



Management Presentation
Financial Results for 9M2014
01 December, 2014



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Table of contents



1. Business and Operations Update
2. Financial Results

Appendix: Financial Snapshot






1. Business and Operations Update

Operational performance in 9M2014 vs. 9M2013

Shell eggs

- Production remains flat at **5.114 bn pcs**
- Sales to third parties down by 6% to **3.499 bn pcs**
- Export up by 32% to **462 mn pcs**
- Average sales price up by 9% to **0.71 UAH (excl. VAT)**

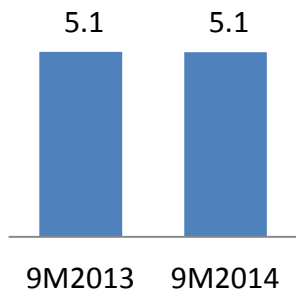
Egg products

- Eggs processed into dry egg products up by 20% to **1.518 bn pcs**
- Dry egg products produced up by 15% to **17.7 th tonnes**
- Sales up by 17% to **15.9 th tonnes**
- Export up by 13% to **13.0 th tonnes**
- Average sales price down by 14% to **6.51 USD**

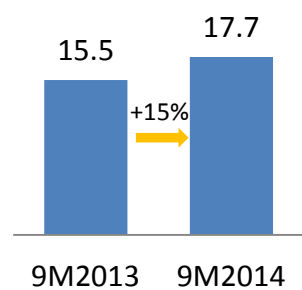
Poultry flock

- Total flock down by 18% to **25.9 mn heads** as at 30 September 2014
- The actual number of laying hens down by 25% YoY and by 31% from the YE2013 to **18.5 mn heads** as at 30 September 2014 due to conflict in East Ukraine and the annexation of Crimea
- New poultry complexes Avis and Chornobaivske worked at 92% capacity or **10.3 mn laying hens** as at 30 September 2014

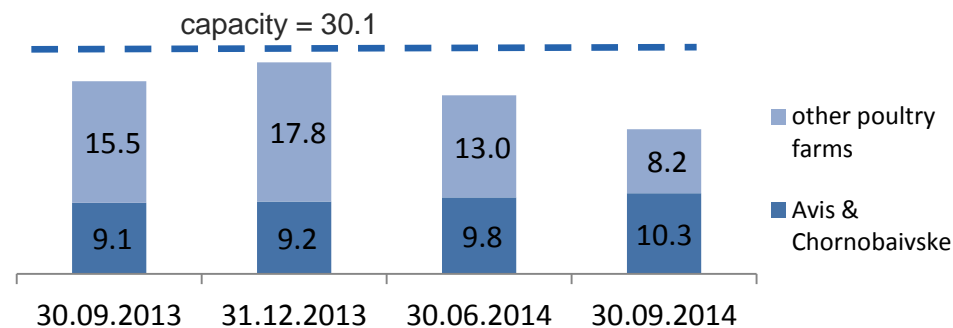
Production of shell eggs, bn pcs



Production of dry egg products, th tonnes

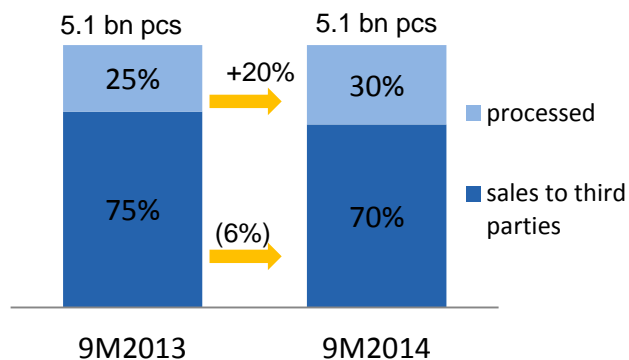


Total number of laying hens, mn heads



Diversified sales structure: growing focus on export and retail sales

Production of shell eggs by volume, %

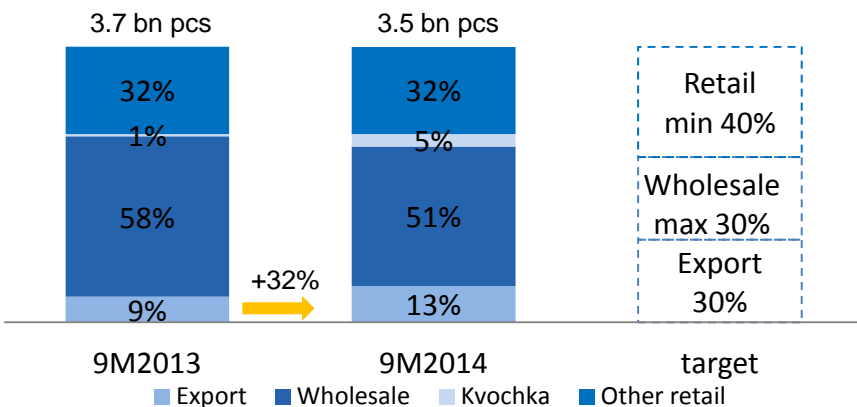


- Production of shell eggs remained flat
- 6% decrease in sales of shell eggs to third parties due to the 20% increase in further processing of shell eggs into dry egg products to meet demand in export markets
- redistribution of shell eggs sales channels:
 - 32% increase in export sales (13% share in total sales)
 - 37% share of retail sales with the five(fold increase in the sales of packaged eggs "Kvochka" to 160 mn pieces
- 13% increase in export of dry egg products (82% share in total sales)

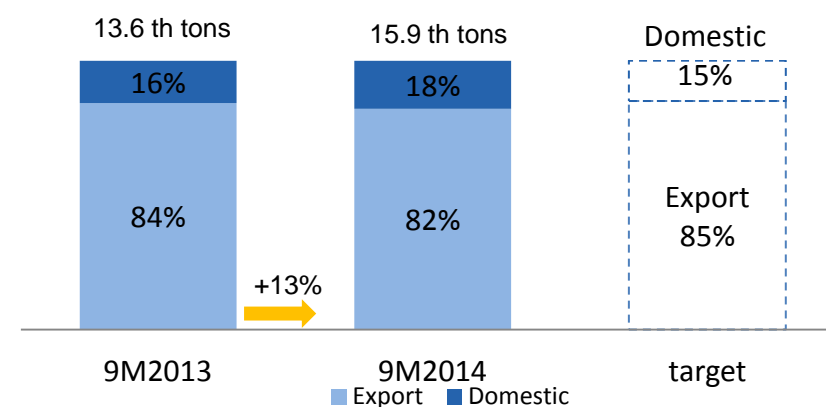
On September 30, 2014, the "Imperovo Foods" egg processing plant received EU approval to export egg products

On August 18, 2014, the Company received a certificate of Kosher status of its shell eggs and egg products, and is currently getting ready to make the first shipment to Israel.

Eggs sales to third parties by volume, %



Egg products sales by volume, %





2. Financial Results

Key financial highlights

\$'000	3Q2013	3Q2014	%	9M2013	9M2014	%
Revenue	162,254	92,013	(43%)	466,542	354,693	(24%)
Average shell egg price, UAH/egg	0.69	0.80	15%	0.65	0.71	9%
Average shell egg price, USD/egg	0.086	0.063	(27%)	0.081	0.064	(21%)
Average egg products price USD/kg	7.57	6.61	(13%)	7.61	6.51	(14%)
Cost of sales	(102,967)	(70,210)	(32%)	(309,368)	(261,142)	(16%)
Cost per egg, UAH/egg	0.41	0.60	44%	0.42	0.51	21%
Cost per egg, USD/egg	0.052	0.047	(9%)	0.052	0.046	(12%)
Cost per egg products, USD/kg	4.55	3.51	(23%)	4.52	3.92	(13%)
Gross profit	67,993	21,288	(69%)	186,597	102,085	(45%)
Net Profit/Loss	56,411	(57,735)	(202%)	161,968	(5,747)	(104%)
EBITDA	70,372	29,678	(58%)	205,738	108,628	(47%)
EBITDA margin	43%	32%	(11%)	44%	31%	(13%)

- the decrease in the consolidated revenue was primarily due to the Ukrainian hryvnia devaluation against the US dollar by approximately 38% as well as the decline in the sales price of dry egg products by 14% YoY and in the sales of shell eggs to third parties by 6% YoY. However, the increase in export sales coupled with growth of sales to retail chains has partially offset the decline in the Company's consolidated revenue;

- the average sales price of shell eggs in the Ukrainian hryvnia increased by 9% YoY to 0.71 UAH per unit (excl. VAT) as a result of the seasonal growth, however the Ukrainian hryvnia devaluation reduced the positive effect of the price growth;

- the increase in cost per egg in the Ukrainian hryvnia was due to higher fodder prices and other components;

- the decrease in cost per unit for eggs and egg products in the US Dollars was due to the Ukrainian hryvnia devaluation;

- net loss was due to a one-off impairment charge on assets in Crimea and Eastern Ukraine and losses on foreign exchange of US\$49.5 mln.

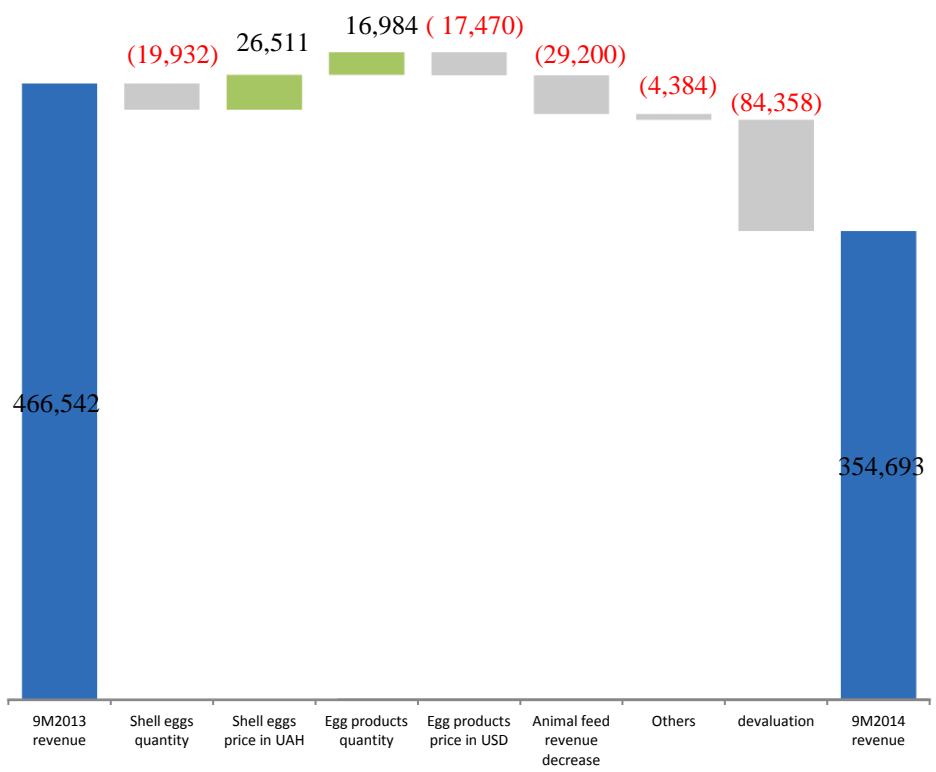
Average FX UAH/USD

1Q13	1Q14	Δ	2Q13	2Q14	Δ	3Q13	3Q14	Δ	9m13	9m14	Δ
7.993	8.863	+11%	7.993	11.696	+46%	7.993	12.577	+57%	7.993	11.059	+38%

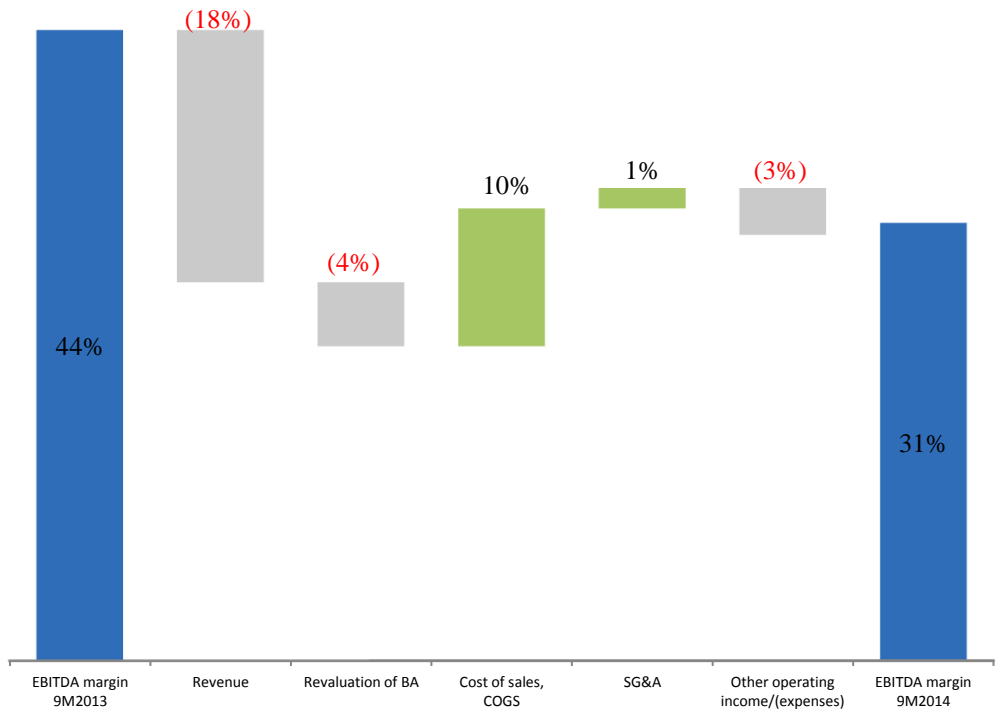
Revenue and EBITDA margin bridges 9M2013 vs 9M2014



Revenue bridge



EBITDA margin* bridge



* Depreciation is not included

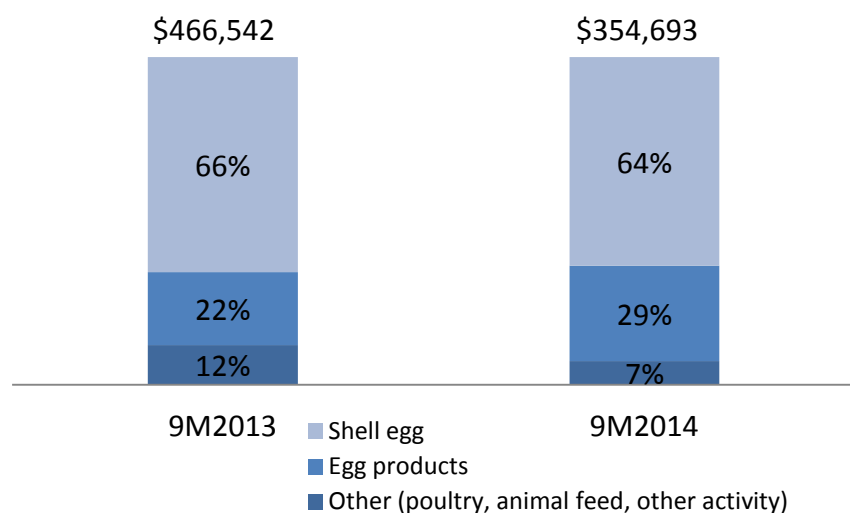
Source: Company data

Key segment results

Key financial indicators

USD '000	shell eggs						egg products					
	3Q2013	3Q2014	%	9M2013	9M2014	%	3Q2013	3Q2014	%	9M2013	9M2014	%
Revenue	107,366	67,951	(37%)	306,123	226,009	(26%)	46,374	20,515	(56%)	103,942	103,312	(1%)
Export sales, %	12%	23%	11%	14%	22%	8%	85%	96%	11%	85%	82%	(3%)
Revenue contribution, %	66%	74%	8%	66%	64%	(2%)	29%	22%	(7%)	22%	29%	7%
Gross profit	53,052	14,711	(72%)	131,425	60,794	(54%)	15,453	7,650	(50%)	42,289	41,064	(3%)
Gross profit contribution, %	78%	69%	(9%)	70%	60%	(10%)	23%	36%	13%	23%	40%	17%
Gross profit margin, %	49%	22%	(27%)	43%	27%	(16%)	33%	37%	4%	41%	40%	(1%)

Sales revenue structure by segment



- A revenue share of two main segments (shell eggs and egg products) increased by 5% in total sales structure compared to 9M2013 and reached 93% of consolidated revenue in 9M2014;
- An export revenue share of two main segments (shell eggs and egg products) increased by 9% in those segments sales structure and reached 41% consolidated revenue in those segments in 9M2014 vs 9M2013 due to increase in export volumes;
- 9M2014 revenue in shell eggs segment decreased by 26% vs. 9M2013 due to the Ukrainian hryvnia devaluation and the decline in the sales of shell eggs to third parties, that was partially offset by the increase in export sales and sales to retail chains;
- A slight decline in dry egg products export revenue resulted from a decrease in sales to Jordan during the third quarter of 2014 in connection with the military conflict in Iraq as Jordan has reduced the volume of purchases of dry egg products.

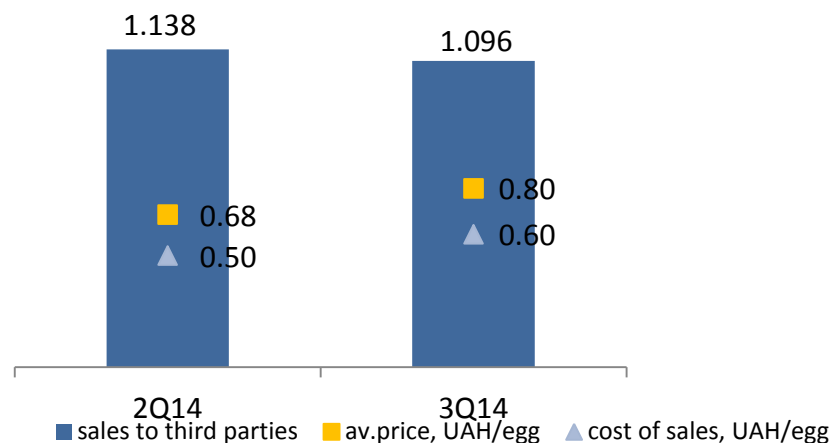
Source: Company data

Key segment quarter results

Key financial indicators

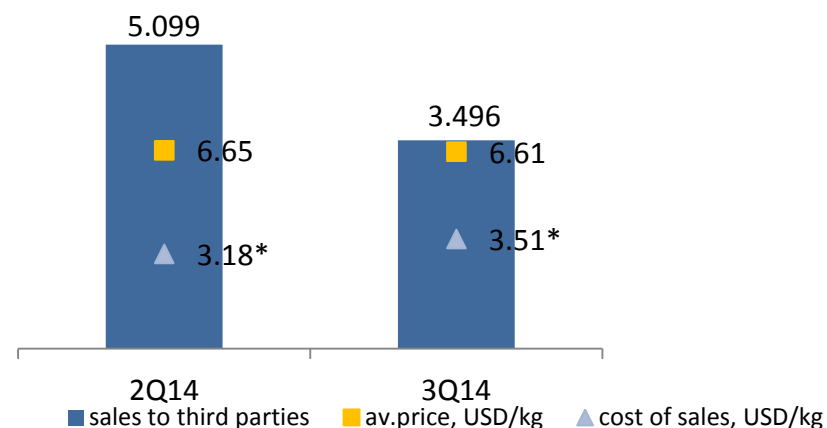
USD '000	Shell eggs			Egg products			Consolidated		
	2Q2014	3Q2014	%	2Q2014	3Q2014	%	2Q2014	3Q2014	%
Revenue	62,457	67,951	9%	31,471	20,515	(35%)	110,481	92,013	(17%)
Export sales, %	25%	23%	(2%)	87%	96%	9%	39%	38%	(1%)
Revenue contribution, %	57%	74%	17%	28%	22%	(6%)			
Gross profit	10,603	14,711	39%	15,279	7,650	(50%)	21,051	21,289	1%
Gross profit contribution, %	50%	69%	38%	73%	36%	(51%)			
Gross profit margin, %	17%	22%	5%	49%	37%	(12%)	19%	23%	4%

Shell eggs sales, bn pcs



Source: Company data

Egg products sales, th tonnes



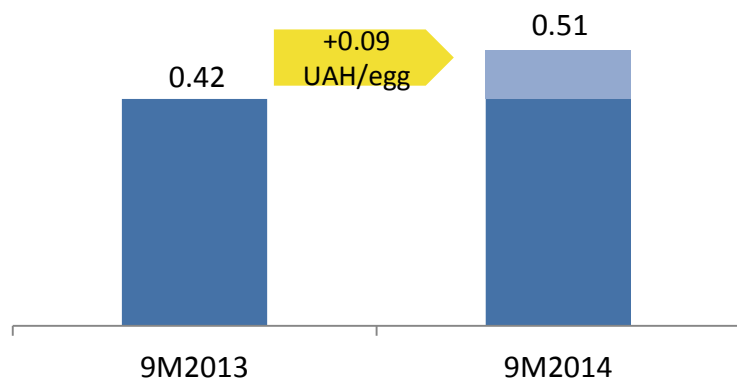
*recalculated from UAH to USD per average quarter FX rate, see sl.8

Cost structure in 9M2014 vs. 9M2013

Cost of finished goods breakdown

USD '000	9M2013	9M2014	change
Raw materials	250,299	210,658	(16%)
Payroll of production personnel and related charges	15,790	12,258	(22%)
Depreciation	18,039	14,765	(18%)
Services provided by third parties	23,687	21,789	(8%)
Other	130	115	(12%)
Total COGS	307,945	259,585	(16%)

Change in cost of shell egg, UAH/egg

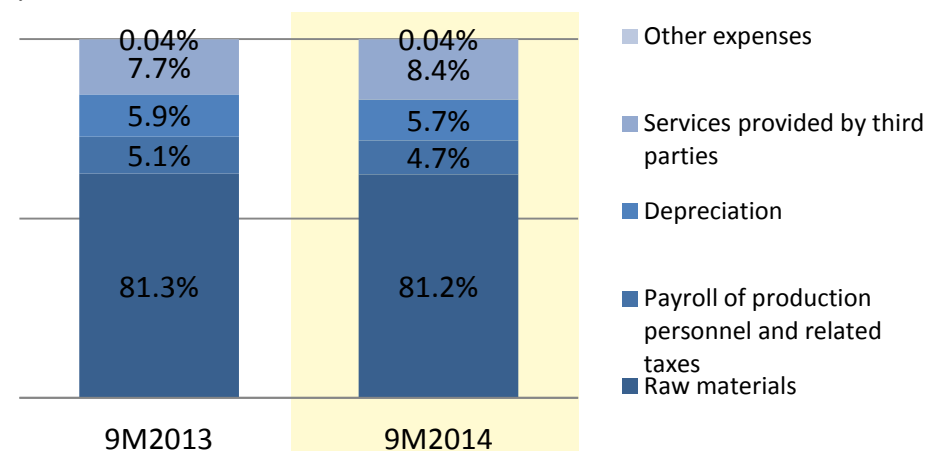


UAH 0.09/egg growth in 9M2014 COGS for shell egg to 0.51 UAH/egg:

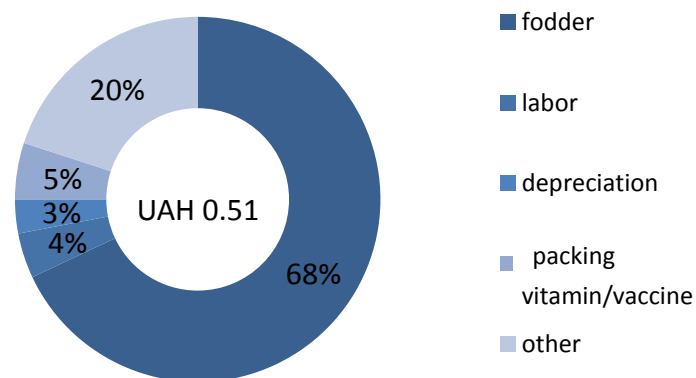
- UAH 0.06/egg due to increase in fodder costs
- UAH 0.03/egg due to increase in salary, electricity, fuel and other

Source: Company data

Cost of finished goods structure, %

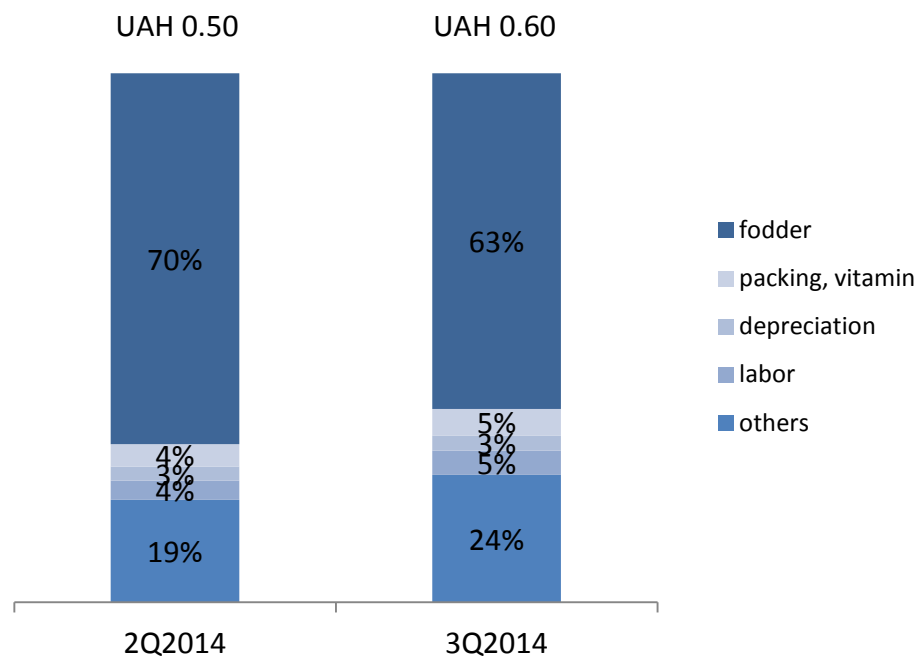


Cost of shell eggs structure, %



Cost of sales of shell egg structure in 3Q2014 vs. 2Q2014

Cost of shell egg breakdown, %



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

	2Q2014	3Q2014	change
fodder*	0.35	0.38	0.03
Grains	0.10	0.09	0.00
Oils	0.19	0.21	0.02
Other	0.06	0.07	0.01
labor	0.02	0.03	0.01
depreciation	0.01	0.02	0.00
packing, vitamin	0.02	0.03	0.01
others	0.10	0.14	0.05
total	0.50	0.60	0.10

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

- In 3Q2014, cost of sales of shell eggs increased as a result of increased production costs

Price of fodder components, UAH/ton

	2Q2014			3Q2014		
	Avangard	Market	diff	Avangard	Market	diff
fodder	2,793	3,172**	14%	2,999	3,040**	1%
Grains	1,538	1,876	22%	1,560	1,659	6%
Oils	3,668	4,176	14%	4,030	4,010	0%
Other	5,706	-	-	6,187	-	-

** in Avangard's average receipt volume terms
Source: Company data, APK inform

Debt and cash&cash equivalents

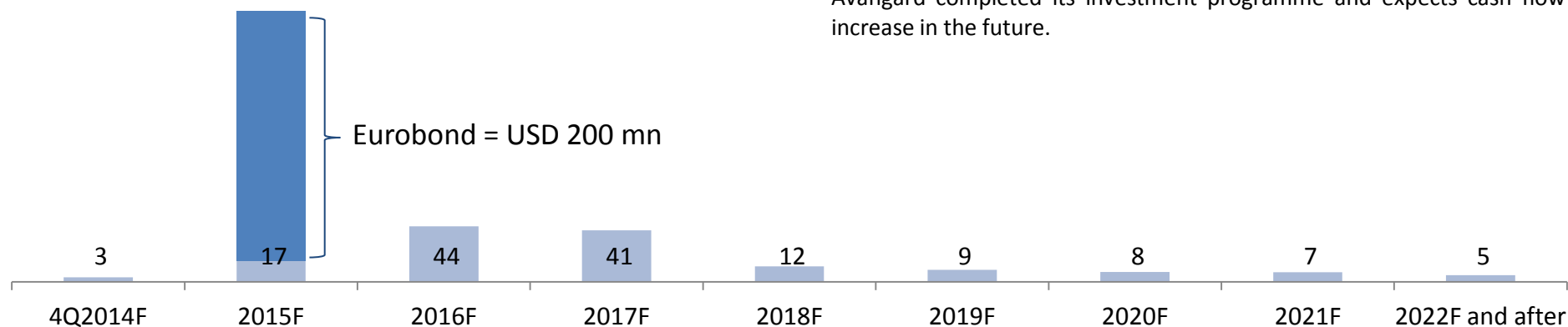
Debt structure

USD '000	31.12.2013	30.06.2014	30.09.2014	
Total debt	322,828	342,177	344,936	
Long(term)	258,626	280,259	281,021	
Short(term)	50,000	50,000	50,000	
Current portion of long(term debt)	14,202	11,918	13,915	
Cash&cash equivalents	156,804	236,080	157,605	
Net Debt	166,024	106,097	187,331	
				covenant
Net debt/LTM EBITDA	0.6	0.4	0.9	
Total debt/LTM EBITDA	1.1	1.4	1.7	<=3.0

- 99% of total debt is held in USD and EUR;
- Major debt* amounts 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;
- Loans portfolio structure by currency:
 - USD – 72%
 - EUR – 27%
 - UAH – 1%
- As at 30 September 2014, cash&cash equivalents decreased due to the increase in 3Q2014 trade receivables, which resulted from the extension of payment periods upon the lower demand for products following an unstable situation in Eastern Ukraine. There was a further increase in inventories and a decrease in prepayments from customers and exchange losses on translation into the presentation currency;
- Cash&cash equivalents are held on the accounts in the European banks;
- Low financial leverage, which complies with the covenants;
- Avangard completed its investment programme and expects cash flow to increase in the future.

Loan portfolio servicing schedule as at 30.09.2014,

USD mn **



* excl. Eurobond, leasing and commodity credit

**excl. interest

Source: Company data



Appendix: Financial Snapshot



Balance Sheet

\$'000	2013	9M2014	change, %
NON-CURRENT ASSETS	1,183,740	759,163	(36%)
Property, plant and equipment	1,103,630	688,590	
Non-current biological assets	76,678	31,892	
Deferred tax assets	3,059	1,690	
VAT government bonds	-	36,961	
Other non-current assets	373	30	
CURRENT ASSETS	635,175	480,856	(24%)
Inventories	193,382	122,165	
Current biological assets	60,648	33,255	
Trade accounts receivable, net	88,972	97,263	
Prepaid income tax	85	45	
Prepayments and other current assets, net	30,845	17,237	
Taxes recoverable and prepaid	104,439	53,286	
Cash and cash equivalents	156,804	157,605	
TOTAL ASSETS	1,818,915	1,240,019	(32%)
TOTAL EQUITY	1,447,098	865,736	(40%)
NON(CURRENT LIABILITIES	263,414	283,951	8%
CURRENT LIABILITIES	108,403	90,332	(17%)
Loans and bonds	64,504	63,992	
Trade Accounts Payable	15,084	8,496	
Other Payables	28,815	17,844	
TOTAL LIABILITIES	371,817	374,283	1%
TOTAL EQUITY AND LIABILITIES	1,818,915	1,240,019	(32%)
NET DEBT at the date	166,024	187,331	13%

Source: Company data

Income Statement

\$'000	9M2013	9M2014	change, %
REVENUE	466,542	354,693	(24%)
Income from revaluation of biological assets at fair value	29,423	8,534	
Cost of sales	(309,368)	(261,142)	
GROSS PROFIT	186,597	102,085	(45%)
General administrative expenses	(12,417)	(9,160)	
Distribution expenses	(18,525)	(15,018)	
Income from government grants and incentives	214	110	
Impairment of non current assets	(15)	(25,751)	
Income from special VAT treatment	32,632	33,153	
Other operating income/expenses, net	(1,513)	(17,781)	
OPERATING PROFIT/(LOSS)	186,973	67,638	(64%)
Financial income	90	143	
Financial expenses	(24,896)	(23,778)	
Gains/(losses) on exchange	(698)	(49,461)	
PROFIT BEFORE TAX	161,469	(5,458)	(103%)
Income tax expenses	499	(289)	
PROFIT/(LOSS) FOR THE PERIOD	161,968	(5,747)	(104%)
EBITDA	205,738	108,628	(47%)
EBITDA margin	44.1%	30.6%	(13%)

Source: Company data

Cash Flow Statement

\$'000	9M2013	1H2014	9M2014
PROFIT BEFORE INCOME TAX	161,470	51,381	(5,458)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	175,127	91,574	108,831
(Increase)/decrease in net working capital	(25,899)	8,761	(60,680)
Interest paid	(6,407)	(5,005)	(6,941)
Income tax paid	(65)	(41)	(41)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	142,756	95,289	41,169
Purchases of PP&E	(181,279)	(33,686)	(55,011)
Interest received	90	83	143
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	(181,189)	(33,603)	(54,868)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	(44,078)	12,131	21,269
NET INCREASE/(DECREASE) IN CASH	(82,511)	73,817	7,571
Cash at the beginning of the year	203,504	156,804	156,804
Effects of translation into presentation currency	(12)	5,459	(6,770)
Cash at the end of the period	120,981	236,080	157,605

Source: Company data