



# Overview of the H1 2013 results

16-17 September 2013



# Contents



Business update

3



Investment program

9



Appendices

12



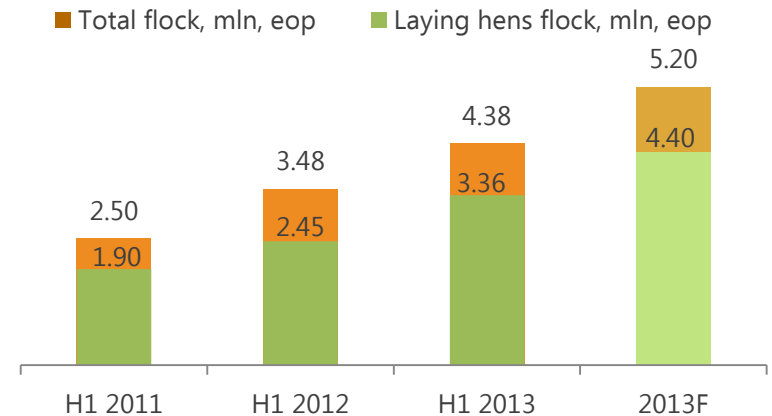
# | 1 | Business update |

- ❖ Ovostar Union continues to deliver growth in its key segments
- ❖ Increase in laying hens flock by 37% YoY to 3.36 mln resulted in shell egg production growth of 30% YoY to 422 mln in 1H 2013
- ❖ By YE 2013, total flock is expected to reach some 5.2 mln hens
- ❖ The Group increased volume of processed eggs by 38% YoY to 136 mln producing 781 tons of dry and 3,188 tons of liquid egg products, up 29% and 46% YoY, respectively

## Key operating data

Indicator	Units	1H 2012	1H 2013	YoY % growth
<b>Production:</b>				
Shell eggs	mln	324	422	30%
Dry egg products	tons	604	781	29%
Liquid egg products	tons	2,179	3,188	46%
<b>Processing:</b>				
Shell eggs	mln	99	136	38%
Sunflower seeds	tons	6,441	8,262	28%

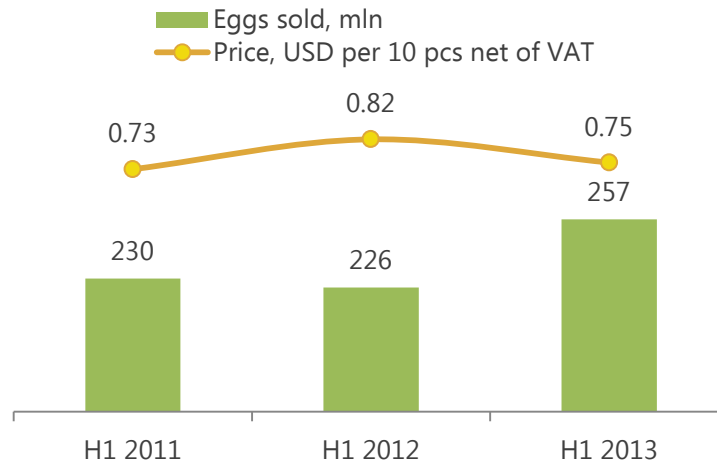
## Poultry flock growth



## Egg segment - operating results

- ❖ Segment revenue increased by 5% YoY to mUSD 20.6 on back of increased sales volumes but amid lower prices
- ❖ Gross profit was 27% YoY down to mUSD 8.1 due to growing fodder costs in 1H2013 translating into 39% margin vis-à-vis 56% in 1H 2012
- ❖ Branded eggs' sales accounted for 81% of total egg revenue in 1H 2013 (1H 2012: 84%)

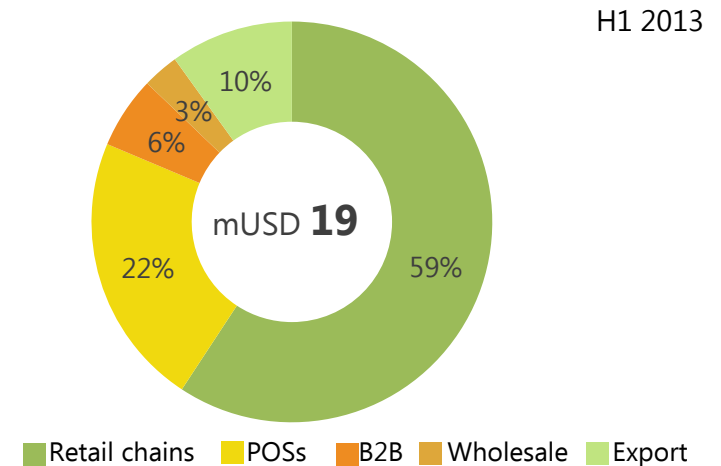
## Egg sales volumes and prices



## Egg segment - financial results

In mUSD, unless stated otherwise	1H 2012	1H 2013	YoY % change
<b>Segment results:</b>			
Revenue (incl.other sales)	19.524	20.564	5%
Gross profit	10.977	8.052	-27%
Profit before tax	9.901	4.971	-50%
<b>Segment margins:</b>			
Gross margin	56%	39%	
Profit before tax	51%	24%	

## Egg revenue breakdown by sales channel



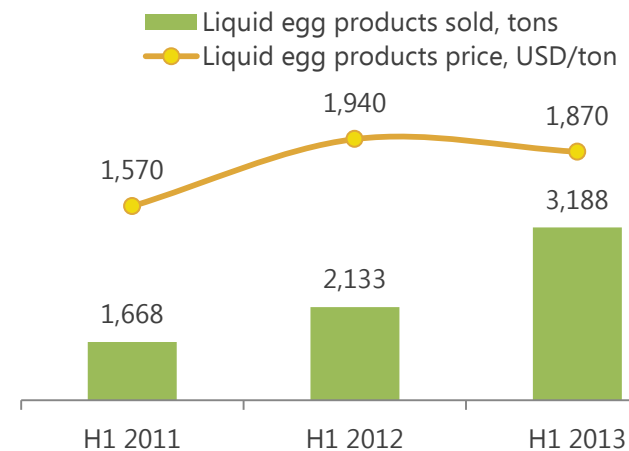
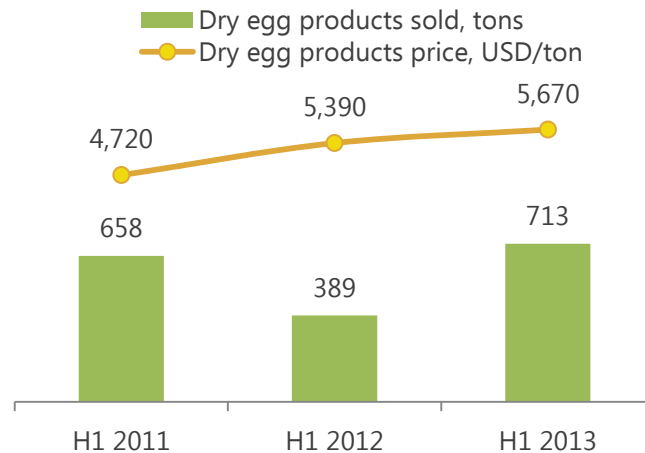
## Egg products segment - operating results

- ❖ Growing demand for liquid egg products was the main contribution to increase in segment revenue by 60% YoY to mUSD 10.0
- ❖ Selling prices for both dry and liquid egg products remained relatively unchanged from 2012, subject to slight shifts in sales mix
- ❖ Higher costs of processed eggs resulted in a lower gross margin of 26% in 1H 2013 versus 41% in 1H 2012

## Egg products segment – financial results

In mUSD, unless stated otherwise	1H 2012	1H 2013	YoY % change
<b>Segment results:</b>			
Revenue	6.240	10.006	60%
Gross profit	2.582	2.633	2%
Profit before tax	2.185	1.854	-15%
<b>Segment margins:</b>			
Gross margin	41%	26%	
Profit before tax	35%	19%	

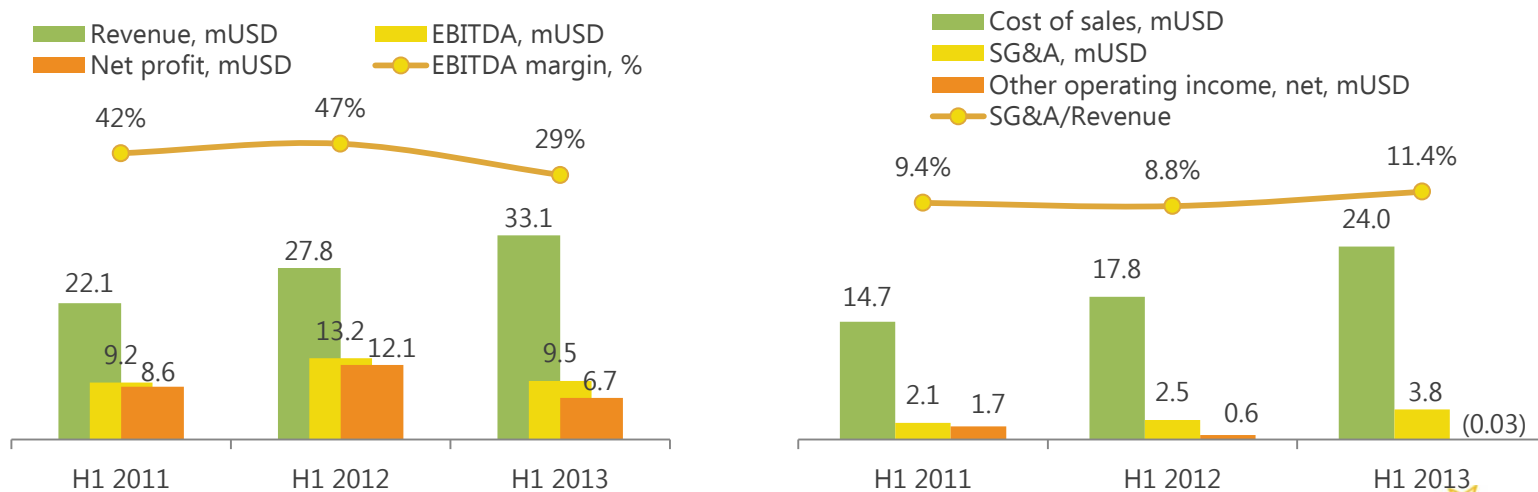
## Egg products sales volumes and prices



# Financial results 1H 2013

- ❖ Total revenue grew by 19% YoY to mUSD 33.1 in 1H 2013 as a result of increased sales volumes in all three segments
- ❖ Cost of sales increased faster at 35% to mUSD 24.0 mainly due to higher fodder costs in 1H 2013 compared to the previous year
- ❖ Net change in fair value of biological assets was down from mUSD 3.6 in 1H 2012 to mUSD 1.6 in 1H 2013 due to lower than expected egg prices and increased fodder cost
- ❖ SG&A expenses up by 54% YoY to mUSD 3.8 due to increase in sales volumes of the Group's products as well as implementation of the investment program in the interim period; SG&A/Revenue ratio is to stabilise by year-end
- ❖ VAT reimbursement decreased by 21% YoY to mUSD 0.5 due to investments in production expansion

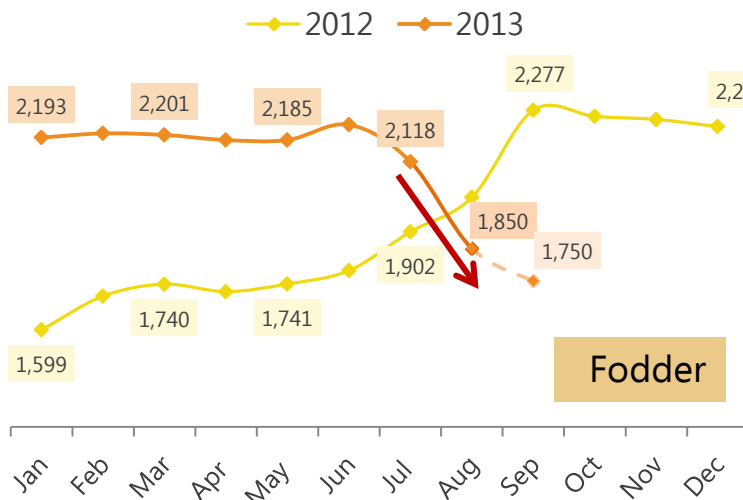
## Key financial results



- ❖ The Group enjoyed increased prices for eggs and egg products amid decrease in grain costs in 3Q 2013 YoY
- ❖ The factual data for July and August allow to estimate good results for the 9M of 2013, i.e. outperforming the same period last year on revenue growth
- ❖ After a good harvest in 3Q 2013 the cost of fodder continues to decline
- ❖ The Group expects to achieve mUSD 50-55 of revenue in 9M 2013

Key operating data				
Indicator	Units	9M 2012	9M 2013(E)	YoY % change
<b>Production:</b>				
Shell eggs	mln	491	650	32%
Dry egg products	tons	1,137	1,200	6%
Liquid egg products	tons	3,600	4,900	36%
<b>Processing:</b>				
Shell eggs	mln	176	205	16%
Sunflower seeds	tons	8,552	12,500	46%

## Prices for eggs and fodder



\*Prices in UAH per ton of fodder and per egg, net of VAT

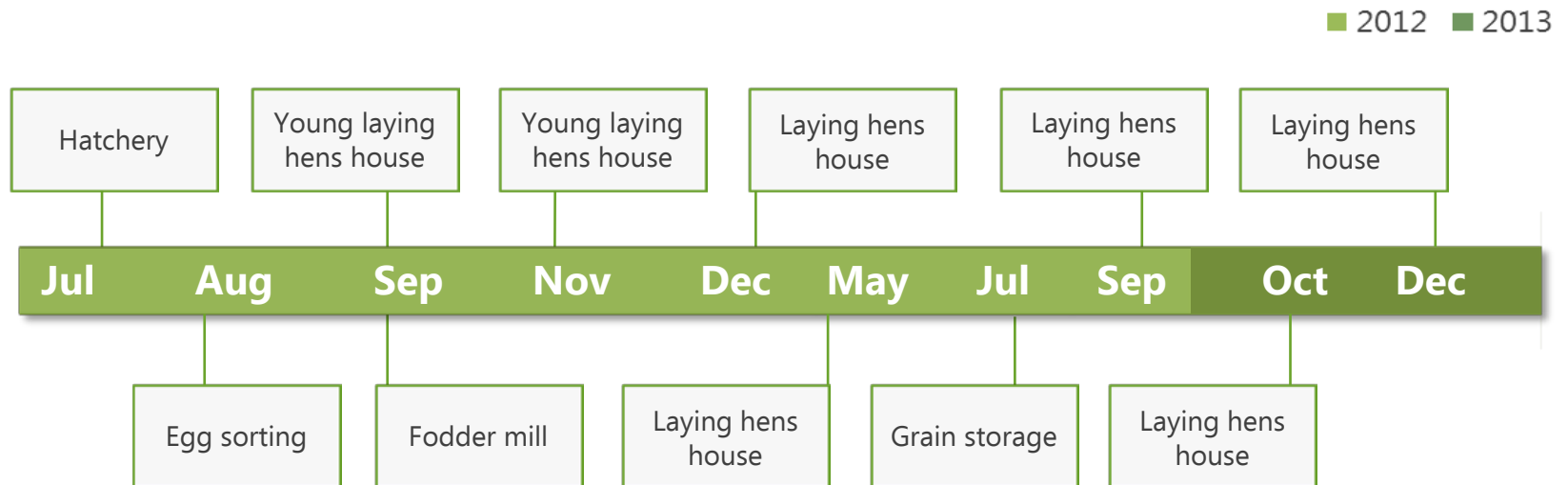




# | 2 | Investment program |









- ❖ In 2013 the reconstruction of the egg production site in Vasylkiv will be fully completed
- ❖ Laying hens capacities is expected to reach 5.4 mln hen places
- ❖ New equipment will enhance economies of scale and efficiency of production processes
- ❖ Given its successful track record Ovostar plans to embark on a similar investment project at the second laying hens site in Stavysche

## Investment timeline at Vasylkiv



# Growth plans 2014-2016

- ❖ The new project at Stavysche to be implemented over 2014-2016
- ❖ Brown field production ramp up with laying hens capacities to be increased from 1.0 mln to 4.6 mln laying hens places
- ❖ Modern equipment to be used in expansion of production facilities in the same way as in Vasytkiv

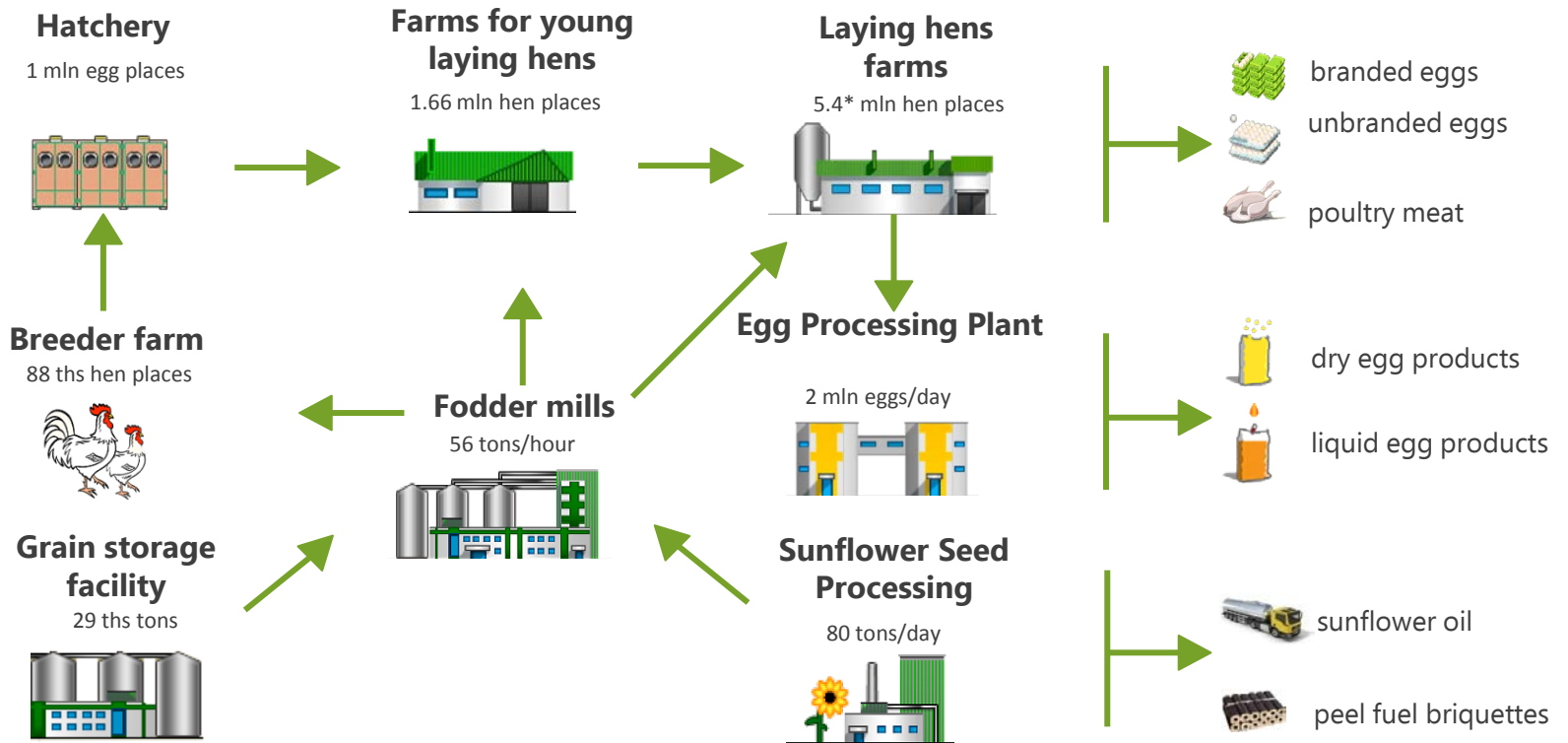
Investment details				
	2012	2013F	2016F	2017F
Laying hens places capacity, eop, mln	 3.9	 5.4	 8.0	 9.0
Shell eggs production, mln	 719	 920	 1,800	 2,100
Dry egg products output, tons	1,514	1,600	2,000	2,200
Liquid egg products output, tons	5,138	6,400	12,000	14,000

<b>mUSD 90</b> target CAPEX requirement 2014-2016			
<b>2014F</b>	<b>2015F</b>	<b>2016F</b>	
mUSD 20	mUSD 40	mUSD 30	



# | 3 | Appendices |



\* Projected capacities by the end of 2013



- Headquarters
- Young laying hens farm (2)
- Laying hens farm (2)
- Egg processing plant (1)
- Breeder farm (1)
- Fodder mill (2)
- Hatchery (1)

# Financial statements

<b>Balance sheet</b>	<b>30/06/13</b>	<b>31/12/12</b>	<b>30/06/12</b>
in USD thousands	(unaudited)	(audited)	(unaudited)
Non-current assets	90,779	85,677	53,263
Non-current biological assets	37,742	32,331	11,036
PPE and intangible assets	52,984	53,265	40,848
Other non-current assets	53	81	1,379
Current assets	34,028	34,121	52,403
Current biological assets	9,093	8,754	17,474
Inventories	12,898	10,648	11,028
Trade and other receivables & prepayments	11,169	13,567	12,658
Cash and cash equivalents	868	1,152	11,243
<b>Total assets</b>	<b>124,807</b>	<b>119,798</b>	<b>105,666</b>
Owners' equity	114,881	108,099	96,135
Non-current liabilities	1,554	2,001	2,190
Current liabilities	8,372	9,698	7,341
<b>Total liabilities</b>	<b>9,926</b>	<b>11,699</b>	<b>9,531</b>
<b>Total liabilities and equity</b>	<b>124,807</b>	<b>119,798</b>	<b>105,666</b>

<b>Cash flow statement</b>	<b>1H 2013</b>	<b>1H 2012</b>	<b>1H 2011</b>
in USD thousands	(unaudited)	(unaudited)	(unaudited)
Net cash flows from operating activities	7,294	9,473	2,085
Net cash flows used in investing activities	(6,480)	(19,139)	(4,809)
Net cash flows from/(used in) financing activities	(1,115)	(616)	34,654
Net increase/(decrease) in cash and cash equivalents	(301)	(10,282)	31,930

<b>Income statement</b>	<b>1H 2013</b>	<b>1H 2012</b>	<b>1H 2011</b>
in USD thousands	(unaudited)	(unaudited)	(unaudited)
<b>Revenues</b>	<b>33,098</b>	<b>27,790</b>	<b>22,110</b>
BA revaluation	1,570	3,623	1,286
Cost of sales	(24,033)	(17,800)	(14,670)
Gross profit	10,635	13,613	8,726
SG&A	(3,768)	(2,453)	(2,080)
Other operating income, net	(25)	575	1,651
<b>Operating profit</b>	<b>6,842</b>	<b>11,735</b>	<b>8,297</b>
Depreciation	2,634	1,417	911
<b>EBITDA</b>	<b>9,476</b>	<b>13,152</b>	<b>9,208</b>
<b>Profit before tax</b>	<b>6,776</b>	<b>12,141</b>	<b>8,631</b>
Income tax expense	(37)	(55)	(58)
<b>Profit for the period</b>	<b>6,739</b>	<b>12,086</b>	<b>8,573</b>
Exchange differences	43	(14)	7
<b>Total comprehensive income</b>	<b>6,782</b>	<b>12,072</b>	<b>8,580</b>

<b>Net debt position</b>	<b>1H 2013</b>	<b>1H 2012</b>	<b>2011</b>
in USD thousands			
Loans and borrowings	2,656	3,649	2,259
Cash	868	1,152	11,243

Source: Ovostar Union N.V Consolidated Financial Statements

**Kateryna Pavlovska**

Head of Investor Relations

Ovostar Union N.V.

Tel.: +380 50 411 33 37

Fax: +380 44 354 29 61

E-Mail: [e.pavlovskaya@invest.ovostar.ua](mailto:e.pavlovskaya@invest.ovostar.ua)