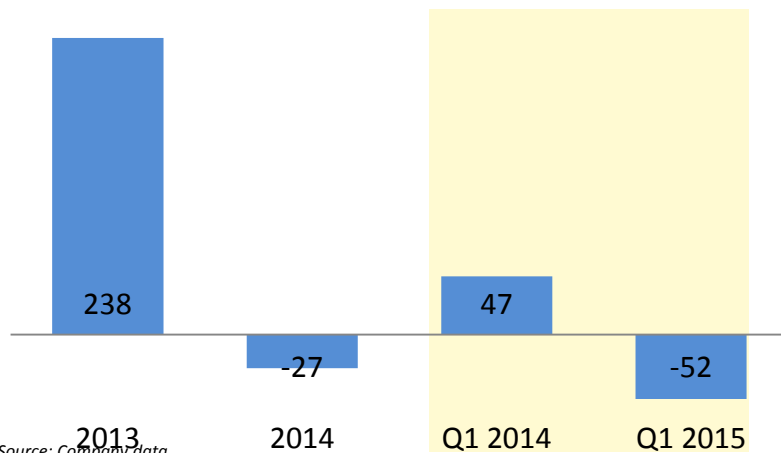
Revenue, USD mn



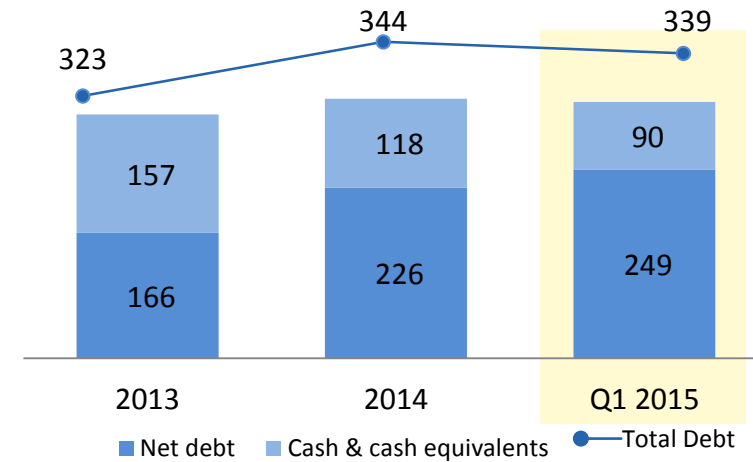
EBITDA, USD mn



Net Profit, USD mn



Debt Structure, USD mn



Source: Company data

Key financial highlights

\$'000	Q1 2014	Q1 2015	%	Q4 2014*	Q1 2015	%
Revenue	152,199	72,426	(52%)	74,474	72,426	(3%)
Average shell egg price, UAH/egg	0.67	1.07	60%	0.99	1.07	8%
Average shell egg price, USD/egg	0.076	0.051	(33%)	0.069	0.051	(26%)
Average egg products price USD/kg	7.04	5.24	(26%)	6.41	5.24	(18%)
Cost of sales	(101,729)	(64,203)	(37%)	(59,005)	(64,203)	9%
Cost per egg, UAH/egg	0.44	1.01	130%	0.75	1.01	35%
Cost per egg, USD/egg	0.050	0.048	(4%)	0.052	0.048	(8%)
Cost per egg products, USD/kg	4.56	3.59	(21%)	4.93	3.59	(27%)
Gross profit	59,745	14,610	(76%)	21,608	14,610	(32%)
Net Profit/Loss	46,799	(52,179)	-	(17,812)	(52,179)	-
EBITDA	61,163	6,357	(90%)	23,622	6,357	(73%)
EBITDA margin	40%	9%		32%	9%	

- The decline in revenue was primarily due to the sharp **138% YoY** devaluation of the Ukrainian Hryvnia against the US dollar and the significant reduction in the number of laying hens due to the closure of poultry farms in the Crimea and Eastern Ukraine. Additionally, it was affected by the decline in sales volumes of shell eggs and egg products by **16% YoY** and **55% YoY** as well as the decrease in the average sales price of all the Company's products in dollar terms. However, the decline in the Company's revenue was partially offset by the increase in average sales price of shell eggs and egg products in Hryvnia by **60% YoY** and **77% YoY** respectively

- As a result of the devaluation cost of sales in the US dollar decreased by **37% YoY**, cost per egg by **4% YoY** and cost per egg product by **21% YoY**, however cost per egg in the Ukrainian hryvnia increased by **130% YoY** due to higher prices for fodder and other components

- EBITDA was down by **90% YoY** due to decreased revenue together with the increased cost per unit of output in Hryvnia terms as well as the reduction in income from the revaluation of biological assets and inventories of finished goods with the expired shelf life date being written off in the amount of **US\$11.1 mn**

- Net loss amounted to **USD 52.2 mn** and included loss on foreign exchange of **USD 45.9 mn**

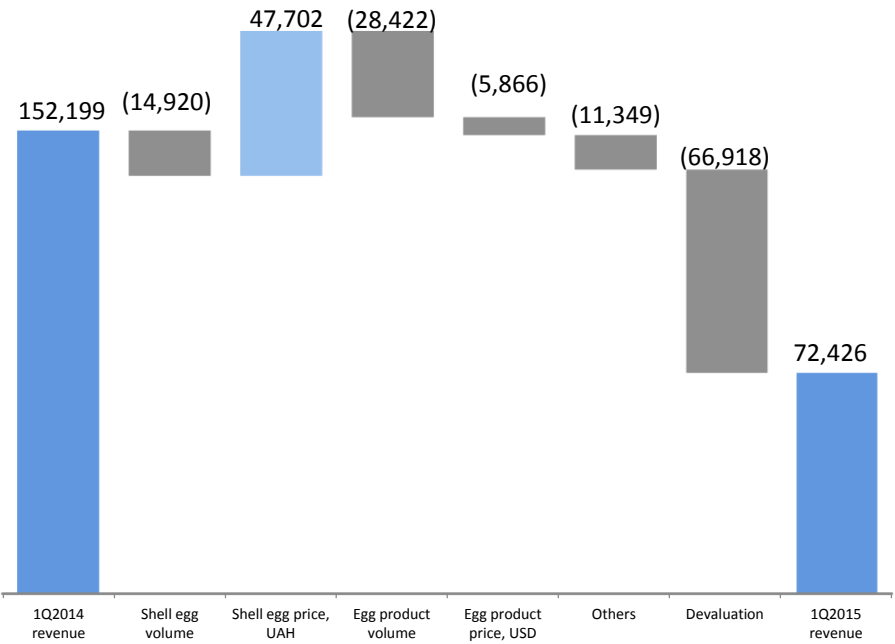
Average FX UAH/USD	2013	2014	Δ	1Q14	1Q15	Δ	4Q14	1Q15	Δ
	7.993	11.910	+49%	8.863	21.116	+138%	14.434	21.116	+46%

*Recalculated from UAH to USD per average quarter FX rate

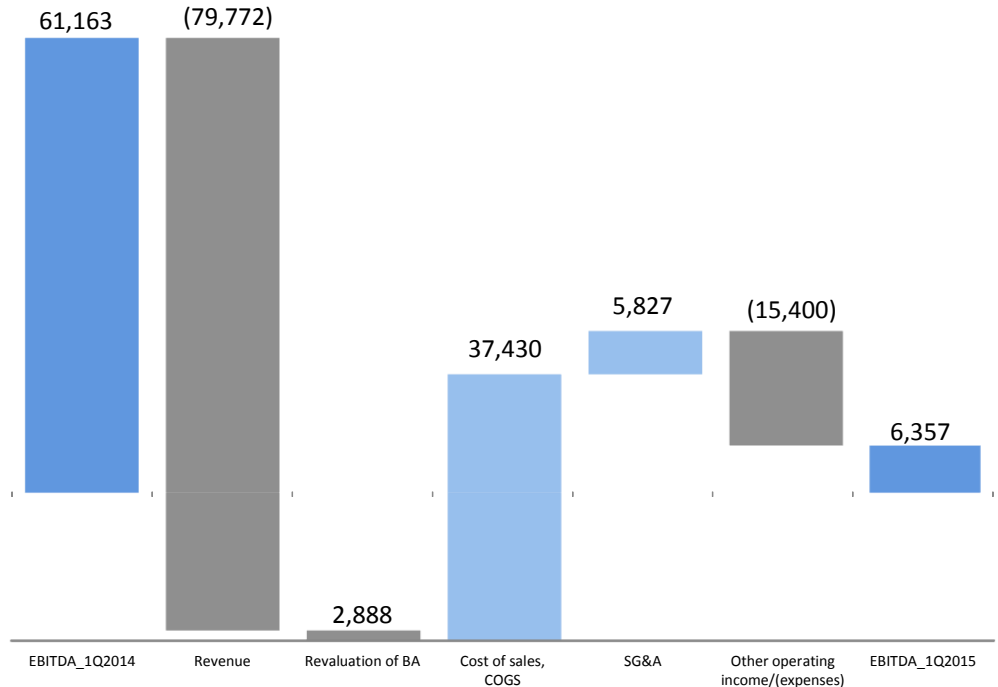
Source: Company data, NBU

Revenue and EBITDA margin bridges

Revenue bridge, USD'000



EBITDA bridge, USD'000



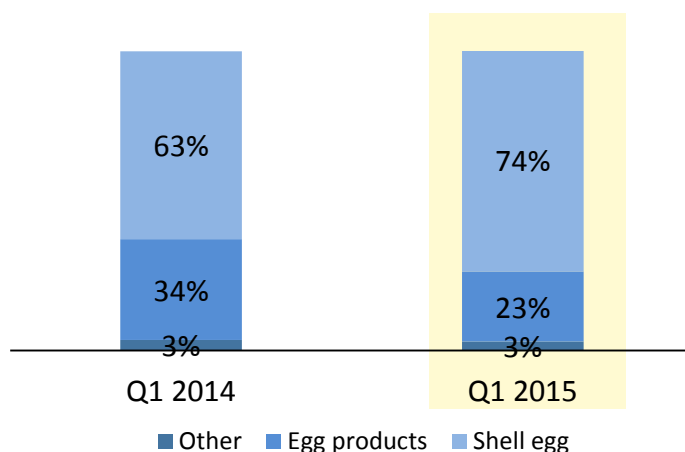
Source: Company data

Key segment results

Key financial indicators

USD '000	Shell eggs			Egg products			Consolidated		
	Q1 2014	Q1 2015	%	Q1 2014	Q1 2015	%	Q1 2014	Q1 2015	%
Revenue	95,601	53,885	(44%)	51,326	16,926	(67%)	152,199	72,427	(52%)
Export sales, %	20%	18%		82%	85%		40%	33%	-
Revenue contribution, %	63%	74%		34%	23%				
Gross profit	35,480	9,610	(73%)	18,135	5,265	(71%)	59,745	14,610	(76%)
Gross profit contribution, %	59%	66%		30%	36%				
Gross profit margin, %	37%	18%		35%	31%		39%	20%	

Sales revenue structure by segment



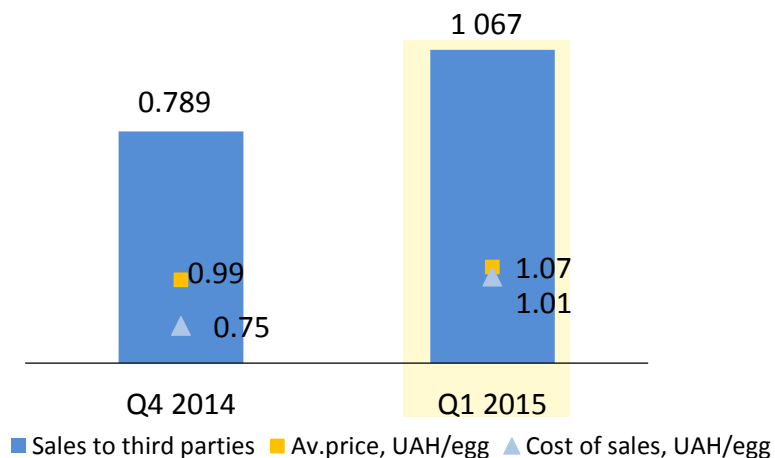
- Revenue share of two main segments (shell eggs and egg products) amounted to **97%** of consolidated revenue in Q1 2015
- Export revenue share of two main segments (shell eggs and egg products) reached **33%** of the consolidated revenue in Q1 2015
- Revenue in shell eggs segment decreased by **44% YoY** as a result of the devaluation of the Ukrainian Hryvnia against the US dollar since approximately **82%** of the segment revenue comes from the sales in Ukraine as well as slight decrease in shell egg sales to third parties by **16% YoY**
- As a result of the decrease in sales and average sales price of dry egg products, revenues in the dry egg products segment decreased by **67% YoY**. The decrease in sales by **55% YoY** was due to the decrease in production as well as changes in the sales strategy. The average sales price decreased by **26% YoY** due to a reduction in export volumes.

Key segment quarter results

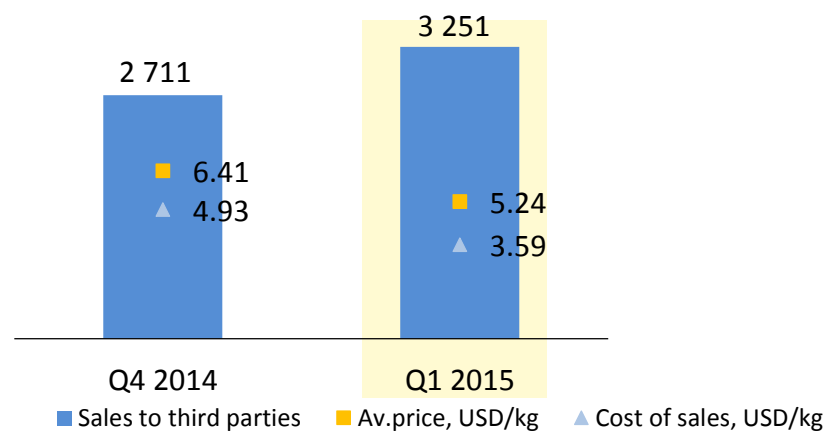
Key financial indicators

USD '000	Shell eggs			Egg products			Consolidated		
	Q4 2014*	Q1 2015	%	Q4 2014*	Q1 2015	%	Q4 2014*	Q1 2015	%
Revenue	54,226	53,885	(1%)	17,376	16,926	-3%	74,474	72,426	(3%)
Export sales, %	18%	18%		93%	85%		35%	33%	
Revenue contribution, %	73%	74%		23%	23%				
Gross profit	27,432	9,610	(65%)	1,843	5,265	186%	21,608	14,610	(32%)
Gross profit contribution, %	127%	66%		9%	36%				
Gross profit margin, %	51%	18%		11%	31%		29%	20%	

Shell egg sales, bn pcs



Egg product sales, th tonnes



*Recalculated from UAH to USD per average quarter FX rate, see sl.13

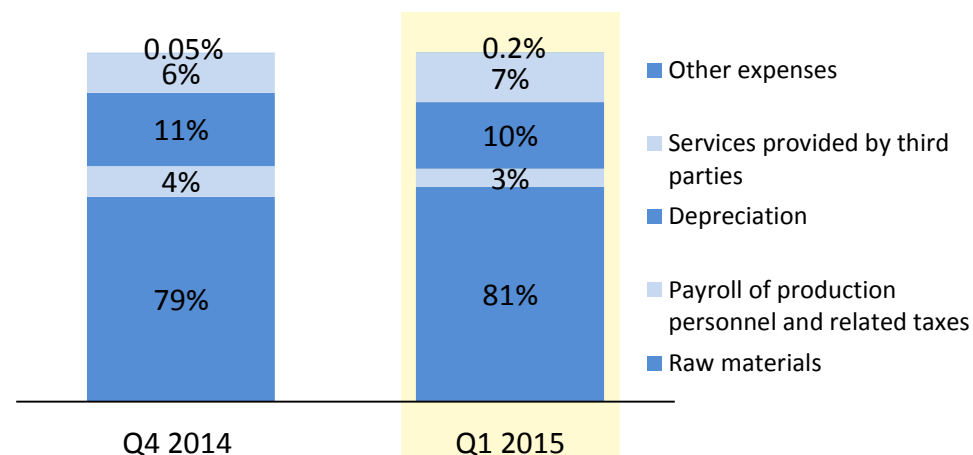
Source: Company data

Cost structure

Cost of finished goods breakdown

USD '000	Q4 2014*	Q1 2015	%
Raw materials	46,642	51,779	11%
Payroll of production personnel and related charges	2,585	1,674	(35%)
Depreciation	6,185	6,112	(1%)
Services provided by third parties	3,333	4,524	36%
Other	0,032	0,130	-
Total COGS	58,775	64,102	9%

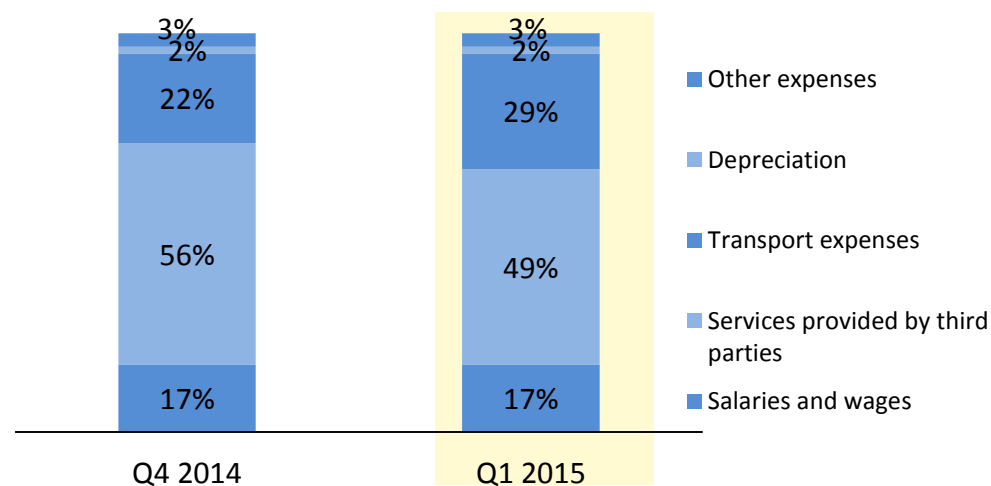
Cost of finished goods structure, %



General administrative and distribution costs breakdown

USD '000	Q4 2014*	Q1 2015	%
Salaries and wages	1,240	853	(31%)
Services provided by third parties	4,056	2,527	(38%)
Transport expenses	1,641	1,501	(9%)
Depreciation	121	86	(29%)
Other expenses	247	173	(30%)
Total GA&D	7,305	5,140	(30%)

General administrative and distribution costs structure, %

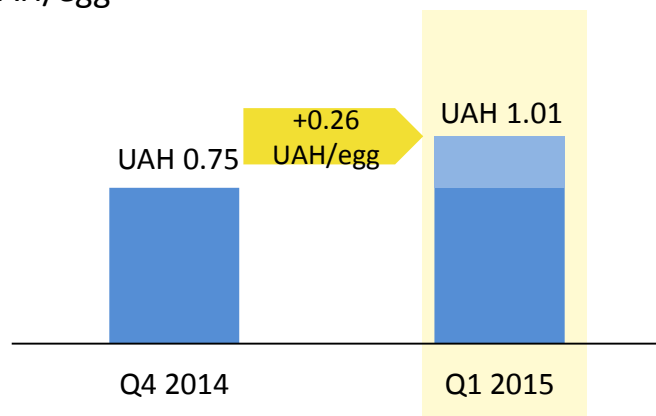


*Recalculated from UAH to USD per average quarter FX rate, see sl.13

Source: Company data

Shell eggs: cost of sales breakdown

Change in cost of sales of shell egg, UAH/egg



Cost of sales of components for shell egg production, UAH/pcs

	Q4 2014	Q1 2015	%
Fodder*	0.47	0.74	0.27
<i>Grains</i>	0.09	0.15	0.06
<i>Oils</i>	0.29	0.43	0.14
<i>Other</i>	0.09	0.15	0.06
Labor	0.03	0.04	0.01
Depreciation	0.02	0.03	0.01
Packing, vitamin	0.04	0.08	0.04
Other	0.2	0.12	(0.08)
Total	0.75	1.01	0.26

The growth of shell egg cost was mainly due to the UAH 0.27/egg increase in fodder costs mainly oils as well as UAH 0.04/egg growth of cost of packing, vitamin etc, prices for which are mainly in US dollars

Price of fodder components, UAH/tonnes

	Q1 2014			Q4 2014			Q1 2015		
	Avangard	Market	%	Avangard	Market	%	Avangard	Market	%
Fodder	2,447	2,514**	3%	3,759	3,890**	3%	5 924	6 219**	(5%)
<i>Grains</i>	1,269	1,268	0%	1,409	1,601	12%	2 441	2 604	(6%)
<i>Oils</i>	2,878	3,042	6%	5,264	5,337	1%	7 754	8 232	(6%)
<i>Other</i>	6,956	-	-	15,965	-	-	24 824	-	-

*In volume terms average receipt of fodder consists of grains (50%), oils (41%) and other (9%)

** Avangard's average receipt, volume terms

Source: Company data, APK inform

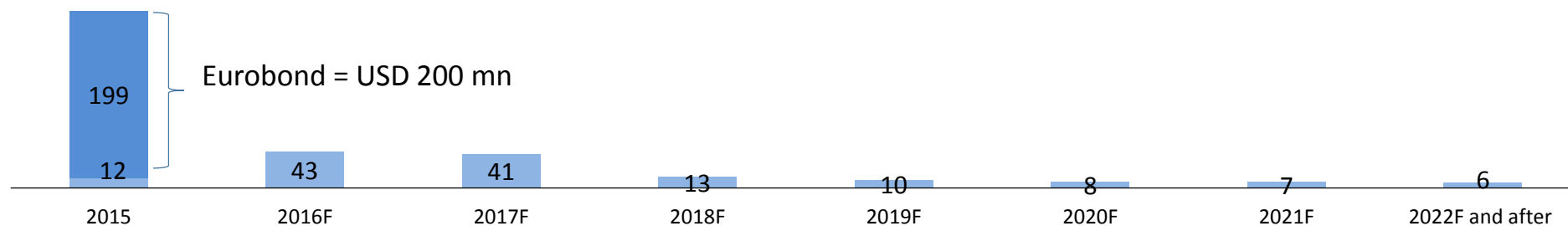
Debt structure. Cash and cash equivalents

Debt structure

USD '000	31.12.2014	31.03.2015
Total Debt	343,757	339,286
Long-term loans	79,844	73,828
Current portion of long-term debt	15,190	16,363
Long-term bond liability	0	0
Long-term finance lease (incl. VAT)	88	61
Short-term bond liability	198,635	199,034
Short-term loans	50,000	50,000
Cash and cash equivalents	117,856	89,890
Net Debt	225,901	249,396
Net debt/LTM EBITDA	1.74	3.34

- 99% of total debt is held in USD and EUR
- Loan portfolio structure:
 - USD – 73%
 - EUR – 26%
 - UAH – 1%
- Major debt amounts (excl. Eurobond, leasing and commodity credits) are held in the European banks, such as Landesbank Berlin AG, Deutsche bank AG (London branch), Credit Suisse, Intesa Sanpaolo S.p.A (London branch), Rabobank
- The Company's cash and cash equivalents decreased as a result of the negative cash flow from operating and investing activities
- Cash and cash equivalents are held on the accounts in the European banks

Loan portfolio servicing schedule, USD mn *



*Excluding. interest

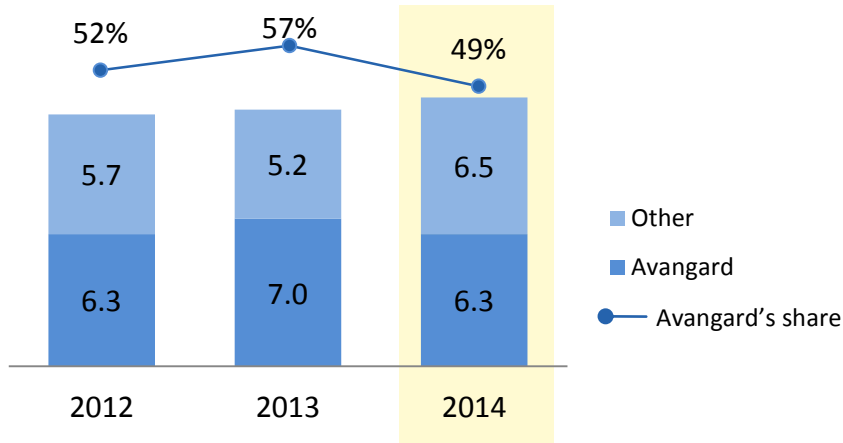
Source: Company data



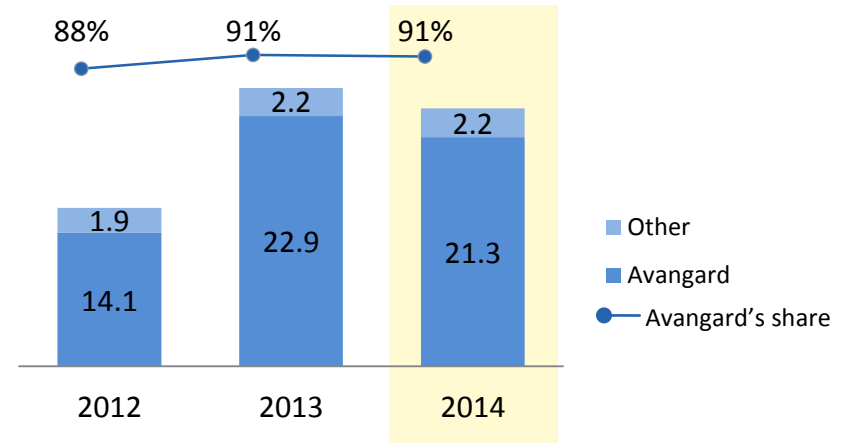
Appendix

Industry leader in Ukraine

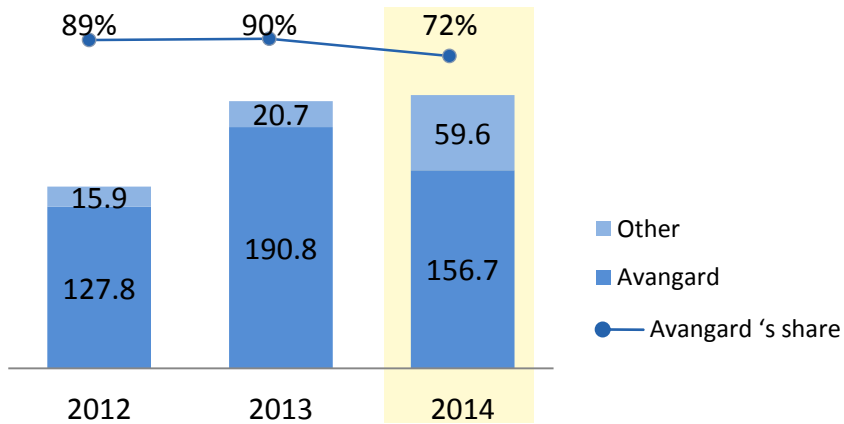
Industrial production of shell eggs, bn pcs



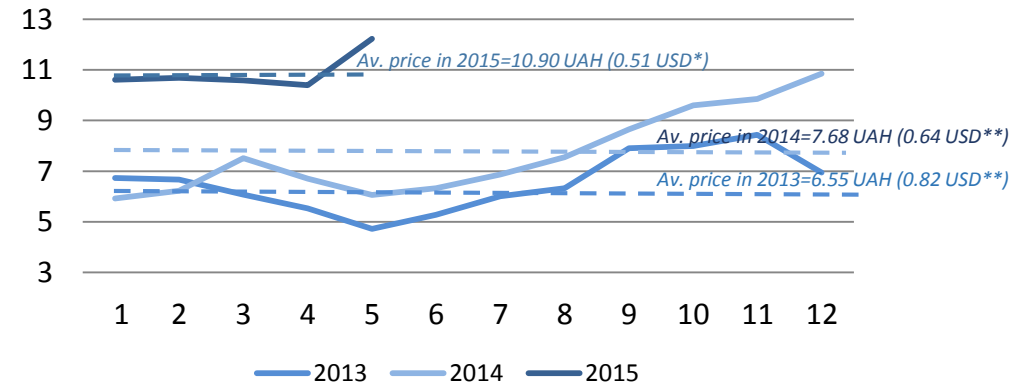
Industrial production of dry egg products, th tonnes



Export of shell eggs and egg products from Ukraine, USD mn



Egg price in Ukraine, UAH / 10 eggs



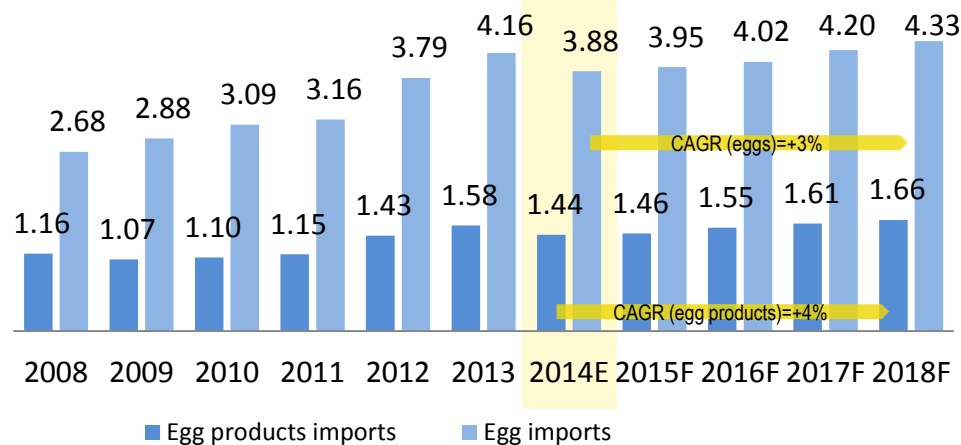
Source: Pro-Consulting, Company data

* Recalculated at average rate of USD to UAH for the period at 21.42

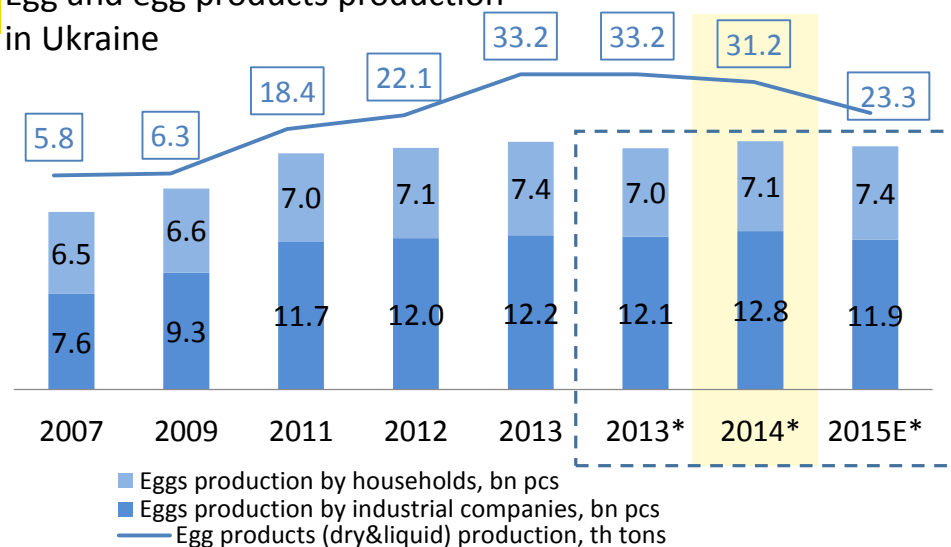
** Recalculated at average rate of USD to UAH for the period, see sl.13

Growth potential for eggs and dry egg products

World imports of eggs and egg products, USD bn

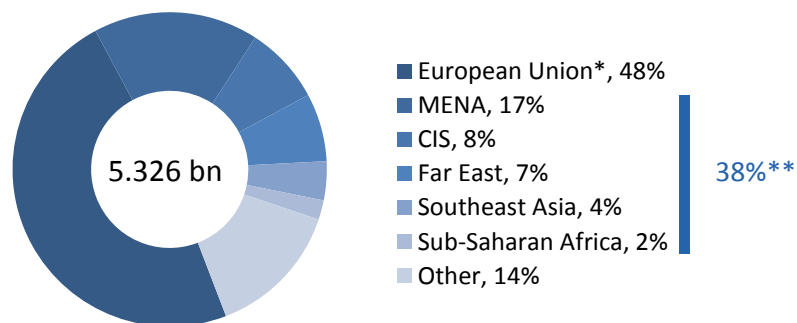


Egg and egg products production in Ukraine



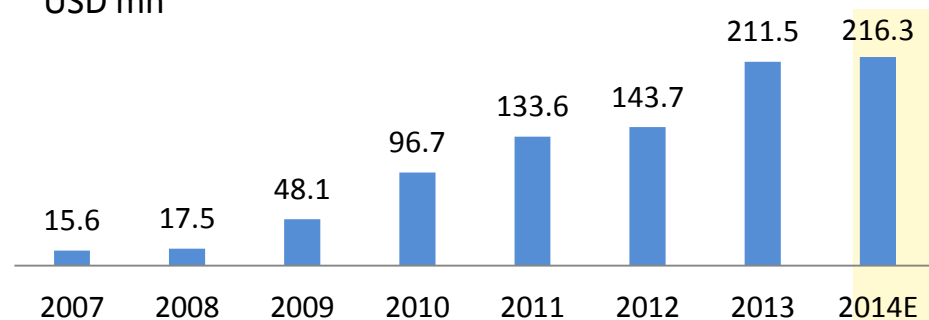
*Ukraine excl. Crimea. In 2013 share of Crimea in total production of eggs was 3%

Breakdown of world imports of eggs and egg products in 2014E, USD mn



* Share of EU imports from non- EU countries is 4%
** Key destinations for Avangard export

Export of eggs and egg products from Ukraine, USD mn



Balance Sheet

\$'000	2014	Q1 2015	%
NON-CURRENT ASSETS	622,035	417,703	(33%)
Property, plant and equipment	579,922	394,370	
Non-current biological assets	21,637	11,112	
Deferred tax assets	2,489	1,675	
Held to maturity investments	17,959	10,527	
Other non-current assets	28	19	
CURRENT ASSETS	416,292	318,297	(24%)
Inventories	115,896	77,799	
Current biological assets	28,228	26,860	
Trade accounts receivable, net	79,221	84,337	
Prepaid income tax	48	47	
Prepayments and other current assets, net	29,094	16,734	
Taxes recoverable and prepaid	45,949	22,630	
Cash and cash equivalents	117,856	89,890	
TOTAL ASSETS	1,038,327	736,000	(29%)
TOTAL EQUITY	645,888	346,897	(46%)
NON-CURRENT LIABILITIES	82,178	75,280	(8%)
CURRENT LIABILITIES	310,261	313,841	(1%)
Short-term bond liabilities	198,635	199,034	
Current portion of non-current liabilities	15,368	16,471	
Short-term loans	50,000	50,000	
Trade accounts Payable	6,907	3,497	
Other Payables	39,351	44,839	
TOTAL LIABILITIES	392,439	389,121	(1%)
TOTAL EQUITY AND LIABILITIES	1,038,327	736,000	(29%)
NET DEBT at the date	225,901	249,396	10%

Income Statement

\$'000	2014	Q1 2014	Q1 2015	YoY %
REVENUE	419,618	152,199	72,426	(52%)
Income from revaluation of biological assets at fair value	15,364	9,275	6,387	
Cost of sales	(314,001)	(101,729)	(64,203)	
GROSS PROFIT	120,981	59,745	14,610	(76%)
General administrative expenses	(10,772)	(5,456)	(1,554)	
Distribution expenses	(20,532)	(5,660)	(3,586)	
Income from government grants and incentives	218	68	24	
Impairment of non current assets	(23,589)	-	-	
Income from special VAT treatment	36,490	5,680	4,535	
Other operating income/expenses, net	18,680	343	(13,869)	
OPERATING PROFIT/(LOSS)	84,116	54,720	160	(100%)
Financial income	3,176	39	1,119	
Financial expenses	(44,101)	(7,663)	(7,574)	
Gains/(losses) on exchange	(71,284)	(223)	(45,867)	
PROFIT BEFORE TAX	(28,093)	46,873	(52,162)	(100%)
Income tax expenses	1,175	(74)	(17)	
PROFIT/(LOSS) FOR THE PERIOD	(26,918)	46,799	(52,179)	
EBITDA	129,497	61,163	6,357	(90%)
EBITDA margin	31%	40%	9%	

Source: Company data

Cash Flow Statement

\$'000	Q1 2014	Q1 2015
PROFIT BEFORE INCOME TAX	46,873	(52,162)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	50,758	6,678
(Increase)/decrease in net working capital	(9,640)	(9,496)
Interest paid	(1,681)	(505)
Income tax paid	(28)	(33)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	39,409	(3,356)
Purchases of PP&E	(28,689)	(11,227)
Interest received	39	1,076
Repayment of VAT government bonds	-	2,267
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	(28,650)	(7,884)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	14,642	6,258
NET INCREASE/(DECREASE) IN CASH	25,400	(4,982)
Cash at the beginning of the year	156,804	117,856
Effects of translation into presentation currency	(3,732)	(22,984)
Cash at the end of the period	178,472	89,890

Source: Company data