



AVANGARDCO

Q1 2013 Financial Results
Management Presentation,
30 May, 2013

PRESENTATION TEAM



Nataliya Vasylyuk
Chairwoman of the Board



Iryna Marchenko
Chief Executive Officer



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Chief Financial Officer

TABLE OF CONTENTS

1. BUSINESS AND OPERATIONS OVERVIEW

2. FINANCIAL RESULTS

APPENDIX: FINANCIAL SNAPSHOT

1. BUSINESS AND OPERATIONS OVERVIEW

1.1. AVANGARD's OVERVIEW

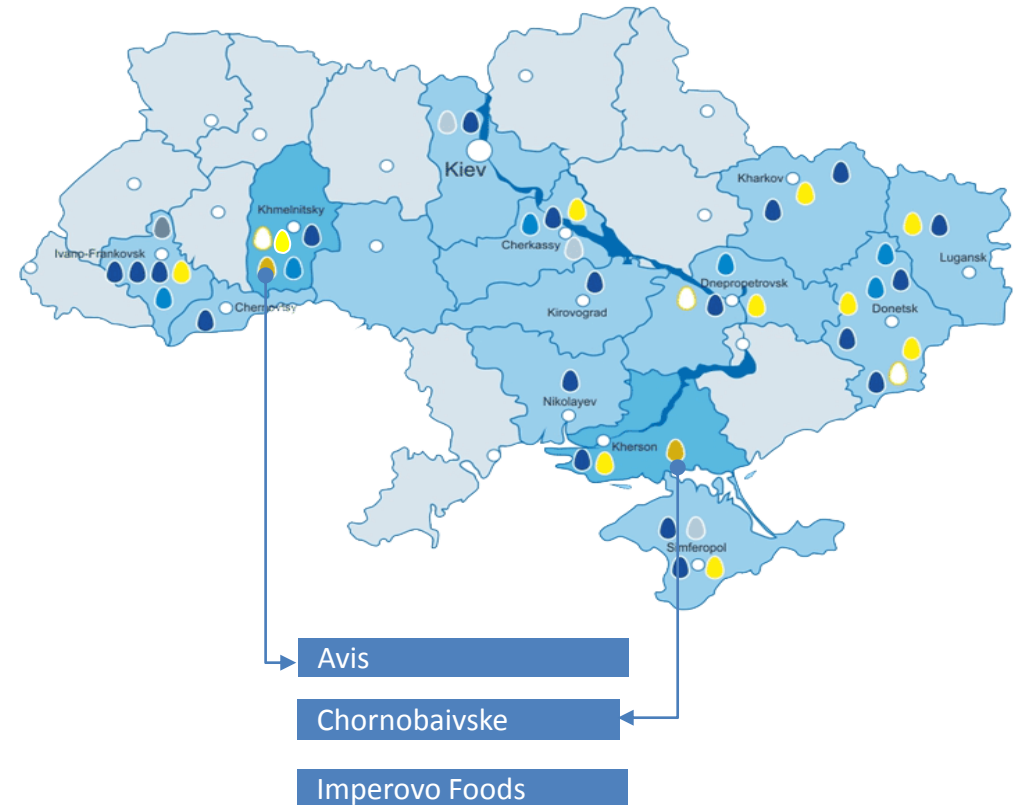
#1 egg / dry egg products producer in Ukraine*

- 52% share in the industrial production of shell eggs in 2012
- 88% share in the production of dry egg products in 2012
- 97% share in export of dry egg products from Ukraine in 2012

Investment projects update

- greenfield Avis and Chornobaivske complexes are on schedule, the first stage completed and operating at full capacity. Upon completion, the projects are expected to increase the eggs and egg products division's annual egg production capacity to 30.1 mn laying hens and total egg output capacity to 8.6 billion pieces
- production sites are fully compliant with European standards
- the actual utilization of the sites corresponds to the operational plans of the Company
- Company expanding processing capacity of Imperovo Foods. The construction works are on schedule

Nationwide Presence



*According to data from SSCU, Pro-Consulting

1.2. STRONG OPERATIONAL AND FINANCIAL PERFORMANCE

Strong operational performance

- Shell eggs production (+6.6%): 1.7 bln pcs in 1Q2013 vs. 1.6 bln pcs in 1Q2012
- Sales to third parties (+9.3%): 1.3 bln pcs in 1Q2013 vs. 1.2 bln pcs in 1Q2012
- Average selling shell eggs price (-8.1%): 0.68 UAH* in 1Q2013 vs. 0.74 UAH* in 1Q2012
- Average selling egg products price(+1.4%): 7.71 \$/kg in 1Q2013 vs. 7.60 \$/kg in 1Q2012
- Export sales of eggs and egg products (+80%): \$36m in 1Q2013 vs. \$20m in 1Q2012
- Total flock (+4.6%): 27.2 mln heads as at 31 Mar. 2013 vs. 26.0 mln heads as at 31 Mar. 2012

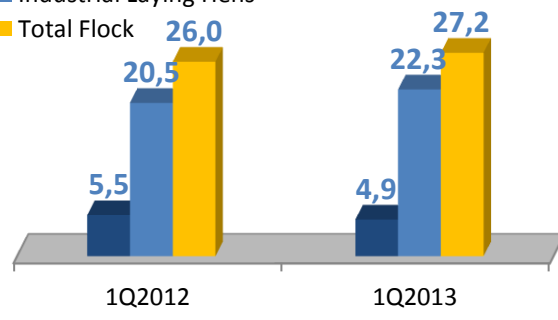
Strong financial performance

- Revenue (+6.3%): \$155.8m in 1Q2013 vs. \$146.6m in 1Q2012
- EBITDA (-13.3%): \$73.1m in 1Q2013 vs. \$84.3m in 1Q2012
- EBITDA margin (-10.6%): 46.9% in 1Q2013 vs. 57.5% in 1Q2012
- Gross debt/LTM EBITDA: 1.26

* excl. VAT

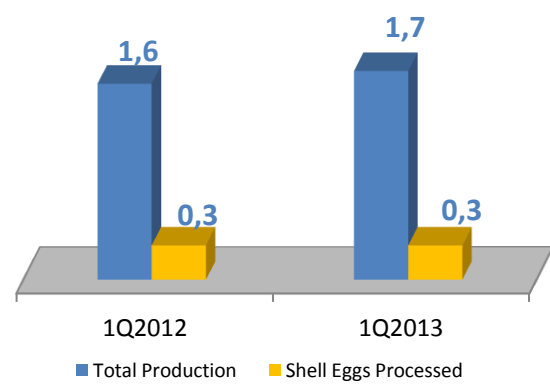
Total Flock, mln heads*

- Young Laying Hens and Breeder Flock
- Industrial Laying Hens
- Total Flock

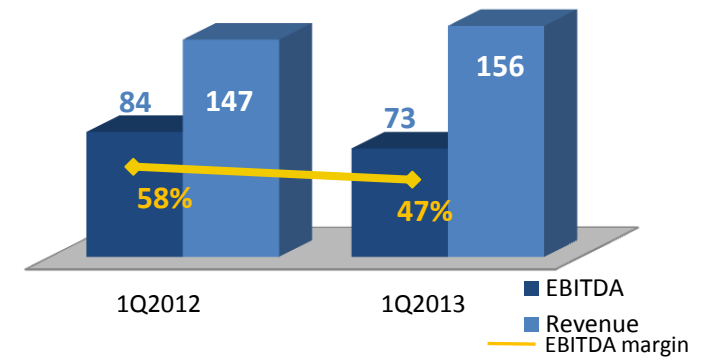


* as at 31 Mar.

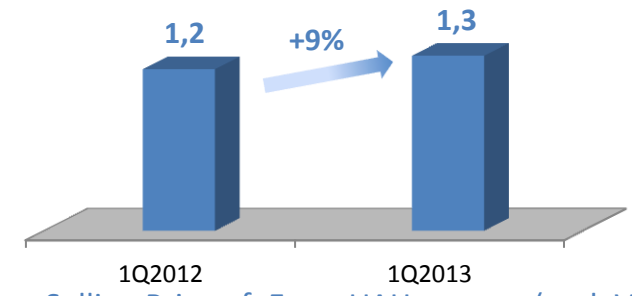
Production of Shell Eggs and Egg Products in egg equivalent, bln pcs



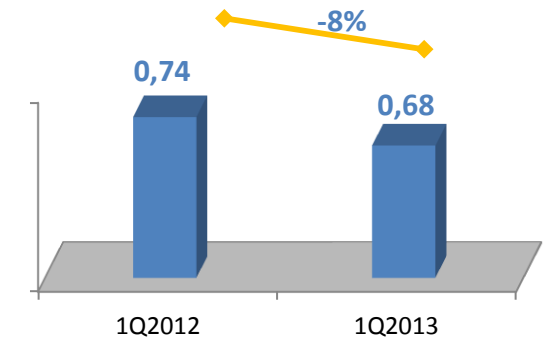
Key Financial Indicators, USD mln.



Sales to Third Parties, bln pcs

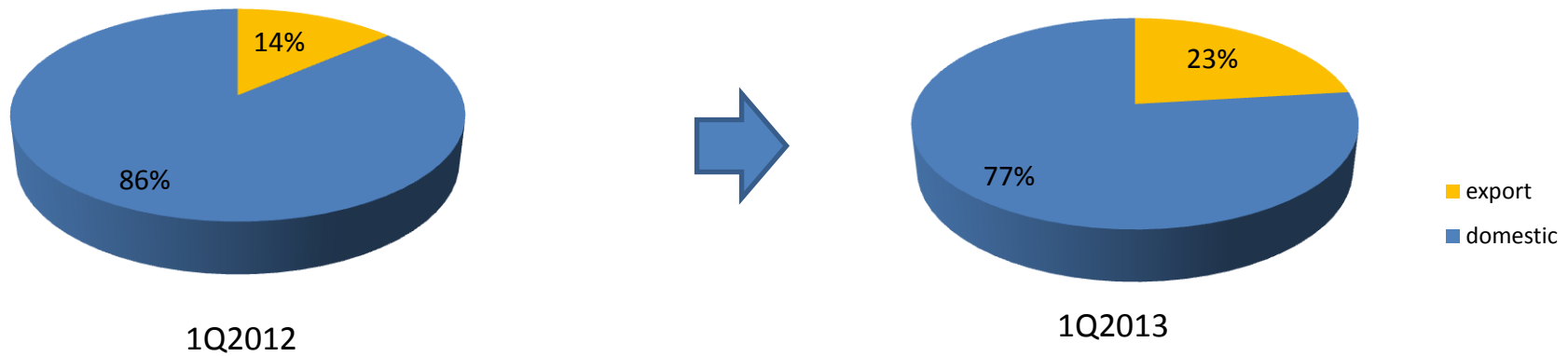


Average Selling Price of Eggs, UAH per egg (excl. VAT)

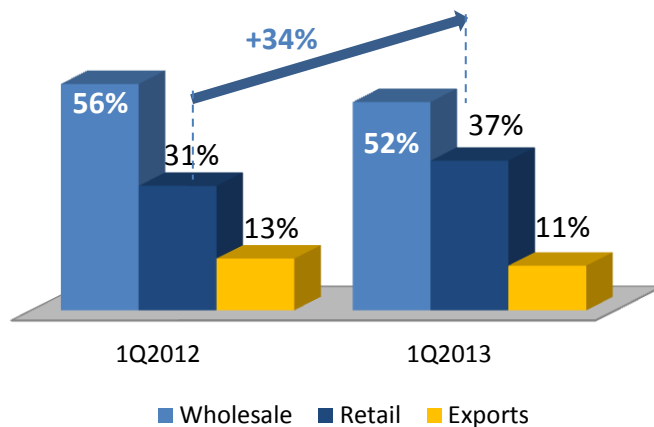


1.3. DIVERSIFIED SALES STRUCTURE

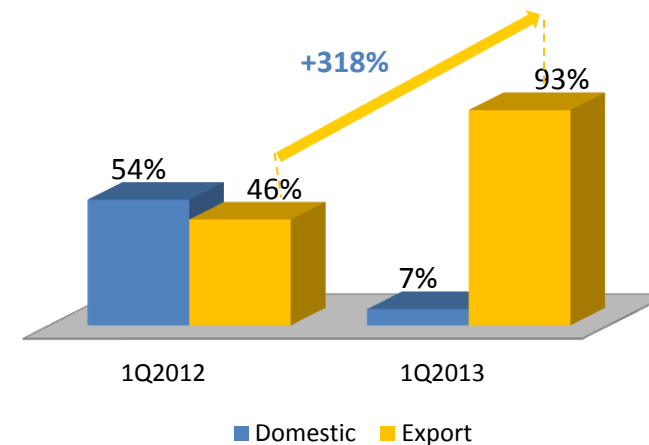
Sales Structure of Eggs and Egg products, % of Revenue



Eggs Sales Channels, % of Revenue



Egg Products Sales Channels, % of Revenue

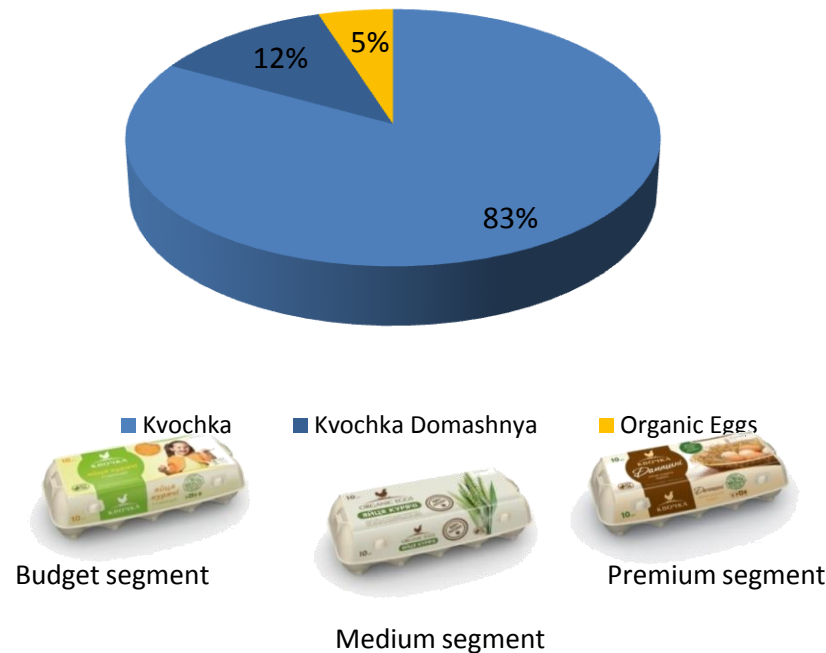


- Increase of export sales in total sales
- Growing focus on retail sales of shell eggs
- Decrease in shell eggs export was due to military conflict in Syria. Now deliveries are restored
- Export strategy aimed to expand sales: Eggs – MENA, CIS; Egg Products – Middle East, Asia

1.4. DEVELOPMENT OF BRANDED PRODUCT LINE

- ✓ The Company sells non-branded and branded shell eggs in the main retail chains in Ukraine
- ✓ Packaged shell eggs under the “Kvochka” umbrella brand are represented in the most popular consumer price segments
- ✓ The price for "Kvochka", a budget price segment item, is 5% lower compared to the price of the peers. Only private labels are cheaper on the shelf
- ✓ “Kvochka” demonstrates positive dynamics in the leading Ukrainian supermarket chains. In 1Q 2013 we cover about 2400 outlets.
- ✓ In 1Q 2013 packaged shell eggs under the “Kvochka” umbrella brand appeared in region chains and outlets of Odessa, Donetsk and Kiev regions
- ✓ In 1Q2013 the Company sold 12.2 mln pieces packaged eggs under the umbrella brand “Kvochka”, which was 9% higher compared to the 1Q 2012

Sales of Packaged Shell Eggs, 1Q2013



Sales of “Kvochka” by Avangardco IPL’s Major Key Accounts, 1Q2013

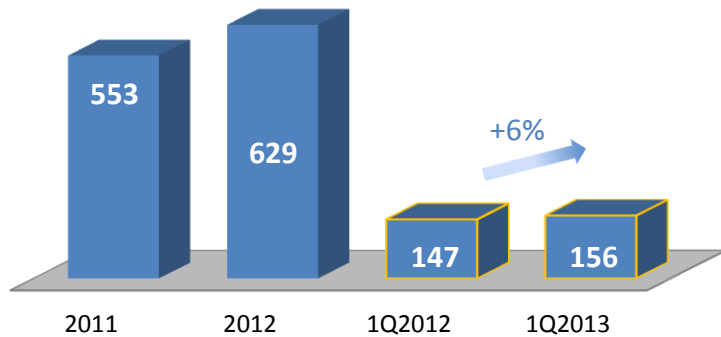
Supermarket	%
ATB	36%
Fozzy	36%
Pakko	8%
Eko	3%
Megamarket	3%
Auchan	3%
Karavan	2%
Perekrestok	1%
Ekspansiya	1%
Velyka Kyshenya	1%
Other	8%

- Growing focus on modern trade (supermarket chains) as primary distribution sales channel
- Exclusive contracts with key local and leading multinational food manufacturers
- Increase share of sales of branded products

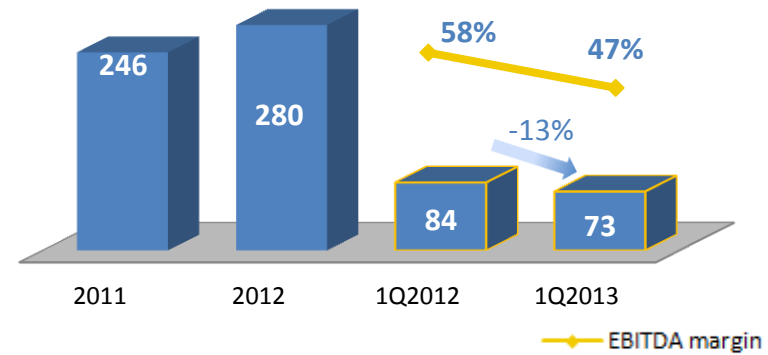
2. FINANCIAL RESULTS

2.1. KEY FINANCIAL HIGHLIGHTS

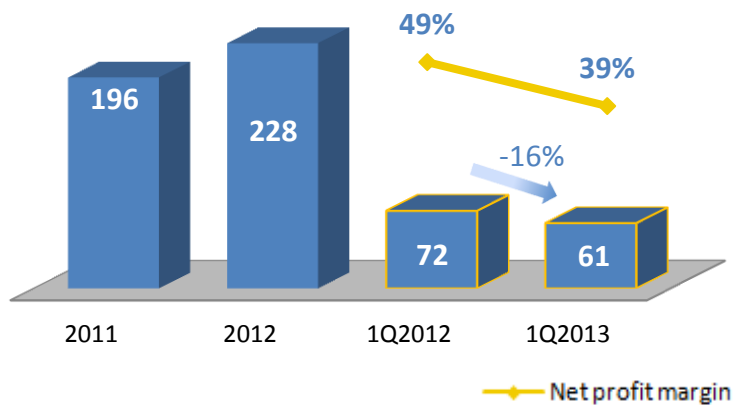
Revenue, \$mIn



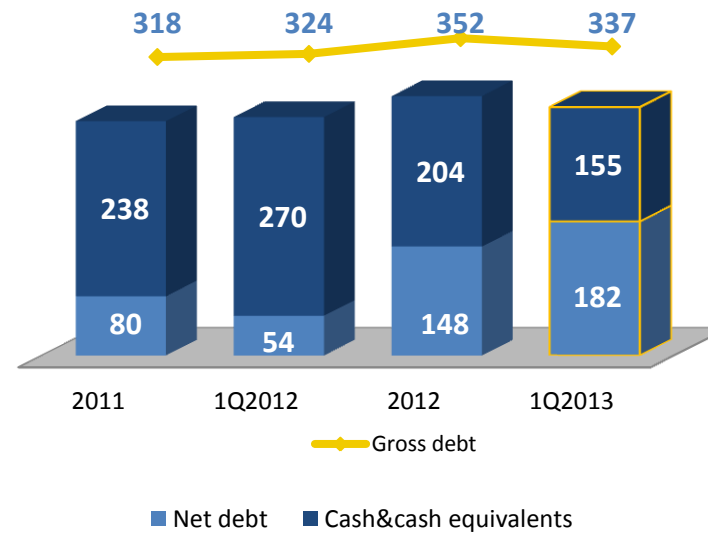
EBITDA, \$mIn



Net Profit, \$mIn



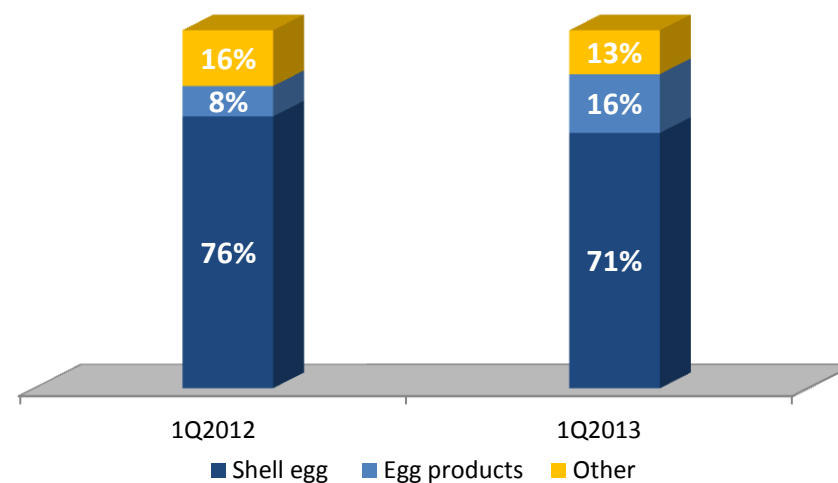
Gross Debt Structure, \$mIn



2.2. KEY SEGMENT RESULTS

SALES REVENUE, \$'000	1Q2012	1Q2013	change, %
Shell egg	111,298	111,122	-0,2%
Egg products	12,410	25,571	106,1%
Other	22,850	19,130	-16,3%

Sales Revenue Structure, %



- Decrease in Shell Eggs segment revenue was due to:
 - ✓ decrease in average selling price by 8% followed by the late Easter
 - ✓ small decrease in export

- Increase in Egg Products segment revenue was due to:
 - ✓ increase in average selling price by 1,4%
 - ✓ expanding export sales



Revenue share of key segments (eggs and egg products) increased in 1Q2013

2.3. COST STRUCTURE

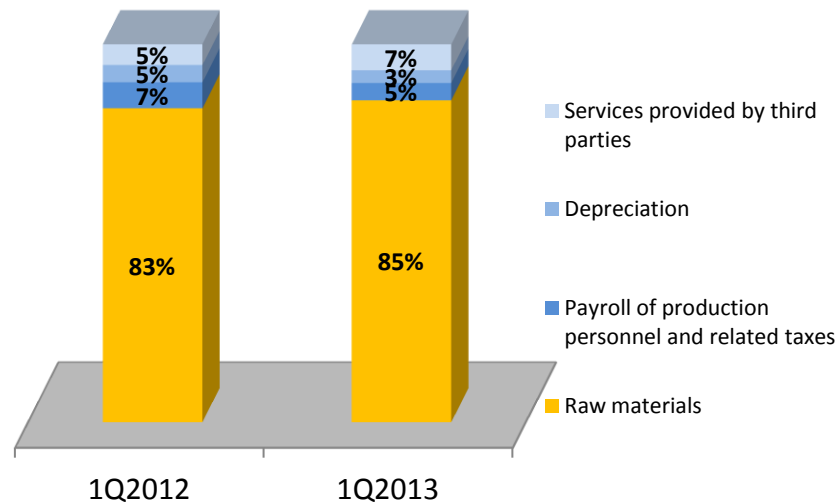
Cost of Sales

\$'000	1Q2012	1Q2013	change,%
Raw materials	66 404	87 118	31%
Salaries and wages	5 525	4 671	-15%
Depreciation	3 663	3 459	-6%
Services provided by third parties	4 362	7 002	61%
Other	34	52	53%
Total COGS	79 988	102 302	28%

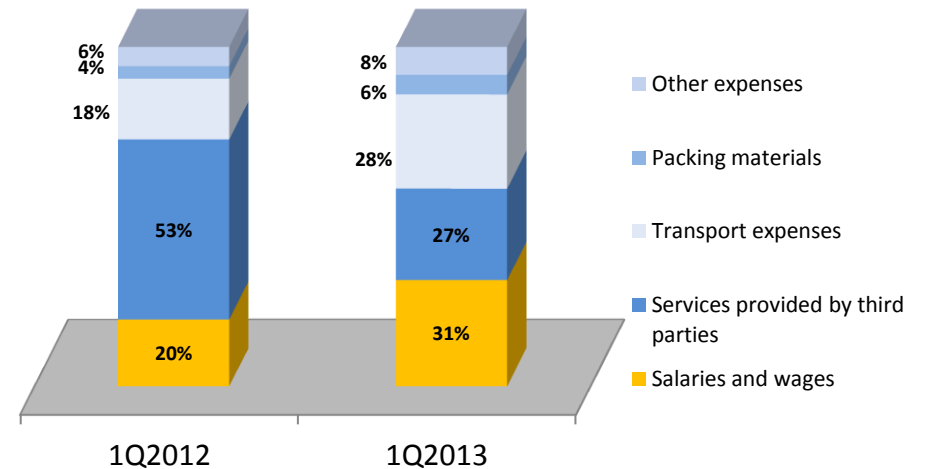
General, Administration and Distribution

\$'000	1Q2012	1Q2013	change,%
Salaries and wages	2 372	2 482	5%
Services provided by third parties	6 401	2 133	-67%
Transport expenses	2 159	2 199	2%
Packing materials	444	459	3%
Other expenses	689	653	-5%
Total GA&D	12 065	7 926	-34%

Cost of Sales Structure



General, Administration and Distribution Costs Structure

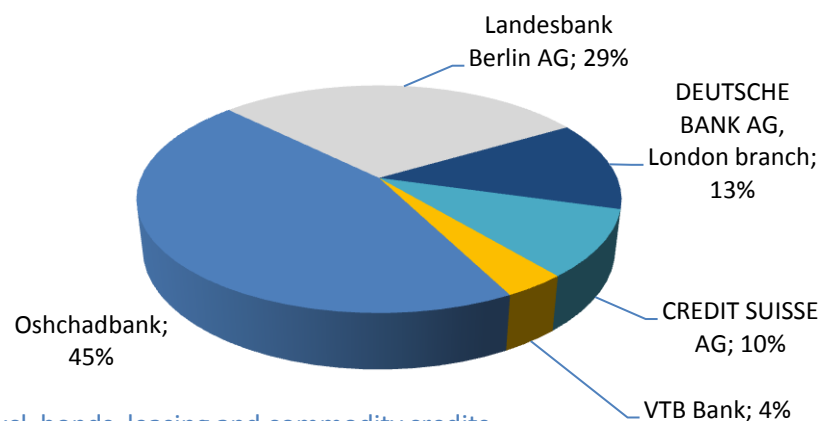


2.4. DEBT STRUCTURE

- Low financial leverage
 - ✓ Net debt position of **\$182 mln** as of 31.03.2013
 - ✓ Total debt/LTM EBITDA – 1.26x
 - ✓ Net debt/LTM EBITDA – 0.68x
 - ✓ Financial leverage coefficient made up **12.9%** as at 31.03.2013 vs. 11.2% as at 31.12.2012
- Financial leasing constitutes minor part of Avangard's liabilities (ca. 1.1%). The Company leases equipment and cars
- Avangardco IPL fully complies with the covenants

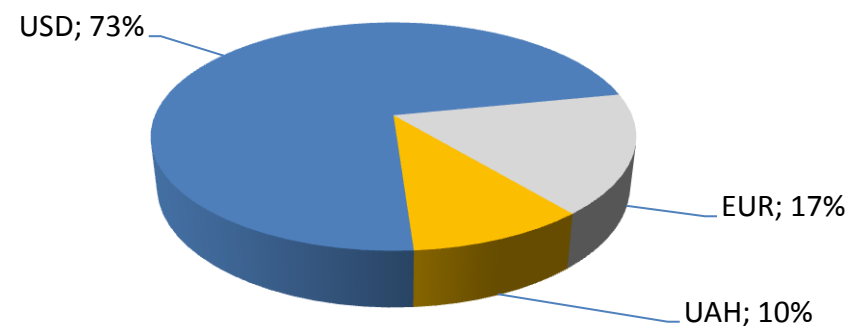
\$'000	2012	1Q2013	% change
Total Debt	352,232	337,205	-4%
Long-term	232,841	262,183	13%
Short-term	119,391	75,022	-37%
Net Debt	147,934	182,147	23%
			covenant
Net debt/LTM EBITDA	0,5	0,7	-
Total debt/LTM EBITDA	1,3	1,3	<=3.0

Loan Portfolio by Creditor in 1Q2013*



*excl. bonds, leasing and commodity credits

Debt Portfolio Structure by Currency in 1Q2013



THANK YOU FOR YOUR ATTENTION !

APPENDIX: FINANCIAL SNAPSHOT

BALANCE SHEET

\$'000	2012	1Q2013	change, %
NON-CURRENT ASSETS	969,153	1 029,016	<u>6%</u>
Property, plant and equipment	920,072	978,555	
Non-current biological assets	46,724	48,440	
Deferred tax assets	1,966	1,966	
Other non-current assets	391	0,055	
CURRENT ASSETS	609,175	591,694	<u>-3%</u>
Inventories	177,886	161,463	
Current biological assets	56,889	59,398	
Trade accounts receivable, net	55,551	63,162	
Prepaid income tax	18	0,025	
Prepayments and other current assets, net	11,966	50,291	
Taxes recoverable and prepaid	102,567	102,297	
Cash and cash equivalents	204,298	155,058	
TOTAL ASSETS	1578,328	1 620,710	<u>3%</u>
		-	
TOTAL EQUITY	1167,195	1 228,638	<u>5%</u>
NON-CURRENT LIABILITIES	206,150	252,852	<u>23%</u>
CURRENT LIABILITIES	204,983	139,220	<u>-32%</u>
Loans and bonds	151,505	89,699	
Trade Accounts Payable	24,435	18,071	
Other Payables	29,043	31,450	
TOTAL LIABILITIES	411,133	392,072	<u>-5%</u>
NET DEBT	1 578,328	1 620,710	<u>3%</u>

INCOME STATEMENT

\$'000	1Q2012	1Q2013	change, %
REVENUE	146,558	155,823	<u>6%</u>
Income from revaluation of biological assets at fair value	7,131	8,841	
Cost of sales	-80,131	-102,466	
GROSS PROFIT	73,558	62,198	<u>-15%</u>
General administrative expenses	-8,343	-3,961	
Distribution expenses	-3,722	-3,965	
Income from government grants and incentives	0,075	0,076	
Income from special VAT treatment	17,089	13,097	
Other operating income/expenses, net	1,799	1,993	
OPERATING PROFIT/(LOSS)	80,456	69,438	<u>-14%</u>
Financial income	0,253	0,042	
Financial expenses	-8,462	-8,756	
PROFIT BEFORE TAX	72,247	60,724	<u>-16%</u>
Income tax expenses	-0,001	-0,025	
PROFIT/(LOSS) FOR THE PERIOD	72,246	60,699	<u>-16%</u>
EBITDA	84,286	73,103	<u>-13%</u>
<i>EBITDA margin</i>	58%	47%	<u>-18%</u>

CASH FLOW STATEMENT

\$'000	1Q2012	1Q2013
PROFIT BEFOR INCOME TAX	72,246	60,724
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	75,299	63,922
(Increase)/decrease in net working capital	-6,220	-24,614
Interest paid	-1,829	-3,251
Income tax paid	0,001	-0,032
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	67,251	36,025
Purchases of PP&E	-42,273	-60,301
Interest received	0,253	0,042
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	-42,020	-60,259
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	-0,182	-25,006
NET INCREASE/(DECREASE) IN CASH	25,049	-49,240
Cash at the beginning of the year	237,814	203,504
Cash at the end of the year	262,863	154,264