

## Letter from CEO



Dear Investor,

It is a pleasure to present you the second release of our Investor Bulletin. Our company continue to comply with the best practice standards in the investor relations field and I am very glad that we are on the way to get closer this goal by issuing this Bulletin.

**Nataliya Vasylyuk**  
Chief Executive Officer

I am very pleased to be able to report to say that Avangard achieved strong financial results for the period ended 30 June, 2011, another very successful half, with revenue and profit growth, increased production volumes and an increased poultry flock.

The period was also marked by more penetration into modern retail chains and diversifying further the markets to which we export, in line with our strategy of developing our customer base. We expect the average price for shell eggs in Ukraine will continue to increase in the second half of the year, as will consumption levels as chicken eggs continue to be the cheapest source of animal protein. Looking further out, our capacity expansion projects are making good progress.

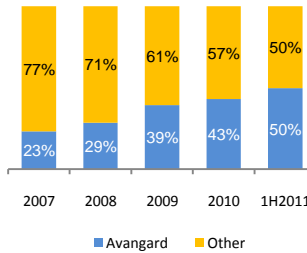
We remain confident that we will continue to drive organic growth in the second half and we expect to deliver strong financial results for the full year

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

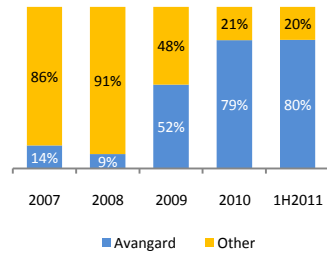
Sincerely yours,  
Natalia Vasylyuk  
Chief Executive Officer

## Key Business Drivers - Performance

Industrial Production of Eggs in Ukraine\*

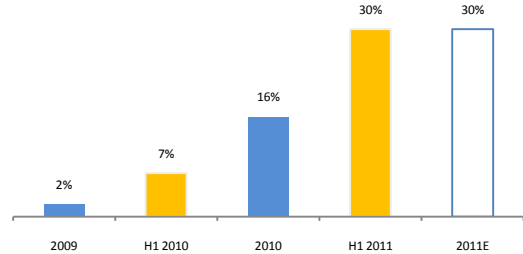


Production of Dry Egg Products in Ukraine\*



Avangard's Sales of Shell Eggs to Supermarkets

(in volume terms)



## Company News

- [14/09/11] - AVANGARDCO IPL Transfer of Ownership of Controlling Shareholder's Shares in Avangardco IPL to Uklandfarming PLC
- [30/08/11] - AGM Results
- [30/08/11] - H1 2011 Financial Results
- [24/08/11] - Fitch Affirms AVANGARDCO IPL Long-Term IDRs at "B"; Outlook Stable
- [29/07/11] - H1 2011 Trading Update
- [08/07/11] - Opening of the First Stage of Facilities for Laying Hens at its Avis Egg Production Complex
- [03/05/11] - AVANGARDCO INVESTMENTS PUBLIC LIMITED- the First Coupon Payment in the Amount of USD 10 Million on 5-year Eurobonds

## Macroeconomics – Key Metrics

- In 2010 GDP totaled \$138 bln, 2011 y-o-y growth respective estimates are 4.5% acc. to EBRD
- Economic reforms to ensure fiscal sustainability on the back of inflation decrease (9% in 2010) and budget deficit reduction to 2% of GDP by 2014
- 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
- Agricultural rebound set to quicken economic growth in 2H11, supporting economic activity amid moderating industrial recovery.

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

## 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

- [24/08/11] FITCH: Affirms AVANGARDCO IPL at 'B'; Outlook Stable - by Reuters
- [29/07/11] AVANGARDCO IPL Increases Production by 51% to 2,8 bln Eggs in the 1H2011 - by RBC
- [29/07/11] AVANGARDCO IPL Increases Egg Processing by 86.1% - by APK-Infom
- [08/07/11] AVANGARDCO IPL Opens Egg Production Complex in Khmelnytsky Region which is the Biggest in Europe - by Karta-smi
- [14/02/11] AVANGARDCO IPL Seeks to Expand into Russian Market - by ItarTass
- [07/02/11] AVANGARDCO IPL is Planning to Invest \$500 mln to increase Egg Production - by Ukr.ua

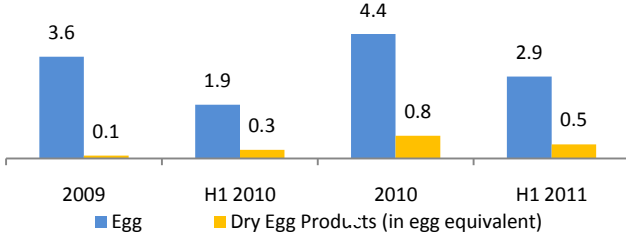
## Credit Ratings - Matrix

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.

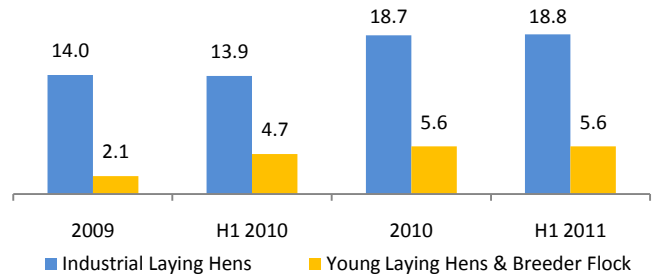
### Production Results – Key Charts

**Egg and Dry Egg Product Output (in egg equivalent), mln. pcs**



Source: Company data

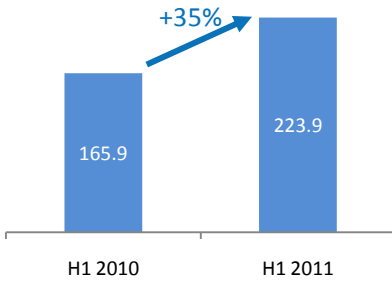
**Total Flock, mln. heads**



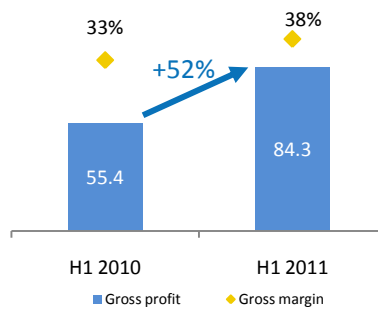
Source: Company data

### Financial Results – H1 2011 – Key Charts

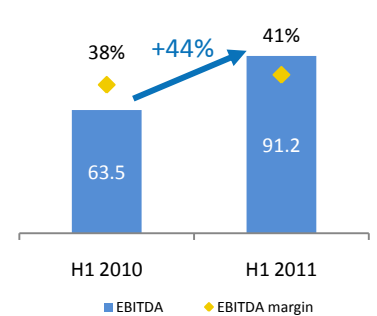
**Revenue, US\$ mln**



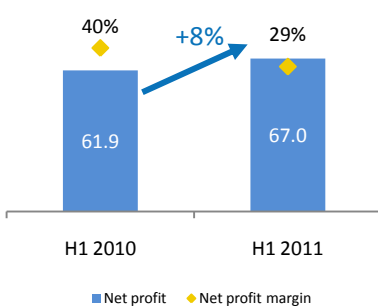
**Gross Profit, US\$ mln**



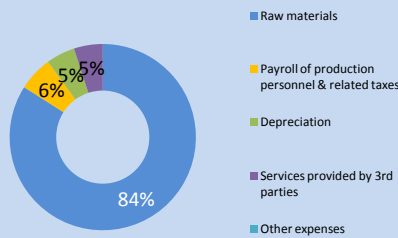
**EBITDA, US\$ mln**



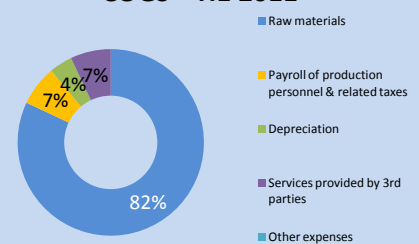
**Net Profit, US\$ mln**



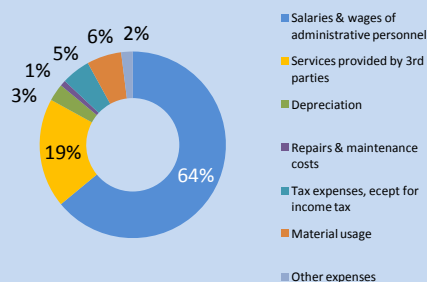
**COGS – H1 2010**



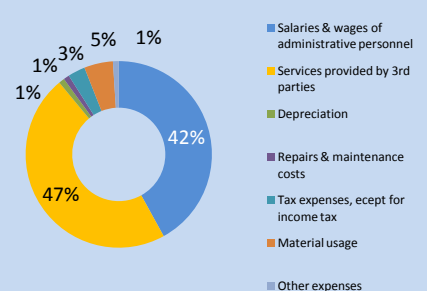
**COGS – H1 2011**



**SG&A Expenses – H1 2010**



**SG&A Expenses – H1 2011**

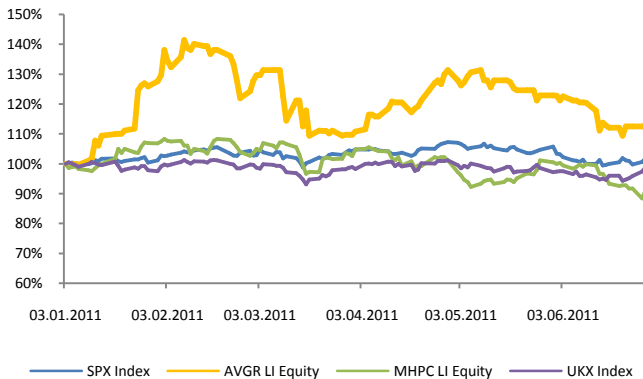


## Why to Invest in Avangard

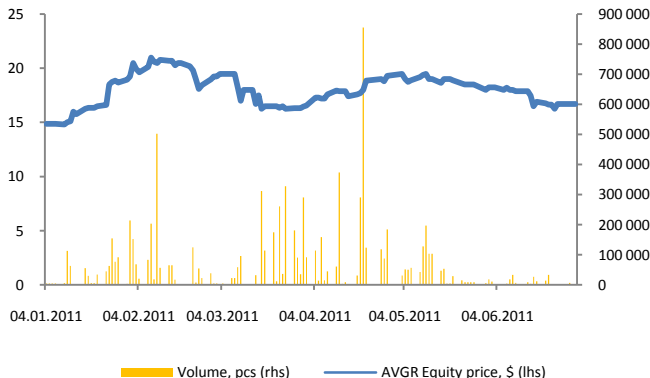
- No. 1 player in the large and growing market of shell eggs and dry egg products in Ukraine
- Rising exposure to foreign export markets provide upside potential
- Vertical integration ensures effective cost control
- State-of-the-art integration facilities, highly advanced technology and superior biosecurity standards
- Strong cash flow generation from existing operations and sustainable profitability
- Very low leverage (0.5 EBITDA in H1 2011 and local currency denominated debt)

## GDR's Performance -

### Peer Group and Main Indexes Dynamics



### AVGR Equity price and Volume Tendency



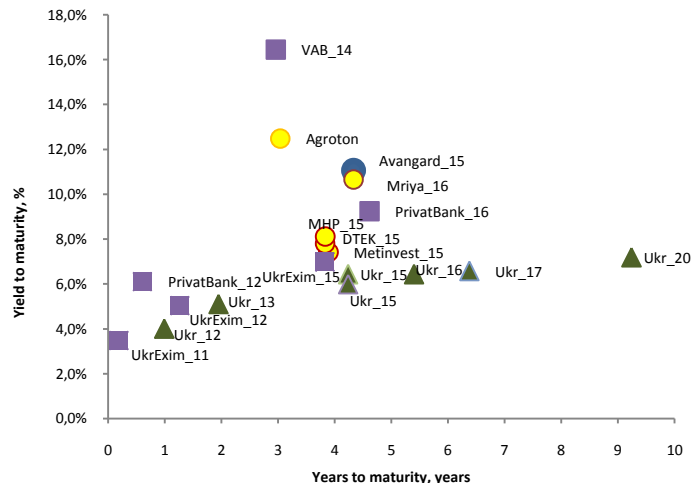
## Securities - General Information

GDR's\ADR's	
Receipts outstanding, as of 30/06/11, pcs.	1,437,500
Avg trading volume per day, in H1 2011 pcs.	67,334
Market Cap as of 30/06/11, \$mln	1,067
Free float, %	22.5

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

## Bond's Performance -

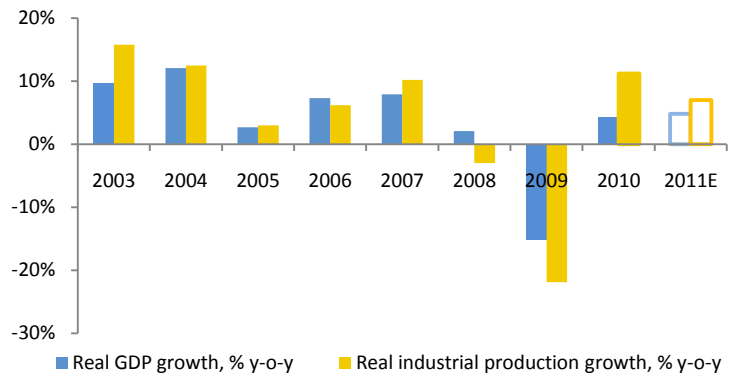
### Avangard vs Ukrainian Eurobonds



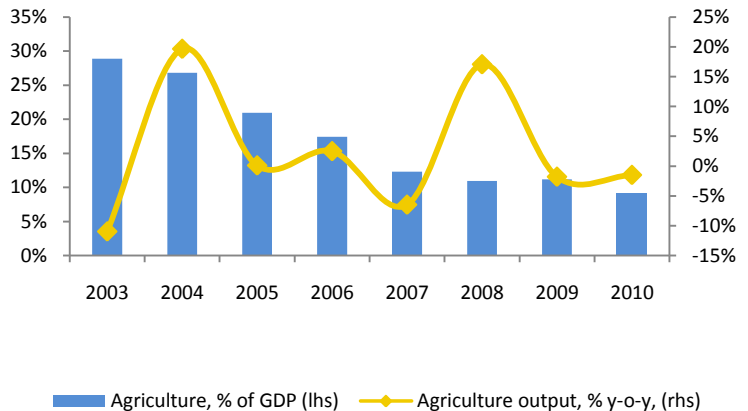
## Macroeconomics – Key Metrics

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- Economic reforms to ensure fiscal sustainability on the back of inflation decrease (9% in 2010) and budget deficit reduction to 2% of GDP by 2014
- 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
- Agricultural rebound set to quicken economic growth in 2H11, supporting economic activity amid moderating industrial recovery.
- The National Bank estimates that real GDP growth picked up to 7.5% yoy in July, amid a strong upsurge in agriculture caused by a strong harvest and the lowbase effect. The strong rebound in the grain harvest should translate into 8-9.0% growth in total agricultural output and thus contribute up to 0.7-0.8 pp to overall economic growth in 2011.

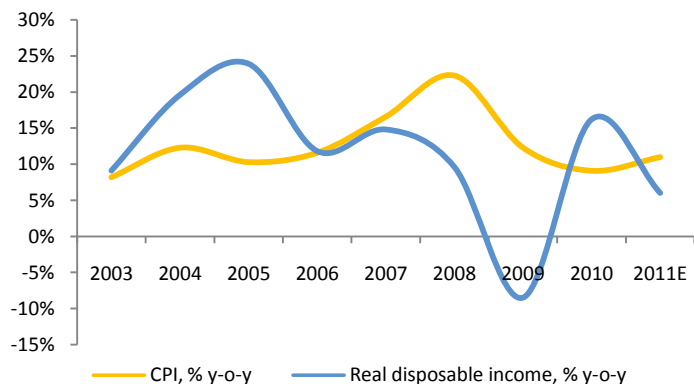
### Post-crisis GDP Recovery



### Agriculture Remains Strong And Growing

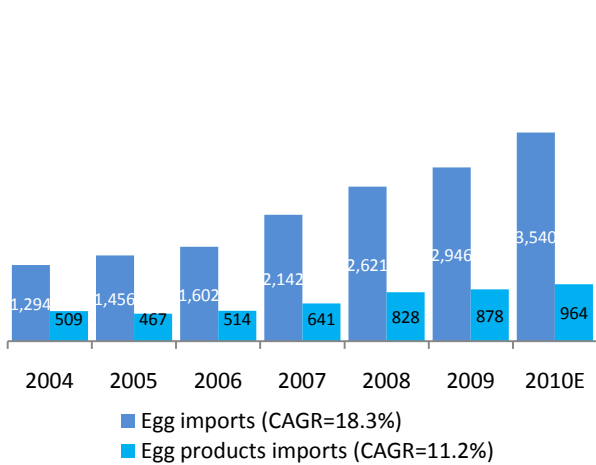


### Inflation Slowdown Is Expected To Continue



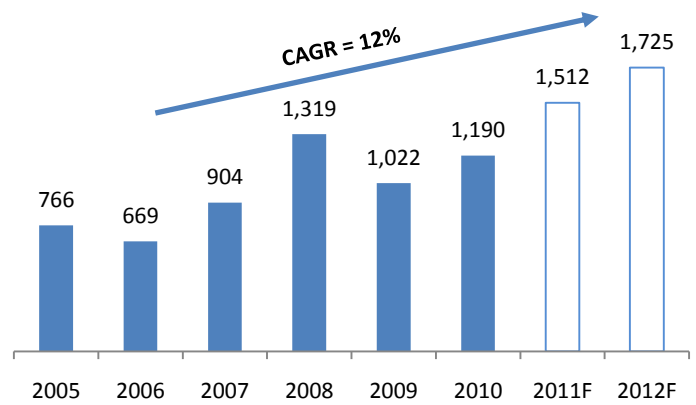
## World & Ukrainian Egg Market Trends – Key Charts

### World Imports of Eggs, US\$ mln



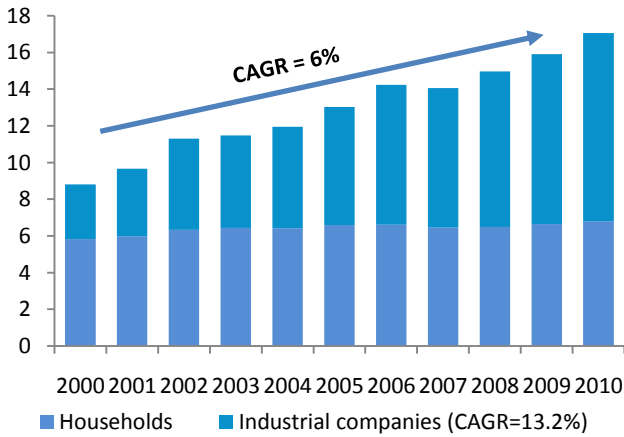
Source: FAO, Pro-Consulting

### Ukraine Sales of Eggs, US\$ mln



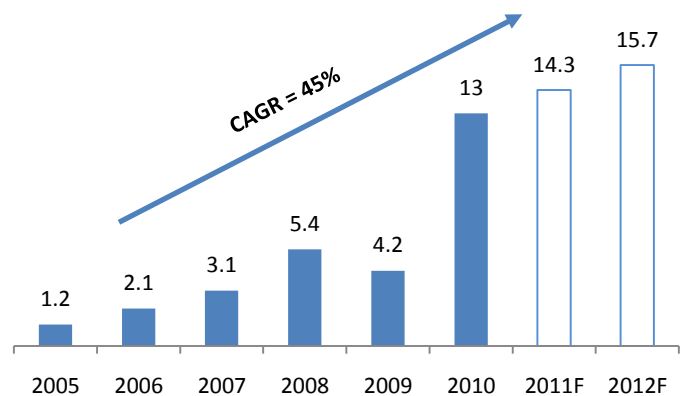
Source: SSCU, Pro-Consulting

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



Source: SSCU, Pro-Consulting

### Production of Dry Egg Products, ths tons



Source: Bloomberg, Pro-Consulting

- Growing world market
- World egg market has grown by 12% CAGR since 2004
- Share of egg imports has been increasing and reached 4% of world egg market in 2010
- Growth in egg products trade is driven by demand from food, confectionary and bakery industries globally
- Ukraine: strong domestic demand and increasing export opportunities
- Domestic egg sales are expected to grow by 20% CAGR from 2010 to 2012
- A ban on the import of Ukrainian livestock farming products into Russia has been removed opening a major market for Ukrainian producers

## Avis and Chornobaivske Projects - on Schedule. CAPEX update

### AVIS AND CHORNOBAIVSKE PROJECTS - ON SCHEDULE

- Investment underway to increase production capacity to 28.9m laying hens, a 53% growth compared to 2010:
  - ✓ Construction of 2 full cycle poultry farms: Avis in Khmelnitskiy and Chornobaivske in Kherson regions in Ukraine with a combined increased capacity of 10m laying hens and 3 bln shell eggs once fully operational
  - ✓ Equipment to be supplied by leading international manufacturers
  - ✓ The farms are designed with a high level of automation in order to achieve higher labor productivity
- Each complex to include a fodder mill, a grow-out section, laying hens zone, which includes an egg sorting section, a long-term storage facilities, a slaughtering section and a biogas section
- The Company will gradually bring new facilities into production in 2011-2013
- Avis Industrial Site - successful launch of the First Stage for Laying Hens on July 7, 2011

Avis egg production complex in Khmelniskiy region



Foto by Avangard

Chornobaivske egg production complex in Kherson region



Foto by Avangard

### INCREASING CAPACITIES – CAPEX TO BE INCREASED

- The Company plans a \$250 mln increase in CAPEX:
  - ✓ \$150 mln will be used to gradually increase Imperovo's processing capacity from 3 mln to 10 mln shell eggs per day
  - ✓ \$100 mln will be used to increase capacities of Avis and Chornobaivske complexes
- The Avis and Chornobaivske complexes will be funded through IPO proceeds and Avangard's cash flow from operations. The planned increase in CAPEX to be sourced from the Company's cash balances, with no need in additional external funding
- The capacity of facilities for growing young laying hens at Avis egg production complex are expected to be increased to 2.5 mln young laying hens from 1.5 mln, the capacity of facilities for laying hens capable of egg production - to 5 mln laying hens from 3 mln.
- The new Avis and Chornobaivske projects are expected to increase Avangard's poltry flock to 28.9 mln laying hens
- Increase in production capacity of Avis and Chornobaivske will increase total output of eggs to 8.2 bln pieces by 2013
- Modern technologies used on biogas unit will increase its productivity to 20.4 MW/hour of electricity and 22 MW/hour of heat , that will increase the capacity of electricity output by 163 200 MW per year and will result in an improved cash-flow of the Company

Capacity, mln laying hens

