



# MANAGEMENT PRESENTATION

February 2011



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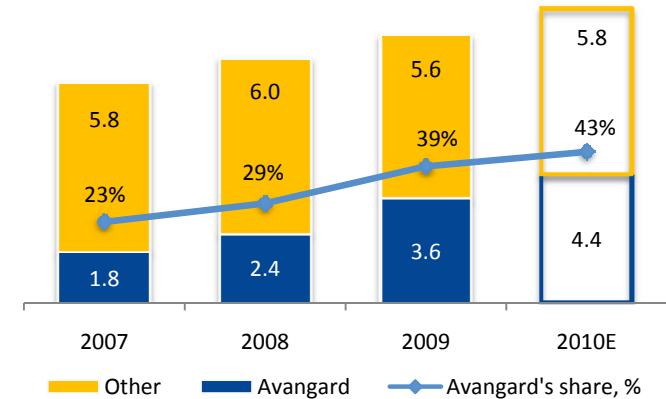
# Avangard Overview



# Avangard 2010 Highlights

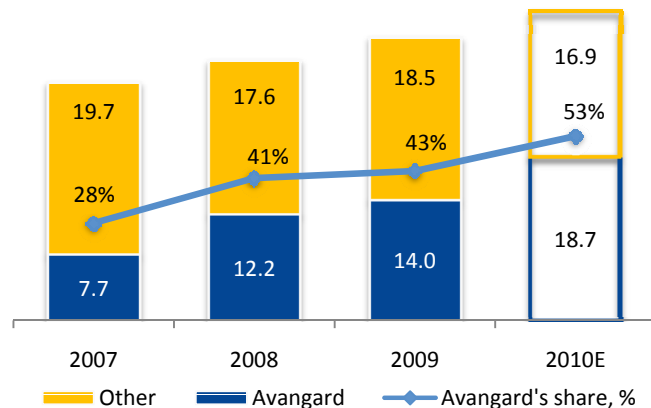
- **Avangard enjoys the largest market share in Ukraine:**
  - 43% share in the industrial production of shell eggs in 2010 (39% in 2009)
  - 64% share in the production of dry egg products in 2010 (52% in 2009)
  - Avangard's total egg production grew by 22% YoY, while its peers in the Ukrainian market averaged a 3% of growth YoY
- **Avangard's export sales YE2010 increased to 1bln eggs and egg products in egg equivalent vs 300 mm in 2009; while YE2010 sales to supermarkets grew to 657m vs 97m in 2009)**
- **Accomplishments in international capital market:**
  - In May, Avangard completed the Initial Public Offering of its new ordinary shares in the form of Global Depository Receipts on the London Stock Exchange and raised \$208m (\$201m in net proceeds)
  - In October, Avangard completed the issue of its \$200m debut senior unsecured 10% Notes due 29 October 2015

Industrial Production Of Eggs, bln pcs



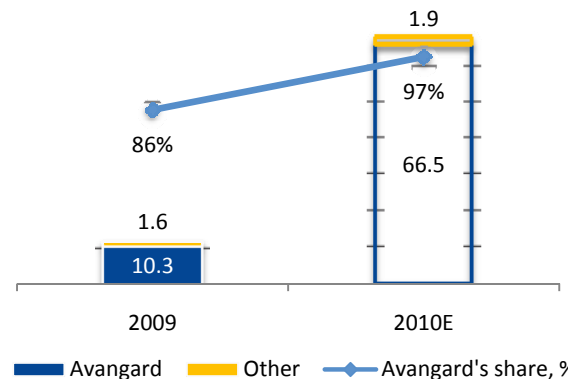
Source: Avangard data

Industrial Laying Hens Flock, bln heads



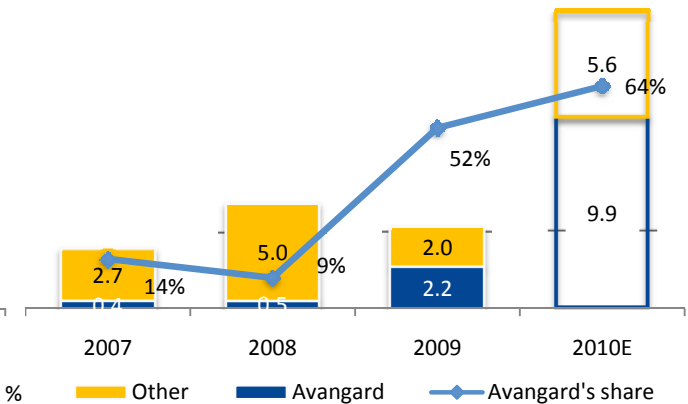
Source: Avangard data

Dry Egg Products Export, \$m



Source: Avangard data

Industrial Production Of Dry Egg Products, ths tons



Source: Avangard data

# Market Environment



# World Egg Market Trends

## 1 Growing world market

- World egg market has grown by 13% CAGR since 2004
- Share of egg imports has been increasing and reached est. 3.1% of world egg market in 2010
- Significant growth of egg consumption in Asia as eggs remain one of the cheapest sources of protein

## 2 Growing global demand for egg products

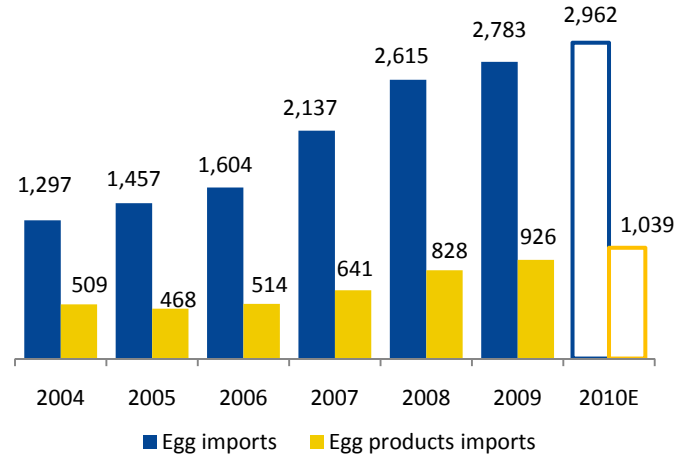
- Continuing global demand from food, confectionary and bakery industries
- Egg products allow for cheaper transportation and for extended shelf life

## 3 MENA region opportunities:

- Region with 480m population is one of the fastest growing in the world (some countries will double in 20 years)
- 60% urban population further increasing
- Expanding middle class with growing purchasing power
- A very low consumption base of an average 115 eggs/egg products per person

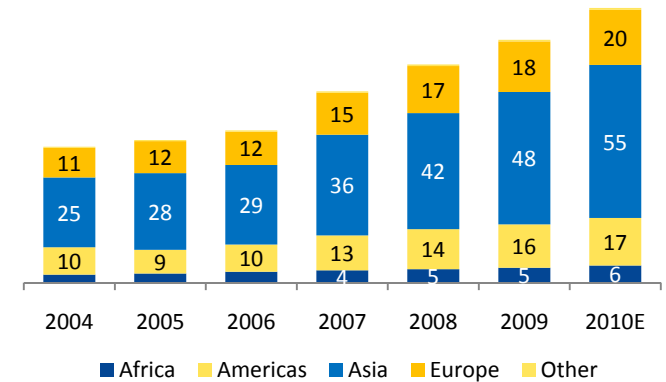
**Export opportunity to the MENA region of 38 bln eggs over the next 5 years**

World Imports of Eggs, \$m



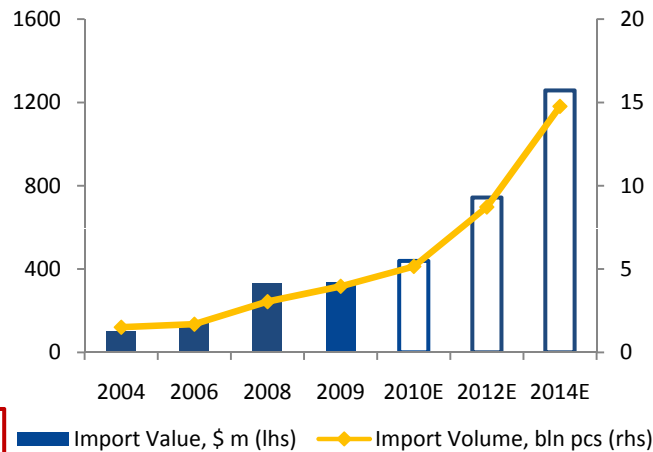
Source: FAO, Pro-Consulting

Market Size of Shell Eggs (in Producer Prices), \$bln



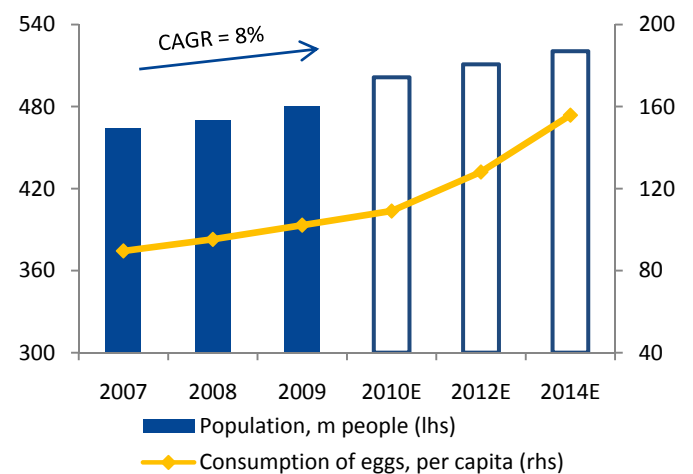
Source: FAO, Pro-Consulting

Imports of Eggs by MENA region, \$m



Source: Pro-Consulting

Consumption of Eggs in MENA region



Source: FAO, Pro-Consulting

# Ukraine Egg Market Trends

## 1 Growth of internal consumption

- Consumption of eggs per capita trend effectively withstands real disposable income decline in 2009
- Domestic egg sales are expected to grow

## 2 Industrial production growth vs. households

- The share of household production decreased from 42% in 2009 to 40% in 2010 acc. to SSCU

## 3 Consolidation in the industry

- Small egg producers are being replaced by larger cost effective players (acc. to Ptakhoprom of Ukraine, the number of farms decreased from 156 in 2003 to 101 in 2009)

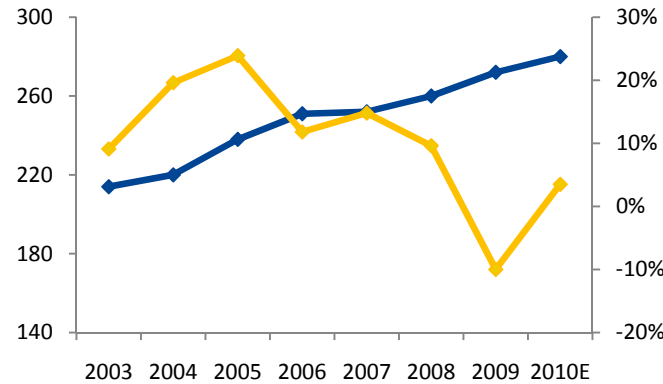
## 4 Expanding export opportunities

- A ban on the import of Ukrainian livestock farming products into Russia was removed opening a major market for Ukrainian producers

## 5 Recent hikes in grain prices have been less severe for egg producers

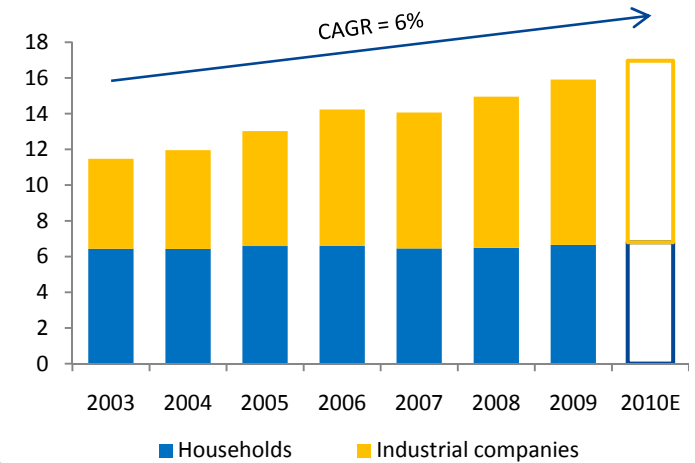
- Egg prices exhibit long-term correlation with wheat prices
- Wheat price inflation is expected was passed through to egg consumers

Consumption per capita vs. Real Disposable Income



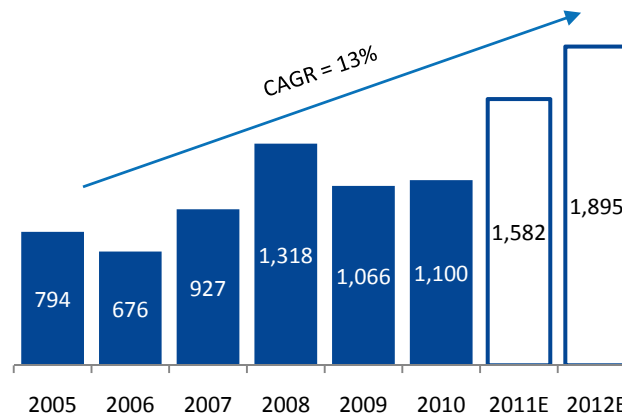
— pcs per capita (lhs) — Real disposable income, % y-o-y (rhs)  
Source: SSCU, Pro-Consulting

Production of Shell Eggs in Ukraine, bln pcs



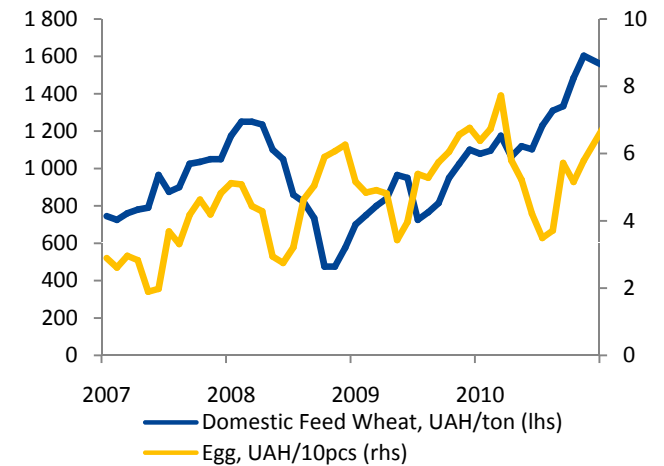
Source: SSCU, Pro-Consulting

Sales of Eggs, \$m



Source: Pro-Consulting

Ukraine Wheat and Egg Prices



Source: Bloomberg, Pro-Consulting

# Trading update

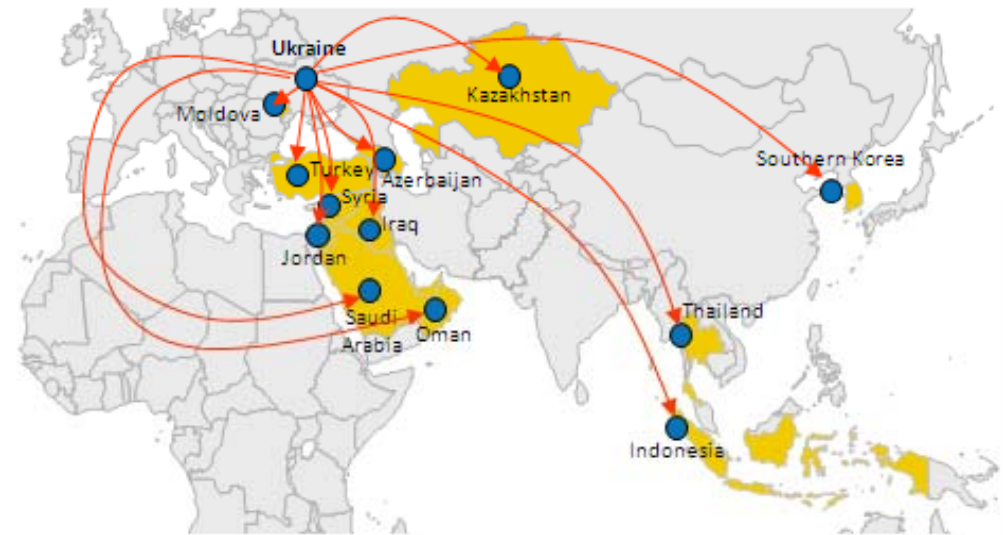




# Trading Estimates

- Total egg output increased by 22% to 4,420m eggs in 2010 vs. 3,634m in 2009
- Poultry flock increased by 51% to 24.3m birds in 2010 vs. 16.1m birds in 2009
- Sales of shell eggs to supermarkets increased from 2% of the total in 2009 to 16% in 2010, and is expected to grow further
- Total amount of eggs processed into egg products totaled 756m eggs in 2010

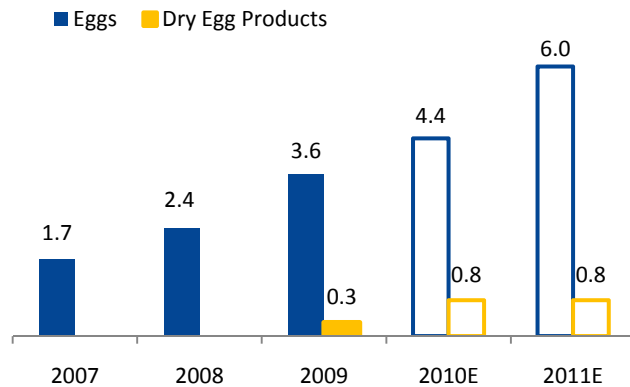
Key Exports Destinations in 2010



Source: Company data

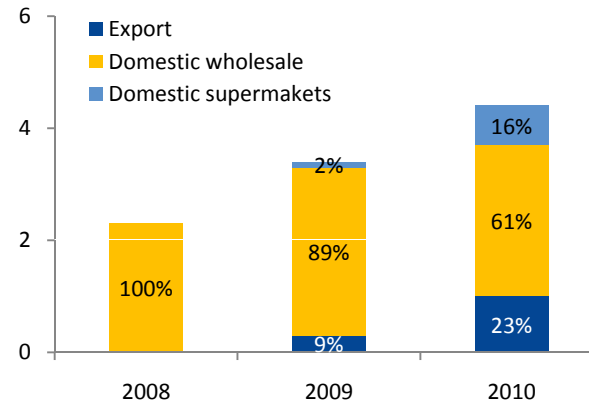
In 2010, Avangard began to make some export sales of egg products directly

Egg and Dry Egg Products Output (bln pcs in egg equivalent)



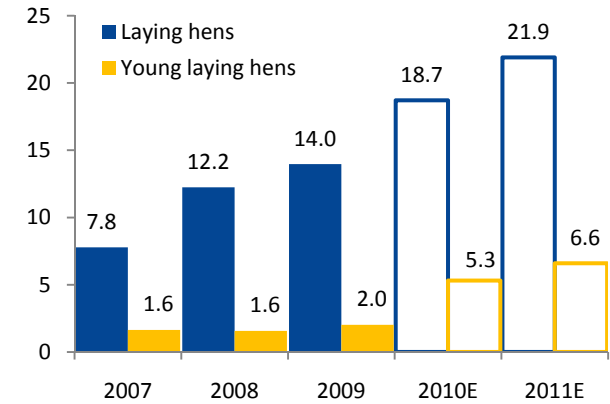
Source: Company data

Avangard's Sales by Channels, bln pcs. in egg equivalent



Source: Company data

Total Flock\*, m heads



\* excl. breeder flock

Source: Company data

# Investment Project



## Projects Implemented on Schedule

Complex Breakdown by Zones	Avis	Chornobaivske
Grow-out farms for laying hens	completed	completed
Farms for rearing laying hens	80%	64%
Egg storage	25%	14%
Fodder mills	5%	0%
Slaughter facility, biogas unit*	0%	0%

\* To date, the company is considering several technologies for disposal of manure, namely hydrolysis technology (fermentation), incineration or pyrolysis.

Location of the Poultry Farms Under Construction



- Investment underway to increase production capacity to **24.9m** laying hens, a 32% growth compared to 2009
  - ✓ Construction of 2 full cycle poultry farms: Avis in Khmelnytskyi and Chornobaivske in Kherson regions in Ukraine with a combined capacity of **6m** laying hens and 1,680m shell eggs once fully operational
  - ✓ Equipment to be supplied by leading international manufacturers Salmet (Germany) and Facco (Italy)
  - ✓ The farms are designed with a high level of automation in order to achieve higher labor productivity
- Each complex to include a fodder mill, a grow-out section, laying hens zone, an egg sorting section, long-term storage facilities, a slaughtering section and a biogas section
- **New facilities to start operating at full capacity in 2011**

## Breakdown of Capital Expenditures

	in \$'000		
	2010	2011E	Total
CONSTRUCTION OF FACILITIES FOR LAYING HENS	64,150	2,370	66,520
CONSTRUCTION OF STORAGE FACILITIES	2,174	12,733	14,907
CONSTRUCTION OF FODDER MILLS	1,306	45,564	46,870
CONSTRUCTION OF SLAUGHTERING SECTIONS	0	19,796	19,796
CONSTRUCTION OF BIOGAS FACILITIES	0	74,607	74,607
<b><u>TOTAL CAPEX</u></b>	<b>67,630</b>	<b>155,070</b>	<b>222,700</b>

# Financial Overview



# Key Financials Estimates

- **Estimated Revenues of \$434m in 2010**

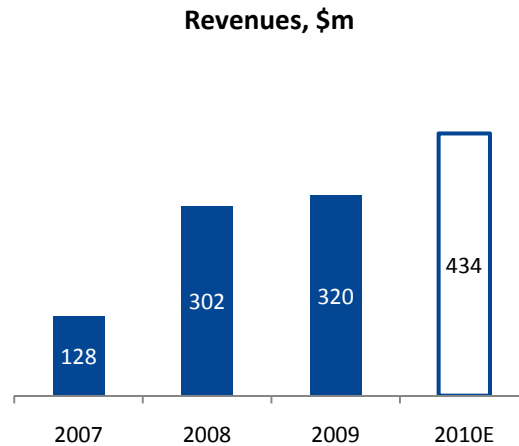
- Expected revenue growth of 36% compared to 2009 is largely explained by the increase in the total egg and egg products output and sale volumes

- **Expected EBITDA of \$190m in 2010**

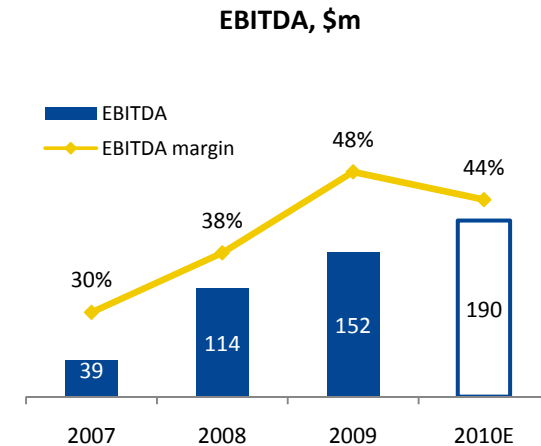
- Expected EBITDA growth of 25% vs. year 2009 backed up by the solid revenues growth as well as stable cost of sales
- EBITDA margin to reach 44%

- **Strong financial performance and low financial leverage in 2010**

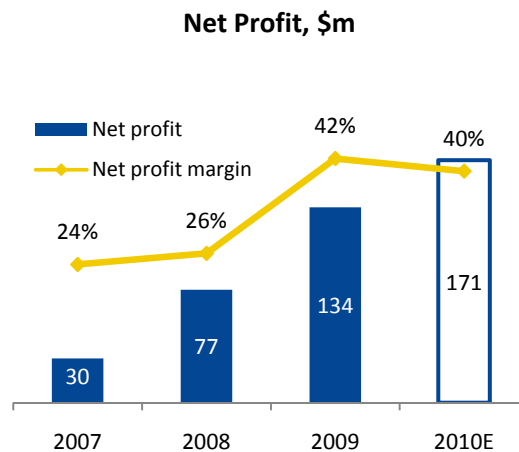
- Net debt of \$94m or 0.5x EBITDA
- Positive and growing bottom line



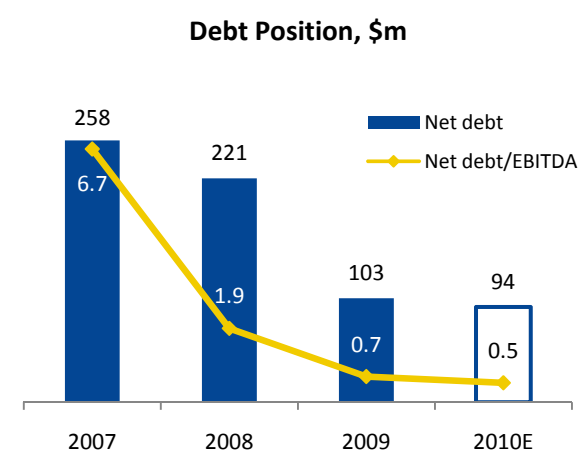
Source: Avangard's data and estimates



Source: Avangard's data and estimates



Source: Avangard's data and estimates



Source: Avangard's data, Troika estimates

# Investor Relations

Please direct all inquiries to

**Victoria Korolchuk, Head of Investor Relations**

Telephone: +38 044 593 28 60

+38 067 214 84 23

E-mail: [v.korolchuk@avangard.co.ua](mailto:v.korolchuk@avangard.co.ua)

# Appendix



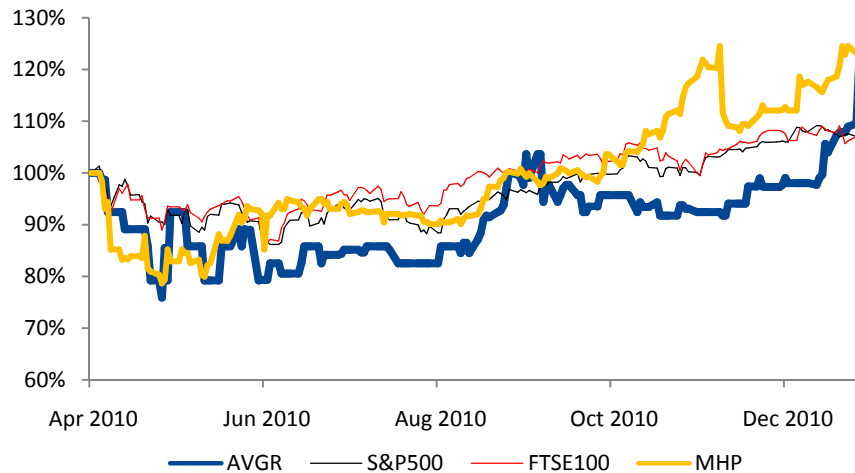


# Equity Overview

Issue Volume	1 387 185 ordinary shares in a form of GDR
Correspondence	10 GDR = 1 share
Listing	Main Market (International Order Book), London Stock Exchange
Issue price	USD 15.0 per GDR
Free float	22.50%
Capital raised	USD 208 m

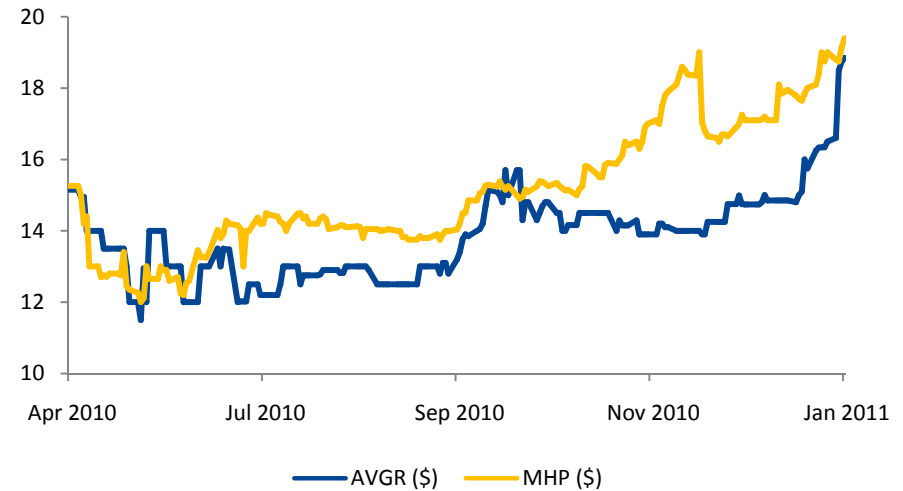
- Historical stock price movement of Avangardco IPL was in line with indexes S&P500 and FTSE100
- Historical maximum** - 27.01.11 (\$18.85)
- Historical minimum** - 26.05.10 (\$11.50)
- Market cap as of 27.01.11 – **\$1,204m**
- Major events related to the issuance and maintenance of shares: IPO – 25.04.10, Road-show – 19-29.04.10; 13-17.09.10

Peer Group and Main Indexes Dynamics

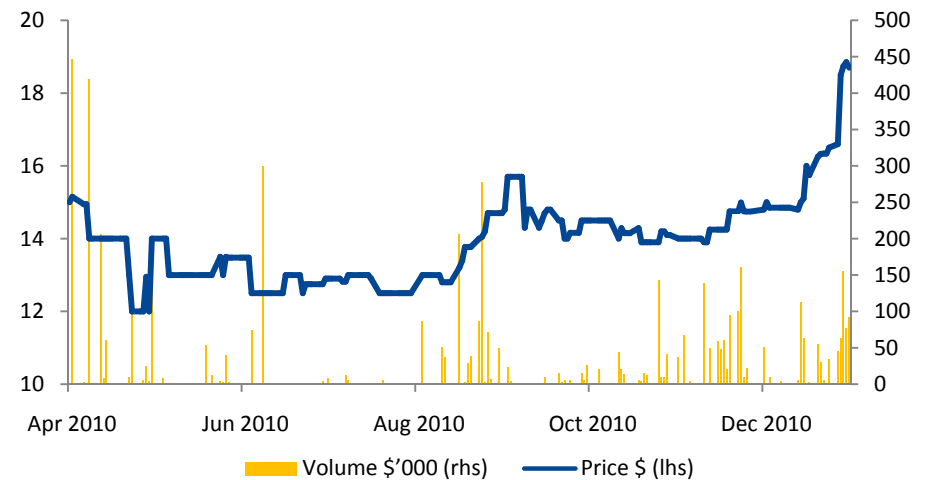


Source: Bloomberg

AVGR and MHP Equity Price



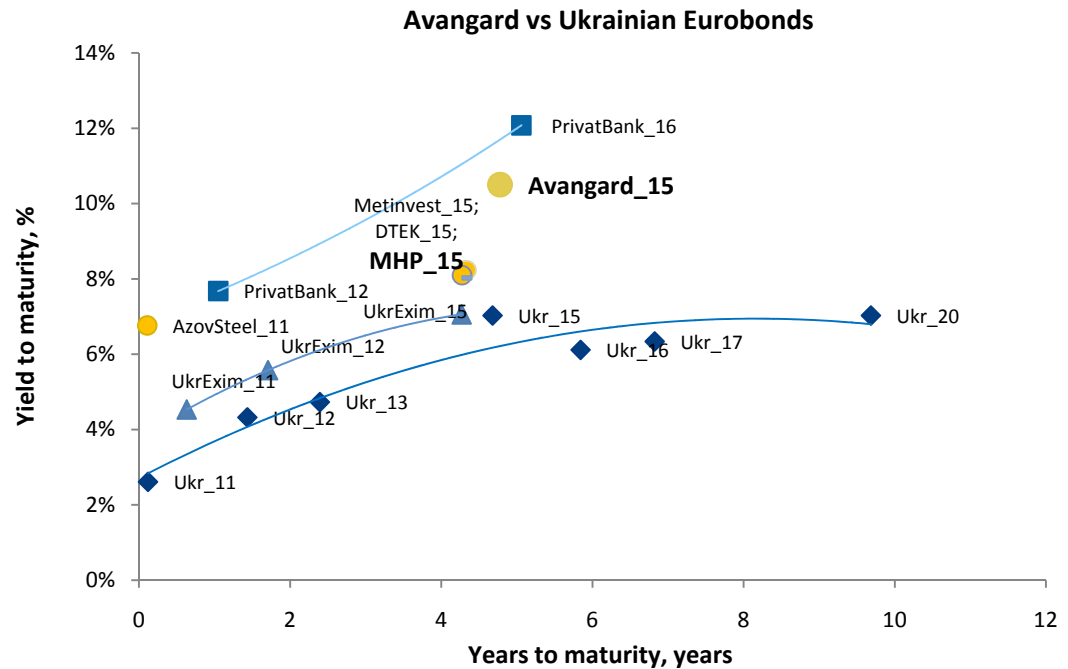
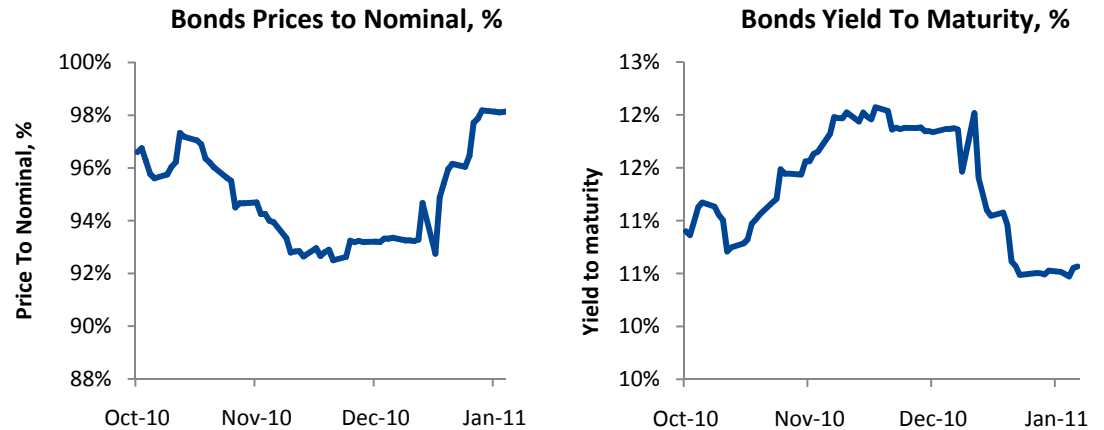
AVGR Equity price and Volume Tendency



# Bonds Overview

Issue Volume	USD 200 million
Issuance Date	October 2010
Maturity Date	October 2015
Coupon	10%
Listing	London Stock Exchange
Rating	B (Fitch Rating)

- **Growth in bonds prices and decrease in yield to maturity at the beginning of 2011** was conditioned by favorable global securities market tendencies
- **From the beginning of the 2011 year price growth – 5,19% (519 bps); yield decrease – 1,45% (145 bps)**
- **Historical maximum** – 19 January 2011 (price – 98.28%, yield – 10.46%)
- **Historical minimum** – 10 December 2010 (price – 92.50%, yield – 12.07%)
- **Avangardco IPL repaid of all of its indebtedness to PJSC “CB “Finansova Initsiatyva” and withdrew the deposits**
- **Position of Avangardco IPL vs. Ukrainian Eurobonds remains stable in 2010 and 2011**



# Ukraine Macroeconomic Overview

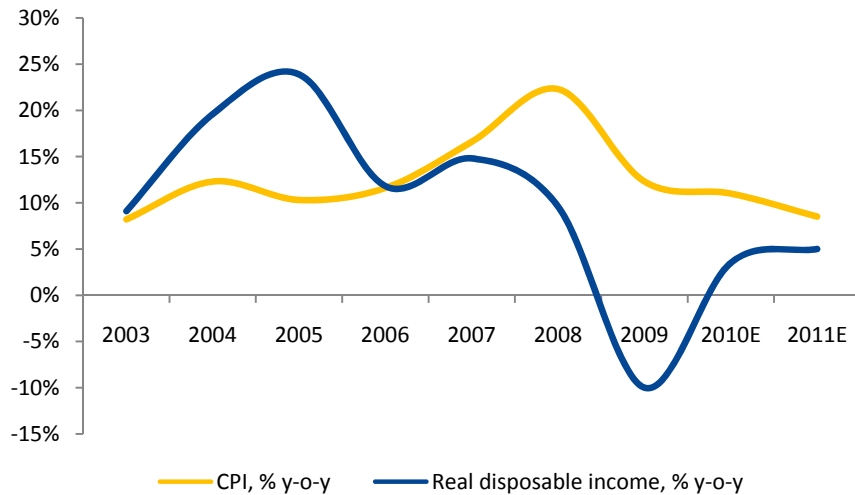
- Ukraine's **GDP grew 3.4% YoY** in 3Q10 in real terms acc. to USSC. The full-year 2010 figure is expected to reach +3.7% YoY (-15.1% in 2009), with 2011 to bring further acceleration to +4.5% acc. to IMF
- Ukraine's **industrial production rose 8.0% YoY** in 2010 after a decline by 21.9% YoY in 2009
- Total agricultural production decreased by 1% YoY in 2010 acc. to USSC (-1.8% in 2009 and +17.1% in 2008)
- Ukraine's **inflation decelerated to 9.1%** in 2010 from 12.3% in 2009, marking the lowest level since 2003 acc. to USSC
- Refinancing rate has been decreased three times during the year to anchor at 7.75% in Aug 2010 (10.25% in Aug 2009) due to positive GDP dynamics, local currency stabilization and inflation slowdown
- Acc. to estimates, YE2010 current account deficit is to reach \$1.4 bln (-\$12.8 bln in 2008 to -\$1.8 bln in 2009)

Gross Domestic Product



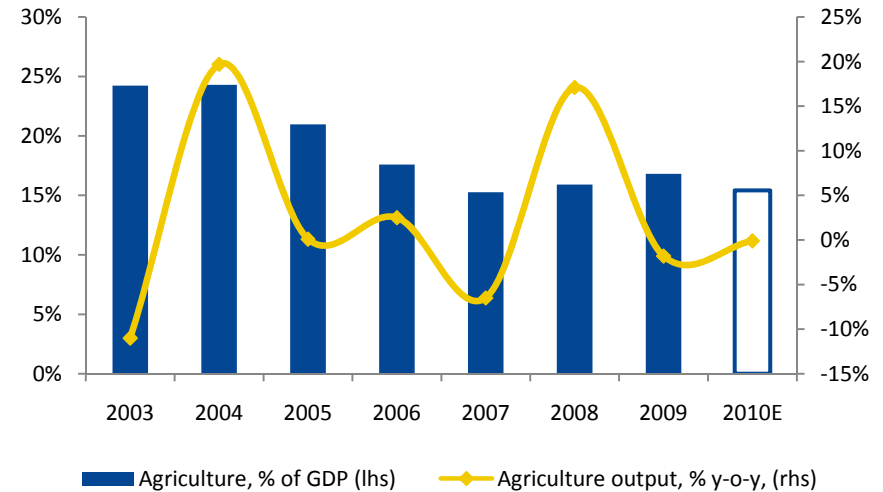
Source: Ministry of Economic Development and Trade of Ukraine, IMF estimates

Inflation Preserves Its Decline Trend



Source: Ukraine State Statistics Committee, Troika Dialog estimates

Agriculture Output Trend



Source: Ukraine State Statistics Committee