



Management presentation
Financial results for 1H2014
29 August, 2014



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Table of contents



1. Business and Operations Overview
2. Financial Results
3. Business Outlook

Appendix





1. Business and operations overview

AVANGARDCO IPL at a Glance

#1

#1 egg / dry egg products producer in Ukraine*

- 55% share in the industrial production of shell eggs in 1H2014 (55% in 1H2013)
- 92% share in the production of dry egg products in 1H2014 (90% in 1H2013)
- 84% share in export of eggs and dry egg products from Ukraine in 1H2014 (81% in 1H2013)



Distribution and Sales

- Despite the challenging macro environment in Ukraine, the Company continues to implement its sales strategy to diversify sales channels by **increasing share of export and retail chains**
- Export constituted **39%** of the Company's total revenue and **42%** of eggs and egg products revenue as of 1H2014
- Company exported to **33 countries**
- Main export destinations in 1H2014: **MENA, Asia, SSA** and the **CIS**
- Sales of packaged eggs under the umbrella brand "Kvochka" increased by four times to **97.3 million** in 1H2014 vs 1H2013



Investment programme

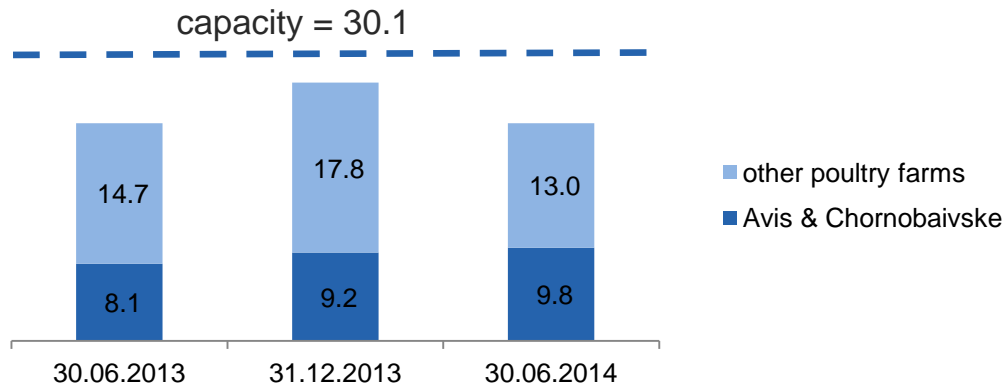
- The Company successfully completed the construction of new poultry complexes "Avis" and "Chornobaivske" with the capacity of **11.2 mn laying hens** and **3.5 bn shell eggs**
- A gradual increase of capacity at new poultry complexes, which were operating at **87%** of their capacity as of 30.06.2014
- Total expected expansion CAPEX of **\$10.4 mn** in 2H2014:
 - to finish the 1st stage of biogas units in 2014
 - to expand the processing capacity of the Imperovo Foods processing plant to **10 mn eggs per day**

*According to data from SSCU, Pro-Consulting

Facilities overview

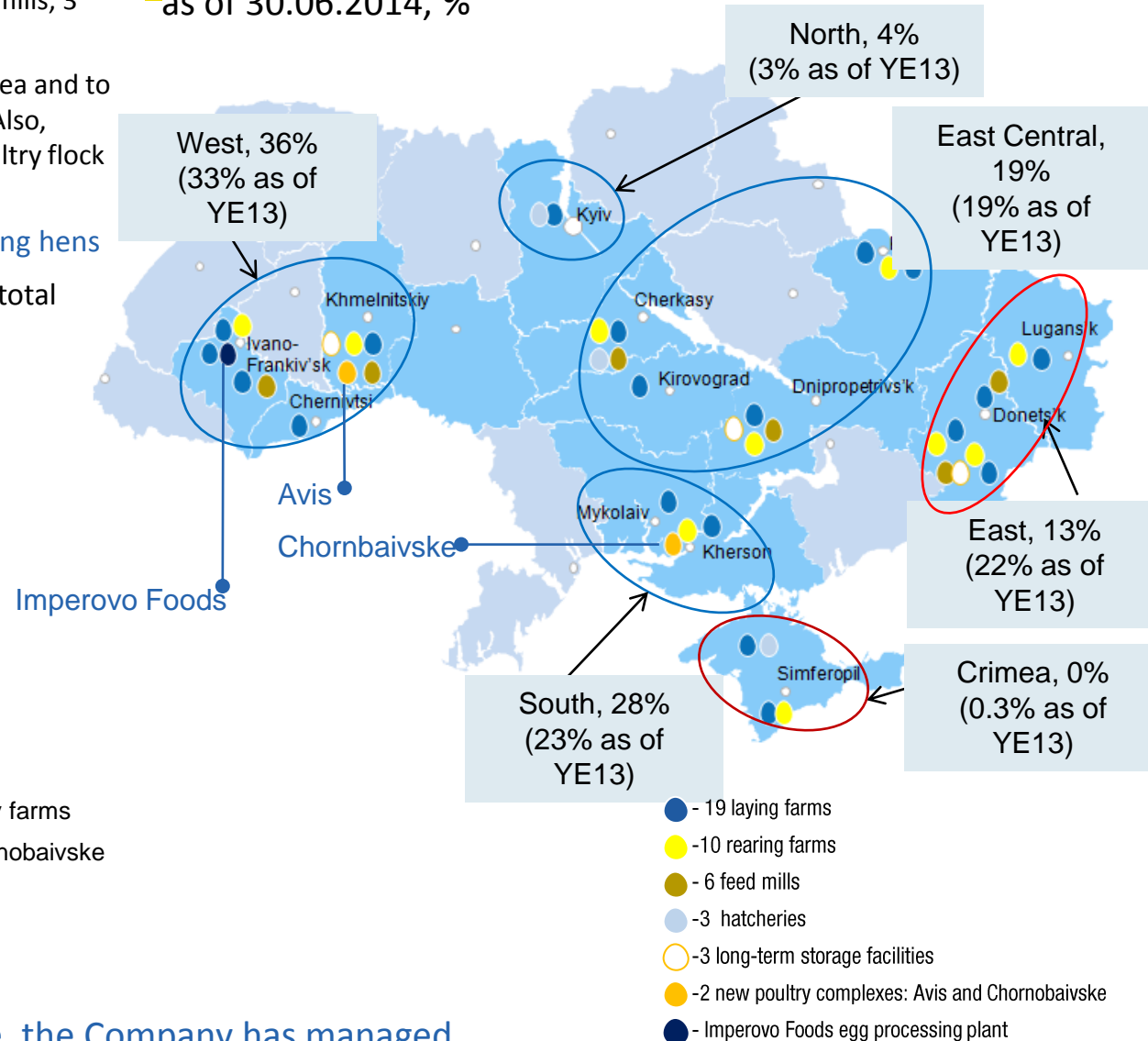
- Vertically integrated business model with 19 farms for laying hens, 3 second order breeder farms, 10 farms for rearing young laying hens, 6 feed mills, 3 storage facilities and the Imperovo Foods egg processing plant
- The Company decided to suspend operations at its facilities in Crimea and to limit the use of poultry farms in the Donetsk and Lugansk regions. Also, earlier this year the Company made a decision not to renew its poultry flock in these poultry farms until the situation in the region stabilizes
- Total production capacity: 8.6 bn eggs a year and 30.1 mn laying hens
- Two modern poultry complexes Avis and Chornobaivske with total production capacity of 3.5 bn eggs and 11.2 mn laying hens

Total laying hens flock, mn heads



Despite the challenging situation in eastern Ukraine, the Company has managed to minimize the negative impact on operating activity

Laying hens population by region as of 30.06.2014, %



Operational performance in 1H2014

Shell eggs

- Production up by 9% to **3.680 bn pcs**
- Sales to third parties down by 4% to **2.402 bn pcs**
- Export up by 28% to **308 mn pcs**
- Average sales price up by 8% to **0.68 UAH (excl. VAT)**

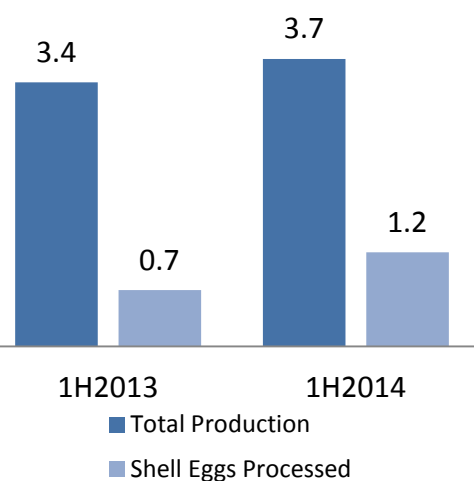
Poultry flock

- Total flock up by 1% to **30.7 mn heads** as at 30 June 2014
- The number of laying hens remained unchanged at **22.8 mn heads** as at 30 June 2014

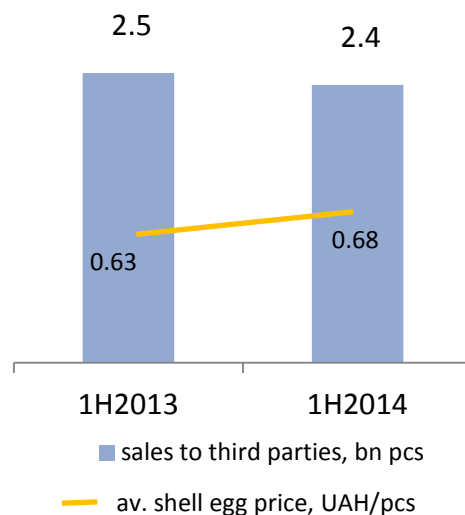
Egg products

- Eggs processed into egg products up by 67% to **1.203 bn pcs**
- Dry egg products produced up by 58% to **14.0 thou. tons**
- Sales of dry egg products up by 65% to **12.4 thou. tons**
- Export in egg equivalent up by 70% to **865 mn pcs**
- Average sales egg products price down by 13% to **6.69 USD/kg**

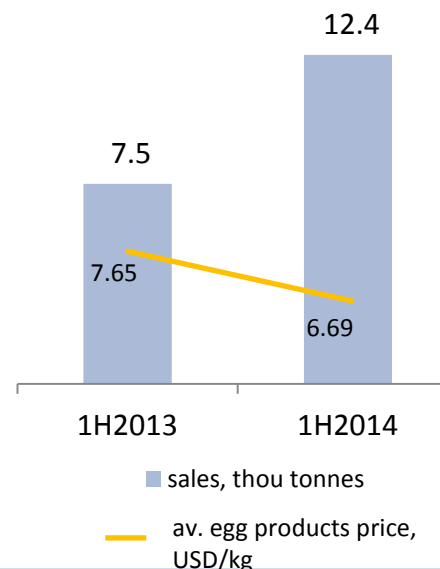
Production of shell eggs and egg products in egg equivalent, bn pcs



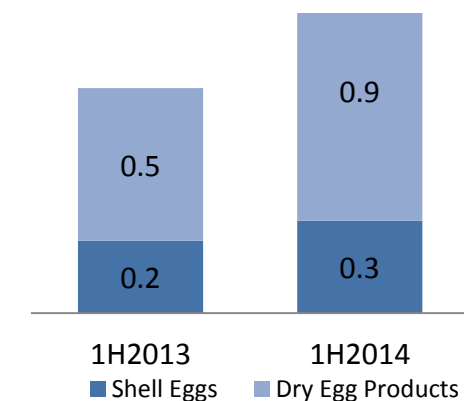
Sales of shell eggs



Sales of dry egg products



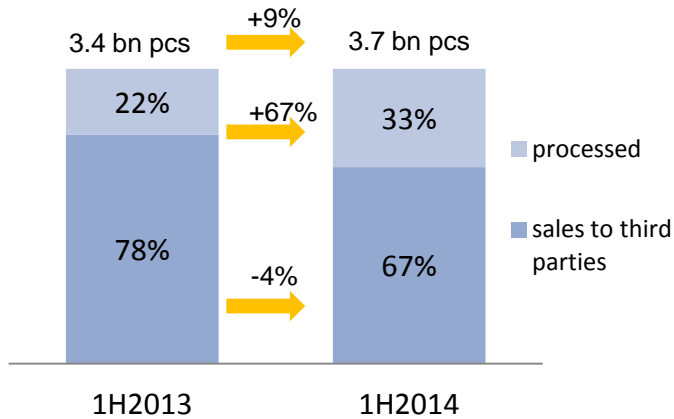
Export of shell eggs and egg products in egg equivalent, bn pcs



Source: Company data

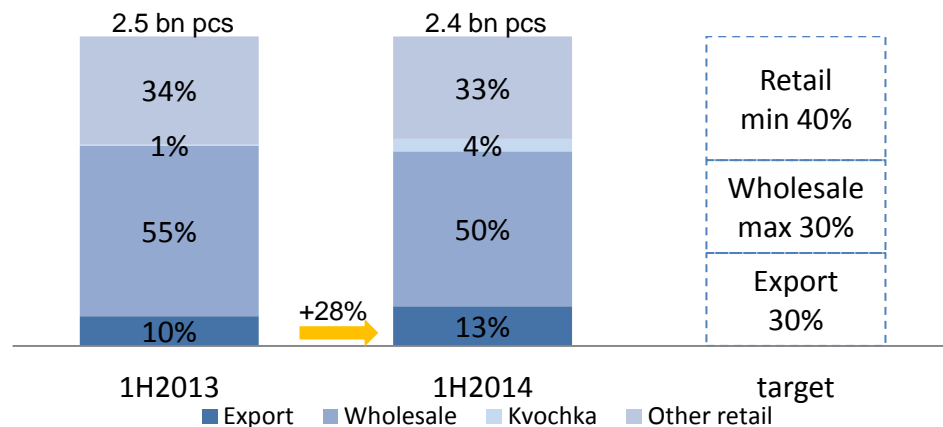
Diversified sales structure: growing focus on export and retail sales

Production of shell eggs by volume, %

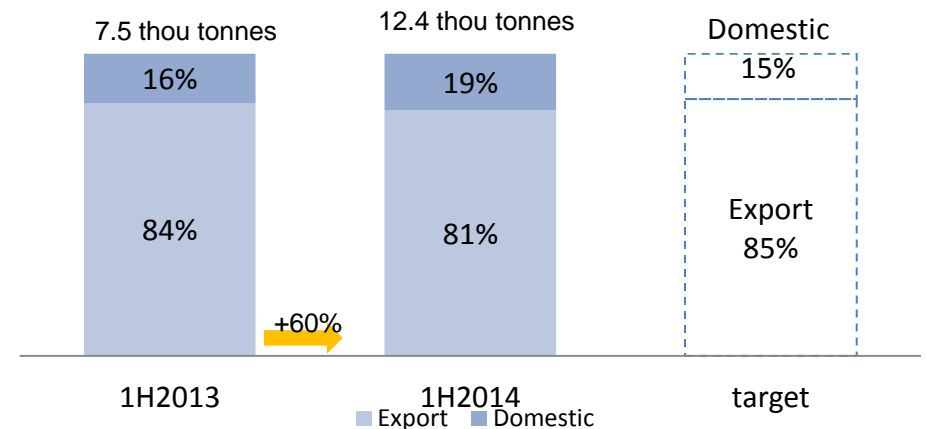


- 9% increase in total production of shell eggs
- 4% decrease in sales of shell eggs to third parties due to the 67% increase in further processing of shell eggs into dry egg products to meet growing demand in export markets
- redistribution of shell eggs sales channels:
 - 28% increase in export sales (13% share in total sales). The Top 3 export markets in 1H2014 – Iraq, Liberia, Moldova
 - 37% share of retail sales with the four-fold increase in the sales of packaged eggs "Kvochka" to 97.3 mln pieces vs 1H2013
- 60% increase in export of dry egg products. The Top 3 export markets in 1H2014 – the UAE, Jordan, Taiwan

Eggs sales to third parties by volume, %



Egg products sales by volume, %



The Company's strategy:

- to expand export sales of shell eggs (up to 30% in the eggs segment) and dry egg products (up to 85% in the egg products segment) with the focus on MENA, Asia, Sub-Sahara Africa and the CIS markets
- to expand its sales to retail chains, its main distribution channel in the domestic market, and further penetrate the market with "Kvochka"-branded products





2. Financial results

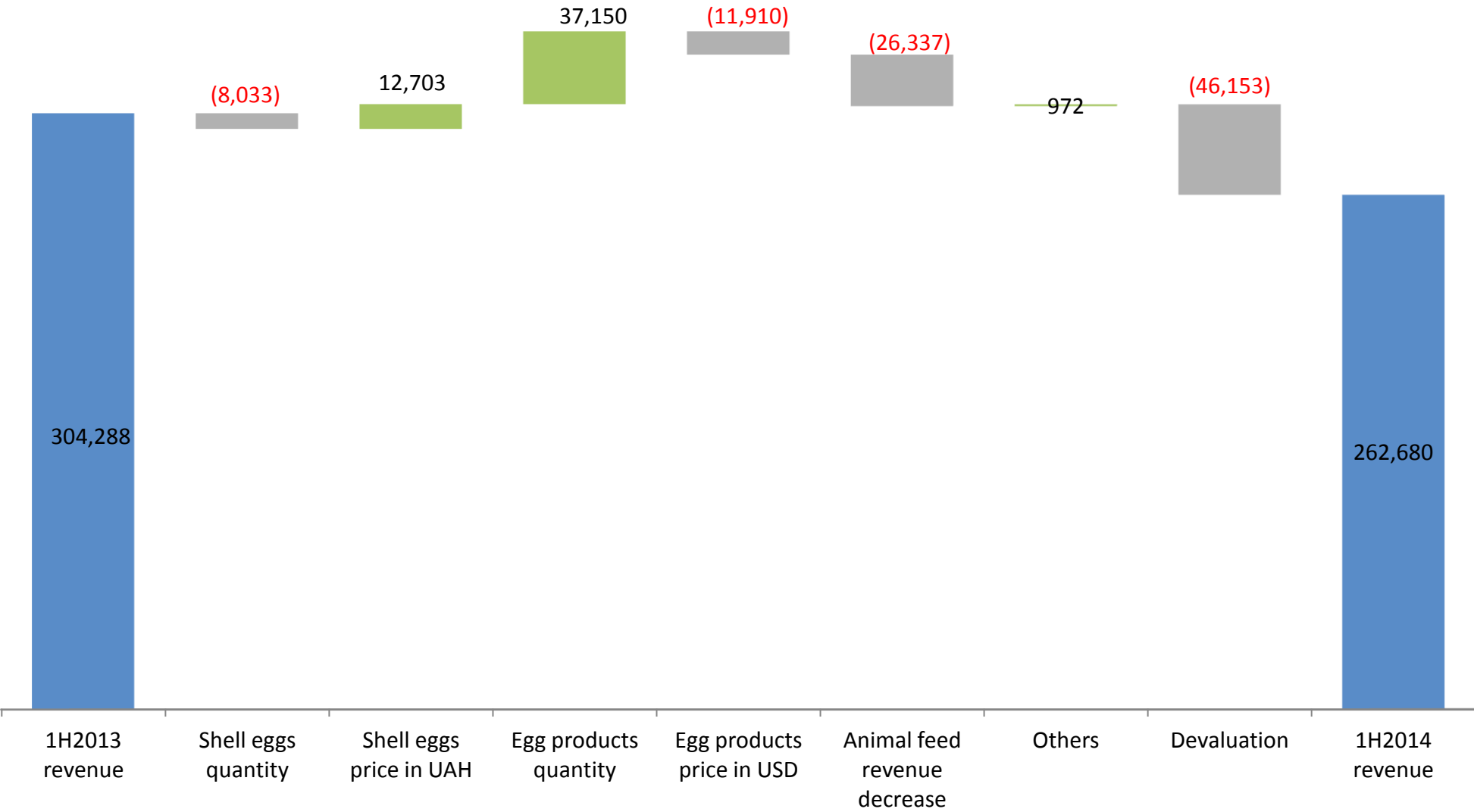
Key financial highlights

\$'000	1H2013	1H2014	change, %
Revenue	304,288	262,680	(14%)
Average shell egg price, UAH/egg	0.63	0.68	+8%
Average shell egg price, USD/egg	0.079	0.066	(16%)
Average egg products price USD/kg	7.65	6.69	(13%)
Cost of sales	-206,400	-190,932	(7%)
Cost per egg, UAH/egg	0.42	0.47	+12%
Cost per egg, USD/egg	0.052	0.046	(12%)
Cost per egg products, USD/kg	4.08	3.99	(2%)
Gross profit	118,605	80,797	(32%)
Profit from operating activities	121,957	67,949	(44%)
Net Profit	105,568	51,991	(51%)
Net profit margin	35%	22%	(12%)
Earnings per share, USD	16	9	(44%)
EBITDA	134,653	78,950	(41%)
EBITDA margin	44%	30%	(14%)
Capital investment (expansion)	62	14	(77%)
Capital investment (maintenance)	10	19	+90%
Net debt	155,594	106,097	(32%)
Net debt/LTM EBITDA	0.5	0.4	
Total debt/LTM EBITDA	1.1	1.4	

- The decrease in 1H2014 consolidated revenue was driven by the Ukrainian hryvnia devaluation against the US dollar, the decrease in sales of shell eggs to third parties as well as lower sales price of dry egg products. Higher export sales volumes partially mitigated the decline in revenues
- The increase in the average sales price of shell eggs in the Ukrainian hryvnia was due to the increased share of “Kvochka”-branded products and export sales
- The increase in cost per egg in the Ukrainian hryvnia was due to higher fodder prices and the growth in consumption of fodder per a hen
- The decrease in cost per unit for eggs and egg products in the US Dollars was due to the Ukrainian hryvnia devaluation
- Gross profit, profit from operating activities, net profit, EBITDA were effected by all above mentioned factors
- Net debt reflects the increase in cash&cash equivalents at the period-end
- The Company maintains a strong liquidity position in line with covenants

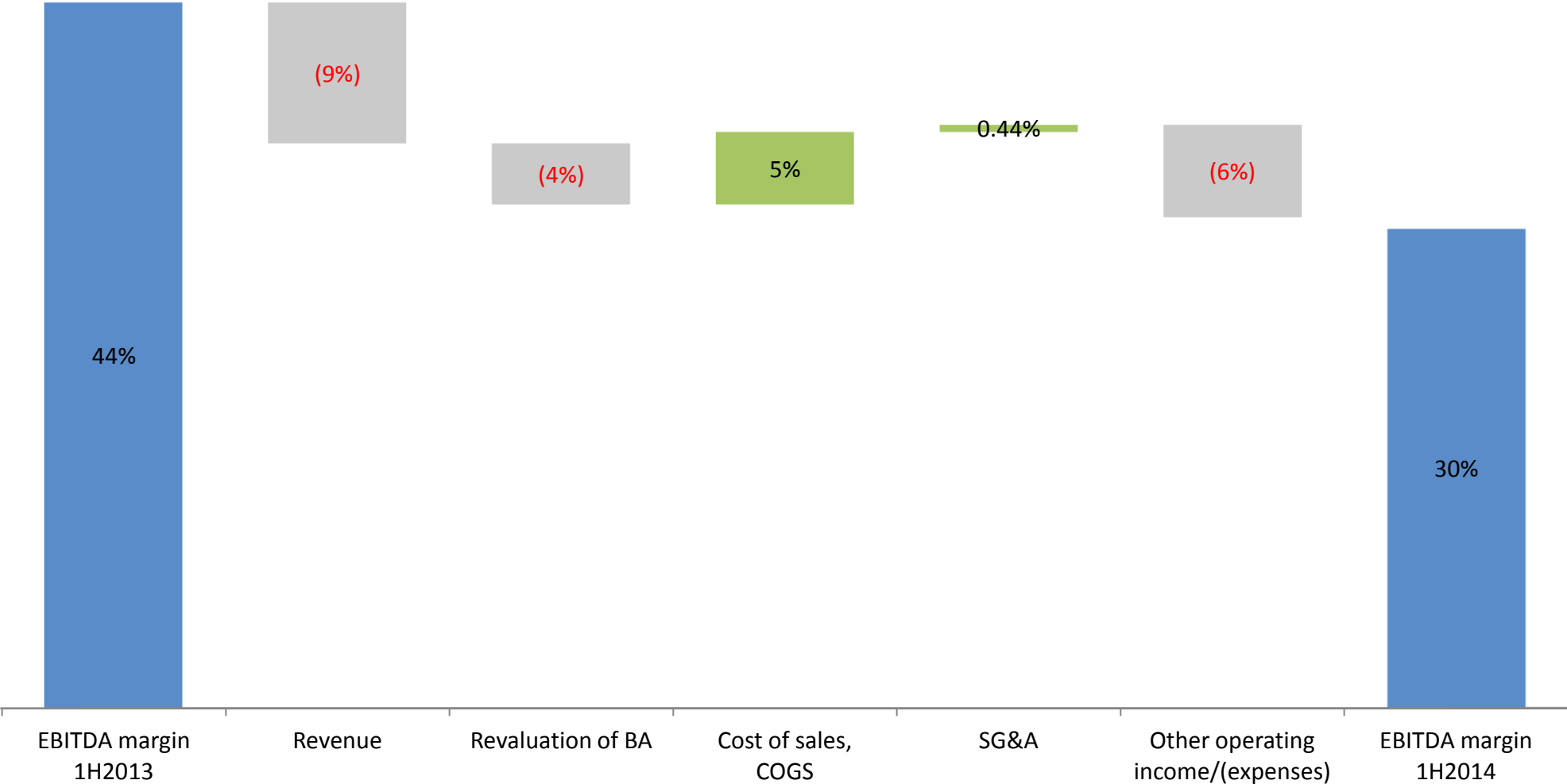
Average FX UAH/USD	1Q13	1Q14	Δ	2Q13	2Q14	Δ	1H13	1H14	Δ
	7.993	8.863	+11%	7.993	11.696	+46%	7.993	10.287	+29%

Revenue bridge 1H2013 vs 1H2014



Source: Company data

EBITDA margin* change in 1H2013 vs 1H2014



* Depreciation is not included

Source: Company data

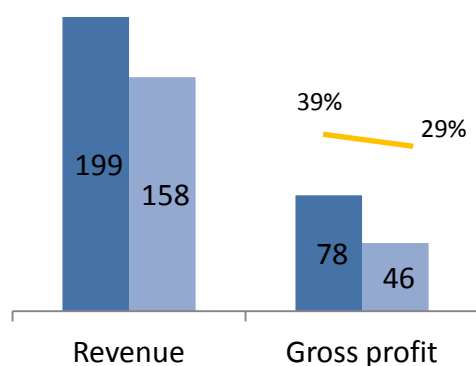
Key segment results

Sales revenue by segments

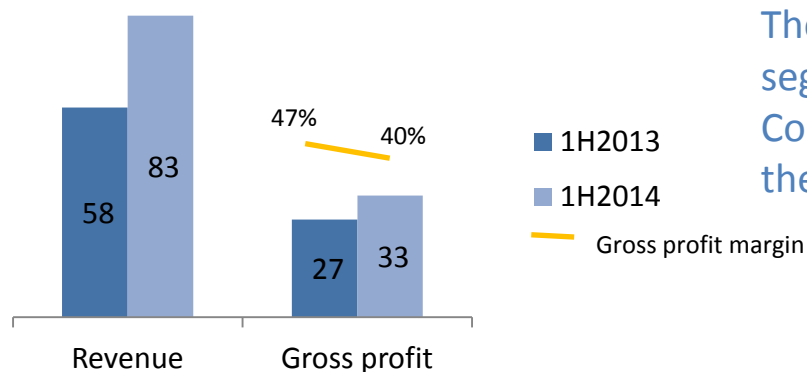
USD '000	Shell eggs	Egg products	Other	Consolidated
Revenue	158,058	82,797	21,845	262,680
Export sales, %	22%	81%		
Revenue contribution, %	60%	32%	8%	100%
Gross profit	46,083	33,414	1,298	80,797
Gross profit contribution, %	57%	41%	2%	100%
Gross profit margin, %	29%	40%	6%	31%

- The revenue from two main segments (shell eggs and egg products) increased by 9 p.p. in 1H2014 vs 1H2013 and amounted to 92% of consolidated revenue
- Export sales were up in both segments
- Revenue from the egg products segment increased by 44% thanks to the growth in sales volumes, which partially offset the decline in revenue from the shell egg segment

Shell eggs segment, USD mn



Egg products segment, USD mn



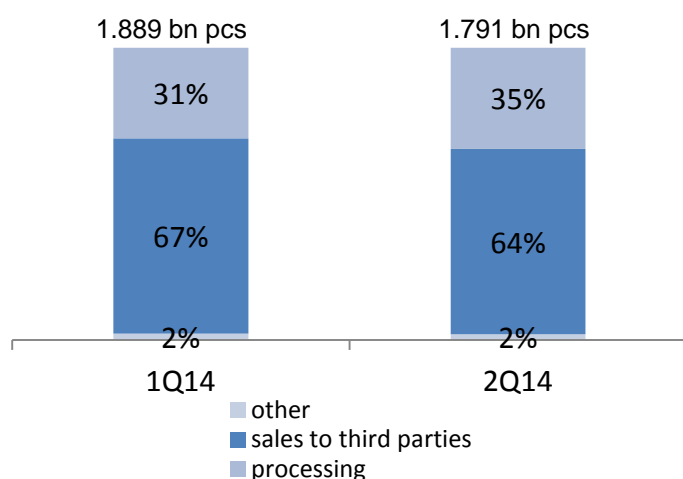
The revenue growth in the egg products segment shows the efficiency of the Company's stated strategy to increase the volume of processed eggs

Key segment quarter results

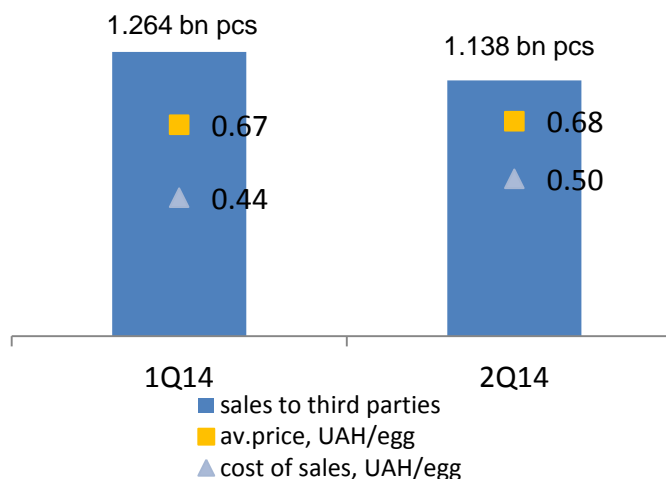
Key financial indicators by segments

USD '000	Shell eggs			Egg products			Consolidated		
	1Q2014	2Q2014	1H2014	1Q2014	2Q2014	1H2014	1Q2014	2Q2014	1H2014
Revenue	95,601	62,457	158,058	51,326	31,471	82,797	152,199	110,501	262,680
Export sales, %	20%	25%	22%	82%	87%	81%	40%	39%	39%
Revenue contribution, %	63%	57%	60%	34%	28%	32%			
Gross profit	35,480	10,603	46,083	18,135	15,279	33,414	59,745	21,051	80,797
Gross profit contribution, %	59%	50%	57%	30%	73%	41%			
Gross profit margin, %	37%	17%	29%	35%	49%	40%	39%	19%	31%

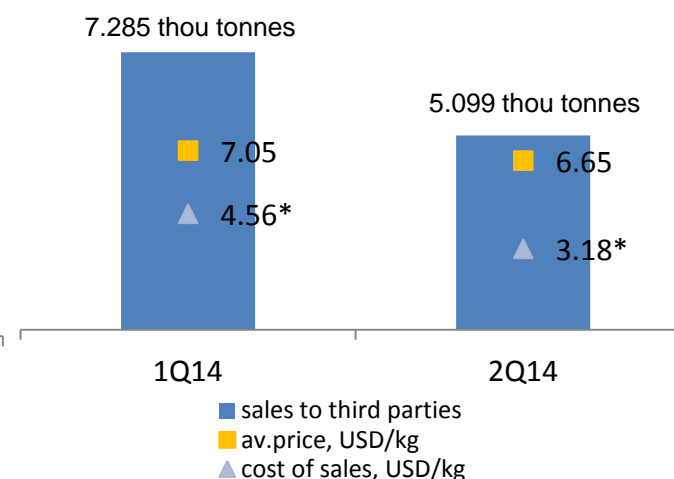
Shell eggs production



Shell eggs segment sales



Egg products segment sales



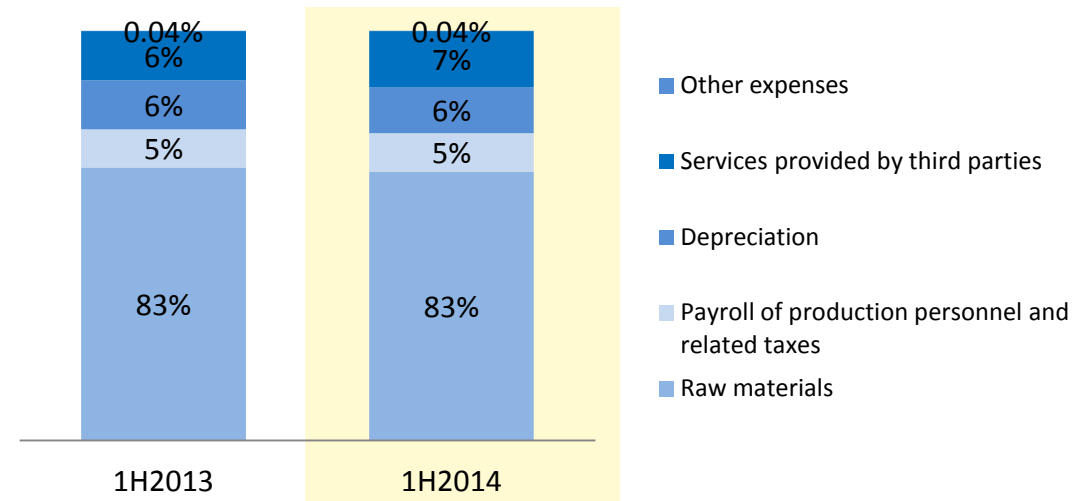
*recalculated from UAH to USD per average quarter FX rate

Cost structure

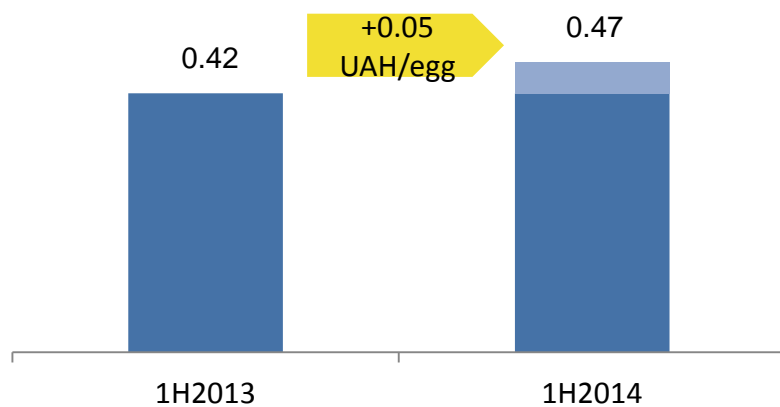
Cost of sales breakdown

USD '000	1H2013	1H2014	change,%
Raw materials	171,046	157,384	(8%)
Payroll of production personnel and related charges	9,512	8,889	(7%)
Depreciation	12,267	10,664	(13%)
Services provided by third parties	12,384	12,994	5%
Other	78	80	3%
Total COGS	205,287	190,011	(7%)

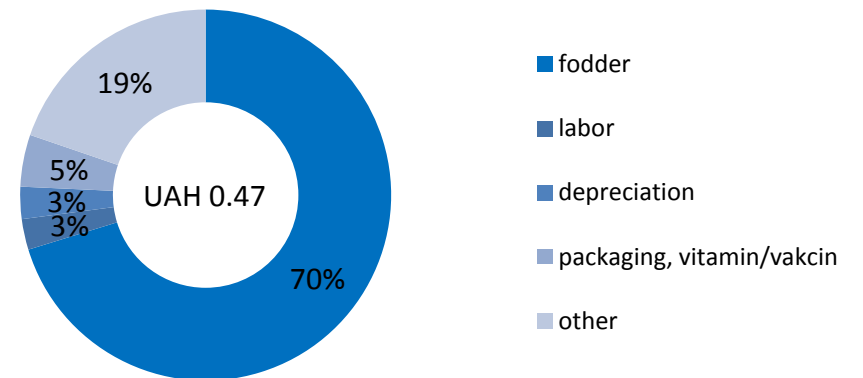
Cost of sales structure, %



Change in cost of shell eggs production, UAH/egg



Cost of shell eggs production structure, %



UAH 0.05/egg increase in 1H2014 COGS of shell eggs to 0.47 UAH/egg:

- UAH 0.04/egg due to higher fodder prices and growth in consumption of fodder per hen
- UAH 0.01/egg due to increase in other costs, such as electricity, gas, etc.

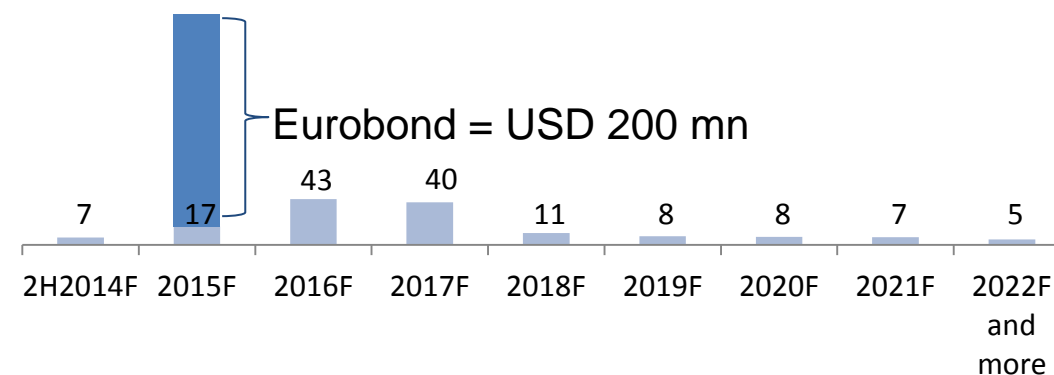
Source: Company data

Debt structure

Debt structure

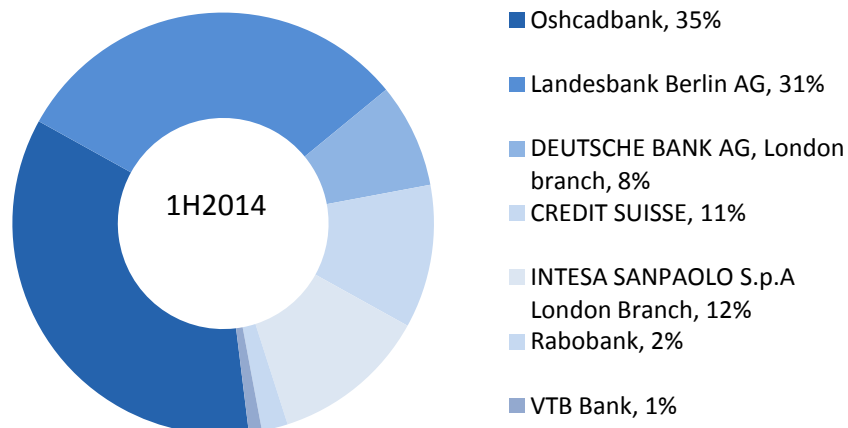
USD '000	2013	1H2014	% change
Total Debt	322,828	342,177	6%
Long-term	258,628	280,259	8%
Short-term	50,000	50,000	0%
Current portion of long-term debt	14,200	11,918	(16%)
Net Debt	166,024	106,097	(36%)
			covenant
Net debt/LTM EBITDA	0.6	0.4	
Total debt/LTM EBITDA	1.1	1.4	<=3.0

Loan portfolio servicing schedule, USD mn *



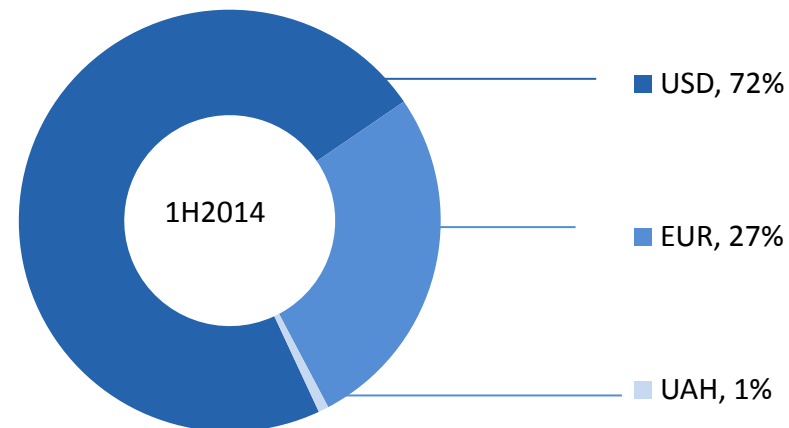
*excl. interest

Loan portfolio by creditor**



**excl. Eurobond, leasing and commodity credit
Source: Company data

Loan portfolio structure by currency







3. Business outlook

Business outlook for 2014



- To increase the capacity utilisation at poultry complexes “Avis” and “Chornobaivske”, as well as expanding the processing capacity of the egg processing plant “Imperovo Foods”
- To focus on the redistribution of shell egg sales to the sales channels with higher margins, including an increase of sales volumes of “Kvochka”-branded products, as well as an increase in sales volumes of dry egg products
- To further develop existing export markets and enter into new export markets, including the EU. The Company has successfully passed all the audits to obtain permission to export to the EU and expects to receive the Euronumber in the near future
- We expect the average sales price of shell eggs in hryvnia equivalent to slightly increase
- The military conflict in eastern Ukraine and the annexation of Crimea led to a decline in demand for shell eggs in the domestic market. We expect a decrease in domestic sales of shell eggs due to the reduced demand. However, since the Company has suspended its operations in Crimea, and limited the use of poultry farms in the Donetsk and Lugansk regions, we expect that the level of shell egg production at the year-end will not exceed the previous year level





Appendix

Balance sheet

\$'000	2013	1H2014	change, %
NON-CURRENT ASSETS	1,183,740	808,513	(32%)
Property, plant and equipment	1,103,630	761,469	
Non-current biological assets	76,678	44,139	
Deferred tax assets	3,059	2,652	
Other non-current assets	373	253	
CURRENT ASSETS	635,175	565,777	(11%)
Inventories	193,382	122,583	
Current biological assets	60,648	44,585	
Trade accounts receivable, net	88,972	64,258	
Prepaid income tax	85	36	
Prepayments and other current assets, net	30,845	11,034	
Taxes recoverable and prepaid	104,439	87,201	
Cash and cash equivalents	156,804	236,080	
TOTAL ASSETS	1,818,915	1,374,290	(24%)
		-	
TOTAL EQUITY	1,447,098	999,592	(31%)
NON-CURRENT LIABILITIES	263,414	283,463	8%
CURRENT LIABILITIES	108,403	91,235	(16%)
Loans and bonds	64,504	62,044	
Trade Accounts Payable	15,084	13,277	
Other Payables	28,815	15,914	
TOTAL LIABILITIES	371,817	374,698	1%
NET DEBT	166,024	106,097	(36%)

Source: Company data

Income statement

\$'000	1H2013	1H2014	change, %
REVENUE	304,288	262,680	(14%)
Income from revaluation of biological assets at fair value	20,717	9,049	
Cost of sales	(206,400)	(190,932)	
GROSS PROFIT	118,605	80,797	(32%)
General administrative expenses	(8,614)	(6,907)	
Distribution expenses	(10,510)	(10,798)	
Income from government grants and incentives	157	118	
Income from special VAT treatment	21,099	33,341	
Other operating income/expenses, net	1,220	(28,602)	
OPERATING PROFIT/(LOSS)	121,957	67,949	(44%)
Financial income	67	83	
Financial expenses	(16,962)	(16,651)	
PROFIT BEFORE TAX	105,062	51,381	(51%)
Income tax expenses	499	610	
PROFIT/(LOSS) FOR THE PERIOD	105,561	51,991	(51%)
EBITDA	134,654	78,951	(41%)
EBITDA margin	44.3%	30%	(14.2%)

Source: Company data

Cash flow statement

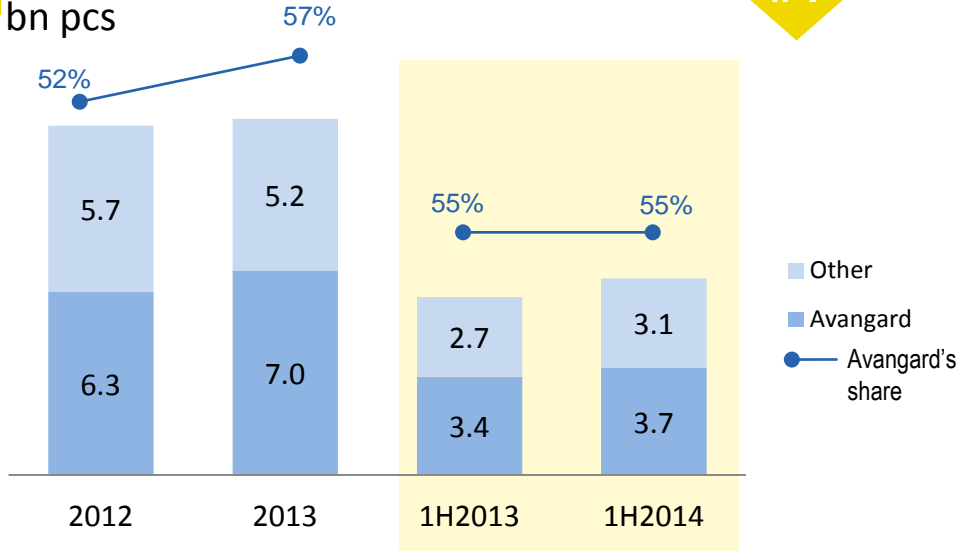
\$'000	1H2013	1H2014
PROFIT BEFOR INCOME TAX	105,062	51,381
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	114,579	91,574
(Increase)/decrease in net working capital	(30,209)	8,761
Interest paid	(4,998)	(5,005)
Income tax paid	(46)	(41)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	79,326	95,289
Purchases of PP&E	(75,978)	(33,686)
Interest received	67	83
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	(75,911)	(33,603)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	(47,939)	12,131
Effects of translation into presentation currency	(12)	5,459
NET INCREASE/(DECREASE) IN CASH	(44,524)	73,817
Cash at the beginning of the year	203,504	156,804
Cash at the end of the period	158,968	236,080

Source: Company data

Strong market fundamentals: Ukraine

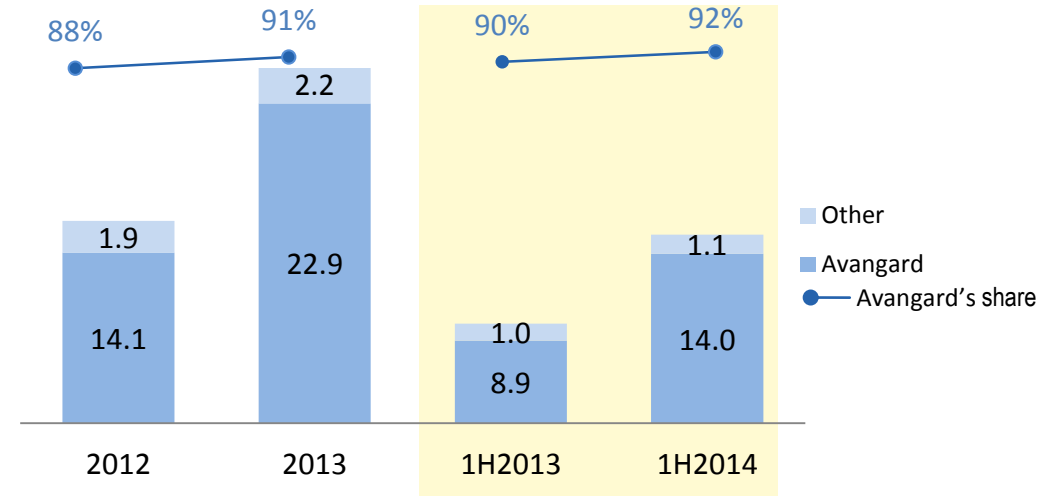
Industrial production of shell eggs, bn pcs

#1



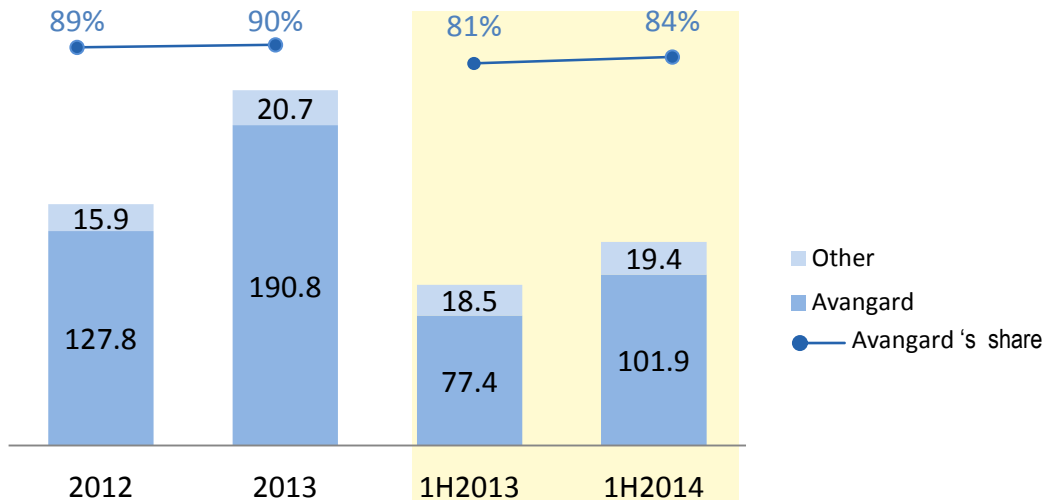
Industrial production of dry egg products, thou tonnes

#1

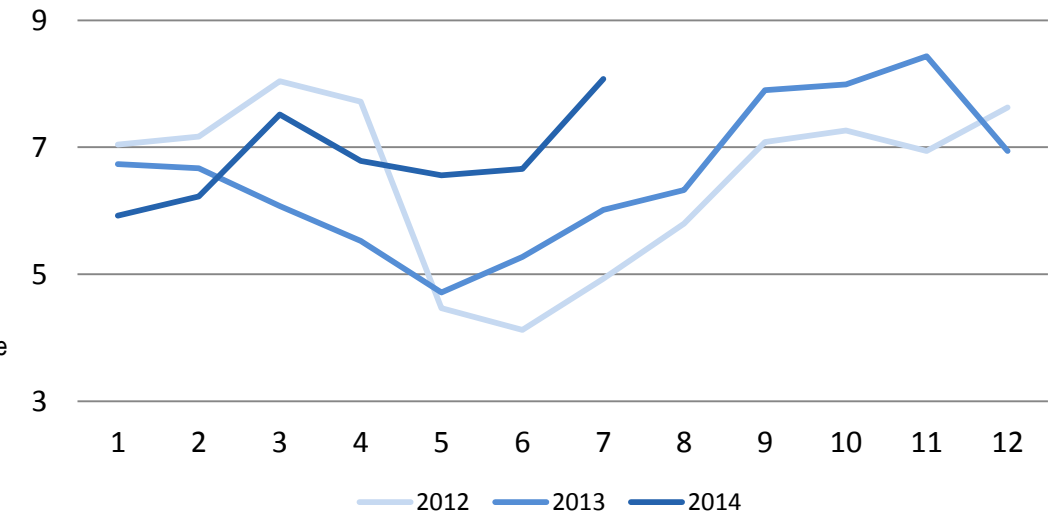


Export of shell eggs and egg products from Ukraine, USD mn

#1



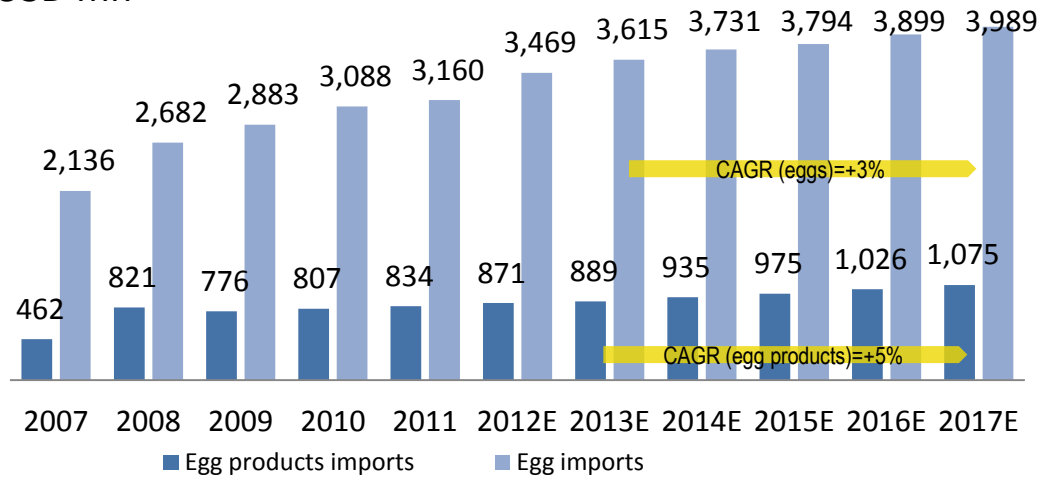
Egg price in Ukraine, UAH / 10 eggs



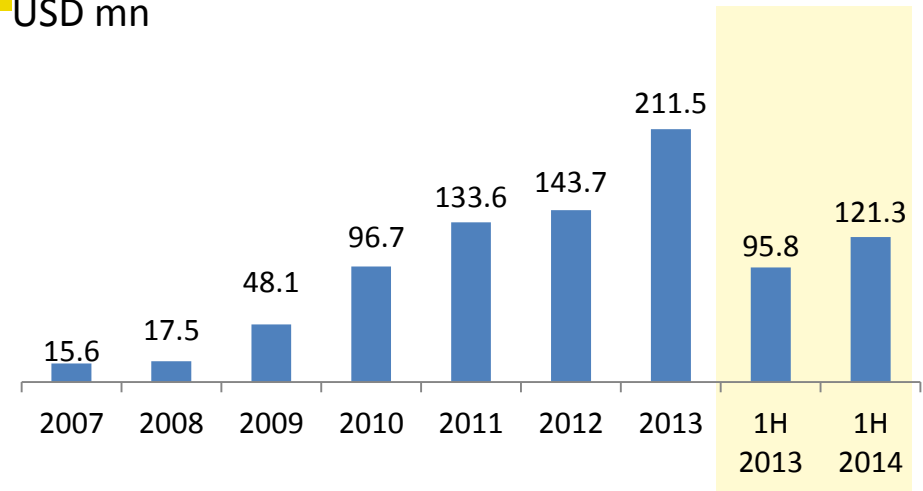
Source: Pro-Consulting, Company data

Strong market fundamentals: World

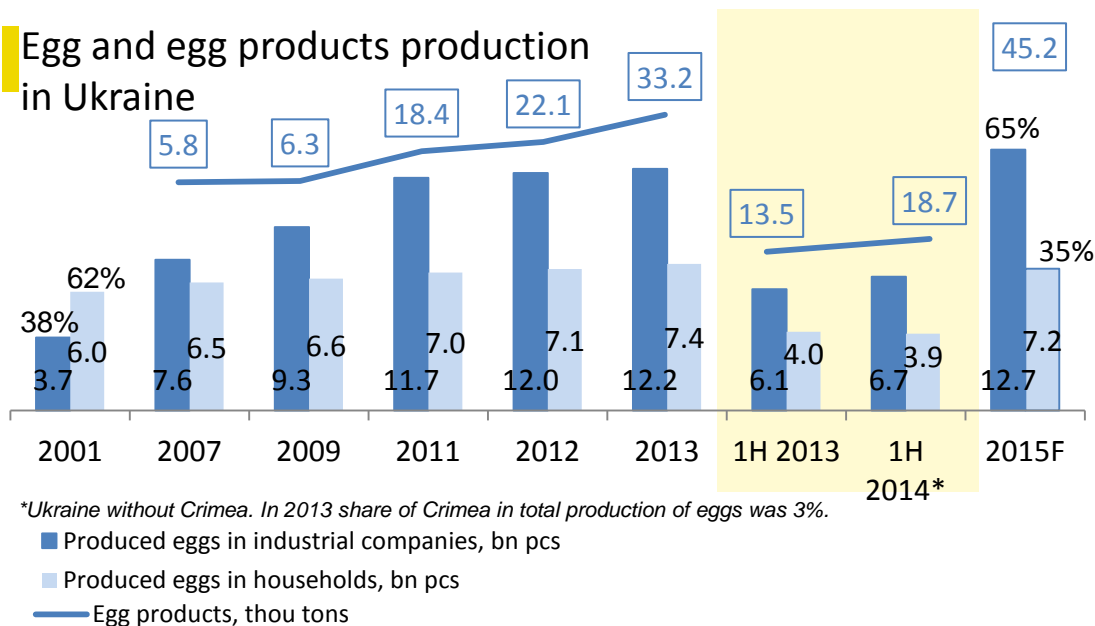
World imports of eggs and egg products, USD mn



Export of eggs and egg products from Ukraine, USD mn



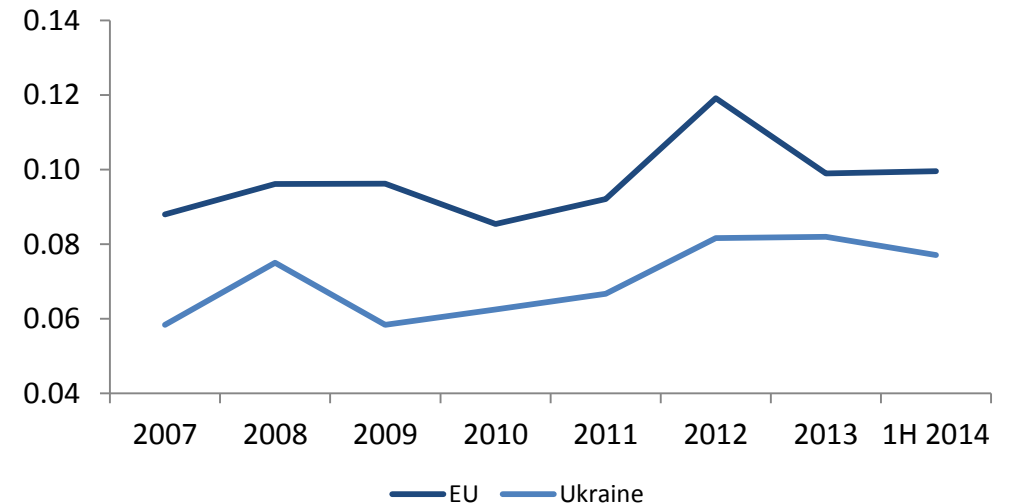
Egg and egg products production in Ukraine



*Ukraine without Crimea. In 2013 share of Crimea in total production of eggs was 3%.

- Produced eggs in industrial companies, bn pcs
- Produced eggs in households, bn pcs
- Egg products, thou tons

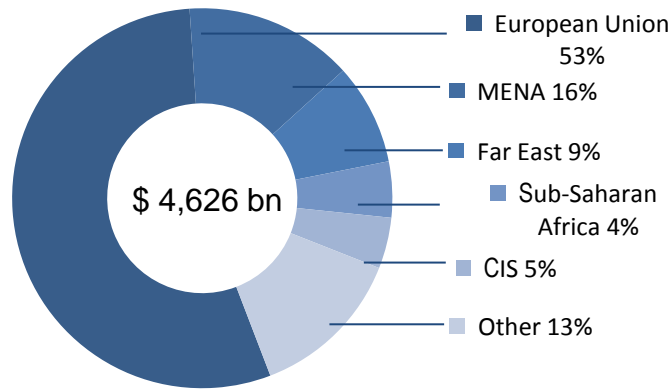
Average domestic price of eggs in the EU and Ukraine, USD/egg



Source: SSCU, International Trade Center, European Commission, Pro-Consulting

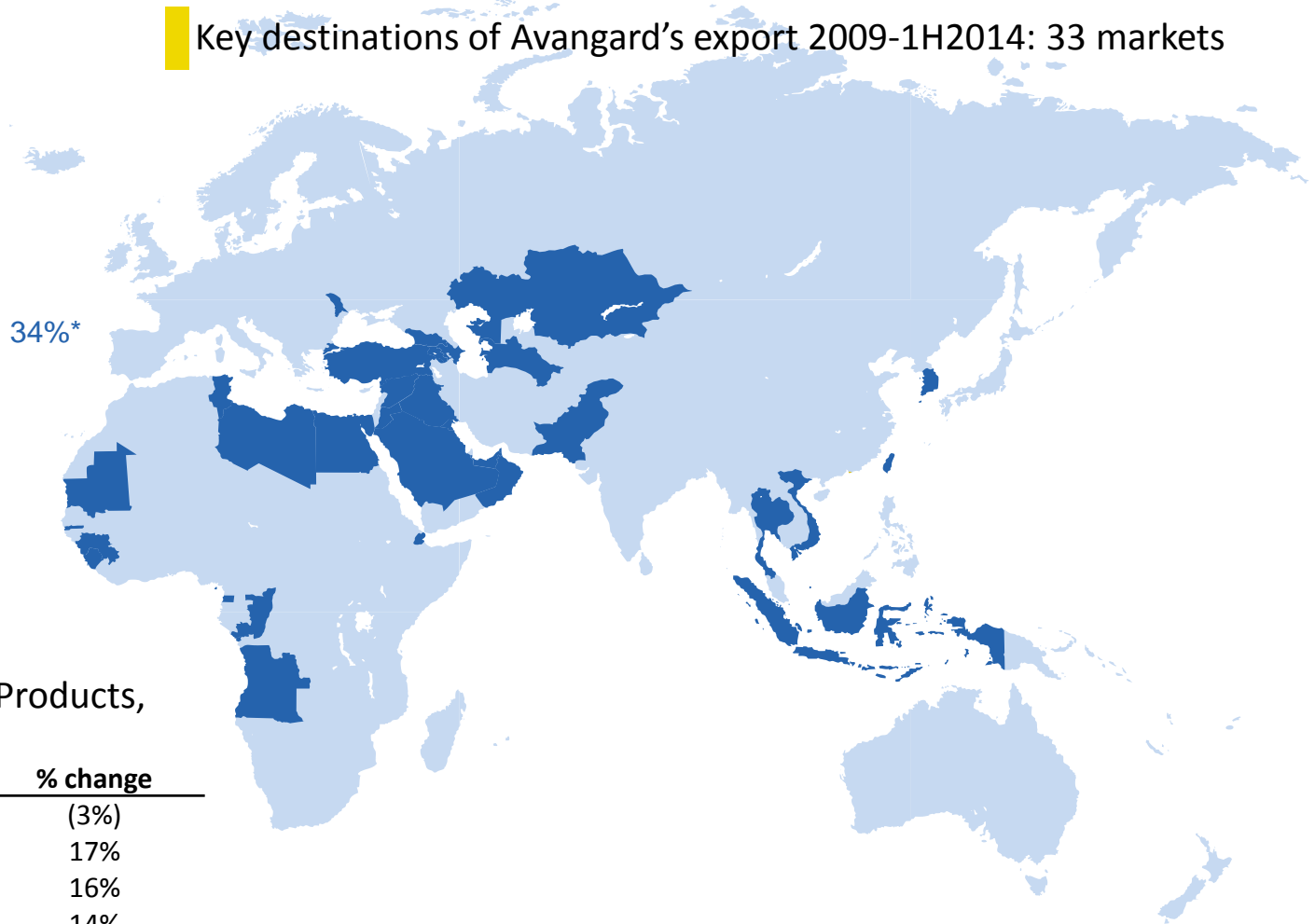
Targeting the global growth potential for eggs and dry egg products

Structure of world imports of eggs and egg products in 2013E, USD mn



* Key destinations for Avangard export

Key destinations of Avangard's export 2009-1H2014: 33 markets



Consumption per Capita of Eggs and Egg Products, units/person/year

	2002	2013	% change
EU	219	213	(3%)
MENA	84	98	17%
Far East	275	318	16%
Sub-Saharan Africa	28	32	14%
CIS	186	228	23%

- Emerging middle class in MENA and Asia will further drive consumption of eggs/egg products in the region
- In 2009-1H2014 the Company exported to 33 markets in MENA, the Far East, SSA and the CIS, which represent 34% of total global consumption potential
- Export strategy aimed to expand key markets: MENA , Asia, Africa, the CIS and enter the EU

Source: SSCU, International Trade Center, European Commission, Pro-Consulting, Company data