



H1 2010 FINANCIAL RESULTS PRESENTATION

25 August 2010



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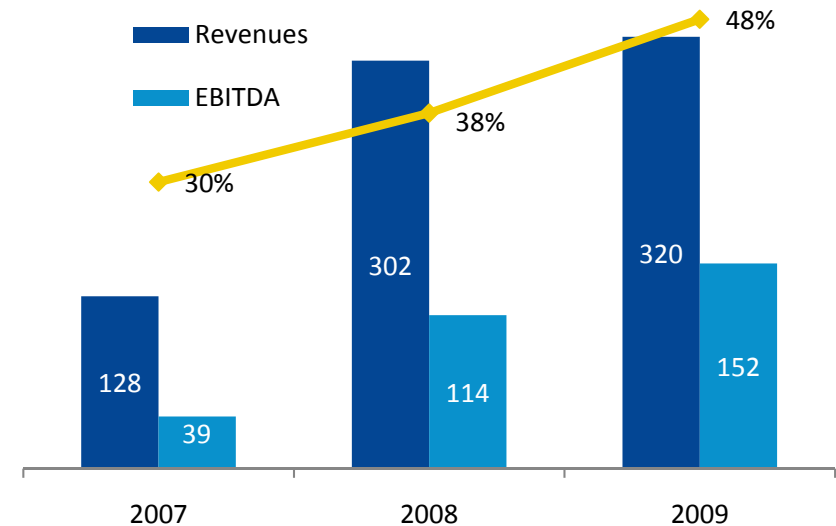
- 1. BUSINESS OVERVIEW *presented by Nataliya Vasylyuk, CEO*
- 2. MARKET & OPERATIONS REVIEW *presented by Nataliya Vasylyuk, CEO*
- 3. FINANCIAL PERFORMANCE *presented by Iryna Marchenko, CFO*
- 4. QUESTIONS AND ANSWERS

APPENDIX

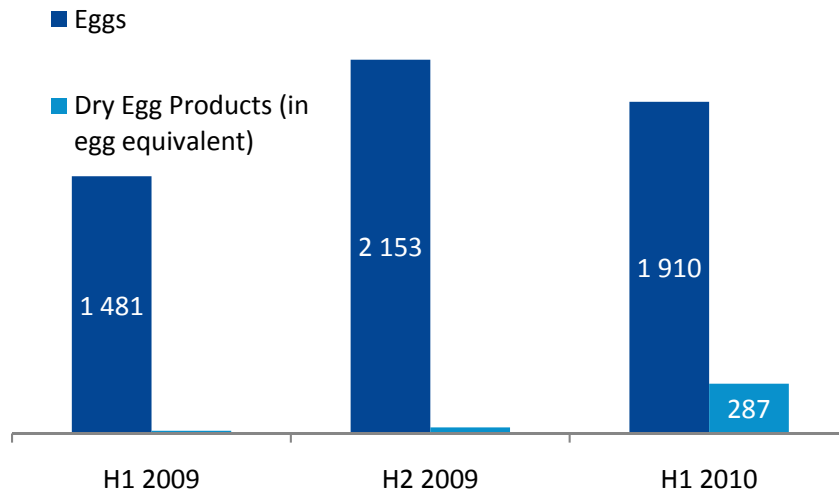
Business Overview

- **#1 egg and dry egg products producer in Ukraine in 2009**
 - ✓ **39%** share in the industrial production of shell eggs in 2009 compared to **23%** in 2007 and **29%** in 2008
 - ✓ **52%** share in production of dry egg products
 - ✓ **73%** share in exports of shell eggs and **86%** share in exports of dry egg products
- State-of-the-art integrated facilities, highly advanced technology and superior biosecurity standards
- Shares listed on Main Market of London Stock Exchange
- Vertically integrated business model of 19 poultry farms for laying hens, 3 breeder farms, 9 growout farms, 6 fodder mills, 3 storage facilities, and an egg processing plant

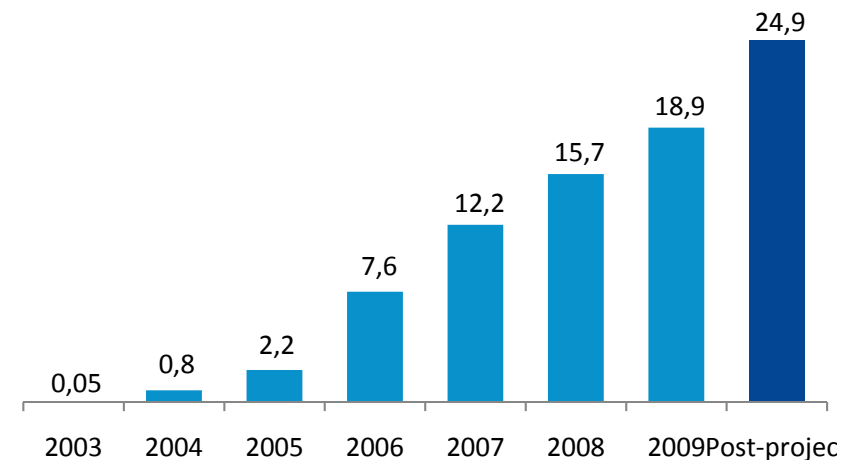
Key Financials, \$ mln



Eggs and Dry Egg Products Output, mln pcs



Capacity, mln laying hens



Market & Operations Review



World and Ukraine Egg Market Trends

1 Growing world market

- World egg market has grown by 13% CAGR since 2004
- Share of egg imports has been increasing and reached 3% of world egg market in 2009
- Growth in egg products trade is driven by demand from food, confectionary and bakery industries globally

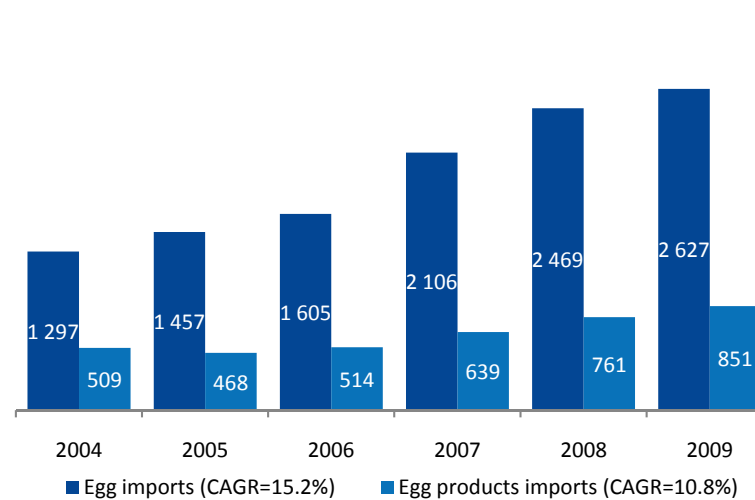
2 Ukraine: strong domestic demand and increasing export opportunities

- Domestic egg sales are expected to grow by 18% CAGR from 2009 to 2012
- A ban on the import of Ukrainian livestock farming products into Russia has been removed opening a major market for Ukrainian producers

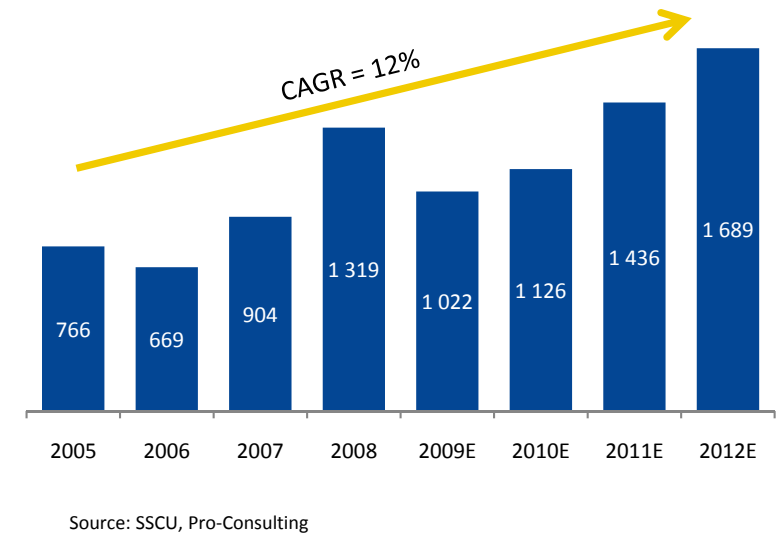
3 Recent hikes in grain prices are mitigated for egg producers

- Egg prices exhibit long term correlation to wheat prices
- Wheat price inflation is expected to be passed through to egg consumers

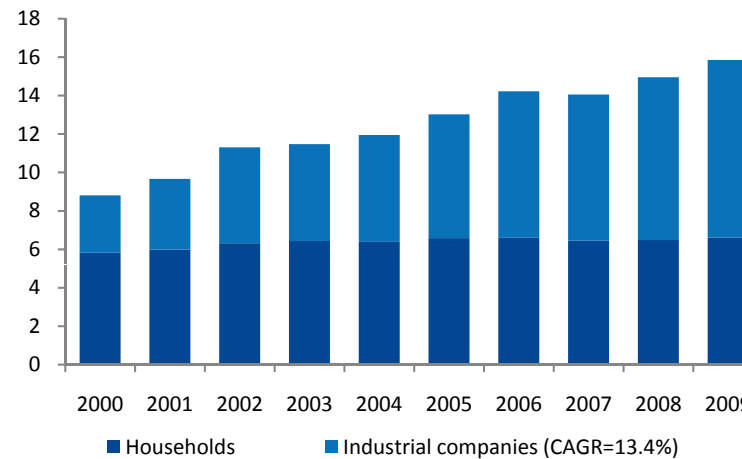
World Imports of Eggs, US\$ mln



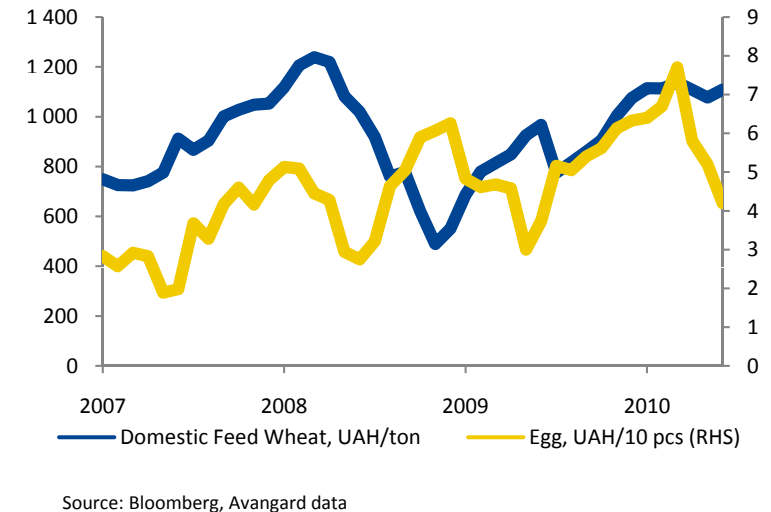
Ukraine Sales of Eggs, US\$ mln



Production of Shell Eggs in Ukraine, bln pcs



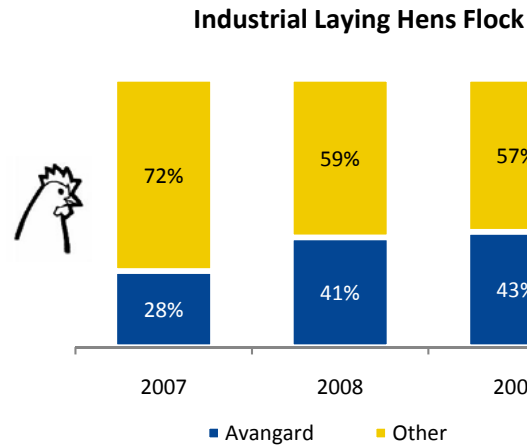
Ukraine Wheat and Egg Prices



The Leading Market Player in Ukraine

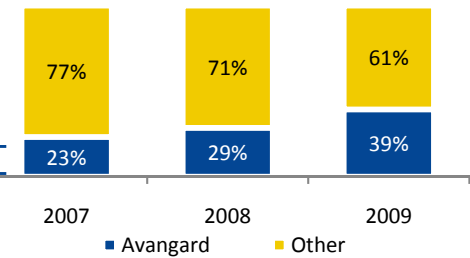
Avangard has the largest market share in Ukraine

- In H1 2010 Avangard held a 40% share in Ukrainian industrial production of eggs; and a 80% share in exports of eggs
- According to Pro-Consulting, the second largest egg producer in Ukraine had a 5% market share in 2009
- Top 4 players excluding Avangard hold approximately 12% of the shell egg market in 2009
- Avangard has the leading share in the export of eggs and dry egg products from Ukraine

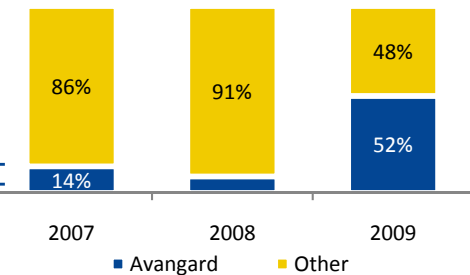


Source: SSCU, Pro-Consulting

Industrial Production of Eggs*

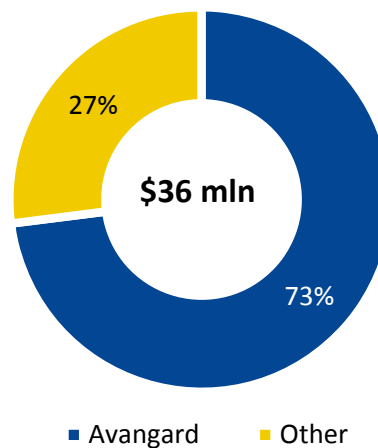


Production of Dry Egg Products*



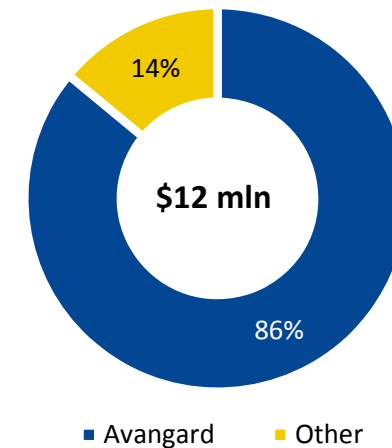
Source: Pro-Consulting
Note: * in terms of volume

Exports of Eggs from Ukraine in 2009



Source: Pro-Consulting

Exports of Dry Egg Products from Ukraine in 2009

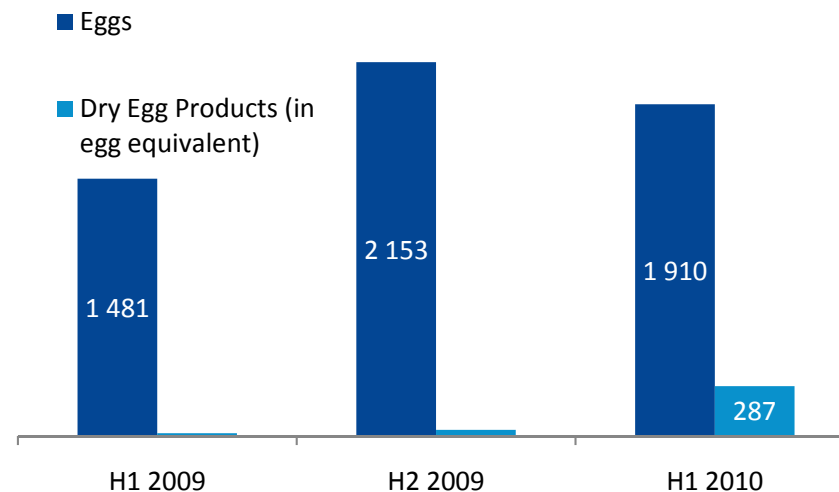


Source: Pro-Consulting

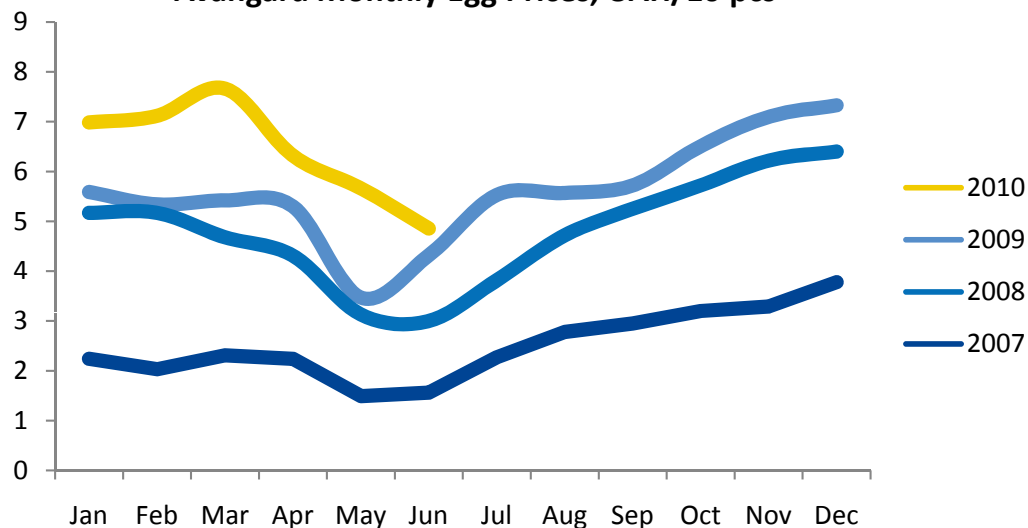
Key Operational Highlights

- Total egg output increased by 29% to 1,910 mln eggs (H1 2009: 1,481 mln).
- Poultry flock increased by 16% to 18.6 mln birds (H2 2009: 16.1 mln)
- Average egg price increased by 44% to UAH 0.52 (excluding VAT) per egg (H1 2009: UAH 0.36)
- Sales of shell eggs to supermarkets increased from 2% of the total sold in 2009 to 7% in H1 2010, and expected to grow further
- IPO on the Main Market of the London Stock Exchange in May 2010, raising US\$ 200 mln in net proceeds to finance the expansion and diversification of Avangard's egg business

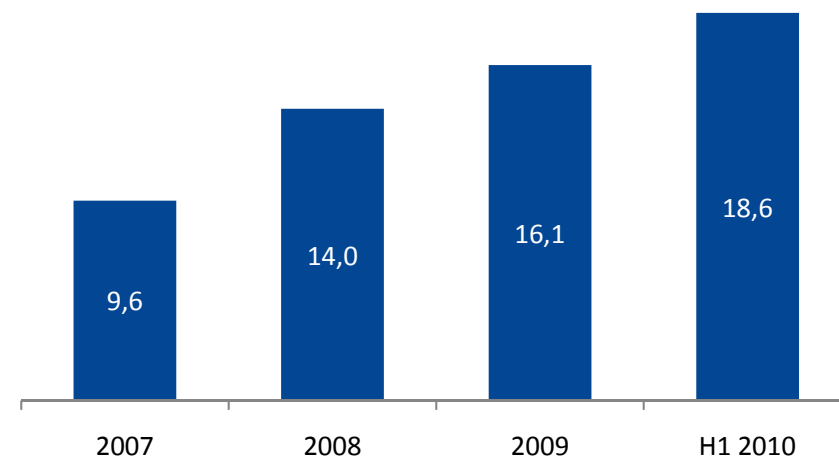
Eggs and Dry Egg Products (in egg equivalent) Output, mln pcs



Avangard Monthly Egg Prices, UAH/10 pcs



Total Amount of Poultry, mln heads

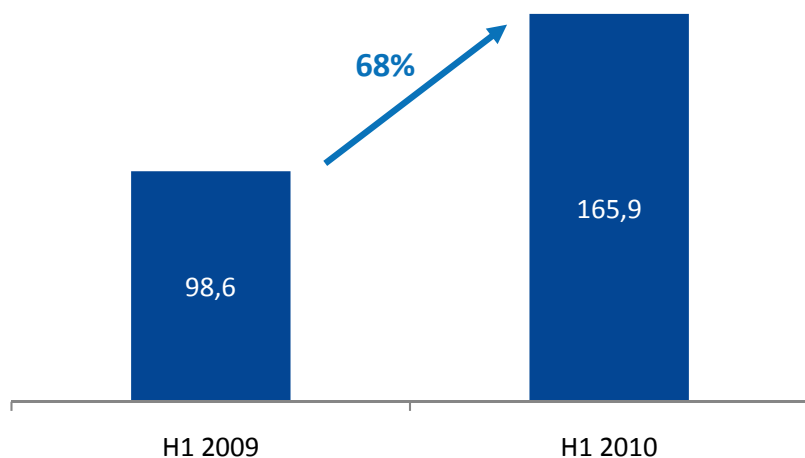


Financial Performance

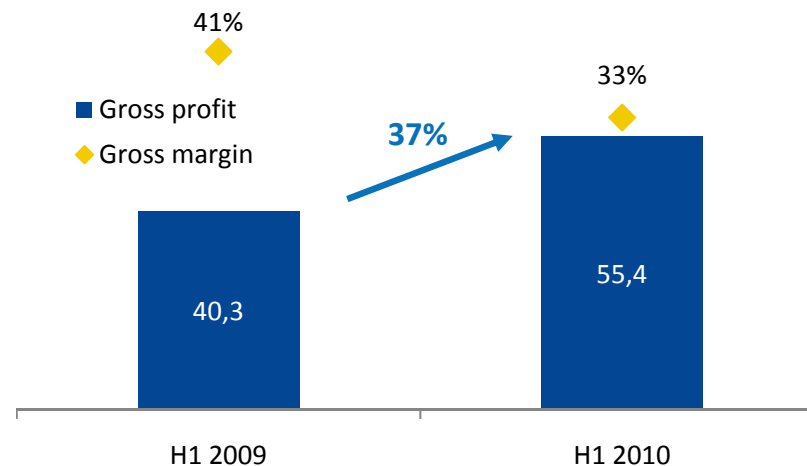


H1 2010 Financial Highlights

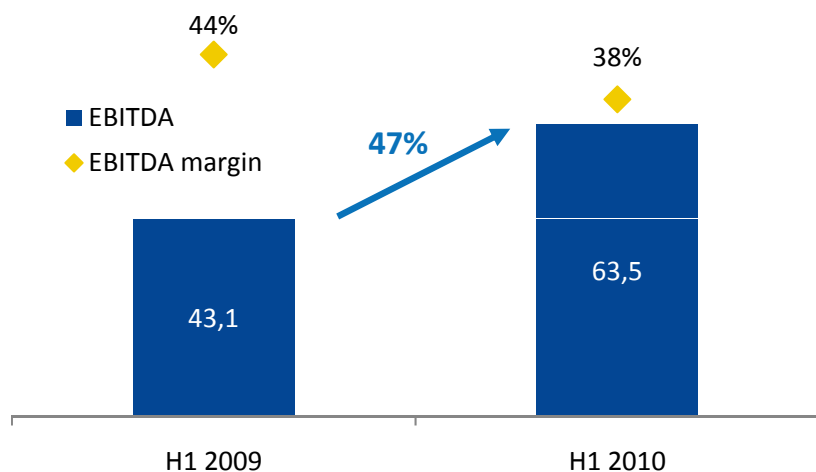
Revenue, US\$ mln



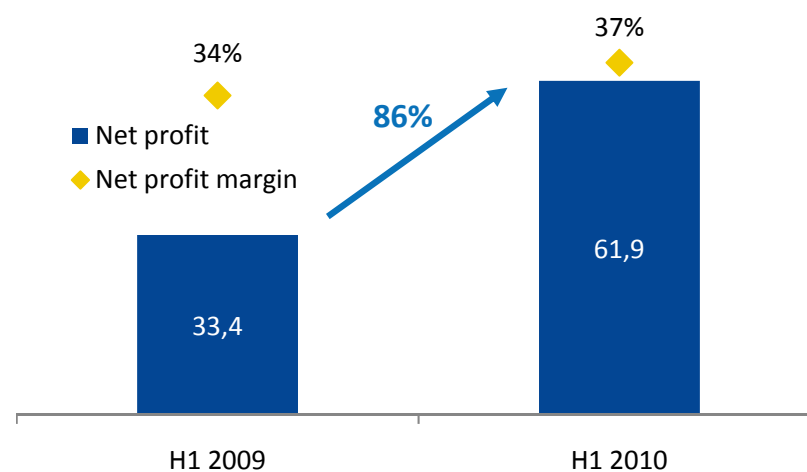
Gross Profit, US\$ mln



EBITDA, US\$ mln



Net Profit, US\$ mln



H1 2010 Financial Highlights – Income Statement

- Revenue increased by 68% compared to H1 2009, reaching US\$ 165.9 mln
- EBITDA amounted to US\$ 63.5 mln in H1 2010, a 47% increase on H1 2009
- Positive and growing bottom line with increasing margin
- Reduction in operating margin is mostly explained by the decrease of government subsidies from US\$ 6.8 mln in H1 2009 to US\$ 0.5 mln in H1 2010

| US\$'000 | 2007 | 2008 | 2009 | H1 2009 | H1 2010 | % change |
|--------------------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|----------|
| <u>REVENUE</u> | <u>127,788</u> | <u>302,292</u> | <u>319,855</u> | <u>98,567</u> | <u>165,901</u> | +68% |
| <u>GROSS PROFIT</u> | <u>19,566</u> | <u>82,007</u> | <u>107,143</u> | <u>40,315</u> | <u>55,361</u> | +37% |
| <i>% margin</i> | 15% | 27% | 33% | 41% | 33% | |
| <u>OPERATING PROFIT</u> | <u>33,160</u> | <u>101,958</u> | <u>139,807</u> | <u>36,857</u> | <u>57,203</u> | +55% |
| <i>% margin</i> | 26% | 34% | 44% | 37% | 34% | |
| <u>NET PROFIT</u> | <u>30,234</u> | <u>77,283</u> | <u>133,669</u> | <u>33,367</u> | <u>61,943</u> | +86% |
| <i>% margin</i> | 24% | 26% | 42% | 34% | 37% | |
| <u>EBITDA</u> | <u>38,752</u> | <u>113,738</u> | <u>152,092</u> | <u>43,075</u> | <u>63,498</u> | +47% |
| <i>% margin</i> | 30% | 38% | 48% | 44% | 38% | |

H1 2010 Financial Highlights – Balance Sheet

- As a result of the IPO in May 2010 the Company raised US\$ 200 mln in net proceeds, which were held in cash and deposits as of 30.06.2010

- Non-current biological assets value increased 97% due to increase in total headcount and share of chicken in total headcount

- Trade receivables and payables increased with increasing sales and purchases

- After 30.06.2010 the trade receivables balance has significantly reduced as US\$ 68.4 mln was paid

- Net debt excluding IPO proceeds decreased 34% resulting in a Net debt/EBITDA of 0.4 times based on LTM EBITDA

| US\$'000 | 2007 | 2008 | 2009 | H1 2010 | % change |
|---|-----------------------|-------------------------|-----------------------|-------------------------|-------------|
| <u>NON-CURRENT ASSETS</u> | <u>482,553</u> | <u>483,039</u> | <u>414,376</u> | <u>447,033</u> | +8% |
| Fixed Assets | 213,529 | 368,264 | 375,426 | 384,315 | +2% |
| Non-Current Biological Assets | 21,343 | 9,185 | 21,546 | 42,538 | +97% |
| <u>CURRENT ASSETS</u> | <u>200,509</u> | <u>536,927</u> | <u>430,000</u> | <u>675,656</u> | +57% |
| Inventories | 12,688 | 47,076 | 92,757 | 99,216 | +7% |
| Trade Accounts Receivable | 47,953 | 15,593 | 47,320 | 88,868 | +88% |
| <u>TOTAL ASSETS</u> | <u>683,064</u> | <u>1,019,967</u> | <u>844,376</u> | <u>1,122,689</u> | +33% |
| <u>TOTAL EQUITY</u> | <u>91,792</u> | <u>118,503</u> | <u>360,555</u> | <u>627,791</u> | +74% |
| <u>NON-CURRENT LIABILITIES</u> | <u>200,677</u> | <u>208,169</u> | <u>99,253</u> | <u>93,113</u> | -6% |
| <u>CURRENT LIABILITIES</u> | <u>390,594</u> | <u>693,294</u> | <u>384,568</u> | <u>401,785</u> | +4% |
| Trade Accounts Payable | 43,134 | 20,529 | 68,019 | 86,016 | +26% |
| Other Payables | 123,244 | 363,646 | 143,628 | 128,532 | -11% |
| <u>TOTAL LIABILITIES</u> | <u>591,271</u> | <u>901,463</u> | <u>483,821</u> | <u>494,898</u> | +2% |
| <u>NET DEBT</u> | <u>258,371</u> | <u>220,937</u> | <u>102,571</u> | <u>-132,536</u> | n/a |
| <u>NET DEBT (excl. IPO Proceeds)</u> | | | | <u>67,623</u> | -34% |

H1 2010 Financial Highlights – Cash Flow Statement

| US\$'000 | 2007 | 2008 | 2009 | H1 2009 | H1 2010 |
|--|------------------------|------------------------|------------------------|-----------------------|------------------------|
| Profit before income tax | 31,488 | 75,869 | 134,837 | 33,708 | 62,478 |
| Operating profit before working capital changes | 55,734 | 109,546 | 121,310 | 27,507 | 48,740 |
| (Increase)/decrease in net working capital | -53,770 | 43,773 | 96,179 | -61,425 | -20,977 |
| Interest paid | -25,909 | -54,653 | -51,781 | -18,113 | -9,831 |
| Income tax paid | -65 | -29 | -48 | -11 | 1 |
| <u>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</u> | <u>-24,010</u> | <u>98,637</u> | <u>165,660</u> | <u>-52,042</u> | <u>17,932</u> |
| Purchases of PP&E | -146,372 | -256,411 | -3,370 | -948 | -20,819 |
| (Increase)/Decrease in bank deposits | -93,924 | -137,632 | 126,200 | 40,304 | -101,418 |
| Net cash generated from/(used in) other investment activities | -8,733 | 56,125 | 1,797 | 532 | - |
| <u>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</u> | <u>-249,029</u> | <u>-337,918</u> | <u>124,627</u> | <u>39,888</u> | <u>-122,237</u> |
| <u>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</u> | <u>277,099</u> | <u>238,751</u> | <u>-295,469</u> | <u>8,434</u> | <u>208,472</u> |
| Effects of translation into presentation currency | - | 1,856 | 1,097 | -647 | -270 |
| <u>NET INCREASE/(DECREASE) IN CASH</u> | <u>4,060</u> | <u>1,326</u> | <u>-4,085</u> | <u>-4,367</u> | <u>103,897</u> |
| Cash at the beginning of the year | 400 | 4,460 | 5,786 | 5,786 | 1,701 |
| Cash at the end of the year | 4,460 | 5,786 | 1,701 | 1,419 | 105,598 |

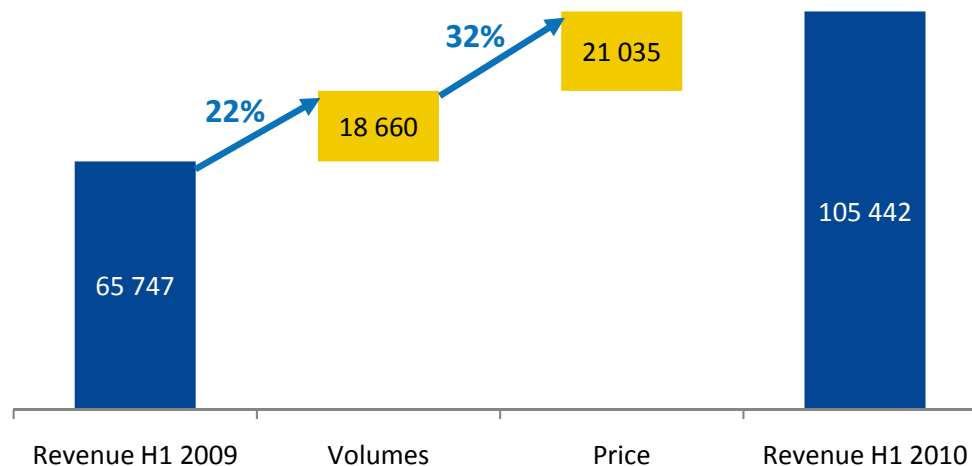
- Positive operating cash flow driven mainly by growing bottom line
- Sufficient cash balances as of 30.06.2010 for further investment programme

H1 2010 Key Segment Results

- Shell egg segment sales to external buyers in H1 2010 :
 - ✓ increased 60% compared to H1 2009
 - ✓ accounted for 64% of Avangard's revenue
- Shell egg production is profit tax exempt, and most of Avangard's profits are attributed to this segment via transfer pricing

| US\$'000 | Shell egg | Egg products |
|--|-----------------------|----------------------|
| <u>SALES REVENUE</u> | <u>116,998</u> | <u>32,542</u> |
| Intra-group elimination | -11,556 | - |
| <u>REVENUE FROM EXTERNAL BUYERS</u> | <u>105,442</u> | <u>32,542</u> |
| <u>OPERATING PROFIT</u> | <u>55,098</u> | <u>363</u> |
| <i>% margin</i> | 47% | 1% |
| <u>EBITDA</u> | <u>60,738</u> | <u>393</u> |
| <i>% margin</i> | 52% | 1% |

Drivers of Shell Eggs Revenue Growth in H1 2010



Cost Structure

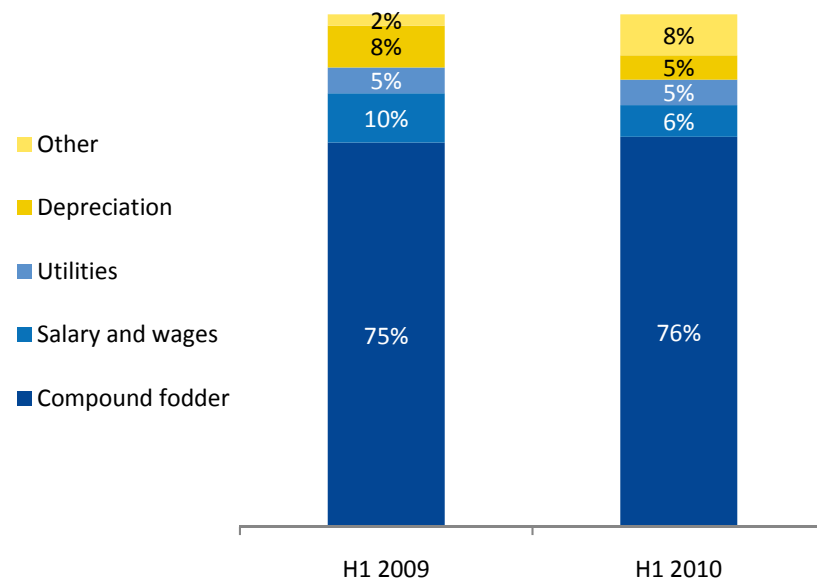
Cost of Sales

| US\$'000 | H1 2009 | H1 2010 |
|--------------------------|----------------------|-----------------------|
| Compound fodder | 54,008 | 94,660 |
| Salary and wages | 6,910 | 7,702 |
| Utilities | 3,632 | 6,193 |
| Depreciation | 5,863 | 5,888 |
| Other | 1,600 | 9,946 |
| <u>Total COGS</u> | <u>72,014</u> | <u>124,389</u> |

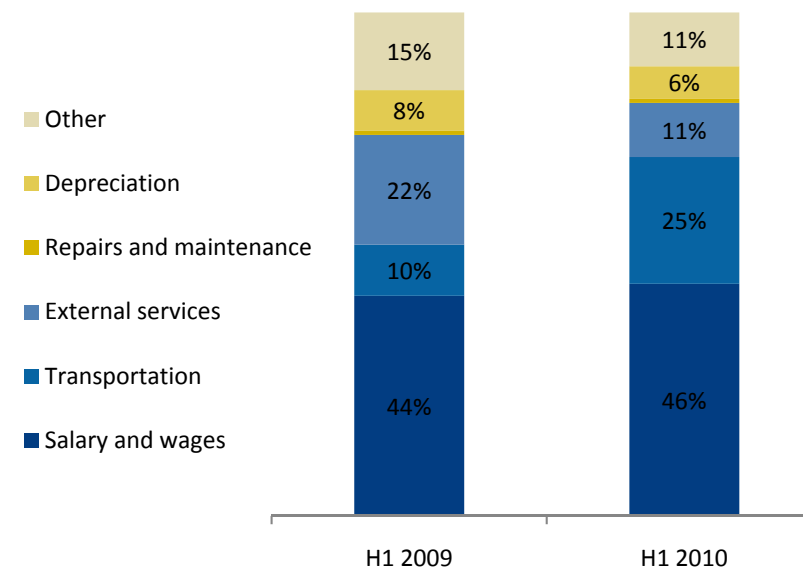
Sales, General and Administration

| US\$'000 | H1 2009 | H1 2010 |
|------------------------------|---------------------|---------------------|
| Salary and wages | 1,769 | 2,279 |
| Transportation | 410 | 1,244 |
| External services | 881 | 531 |
| Repairs and maintenance | 36 | 39 |
| Depreciation | 325 | 320 |
| Other | 623 | 528 |
| <u>Total SG&A</u> | <u>4,044</u> | <u>4,941</u> |

Cost of Sales



Sales, General and Administration Costs Structure

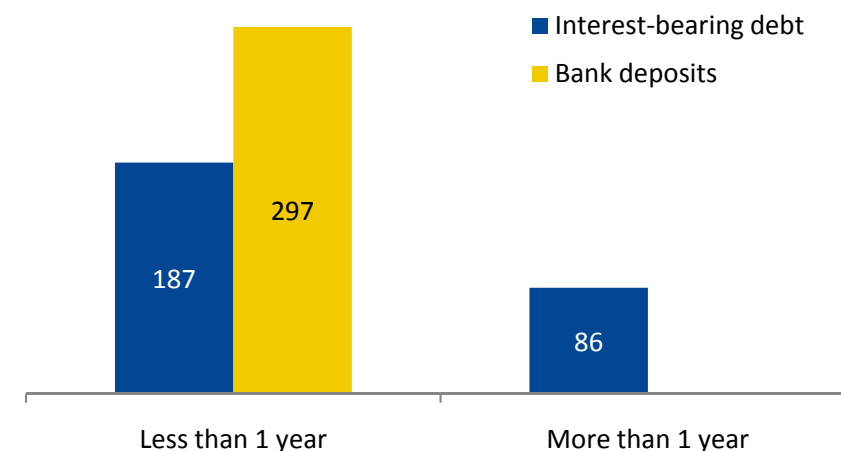


Debt Structure and Net Working Capital

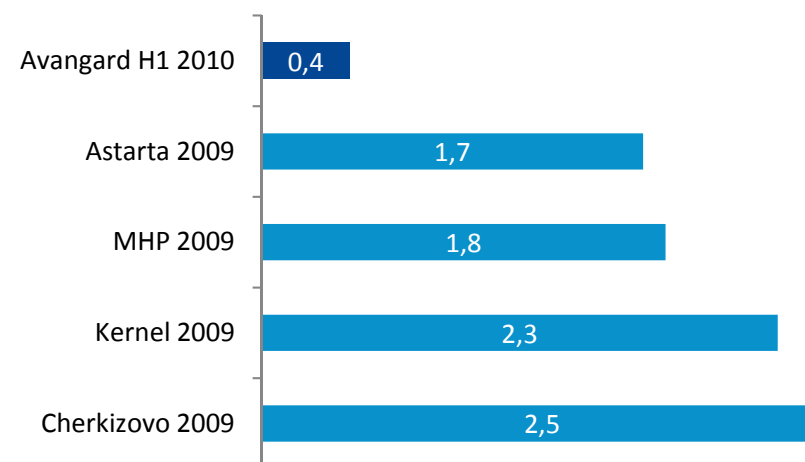
- As of 30.06.2010 the IPO proceeds were still held in cash creating a net cash position of US\$ 133 mln
- Currently most of Avangard's debt is short-term, and backed by sufficient equivalent bank deposits
- Solvency increased further with Net debt/EBITDA (excluding IPO proceeds) reaching 0.4 times, which is less than that of comparable agricultural companies
- Average cost of debt for Avangard is 17%

| US\$'000 | 2009 | H1 2010 | % change |
|---------------------------------------|----------------|-----------------|-------------|
| Total Debt | 265,038 | 273,056 | +3% |
| Long-term | 92,117 | 85,820 | -7% |
| Short-term | 172,921 | 187,237 | +8% |
| Cash & Cash Equivalents | 1,727 | 105,625 | n/a |
| Deposits | 156,421 | 297,251 | +90% |
| Financial Assistance Issued | 4,320 | 2,717 | -37% |
| Net Debt/(Net Cash) | 102,571 | -132,536 | n/a |
| Net Debt, excl. IPO proceeds | | 67,623 | -34% |
| Net Debt (excl. IPO proceeds)/EBITDA* | 0.7 | 0.4 | |
| EBITDA*/Interest expense* | 3.3 | 5.1 | |
| Net Working Capital | 56,389 | 55,543 | -18% |
| as % of Sales* | 17.6% | 14.3% | |

Debt and Bank Deposits Structure by Maturity, in USD mln



Net Debt*/EBITDA



* Last 12 months Sales, EBITDA and Interest expense are used to calculate ratios for H1 2010

* Net debt position for Avangard does not include IPO proceeds

Outlook

Topline

- Healthy domestic demand and the planned increase in exports is expected to drive sales volumes. This will be supported by growing output due to increases in Avangard's laying hens flock
- Continued development of the domestic market customer base, specifically increasing our presence in retail chains
- The lifting of Russia's ban on Ukrainian food imports has created an opportunity for sales in this adjacent market. Avangard intends to start exporting to Russia in H2 2010
- During the year Avangard has been approached by large consumers in leading European Union countries for shell egg supplies, suggesting a deficit in the region. As Ukraine is currently actively pursuing the right to export to the EU, Avangard is ready to exploit this lucrative market

Costs and Margin

- Avangard has mitigated against cost increases resulting from the unreasonably hot weather in the region by signing forward wheat purchase contracts
- Should high grain prices persist into 2011, we expect that the resultant food price inflation in Ukraine will push egg prices higher, effectively ensuring that margins remain stable

4. Questions and Answers



Appendix



Income Statement

| US\$'000 | 2007 | 2008 | 2009 | H1 2009 | H1 2010 |
|--|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| <u>REVENUE</u> | <u>127,788</u> | <u>302,292</u> | <u>319,855</u> | <u>98,567</u> | <u>165,901</u> |
| Income from revaluation of biological assets at fair value | 6,467 | 12,690 | 7,695 | 14,729 | 14,735 |
| Cost of sales | -114,689 | -232,975 | -220,407 | -72,981 | -125,275 |
| <u>GROSS PROFIT</u> | <u>19,566</u> | <u>82,007</u> | <u>107,143</u> | <u>40,315</u> | <u>55,361</u> |
| General administrative expenses | -4,986 | -7,932 | -4,933 | -2,596 | -2,505 |
| Distribution expenses | -4,005 | -4,429 | -3,086 | -1,433 | -2,436 |
| Other operating income/expenses, net | 22,585 | 32,312 | 40,683 | 571 | 6,978 |
| <u>OPERATING PROFIT/(LOSS)</u> | <u>33,160</u> | <u>101,958</u> | <u>139,807</u> | <u>36,857</u> | <u>57,203</u> |
| Financial income | 20,868 | 26,897 | 41,180 | 19,643 | 15,590 |
| Financial expenses | -22,540 | -52,986 | -46,150 | -22,792 | -10,511 |
| <u>PROFIT BEFORE TAX</u> | <u>31,488</u> | <u>75,869</u> | <u>134,837</u> | <u>33,708</u> | <u>62,282</u> |
| Income tax expenses | -1,254 | 1,414 | -1,168 | -341 | -339 |
| <u>PROFIT/(LOSS) FOR THE PERIOD</u> | <u>30,234</u> | <u>77,283</u> | <u>133,669</u> | <u>33,367</u> | <u>61,943</u> |

For the sake of convenience some rows were aggregated

Balance Sheet

| US\$'000 | 2007 | 2008 | 2009 | H1 2009 | H1 2010 |
|--|-----------------------|-------------------------|-----------------------|-------------------------|-------------------------|
| ASSETS | | | | | |
| Property, plant and equipment | 213,529 | 368,264 | 375,426 | 385,135 | 384,315 |
| Held-to-maturity investments | 29,766 | 41 | 40 | 41 | 40 |
| Non-current biological assets | 21,343 | 9,185 | 21,546 | 40,289 | 42,538 |
| Long-term deposits | 107,627 | 49,351 | 504 | 4,229 | 28 |
| Other non-current assets | 110,288 | 56,198 | 16,860 | 36,699 | 20,112 |
| Total non-current assets | <u>482,553</u> | <u>483,039</u> | <u>414,376</u> | <u>466,393</u> | <u>447,033</u> |
| Inventories | 12,688 | 47,076 | 92,757 | 70,381 | 99,216 |
| Taxes recoverable and prepaid, net | 41,226 | 54,063 | 28,743 | 26,688 | 24,351 |
| Current biological assets | 18,075 | 47,935 | 44,910 | 30,678 | 34,785 |
| Prepayments and other current assets, net | 38,744 | 133,111 | 58,626 | 170,559 | 25,588 |
| Trade accounts receivable, net | 47,953 | 15,593 | 47,320 | 84,721 | 88,868 |
| Short-term deposits | 37,363 | 233,271 | 155,917 | 238,089 | 297,223 |
| Cash and cash equivalents | 4,460 | 5,878 | 1,727 | 1,446 | 105,625 |
| Total current assets | <u>200,509</u> | <u>536,927</u> | <u>430,000</u> | <u>622,562</u> | <u>675,656</u> |
| TOTAL ASSETS | <u>683,062</u> | <u>1,019,967</u> | <u>844,376</u> | <u>1,088,955</u> | <u>1,122,689</u> |
| LIABILITIES AND EQUITY | | | | | |
| Share capital | 3 | 644 | 644 | 644 | 835 |
| Share premium | - | - | 115,858 | 115,858 | 317,021 |
| Retained earnings | 74,109 | 168,151 | 300,107 | 201,098 | 360,688 |
| Effect from translation into presentation currency | 0 | -56,698 | -64,137 | -55,343 | -60,199 |
| Total equity attributable to shareholders of Avangard Group | <u>74,112</u> | <u>112,097</u> | <u>352,472</u> | <u>146,398</u> | <u>618,345</u> |
| Non-controlling interests | 17,680 | 6,406 | 8,083 | 6,817 | 9,446 |
| Total equity | <u>91,792</u> | <u>118,503</u> | <u>360,555</u> | <u>153,215</u> | <u>627,791</u> |
| Long-term loans | 189,340 | 192,518 | 85,975 | 235,650 | 80,653 |
| Long-term finance lease | 0 | 8,502 | 6,142 | 7,503 | 5,167 |
| Other non-current liabilities | 11,337 | 7,149 | 7,136 | 7,181 | 7,293 |
| Total non-current liabilities | <u>200,677</u> | <u>208,169</u> | <u>99,253</u> | <u>250,334</u> | <u>93,113</u> |
| Short-term interest bearing debt | 128,099 | 204,605 | 164,043 | 263,342 | 171,641 |
| Financial assistance received | 96,101 | 104,151 | 8,535 | 241,930 | 15,250 |
| Trade accounts payable | 43,134 | 20,529 | 68,019 | 76,958 | 86,016 |
| Other current liabilities and accrued expenses | 123,259 | 364,009 | 143,971 | 103,175 | 128,878 |
| Total current liabilities | <u>390,593</u> | <u>693,294</u> | <u>384,568</u> | <u>685,404</u> | <u>401,785</u> |
| TOTAL LIABILITIES AND EQUITY | <u>683,062</u> | <u>1,019,967</u> | <u>844,376</u> | <u>1,088,952</u> | <u>1,122,689</u> |
| Net Debt | <u>258,371</u> | <u>220,937</u> | <u>102,571</u> | <u>370,634</u> | <u>-132,536</u> |

For the sake of convenience some rows were aggregated