



Management Presentation
FY 2014 Financial Results
31 March, 2015



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1. Avangardco IPL at a glance

Avangardco IPL business highlights in 2014

In 2014 Ukraine faced the most challenging political and economical events in its history caused by the Crimea annexation and military conflict at the Donbass region. Despite the fact, that the area of military conflict is only 3% of Ukraine's total area, the country and business suffers from all negative aspects typical for similar conflicts in the world.

Avangardco IPL's core business remains strong:

- **industry leader** in Ukraine and one of the leading producers globally*:

- ✓ 49% share in the industrial production of shell eggs (57% in 2013)
- ✓ 91% share in the production of dry egg products (91% in 2013)
- ✓ 72% share in export of eggs and dry egg products in Ukraine (90% in 2013)

- **Diversification of sales channels** by increasing share of export and retail chains:

- ✓ export constituted 37% of the Company's total revenue
- ✓ Company exported to 35 countries, including new markets. Main export destinations: MENA, Asia, SSA and the CIS.
- ✓ increase in share of retail sales with the five-fold increase in the sales of packaged eggs "Kvochka" to 200 mn pieces vs 2013

- production of **high quality products**:

- ✓ on September 30, 2014 the "Imperovo Foods" egg processing plant received an **EU certificate for the export** of its egg products and made the first shipment to the EU
- ✓ on August 18, 2014 the Company received **Kosher certification** of its shell eggs and egg products

Macroeconomics: key metrics*

- GDP – \$134.9 bn** (decrease by 24% YoY)
- Inflation – 12.1% (2013: -0.3%)
- Currency devaluation:
 - ✓ UAH/USD: average 49%;
 - ✓ UAH/EUR: average 48%
- Refinancing rate:
 - ✓ 13.11.2014 – 14.00%
 - ✓ 17.07.2014 – 12.50%
 - ✓ 15.04.2014 – 9.50%
 - ✓ 31.12.2013 – 6.50
- Agriculture remains key economic driver (10% of GDP in 2013, 9% in 2012) with growth about 3% in 2014 due to crop production increasing by 3.1% against 2013.
- Harvest reached record level – 64 mn tonnes of crops

** Estimated by the World bank

Industry update*

- Reduced demand for consumer goods due to decline in population's living standards
- Partial loss of market for products in the Crimea, Lugansk and Donetsk regions (Crimea totalled up to 5% of Ukrainian consumer market and Donbass and Lugansk regions amounted to 15%)
- Growth in power of households on shell eggs market in Ukraine
- Decelerating the increase in egg prices as a basic consumer goods due to the limited ability of producers to raise prices in proportion to cost inflation

Operational and financial performance in 2014

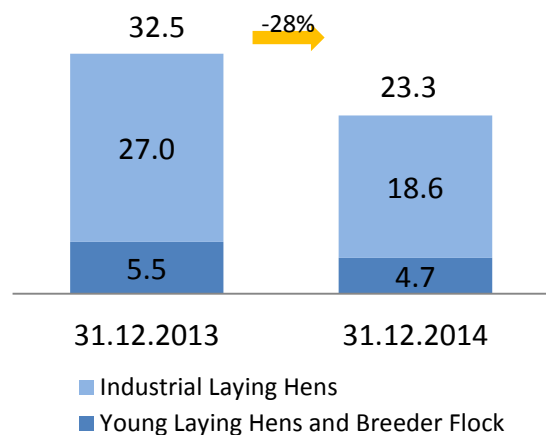
Operational performance

- Total flock (-28%): **23.3 mn heads** as at 31 December 2014
- The number of laying hens (-31%): **18.6 mn heads** as at 31 December 2014
- Shell eggs production (-10%): **6.306 bn pcs**
- Sales of shell eggs to third parties (-16%): **4.288 bn pcs**
- Export sales of shell eggs (+14%): **567 mn pcs**
- Average sales shell eggs price (+12%): **0.77 UAH/egg (excl. VAT)**
- Dry egg products produced (-7%): **21.3 th tonnes**
- Average sales egg products price (-18%): **6.29 USD/kg**

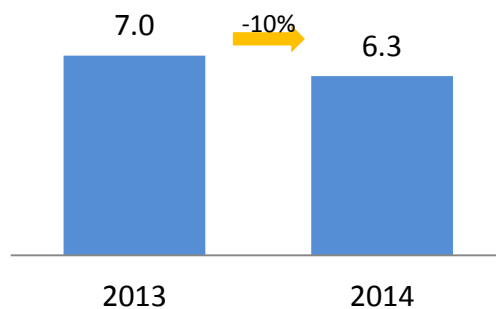
Financial performance

- Revenue (-37%): **\$419,6 mn**
- Export of eggs and egg products (-18%): **\$156,7 mn** or **37%** of total revenue
- EBITDA (-57%): **\$129,5 mn**
- EBITDA margin: **31%**
- Net loss reached **\$26,9 mn**, incl. losses on exchange \$71,3 mn
- Gross debt/LTM EBITDA: **2.65** <= covenat 3.0

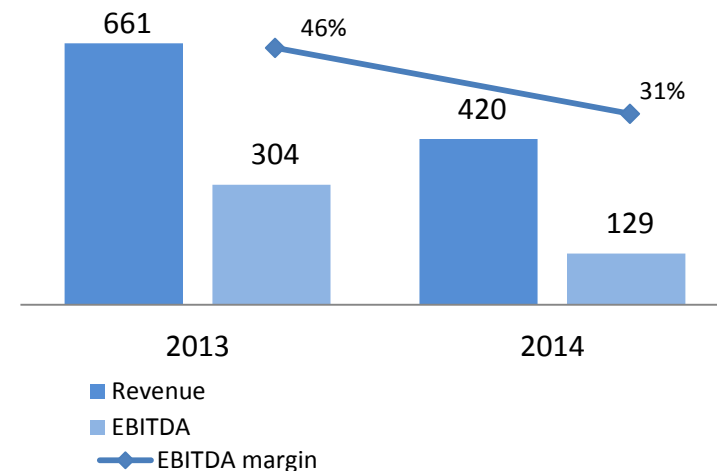
Total flock, mn heads



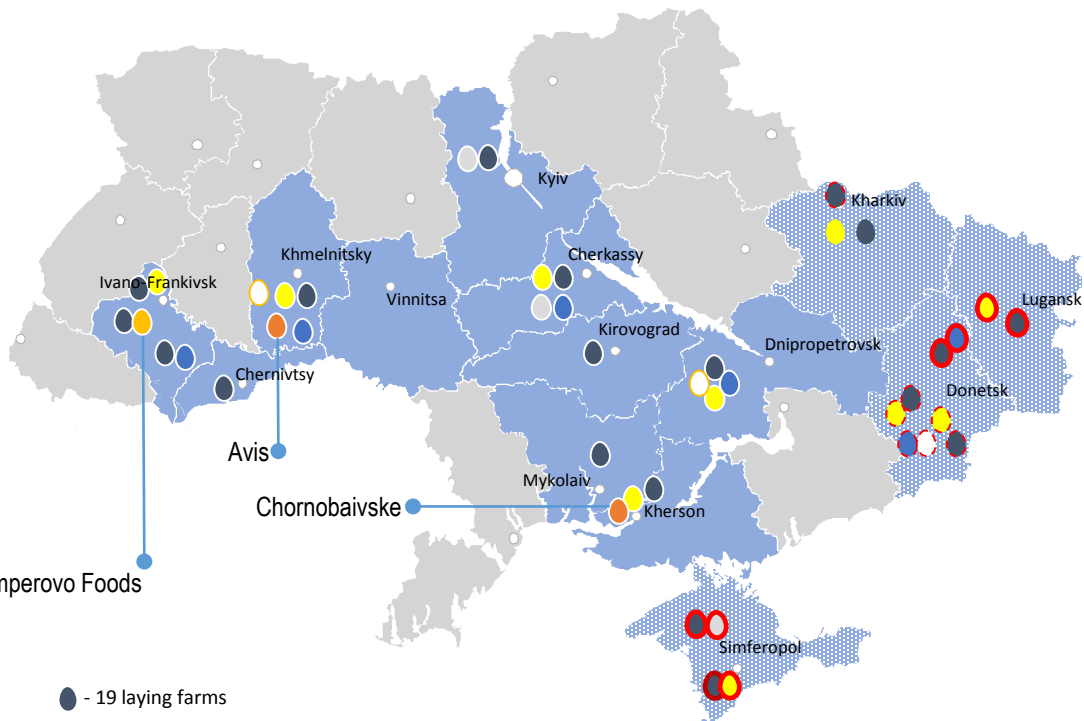
Production of shell eggs, bn pcs



Key financial indicators, \$ mn



Facilities overview: optimisation during the year



- - 19 laying farms
- - 10 rearing farms
- - 6 feed mills
- - 3 hatcheries
- - 3 long-term storage facilities
- - 2 new poultry complexes: Avis and Chornobaivske
- - Imperovo Foods egg processing plant
- - facilities that are not in operations now due to ongoing military conflict in Eastern Ukraine and annexation of Crimea
- - facilities working at the minimum level of production capacity as located in the areas close to the conflict zone

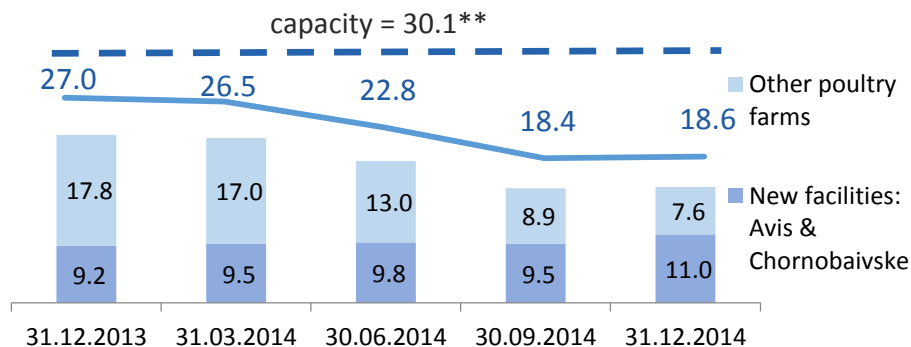
One of the largest populations of laying hens in the world*

Minimised negative impact on operating activity in spite of challenging situation in eastern Ukraine

All facilities are located in 14 of the 24 regions of Ukraine and the Autonomous Republic of Crimea:

- total production capacity of **8.6 bn** eggs 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 respectively
- the usability of new facilities, Avis and Chornobaivske, as at YE2014 was **92%** and **86%** respectively.

Total number of laying hens, mn heads



* According to data from SSSU, Pro-Consulting, Egg Industry Journal (www.WATTAgNet.com)

** incl. facilities in Eastern Ukraine and Crimea with total production capacity of 3,7 mln laying hens and 1.1 bn eggs that are not in operation due to ongoing military conflict. The Company will bring those facilities back into the operation cycle when the situation stabilises.

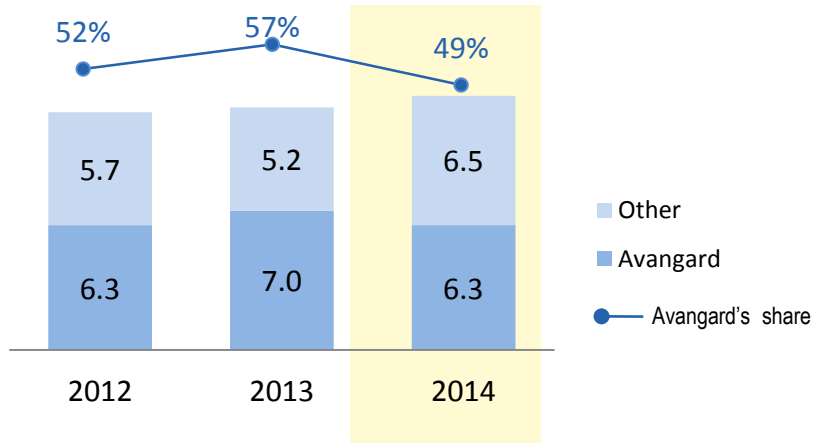


Industry update

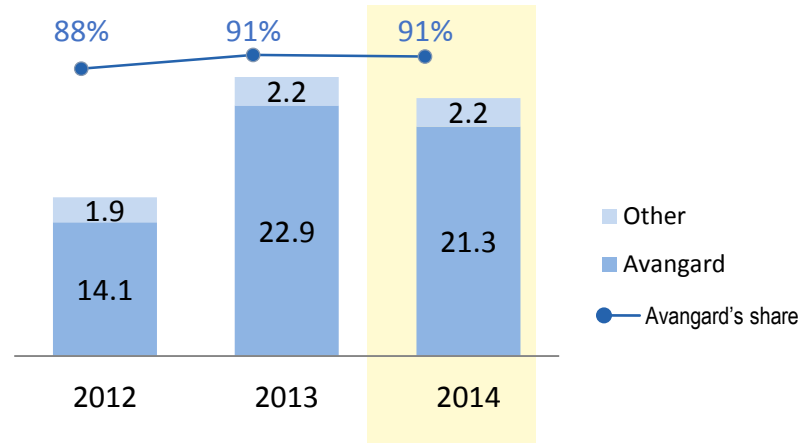


Industry leader in Ukraine

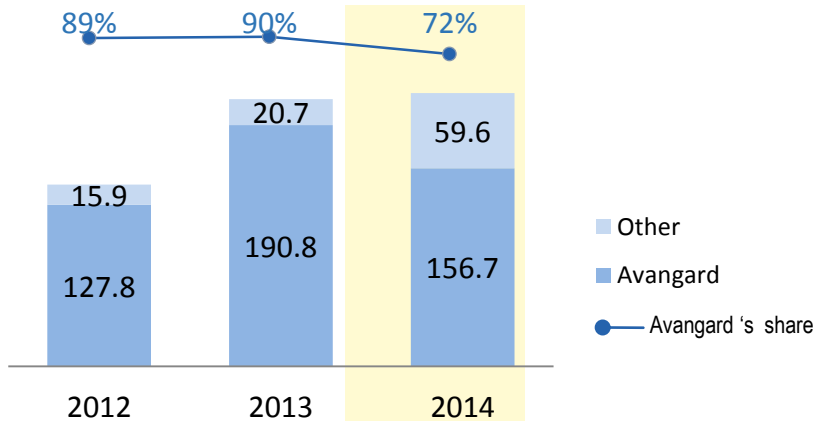
Industrial production of shell eggs, bn pcs



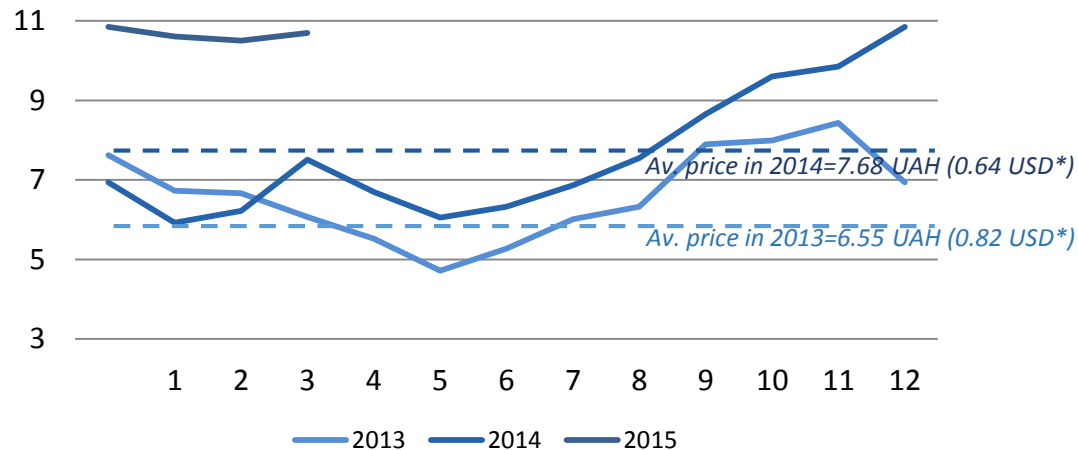
Industrial production of dry egg products, th tonnes



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



Egg price in Ukraine, UAH / 10 eggs

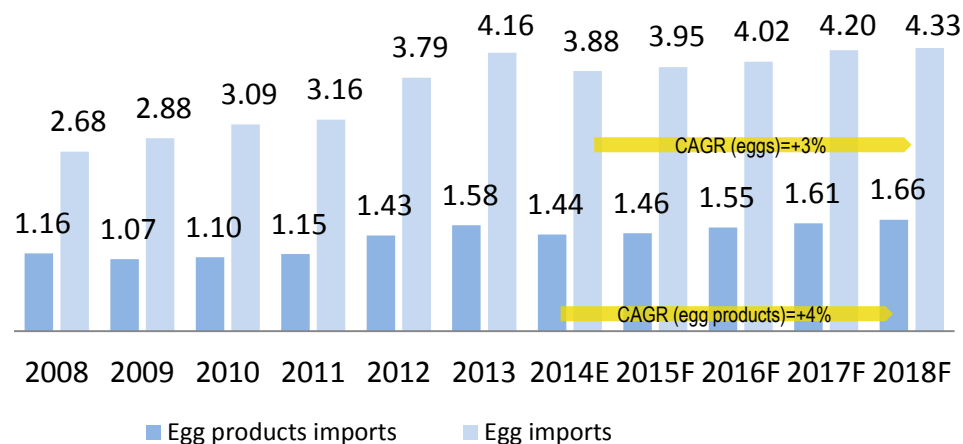


Source: Pro-Consulting, Company data

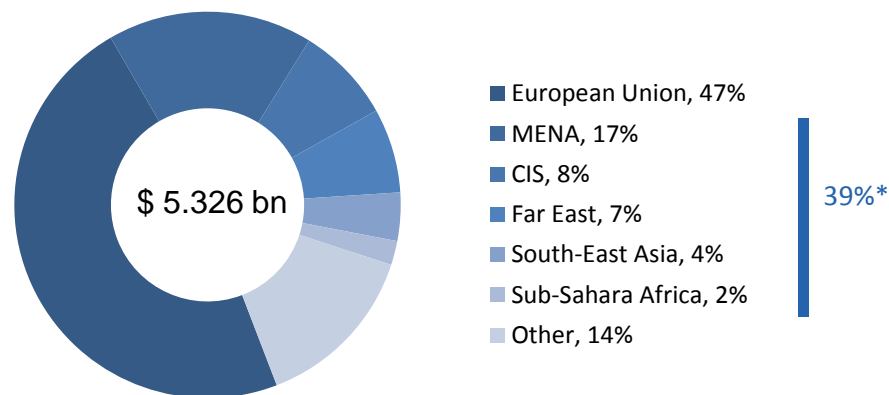
*recalculated from UAH to USD per average FX rate for the period, see sl.15

Targeting the global growth potential for eggs and dry egg products

World imports of eggs and egg products, USD bn

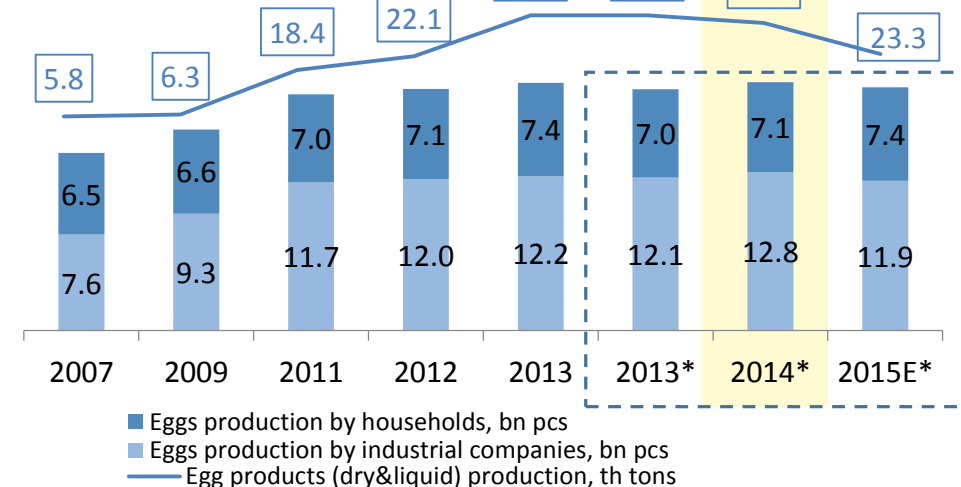


Breakdown of world imports of eggs and egg products in 2014E, USD mn



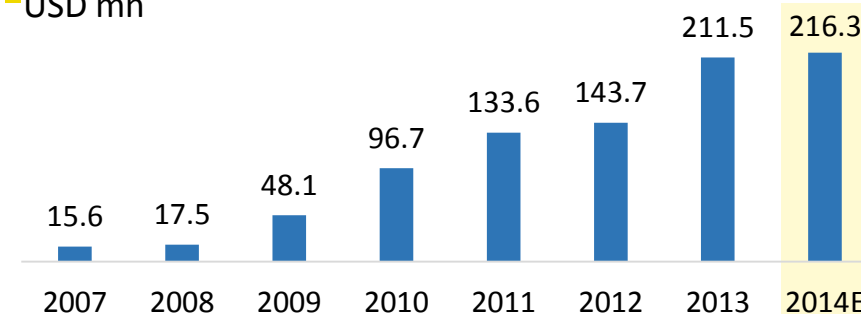
* Key destinations for Avangard export

Egg and egg products production in Ukraine



*Ukraine excl. Crimea. In 2013 share of Crimea in total production of eggs was 3%.

Export of eggs and egg products from Ukraine, USD mn

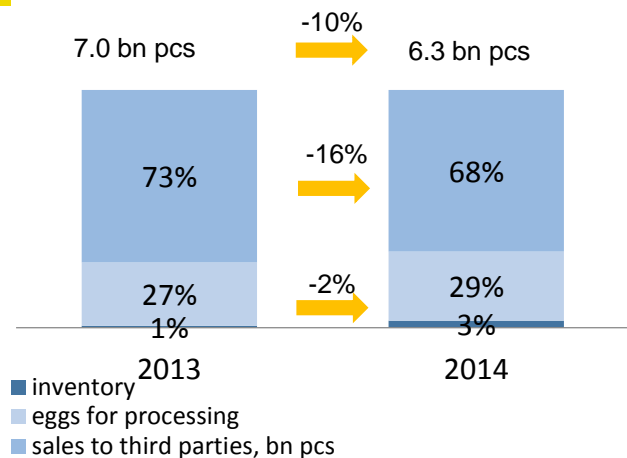




Business overview

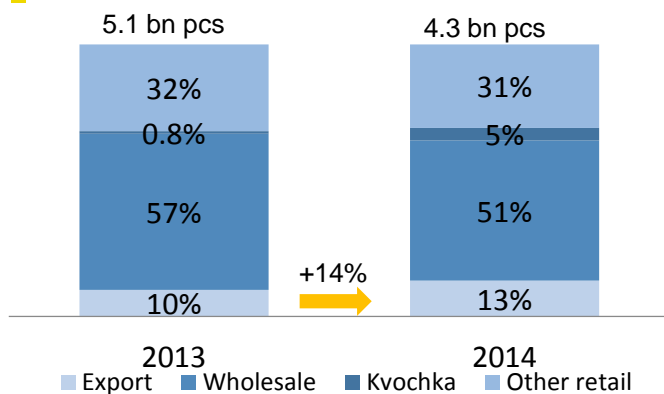
Diversification of sales: growing focus on export and retail sales

Production of shell eggs by volume, %

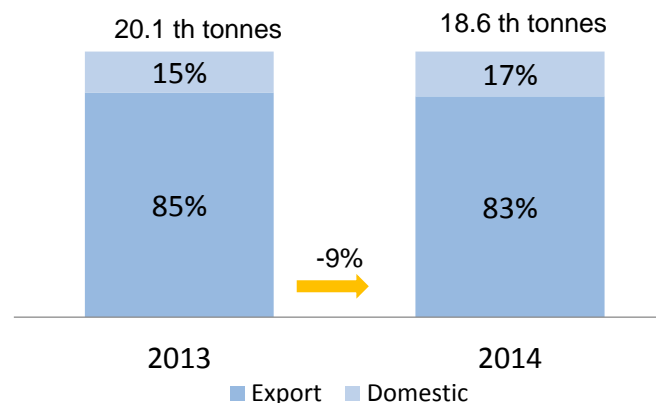


- total production of shell eggs declined by **10%** due to the reduction in the number of laying hens
- **16%** decrease in sales of shell eggs to third parties and **2%** decrease in eggs for processing into dry egg products was due to the decline in total production volume
- redistribution of shell eggs sales channels:
 - **14%** increase in export sales (**13%** share in total sales)
 - **36%** share of retail sales with five-fold increase in the sales of packaged eggs "Kvochka" to **200 mn pieces** vs 2013
- **9%** decrease in export of dry egg products (**83%** share in total sales) due to military conflict in the Middle East.

Eggs sales to third parties by volume, %



Egg products sales by volume, %



The Company's strategy:

- to expand export sales of shell eggs and dry egg products with the focus on MENA, Asia, Sub-Sahara Africa and the CIS markets
- to expand sales to retail chains and further penetrate the market with "Kvochka"-branded products

Export strategy in action

2009-2011: 20 markets

- Armenia
- Azerbaijan
- Georgia
- Hong Kong
- Indonesia
- Iraq
- Jordan
- Kazakhstan
- Kuwait
- Moldova
- Oman
- Pakistan
- Saudi Arabia
- South Korea
- Syria
- Thailand
- Turkey
- Turkmenistan
- UAE
- Vietnam

2012: 12 markets

- Angola
- Egypt
- Gambia
- Liberia
- Libya
- Mauritania
- Republic of Djibouti
- Taiwan
- Tunisia
- Congo
- Sierra Leone
- Equatorial Guinea

2013: 1 market

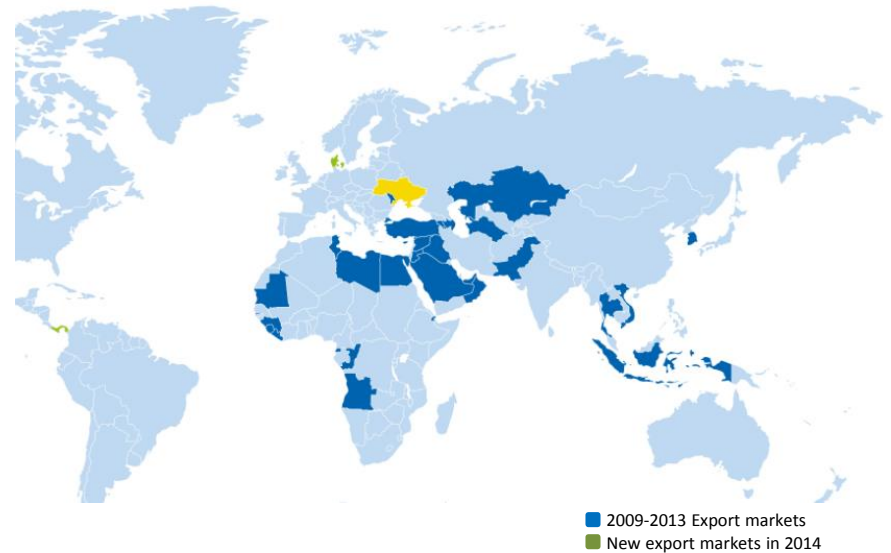
- Guinea Bissau

2014: 2 markets

- Denmark
- Panama

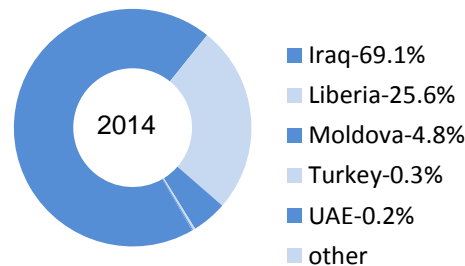


In 2009-2014 the Company exported to 35 markets in MENA, the Far East, SSA, the CIS and other

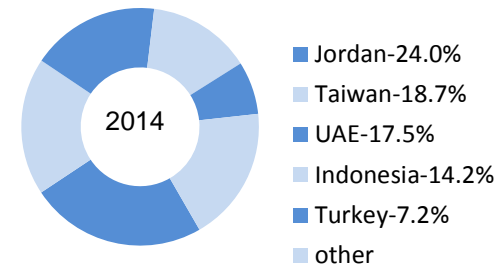


Source: SSCU, International Trade Center, European Commission, Pro-Consulting, Company data

Top-5 Egg Export Markets, % of Revenue



Top-5 Egg Powder Export Markets, % of Revenue





Financial performance

Key financial highlights

Current economic and political conditions remain extremely challenging in Ukraine, with the rapid devaluation of the Ukrainian Hryvnia and the continuing conflict in Eastern Ukraine adversely affecting Company's liquidity and financial results.

\$'000	4Q2013	4Q2014	change,%	2013	2014	change, %
Revenue	194,660	74,474	(62%)	661,202	419,618	(37%)
Average shell egg price, UAH/egg	0.77	0.99	29%	0.69	0.77	12%
Average shell egg price, USD/egg	0.096	0.069	(28%)	0.086	0.065	(24%)
Average egg products price USD/kg	7.68	6.41	(17%)	7.64	6.29	(18%)
Cost of sales	(120,327)	(59,005)	(51%)	(429,695)	(314,001)	(27%)
Cost per egg, UAH/egg	0.43	0.75	75%	0.42	0.55	31%
Cost per egg, USD/egg	0.054	0.052	(3%)	0.053	0.047	(11%)
Cost per egg products, USD/kg	4.69	4.93	5%	4.57	4.12	(10%)
Gross profit	80,068	21,608	(73%)	266,665	120,981	(55%)
Net Profit/Loss	76,115	(17,812)	(123%)	238,084	(26,918)	(111%)
EBITDA	97,877	23,622	(76%)	303,616	129,497	(57%)
EBITDA margin	50%	32%		46%	31%	

- the decrease in the consolidated revenue was primarily due to the Ukrainian hryvnia devaluation against the US dollar by 49% in 2014, decrease in sales volumes of eggs and egg products as well as the decline in the sales price of dry egg products by 18% YoY. However, the average sales price of shell eggs in the Ukrainian hryvnia increased by 12% YoY to 0.77 UAH per unit (excl. VAT), the national currency devaluation offset this positive effect on financial result. The increase in export sales of shell eggs coupled with growth of sales to retail chains has partially offset the decline in the Company's consolidated revenue;
- the influence of the devaluation factor resulted to decrease in total cost of sales in the US Dollars by 27%, cost per egg by 11% and cost per egg product by 10%, however the cost per egg in the Ukrainian hryvnia increased by 31% due to higher fodder prices and other components;
- net loss includes a one-off impairment charge on assets in Crimea and Eastern Ukraine with write-off of trade accounts receivables and inventories of these facilities, reserves on doubtful debts and other of US\$42.3 mn, losses on foreign exchange of US\$71.3 mn and other.

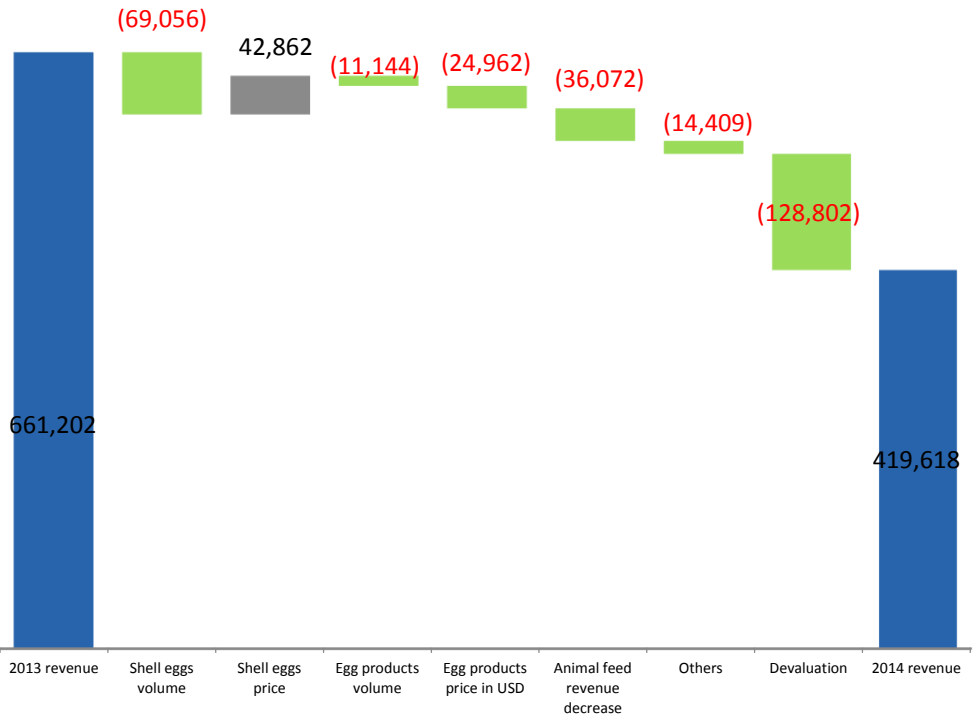
Average FX UAH/USD	1Q13	1Q14	Δ	2Q13	2Q14	Δ	3Q13	3Q14	Δ	4Q13	4Q14	Δ	2013	2014	Δ
	7.993	8.863	+11%	7.993	11.696	+46%	7.993	12.577	+57%	7.993	14.434	+81%	7.993	11.910	+49%

Source: Company data, NBU

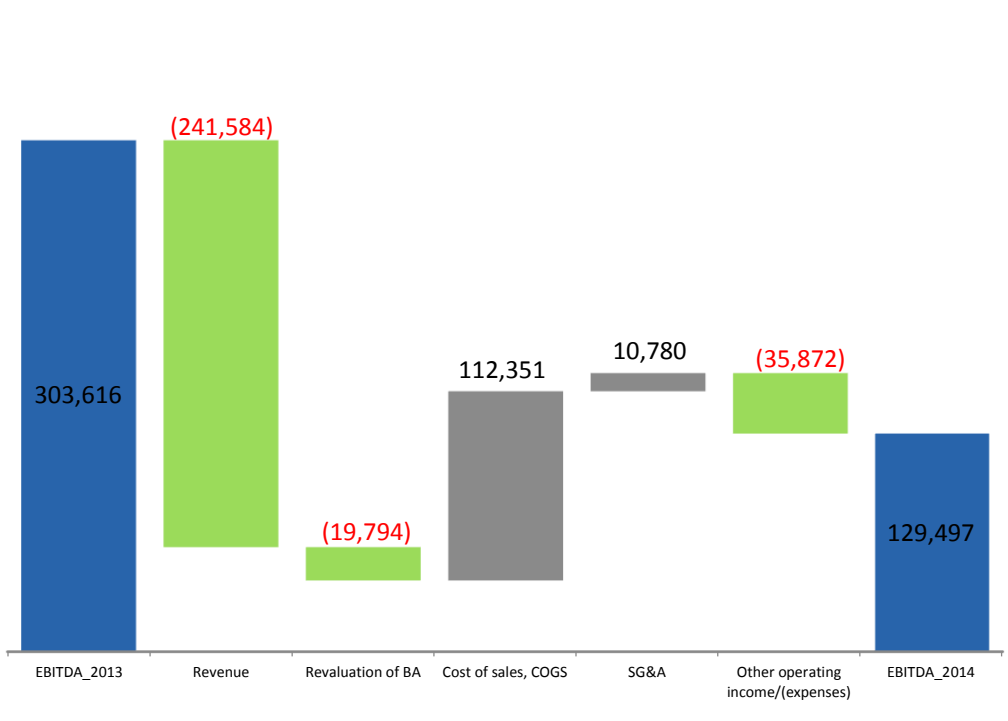
Revenue and EBITDA margin bridges



Revenue bridge, USD'000



EBITDA bridge, USD'000



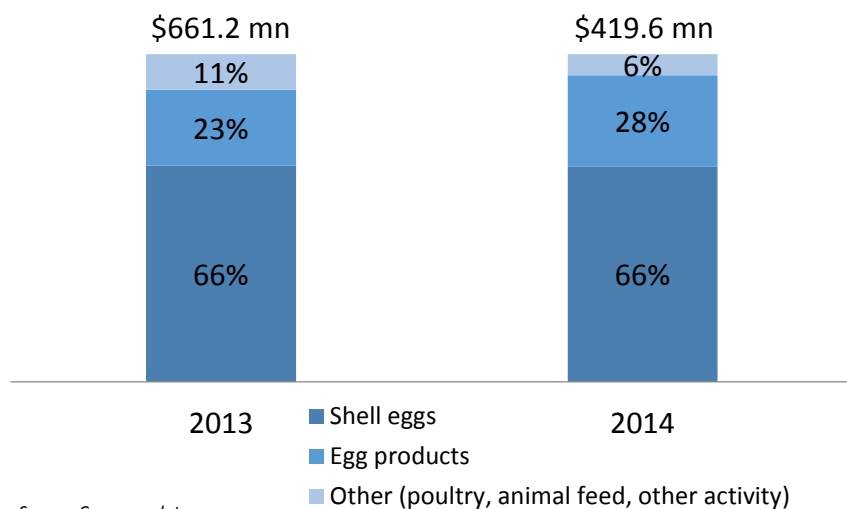
Source: Company data

Key segment results

Key financial indicators

USD '000	shell eggs			egg products			consolidated		
	2013	2014	%	2013	2014	%	2013	2014	%
Revenue	436,814	275,585	(37%)	153,110	116,993	(24%)	661,202	419,618	(37%)
Export sales, %	14%	21%	7%	85%	84%	(1%)	29%	37%	8%
Revenue contribution, %	66%	66%	0%	23%	28%	5%			
Gross profit	194,765	89,698	(54%)	61,410	40,365	(34%)	266,665	120,981	(55%)
Gross profit contribution, %	73%	74%	1%	23%	33%	10%			
Gross profit margin, %	45%	33%	(12%)	40%	35%	(5%)	40%	29%	(11%)

Sales revenue structure by segment



Source: Company data

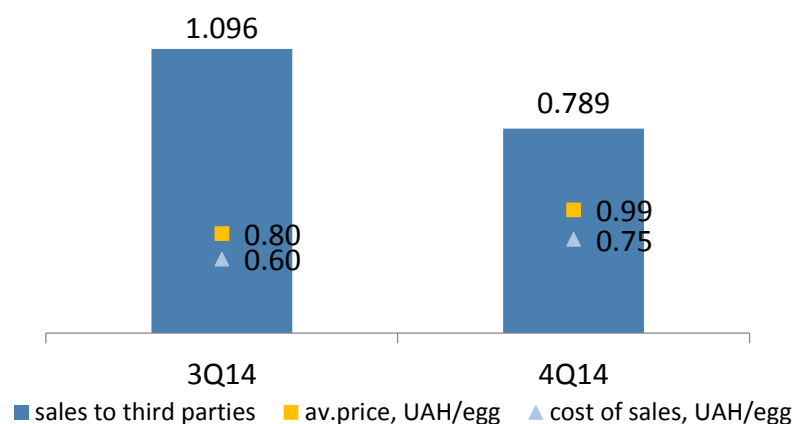
- A revenue share of two main segments (shell eggs and egg products) increased by 5% in total sales structure compared to 2013 and reached 94% of consolidated revenue in 2014;
- An export revenue share of two main segments (shell eggs and egg products) increased by 8% and reached 37% consolidated revenue in 2014 vs 2013;
- 2014 revenue in shell eggs segment decreased by 37% vs. 2013 mostly due to the Ukrainian hryvnia devaluation (79% of segment revenue goes from domestic market). There was also a 16% decrease in sales to third parties volume;
- A decline in dry egg products revenue resulted from a decrease in average sales price and lower volume of export sales. Decrease in price was driven both by the Company's strategy to expand volume of export sales and increased share of cheaper type of product sales (dry yolk and melange) in total dry egg products sales structure. Decline in export sales volume was due to decrease in sales to Jordan in the 2H2014 following the military conflict in the Middle East that lead to decrease in manufacturing of value-added products in the region.

Key segment quarter results*

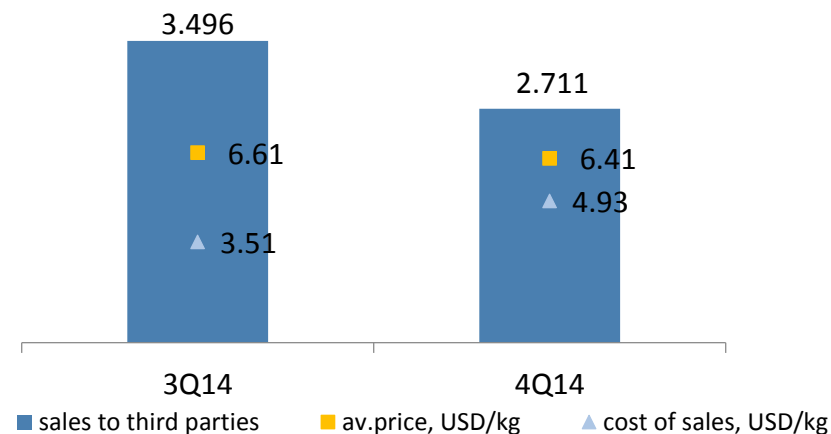
Key financial indicators

USD '000	Shell eggs						Egg products					
	YoY			QoQ			YoY			QoQ		
	4Q2013	4Q2014	%	3Q2014	4Q2014	%	4Q2013	4Q2014	%	3Q2014	4Q2014	%
Revenue	130,691	54,226	(59%)	69,446	54,226	(22%)	49,168	17,376	(65%)	23,119	17,376	(25%)
Export sales, %	14%	18%	4%	22%	18%	(4%)	86%	93%	(7%)	85%	93%	8%
Revenue contribution, %	67%	73%	6%	72%	73%	1%	25%	23%	(2%)	24%	23%	0%
Gross profit	63,340	27,432	(57%)	15,763	27,432	74%	19,121	1,843	(90%)	8,777	1,843	(79%)
Gross profit contribution, %	79%	127%	48%	67%	127%	60%	24%	9%	(15%)	37%	9%	(28%)
Gross profit margin, %	48%	51%	3%	23%	51%	28%	39%	11%	(28%)	38%	11%	(27%)

Shell eggs sales, bn pcs



Egg products sales, th tonnes



*recalculated from UAH to USD per average quarter FX rate, see sl.15

Source: Company data

Cost structure

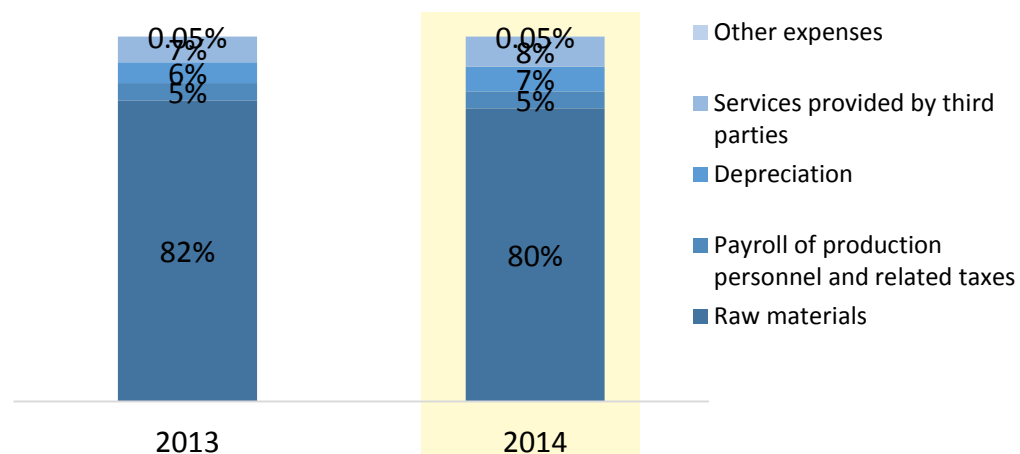
Cost of finished goods breakdown

USD '000	2013	2014	change
Raw materials	354,379	252,139	(29%)
Payroll of production personnel and related charges	20,313	14,515	(29%)
Depreciation	24,556	21,206	(14%)
Services provided by third parties	30,224	25,996	(14%)
Other	223	145	(35%)
Total COGS	429,695	314,001	(27%)

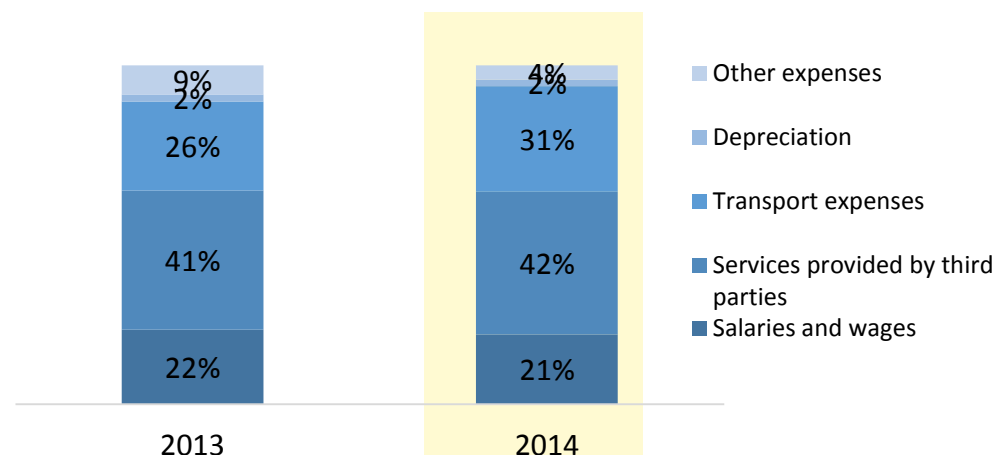
General administrative and distribution costs breakdown

USD '000	2013	2014	change
Salaries and wages	9,321	6,454	(31%)
Services provided by third parties	17,382	13,178	(24%)
Transport expenses	11,146	9,742	(13%)
Depreciation	872	578	(34%)
Other expenses	3,655	1,352	(63%)
Total GA&D	42,376	31,304	(26%)

Cost of finished goods structure, %

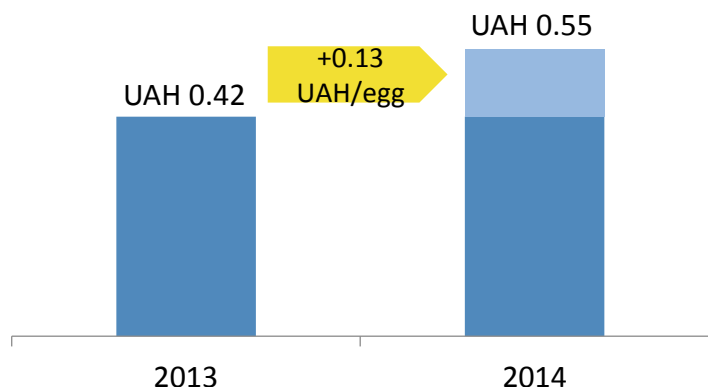


General administrative and distribution costs structure, %



Shell eggs: cost of sales breakdown

Change in cost of sales of shell egg, UAH/egg



UAH 0.13/egg growth in 2014 COGS for shell egg to 0.55 UAH/egg:

- UAH 0.06/egg due to increase in fodder costs
- UAH 0.07/egg due to increase in electricity, fuel and other costs

Price of fodder components, UAH/tonnes

	1Q2014			2Q2014			3Q2014			4Q2014		
	Avangard	Market	diff	Avangard	Market	diff	Avangard	Market	diff	Avangard	Market	diff
fodder	2,447	2,514**	3%	2,793	3,172**	14%	2,999	3,040**	1%	3,759	3,890**	3%
<i>Grains</i>	1,269	1,268	0%	1,538	1,876	22%	1,560	1,659	6%	1,409	1,601	12%
<i>Oils</i>	2,878	3,042	6%	3,668	4,176	14%	4,030	4,010	0%	5,264	5,337	1%
<i>Other</i>	6,956	-	-	5,706	-	-	6,187	-	-	15,965	-	-

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

** in Avangard's average receipt volume terms

Source: Company data, APK inform

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

	2013	2014	change
fodder*	0.30	0.36	0.06
<i>Grains</i>	0,11	0,09	(0,02)
<i>Oils</i>	0,16	0,21	0,05
<i>Other</i>	0,04	0,06	0,02
labor	0.02	0.02	0.00
depreciation	0.02	0.02	0.00
packing, vitamin	0.03	0.03	0.00
others	0.05	0.13	0.08
total	0.42	0.55	0.13

- In 2014, cost of sales of shell eggs increased as a result of increased production costs

Debt structure, cash&cash equivalents

Debt structure

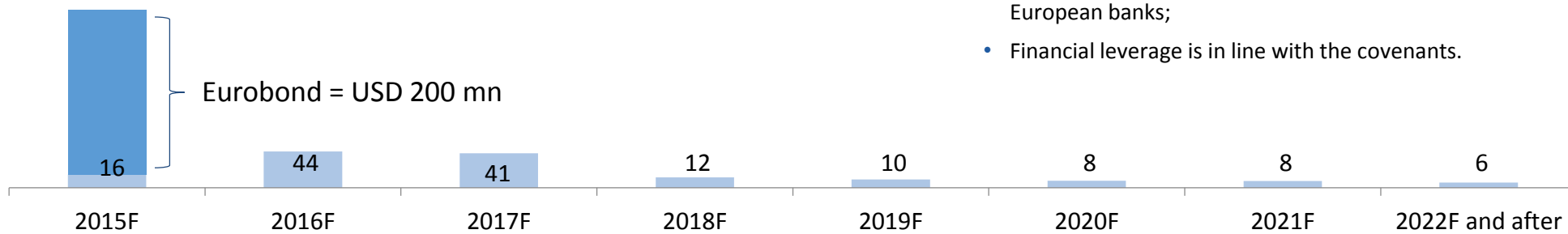
USD '000	31.12.2013	30.09.2014	31.12.2014
Total Debt	322,828	344,936	343,757
Long-term loans	61,495	82,784	79,844
Current portion of long-term debt	12,922	13,781	15,190
Long-term bond liability	197,131	198,237	0
Long-term finance lease (incl. VAT)	1,280	134	88
Short-term bond liability	0	0	198,635
Short-term loans	50,000	50,000	50,000
Cash&cash equivalents	156,804	157,605	117,856
Net Debt	166,024	187,331	225,901

Net debt/LTM EBITDA	0.55	0.9	1.74	
Total debt/LTM EBITDA	1.06	1.7	2.65	<=3.0

covenant

- 99% of total debt is held in USD and EUR
- Loan portfolio structure:
 - USD – 72%
 - EUR – 27%
 - UAH – 1%
- Major debt amounts(excl. Eurobond, leasing and commodity credits) 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;
- As at 31 December 2014, cash&cash equivalents decreased due to the increase in prepayments done, increase in taxes receivables and inventories at the YE. The decrease in cash in 4Q2014 was due to changes in cash flows from investing and financing activities: the Company paid it's Eurobond coupon of **US\$10 mn**, repaid loans and interests on credits of **US\$5 mn**, spent money on planned CAPEX of **approx.US\$22 mn** and other;
- Cash&cash equivalents are held on the accounts in the European banks;
- Financial leverage is in line with the covenants.

Loan portfolio servicing schedule, USD mn *



*excl. interest

Source: Company data



Appendix:
financial snapshot

Balance Sheet

\$'000	2013	2014	change, %
NON-CURRENT ASSETS	1,183,740	622,035	(47%)
Property, plant and equipment	1,103,630	579,922	
Non-current biological assets	76,678	21,637	
Deferred tax assets	3,059	2,489	
Held to maturity investments	-	17,959	
Other non-current assets	373	28	
CURRENT ASSETS	635,175	416,292	(34%)
Inventories	193,382	115,896	
Current biological assets	60,648	28,228	
Trade accounts receivable, net	88,971	79,221	
Prepaid income tax	85	48	
Prepayments and other current assets, net	30,845	29,094	
Taxes recoverable and prepaid	104,439	45,949	
Cash and cash equivalents	156,804	117,856	
TOTAL ASSETS	1,818,915	1,038,327	(43%)
TOTAL EQUITY	1,447,098	645,888	(55%)
NON(CURRENT LIABILITIES	263,414	82,178	(69%)
CURRENT LIABILITIES	108,403	310,261	186%
Short-term bond liabilities	-	198,635	
Current portion of non-current liabilities	14,504	15,368	
Short-term loans	50,000	50,000	
Trade Accounts Payable	15,084	6,907	
Other Payables	28,815	39,351	
TOTAL LIABILITIES	371,817	310,261	(17%)
TOTAL EQUITY AND LIABILITIES	1,818,915	1,038,327	(43%)
NET DEBT at the date	166,024	225,901	36%

Income Statement

\$'000	2013	2014	change, %
REVENUE	661,202	419,618	(37%)
Income from revaluation of biological assets at fair value	35,158	15,364	
Cost of sales	(429,695)	(314,001)	
GROSS PROFIT	266,665	120,981	(55%)
General administrative expenses	(16,746)	(10,772)	
Distribution expenses	(25,630)	(20,532)	
Income from government grants and incentives	299	218	
Impairment of non current assets	(20)	(23,589)	
Income from special VAT treatment	55,198	36,490	
Other operating income/expenses, net	(1,657)	18,680	
OPERATING PROFIT/(LOSS)	278,109	84,116	(70%)
Financial income	124	3,176	
Financial expenses	(38,887)	(44,101)	
Gains/(losses) on exchange	(2,359)	(71,284)	
PROFIT BEFORE TAX	236,987	(28,093)	(112%)
Income tax expenses	1,096	1,175	
PROFIT/(LOSS) FOR THE PERIOD	238,083	(26,918)	(111%)
EBITDA	303,616	129,497	(57%)
EBITDA margin	45.9%	30.9%	(33%)

Source: Company data

Cash Flow Statement

\$'000	2013	2014
PROFIT BEFORE INCOME TAX	236,987	(28,093)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	259,398	96,067
(Increase)/decrease in net working capital	(64,732)	(45,840)
Interest paid	(7,136)	(8,983)
Income tax paid	(92)	(73)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	187,438	41,171
Purchases of PP&E	(184,808)	(77,030)
Interest received	124	159
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	(184,684)	(76,871)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	(49,454)	13,384
NET INCREASE/(DECREASE) IN CASH	(46,700)	(22,316)
Cash at the beginning of the year	203,504	156,804
Effects of translation into presentation currency	0	(16,632)
Cash at the end of the period	156,804	117,856

Source: Company data