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### Letter from CEO



**Iryna Marchenko,**  
CEO,  
Board member

"In the first half of 2013, AVANGARDCO IPL demonstrated stable growth in its financial and operational results with growth in revenues by 7.3% year-on-year, net profit by 8.2%, whilst EBITDA margin remained at 44%. These results were achieved due to the increase in sales of dry egg products to external clients, as well as a significant growth in export volumes of shell eggs and egg products.

During the first half of 2013, the average selling price of shell eggs decreased by 6% year-on-year. However, in order to mitigate the effect of softer pricing, we utilised our vertically integrated operations and egg processing facilities enabling us to redistribute eggs for processing in a higher-margin segment.

During the reporting period, the Company significantly increased its exports of shell eggs and egg products with export revenues up 117% year-on-year. Export sales accounted for 25% of the Company's total revenue. Export sales growth at AVANGARDCO IPL was a result of the consistent implementation of its export strategy and growing reputation as a reliable long-term partner and supplier of high quality egg products.

As a result, the increase in egg processing and the developments to our export operations minimized the impact of the weaker pricing and supported the growth of key financial indicators.

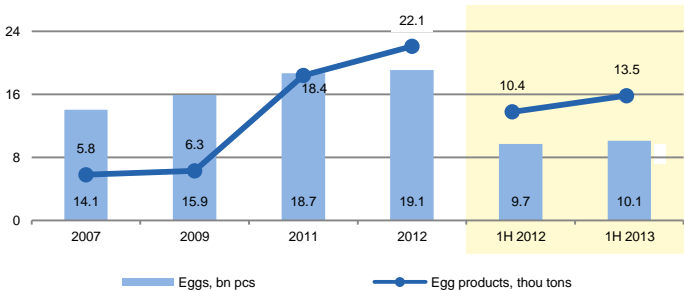
In the second half of 2013, we expect a higher average selling price of eggs, compared to the first half. Currently, the market shows an upward trend, which traditionally continues in the second half of the year.

The Company continues to pursue its stated strategy and expand production capacities. In the first half of 2013, we completed the first stage of the capacity upgrade from 3 mln to 6 mln shell eggs processing per day at the egg processing plant "Imperov Foods" and finished the construction of the rearing sites at "Avis" and "Chornobaivske" poultry farms.

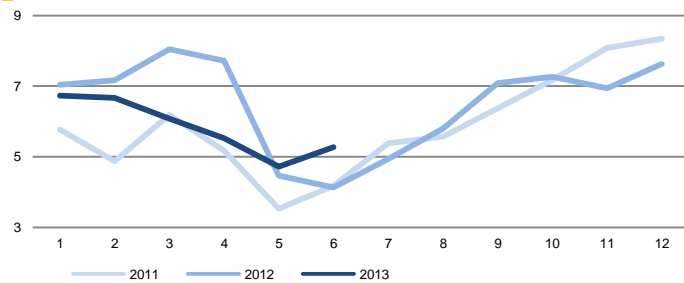
In June 2013, AVANGARDCO IPL celebrated its 10-year anniversary. Over this period, the Company has grown into the largest producer of shell eggs and egg products in Ukraine and number one producer in Eurasia. We are proud of our achievements and remain confident in our chosen strategy and long-term growth outlook."

### Key Business Drivers

#### Eggs and Egg Products Production in Ukraine



#### Egg price in Ukraine, UAH / 10 pcs



Source: SSCU, Pro-Consulting

### Company Press-releases



- [12/09/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED Results of AGM
- [30/08/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED FINANCIAL RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF OF 2013
- [23/08/2013] AVANGARDCO INVESTMENTS PUBLIC LIMITED AGM Notification - Amendment
- [22/08/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED AGM Notification
- [30/07/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED TRADING UPDATE FOR THE SECOND QUARTER AND THE FIRST HALF OF 2013
- [23/05/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED Fitch Ratings upgrades AVANGARDCO IPL ratings to 'B+' and 'Aa1(uk)'
- [30/04/2013] - The Fifth Coupon Payment in the Amount of USD 10 Million on 5-year Eurobonds
- [27/03/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED Avangardco confirms it has no bank deposits in Cyprus
- [05/03/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED AUDITED FINANCIAL RESULTS FOR 2012
- [30/05/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED FINANCIAL AND OPERATIONAL RESULTS FOR THE FIRST QUARTER OF 2013
- [29/04/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED 2012 Annual Report Publication
- [13/03/2013] - Fitch Ratings affirms Rating at 'B' of Avangardco IPL
- [01/03/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED FULL YEAR RESULTS CONFERENCE CALL
- [05/02/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED ANNOUNCES CHANGES IN ITS MANAGEMENT BOARD
- [01/02/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED ANNOUNCES RESULTS OF ITS EGM
- [29/01/2013] - FOURTH QUARTER 2012 AND 2012 FULL YEAR TRADING UPDATE
- [03/01/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED EGM NOTIFICATION

### Macroeconomics – Key Metrics

- In 2012 nominal GDP totaled \$183 bln, (real GDP - 0.2% y-o-y growth)
- Economic reforms to ensure fiscal sustainability leads to close to zero CPI (in 2011 inflation was 4.6%).
- Refinancing rate decreased (from 7.75% in 2011 to 7.50% in March 2012) due to positive GDP dynamics, local currency stabilization and inflation slowdown
- In 2012 the harvest reached 46.2 mln tons of crops, the 3rd result after 56.7 mln (2011) and 53.3 mln (2008). The expectations for the 2013 is 50-53 mln tons according to the Ukrainian Club of Agrarian Business.

### Credit Ratings - Matrix

	Fitch	S&P	Moody's
Ukraine	B (Neg)*	B (Neg) **	Caa1****
AVNGARDCO IPL	B (Neg)*	-	-
MHP	B (Neg)*	B(Neg) ***	Caa1*****
Kernel	B (Neg)*	-	-
Mriya	B (Neg)*	B(Neg) ***	-
Agroton	RD	NR ***	-
Ferrexpo	B (Neg)*	B(Neg) ***	Caa1*****
DTEK	B (Neg)*	-	Caa1*****
Metinvest	B (Neg)*	-	Caa1*****

- \* LT FC Issuer Default Rating
- \*\* FC LT Debt
- \*\*\* LT Foreign Issuer Credit
- \*\*\*\* FC Current Issuer Rating
- \*\*\*\*\* Long Term Rating

### 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 Market

- World & Ukraine Egg Market Trends – Key Charts – at pages 4 and 5

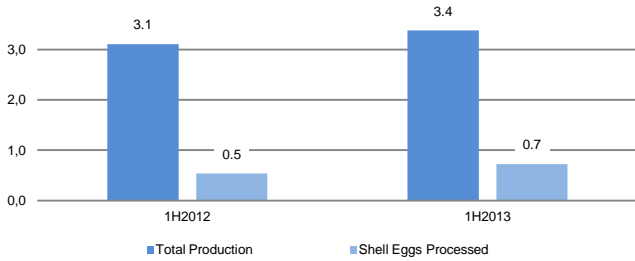
### Company News



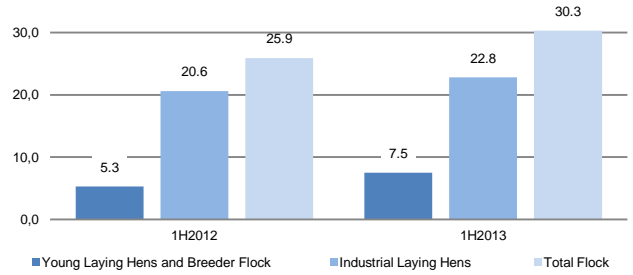
- [27/05/2013] - Avangard Co-Sponsors Charitable Marathon
- [16/05/2013] - Okean Elzy's Grand Stadium Tour 2013
- [03/05/2013] - Kvochka Celebrates Easter with Orphanages
- [01/03/2013] - AVANGARDCO INVESTMENTS PUBLIC LIMITED FULL YEAR RESULTS CONFERENCE CALL
- [26/02/2013] - Avangardco IPL supports young gymnasts

### Production Results

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



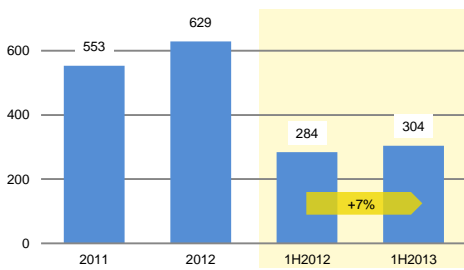
Total flock, mln heads\*



### Financial Results

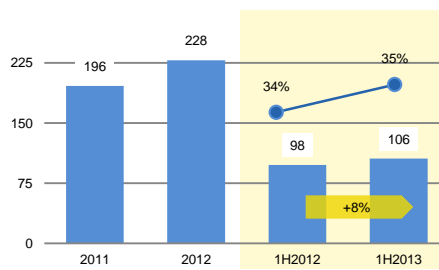
Source: Company data

Revenue, \$ mln



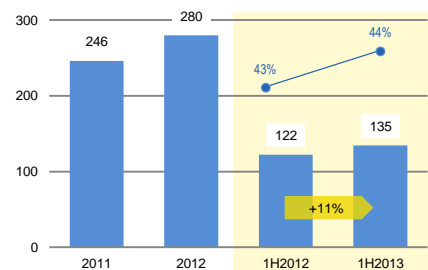
Source: Company data

Net Profit, \$ mln



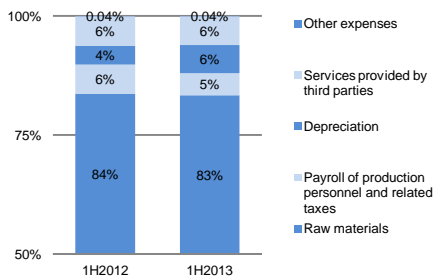
Net profit margin

EBITDA, \$ mln

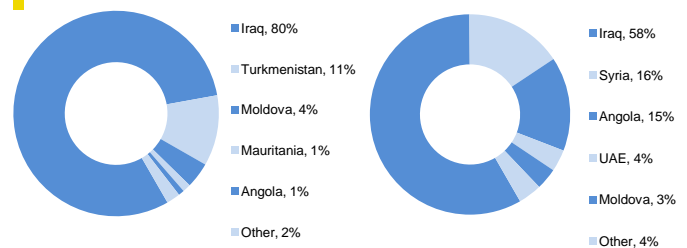


EBITDA margin

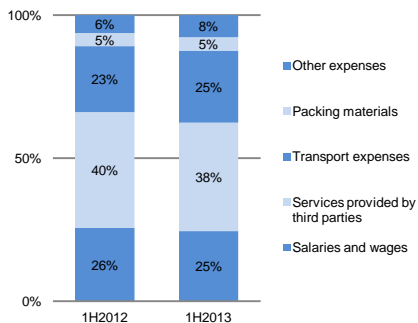
Cost of Finished Goods Sold Structure



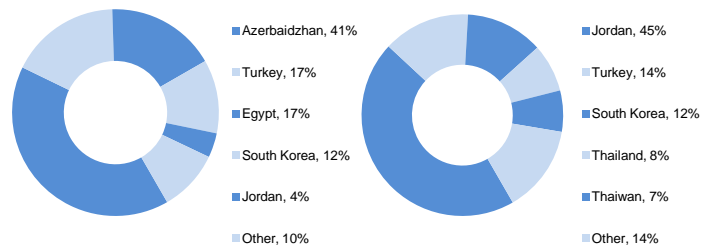
Eggs Top-5 Export Markets, % of Revenue



SG&A Expenses



Egg Powder Top-5 Export Markets, % of Revenue



2009-1H2013: export to 33 markets

Export strategy – expanding into key markets: MENA & Asia

## Why to Invest in Avangard

- #1 shell eggs and egg products producer in Ukraine and Eurasia
- #55% share in the domestic industrial production of shell eggs and 90% share in the domestic production of dry egg products in 1H2013
- High level of vertical integration across all key stages of egg production allowing to minimize costs and increase profitability
- Production facilities are located in 14 of 24 regions of Ukraine and also in the Autonomous Republic of Crimea
- Investing in expansion of production capacities of world class production complexes Avis, Chornobaivske and Imperovo Foods to deliver better returns to shareholders
- State-of-the-art poultry facilities – Avis and Chornobaivske – will increase production capacities to 30.1 mln laying hens and 8.6 bln eggs per year
- Eggs processing plant Imperovo Foods will increase processing capacity to 10 mln eggs per day
- Investing in world-class equipment and innovative technology to improve asset efficiency, increase production quality and profitability
- 10 years of successful history of operations in the market

## Securities - General Information

### GDR's IADR's

Receipts outstanding, as of 30/06/13, pcs.	1,437,500
Market Cap as of 30/06/13, \$mln	560
Free float, %	22.5

### GDR IADR's

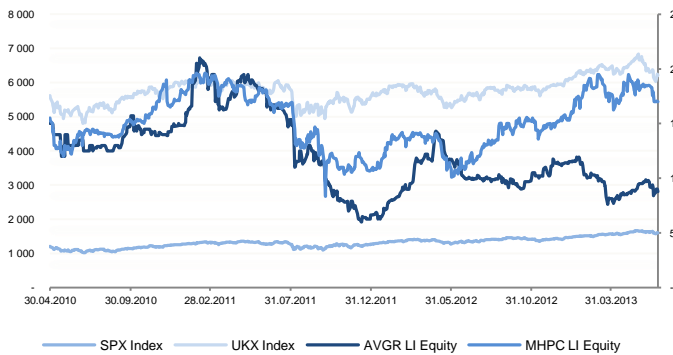
Ticker	AVGR
Stock Exchange	LSE
Deal Size	1,437,500 new ordinary shares in the form of GDRs
Use of Proceeds	Finalization of new capacity expansion programs
Proceeds	USD 208 m
Offer Price	\$15.0 per GDR

### Bonds

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 -

### Share Price Dynamics

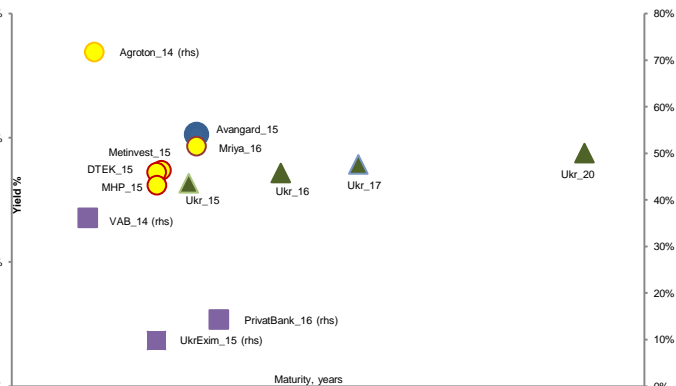


### Share Price and Volume Dynamics



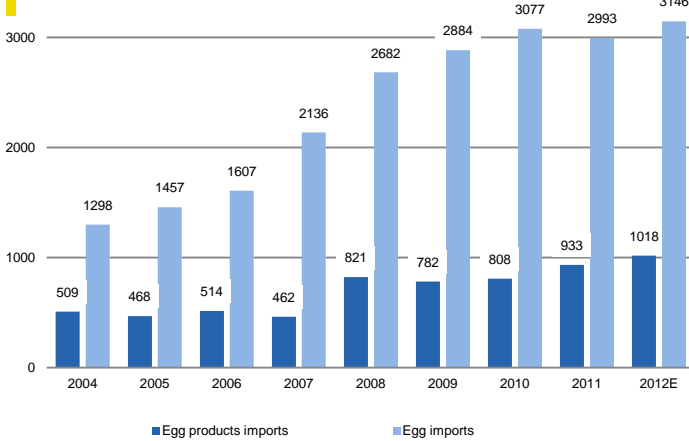
## Bond's Performance -

### Bond's Performance



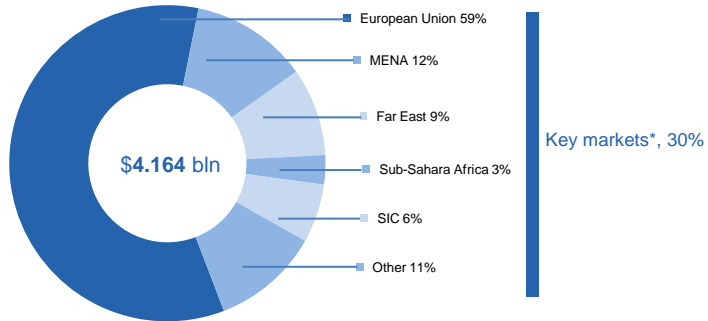
## World Egg Market Trends

World Imports of Eggs and Egg Products, \$ mln



Source: International Trade Center, Pro-Consulting

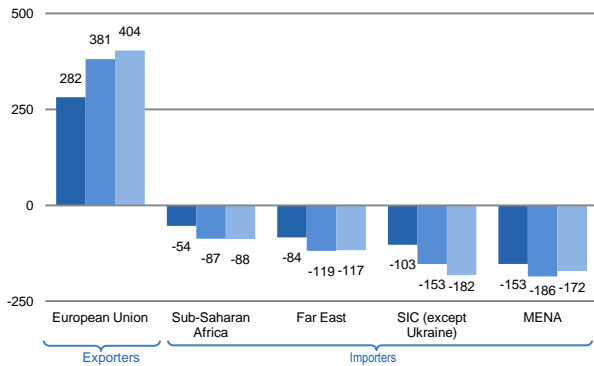
Structure of World Imports of Eggs and Egg Products in 2012E, \$ mln



\*Key destinations for Avangrd's export

Source: International Trade Center, Pro-Consulting

World Imports of Eggs and Egg Products, \$ mln



Source: International Trade Centre, Pro-Consulting

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

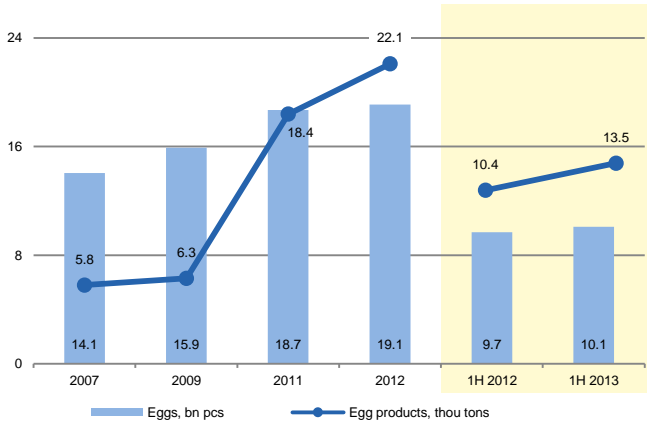


Source: European Commission, Pro-Consulting

- Growing world egg 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

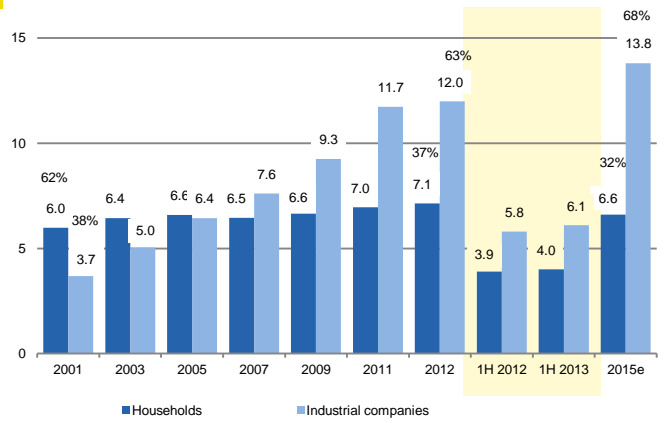
## World & Ukrainian Egg Market Trends

Eggs and Egg Products Production in Ukraine



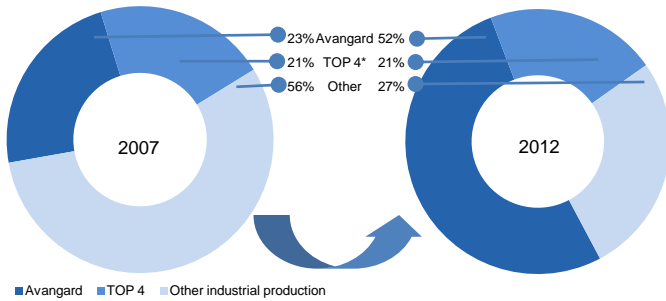
Source: SSCU, Pro-Consulting

Households vs Industrial Companies, bln pcs



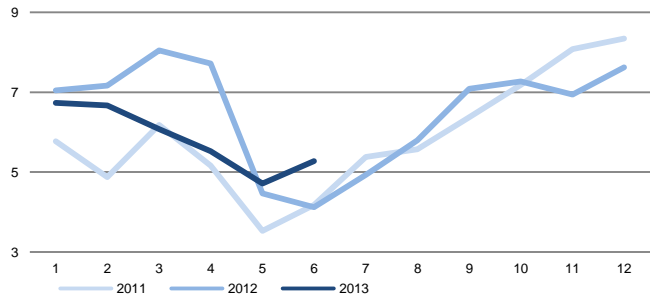
Source: SSCU, Pro-Consulting

Industry Consolidation



\*Top 4: Inter-Agrosystem, Ovostar, Landgut Ukraine, Agrofirma Berezanskaya PF  
Source: Pro-Consulting, Company data

Egg price in Ukraine, UAH / 10 pcs



- Strong domestic demand and increasing export opportunities
- Market consolidation will drive further price increase

## Expansion of Production Facilities – on Schedule

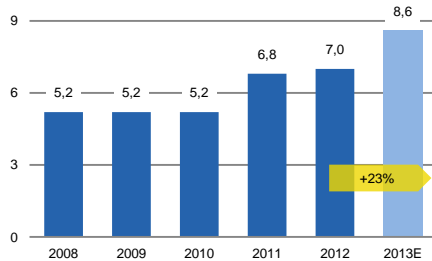
### Implementation of projects:

- *Avis egg production complex*
- *Chornobaivske egg production complex*
- *Expansion of Imperovo Foods egg processing plant*

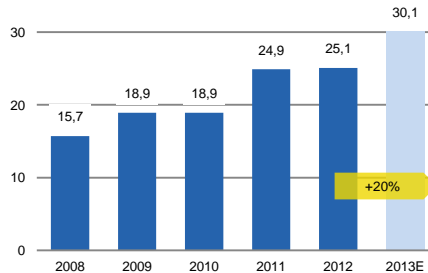
Breakdown of Capital Expenditures, \$ mln

	Before IPO	2010	2011	2012	1h2013	2h2013E	2014E	Total
Avis	124	54	59	97.6	11	16	8.4	370
Chornobaivske	147	14	51	93	30	17	16	368
Imperovo Foods	-	-	-	115	21	24	0	160
Maintenance	-	-	-	16	10	12	39	77
<b>TOTAL CAPEX</b>	<b>271</b>	<b>68</b>	<b>110</b>	<b>322</b>	<b>72</b>	<b>69</b>	<b>63</b>	<b>975</b>

Capacity in shell eggs production, bln pieces



Capacity, mln laying hens



**Avis egg production complex** of 5.2 mln laying hens and 1,616 mln shell eggs once fully operational:

- Rearing site with total capacity of 2.635 mln hens is capable of operating
- 2nd stage of industrial site is in progress. Current total capacity of 4.705 mln hens is capable of operating
- Fodder mill complex is at stage of the final works for installation of equipment and the start-up works, that will be completed by the end of the year
- Biogas unit is on schedule

**Chornobaivske egg production complex** of 6.0 mln laying hens and 1,865 mln shell eggs once fully operational:

- Rearing site with total capacity of 2.410 mln hens is capable of operating
- 2nd stage of industrial site is in progress. Current total capacity of 3.011 mln hens is capable of operating
- Fodder mill complex is in progress
- Biogas unit is on schedule

**Imperovo Foods egg processing plant:**

- The processing capacity has been increased to 6 mln eggs per day and since May 2013 "Imperovo Foods" operates at full capacity
- Currently the processing capacity is being gradually modernized to process 10 mln eggs per day

Avis. Rearing Site



Avis. Industrial site



Chornobaivske. Rearing Site



Chornobaivske. Industrial site



Imperovo Foods egg processing plant

