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## Letter from CEO

Dear Investor,

I am pleased to present you the forth release of our Investor Bulletin with the updated information about Avangard's activity, that we issue every six months in line with the strategy to follow the best practice in IR.

The Company continues to report a strong first half performance in 1H2012, with all key financial and operational metrics significantly ahead of the same period last year, which shows the effectiveness of our chosen development strategy to diversify and develop our customer base and enlarge export sales.

The high quality of our products and advantage in logistics allow us to continue successful expansion into international markets and maintain market leadership in Ukraine. Despite the presence of substantial price growth of eggs and egg products, demand for our products continued to increase and the Company significantly increase its exports to the Middle East, North Africa and Asia, as well as to increase sales of its products in the domestic market.

I would like to note that despite the fluctuations in world grain prices, the achieved result proves the effectiveness of the strategy of hedging the cost of grain in the forward contracts.

The Company continues to implement its investment projects "Avis" and "Chornobaivske". The projects comply with the highest international standards and with the EU regulations on poultry keeping. Positive negotiations between Ukraine and the EU on the export of poultry products to Europe should yield new commercial opportunities that will help us achieve our primary objective – to become world's number one producer of eggs and egg products.

As always, our doors always open to any questions you may have. We look forward to our continuing partnership.

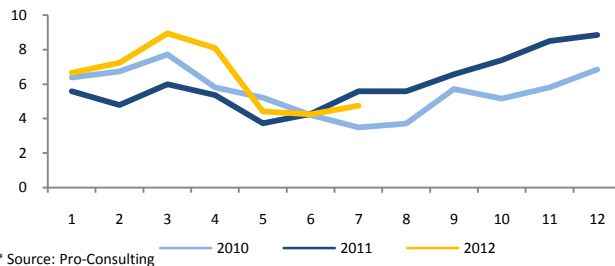
Sincerely yours,  
Natalia Vasylyuk  
Chief Executive Officer



**Nataliya Vasylyuk**  
Chief Executive  
Officer

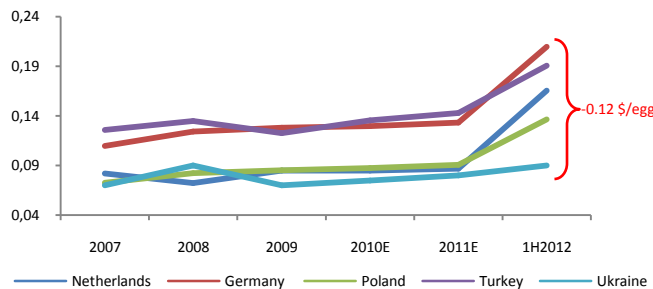
## Key Business Drivers – Price Performance

Eggs Price, Ukraine, UAH/dozen of eggs



\* Source: Pro-Consulting

## Producer Price of Eggs among the Largest Exporters, \$/egg\*\*



\* Source: FAOstat, Pro-Consulting \*\* 1 egg = 57.75 g

## Company News

- [\[18.09.2012\] – Investor Day](#)
- [\[17.09.2012\] - Results of its AGM](#)
- [\[30.08.2012\] - Financial results for the first half of 2012](#)
- [\[20.07.2012\] - Trading Update for the first half of 2012](#)
- [\[19.06.2012\] - AVANGARDCO IPL website recognized as # 2 among Ukrainian companies](#)
- [\[18.06.2012\] - ING Securities Initiated the Company's Equity Coverage Report](#)
- [\[03.05.2012\] – ART CAPITAL Initiated the Company's Equity Coverage Report](#)
- [\[16.04.2012\] – J.P. Morgan Initiated the Company's Equity Coverage Report](#)
- [\[11.04.2012\] - Non-deal Road-show in Europe and USA](#)

## GDR's & Bond's Performance

Detailed information about GDR's and Bond's performance could be viewed at the related sections of the Company's web site. [\[GDR'S\]](#) [\[BOND'S\]](#)

## Egg and Egg Products – Key Charts

- [World & Ukraine Egg Market Trends – Key Charts – at page 5](#)

## Avangard in Media

- [\[14.09.2012\] Avangardco reports H1 revenue increase of 26.6% - by World Poultry](#)
- [\[02.07.2012\] Ukraine's Avangard to lead local producers into EU egg market – by WATTANet](#)
- [\[21.06.2012\] Leadership of Agrarian Holding Avangard in Online Information Disclosure for Investors is Confirmed by an Independent Research – by Barron's](#)
- [\[30.05.2012\] "The European Food Warehouse" Ukraine will Provide More Agricultural Products to China – by Xinhua news](#)
- [\[09.05.2012\] Sino-Ukrainian quarantine pact talks likely to begin soon – by China Daily](#)
- [\[01.05.2012\] UKrlandFarming Seeks to Supply Corn as China Diversifies Sources – by Bloomberg](#)
- [\[24.04.2012\] Avangardco Eggcelerating! – by WexBoy](#)
- [\[20.04.2012\] Why Ukraine echoes Brazil, but is unlike China – by AariMoney](#)
- [\[20.04.2012\] Ukraine egg producer Avangardco lays cracking results – by TheNational](#)
- [\[10.04.2012\] UKRLANDFARMING PLC - parent company of Avangard enters into \\$ 4bln strategic MOU with China's leading entity SINOMACH – by Guanming Daily](#)
- [\[04.04.2012\] Recovery in liquidity in the global markets recovers interest in the Ukrainian agricultural sector – by RBC](#)

## Macroeconomics – Key Metrics

- In 2012 expected y-o-y growth in real GDP is 2.3%. In 2011 nominal GDP totaled \$165 bln,
- Economic reforms to ensure fiscal sustainability leads to inflation decrease – 3.3% in 2012 (4.6% in 2011 that is the lowest level since 2003).
- Refinancing rate decreased (from 8.5% in July 2010 to 7.75% in July 2011) due to positive GDP dynamics, local currency stabilization and inflation slowdown
- The currency exchange rate is expected to be stable without material valuations: 8UAH/USD
- Acc. to USDA the harvest in 2012/13 will reach 44,2 mln tons that in sum with current inventory totals in 48,8 mln tons (8% more than the average level during the last 5 years).
- Grain prices expect to be negatively affected by the continuing price fluctuations of corn as a result of bad weather in the USA

[More details regarding Ukrainian macroeconomics please read at page 4.](#)

## Credit Ratings - Matrix

Rating (Fitch, S&P)	RATING AGENCY		Rating (Moody's)
	Fitch	S&P	
B+		FERREXPO	B1
B			B2
B-			B3

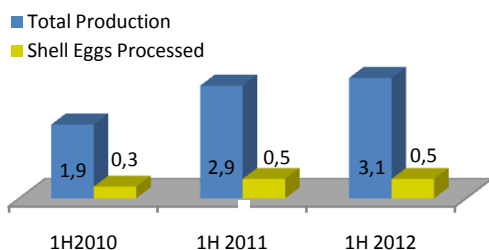
Note: Ukraine sovereign credit rating from the Moody's (outlook "Stable"), S&P (outlook "Stable") and Fitch (outlook "Positive") rating agencies.

Alina Korniets  
Acting Head of Investor Relations  
Mobile: +38 067 664 49 99  
e-mail: [a.korniets@avangardco.ua](mailto:a.korniets@avangardco.ua)

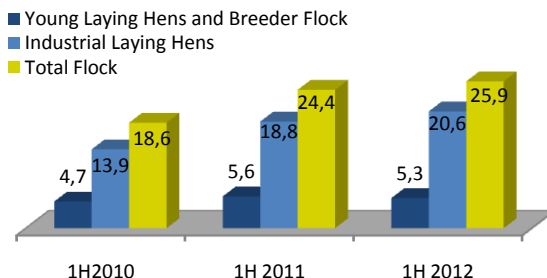
Lidia Slivotska  
Head of Public Relations  
Mob.: +38 067 447 97 42  
E-mail: [lidia.slivotska@avangard.co.ua](mailto:lidia.slivotska@avangard.co.ua)

## Production Results – Key Charts

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

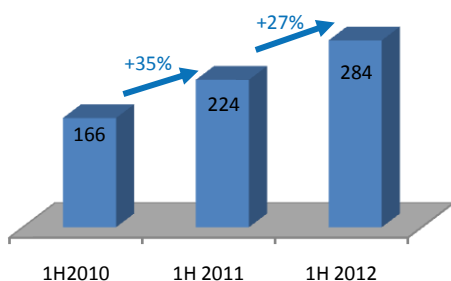


### Total Flock, mln. heads

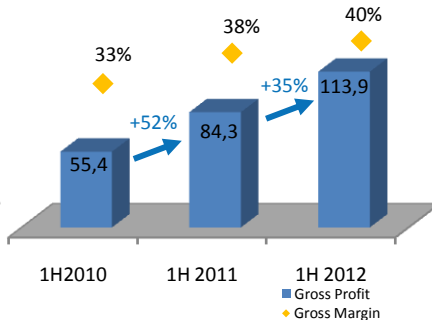


## Financial Results – 1H2012 – Key Charts

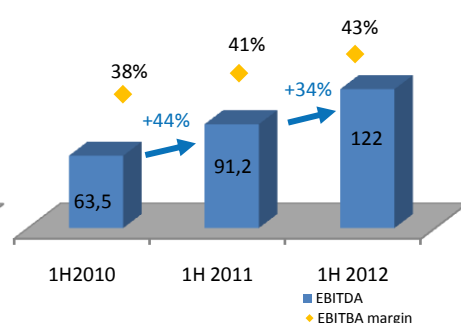
### Revenue, US\$ mln



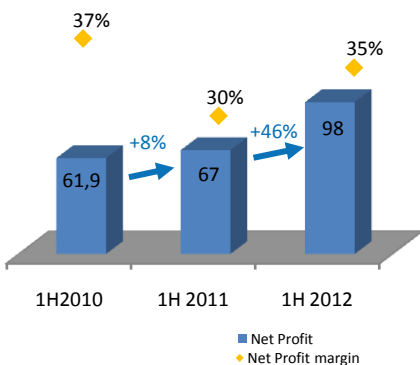
### Gross Profit, US\$ mln



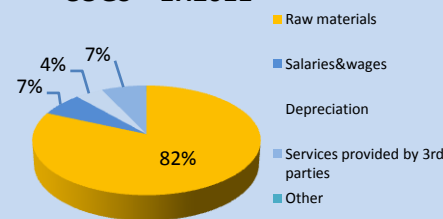
### EBITDA, US\$ mln



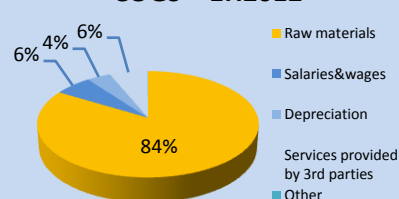
### Net Profit, US\$ mln



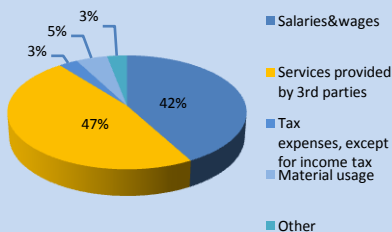
### COGS – 1H2011



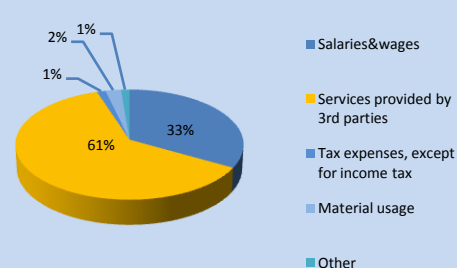
### COGS – 1H2012



### SG&A Expenses – 1H2011



### SG&A Expenses – 1H2012



## Why to Invest in Avangard

- #1 eggs and dry egg products producer in Ukraine:
  - ✓ 53% share in the industrial production of shell eggs in 1H2012;
  - ✓ 93% share in the production of dry egg products in 1H2012
- #1 producer in Eurasia/ #2 producer globally
- Vertical integration ensures effective cost control
- New production sites are fully compliant with European standards:
  - ✓ Avis and Chornobaivske - state-of-the-art poultry facilities — will increase production facility to 28.9 mln laying hens and 8.2 bln eggs per year
  - ✓ Imperovo – the biggest in Europe eggs processing plant - will increase it's processing capacity from 3 to 10 mln eggs per day in 2013
- Effective export strategy helps to cover 38 export markets during 2009-2012
- Strong financial and operational performance overall
- Net Debt/EBITDA reached -0.02x in 1H2012, a very attractive level compared to traded Ukrainian peers

## Securities - General Information

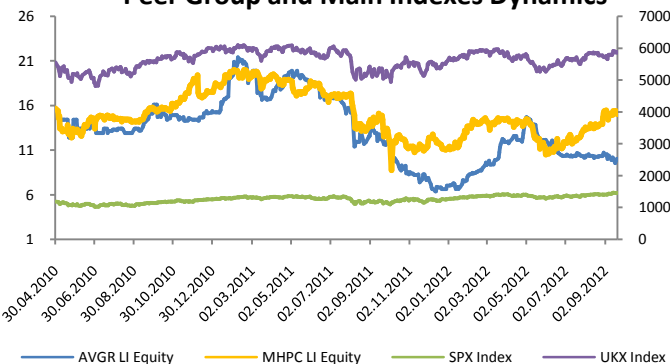
GDR's\ADR's	
Number of shares outstanding, as of 30/06/12	1,437,500
AVGR LI trading volume per day, in H1 2012	32,160
Market Cap as of 30/06/12, \$mln	636
Free float , %	22.5

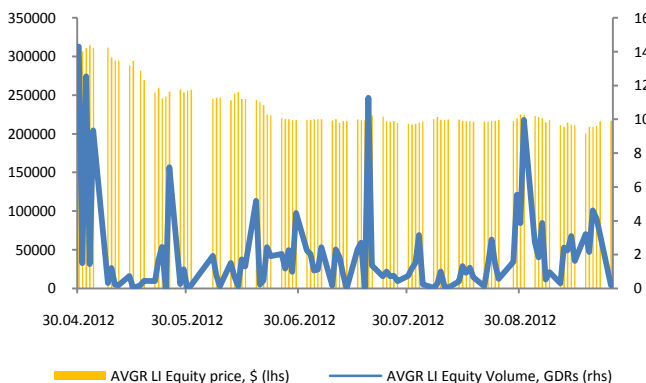
GDR\ADR's	Bonds
Ticker	AVGR
Stock Exchange	LSE
Deal Size	1,437,500 new ordinary shares in the form of GDRs
Use of Proceeds	Finalization of new capacity expansion programs
Proceeds	USD 208 m
Offer Price	\$15.0 per GDR
Format	Reg S
Amount, \$ mln	200
Maturity	29 October 2015
Coupon	10%, payable semi-annually in arrears on 29 Apr and Oct commencing on 29 Apr 2011
Listing	LSE
Issue Rating	B (Fitch Ratings)

## GDR's Performance -

### Peer Group and Main Indexes Dynamics

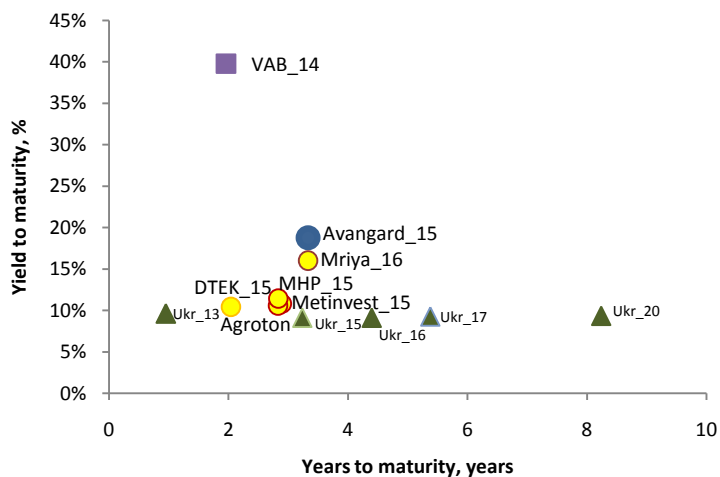


### AVGR Equity price and Volume Tendency



## Bond's Performance -

### Avangard vs Ukrainian Eurobonds as at 30.06.2012



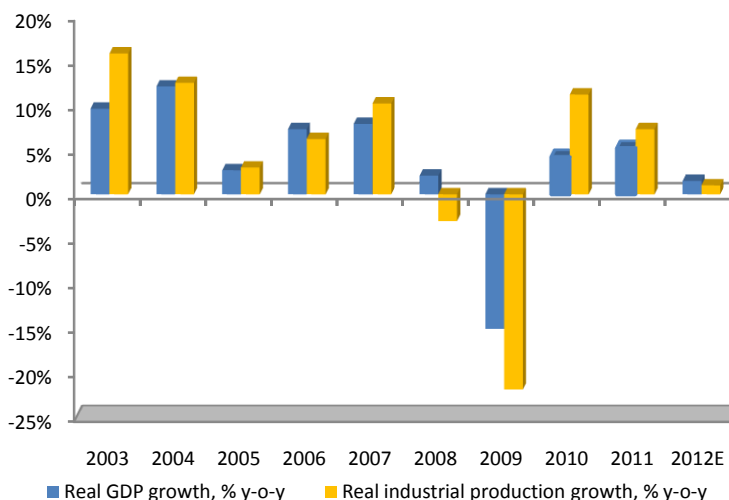
# INVESTOR BULLETIN

AVANGARDCO

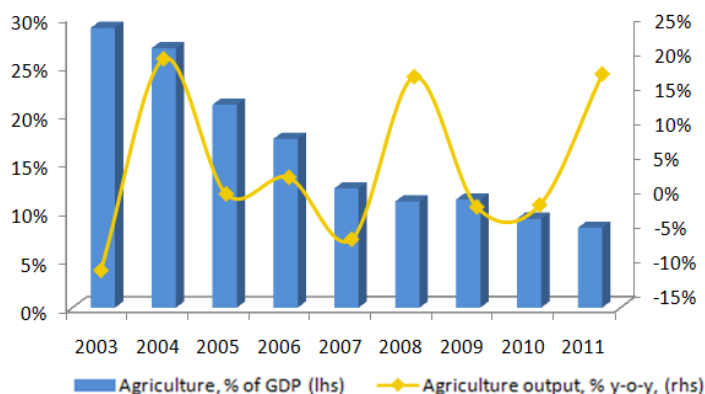
## Macroeconomics – Key Metrics

- In 2012 y-o-y growth in real GDP is expected to be at a level of 2.3% acc. to Ministry of Economic Development and Trade of Ukraine. In 2011 real GDP grew by 5.2% (in 2010 y-o-y growth was 4.1%). The nominal GDP in 2011 totaled \$165bln.
- Economic reforms to ensure fiscal sustainability leads to expected inflation decrease – 3.3% in 2012 (4.6% in 2011 that is the lowest level since 2003). The expected level of deficit is 2.5% in 2012 (deficit in 2011 reached 1.5% of nominal GDP).
- Refinancing rate is stable – 7.75% (decreased from 8.5% in 2010 to 7.75% in July 2011) due to positive GDP dynamics, local currency stabilization and inflation slowdown.
- The currency exchange rate is expected to be stable without material valuations: 8 UAH/USD
- Acc. to USDA the harvest in 2012/13 will reach 44,2 mln tons that in sum with the current inventory totals in 48,8 mln tons (8% more than the average level or the last 5 years). In 2011 the harvest reached 56,7 mln tons of crops that is 3.4 mln tons more than in previous record year 2008 and 44% more than in 2010. The strong rebound in the grain harvest should translate into growth in total agricultural output and thus contribute to overall economic growth in 2012.
- Grain prices expect to be negatively affected by the continuing price fluctuations of corn resulting from the bad weather in the United States.

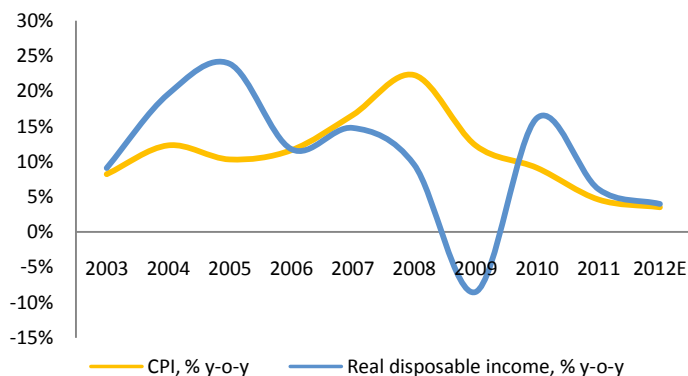
### Post-crisis GDP Recovery



### Agriculture Remains Strong and Growing

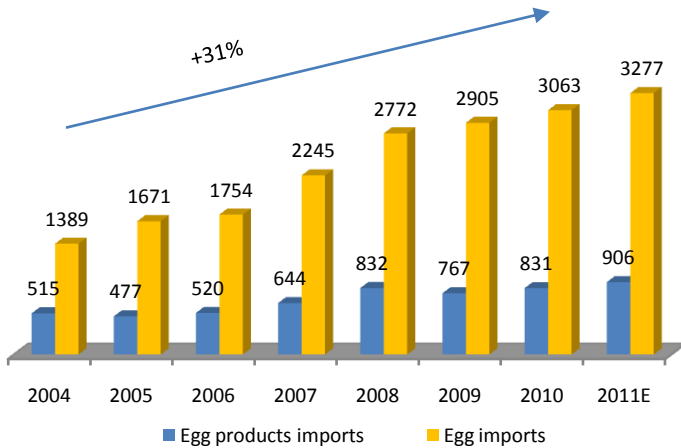


### Inflation Slowdown is Expected to Continue

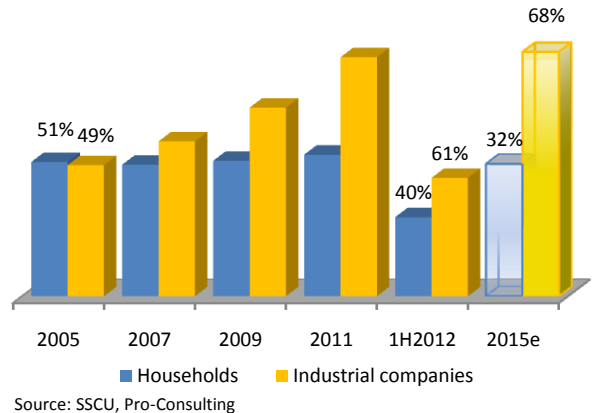


## World & Ukrainian Egg Market Trends – Key Charts

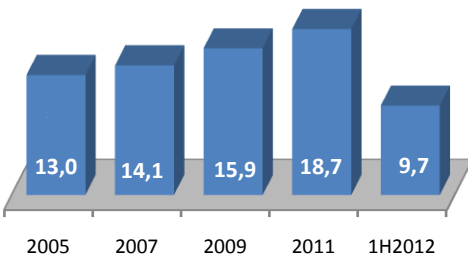
**World Import of Eggs and Egg Products, US\$ mln**



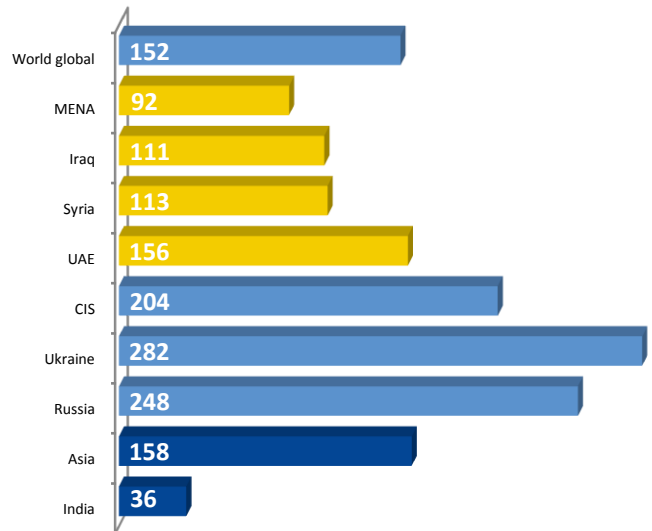
**Industrial Companies vs Households in Ukraine, bln pcs**



**Production of Shell Eggs in Ukraine, bln pcs**

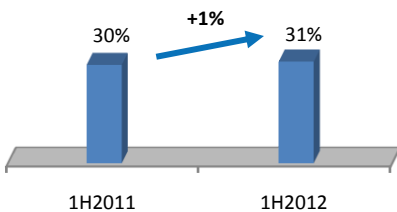


**Egg Consumption per Capita in 2011, in pcs per year**



**Company's Sales of Shell Eggs to Supermarkets**

(in volume terms)



- Growing world eggs and egg products market
- Growth in egg products trade is driven by demand from food, confectionary and bakery industries globally
- Emergence of middle class in MENA and Asia will further drive consumption of eggs/egg products in the region
- Ukraine: strong domestic demand and increasing export opportunities
- Market consolidation will drive further price increase

## Avis and Chornobaivske Projects - on Schedule. Increasing capacities of Imperovo. CAPEX update

### AVIS AND CHORNOBAIVSKE PROJECTS - ON SCHEDULE

\$ mln	Before IPO	2010	2011	2012	2013	Total
Avis	124	54	59	70	0	307
Chornobaivske	147	14	51	72	20	304
Imperovo Foods	-	-	-	158	2	160
<b>TOTAL CAPEX</b>	<b>271</b>	<b>68</b>	<b>110</b>	<b>300</b>	<b>22</b>	<b>771</b>

The construction of two poultry complexes for egg production "Avis" and "Chornobaivske" in Khmelnytsky and Kherson regions is going according to the schedule. At its objects the Company uses the equipment from OFFICINE FACCO & C.SpA, Big Dutchman International GmbH and SALMET International GmbH, the recognized leaders in the production of equipment for poultry farming.

Enriched cages used at the poultry farms meet the European Council Directive № 1999/74/EC on the protection of laying hens.

**Avis.** The development of the second stage of the site for the rearing young laying hens at the "Avis" poultry complex has been completed. Currently, the Company is in the process of construction and assembly.

The construction of the second stage of the site for the laying hens is progressing according to the schedule. The capacity of the facilities for the laying hens is expected to increase to 5 million heads when they are fully commissioned in the first quarter of 2013.

The actual utilization of the sites corresponds to the operational plans of the Company. The construction of elevator with the capacity of about 60 thousand tons is complete.

**Chornobaivske.** At the end of the first half of 2012, the first stage of the site for the rearing young laying hens was operating at full capacity. The Company starts the construction works for the second stage of the rearing facility.

At the end of the reporting period the first stage of the facilities for the laying hens was operating at 20% of its capacity. Birds placement is continuing according to the schedule. The actual utilization of the sites corresponds to the operational plans of the Company.

**Imperovo.** The Company plans gradually increase in Imperovo's processing capacity from 3mln to 10 mln shell eggs per day.

It will not require stoppage of the production process:

- ✓ 1<sup>st</sup> stage: gradual increase of processing capacity from 3 to 6 mln eggs per day
  - ✓ 2<sup>nd</sup> stage: gradual increase of processing capacity from 6 to 10 mln eggs per day
- The first stage of the capacity expansion at LLC Imperovo Foods egg processing plant was completed. Currently the Company is working on doubling the capacity for processing eggs from 3 to 6 million units per day.

Avis egg production complex in Khmelnytsky region



Foto by Avangard

Chornobaivske egg production complex in Kherson region



Foto by Avangard

Imperovo Foods Egg Processing Plant



Foto by Avangard