

## Letter from CEO

Dear Investor,

It is a pleasure to present you the third release of our Investor Bulletin. We issue this document to provide you with the review of Avangard's activity in line with the best practice standards in the investor relations field.

I am pleased to report that in 2011 Avangard strengthened its leading position in Ukraine and globally. We showed strong financial results in 2011 with significant growth in revenue, EBITDA and operating profit. This result is due to an increase in shell egg production to 6 billion eggs and continued diversification of our sales channels.

In November we relaunched the "Kvochka" brand (the Mother Hen), which is packaged eggs aiming to combine high quality with affordability. I believe that the growing volume of packaged products under the updated brand and its sales directly through the large network of modern retailers, one of the most profitable channels on the local market, are expected to make a positive contribution to our financial results.

During the period Avangard advanced to become the largest egg producer in Eurasia. This achievement is unmatched by any other company from the former USSR and is a testament to our progress as a company and the agricultural potential of Ukraine.

The market environment for our sector remains favorable and we are confident that we will maintain our local market position and will be able to focus on achieving our primary objective – to become world's number one producer of eggs and egg products.

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

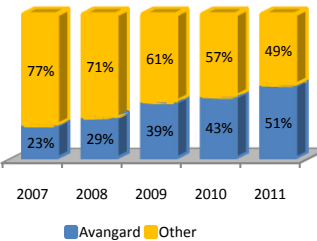
Sincerely yours,  
 Natalia Vasylyuk  
 Chief Executive Officer



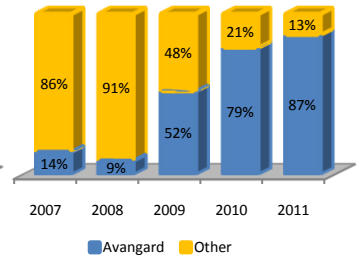
**Nataliya Vasylyuk**  
 Chief Executive Officer

## Key Business Drivers - Performance

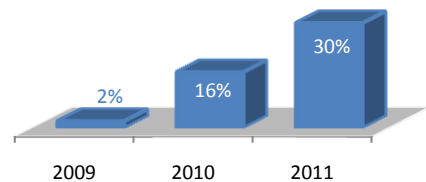
Industrial Production of Eggs in Ukraine\*



Production of Dry Egg Products in Ukraine\*



Company's Sales of Shell Eggs to Supermarkets  
 (in volume terms)



## Company News

- [27/03/12] [FITCH: Affirms AVANGARDCO IPL at 'B'; Outlook Stable](#)
- [21/03/12] - [AVANGARDCO IPL Financial Results for 2011](#)
- [28/12/11] – [FGM Results](#)
- [05/12/11] – [AVANGARDCO IPL Emerged as the Second Largest Egg Producer in the World](#)
- [23/11/11] – [AVANGARDCO IPL Introduces an Updated Brand of Packaged Eggs "Kvochka" to the Ukrainian Market](#)
- [31/10/11] – [AVANGARDCO IPL Paid the Second Coupon](#)

## Macroeconomics – Key Metrics

- In 2011 nominal GDP totaled \$164 bln, (real GDP - 5.2% y-o-y growth)
- Economic reforms to ensure fiscal sustainability leads to inflation decrease – 4.6% in 2011 (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
- Agricultural rebound set to quicken economic growth in 2012.
- 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 .

[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 pages 5 and 6](#)

## Avangard in Media

- [04/04/12] [Recovery in liquidity in the global markets recovers interest in the Ukrainian agricultural sector](#) – by RBC
- [30/03/12] [Game of Chicken? Eggs Are on a Roll](#) – by BARRON'S
- [28/03/12] [Avangardco – Eggsotic But Eggcellent!](#) – by Wordpress
- [27/03/12] [AVANGARDCO IPL Increases Income from Export of Eggs and Egg Products by 29%](#) - by Bloomberg
- [29/11/11] [Avangard emerges as a world force in eggs](#) - by World Poultry Magazine

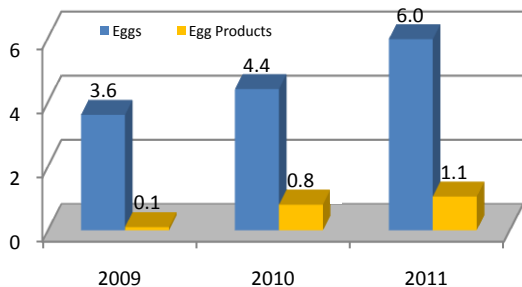
## Credit Ratings - Matrix

Rating [Fitch, S&P]	RATING AGENCY		Rating [Moody's]
	Fitch	S&P	
B+		FERREXPO	B1
B	AVANGARDCO FERREXPO METHBECT DITEK AFFOTON	MPIS	B2
B-		AFFOTON	B3

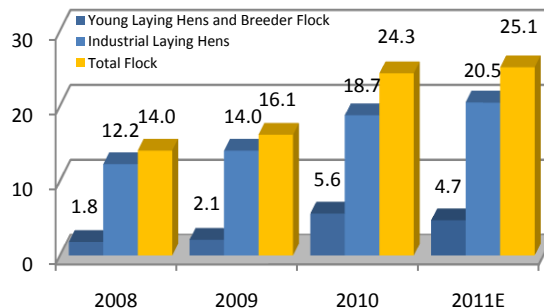
Note: - Ukraine sovereign credit rating from the Moody's (outlook "Stable"), S&P (outlook "Stable") and Fitch (outlook "Positive") rating agencies.

## Production Results – Key Charts

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



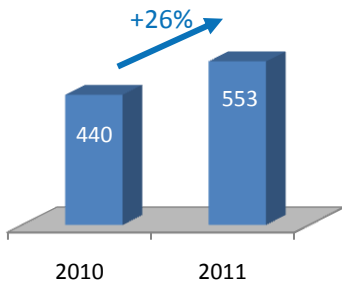
Total Flock, mln. heads



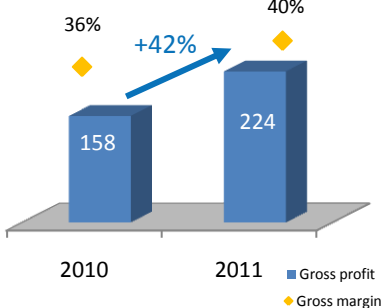
Source: Company data

## Financial Results – 2011 – Key Charts

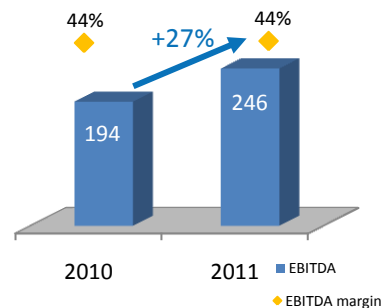
Revenue, US\$ mln



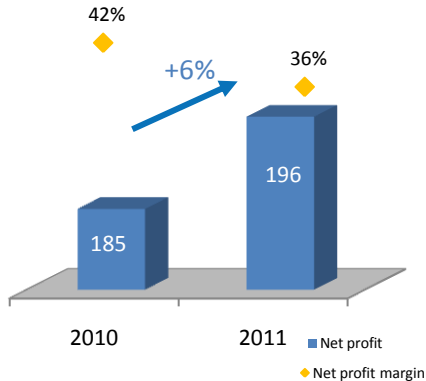
Gross Profit, US\$ mln



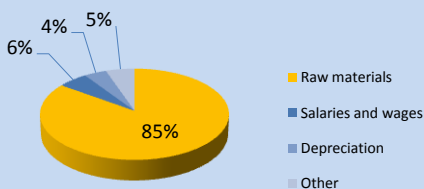
EBITDA, US\$ mln



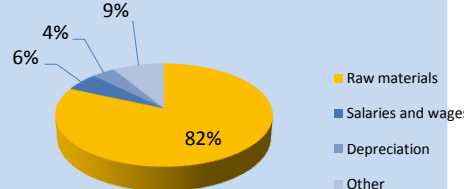
Net Profit, US\$ mln



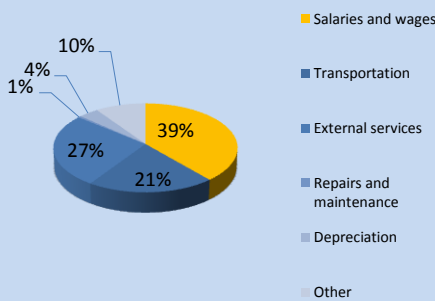
COGS – 2010



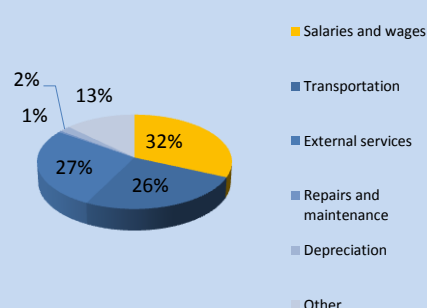
COGS – 2011



SG&A Expenses – 2010



SG&A Expenses – 2011



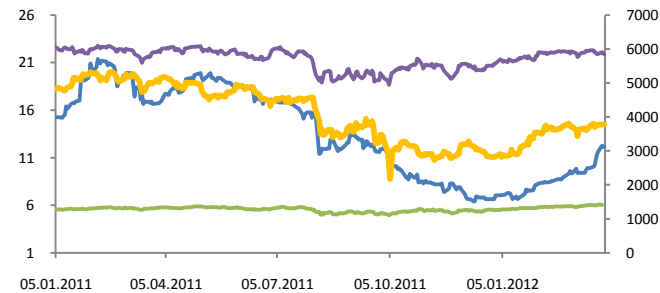
## Why to Invest in Avangard

- #1 eggs producer in Eurasia by poultry flock\*
- #1 in Ukraine: 51% share in the industrial production of shell eggs in 2011; 87% share in the production of dry egg products in 2011
- Vertical integration ensures effective cost control
- State-of-the-art poultry facilities – Avis and Chornobaivske – will increase production facility to 28.9 mln laying hens and 8.2 bln eggs per year
- Eggs processing plant Imperovo will increase it's processing capacity from 3 to 10 mln eggs per day in 2013
- Export to 21 markets during 2009-2011
- Strong financial results in 2011
- Net Debt ratio reached 0.3x, a very attractive level compared to traded Ukrainian peers

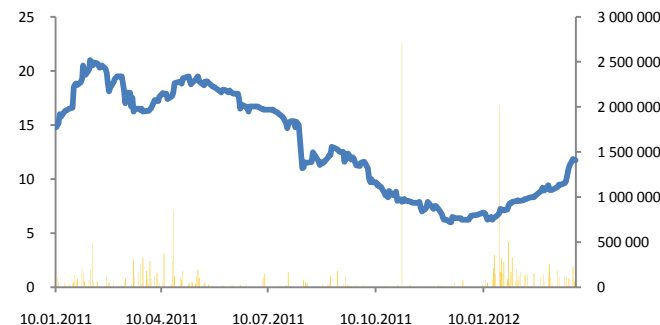
\* by World Poultry Magazine

## GDR's Performance -

### Peer Group and Main Indexes Dynamics





### AVGR Equity price and Volume Tendency



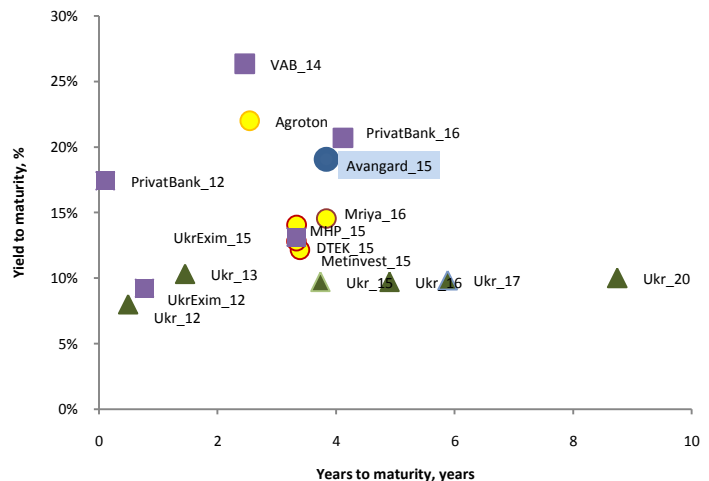
## Securities - General Information

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 as at 29.12.2011

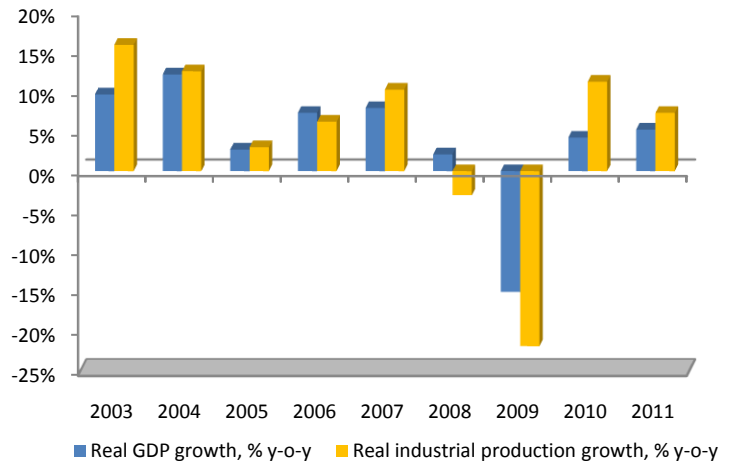


# INVESTOR BULLETIN H1 2011

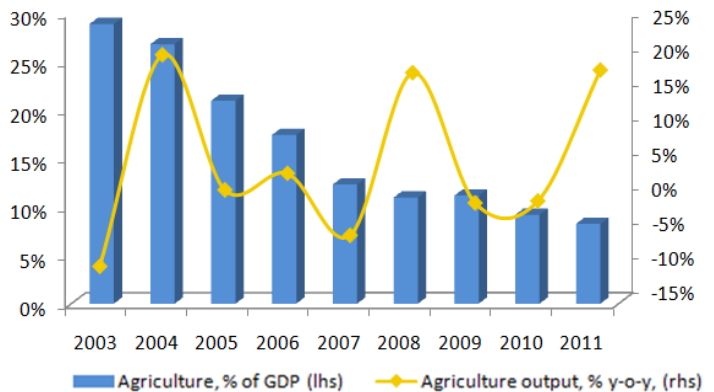
## Macroeconomics – Key Metrics

- In 2011 real GDP grew by 5.2% (in 2010 y-o-y growth was 4.1%). In 2012 y-o-y growth respective estimates are 3.9% acc. to SSCU. The nominal GDP in 2011 totaled \$165bln.
- Economic reforms to ensure fiscal sustainability leads to inflation decrease – 4.6% in 2011 (the lowest level since 2003). The deficit reached 1.5% of nominal GDP.
- Refinancing rate decreased (from 8.5% in 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 2012.
- 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.

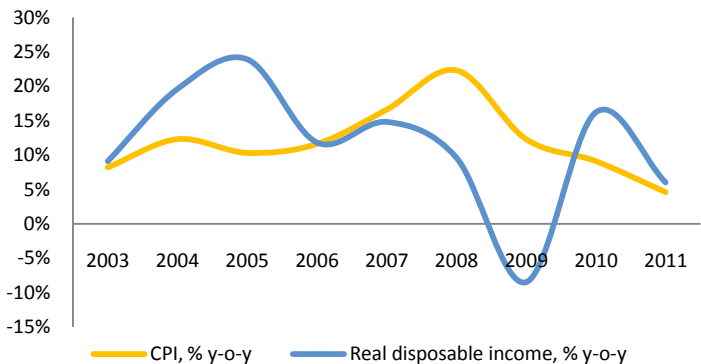
### Post-crisis GDP Recovery



### Agriculture Remains Strong And Growing

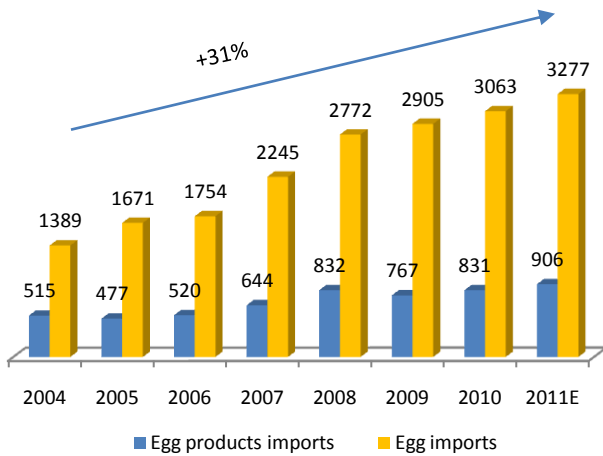


### Inflation Slowdown Is Expected To Continue



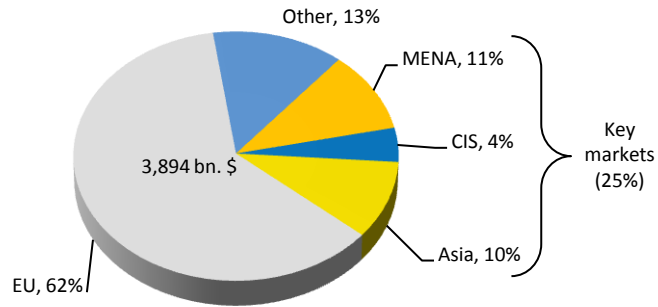
## World Egg Market Trends – Key Charts

World Imports of Eggs and Eggs Products, US\$ mln



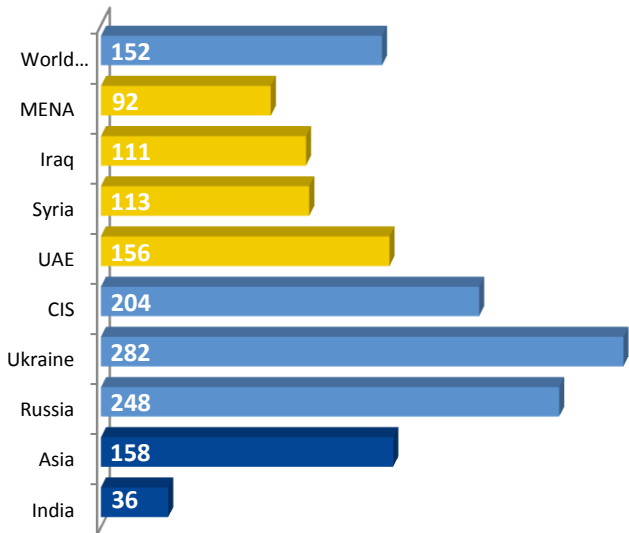
Source: International Trade Center, Pro-Consulting

World Imports of Eggs and Egg Products in 2010, \$mln



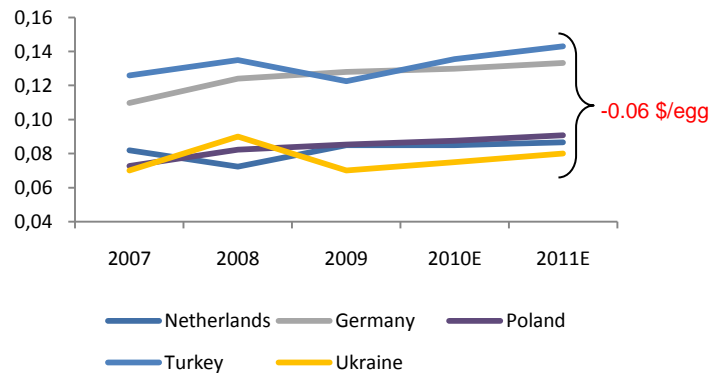
Source: International Trade Center

Egg Consumption per Capita in 2010



Source: FAO, SSCU, Pro-Consulting, International Trade Center

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



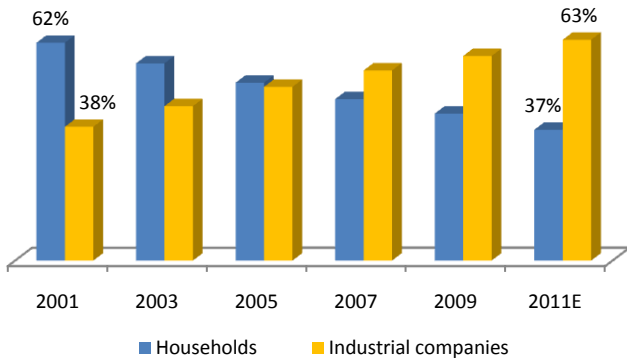
Source: FAOstat, Pro-Consulting

\*\* Av. price in the EU in Feb'12 grew by 42% y-o-y after the implementation of EU Directive in Jan'12 (e.g. in previous years, the price grew by av. 3-4% p.a.)

- 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

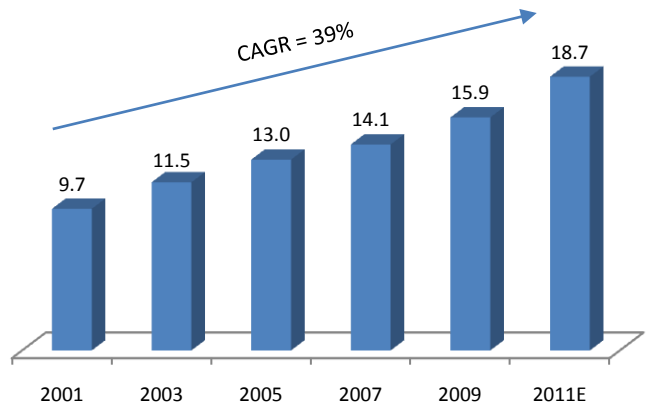
## World & Ukrainian Egg Market Trends – Key Charts

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



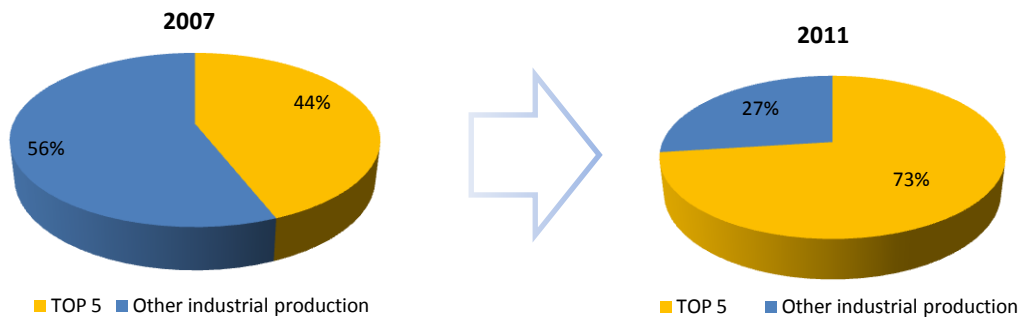
Source: SSCU, Pro-Consulting

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



Source: SSCU, Pro-Consulting

## Industry Consolidation, Share in Industrial Production of Eggs



TOP 5 = Avangard, Inter-Zaporozhie, Ovostar, Kievska, Agrofirma Berezanska PF

Source: Pro-Consulting

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



## Expansion of Production Facilities

### AVIS AND CHORNOBAIVSKE PROJECTS - ON SCHEDULE

- Investment underway to increase production capacity to 28.9m laying hens and to 8.2 bln pieces by 2013, a 16% and 37% growth respectively compared to 2011:
  - Construction of 2 full cycle poultry farms: Avis in Khmelnytskyi 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
- 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

Avis Egg Production Complex in Khmelnytskyi Region



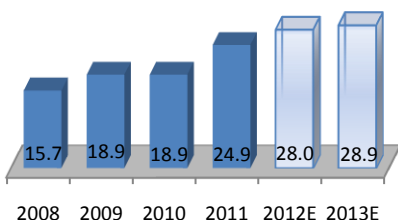
Foto by Avangard

Chornobaivske Egg Production Complex in Kherson Region

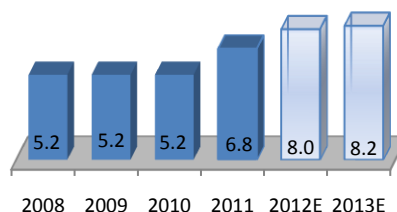


Foto by Avangard

Capacity, mln laying hens

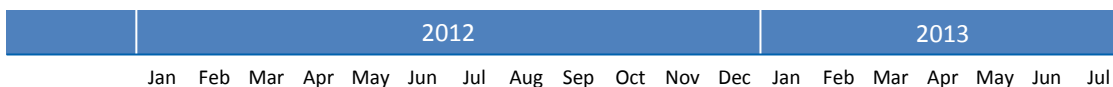


Capacity in Production of Shell Eggs, bln pieces



### INCREASING CAPACITIES – IMPEROVO

The Company plans gradual increase in Imperovo's processing capacity from 3mln to 10 mln shell eggs per day. It will not require stoppage of the production process



• gradual increase of processing capacity from 3 to 6 mln eggs per day

• gradual increase of processing capacity from 6 to 10 mln eggs per day