



Audited Financial Results For 2013
Management Presentation
11 April, 2014



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2. Market positioning
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Appendix: Financial snapshot




1. AVANGARDCO IPL at a glance

1.1. AVANGARDCO IPL's Overview

#1 shell eggs / dry egg products producer in Ukraine*

- 57% share in the industrial production of shell eggs in 2013
- 91% share in the production of dry egg products in 2013
- 90% share in export of eggs and dry egg products from Ukraine in 2013

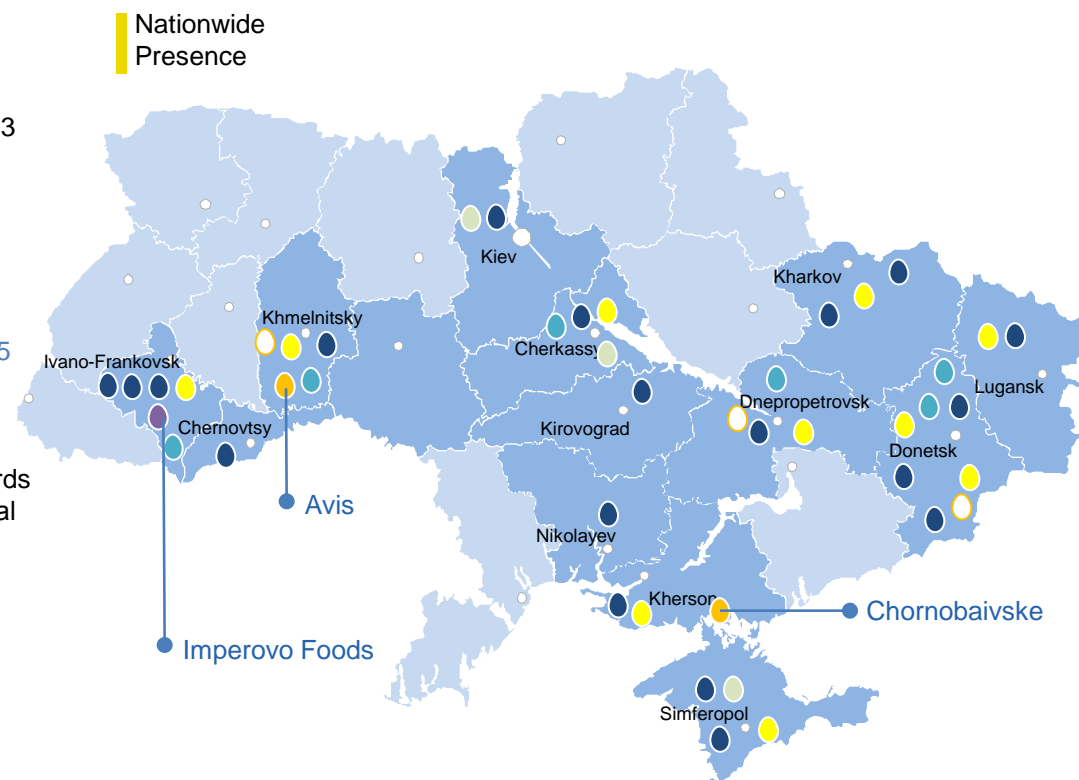
Investment projects update

- Two greenfield projects are completed: poultry complexes “Avis” and “Chornobaivske”
- The capacity expansion at the egg processing plant “Imperovo” is on schedule
- The rearing sites at new complexes can operate at full capacity of **5.045 mn hens**
- The industrial laying hens sites at new complexes can operate at full capacity of **11.184 mn hens** are capable of operating at full capacity
- The production facilities sites are fully compliant with European standards
- Actual utilization of the facilities is in line with the Company's operational plans
- At year-end 2013, **38%** of the total poultry flock and **34%** of the total population of laying hens were housed in new poultry complexes “Avis” and “Chornobaivske”.

Distribution and Sales

- The Company exports shell eggs as well as sells them to domestic wholesalers and retailers with an **increasing share of export and retail chains**
- The Company exports its products to **33 countries**
- Exports constituted **30%** of the Company's total sales in volume terms as of YE2013
- Shell eggs are exported primarily to the **Middle East, Asia, Africa and the CIS**
- The Company's “Kvochka” – branded products are sold across Ukraine

*According to data from SSCU, Pro-Consulting



- - 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.

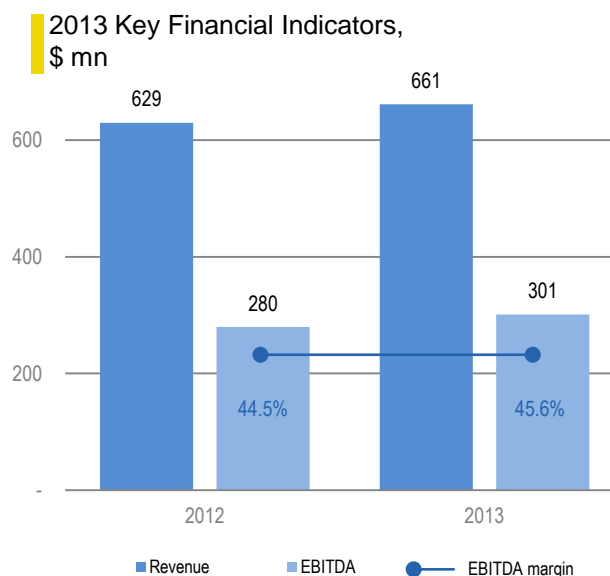
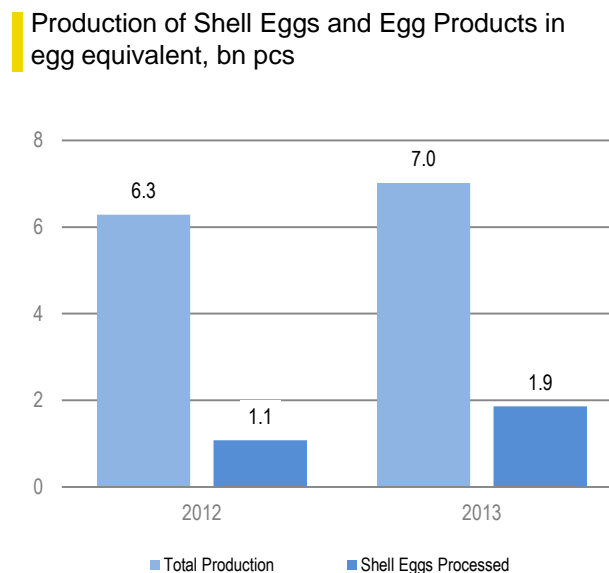
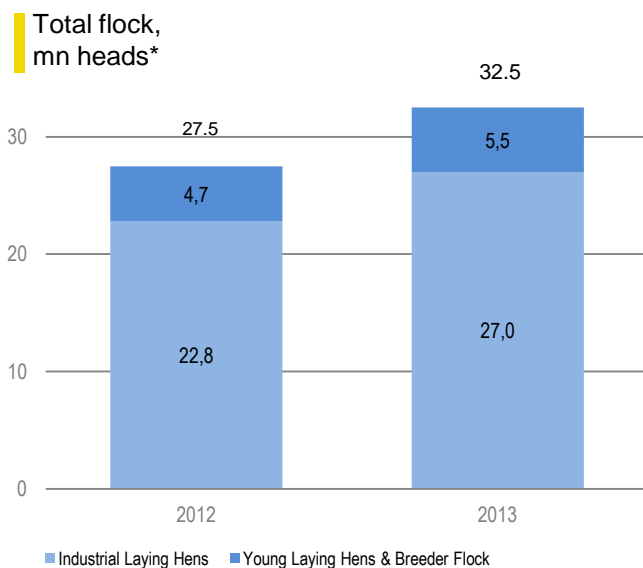
1.2. Strong Operational and Financial Performance

2013 Operational Performance

- Shell eggs production (+12%): **7.0 bn pcs** in 2013 vs. 6.3 bn pcs in 2012
- Sales to third parties (-2%): **5.1 bn pcs** in 2013 vs. 5.2 bn pcs in 2012
- Average selling price of shell eggs (-1%): **0.69 UAH (excl. VAT)** in 2013 vs. 0.70 UAH (excl. VAT) in 2012
- Average selling price of egg products (-6%): **7.64 \$/kg** in 2013 vs. 8.11 \$/kg in 2012
- Export sales of shell eggs and egg products (+73%): **1.9 bn pcs** in 2013 vs. 1.1 bn pcs in 2012
- Total flock (+18%): **32.5 mn heads** as of 31 Dec. 2013 vs. 27.5 mn heads as of 31 Dec. 2012
- **38%** of the total flock and **34%** of the population of laying hens were housed in new poultry complexes as of 31 Dec. 2013

2013 Financial Performance

- Revenue (+5.1%): **\$661.2 mn** in 2013 vs. \$629.3 mn in 2012
- EBITDA (+8%): **\$301.2 mn** in 2013 vs. \$279.8 mn in 2012
- EBITDA margin (+1.1p.p.): **45.6%** in 2013 vs. 44.5% in 2012
- Total debt/LTM EBITDA: **1.1**



* As at 31.12.2013

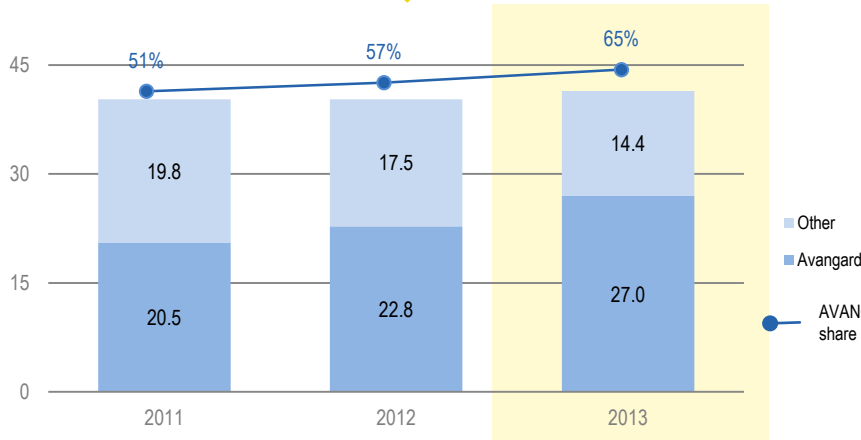


2. Market Positioning

2.1. Industry Leader

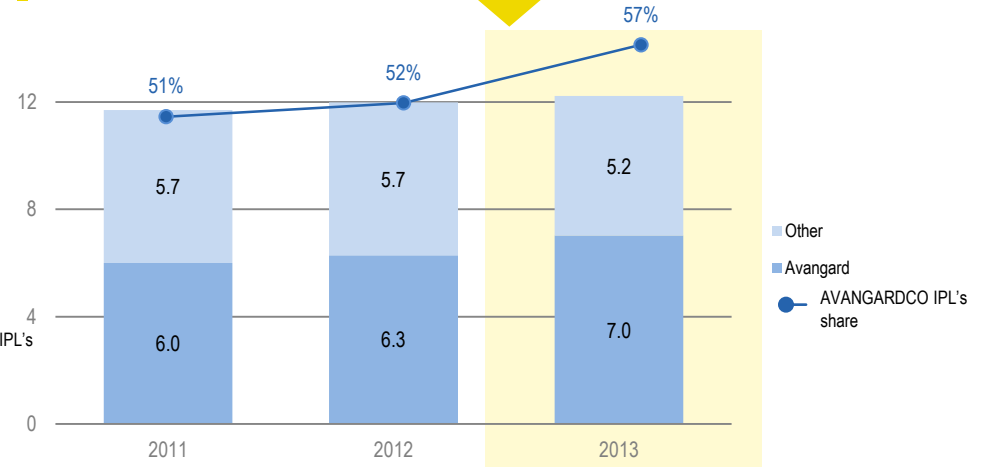
Industrial Laying Flock, mn hens

#1



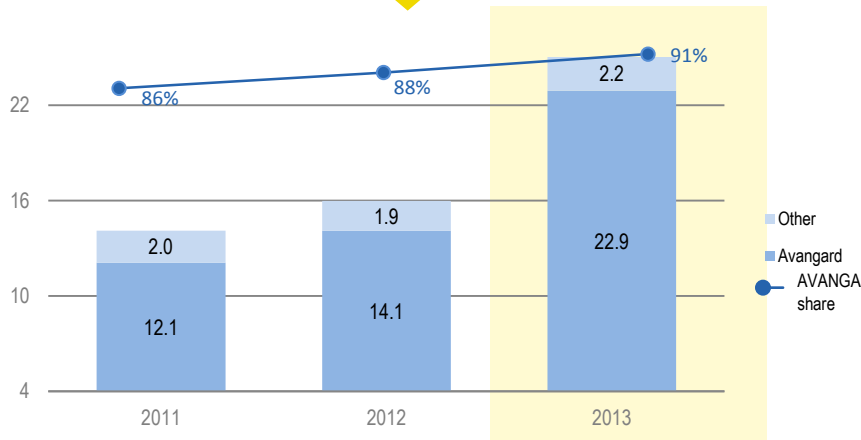
Industrial Production of Shell Eggs, bn pcs

#1



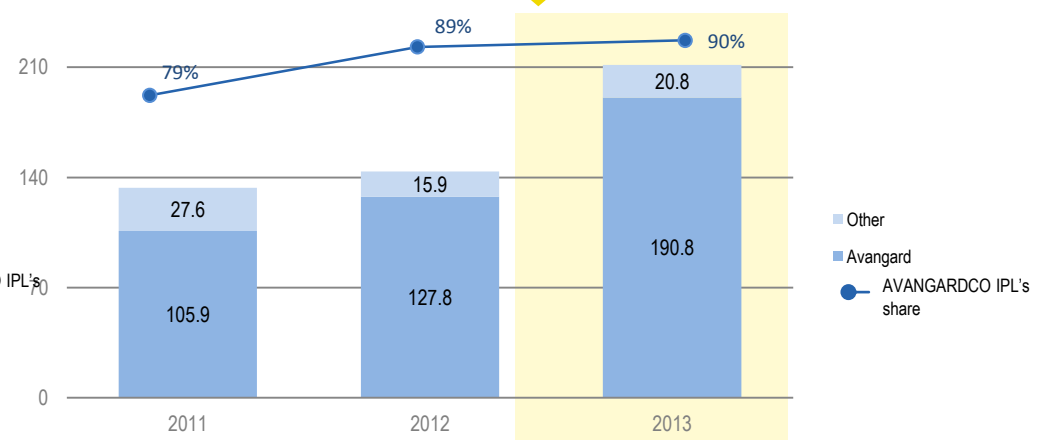
Industrial Productions of Dry Egg Products, th tons

#1



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

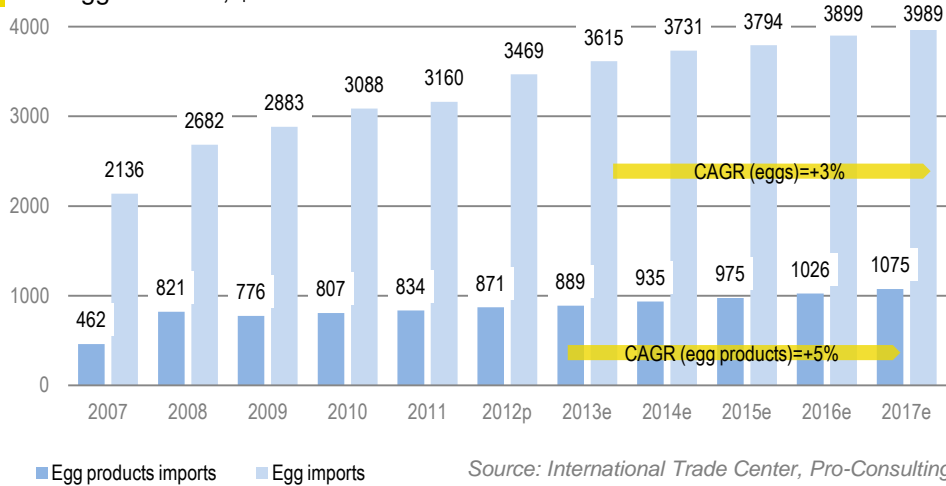
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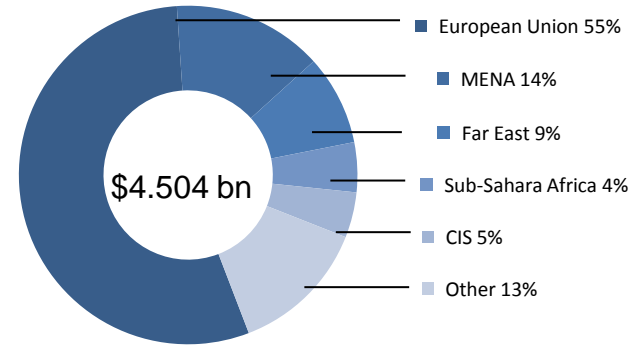
* Source: Pro-Consulting, Avangard's Data

2.2. Strong Market Fundamentals: World

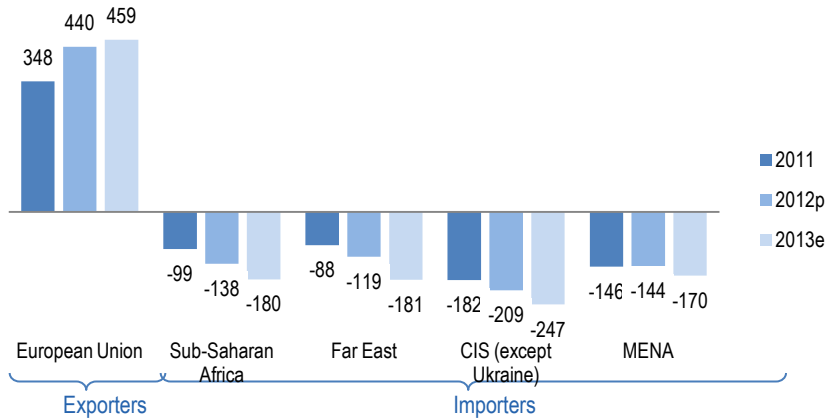
World Imports of Eggs and Egg Products, \$ mn



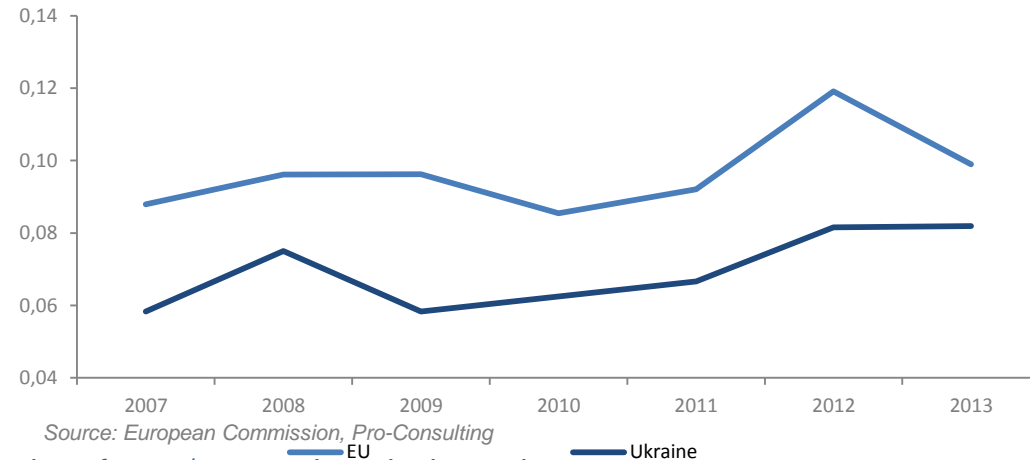
Structure of World Imports of Eggs and Egg Products in 2013E, \$ mn



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



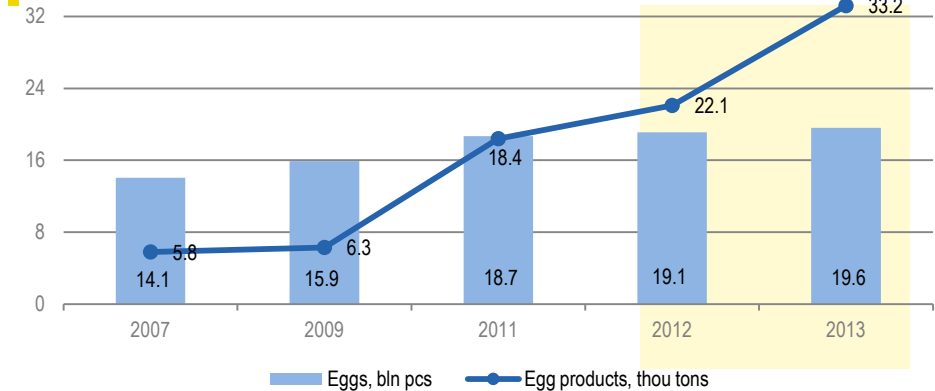
Average Domestic Price of Eggs in EU and Ukraine, \$/egg



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

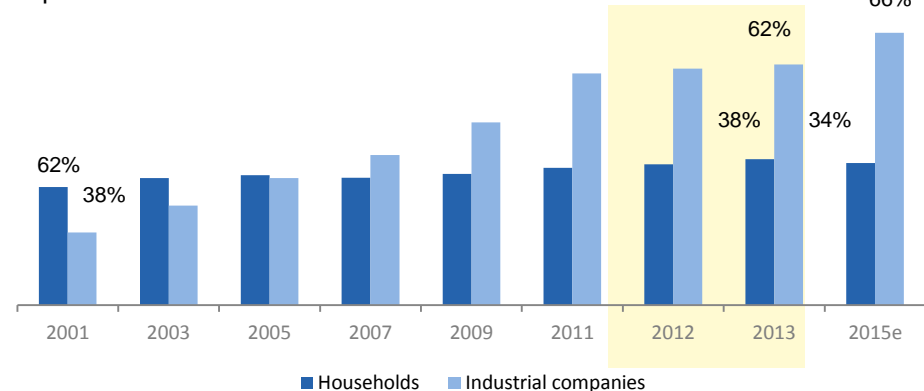
2.3. Strong Market Fundamentals: Ukraine

Eggs and Egg Products Production in Ukraine



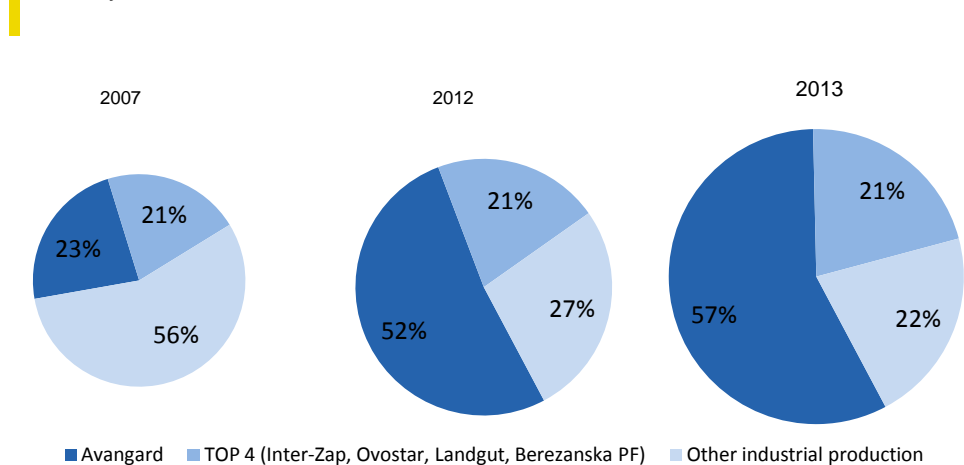
Source: SSCU, Pro-Consulting

Households vs Industrial Companies, bn pcs



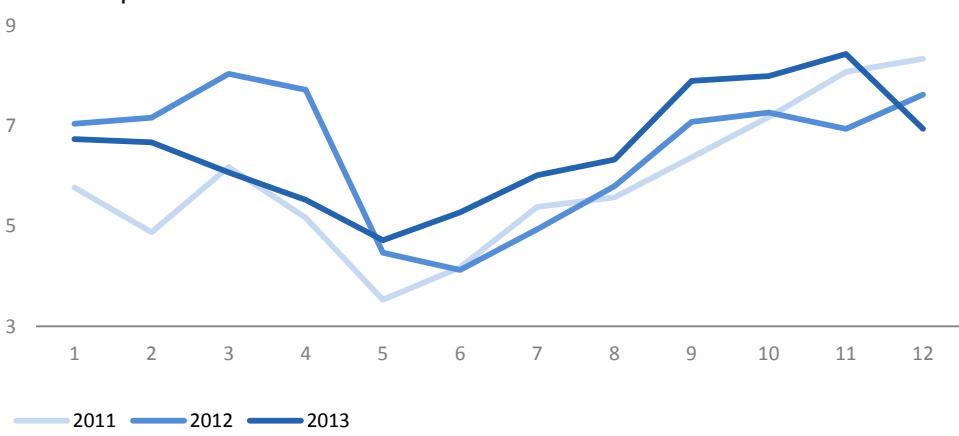
Source: SSCU, Pro-Consulting

Industry Consolidation



*Source: Pro-Consulting, Company data

Egg price in Ukraine, UAH / 10 pcs



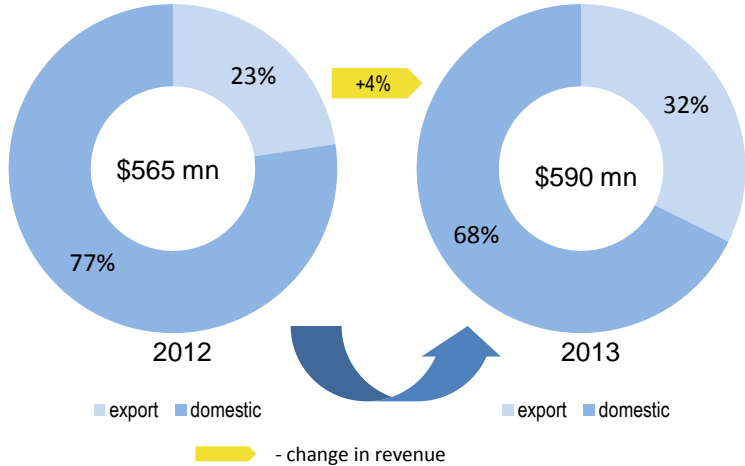
Source: Pro-Consulting, Company data

Market consolidation will drive further price increases

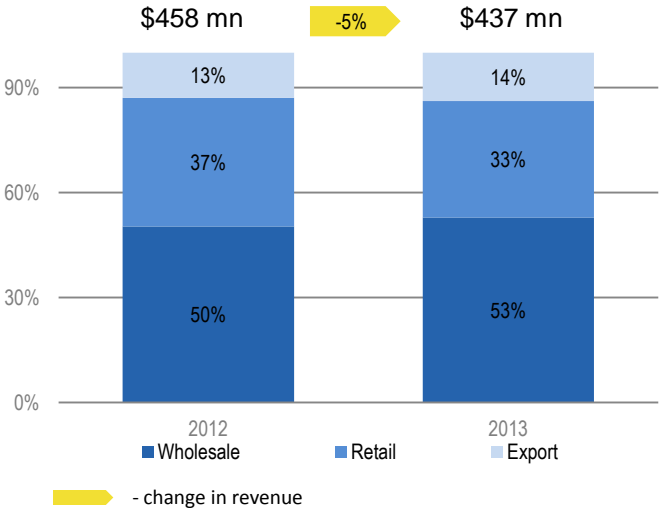
2.4. Diversified Sales Structure

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

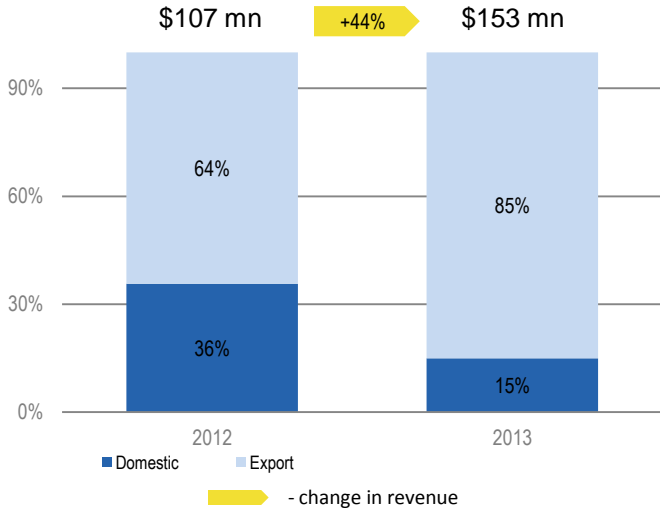
Sales Structure of Eggs and Egg product, % of Revenue



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

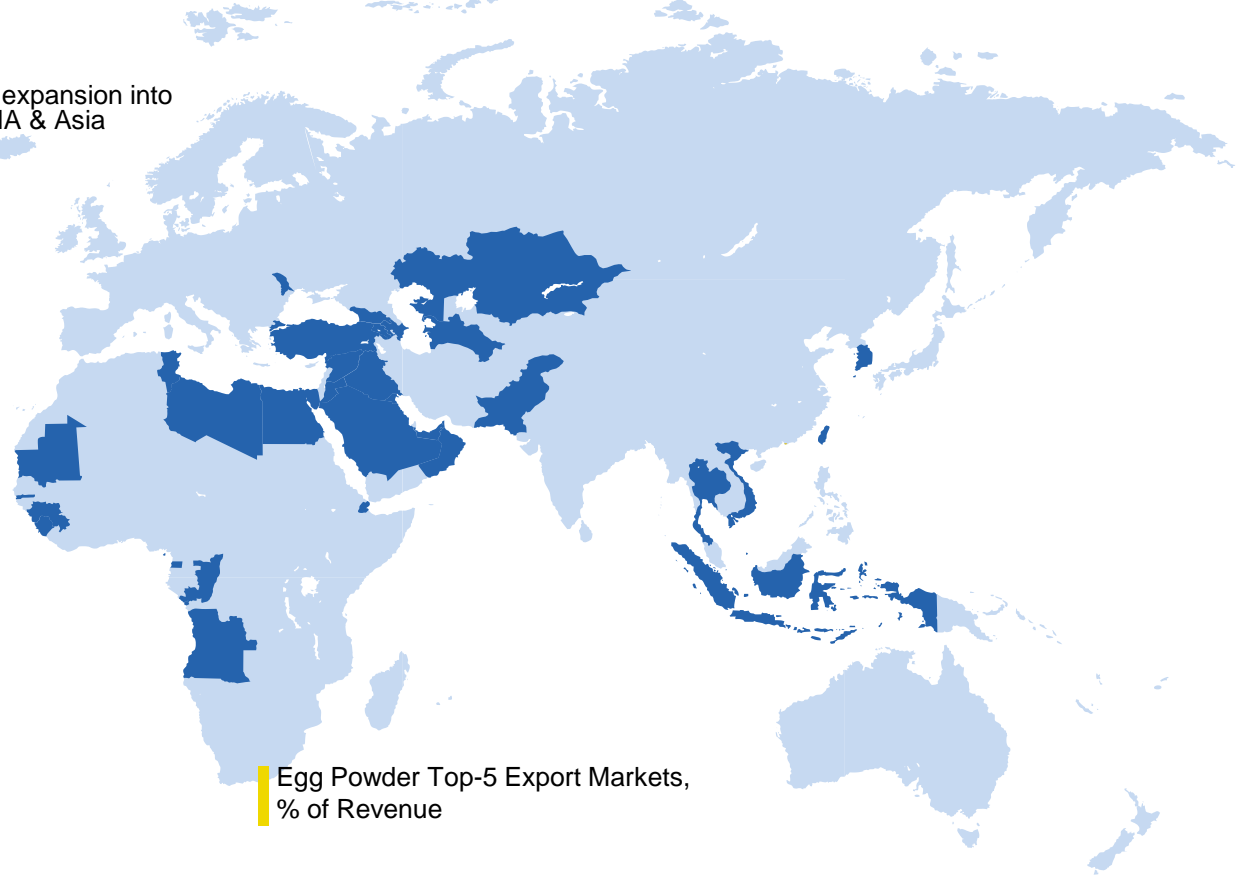
- Angola
- Egypt
- Gambia
- Liberia
- Libya
- Mauritania
- Republic of Djibouti
- Taiwan
- Tunisia
- Congo
- Sierra Leone
- Equatorial Guinea

1H2013: 1 market

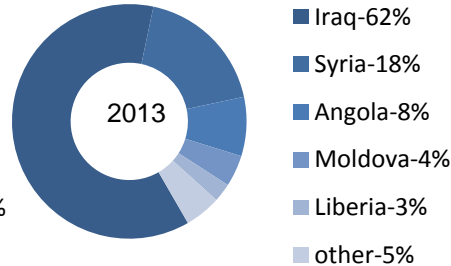
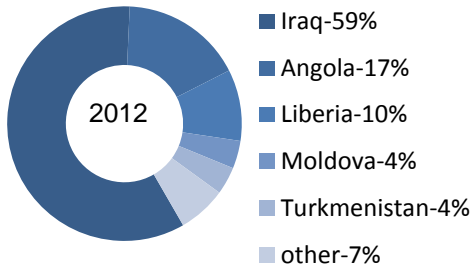
- Guinea Bissau

2009-2013: 33 markets

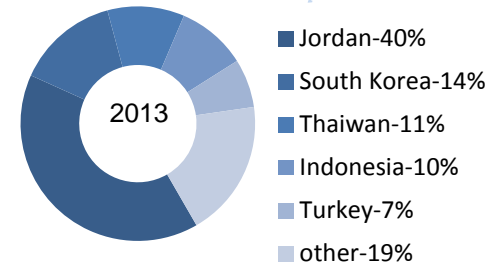
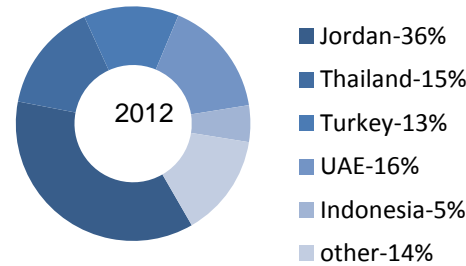
Export strategy of expansion into key markets: MENA & Asia



Eggs Top-5 Export Markets, % of Revenue



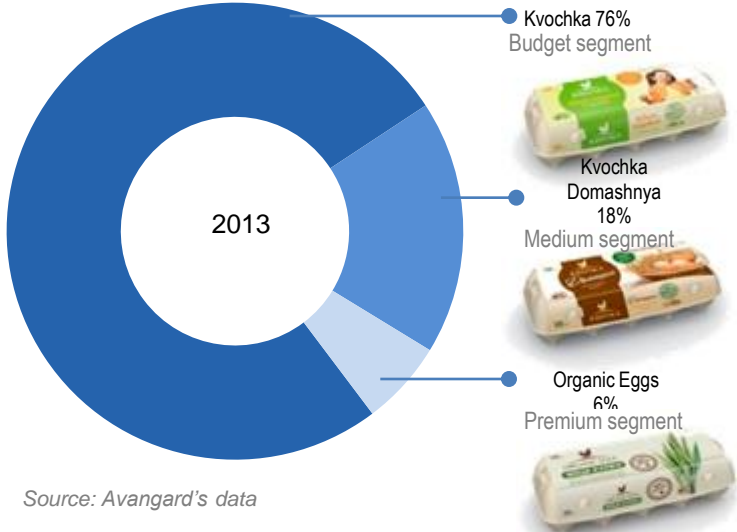
Egg Powder Top-5 Export Markets, % of Revenue



2.6. Development of Branded Product Line

- The Company sells non-branded and branded shell eggs through the main retail chains in Ukraine
- Packaged shell eggs under the “Kvochka” umbrella brand are represented in the most popular consumer price segments
- Currently the Company supplies its “Kvochka” – branded products to 16 national and 14 regional retail chains in Ukraine
- In 2013 the Company sold 42.9 mln pieces of packaged eggs under the umbrella brand “Kvochka”, which was 19% higher compared to the 2012.

Sales of Packaged Shell Eggs, 2013



Source: Avangard's data

Top-10 key accounts: ATB, Fozzy, Pakko, Megamarket, Eko, Auchan, Karavan, Perekrestok, Ekspansiya, Velyka Kyshenya.

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



3. Investment Projects Update



3. Investment Programme is Completed

- The construction of two poultry complexes “Avis” and “Chornobaivske” is fully completed. The projects increased the total capacity to **30.1 mn laying hens** (+59% from 18.9 mn laying hens in 2010) and total egg output capacity to **8.6 bn pcs** (+65% from 5.2 bn pcs in 2010).
- As of 31 Dec. 2013 **38%** of the total flock was placed at new complexes (**34%** of laying hens)

Avis egg production complex

- The launch of new “Avis” poultry complex with capacity of **5.2 mn laying hens** and **1.6 bn shell eggs** capacity is completed
- The Company is close to the completion of the assembly works at the feed milling plant and set-up works will be completed by the end of the year
- Biogas unit is on schedule

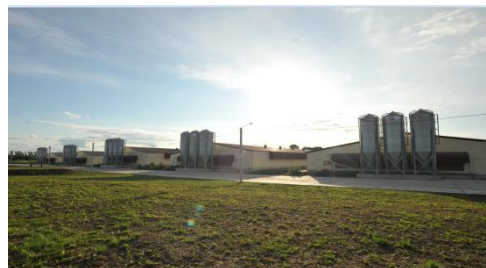
Chornobaivske egg production complex

- The launch of new “Chornobaivske” poultry complex with capacity of **6.0 mn laying hens** and **1.9 bn shell eggs** capacity is completed
- The feed milling plant is in progress
- Biogas unit is on schedule

“Imperovo Foods” egg processing plant

- The processing capacity has been increased to **6 mn eggs per day**; “Imperovo Foods” has operated at full capacity since May 2013
- Currently the processing capacity is being gradually increased to process **10 mn eggs per day**.

Avis. Rearing site
(total capacity of 2.635 mn hens)



Avis. Industrial site
(total capacity of 5.202 mn hens)



Chornobaivske. Rearing site
(total capacity of 2.410 mn hens)



Chornobaivske. Industrial site
(total capacity of 5.977 mn hens)



Imperovo Foods
Egg processing equipment



Imperovo Foods
Egg processing line



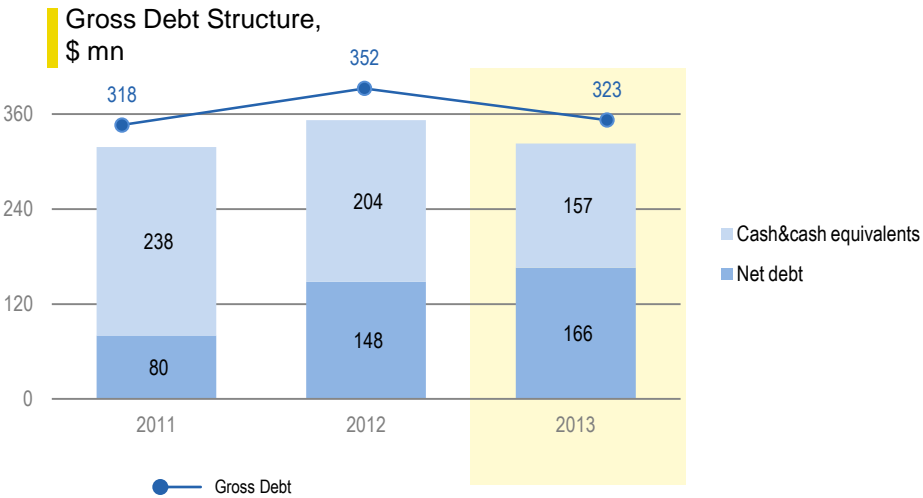
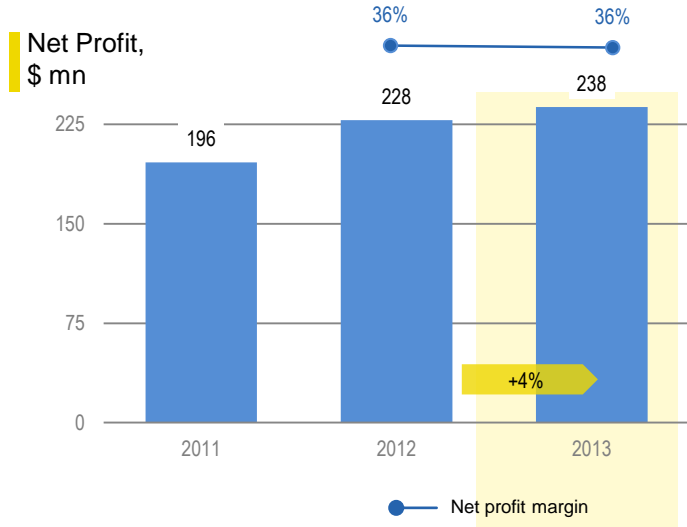
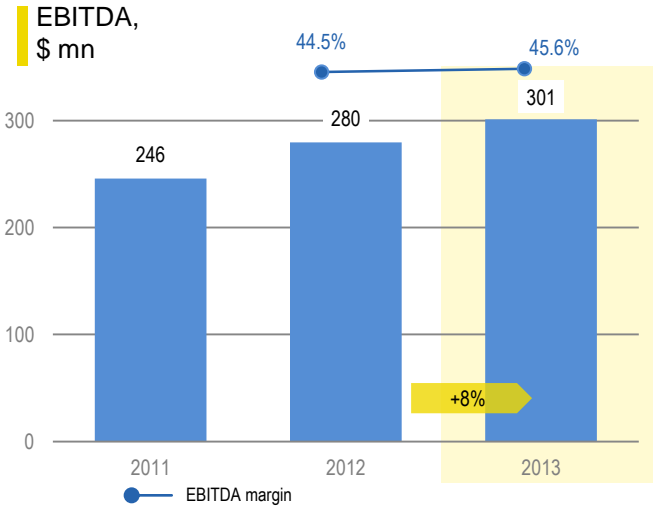
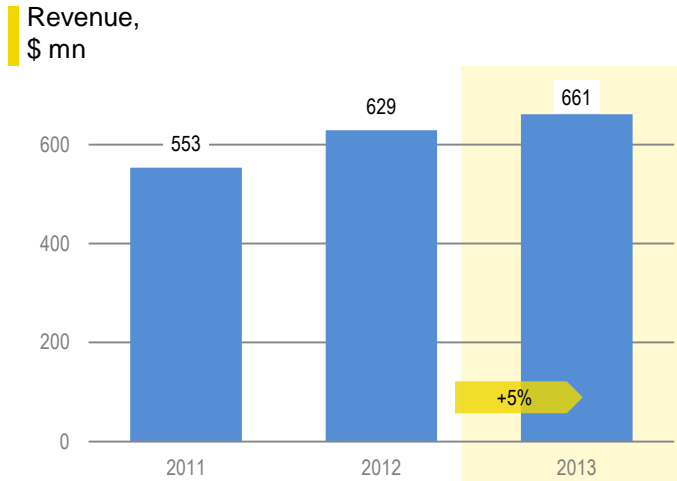
	Breakdown of Capital Expenditures, \$ mn				
	Before IPO	2010-12	2013	2014E	Total
Avis	124	210,6	27	8,4	370
Chornobaivske	147	158	47	16	368
Imperovo Foods	-	115	45	0	160
Total Expansion CAPEX	271	483,6	119	24,4	898
Maintenance CAPEX	-	16	45	39	103



4. Financial Results



4.1. Key Financial Highlights



Source: Avangard's data

4.2. Key Segment Results

SALES REVENUE, \$'000	2012	2013	change, %
Shell egg	458,308	436,814	-5%
Egg products	106,644	153,11	44%
Other	64,354	71,277	11%

The decrease in Shell Eggs segment revenue was due to:

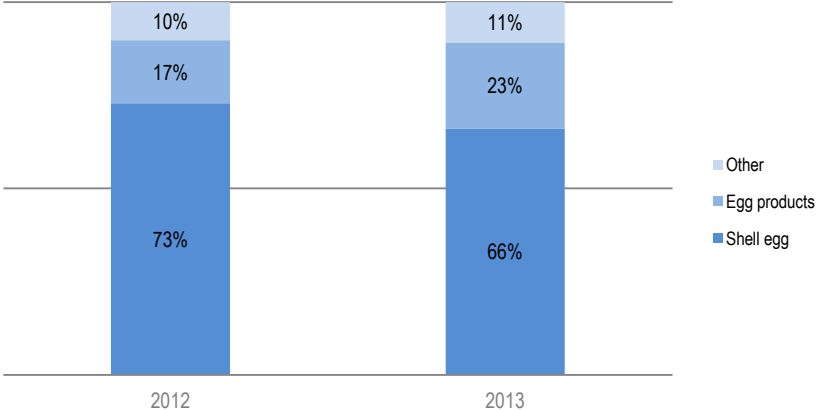
- the redistribution of shell eggs sales channels (an increase in further processing of shell eggs into dry egg products)

The increase in Egg Products segment revenue was due to:

- the increase in processing capacity to 6 mn eggs per day at “Imperovo Foods”
- the increase in sales volume
- the expansion of exports

Revenue derived from key segments (eggs and egg products) increased by 4% in 2013 and amounted to 89% of the Company’s consolidated revenue.

Sales Revenue Structures, %



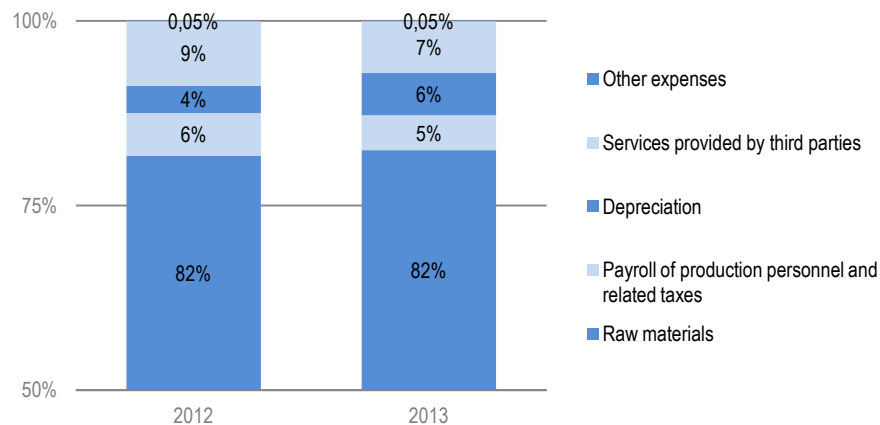
Source: Avangard’s data

4.3. Cost Structure

Cost of Finished Goods Sold by Elements

\$'000	2012	2013	change, %
Raw materials	324,260	354,379	9%
Payroll of production personnel and related charges	23,098	20,313	-12%
Depreciation	14,639	24,556	68%
Services provided by third parties	34,780	30,224	-13%
Other	0,183	0,223	22%
Total COGS	396,960	429,695	8%

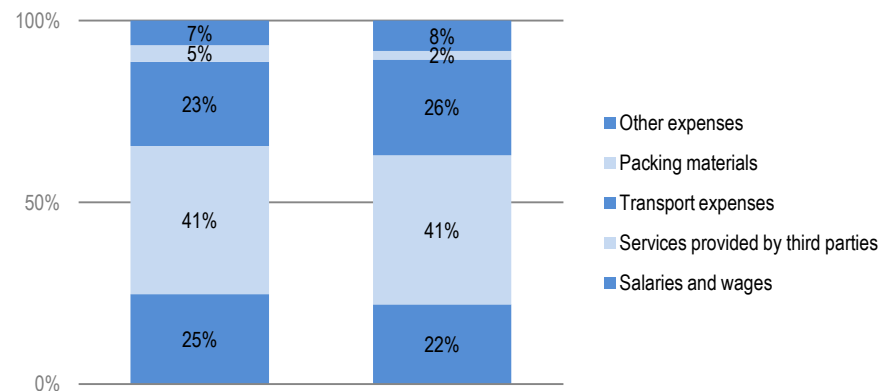
Cost of Finished Goods Sold Structure



General, Administration and Distribution Costs by Elements

\$'000	2012	2013	change, %
Salaries and wages	10,541	9,321	-12%
Services provided by third parties	17,392	17,382	0%
Transport expenses	9,853	11,146	13%
Packing materials	1,939	1,002	-48%
Other expenses	2,890	3,525	22%
Total GA&D	42,615	42,376	-1%

General, Administration and Distribution Costs Structure



Source: Avangard's data

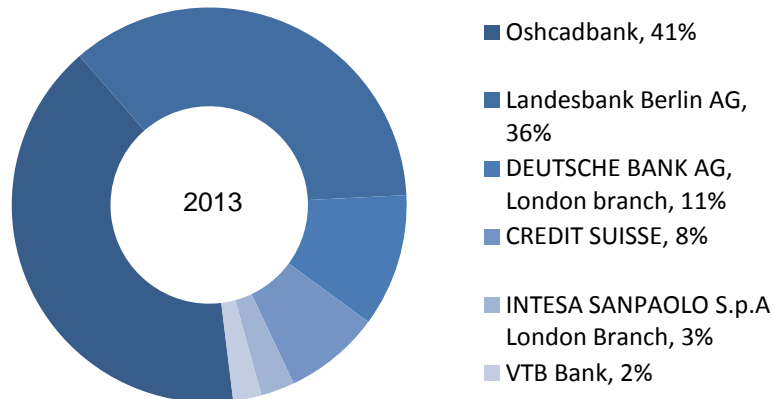
4.4. Debt Structure

Debt Structure

\$'000	2012	2013	% change
Total Debt	352,232	322,828	-8%
Long-term	201,031	258,628	29%
Short-term	119,391	50,000	-58%
Current portion of long-term	31,810	14,200	-55%
Net Debt	147,934	166,024	12%
			covenant
Net debt/LTM EBITDA	0.5	0.6	
Total debt/LTM EBITDA	1.3	1.1	<=3.0

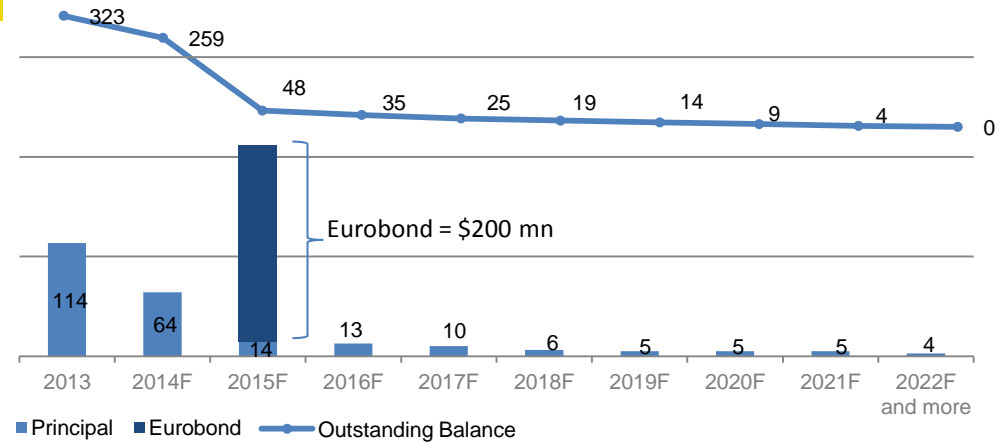
- Financial leverage coefficient made up 10.3% as of 31.12.2013 vs. 11.2% as at 31.12.2012

Loan Portfolio by Creditor in 2013**



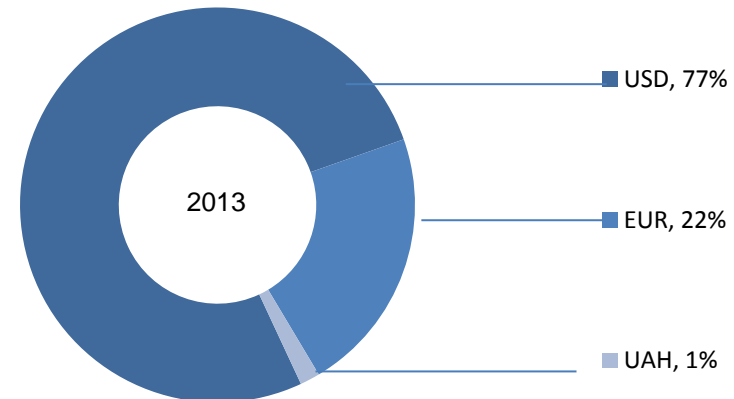
**excl. bonds, leasing and commodity credits / Source: Avangard's data

Loans Portfolio Servicing Schedule, \$ mn*



*excl. interests

Loan Portfolio Structure by Currency in 2013





Appendix: Financial Snapshot

Balance Sheet

\$'000	2012	2013	change, %
NON-CURRENT ASSETS	969,153	1 183,740	22%
Property, plant and equipment	920,072	1 103,630	
Non-current biological assets	46,724	76,678	
Deferred tax assets	1,966	3,059	
Other non-current assets	391	373	
CURRENT ASSETS	609,175	635,175	4%
Inventories	177,886	193,382	
Current biological assets	56,889	60,648	
Trade accounts receivable, net	55,551	88,972	
Prepaid income tax	18	85	
Prepayments and other current assets, net	11,966	30,845	
Taxes recoverable and prepaid	102,567	104,439	
Cash and cash equivalents	204,298	156,804	
TOTAL ASSETS	1,578,328	1 818,915	15%
TOTAL EQUITY	1,167,195	1 447,098	24%
NON-CURRENT LIABILITIES	206,150	263,414	28%
CURRENT LIABILITIES	204,983	108,403	-47%
Loans and bonds	151,505	64,504	
Trade Accounts Payable	24,435	15,084	
Other Payables	29,043	28,815	
TOTAL LIABILITIES	411,133	371,817	-10%
NET DEBT at the date	147,934	166,024	12%

Source: Avangard's data

Income Statement

\$'000	2012	2013	change, %
REVENUE	629,306	661,202	5%
Income from revaluation of biological assets at fair value	26,191	35,158	
Cost of sales	(396,960)	(429,695)	
GROSS PROFIT	258,537	266,665	3%
General administrative expenses	(22,559)	(16,746)	
Distribution expenses	(20,056)	(25,630)	
Income from government grants and incentives	305	299	
Income from special VAT treatment	46,484	55,198	
Other operating income/expenses, net	1,773	(4,036)	
OPERATING PROFIT/(LOSS)	264,484	275,750	4%
Financial income	680	124	
Financial expenses	(36,936)	(38,887)	
PROFIT BEFORE TAX	228,228	236,987	4%
Income tax expenses	5	1,096	
PROFIT/(LOSS) FOR THE PERIOD	228,233	238,083	4%
EBITDA	279,768	301,237	8%
EBITDA margin	44,5%	45,6%	1,1%

Source: Avangard's data

Cash Flow Statement

\$'000	2012	2013
PROFIT BEFOR INCOME TAX	228,228	236,987
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	248,726	259,398
(Increase)/decrease in net working capital	38,751	(64,732)
Interest paid	(9,946)	(7,136)
Income tax paid	(0,081)	(92)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	277,45	187,438
Purchases of PP&E	(321,635)	(184,808)
Interest received	680	124
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	(320,955)	(184,684)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	16,490	(49,454)
Effects of translation into presentation currency	(121)	-
Decrease/ (increase in restricted cash)		
NET INCREASE/(DECREASE) IN CASH	(27,015)	(46,700)
Cash at the beginning of the year	230,640	203,504
Cash at the end of the period	203,504	156,804

Source: Avangard's data