



Management Presentation  
Financial Results for 1Q2014  
23 May, 2014



# Disclaimer

## You must read the following before continuing.

The following applies to the company presentation (the "company presentation") following this important notice, and you are therefore advised to read this important notice carefully before reading, accessing or making any other use of the company presentation. In accessing the company presentation, you agree to be bound by the following terms and conditions, including any modifications to them any time that you receive any information from us as a result of such access. The information contained in this company presentation has been prepared by Avangardco investments public limited ("Avangard" or the "company").

This document does not contain or constitute an offer of, or the solicitation of an offer to buy or subscribe for, securities to any person in Australia, Canada, Japan, Ukraine or the United States or in any jurisdiction to whom or in which such offer or solicitation is unlawful. This presentation is not an offer for sale of securities in the United States or any other jurisdiction. Any securities which are the subject of such offer have not been, and will not be, registered under the U.S. Securities act of 1933, as amended (the "securities act"), or the securities laws of any state of the United States or other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in regulation s under the securities act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the securities act and any applicable state or local securities laws. Any offer of such securities will be made by means of an offering document that will contain detailed information about the company and its management, including financial statements. Any investment decision should be made on the basis of the final terms and conditions of the securities and the information contained in such offering document and not on the basis of this presentation which does not constitute or form part of an offer or solicitation of an offer to purchase or subscribe for any securities. Subject to certain exceptions, the securities referred to herein may not be offered or sold in Australia, Canada, Japan, or Ukraine or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada, Japan, or Ukraine. The offer and sale of the securities referred to herein has not been and will not be registered under the securities act or under the applicable securities laws of Australia, Canada, Japan, or Ukraine. There will be no public offer of the securities in the United States.

This company presentation is only addressed to and directed at persons in member states of the European economic area who are "qualified investors" within the meaning of article 2(1)(e) of the prospectus directive (directive 2003/71/ec) ("qualified investors"). In addition, in the United Kingdom, this company presentation is being distributed only to, and is directed only at (i) investment professionals within the meaning set out in article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005, as amended (the "order") and qualified investors falling within article 49(2)(a) to (d) of the order, and (ii) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This company presentation must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the European economic area other than the United Kingdom, by persons who are not qualified investors. Any investment or investment activity to which this company presentation relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the European economic area other than the United Kingdom, qualified investors, and will be engaged in only with such persons.

This company presentation may not be used in any jurisdiction where such use is not authorised or is unlawful. The distribution of this company presentation in certain jurisdictions may be restricted by law. Persons in whose possession this company presentation may come are required to inform themselves about and to observe such restrictions. Each recipient hereof, by virtue of receiving this company presentation, will be deemed to have acknowledged, represented and agreed that it is not a U.S. Person and is acting for its own account or for the account of a non U.S. Person in an offshore transaction (as defined in regulation s under the securities act) and (a) if it is in the United Kingdom, it is a relevant person, and/or a relevant person who is acting on behalf of, relevant persons in the United Kingdom and/or qualified investors to the extent it is acting on behalf of persons or entities in the United Kingdom or the European economic area; or (b) if it is in any member state of the European economic area other than the United Kingdom, it is a qualified investor and/or a qualified investor acting on behalf of, qualified investors or relevant persons, to the extent it is acting on behalf of persons or entities in the European economic area or the United Kingdom.

This company presentation is confidential and is being provided to you solely for your information and may not be reproduced in any form or forwarded or further distributed to any other person or published, in whole or in part, for any purpose whatsoever. Any forwarding, distribution or reproduction of this company presentation in whole or part is unauthorised. Failure to comply with this directive may result in a violation of the securities act or the applicable laws of other jurisdictions. The provision of this company presentation doesn't constitute or shall not be relied upon as constituting, the giving of investment (or other) advice by the company or any other shareholders, employees representatives or affiliates thereof. Neither Avangard nor its respective subsidiaries, associates, directors, employees, agents or advisors (such directors, employees, agents or advisors being hereafter referred to as "representatives"), makes any representation or warranty (express or implied) as to the adequacy, accuracy, reasonableness or completeness of the information contained in this company presentation or of any additional information, and such parties or entities expressly disclaim any and all responsibility or liability (other than in respect of fraudulent misrepresentation) based on or relating to the accuracy or sufficiency thereof, or for any errors or omissions from, this company presentation or any additional information or based on or relating to the recipient's reliance or use or the reliance or use by any of its associates or representatives on or of this company presentation or any additional information, or any other written or oral communications transmitted to the recipient or any of its associates or representatives or any other person in the course of its or their evaluation of an investment in the company.

Forward looking statements this company presentation includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this company presentation and include statements regarding the intentions, beliefs or current expectations of the company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance. The company's actual performance, results of operations and financial condition may differ materially from the impression created by the forward looking statements contained in this company presentation.

Subject to its legal and regulatory obligations, Avangard expressly disclaims any obligation to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based. Neither troika nor any of its respective affiliates undertake to provide the recipient hereof with access to any additional information or to update this company presentation or to correct any inaccuracies herein which may become apparent.

Any recipient of this company presentation is solely responsible for assessing and keeping under review the business, operations, financial condition, prospects, creditworthiness, status and affairs of the company. In no circumstances shall the delivery of this company presentation imply that no negative change may occur in the business of the company after the date of issuance of this company presentation, or any date of amendment and/or addition thereto. Financial information and rounding

Certain financial information contained in this company presentation has been extracted from the company's unaudited management accounts and financial statements prepared in accordance with Ukrainian Accounting Standards ("UAS"). The areas in which management accounts or UAS financial statements differ from International Financial Reporting Standards ("IFRS") and/or U.S. Generally accepted accounting principles could be significant and you should consult your own professional advisors and/or conduct your own due diligence for a fuller understanding of the significance of such differences and any impact such differences may have on the relevant financial information contained in this company presentation. Some numerical figures included in this company presentation have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them. Certain information presented herein (including market data and statistical information) has been obtained from various sources which the company considers to be reliable. However, the company makes no representation as to, and accepts no responsibility or liability whatsoever for, the accuracy or completeness of such information.

# Table of contents



1. Business and Operations Overview
2. Financial Results

Appendix: financial snapshot



# 1. Business and Operations Overview



# 1.1. Strong Operational and Financial Performance

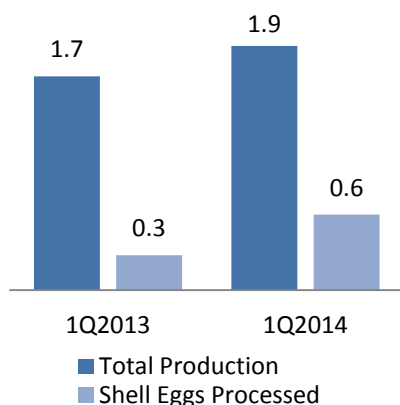
## Operational Performance in 1Q2014

- Shell eggs production (+14.2%): **1.889 bn pcs** in 1Q2014 vs. 1.654 bn pcs in 1Q2013
- Sales to third parties (-3.9%): **1.264 bn pcs** in 1Q2014 vs. 1.315 bn pcs in 1Q2013
- Average selling shell eggs price (-1.5%): **0.67 UAH (excl. VAT)** in 1Q2014 vs. 0.68 UAH (excl. VAT) in 1Q2013
- Average selling egg products price (-8.7%): **7.04 \$/kg** in 1Q2014 vs. 7.71 \$/kg in 1Q2013
- Total flock (+25.0%): **34.0 mn heads** as at 31 Mar. 2014 vs. 27.2 mn heads as at 31 Mar. 2013
- **41%** of total flock as at 31 Mar. 2014 was placed at new complexes (**36%** of laying hens flock)

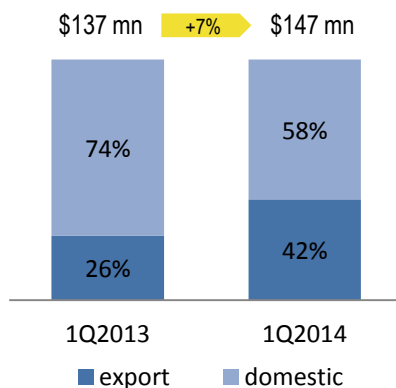
## Financial Performance in 1Q2014

- Revenue (-2.3%): **\$152.2mn** in 1Q2014 vs. \$155.8mn in 1Q2013
- Export sales of eggs and egg products (+70.8%): **\$61.5 mn** in 1Q2014 vs. \$36.0 mn in 1Q2013
- EBITDA (-16.7%): **\$60.9mn** in 1Q2014 vs. \$73.1mn in 1Q2013
- EBITDA margin (-6.9 p.p.): **40.0%** in 1Q2014 vs. 46.9% in 1Q2013
- Total debt/LTM EBITDA: **1.16**

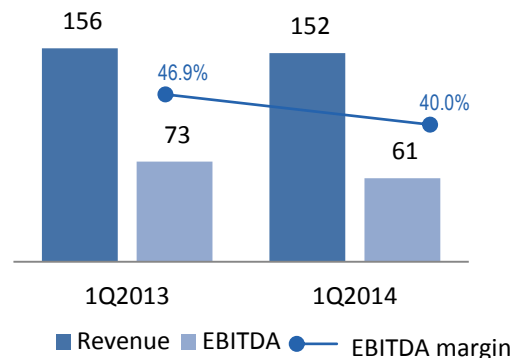
Production of Shell Eggs and Egg Products in Egg Equivalent, bn pcs



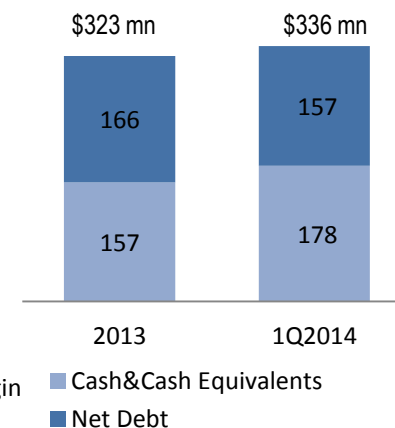
Sales Structure of Eggs and Egg Products, % of Revenue



Key Financial Indicators, \$ mn

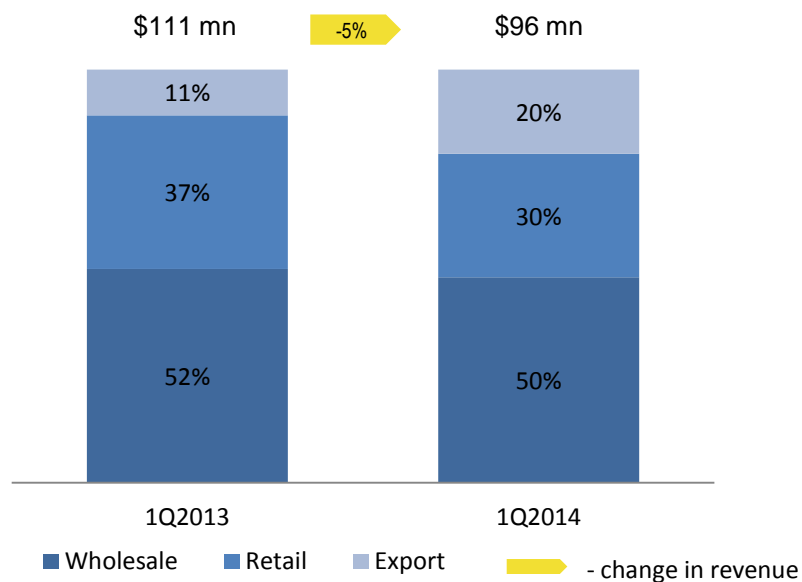


Gross Debt Structure, \$ mn

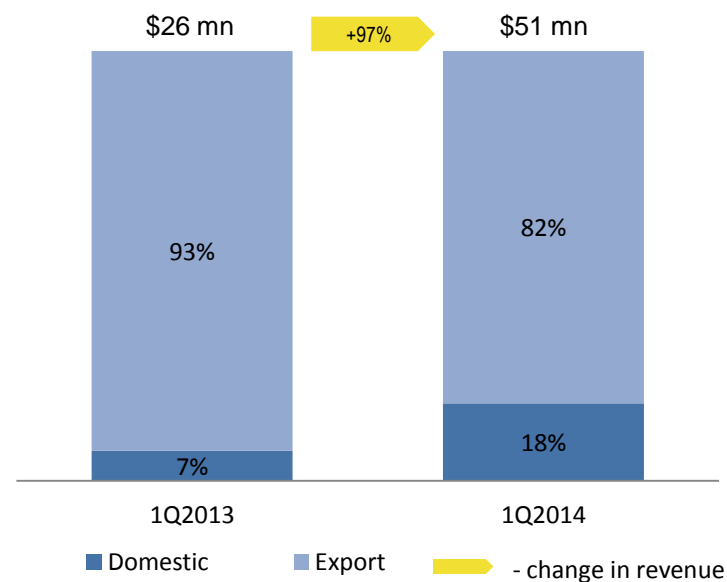


## 1.2. Diversified Sales Structure

Eggs Sales Channels,  
% of Revenue



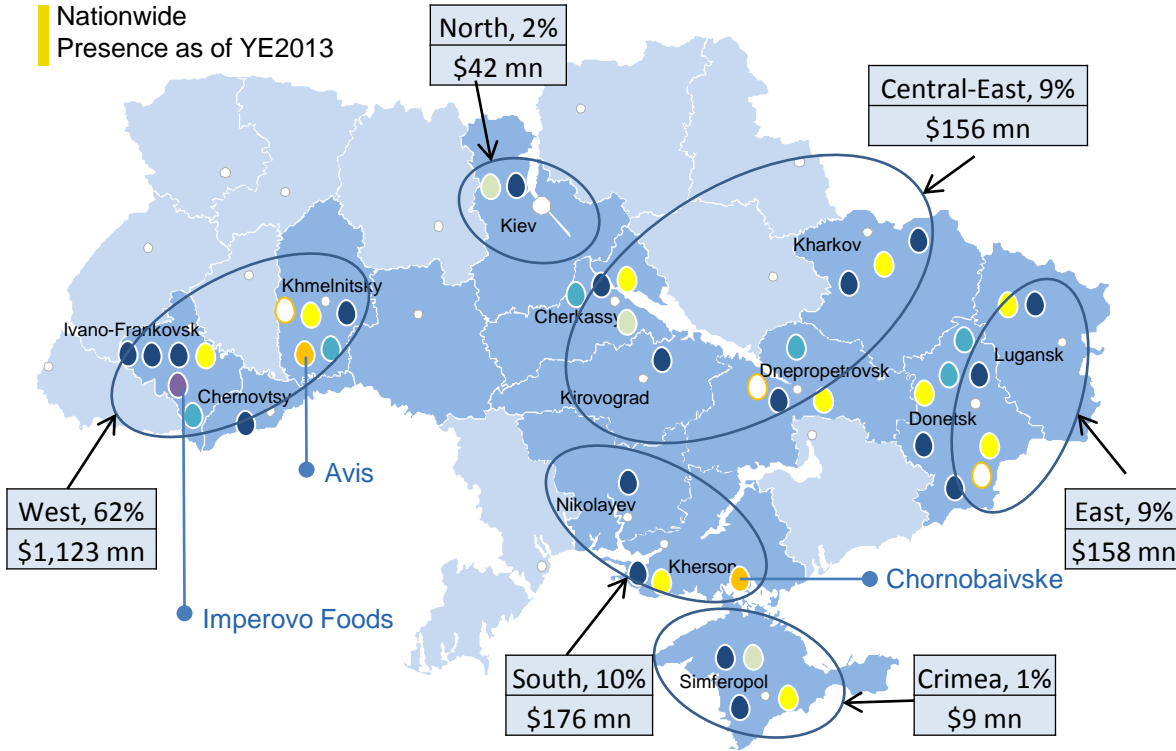
Egg Products Sales Channels,  
% of Revenue



- 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 **40%** of the Company's total revenue as of 1Q2014
- Main export directions in 1Q2014: eggs – **Iraq, Liberia, Egypt**; for egg products – **UAE, Jordan, Indonesia, Taiwan, Korea**
- Export strategy aimed to expand sales: eggs – **MENA, CIS**; egg Products – **Middle East, Asia**
- Company has **doubled** the sales of packaged eggs under the umbrella brand "Kvochka" to **25.9 mln pieces** in 1Q2014. The Company continues to expand the presence of brand "Kvochka" in regional networks and traditional retail.

# 1.3. Facilities Overview

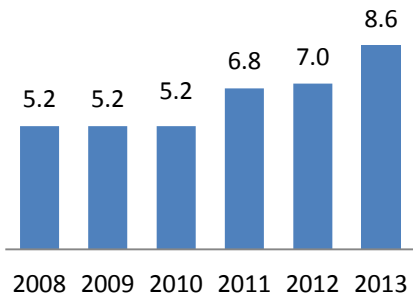
Nationwide Presence as of YE2013



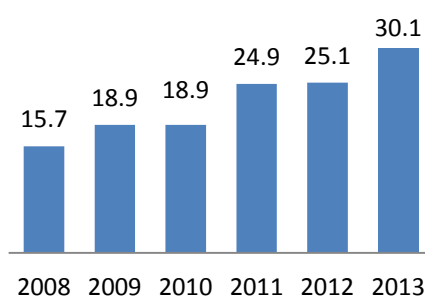
- - 19 farms for laying hens;
- - 6 feed mills;
- - Imperovo Foods egg processing plant;
- - 3 second order breeder farms;
- - 10 farms for rearing young laying hens;
- - 2 new projects: Avis and Chornobaivske;
- - 3 long-term storage facilities.

Assets, \$ mn	YE2013
West (Chernivtsi, Ivano-Frankivsk, Khmelnytsk)	1,123
South (Kherson, Mykolaiv)	176
East (Donetsk, Lugansk)	158
Central-East (Cherkasy, Dnipropetrovsk, Kharkiv, Kirovograd)	156
Cyprus	155
North (Kyiv)	42
Crimea	9
<b>total</b>	<b>1,819</b>

Capacity in Shell Egg Production, bn eggs



Capacity, mn laying hens



### Modern facilities

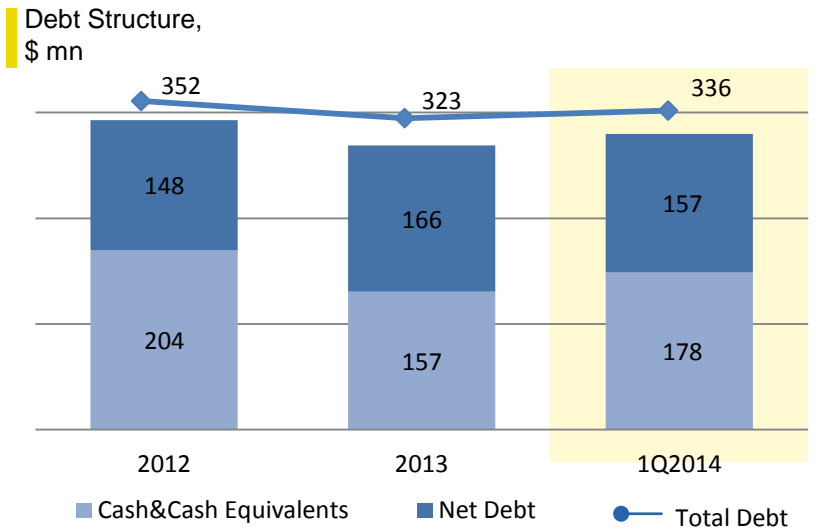
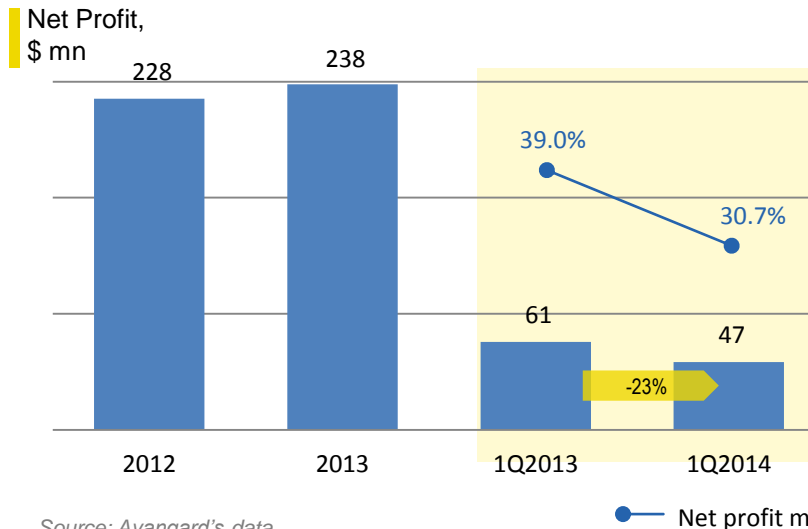
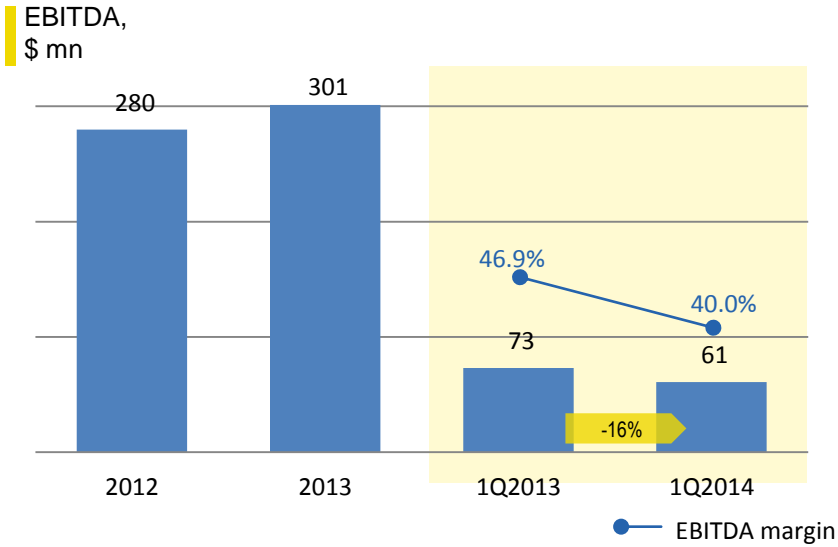
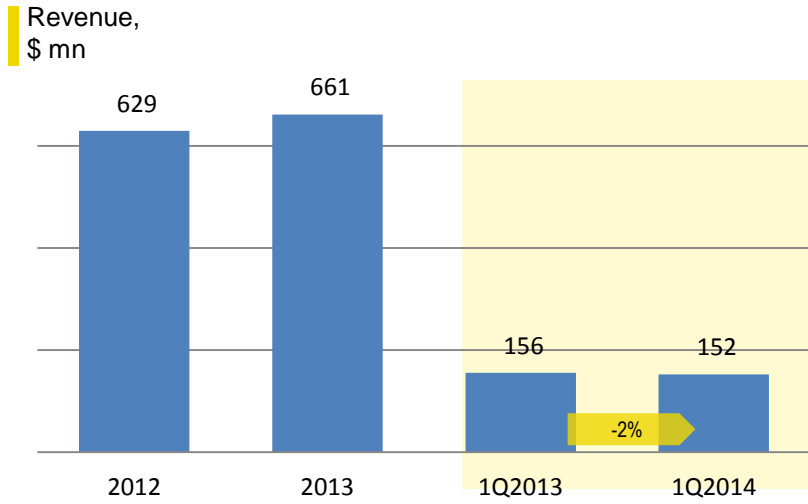
- Greenfield Avis and Chornobaivske complexes are completed
- Rearing sites at new complexes are capable of operating at full capacity of **5.045 mln hens**
- Industrial laying hens sites with capacity of **11.184 mln hens** are capable of operating at full capacity
- Production sites are fully compliant with European standards
- Actual utilization of the sites corresponds to the operational plans of the Company



## 2. Financial results



# 2.1. Key Financial Highlights



Source: Avangard's data

## 2.2. Key Segment Results

### Sales Revenue

\$'000	1Q2013	1Q2014	change, %
Shell eggs	111,122	95,600	(14%)
Egg products	25,571	51,326	101%
Other	19,130	5,273	(72%)

#### Decrease in Shell Eggs segment revenue was due to:

- increase the volume of shell eggs used for further processing into dry egg products

#### Increase in Egg Products segment revenue was due to:

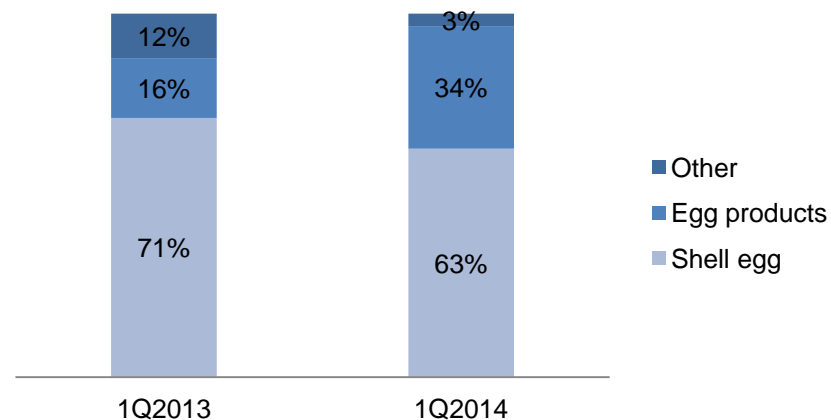
- increase in processing capacity to 6 mln egg per day on Imperovo Foods
- increase in sales volume
- expanding export sales

Revenue share of key segments (eggs and egg products) increased by 7% in 1Q2014 vs 1Q2013 and gives 97% to total revenue.

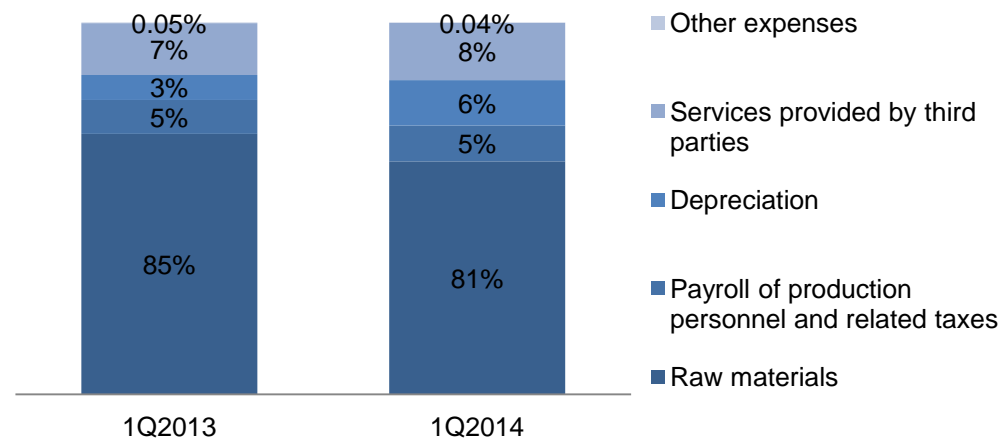
### Cost of Finished Goods Sold

\$'000	1Q2013	1Q2014	change, %
Raw materials	87,118	82,734	(5%)
Payroll of production personnel and related charges	4,671	4,901	5%
Depreciation	3,459	6,209	80%
Services provided by third parties	7,166	7,842	9%
Other	0,052	0,043	(17%)
<b>Total COGS</b>	<b>102,466</b>	<b>101,729</b>	<b>(1%)</b>

### Sales Revenue Structures, %



### Cost of Finished Goods Sold Structure

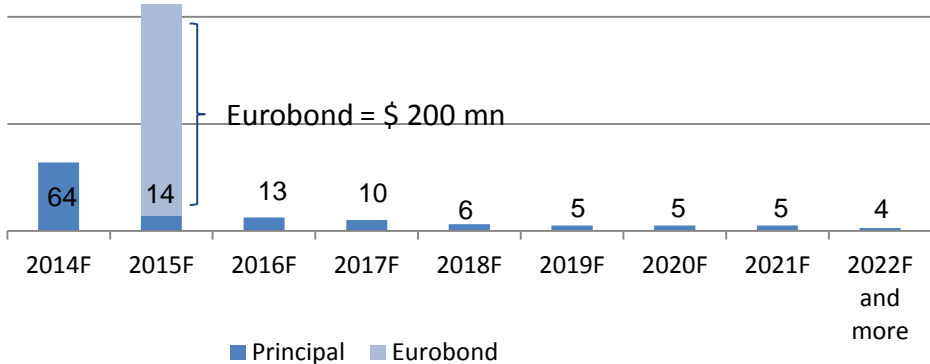


# 2.3. Debt Structure

## Debt Structure

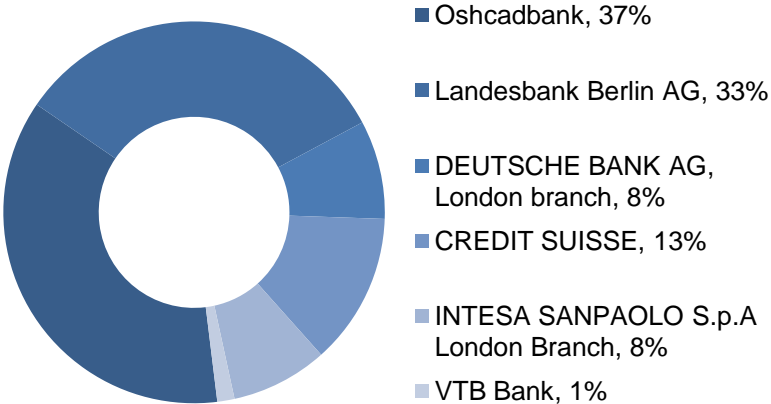
\$ mn	2013	1Q2014	% change
Total Debt	323	336	4%
Long-term	259	270	4%
Short-term	50	50	0%
Current portion of long-term debt	14	16	11%
<b>Net Debt</b>	<b>166</b>	<b>157</b>	<b>(5%)</b>
			<b>covenant</b>
Net debt/LTM EBITDA	0.6	0.5	-
Total debt/LTM EBITDA	1.1	1.2	<=3.0

## Loan Portfolio Servicing Schedule, \$ mn \*

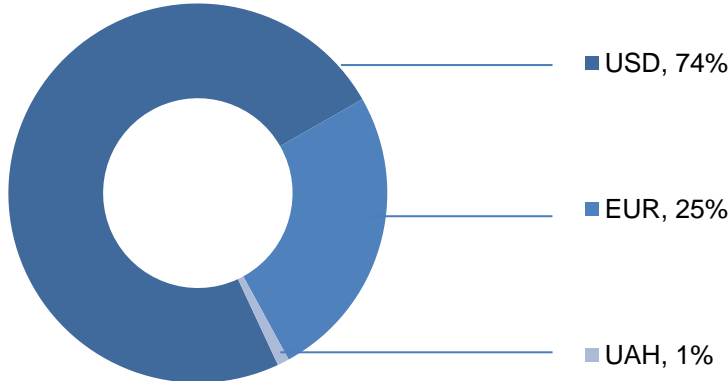


\*excl. interest

## Loan Portfolio by Creditor\*



## Loan Portfolio Structure by Currency



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



# Appendix: financial snapshot

# Balance Sheet

<b>\$'000</b>	<b>2013</b>	<b>1Q2014</b>	<b>change, %</b>
<b>NON-CURRENT ASSETS</b>	<b>1,183,740</b>	<b>874,391</b>	<b>(26%)</b>
Property, plant and equipment	1,103,630	821,166	
Non-current biological assets	76,678	50,720	
Deferred tax assets	3,059	2,232	
Other non-current assets	373	273	
<b>CURRENT ASSETS</b>	<b>635,175</b>	<b>557,440</b>	<b>(12%)</b>
Inventories	193,382	155,166	
Current biological assets	60,648	54,074	
Trade accounts receivable, net	88,972	67,301	
Prepaid income tax	85	23	
Prepayments and other current assets, net	30,845	21,942	
Taxes recoverable and prepaid	104,439	80,462	
Cash and cash equivalents	156,804	178,472	
<b>TOTAL ASSETS</b>	<b>1,818,915</b>	<b>1,431,831</b>	<b>(21%)</b>
<b>TOTAL EQUITY</b>	<b>1,447,098</b>	<b>1,057,297</b>	<b>(27%)</b>
<b>NON-CURRENT LIABILITIES</b>	<b>263,414</b>	<b>273,642</b>	<b>4%</b>
<b>CURRENT LIABILITIES</b>	<b>108,403</b>	<b>100,892</b>	<b>(7%)</b>
Loans and bonds	64,504	65,861	
Trade Accounts Payable	15,084	9,834	
Other Payables	28,815	25,197	
<b>TOTAL LIABILITIES</b>	<b>371,817</b>	<b>374,534</b>	<b>1%</b>
<b>NET DEBT at the date</b>	<b>166,024</b>	<b>157,381</b>	<b>(5%)</b>

Source: Avangard's data

# Income Statement

<b>\$'000</b>	<b>1Q2013</b>	<b>1Q2014</b>	<b>change, %</b>
REVENUE	155,823	152,199	(2%)
Income from revaluation of biological assets at fair value	8,841	9,275	
Cost of sales	(102,466)	(101,729)	
GROSS PROFIT	62,198	59,745	(4%)
General administrative expenses	(3,961)	(5,456)	
Distribution expenses	(3,965)	(5,660)	
Income from government grants and incentives	76	68	
Income from special VAT treatment	13,097	5,680	
Other operating income/expenses, net	1,993	120	
OPERATING PROFIT/(LOSS)	69,438	54,497	(22%)
Financial income	42	39	
Financial expenses	(8,756)	(7,663)	
PROFIT BEFORE TAX	60,724	46,873	(23%)
Income tax expenses	(25)	(74)	
PROFIT/(LOSS) FOR THE PERIOD	60,699	46,799	(23%)
EBITDA	73,103	60,940	(17%)
EBITDA margin	46.9%	40%	

Source: Avangard's data

# Cash Flow Statement

<b>\$'000</b>	<b>1Q2013</b>	<b>1Q2014</b>
PROFIT BEFOR INCOME TAX	60,724	46,873
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	63,922	50,758
(Increase)/decrease in net working capital	(24,614)	(9,640)
Interest paid	(3,251)	(1,681)
Income tax paid	(32)	(28)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>36,025</b>	<b>39,409</b>
Purchases of PP&E	(60,301)	(28,689)
Interest received	42	39
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(60,259)</b>	<b>(28,650)</b>
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>(25,006)</b>	<b>14,642</b>
Effects of translation into presentation currency	-	(3,732)
Decrease/ (increase in restricted cash)		
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>(49,240)</b>	<b>25,400</b>
Cash at the beginning of the year	203,504	156,804
Cash at the end of the period	154,264	178,472

Source: Avangard's data