



# MANAGEMENT PRESENTATION

September 2010



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## Avangard's Presentation Team



**Nataliya Vasylyuk**  
Chief Executive Officer



**Iryna Melnyk**  
Deputy Chief Financial Officer

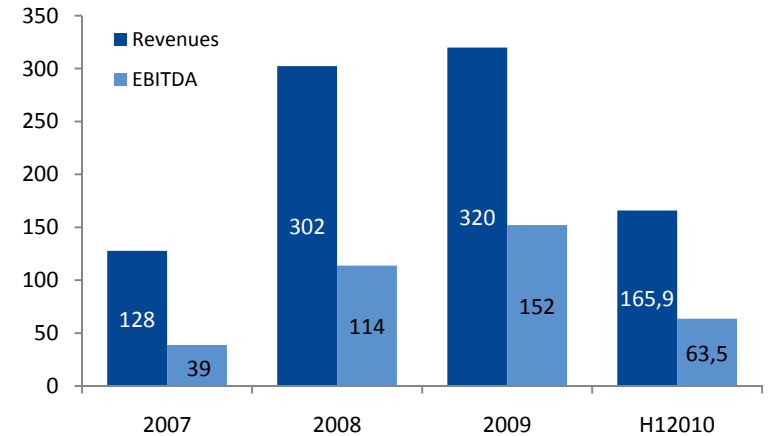
# Avangard Overview



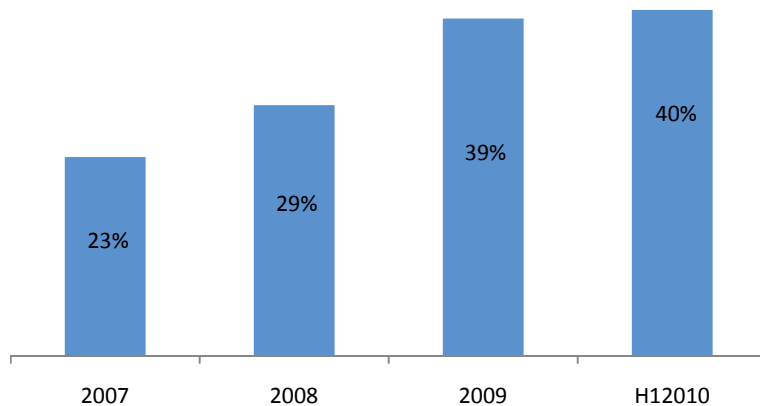
# Avangard Overview

- **#1 egg and dry egg products producer in Ukraine in 1H2010**
  - ✓ 40% share in the industrial production of shell eggs compared to 39% in 2009, 29% in 2008 , 23% in 2007
  - 69% share in the production of dry egg products (2009: 52%)
  - 80% share in exports of shell eggs (2009:73%) and 96% share in exports of dry 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 superior biosecurity standards
- **Two ongoing capital investment projects**
- Shares listed on main Market Stock Exchange since May 2010
- **Strong financial performance and low financial leverage**
  - \$165.9 mln. revenues in H12010 (\$320 mln. revenues in 2009)
  - \$63.5 mln. EBITDA in H12010 (\$152 mln. EBITDA in 2009)
  - Net debt (excl. IPO proceeds) of \$67.6 mln in H12010 (\$103 mln in 2009), net debt (excl. IPO proceeds)/EBITDA of 0.4x EBITDA in H12010 (less than 0.7x in 2009)

Revenue and EBITDA developments, \$ m

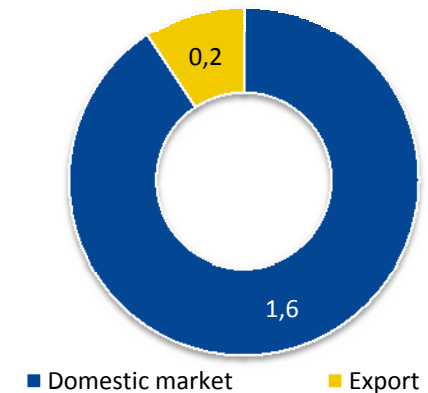


Avangard's Market Share in Industrial Production of Eggs in Ukraine



Source: Pro-Consulting, SSCU

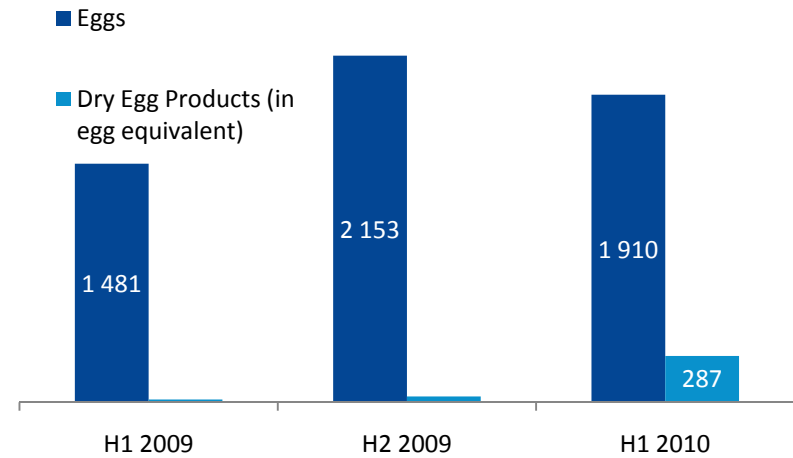
H12010 Egg Sales Breakdown, bn. pcs



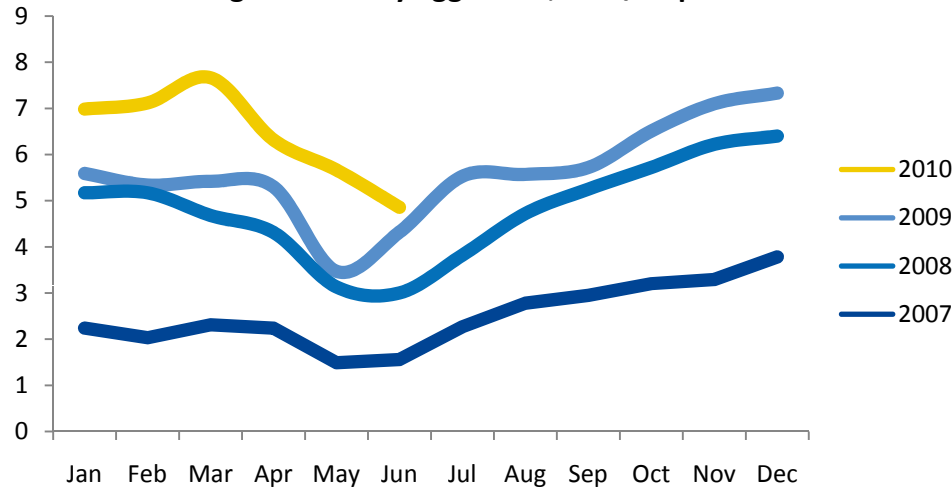
# Key Operational Highlights

- Total egg output increased by 29% to 1,910 mln eggs (H1 2009: 1,481 mln).
- Poultry flock increased by 16% to 18.6 mln birds (H2 2009: 16.1 mln)
- Average egg price increased by 44% to UAH 0.52 (excluding VAT) per egg (H1 2009: UAH 0.36)
- Sales of shell eggs to supermarkets increased from 2% of the total sold in 2009 to 7% in H1 2010, and expected to grow further
- IPO on the Main Market of the London Stock Exchange in May 2010, raising US\$ 200 mln in net proceeds to finance the expansion and diversification of Avangard's egg business

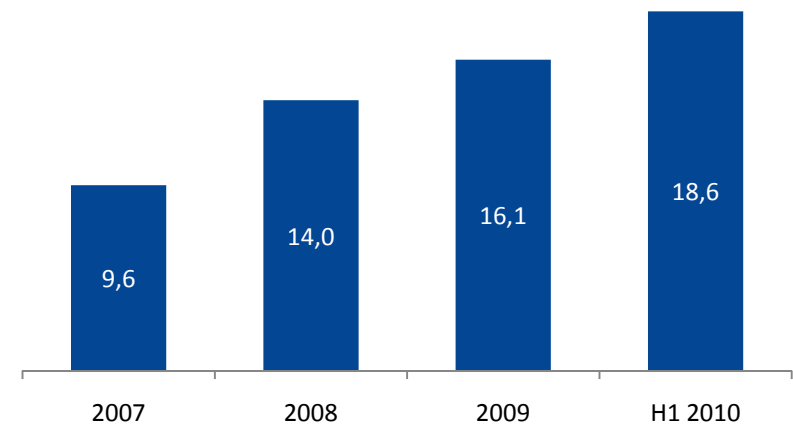
Eggs and Dry Egg Products (in egg equivalent) Output, mln pcs



Avangard Monthly Egg Prices, UAH/10 pcs



Total Amount of Poultry, mln heads



# Market Overview



# 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 3% of world egg market in 2009
- Significant growth of consumption in the Middle East and Asia as eggs remain one of the cheapest sources of protein

## 2 Restrictions on egg production in the EU may favor non-EU players

- Animal welfare restrictions may result in the decline in both laying hens flock and eggs production in EU countries
- Current consumption will likely require significant rise of imports by the EU

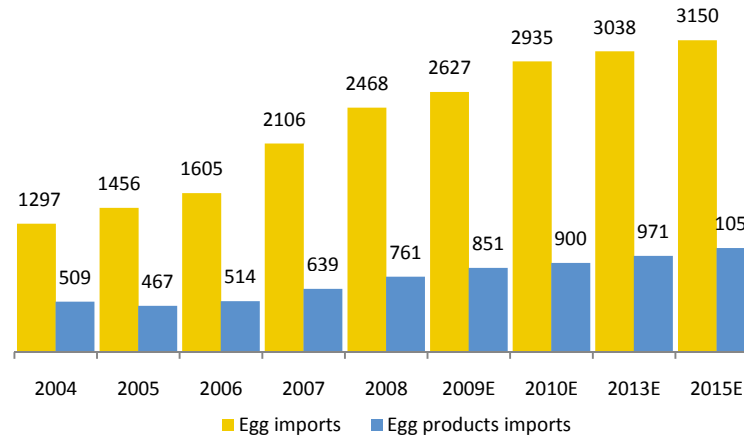
## 3 Unseasonably hot weather in Europe led to sharp fall in grain harvest (e.g. Germany will import ca. 1bn tons of fodder wheat first time ever, which will stimulate rise in its eggs COGS)

- Ukraine expected to be one of the prime candidates to fulfill these needs

## 4 Growing global demand for egg products

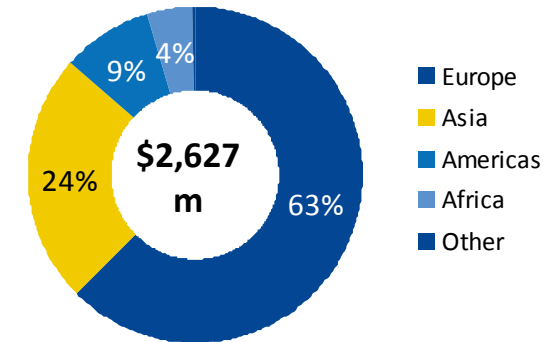
- Continuing demand from food, confectionary and bakery industries globally
- Egg products allow for cheaper transportation and extended shelf life

World Imports of Eggs, US\$ mln



Source: FAO, Pro-Consulting

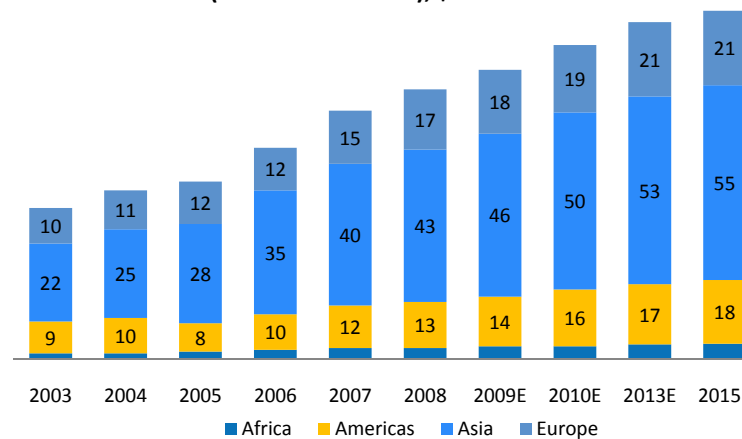
Imports of Eggs in 2009, \$ mln



Source: FAO, Pro-Consulting

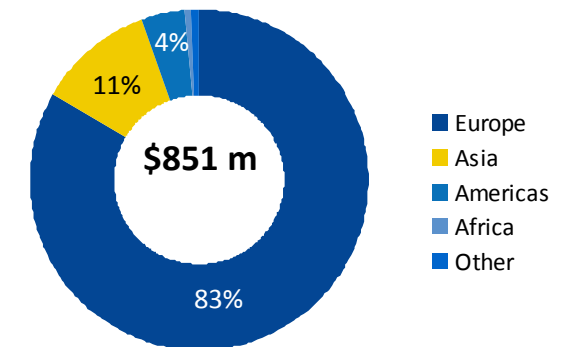
Market Size of Shell Eggs

(in Producer Prices), \$ bln



Source: FAO, Pro-Consulting

Imports of Egg Product in 2009\*, \$ mln



Source: FAO, Pro-Consulting

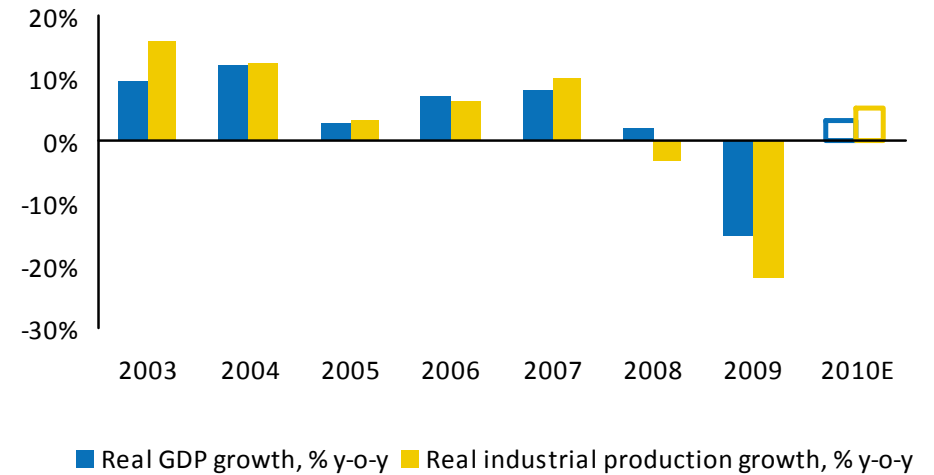
\* Africa and other regions accounted for less than 1.5%



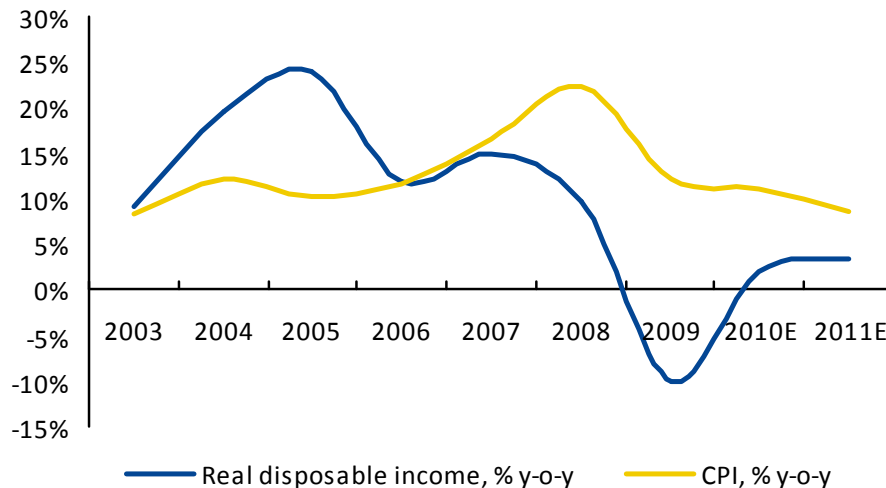
# Ukraine Macroeconomic Overview

- In 2009 GDP equaled to **\$117 bn**, 2010 y-o-y growth respective estimates are **3.0%**
- Economic reforms to ensure fiscal sustainability on the back of inflation decrease to **5-6%** and budget deficit reduction to **2%** of GDP by 2014
- Refinancing rate decreased (from **10.25%** in August 2009 to **7.75%** in August 2010) due to positive GDP dynamics, local currency stabilization and inflation slowdown
- Considerable decrease of current account deficit (from **\$12.8 bn** in 2008 to **\$1.9 bn** in 2009), YE2010 respective estimate is **\$1 bn**.
- Agriculture is the most dynamic sector proved resilience to the crisis and accounted for **8%** of GDP in 2009. Y-o-y growth of the sector equaled **5.4%** in 2009

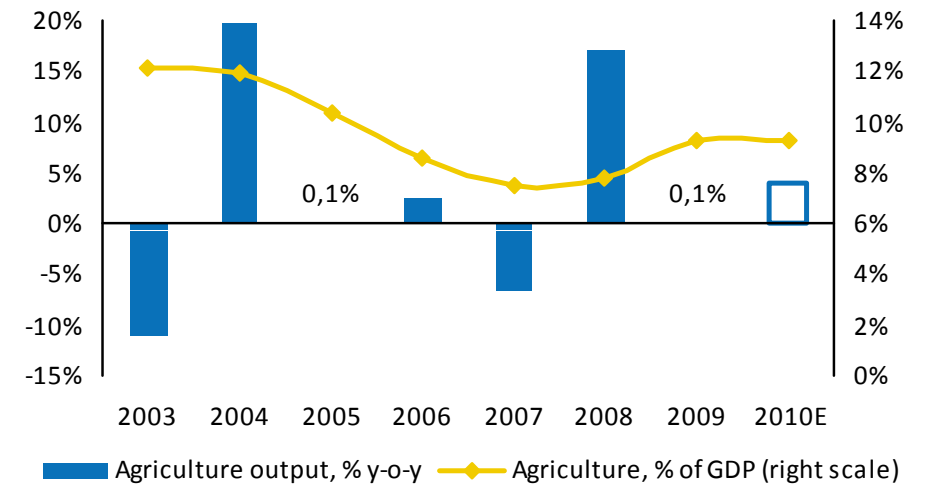
Post-crisis GDP Recovery



Inflation Slowdown Is Expected To Continue



Agriculture Remains Strong And Growing



Source: Ukraine State Statistics Committee, Troika Dialog estimates

# Ukraine Egg Market Trends

## 1 Growth of internal consumption

- Increased disposable income results in growing egg consumption
- Domestic egg sales are expected to grow by 18% CAGR from 2009 to 2012

## 2 Industrial production growth vs. households

- The share of household production decreased from av. 44% in H12009 to av. 42% in H12010 (2000: 66% ) 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 factories decreased from 156 in 2003 to 101 in 2009)

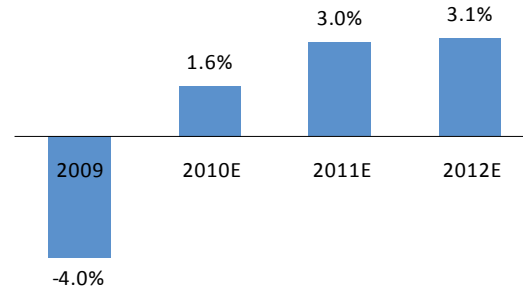
## 4 Increasing export opportunities

- 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 are mitigated for egg producers

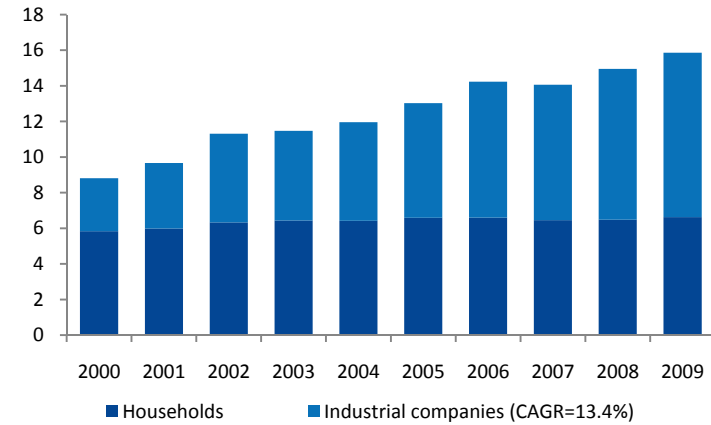
- Egg prices exhibit long term correlation to wheat prices
- Wheat price inflation is expected to be passed through to egg consumers

Real Disposable Income Growth, y-o-y



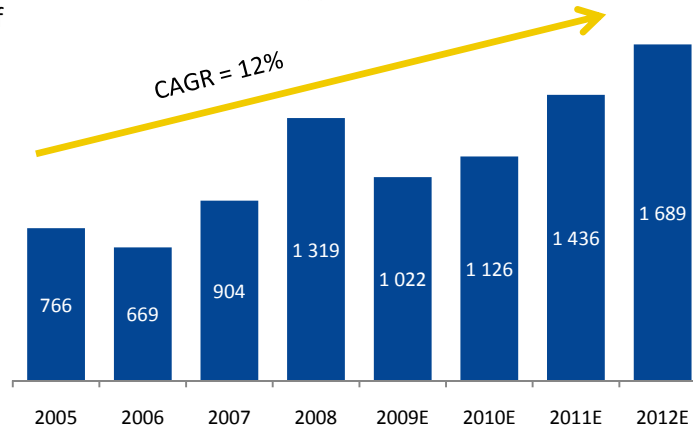
Source: EIU, Pro-Consulting

Production of Shell Eggs in Ukraine, bn pcs



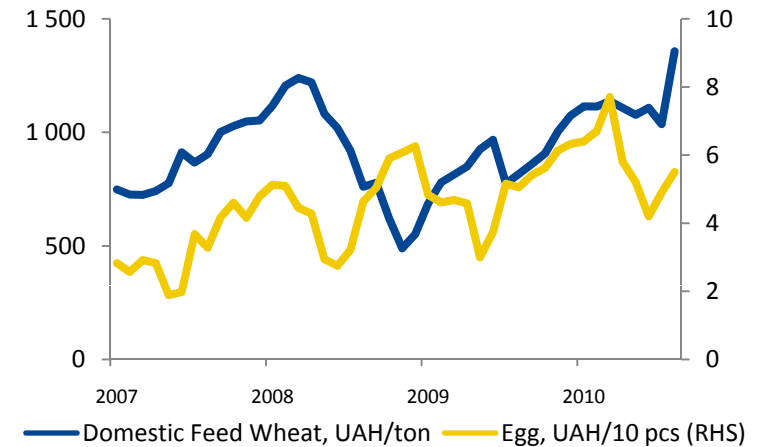
Source: SSCU, Pro-Consulting

Sales of Eggs, US\$ mln



Source: SSCU, Pro-Consulting

Ukraine Wheat and Egg Prices



Source: Bloomberg, Avangard data

# Financial Overview



# H1 2010 Financial Highlights – Income Statement

- Revenue increased by 68% compared to H1 2009, reaching US\$ 165.9 mln
- EBITDA amounted to US\$ 63.5 mln in H1 2010, a 47% increase on H1 2009
- Positive and growing bottom line with increasing margin
- Reduction in operating margin is mostly explained by the decrease of government subsidies from US\$ 6.8 mln in H1 2009 to US\$ 0.5 mln in H1 2010

US\$'000	2007	2008	2009	H1 2009	H1 2010	% change
<b>REVENUE</b>	<b><u>127,788</u></b>	<b><u>302,292</u></b>	<b><u>319,855</u></b>	<b><u>98,567</u></b>	<b><u>165,901</u></b>	<b>+68%</b>
<b>GROSS PROFIT</b>	<b><u>19,566</u></b>	<b><u>82,007</u></b>	<b><u>107,143</u></b>	<b><u>40,315</u></b>	<b><u>55,361</u></b>	<b>+37%</b>
<i>% margin</i>	15%	27%	33%	41%	33%	
<b>OPERATING PROFIT</b>	<b><u>33,160</u></b>	<b><u>101,958</u></b>	<b><u>139,807</u></b>	<b><u>36,857</u></b>	<b><u>57,203</u></b>	<b>+55%</b>
<i>% margin</i>	26%	34%	44%	37%	34%	
<b>NET PROFIT</b>	<b><u>30,234</u></b>	<b><u>77,283</u></b>	<b><u>133,669</u></b>	<b><u>33,367</u></b>	<b><u>61,943</u></b>	<b>+86%</b>
<i>% margin</i>	24%	26%	42%	34%	37%	
<b>EBITDA</b>	<b><u>38,752</u></b>	<b><u>113,738</u></b>	<b><u>152,092</u></b>	<b><u>43,075</u></b>	<b><u>63,498</u></b>	<b>+47%</b>
<i>% margin</i>	30%	38%	48%	44%	38%	

# H1 2010 Financial Highlights – Balance Sheet

- As a result of the IPO in May 2010 the Company raised US\$ 200 mln in net proceeds, which were held in cash and deposits as of 30.06.2010
- Non-current biological assets value increased 97% due to increase in total headcount and share of chicken in total headcount
- Trade receivables and payables increased with increasing sales and purchases
- After 30.06.2010 the trade receivables balance has significantly reduced as US\$ 68.4 mln was paid
- Net debt excluding IPO proceeds decreased 34% resulting in a Net debt/EBITDA of 0.4 times based on LTM EBITDA

US\$'000	2007	2008	2009	H1 2010	% change
<b><u>NON-CURRENT ASSETS</u></b>	<b><u>482,553</u></b>	<b><u>483,039</u></b>	<b><u>414,376</u></b>	<b><u>447,033</u></b>	<b>+8%</b>
Fixed Assets	213,529	368,264	375,426	384,315	+2%
Non-Current Biological Assets	21,343	9,185	21,546	42,538	+97%
<b><u>CURRENT ASSETS</u></b>	<b><u>200,509</u></b>	<b><u>536,927</u></b>	<b><u>430,000</u></b>	<b><u>675,656</u></b>	<b>+57%</b>
Inventories	12,688	47,076	92,757	99,216	+7%
Trade Accounts Receivable	47,953	15,593	47,320	88,868	+88%
<b><u>TOTAL ASSETS</u></b>	<b><u>683,064</u></b>	<b><u>1,019,967</u></b>	<b><u>844,376</u></b>	<b><u>1,122,689</u></b>	<b>+33%</b>
<b><u>TOTAL EQUITY</u></b>	<b><u>91,792</u></b>	<b><u>118,503</u></b>	<b><u>360,555</u></b>	<b><u>627,791</u></b>	<b>+74%</b>
<b><u>NON-CURRENT LIABILITIES</u></b>	<b><u>200,677</u></b>	<b><u>208,169</u></b>	<b><u>99,253</u></b>	<b><u>93,113</u></b>	<b>-6%</b>
<b><u>CURRENT LIABILITIES</u></b>	<b><u>390,594</u></b>	<b><u>693,294</u></b>	<b><u>384,568</u></b>	<b><u>401,785</u></b>	<b>+4%</b>
Trade Accounts Payable	43,134	20,529	68,019	86,016	+26%
Other Payables	123,244	363,646	143,628	128,532	-11%
<b><u>TOTAL LIABILITIES</u></b>	<b><u>591,271</u></b>	<b><u>901,463</u></b>	<b><u>483,821</u></b>	<b><u>494,898</u></b>	<b>+2%</b>
<b><u>NET DEBT</u></b>	<b><u>258,371</u></b>	<b><u>220,937</u></b>	<b><u>102,571</u></b>	<b><u>-132,536</u></b>	<b>n/a</b>
<b><u>NET DEBT (excl. IPO Proceeds)</u></b>				<b><u>67,623</u></b>	<b>-34%</b>

# H1 2010 Financial Highlights – Cash Flow Statement

- Positive operating cash flow driven mainly by growing bottom line
- Sufficient cash balances as of 30.06.2010 for further investment programme

US\$'000	2007	2008	2009	H1 2009	H1 2010
Profit before income tax	31,488	75,869	134,837	33,708	62,478
<b>Operating profit before working capital changes</b>	<b>55,734</b>	<b>109,546</b>	<b>121,310</b>	<b>27,507</b>	<b>48,740</b>
(Increase)/decrease in net working capital	-53,770	43,773	96,179	-61,425	-20,977
Interest paid	-25,909	-54,653	-51,781	-18,113	-9,831
Income tax paid	-65	-29	-48	-11	1
<b><u>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</u></b>	<b><u>-24,010</u></b>	<b><u>98,637</u></b>	<b><u>165,660</u></b>	<b><u>-52,042</u></b>	<b><u>17,932</u></b>
Purchases of PP&E	-146,372	-256,411	-3,370	-948	-20,819
(Increase)/Decrease in bank deposits	-93,924	-137,632	126,200	40,304	-101,418
Net cash generated from/(used in) other investment activities	-8,733	56,125	1,797	532	-
<b><u>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</u></b>	<b><u>-249,029</u></b>	<b><u>-337,918</u></b>	<b><u>124,627</u></b>	<b><u>39,888</u></b>	<b><u>-122,237</u></b>
<b><u>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</u></b>	<b><u>277,099</u></b>	<b><u>238,751</u></b>	<b><u>-295,469</u></b>	<b><u>8,434</u></b>	<b><u>208,472</u></b>
Effects of translation into presentation currency	-	1,856	1,097	-647	-270
<b><u>NET INCREASE/(DECREASE) IN CASH</u></b>	<b><u>4,060</u></b>	<b><u>1,326</u></b>	<b><u>-4,085</u></b>	<b><u>-4,367</u></b>	<b><u>103,897</u></b>
Cash at the beginning of the year	400	4,460	5,786	5,786	1,701
Cash at the end of the year	4,460	5,786	1,701	1,419	105,598

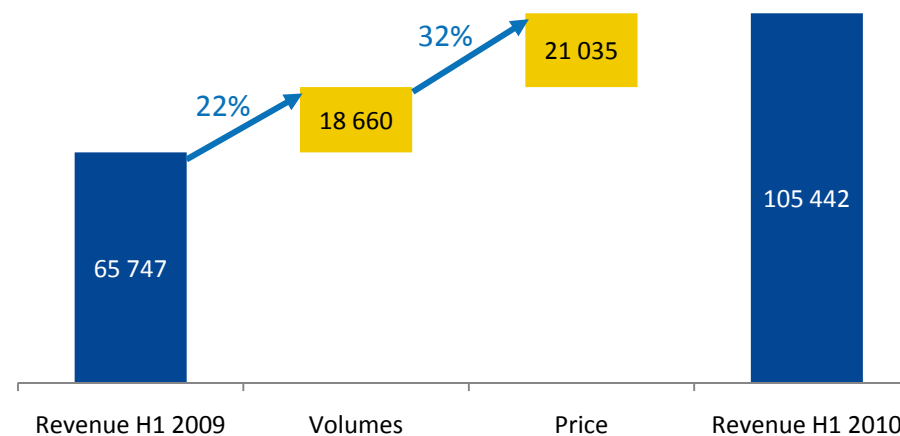
# H1 2010 Key Segment Results

- Shell egg segment sales to external buyers in H1 2010 :
  - ✓ increased 60% compared to H1 2009
  - ✓ accounted for 64% of Avangard's revenue

- Shell egg production is profit tax exempt, and most of Avangard's profits are attributed to this segment via transfer pricing

US\$'000	Shell egg	Egg products
<b><u>SALES REVENUE</u></b>	<b><u>116,998</u></b>	<b><u>32,542</u></b>
Intra-group elimination	-11,556	-
<b><u>REVENUE FROM EXTERNAL BUYERS</u></b>	<b><u>105,442</u></b>	<b><u>32,542</u></b>
<b><u>OPERATING PROFIT</u></b>	<b><u>55,098</u></b>	<b><u>363</u></b>
<i>% margin</i>	47%	1%
<b><u>EBITDA</u></b>	<b><u>60,738</u></b>	<b><u>393</u></b>
<i>% margin</i>	52%	1%

Drivers of Shell Eggs Revenue Growth in H1 2010



# Cost Structure

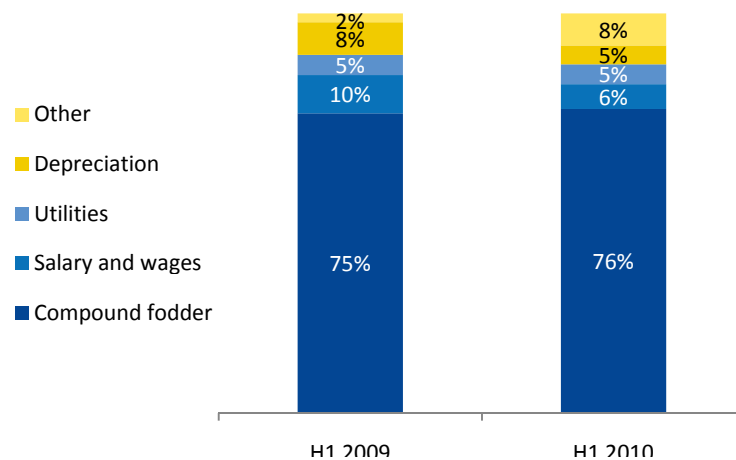
Cost of Sales

US\$'000	H1 2009	H1 2010
Compound fodder	54,008	94,660
Salary and wages	6,910	7,702
Utilities	3,632	6,193
Depreciation	5,863	5,888
Other	1,600	9,946
<b>Total COGS</b>	<b>72,014</b>	<b>124,389</b>

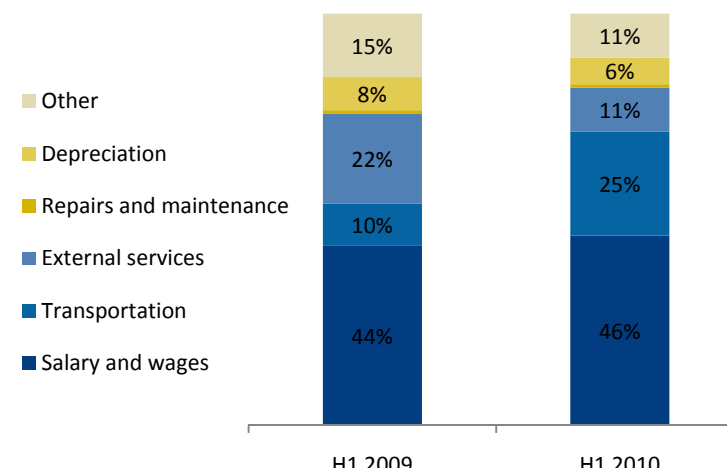
Sales, General and Administration

US\$'000	H1 2009	H1 2010
Salary and wages	1,769	2,279
Transportation	410	1,244
External services	881	531
Repairs and maintenance	36	39
Depreciation	325	320
Other	623	528
<b>Total SG&amp;A</b>	<b>4,044</b>	<b>4,941</b>

Cost of Sales



Sales, General and Administration Costs Structure





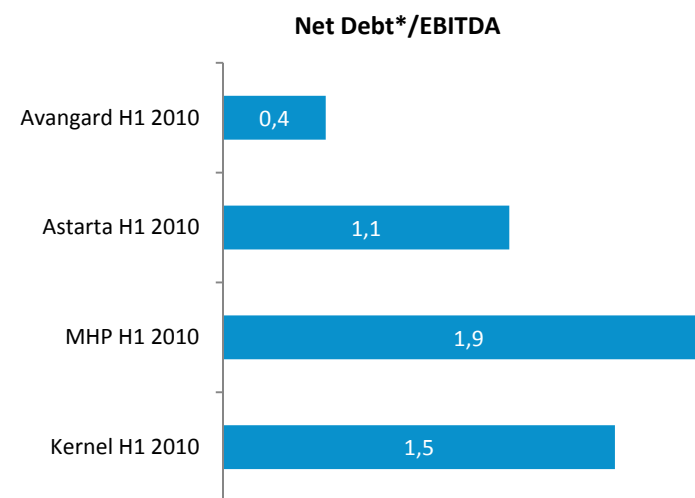
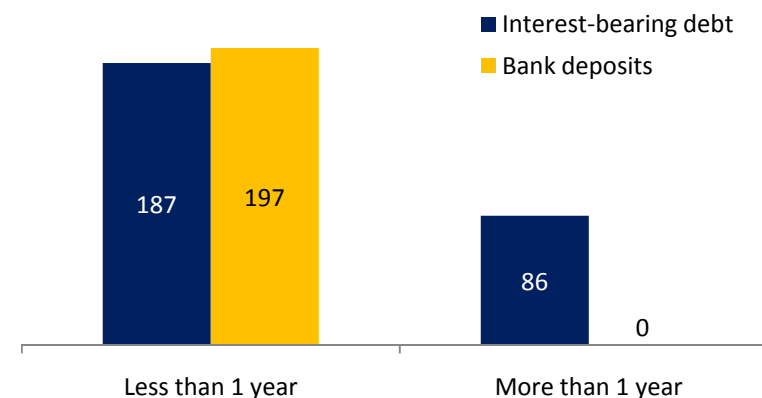
## Debt Structure and Net Working Capital

- As of 30.06.2010 the IPO proceeds were still held in cash creating a net cash position of US\$ 133 mln
- Currently most of Avangard's debt is short-term, and backed by sufficient equivalent bank deposits
- Solvency increased further with Net debt/EBITDA (excluding IPO proceeds) reaching 0.4 times, which is less than that of comparable agricultural companies
- Average cost of debt for Avangard is 17%

US\$'000	2009	H1 2010	% change
<b>Total Debt</b>	<b>265,038</b>	<b>273,056</b>	+3%
Long-term	92,117	85,820	-7%
Short-term	172,921	187,237	+8%
<b>Cash &amp; Cash Equivalents</b>	<b>1,727</b>	<b>105,625</b>	n/a
<b>Deposits</b>	<b>156,421</b>	<b>297,251</b>	+90%
<b>Financial Assistance Issued</b>	<b>4,320</b>	<b>2,717</b>	-37%
<b>Net Debt/(Net Cash)</b>	<b>102,571</b>	<b>-132,536</b>	n/a
<b>Net Debt, excl. IPO proceeds</b>		<b>67,623</b>	-34%
Net Debt (excl. IPO proceeds)/EBITDA*	0.7	0.4	
EBITDA*/Interest expense*	3.3	5.1	
<b>Net Working Capital</b>	<b>56,389</b>	<b>55,543</b>	-18%
as % of Sales*	17.6%	14.3%	

\* Last 12 months Sales, EBITDA and Interest expense are used to calculate ratios for H1 2010

Structure of Debt and Bank Deposits (excl. IPO proceeds) by Maturity, in \$ m



\* Net debt position for Avangard does not include IPO proceeds

# Income Statement

US\$'000	2007	2008	2009	H1 2009	H1 2010
<b><u>REVENUE</u></b>	<b><u>127,788</u></b>	<b><u>302,292</u></b>	<b><u>319,855</u></b>	<b><u>98,567</u></b>	<b><u>165,901</u></b>
Income from revaluation of biological assets at fair value	6,467	12,690	7,695	14,729	14,735
Cost of sales	-114,689	-232,975	-220,407	-72,981	-125,275
<b><u>GROSS PROFIT</u></b>	<b><u>19,566</u></b>	<b><u>82,007</u></b>	<b><u>107,143</u></b>	<b><u>40,315</u></b>	<b><u>55,361</u></b>
General administrative expenses	-4,986	-7,932	-4,933	-2,596	-2,505
Distribution expenses	-4,005	-4,429	-3,086	-1,433	-2,436
Other operating income/expenses, net	22,585	32,312	40,683	571	6,978
<b><u>OPERATING PROFIT/(LOSS)</u></b>	<b><u>33,160</u></b>	<b><u>101,958</u></b>	<b><u>139,807</u></b>	<b><u>36,857</u></b>	<b><u>57,203</u></b>
Financial income	20,868	26,897	41,180	19,643	15,590
Financial expenses	-22,540	-52,986	-46,150	-22,792	-10,511
<b><u>PROFIT BEFORE TAX</u></b>	<b><u>31,488</u></b>	<b><u>75,869</u></b>	<b><u>134,837</u></b>	<b><u>33,708</u></b>	<b><u>62,282</u></b>
Income tax expenses	-1,254	1,414	-1,168	-341	-339
<b><u>PROFIT/(LOSS) FOR THE PERIOD</u></b>	<b><u>30,234</u></b>	<b><u>77,283</u></b>	<b><u>133,669</u></b>	<b><u>33,367</u></b>	<b><u>61,943</u></b>

*For the sake of convenience some rows were aggregated*

# Balance Sheet

US\$'000	2007	2008	2009	H1 2009	H1 2010
<b>ASSETS</b>					
Property, plant and equipment	213,529	368,264	375,426	385,135	384,315
Held-to-maturity investments	29,766	41	40	41	40
Non-current biological assets	21,343	9,185	21,546	40,289	42,538
Long-term deposits	107,627	49,351	504	4,229	28
Other non-current assets	110,288	56,198	16,860	36,699	20,112
<b>Total non-current assets</b>	<b><u>482,553</u></b>	<b><u>483,039</u></b>	<b><u>414,376</u></b>	<b><u>466,393</u></b>	<b><u>447,033</u></b>
Inventories	12,688	47,076	92,757	70,381	99,216
Taxes recoverable and prepaid, net	41,226	54,063	28,743	26,688	24,351
Current biological assets	18,075	47,935	44,910	30,678	34,785
Prepayments and other current assets, net	38,744	133,111	58,626	170,559	25,588
Trade accounts receivable, net	47,953	15,593	47,320	84,721	88,868
Short-term deposits	37,363	233,271	155,917	238,089	297,223
Cash and cash equivalents	4,460	5,878	1,727	1,446	105,625
<b>Total current assets</b>	<b><u>200,509</u></b>	<b><u>536,927</u></b>	<b><u>430,000</u></b>	<b><u>622,562</u></b>	<b><u>675,656</u></b>
<b>TOTAL ASSETS</b>	<b><u>683,062</u></b>	<b><u>1,019,967</u></b>	<b><u>844,376</u></b>	<b><u>1,088,955</u></b>	<b><u>1,122,689</u></b>
<b>LIABILITIES AND EQUITY</b>					
Share capital	3	644	644	644	835
Share premium	-	-	115,858	115,858	317,021
Retained earnings	74,109	168,151	300,107	201,098	360,688
Effect from translation into presentation currency	0	-56,698	-64,137	-55,343	-60,199
<b>Total equity attributable to shareholders of Avangard Group</b>	<b><u>74,112</u></b>	<b><u>112,097</u></b>	<b><u>352,472</u></b>	<b><u>146,398</u></b>	<b><u>618,345</u></b>
Non-controlling interests	17,680	6,406	8,083	6,817	9,446
<b>Total equity</b>	<b><u>91,792</u></b>	<b><u>118,503</u></b>	<b><u>360,555</u></b>	<b><u>153,215</u></b>	<b><u>627,791</u></b>
Long-term loans	189,340	192,518	85,975	235,650	80,653
Long-term finance lease	0	8,502	6,142	7,503	5,167
Other non-current liabilities	11,337	7,149	7,136	7,181	7,293
<b>Total non-current liabilities</b>	<b><u>200,677</u></b>	<b><u>208,169</u></b>	<b><u>99,253</u></b>	<b><u>250,334</u></b>	<b><u>93,113</u></b>
Short-term interest bearing debt	128,099	204,605	164,043	263,342	171,641
Financial assistance received	96,101	104,151	8,535	241,930	15,250
Trade accounts payable	43,134	20,529	68,019	76,958	86,016
Other current liabilities and accrued expenses	123,259	364,009	143,971	103,175	128,878
<b>Total current liabilities</b>	<b><u>390,593</u></b>	<b><u>693,294</u></b>	<b><u>384,568</u></b>	<b><u>685,404</u></b>	<b><u>401,785</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>683,062</u></b>	<b><u>1,019,967</u></b>	<b><u>844,376</u></b>	<b><u>1,088,952</u></b>	<b><u>1,122,689</u></b>
<b>Net Debt</b>	<b><u>258,371</u></b>	<b><u>220,937</u></b>	<b><u>102,571</u></b>	<b><u>370,634</u></b>	<b><u>-132,536</u></b>

For the sake of convenience some rows were aggregated

**Strategy**



# Strategy

## Increase Domestic Market Share

- Further increase its market share in Ukraine in shell eggs production supported by
  - ✓ decline in household production
  - ✓ competitive cost structure and brand awareness vis-à-vis other local manufacturers
- Capitalize on its strong positions to enjoy volume growth on the back of rising disposable income of the population

## Increase Exports of Eggs and Dry Egg Products

- Capitalize on the rising demand from the Middle East, Asia and CIS
- Capture additional demand from the EU after obtaining necessary export permits

## Further Develop the Company's Customer Base

- Development of relations with wholesalers to obtain better commercial terms backed by bargaining power
- Negotiate direct contracts with local retailers and introduce "private labels"
- Introduction of customer loyalty programs
- Business development with multinational FMCG corporations with local production (i.e. Nestle)

## Expand Production Facilities

- Upgrade of existing facilities (capacity increased by **8.6 times** from **2.2 mln** laying hens in 2005 to **18.9 mln** in 2009)
- Finalize the ongoing investment projects (Avis and Chornobaivske farms) to increase total capacity by **6 mln** to **24.9 mln** laying hens
- Expansion of Imperovo production facilities to **10 mln** shell eggs per day from **3 mln** in 2009

## Enhance Products Quality and Optimize Product Mix

- Implementation of GLOBALGAP and HACCP regulations
- Increase the share of dry egg products in the product mix in order to prolong storage life of inventories and achieve more cost-efficient transportation terms

## Continuously Focus on Operational Efficiency

- Introduce integrated control systems at all of its facilities and enterprises
- Focus on labor, administrative and overhead costs optimization
- Construction of biogas plants at Avis and Chornobaivske complexes to efficiently utilize bird manure

# Investor Relations

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# Appendix



## Avangard's Key Products

	Use	Type, category	Storage	% of Revenue (at H1 2010)
<b>Shell Eggs</b> 	<ul style="list-style-type: none"> <li>Direct consumption</li> <li>Food industry, production of pasta, bakery products, semi-ready products, etc.</li> <li>Production of dry egg products</li> </ul>	<ul style="list-style-type: none"> <li>Brown or white color</li> <li>3 categories:                             <ul style="list-style-type: none"> <li>✓ premium – not less than 65 grams</li> <li>✓ first – not less than 55 grams</li> <li>✓ second – not less than 45 grams</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Under 7 days of storage at temperatures between 0 and 20°C – dietary eggs</li> <li>Up to 25 days of storage at temperatures between 0 and 20°C or 120 days in freezers at temperatures between 0 and -2°C – table eggs</li> <li>Eggs stored for longer period of time can only be processed or used as feed</li> </ul>	64%
<b>Dry Egg Products</b> 	<ul style="list-style-type: none"> <li>Production of mayonnaise, dressings, confectionary, bakery products, ice-cream, fish semi-finished products, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Dry egg powder (mélange), dry yolk powder, dry albumen powder</li> </ul>	<ul style="list-style-type: none"> <li>Under 20°C – no longer than 6 months</li> <li>Under 2°C – no longer than 2 years</li> </ul>	20%
<b>Other Products</b>	<ul style="list-style-type: none"> <li>Further processing of 65 week and 80 week breeder and laying flock</li> <li>Sale of slaughtered poultry to third parties (no packaged meat for direct consumption)</li> <li>Internal consumption of produced feed</li> </ul>	<ul style="list-style-type: none"> <li>Live and slaughtered poultry</li> <li>Combined feed</li> <li>Other</li> </ul>		16%



# Avangard's Fully Vertically Integrated Business Model

## Benefits of vertically integrated structure

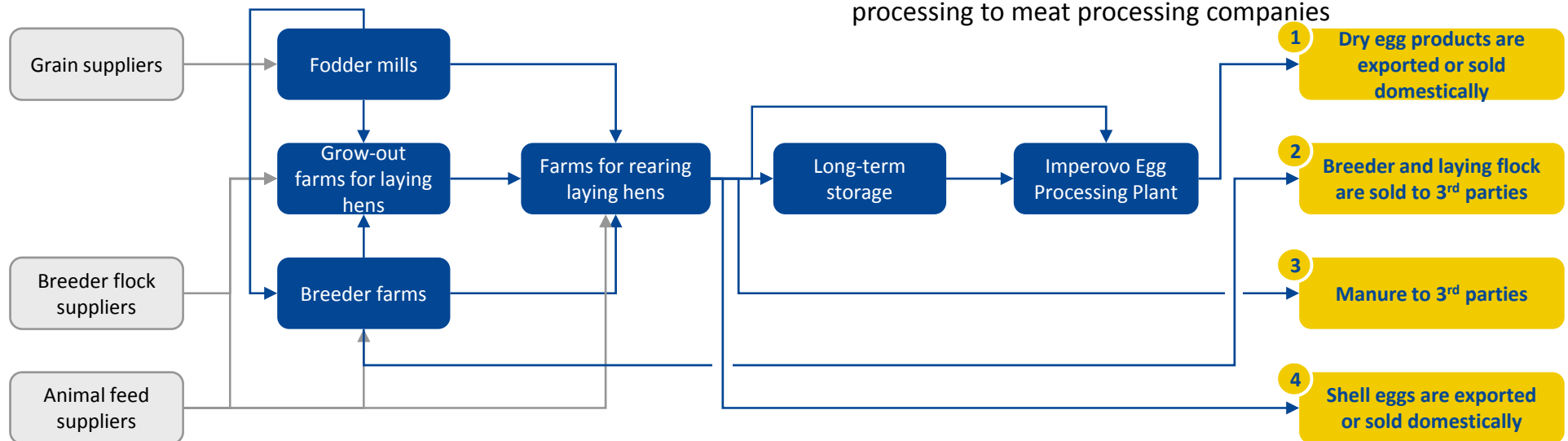
- effective cost management
- quality control enhancement
- effective supplier risk management
- decrease of product price per unit
- strict biosecurity standards



- Avangard is the only player at Ukrainian eggs market that gets full advantage of its vertically integrated business model
- For other players capacity expansion of 1 bln eggs requires around \$130 mln in investment\*

## Production process structure

- Own breeder and growout farms are used to rear laying hens
- In-house bred laying hens produce eggs at **19** poultry farms
- Fodder is sourced internally from **6** fodder mills (approx. **75%** necessary for egg production as of 2009) with the remainder purchased from third party producers. The Company mitigated its exposure to rising grain prices in H2 2010 by signing forward contracts for the purchase of wheat
- Eggs are processed at Imperovo Foods plant
- Eggs and dry egg products are sold to wholesale customers domestically and are exported to Middle East, Africa and Asia
- Once the hens stop producing, they are sold for further processing to meat processing companies



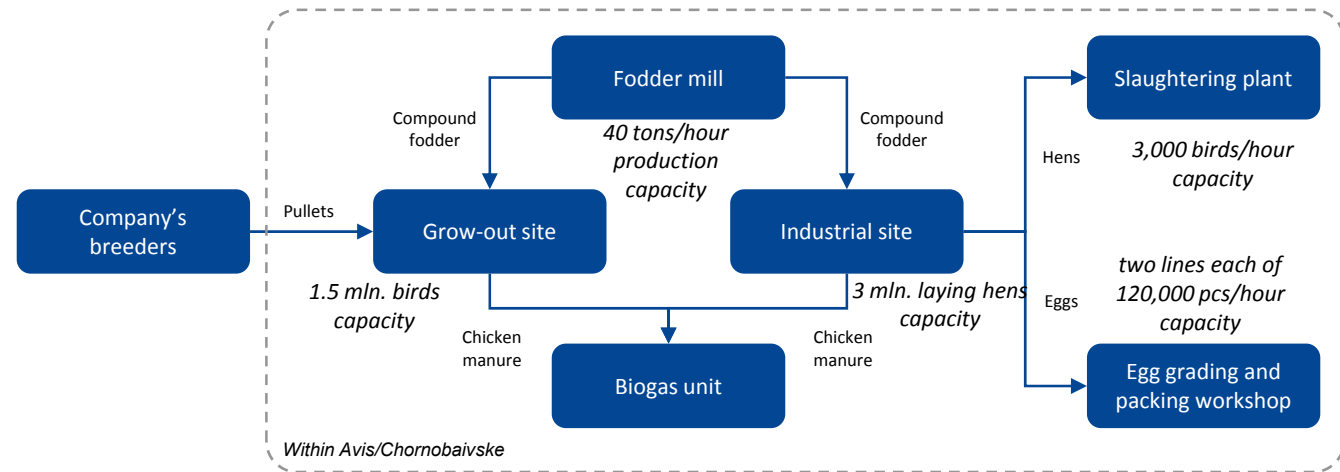
— External process      Avangard's facilities  
 — Internal process      Suppliers

\* Assuming modernization and expansion of existing facilities

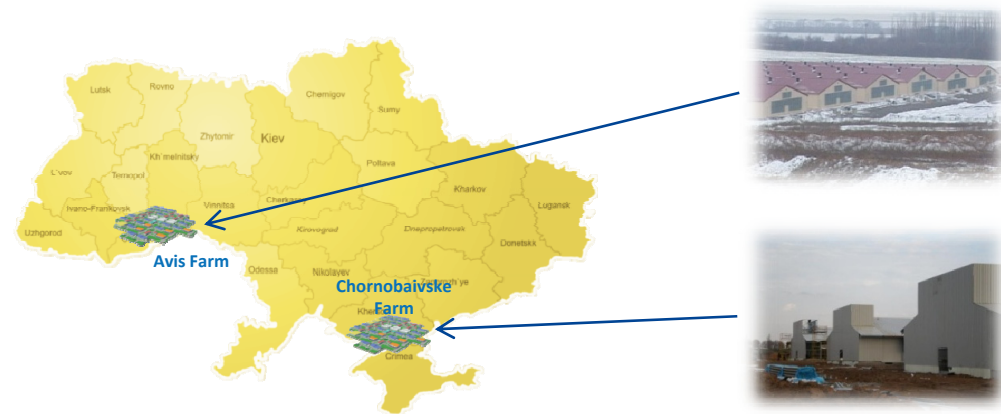
# New Poultry Complexes to Increase Output and Improve Vertical Integration

- Investment underway to increase production capacity to 24.9 million laying hens, a 32% growth compared to 2009
- Construction of two full cycle poultry farms: Avis in Khmelnytskyi and Chornobaivske in Kherson regions in Ukraine with a combined capacity of 6 mln laying hens
- Equipment to be supplied by the Salmat (Germany) and Facco (Italy), leading international manufacturers
- The farms are designed to employ the high level of automation and are labor-efficient
- Each of complexes to include a fodder mill, a growout section, an egg sorting section, long-term storage facilities, a slaughtering section, and a biogas section
- Avangard has already financed US\$ 226.7 mln (c. 50%) of total USD 478.4 mln project cost

Full Integrated Cycle Poultry Complex – Operating Flowchart



Location of the Poultry Farms Under Construction



# Modern Operating Facilities Located Across Ukraine

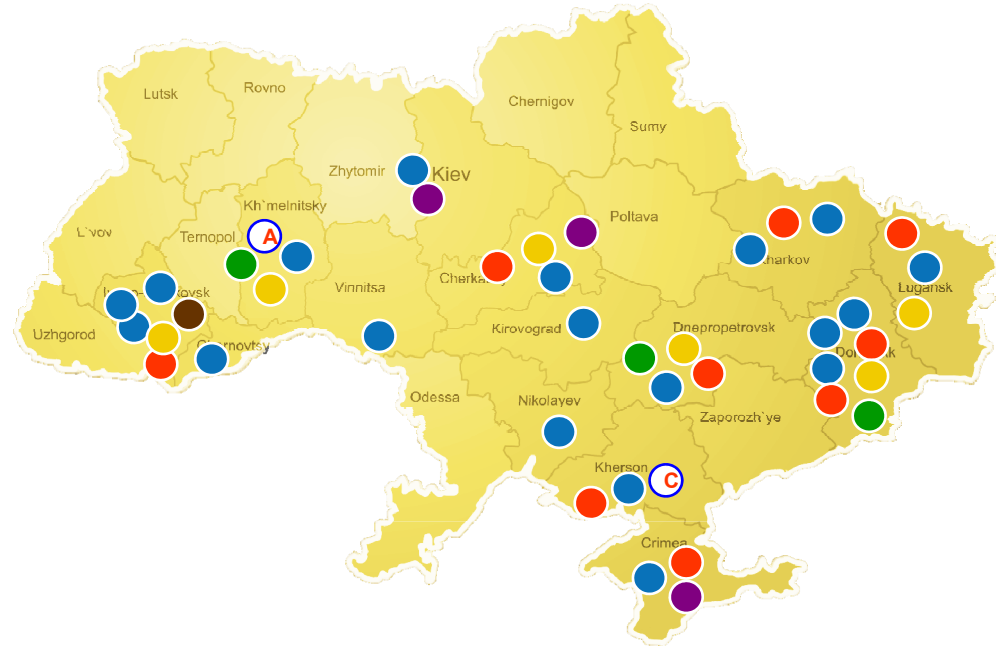
- The Company's facilities are amongst the most technologically advanced in Ukraine, located in 14 of Ukraine's 24 regions and in the Autonomous Republic of Crimea
  - Access to wholesale and retail networks across the country
  - Efficient and timely distribution of eggs – a key factor for such short shelf life products
- Existing facilities were upgraded in the course of 2007 - 2009

## Shell Egg Production Facilities

- Key production assets - 19 farms for laying hens (18.9 mln hens and 5.3 bln shell eggs capacity in 2009)
- Rearing farms are serviced by 3 breeder farms, 9 farms for growing young laying hens, 6 fodder mills
- 3 long-term egg storage facilities
- Construction of 2 new modern poultry complexes (Avis and Chornobaivske farms) to increase capacity by 6 mln hens and 1,680 mln shell eggs when fully operational

## Egg Processing Facilities

- Production of dry egg products at Imperovo plant in the Ivano-Frankivsk region with processing capacity of 3 mln shell eggs per day
- Future plan to increase Imperovo's processing capacity to 10 mln shell eggs per day



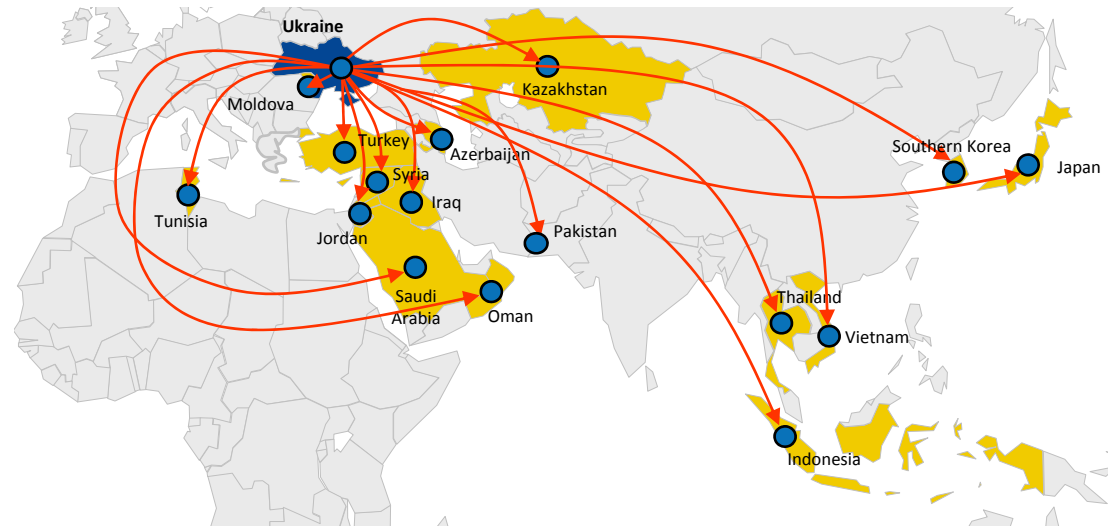
- 19 farms for rearing laying hens
- 3 second-order breeders
- 9 grow-out farms
- 6 fodder mills
- 3 storage warehouses
- Imperovo Foods egg processing plant
- A Avis complex: under construction
- C Chornobaivske complex: under construction

# Rising Volumes of Export Benefit Avangard

## High Growth Potential

- Ukraine is geographically close to the large Asian and Middle East markets and has a natural advantage in fodder costs which typically accounts for approximately 70% of egg production costs
- Asian and Middle East markets are the largest egg markets globally in value terms and represent the most important and the fastest growing markets globally
- To capitalize on rising demand from the region, in 2009 Avangard exported dry egg products to 16 countries in Middle East, Asia and other regions
- European market remains an important market globally, and Avangard plans to commence export of dry egg products on the back of expected drop of internal production in European countries

Key Export Routes of Avangard



Exports are made via related intermediary

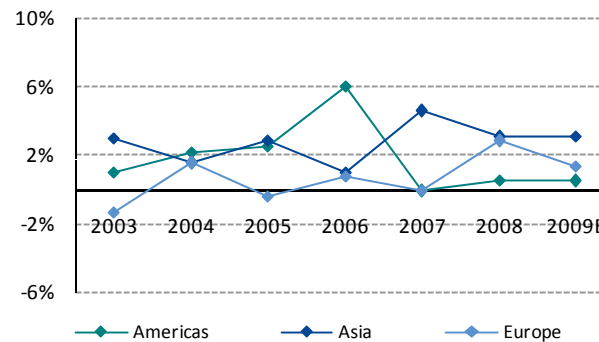
## Export of Eggs

- Exports of eggs are driven by increasing demand in the Middle East and Asia that are not satisfied by local supply
- Avangard has signed contracts with customers to export 1.2 bln eggs in 2010. In H12010 Avangard exported ca. 200m shell eggs

## Export of Dry Egg Products

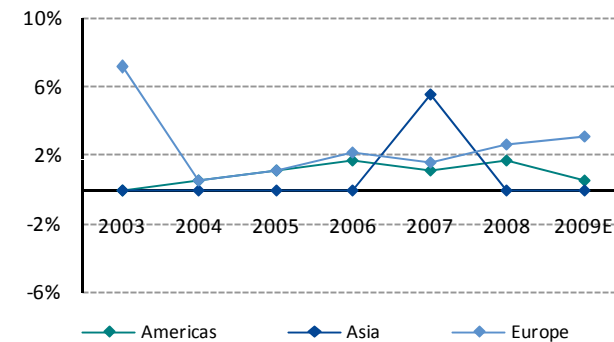
- The Company is in the process of seeking accreditation to export to EU
- Avangard has signed letters of intent with customers to export dry egg products in the amount of 180.6 mln pcs. of shell eggs equivalent in 2010. In H12010 the Company exported 693 tons of dry egg products

Egg Consumption Dynamics, y-o-y



Source: FAO, Pro-Consulting

Egg Products Consumption Dynamics, y-o-y



Source: FAO, Pro-Consulting