



FY2010 RESULTS PRESENTATION

March 4, 2011



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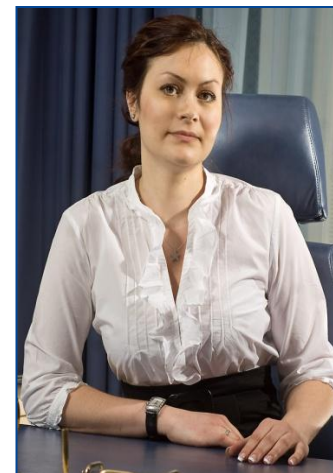
Avangard's Management Team



Nataliya Vasylyuk
Chief Executive Officer



Iryna Marchenko
Chief Financial Officer

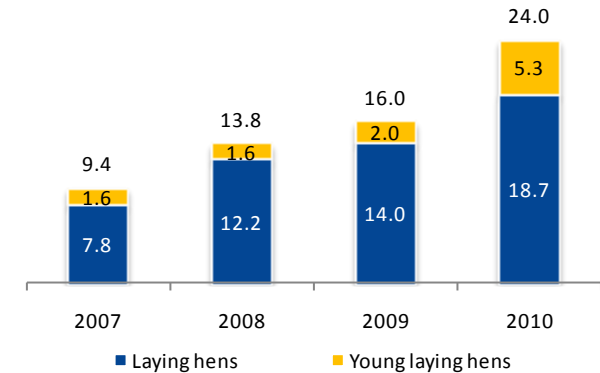


Oksana Prosolenko
Vice-president, Business Development

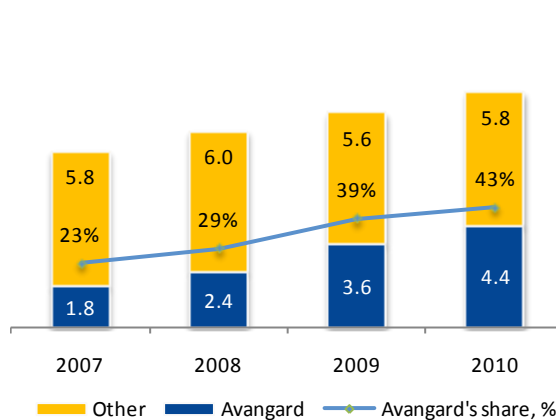
Avangard Overview

- **#1 egg and dry egg products producer and exporter in Ukraine in 2010**
 - ✓ 43% share in the industrial production of shell eggs (2009: 39%)
 - ✓ 79% share in the production of dry egg products (2009: 52%)
 - ✓ 52% share in exports of shell eggs (2009: 73%) and 97% share in exports of egg products (2009: 86%)
- **Vertically integrated business model of 19 poultry farms for laying hens, 3 breeder farms, 9 grow-out farms, 6 fodder mills, 3 storage facilities and an egg processing plant**
 - ✓ State-of-the-art integrated facilities, highly advanced technology and high bio-security standards
- **Strong operational and financial performance**
 - ✓ Consistent y-o-y increase in key operational and financial indicators
- **Accomplishments in international capital markets**
 - ✓ In May 2010, Avangard completed IPO of ordinary shares in the form of GDRs on LSE and raised \$208m (\$201m in net proceeds to the Company)
 - ✓ In October 2010, Avangard completed the issue of its \$200m debut senior unsecured 10% Notes due 29 October 2015 (\$193m in net proceeds to the Company)

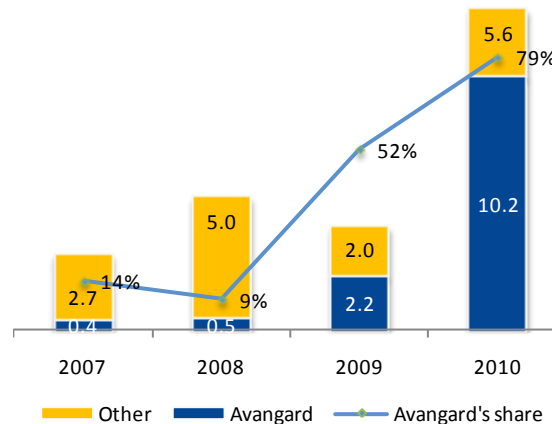
Total Flock, mln heads



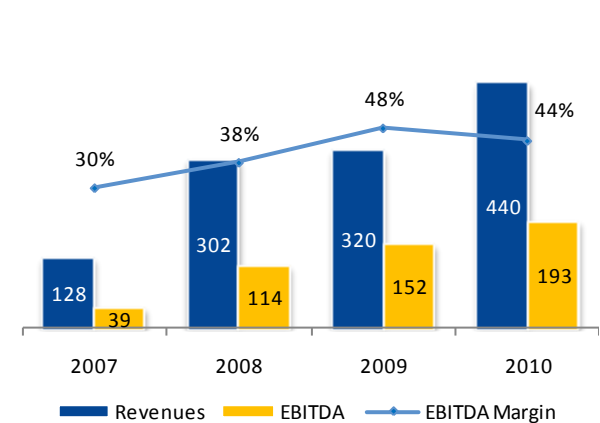
Production of Shell Eggs, bln pieces



Production of Dry Egg Products, ths tons



Key Financial Indicators, \$ mln



Avangard's Investment Highlights



2010 Trading Update



2010 Trading Update

Strong FY2010 operating results with sales up by 37% to \$440 mln primarily driven by increase in production volumes

- Shell egg production volume increased by 22% to 4,420 million pieces (2009: 3,634 million pieces), largely as a result of the increase in poultry stock
- Production of egg products increased more than 4.5 times from 2.2 ths tons in 2009 to 10.2 ths tons in 2010 following full year of consolidation of Imperovo Foods results

Greater sales diversification via export and retail sales

- Over threefold increase of export volumes reaching the key milestone of 1 billion eggs and egg products in egg equivalent
- Key 2010 export markets for eggs and egg products included UAE, Jordan, Iraq, and Syria
- Share of direct sales to federal and local retail chains increased from 2% in 2009 to 16% in 2010

Strict cost control resulted in moderate cost increase and stable margins

- Avangard's cost base was not materially impacted in 2010 by the high cost of grain in the Ukrainian market resulting from the reduction in grain yields following the region-wide draught
- Established policy of signing forward contracts for the purchase of corn and wheat and availability of own and leased storage capacity enabled the Company to secure the cost of key raw materials below market prices

Timely implementation of investment projects

- Construction of Avis and Chornobaivske is progressing on schedule

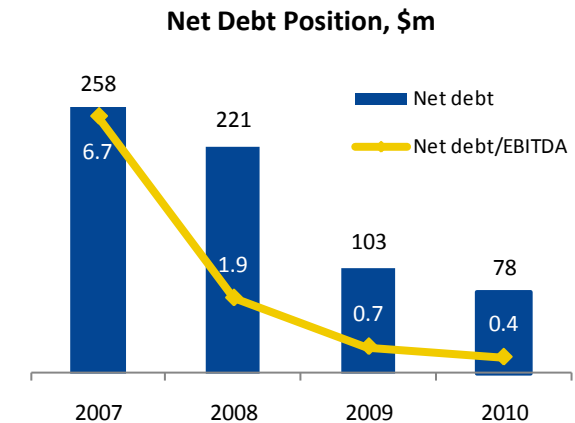
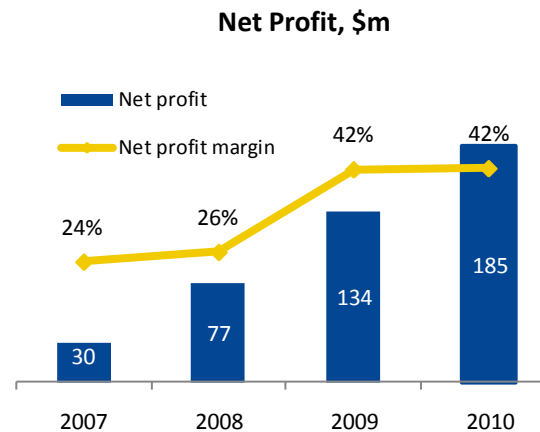
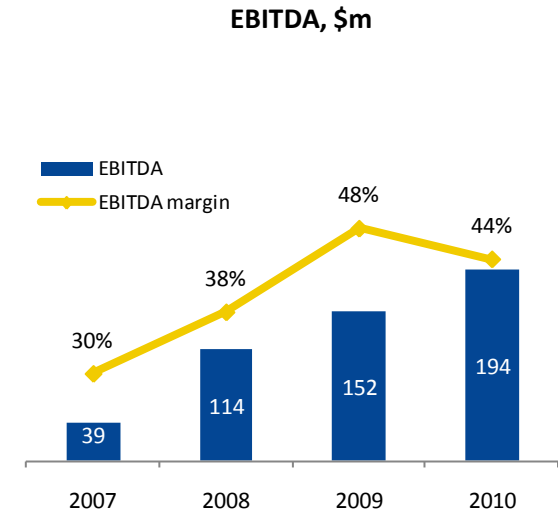
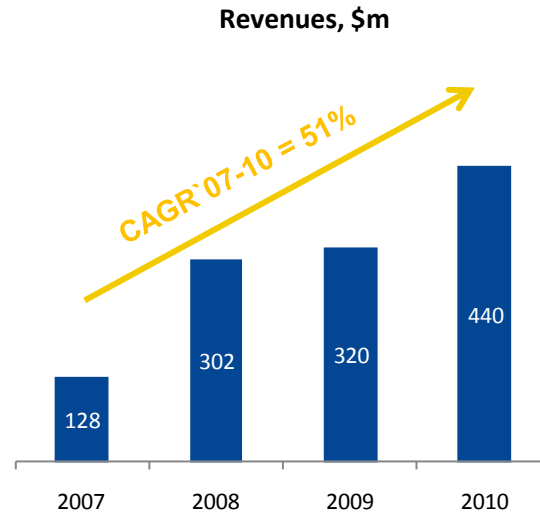
Minimization of related-party transactions

- On the back of the Eurobond covenants, the Company settled the related-party deposits, debt, receivables and payables by the end 2010

Outstanding Financial Indicators

Positive trend in top line and stable net profitability:

- Revenues increased by 37% compared to 2009, reaching \$439.7 mln which is largely explained by the increase in the total egg and egg products output and sale volumes
- EBITDA amounted to \$193.5 mln in 2010, a 27% increase versus 2009 backed up by solid revenues growth as well as stable cost of sales*
- Positive and growing bottom line with stable net margins
- Net debt of \$77.8m or 0.4x EBITDA 2010

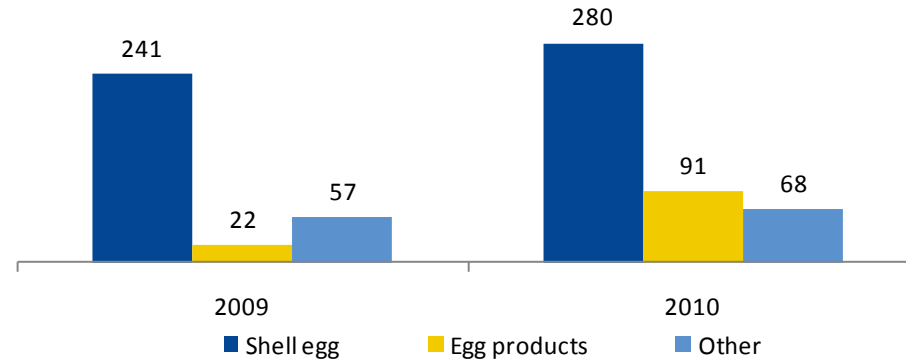


Note: (*) 2009 EBITDA margin was higher than 2010 as a result of one-off item – waiver of \$23 mln of loans from related parties

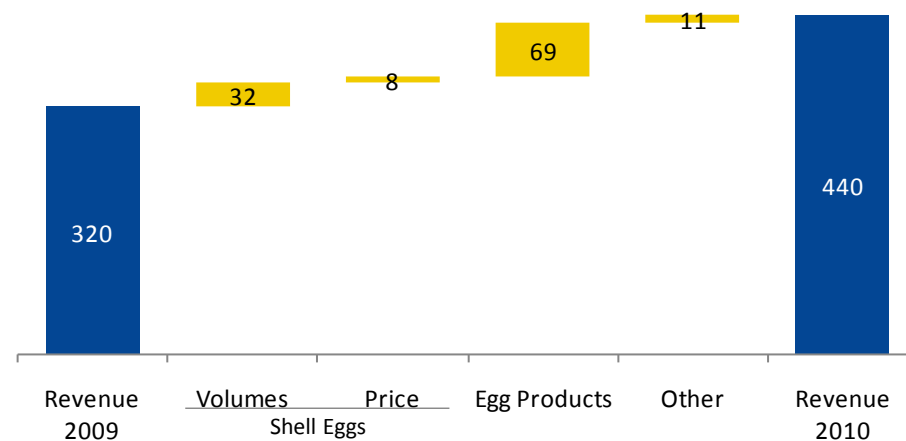
2010 Revenue structure

- Shell egg segment remains the key segment in terms of revenues - 64% of total revenues
 - Strong increase by 16% in revenues from the segment resulting from higher volumes
- Egg products sales grew over 4 times
 - Growth is driven by volumes and strong demand from export markets

Revenue from external buyers dynamics, \$ mln



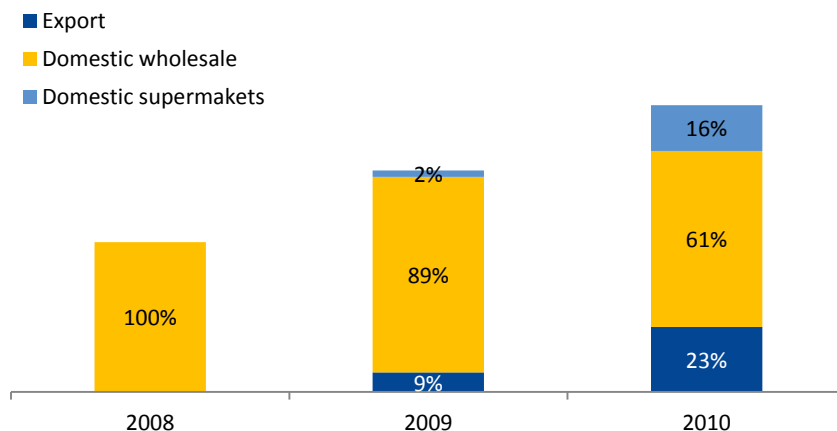
Drivers of the Revenue Growth in 2010, \$ mln



Diversified Customer Base

- Domestic wholesale remained key in 2010
- The Company has significantly increased direct sales to retail chains thus increasing operating margins
- Exports to MENA region played an important role
 - Saudi Arabia and UAE provided State support for food which boosted consumptions of eggs and egg derivative products
 - No exposure to turbulent markets like Lybia, Tunisia, and Egypt

Avangard's sales by distribution Channels, in egg equivalent (in volume terms)



Egg products export

Country	2009		2010	
	USD (000s)	%	USD (000s)	%
U.A.E	-	-	39 074	58,3
Jordan	3 734	36,2	12 735	19,0
Turkey	1 919	18,6	2 237	3,3
Saudi Arabia	1 743	16,9	4 207	6,3
Indonesia	1 619	15,7	4 993	7,4
Korea	516	5,0	880	1,3
Thailand	454	4,4	1 376	2,1
Oman	144	1,4	196	0,3
Others	186	1,8	1 362	2,0
Total	10 315	100,0	67 059	100,0

Shell eggs export

Country	2009		2010	
	USD (000s)	%	USD (000s)	%
Syria	5 923	22,6	4 511	31,0
Georgia	110	0,4	-	-
Iraq	19 609	74,7	9 019	62,1
Kazakhstan	312	1,2	559	3,8
Turkey	288	1,1	-	-
Moldova	-	-	295	2,0
U.A.E	-	-	147	1,0
Others	-	-	5	0,03
Total	26 241	100,0	14 535	100,0

Cost Structure

- Cost of sales increased in line with revenues by 36% in 2010 and was largely driven by growth in production volume
- Costs were not impacted by high cost of grain in 2010 because of existing hedging policy consisting of (i) signing prepaid contracts and (ii) build-up of significant stock of raw materials at seasonally low prices

Cost of Sales*

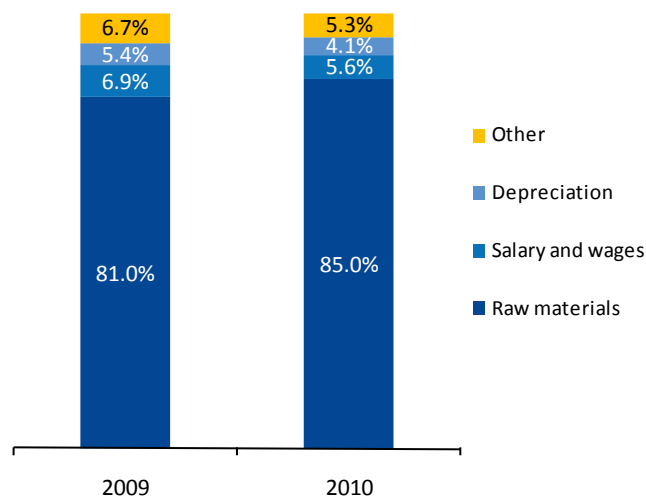
US\$'000	2009	2010
Raw materials	174,827	249,235
Salary and wages	14,953	16,394
Depreciation	11,641	12,165
Other	14,462	15,524
Total COGS	215,883	293,318

* Cost of finished goods only

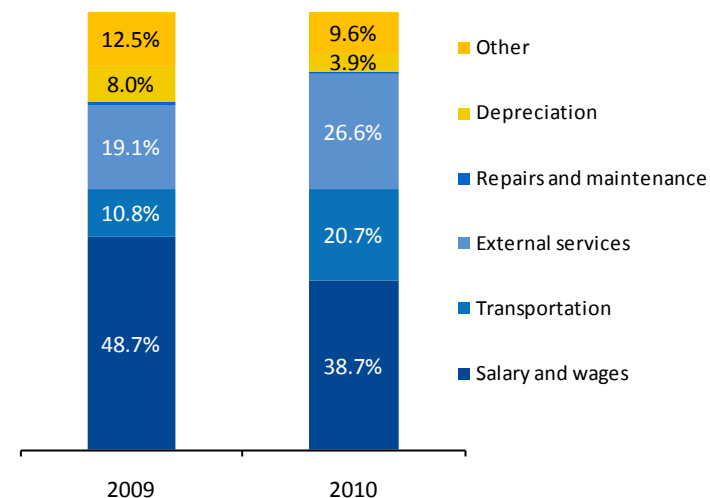
Sales, General and Administration

US\$'000	2009	2010
Salary and wages	3,904	4,731
Transportation	864	2,531
External services	1,535	3,248
Repairs and maintenance	73	70
Depreciation	643	471
Other	1,000	1,175
Total SG&A	8,020	12,227

Cost of Sales Structure



Sales, General and Administration Costs Structure



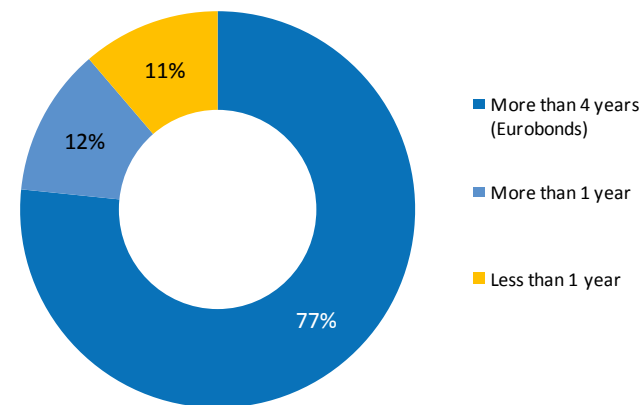
2010 Financial Highlights – Balance Sheet

	US\$'000	2008	2009	2010	% change
<ul style="list-style-type: none"> Most of increase in total assets is attributable to 2x increase in inventory <ul style="list-style-type: none"> large purchases and stocking up in grain at attractive prices to mitigate price inflation of 1Q-2Q 2011 	<u>CURRENT ASSETS</u>	<u>536,927</u>	<u>430,000</u>	<u>562,992</u>	31%
	Cash	5,878	1,727	183,065	
	Trade Accounts Receivable	15,593	47,320	54,678	16%
	Inventories	47,076	92,757	185,624	100%
<ul style="list-style-type: none"> Non-current biological assets value increased 174% resulting from an increase in total headcount including young laying hens 	<u>NON-CURRENT ASSETS</u>	<u>483,039</u>	<u>414,376</u>	<u>516,037</u>	25%
	Non-Current Biological Assets	9,185	21,546	59,078	174%
	Fixed Assets	368,264	375,426	396,236	6%
<ul style="list-style-type: none"> Increase in inventory and non-current biological assets to support further production growth in 2011 	<u>TOTAL ASSETS</u>	<u>1,019,967</u>	<u>844,376</u>	<u>1,079,029</u>	28%
	<u>CURRENT LIABILITIES</u>	<u>693,294</u>	<u>384,568</u>	<u>95,182</u>	-75%
	Trade Accounts Payable	20,529	68,019	23,191	-66%
	Other Payables	363,646	142,039	40,202	-72%
<ul style="list-style-type: none"> Non-current liabilities increased by 143% mainly as a result of \$200 mln. notes issue in October, 2010 	<u>NON-CURRENT LIABILITIES</u>	<u>208,169</u>	<u>99,023</u>	<u>237,628</u>	140%
	<u>TOTAL LIABILITIES</u>	<u>901,463</u>	<u>483,591</u>	<u>332,810</u>	-31%
	<u>TOTAL EQUITY</u>	<u>118,503</u>	<u>360,555</u>	<u>746,219</u>	107%
	<u>NET DEBT</u>	<u>220,937</u>	<u>102,571</u>	<u>77,766</u>	-24%

Debt Structure

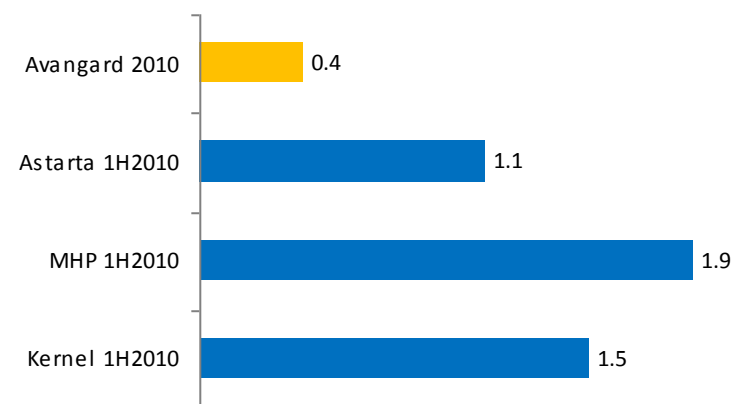
- Most of Avangard's debt is composed of long-term bonds issued in October, 2010
- Net Debt ratio reached 0.4x, a very attractive level compared to traded Ukrainian peers

Structure of Debt by Maturity, in \$ m



US\$'000	2009	2010	% change
Total Debt	265,038	261,011	-2%
Long-term	92,117	231,646	151%
Short-term	172,921	29,356	-83%
Cash & Cash Equivalents	1,727	183,065	<i>n.a.</i>
Deposits	156,421	0	-100%
Financial Assistance Issued	4,320	180	-96%
Net Debt/(Net Cash)	102,571	77,766	-24%
Net Debt / EBITDA	0.7	0.4	
EBITDA/Interest expense	3.3	8.0	

Net Debt/EBITDA



Source: Bloomberg

2010 Financial Highlights – Cash Flow Statement

- 33% increase in operating profit before working capital changes
- Significant cash outflow from change in working capital results from
 - increase in inventory to mitigate grain price inflation
 - increase in VAT recoverable and prepaid, as a function of inventory increase
 - increase of prepayments to secure supply in the first months of 2011
 - decrease of accounts payables
 - minimization of related parties transactions
- The Company invested ca.\$70 mln in Avis and Chornobaivske projects in 2010
 - Both projects will be commissioned by the end of 2011

US\$' 000	2008	2009	2010
Profit before income tax	75,869	134,837	185,012
Operating profit before working capital changes	109,546	121,310	163,418
(Increase)/decrease in net working capital	43,773	96,179	-298,817
Interest paid	-54,653	-51,781	-23,526
Income tax paid	-29	-48	-34
<u>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</u>	<u>98,637</u>	<u>165,660</u>	<u>-158,959</u>
Purchases of PP&E	-256,411	-3,370	-82,157
(Increase)/Decrease in bank deposits	-137,632	126,200	156,421
Net cash generated from/(used in) other investment activities	56,125	1,797	73,459
<u>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</u>	<u>-337,918</u>	<u>124,627</u>	<u>147,468</u>
<u>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</u>	<u>238,751</u>	<u>-295,469</u>	<u>192,855</u>
Effects of translation into presentation currency	1,856	1,097	0
<u>NET INCREASE/(DECREASE) IN CASH</u>	<u>1,326</u>	<u>-4,085</u>	<u>181,364</u>
Cash at the beginning of the year	4,460	5,786	1,701
Cash at the end of the year	5,786	1,701	183,065

Appendix: Supplementary Information



Income Statement

US\$'000	2008	2009	2010
<u>REVENUE</u>	<u>302,292</u>	<u>319,855</u>	<u>439,703</u>
Income from revaluation of biological assets at fair value	12,690	7,695	26,187
Cost of sales	-232,975	-220,407	-308,144
<u>GROSS PROFIT</u>	<u>82,007</u>	<u>107,143</u>	<u>157,746</u>
General administrative expenses	-7,932	-4,933	-7,168
Distribution expenses	-4,429	-3,086	-5,058
Other operating income/expenses, net	32,312	40,683	35,382
<u>OPERATING PROFIT/(LOSS)</u>	<u>101,958</u>	<u>139,807</u>	<u>180,902</u>
Financial income	26,897	41,180	34,058
Financial expenses	-52,986	-46,150	-29,948
<u>PROFIT BEFORE TAX</u>	<u>75,869</u>	<u>134,837</u>	<u>185,012</u>
Income tax expenses	1,414	-1,168	-254
<u>PROFIT/(LOSS) FOR THE PERIOD</u>	<u>77,283</u>	<u>133,669</u>	<u>184,758</u>

For the sake of convenience some rows were aggregated

Balance Sheet

US\$'000	2008	2009	2010
ASSETS			
Property, plant and equipment	368,264	375,426	396,236
Held-to-maturity investments	41	40	295
Non-current biological assets	9,185	21,546	59,078
Long-term deposits	49,351	504	0
Other non-current assets	56,198	16,860	60,428
Total non-current assets	483,039	414,376	516,037
Inventories	47,076	92,757	185,624
Taxes recoverable and prepaid, net	54,063	28,743	53,084
Current biological assets	47,935	44,910	44,705
Prepayments and other current assets, net	133,111	58,626	41,829
Trade accounts receivable, net	15,593	47,320	54,678
Short-term deposits	233,271	155,917	0
Cash and cash equivalents	5,878	1,727	183,065
Total current assets	536,927	430,000	562,992
TOTAL ASSETS	1,019,967	844,376	1,079,029
LIABILITIES AND EQUITY			
Share capital	644	644	836
Share premium	-	115,858	317,022
Retained earnings	168,151	300,107	482,328
Effect from translation into presentation currency	-56,698	-64,137	-64,587
Total equity attributable to shareholders of Avangard Group	112,097	352,472	735,599
Non-controlling interests	6,406	8,083	10,620
Total equity	118,503	360,555	746,219
Long-term loans	192,518	85,975	224,470
Long-term finance lease	8,502	6,142	6,372
Other non-current liabilities	7,149	7,136	6,786
Total non-current liabilities	208,169	99,253	237,628
Short-term interest bearing debt	204,605	164,043	30,475
Financial assistance received	104,151	8,535	0
Trade accounts payable	20,529	68,019	23,191
Other current liabilities and accrued expenses	364,009	143,971	41,516
Total current liabilities	693,294	384,568	95,182
TOTAL LIABILITIES AND EQUITY	1,019,967	844,376	1,079,029
Net Debt	220,937	102,571	77,766

For the sake of convenience some rows were aggregated