



Audited Financial Results For 2013  
Management Presentation  
11 April, 2014



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2. Market positioning
3. Investment projects update
4. Financial results

Appendix: Financial snapshot


# 1. AVANGARDCO IPL at a glance

# 1.1. AVANGARDCO IPL's Overview

## #1 shell eggs / dry egg products producer in Ukraine\*

- 57% share in the industrial production of shell eggs in 2013
- 91% share in the production of dry egg products in 2013
- 90% share in export of eggs and dry egg products from Ukraine in 2013

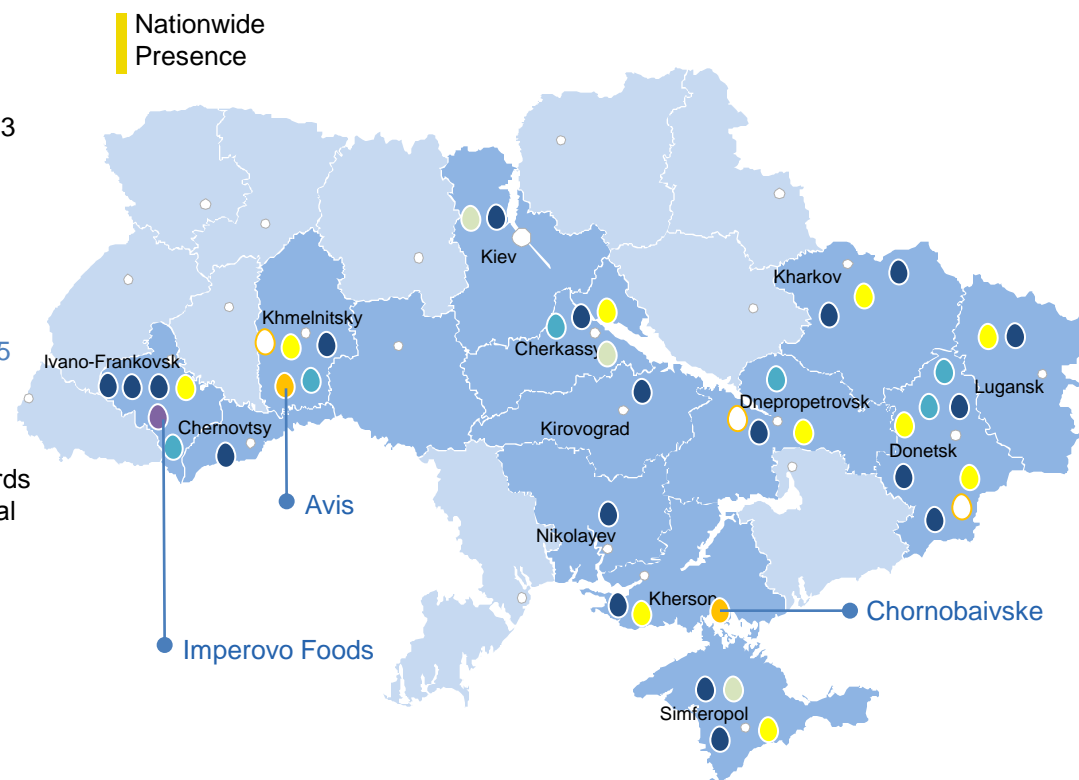
## Investment projects update

- Two greenfield projects are completed: poultry complexes “Avis” and “Chornobaivske”
- The capacity expansion at the egg processing plant “Imperovo” is on schedule
- The rearing sites at new complexes can operate at full capacity of **5.045 mn hens**
- The industrial laying hens sites at new complexes can operate at full capacity of **11.184 mn hens** are capable of operating at full capacity
- The production facilities sites are fully compliant with European standards
- Actual utilization of the facilities is in line with the Company's operational plans
- At year-end 2013, **38%** of the total poultry flock and **34%** of the total population of laying hens were housed in new poultry complexes “Avis” and “Chornobaivske”.

## Distribution and Sales

- The Company exports shell eggs as well as sells them to domestic wholesalers and retailers with an **increasing share of export and retail chains**
- The Company exports its products to **33 countries**
- Exports constituted **30%** of the Company's total sales in volume terms as of YE2013
- Shell eggs are exported primarily to the **Middle East, Asia, Africa and the CIS**
- The Company's “Kvochka” – branded products are sold across Ukraine

\*According to data from SSCU, Pro-Consulting



- - 19 farms for laying hens;
- - 6 feed mills;
- - Imperovo Foods egg processing plant;
- - 3 second order breeder farms;
- - 10 farms for rearing young laying hens;
- - 2 new projects: Avis and Chornobaivske;
- - 3 long-term storage facilities.

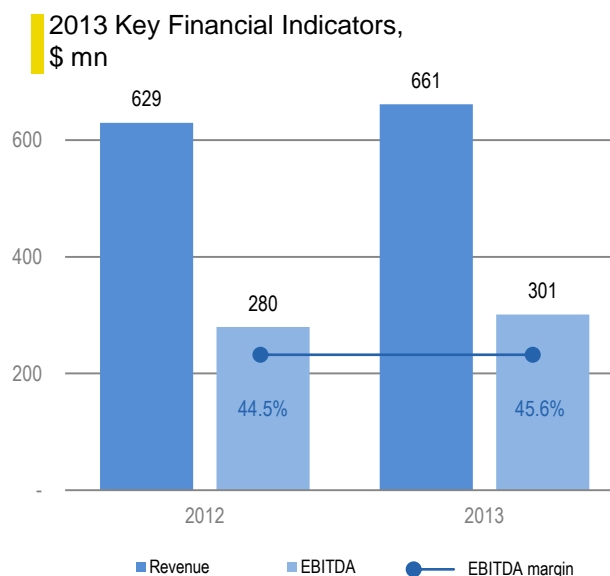
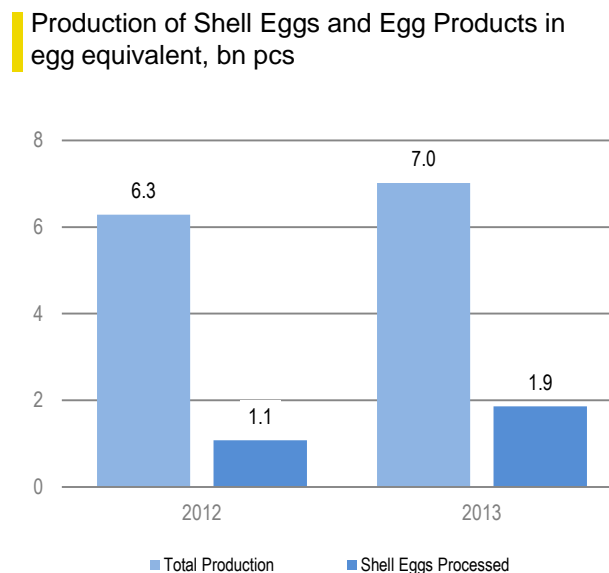
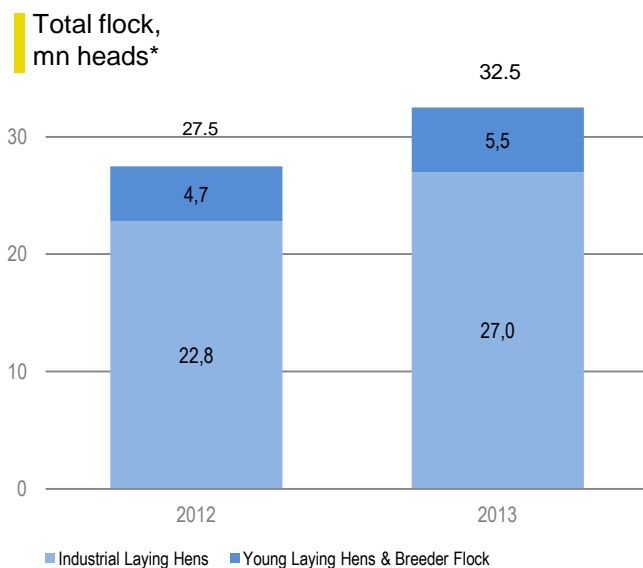
# 1.2. Strong Operational and Financial Performance

## 2013 Operational Performance

- Shell eggs production (+12%): **7.0 bn pcs** in 2013 vs. 6.3 bn pcs in 2012
- Sales to third parties (-2%): **5.1 bn pcs** in 2013 vs. 5.2 bn pcs in 2012
- Average selling price of shell eggs (-1%): **0.69 UAH (excl. VAT)** in 2013 vs. 0.70 UAH (excl. VAT) in 2012
- Average selling price of egg products (-6%): **7.64 \$/kg** in 2013 vs. 8.11 \$/kg in 2012
- Export sales of shell eggs and egg products (+73%): **1.9 bn pcs** in 2013 vs. 1.1 bn pcs in 2012
- Total flock (+18%): **32.5 mn heads** as of 31 Dec. 2013 vs. 27.5 mn heads as of 31 Dec. 2012
- **38%** of the total flock and **34%** of the population of laying hens were housed in new poultry complexes as of 31 Dec. 2013

## 2013 Financial Performance

- Revenue (+5.1%): **\$661.2 mn** in 2013 vs. \$629.3 mn in 2012
- EBITDA (+8%): **\$301.2 mn** in 2013 vs. \$279.8 mn in 2012
- EBITDA margin (+1.1p.p.): **45.6%** in 2013 vs. 44.5% in 2012
- Total debt/LTM EBITDA: **1.1**



\* As at 31.12.2013

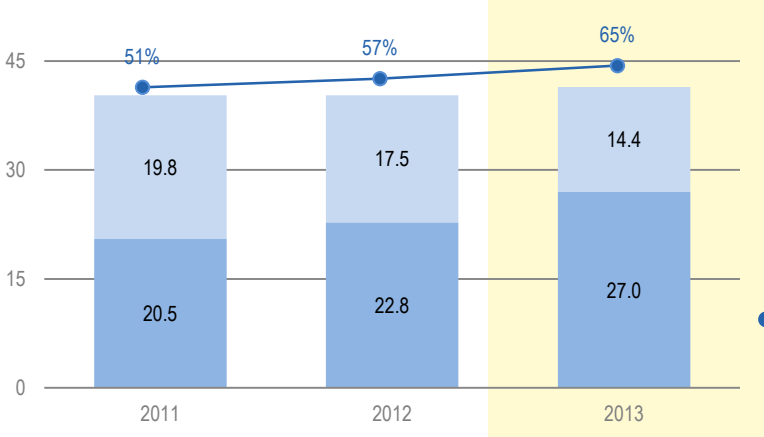


## 2. Market Positioning

# 2.1. Industry Leader

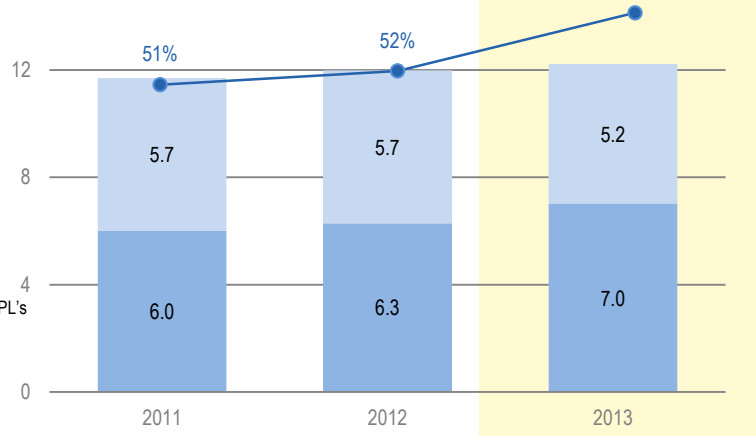
Industrial Laying Flock, mn hens

#1



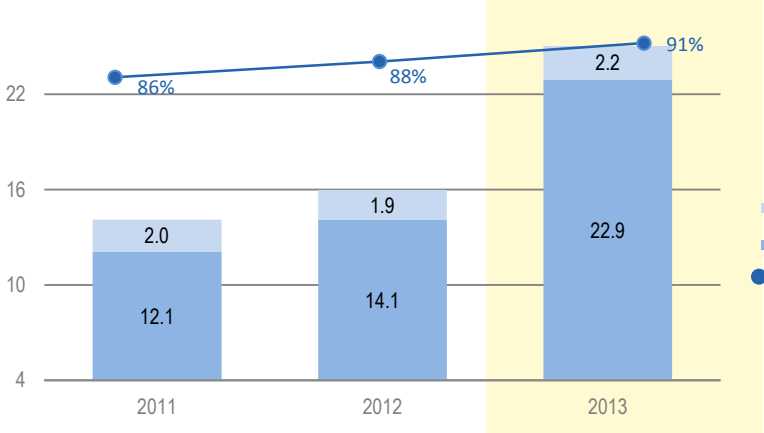
Industrial Production of Shell Eggs, bn pcs

#1



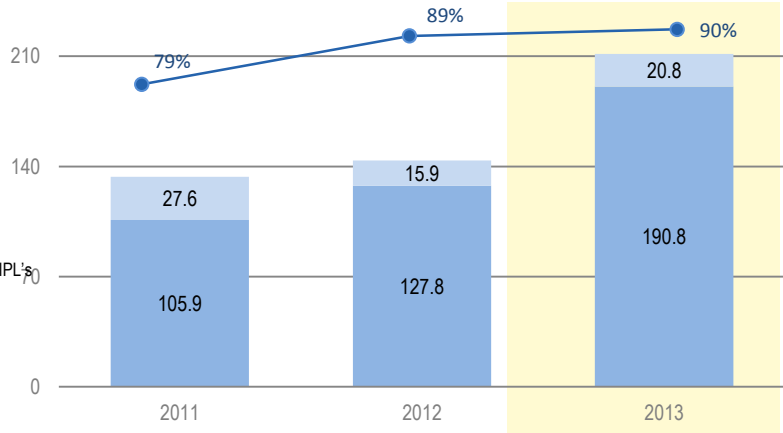
Industrial Productions of Dry Egg Products, th tons

#1



Export of Shell Eggs and Egg Products from Ukraine, \$ mn

#1

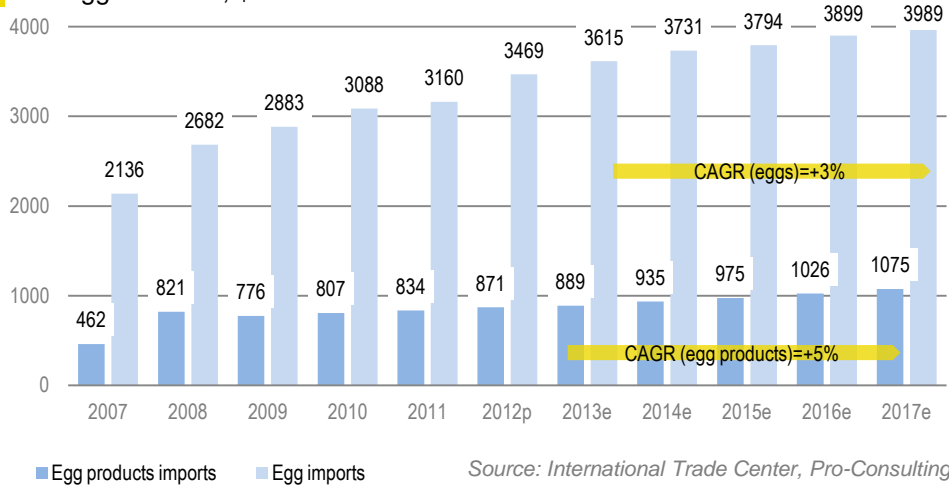


\* Source: Pro-Consulting, Avangard's Data

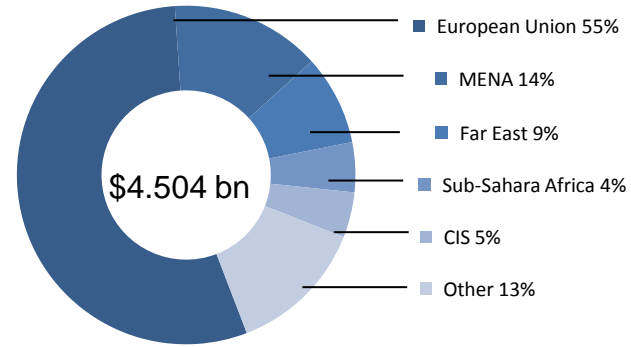


## 2.2. Strong Market Fundamentals: World

World Imports of Eggs and Egg Products, \$ mn

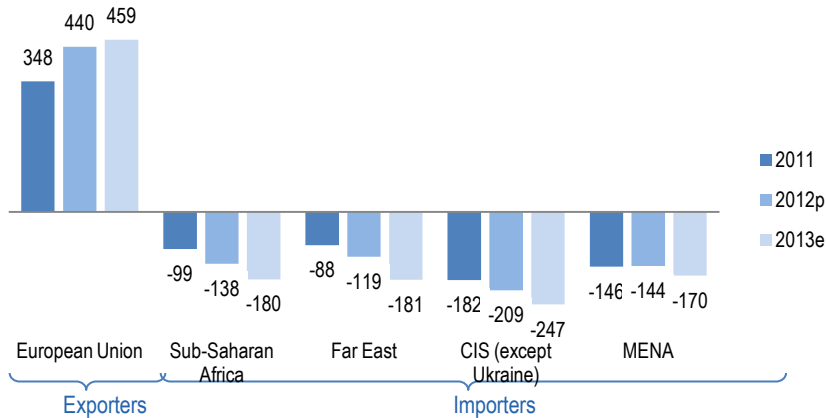


Structure of World Imports of Eggs and Egg Products in 2013E, \$ mn

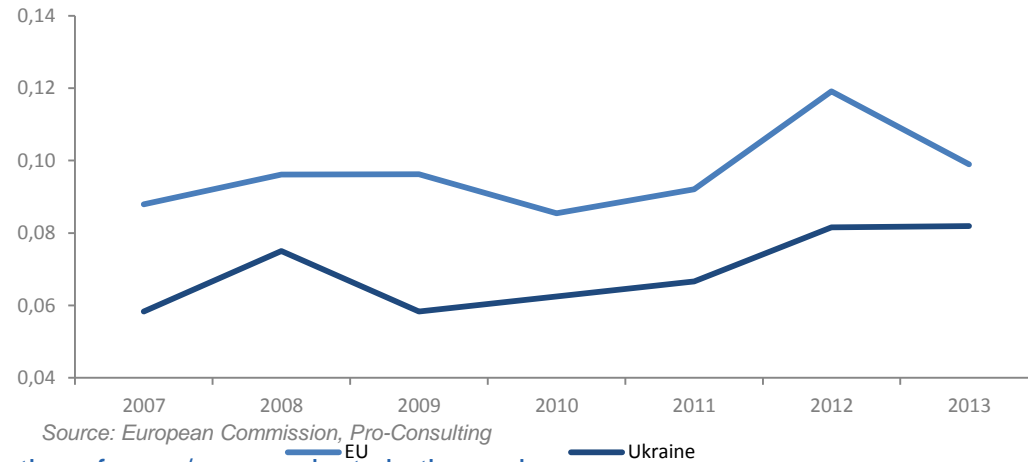


\*Key destinations for AVANGARDCO IPL's export  
Source: International Trade Center, Pro-Consulting

Trade balance of the most active regions in the eggs and egg products trade, \$ mn



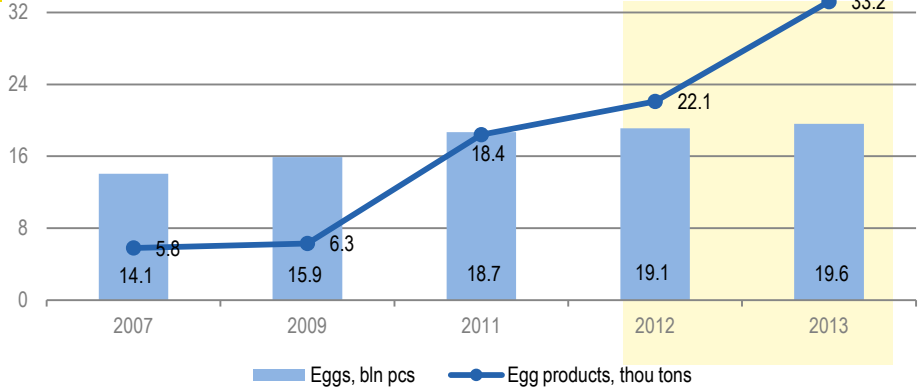
Average Domestic Price of Eggs in EU and Ukraine, \$/egg



Emerging middle class in MENA and Asia will further drive consumption of eggs/egg products in the region

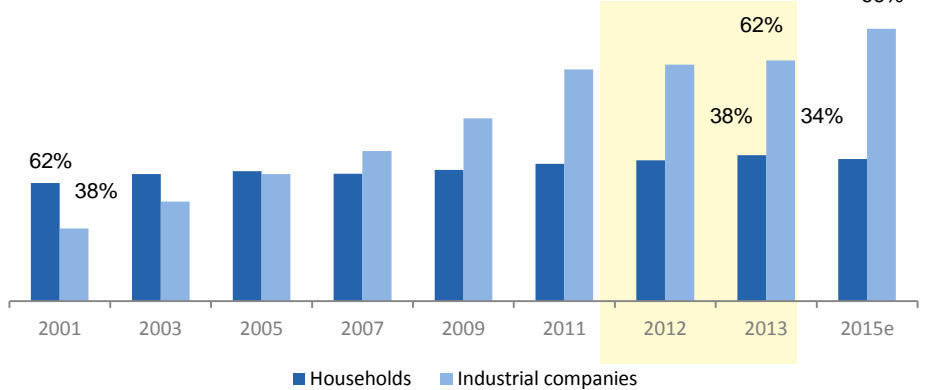
# 2.3. Strong Market Fundamentals: Ukraine

Eggs and Egg Products Production in Ukraine



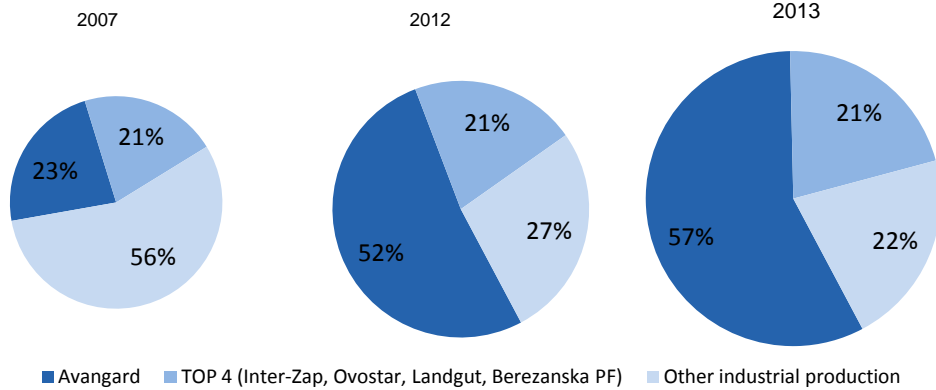
Source: SSCU, Pro-Consulting

Households vs Industrial Companies, bn pcs



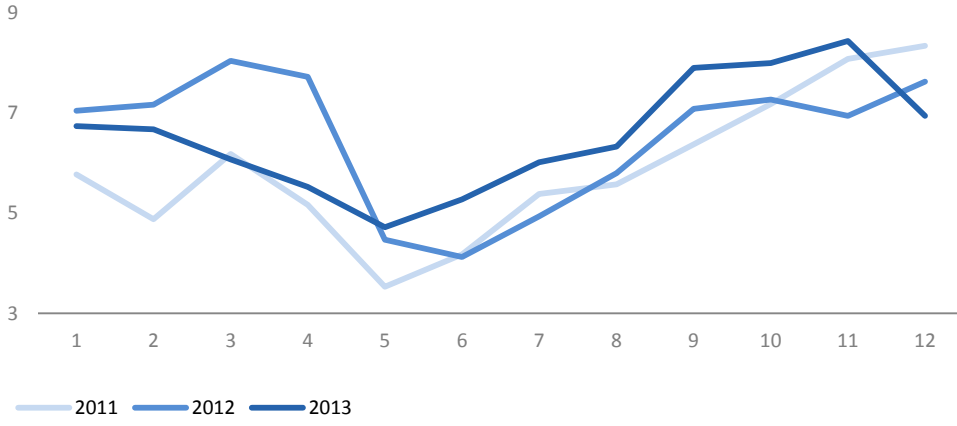
Source: SSCU, Pro-Consulting

Industry Consolidation



\*Source: Pro-Consulting, Company data

Egg price in Ukraine, UAH / 10 pcs



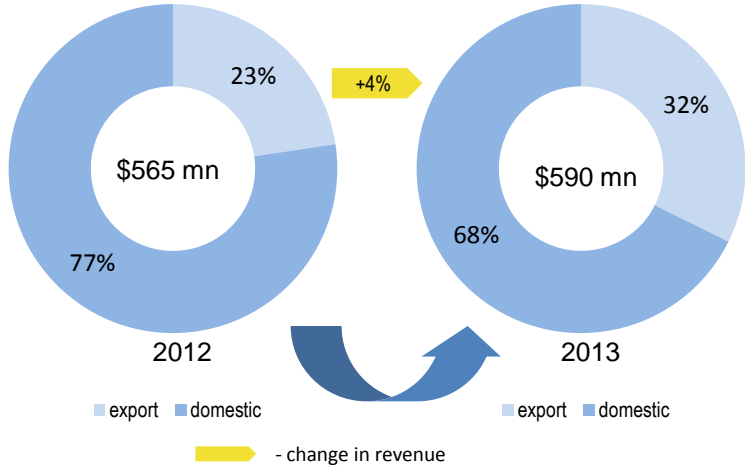
Source: Pro-Consulting, Company data

Market consolidation will drive further price increases

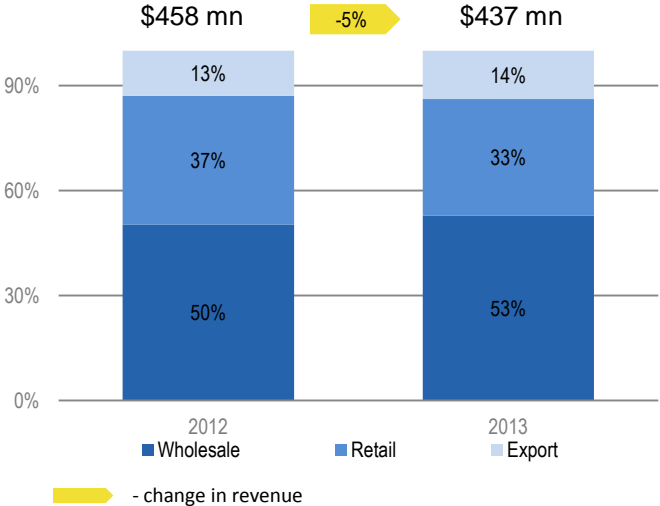
# 2.4. Diversified Sales Structure

- Increase of export in total sales
- Growing focus on retail sales of shell eggs
- Export strategy aimed to expand sales:
  - ✓ Eggs – MENA, the CIS;
  - ✓ Egg Products – Middle East, Asia

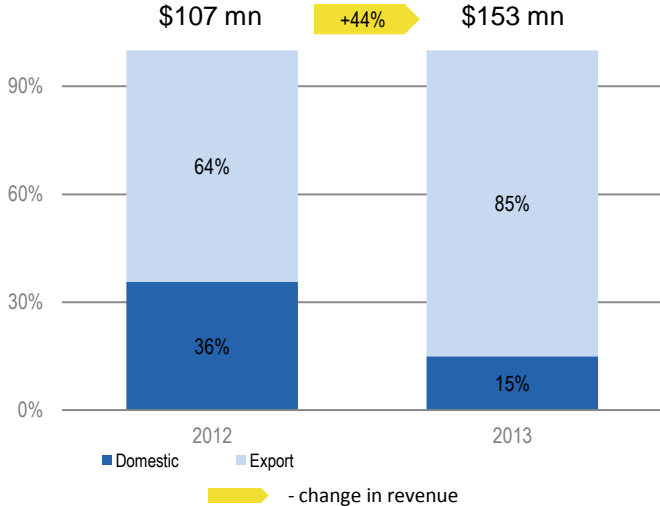
Sales Structure of Eggs and Egg product, % of Revenue



Eggs Sales Channels, % of Revenue



Egg Products Sales Channels, % of Revenue



# 2.5. Diversified Sales Structure

## 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

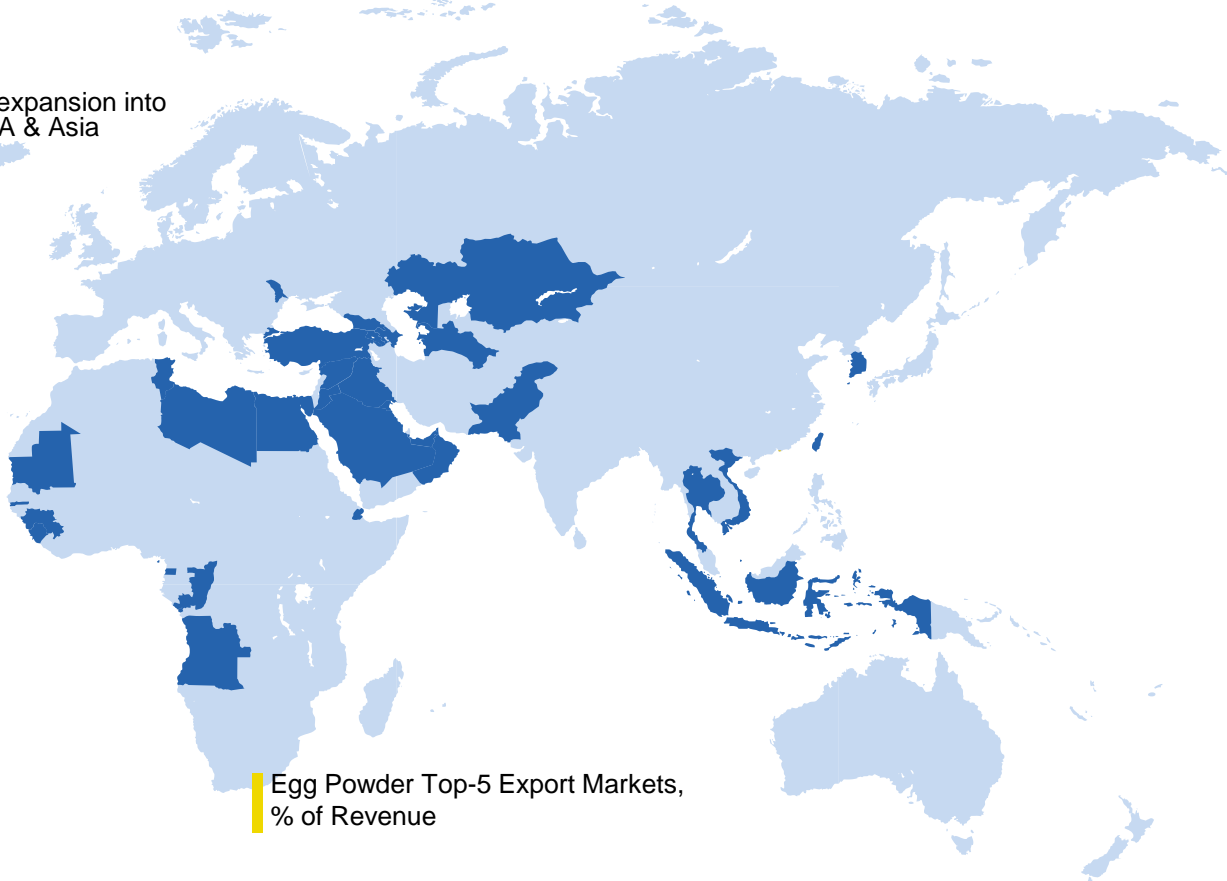
- Angola
- Egypt
- Gambia
- Liberia
- Libya
- Mauritania
- Republic of Djibouti
- Taiwan
- Tunisia
- Congo
- Sierra Leone
- Equatorial Guinea

## 1H2013: 1 market

- Guinea Bissau

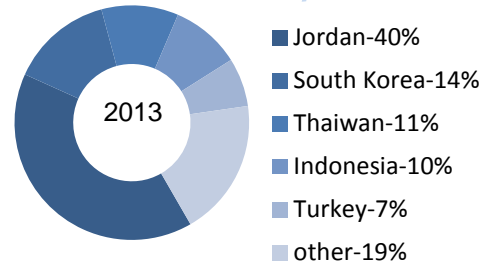
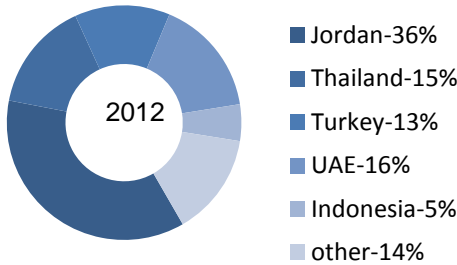
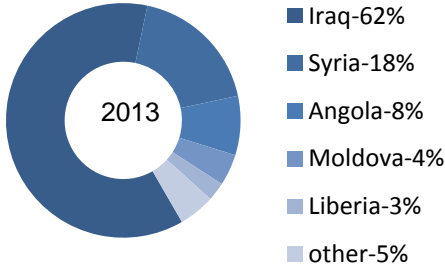
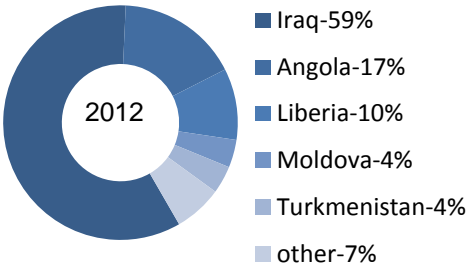
## 2009-2013: 33 markets

Export strategy of expansion into key markets: MENA & Asia



Eggs Top-5 Export Markets, % of Revenue

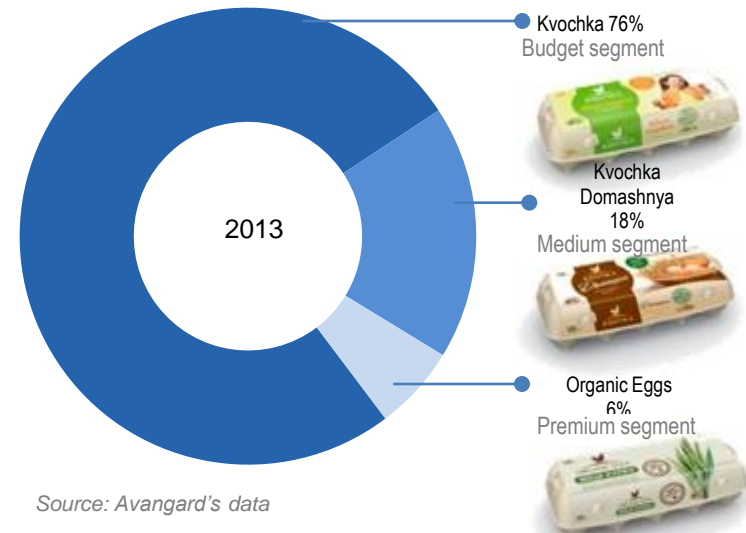
Egg Powder Top-5 Export Markets, % of Revenue



## 2.6. Development of Branded Product Line

- The Company sells non-branded and branded shell eggs through the main retail chains in Ukraine
- Packaged shell eggs under the “Kvochka” umbrella brand are represented in the most popular consumer price segments
- Currently the Company supplies its “Kvochka” – branded products to 16 national and 14 regional retail chains in Ukraine
- In 2013 the Company sold 42.9 mln pieces of packaged eggs under the umbrella brand “Kvochka”, which was 19% higher compared to the 2012.

Sales of Packaged Shell Eggs,  
2013



Top-10 key accounts: ATB, Fozzy, Pakko, Megamarket, Eko, Auchan, Karavan, Perekrestok, Ekspansiya, Velyka Kyshenya.

- Growing focus on modern trade (supermarket chains) as primary distribution sales channel
- Increase share of sales of branded products



# 3. Investment Projects Update



# 3. Investment Programme is Completed

- The construction of two poultry complexes “Avis” and “Chornobaivske” is fully completed. The projects increased the total capacity to **30.1 mn laying hens** (+59% from 18.9 mn laying hens in 2010) and total egg output capacity to **8.6 bn pcs** (+65% from 5.2 bn pcs in 2010).
- As of 31 Dec. 2013 **38%** of the total flock was placed at new complexes (**34%** of laying hens)

## Avis egg production complex

- The launch of new “Avis” poultry complex with capacity of **5.2 mn laying hens** and **1.6 bn shell eggs** capacity is completed
- The Company is close to the completion of the assembly works at the feed milling plant and set-up works will be completed by the end of the year
- Biogas unit is on schedule

## Chornobaivske egg production complex

- The launch of new “Chornobaivske” poultry complex with capacity of **6.0 mn laying hens** and **1.9 bn shell eggs** capacity is completed
- The feed milling plant is in progress
- Biogas unit is on schedule

## “Imperovo Foods” egg processing plant

- The processing capacity has been increased to **6 mn eggs per day**; “Imperovo Foods” has operated at full capacity since May 2013
- Currently the processing capacity is being gradually increased to process **10 mn eggs per day**.

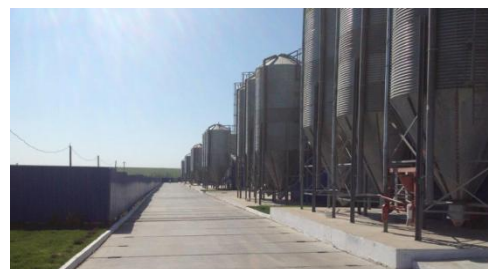
Avis. Rearing site  
(total capacity of 2.635 mn hens)



Avis. Industrial site  
(total capacity of 5.202 mn hens)



Chornobaivske. Rearing site  
(total capacity of 2.410 mn hens)



Chornobaivske. Industrial site  
(total capacity of 5.977 mn hens)



Imperovo Foods  
Egg processing equipment



Imperovo Foods  
Egg processing line



## Breakdown of Capital Expenditures, \$ mn

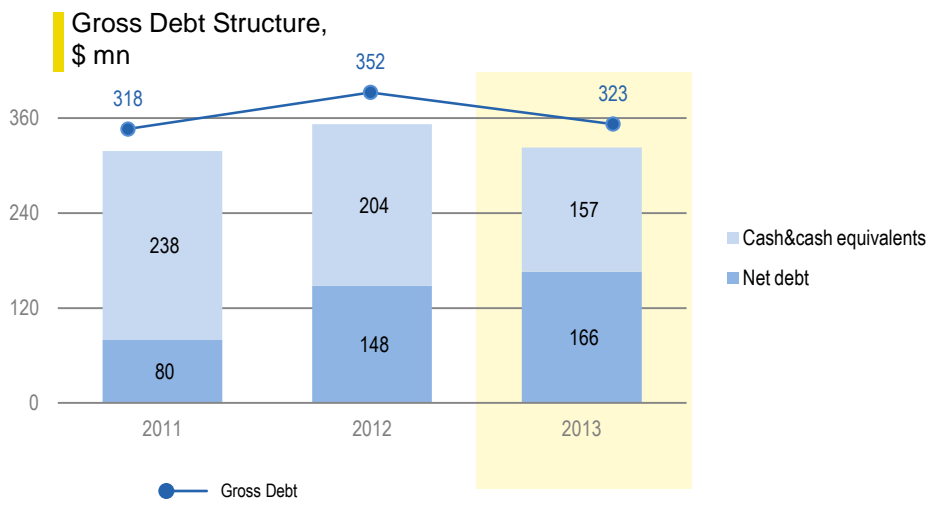
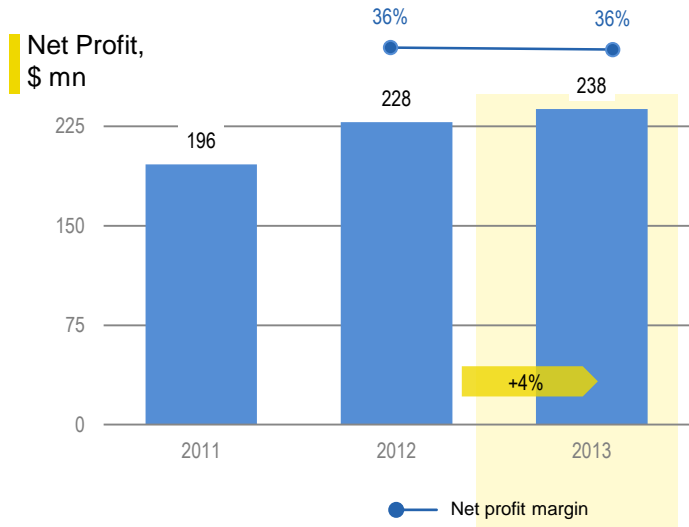
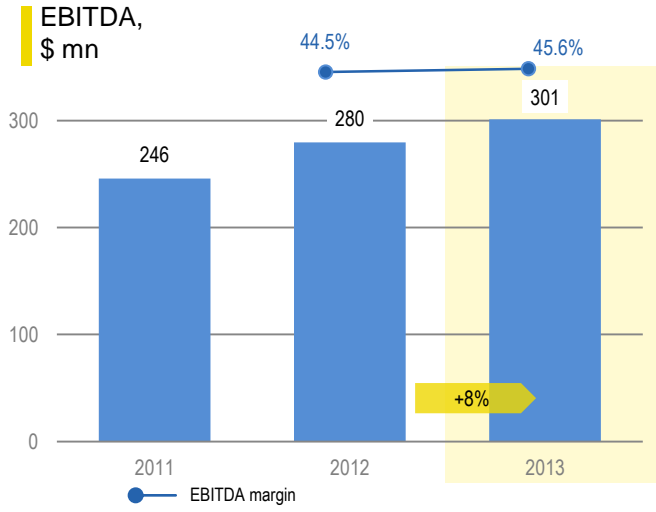
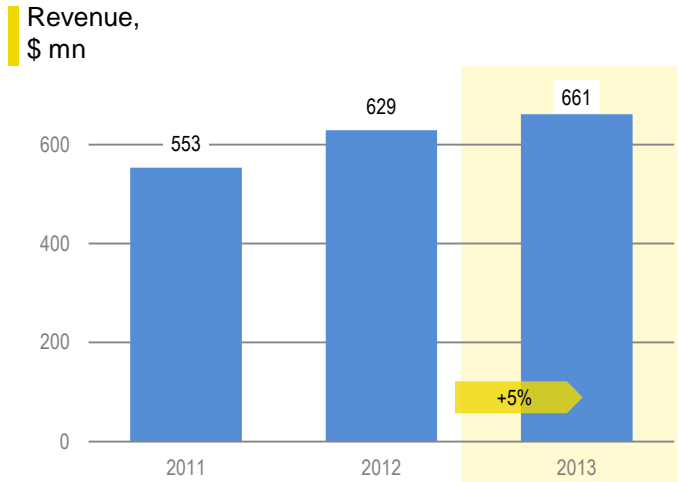
|                       | Before IPO | 2010-12 | 2013 | 2014E | Total |
|-----------------------|------------|---------|------|-------|-------|
| Avis                  | 124        | 210,6   | 27   | 8,4   | 370   |
| Chornobaivske         | 147        | 158     | 47   | 16    | 368   |
| Imperovo Foods        | -          | 115     | 45   | 0     | 160   |
| Total Expansion CAPEX | 271        | 483,6   | 119  | 24,4  | 898   |
| Maintenance CAPEX     | -          | 16      | 45   | 39    | 103   |



## 4. Financial Results



# 4.1. Key Financial Highlights



Source: Avangard's data

## 4.2. Key Segment Results

| SALES REVENUE,<br>\$'000 | 2012    | 2013    | change, % |
|--------------------------|---------|---------|-----------|
| Shell egg                | 458,308 | 436,814 | -5%       |
| Egg products             | 106,644 | 153,11  | 44%       |
| Other                    | 64,354  | 71,277  | 11%       |

### The decrease in Shell Eggs segment revenue was due to:

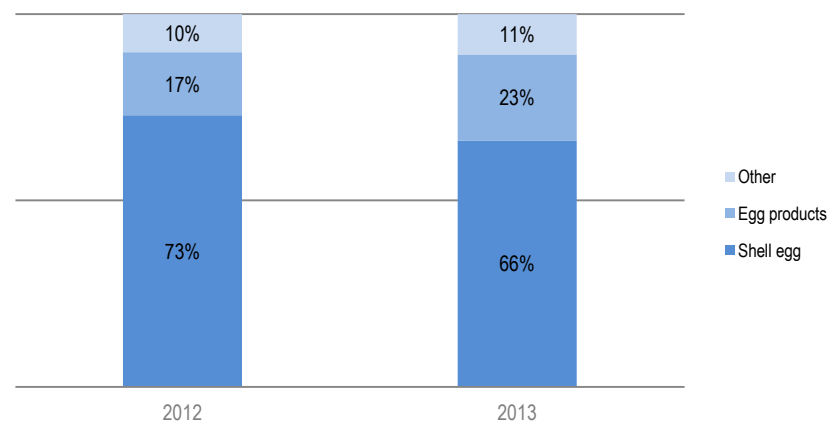
- the redistribution of shell eggs sales channels (an increase in further processing of shell eggs into dry egg products)

### The increase in Egg Products segment revenue was due to:

- the increase in processing capacity to 6 mn eggs per day at “Imperovo Foods”
- the increase in sales volume
- the expansion of exports

Revenue derived from key segments (eggs and egg products) increased by 4% in 2013 and amounted to 89% of the Company’s consolidated revenue.

Sales Revenue Structures, %



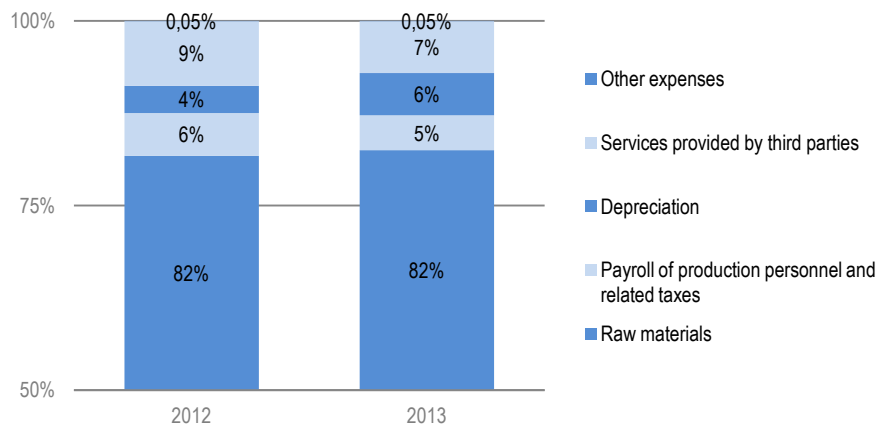
Source: Avangard's data

## 4.3. Cost Structure

### Cost of Finished Goods Sold by Elements

| \$'000  | 2012           | 2013           | change,%  |
|---|----------------|----------------|-----------|
| Raw materials                                       | 324,260        | 354,379        | 9%        |
| Payroll of production personnel and related charges | 23,098         | 20,313         | -12%      |
| Depreciation  | 14,639         | 24,556         | 68%       |
| Services provided by third parties                  | 34,780         | 30,224         | -13%      |
| Other   | 0,183          | 0,223          | 22%       |
| <b>Total COGS</b>                                   | <b>396,960</b> | <b>429,695</b> | <b>8%</b> |

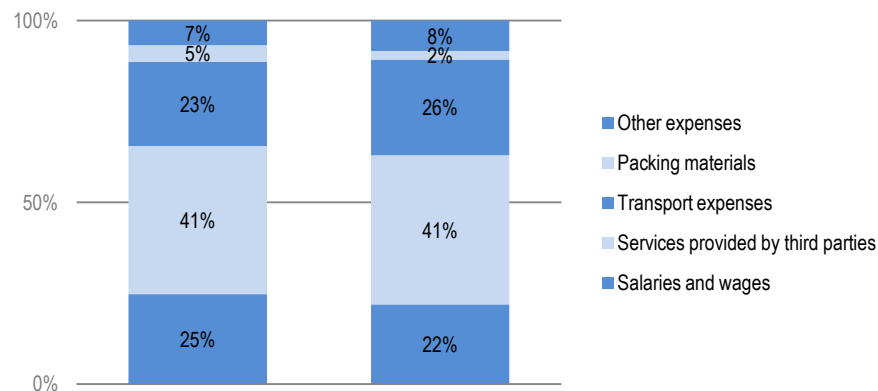
### Cost of Finished Goods Sold Structure



### General, Administration and Distribution Costs by Elements

| \$'000                             | 2012          | 2013          | change,%   |
|------------------------------------|---------------|---------------|------------|
| Salaries and wages                 | 10,541        | 9,321         | -12%       |
| Services provided by third parties | 17,392        | 17,382        | 0%         |
| Transport expenses                 | 9,853         | 11,146        | 13%        |
| Packing materials                  | 1,939         | 1,002         | -48%       |
| Other expenses                     | 2,890         | 3,525         | 22%        |
| <b>Total GA&amp;D</b>              | <b>42,615</b> | <b>42,376</b> | <b>-1%</b> |

### General, Administration and Distribution Costs Structure



Source: Avangard's data

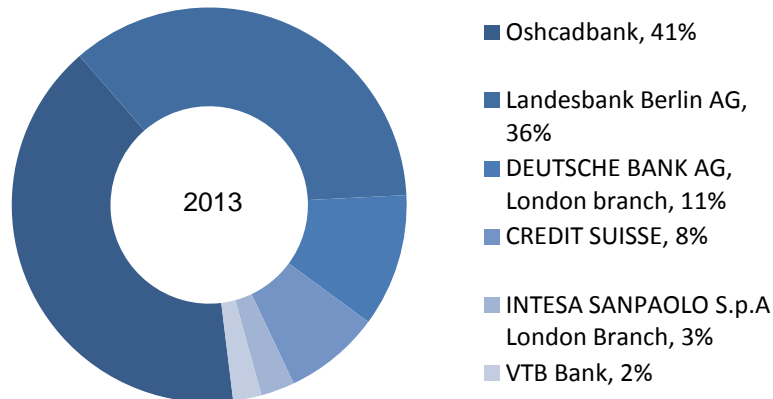
# 4.4. Debt Structure

## Debt Structure

| \$'000                       | 2012           | 2013           | % change        |
|------------------------------|----------------|----------------|-----------------|
| Total Debt                   | 352,232        | 322,828        | -8%             |
| Long-term                    | 201,031        | 258,628        | 29%             |
| Short-term                   | 119,391        | 50,000         | -58%            |
| Current portion of long-term | 31,810         | 14,200         | -55%            |
| <b>Net Debt</b>              | <b>147,934</b> | <b>166,024</b> | <b>12%</b>      |
|                              |                |                | <b>covenant</b> |
| Net debt/LTM EBITDA          | 0.5            | 0.6            |                 |
| Total debt/LTM EBITDA        | 1.3            | 1.1            | <=3.0           |

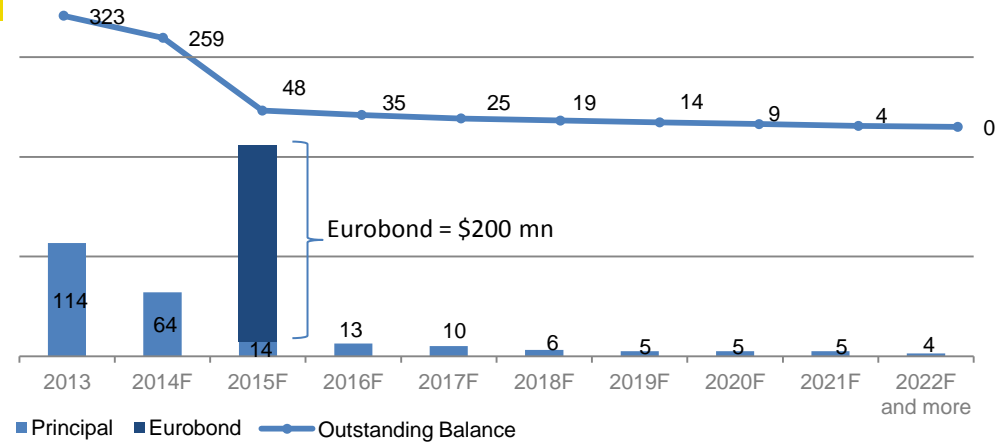
- Financial leverage coefficient made up 10.3% as of 31.12.2013 vs. 11.2% as at 31.12.2012

## Loan Portfolio by Creditor in 2013\*\*



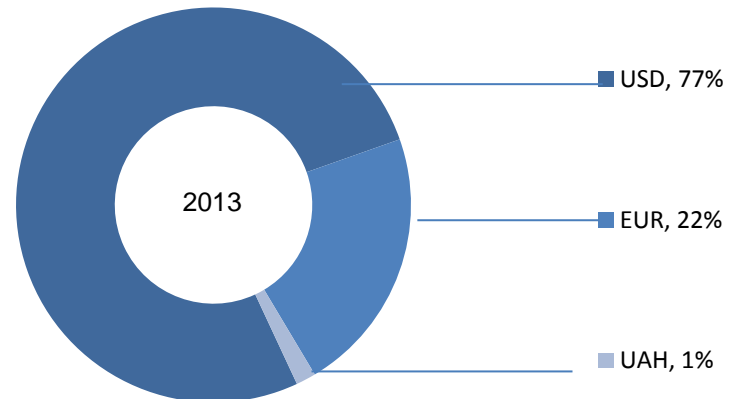
\*\*excl. bonds, leasing and commodity credits / Source: Avangard's data

## Loans Portfolio Servicing Schedule, \$ mn\*



\*excl. interests

## Loan Portfolio Structure by Currency in 2013





# Appendix: Financial Snapshot

# Balance Sheet

| <b>\$'000</b>                                | <b>2012</b>      | <b>2013</b>      | <b>change, %</b> |
|--|------------------|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                    | 969,153          | 1 183,740        | 22%              |
| Property, plant and equipment                | 920,072          | 1 103,630        |                  |
| Non-current biological assets                | 46,724           | 76,678           |                  |
| Deferred tax assets                          | 1,966            | 3,059            |                  |
| Other non-current assets                     | 391              | 373              |                  |
| <b>CURRENT ASSETS</b>                        | 609,175          | 635,175          | 4%               |
| Inventories                                  | 177,886          | 193,382          |                  |
| Current biological assets                    | 56,889           | 60,648           |                  |
| Trade accounts receivable, net               | 55,551           | 88,972           |                  |
| Prepaid income tax                           | 18               | 85               |                  |
| Prepayments and other current assets,<br>net | 11,966           | 30,845           |                  |
| Taxes recoverable and prepaid                | 102,567          | 104,439          |                  |
| Cash and cash equivalents                    | 204,298          | 156,804          |                  |
| <b>TOTAL ASSETS</b>                          | <b>1,578,328</b> | <b>1 818,915</b> | <b>15%</b>       |
| <b>TOTAL EQUITY</b>                          | <b>1,167,195</b> | <b>1 447,098</b> | <b>24%</b>       |
| <b>NON-CURRENT LIABILITIES</b>               | <b>206,150</b>   | <b>263,414</b>   | <b>28%</b>       |
| <b>CURRENT LIABILITIES</b>                   | <b>204,983</b>   | <b>108,403</b>   | <b>-47%</b>      |
| Loans and bonds                              | 151,505          | 64,504           |                  |
| Trade Accounts Payable                       | 24,435           | 15,084           |                  |
| Other Payables                               | 29,043           | 28,815           |                  |
| <b>TOTAL LIABILITIES</b>                     | <b>411,133</b>   | <b>371,817</b>   | <b>-10%</b>      |
| <b>NET DEBT at the date</b>                  | <b>147,934</b>   | <b>166,024</b>   | <b>12%</b>       |

Source: Avangard's data

# Income Statement

| <b>\$'000</b>  | <b>2012</b> | <b>2013</b> | <b>change, %</b> |
|--|-------------|-------------|------------------|
| <b>REVENUE</b>   | 629,306     | 661,202     | 5%               |
| Income from revaluation of biological assets at fair value | 26,191      | 35,158      |                  |
| Cost of sales  | (396,960)   | (429,695)   |                  |
| <b>GROSS PROFIT</b>  | 258,537     | 266,665     | 3%               |
| General administrative expenses                            | (22,559)    | (16,746)    |                  |
| Distribution expenses                                      | (20,056)    | (25,630)    |                  |
| Income from government grants and incentives               | 305         | 299         |                  |
| Income from special VAT treatment                          | 46,484      | 55,198      |                  |
| Other operating income/expenses, net                       | 1,773       | (4,036)     |                  |
| <b>OPERATING PROFIT/(LOSS)</b>                             | 264,484     | 275,750     | 4%               |
| Financial income   | 680         | 124         |                  |
| Financial expenses   | (36,936)    | (38,887)    |                  |
| <b>PROFIT BEFORE TAX</b>                                   | 228,228     | 236,987     | 4%               |
| Income tax expenses  | 5           | 1,096       |                  |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                        | 228,233     | 238,083     | 4%               |
| EBITDA   | 279,768     | 301,237     | 8%               |
| EBITDA margin  | 44,5%       | 45,6%       | 1,1%             |

Source: Avangard's data

# Cash Flow Statement

| <b>\$'000</b>   | <b>2012</b>      | <b>2013</b>      |
|---|------------------|------------------|
| PROFIT BEFOR INCOME TAX                                       | 228,228          | 236,987          |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES               | 248,726          | 259,398          |
| (Increase)/decrease in net working capital                    | 38,751           | (64,732)         |
| Interest paid   | (9,946)          | (7,136)          |
| Income tax paid   | (0,081)          | (92)             |
| <b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b> | <b>277,45</b>    | <b>187,438</b>   |
| Purchases of PP&E   | (321,635)        | (184,808)        |
| Interest received   | 680              | 124              |
| <b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b> | <b>(320,955)</b> | <b>(184,684)</b> |
| <b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b> | <b>16,490</b>    | <b>(49,454)</b>  |
| Effects of translation into presentation currency             | (121)            | -                |
| Decrease/ (increase in restricted cash)                       |                  |                  |
| <b>NET INCREASE/(DECREASE) IN CASH</b>                        | <b>(27,015)</b>  | <b>(46,700)</b>  |
| Cash at the beginning of the year                             | 230,640          | 203,504          |
| Cash at the end of the period                                 | 203,504          | 156,804          |

Source: Avangard's data