

[DOWNLOAD KEY FACTS ABOUT AVANGARDCO IPL](#)

Letter from CEO



Dear Shareholders,

In 2016, we saw an improvement in AvangardCo's financial performance which is reflected in a three-fold reduction in net loss, whilst EBITDA reached US\$1.5 million against US\$1.4 million negative EBITDA in the prior year. We believe this is a good achievement given the difficult economic conditions in which the Company operates, combined with the loss of a significant part of its assets and sales markets.

In 2016, we also witnessed the gradual recovery in the Ukrainian economy and a revival of domestic consumer demand. We expect this trend to continue into 2017 which should support further financial stabilisation at the Company.

In 2017, AvangardCo will focus on restoring its operational profitability, whilst prudently managing liquidity and servicing its debt obligations.

*Sincerely,
Nataliya Vasylyuk
CEO, Board member*

Outlook for 2017

AvangardCo expects the gradual recovery in domestic demand to continue, helping to moderately drive growth in 2017, including:

- Small increase in the number of laying hens, leading to a moderate rise in shell egg production and sales, provided that the gradual recovery of consumer demand in Ukraine and further export diversification continue;
- Moderate growth in sales of dry egg products, including inventory sales formed in 2016, subject to the recovery in exports to the Far East;
- 20-30% growth in export sales – although this is reliant on the resumption of exports to the Middle East (particularly to Iraq) and the import ban being lifted in the near future;
- Ongoing sales increase via all available distribution channels with a focus on supermarkets, which have higher margins, and additional export opportunities in existing and new markets.

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Key achievements in 2016

Retaining industry leadership in a challenging operating environment:

- 31% share in the industrial production of shell eggs in Ukraine;
- 87% share in the production of dry egg products in Ukraine;
- 65% share in export of shell eggs and dry egg products from Ukraine.

Diversification of sales channels as trade with MENA shrinks due to military conflict:

- Revenue from the export of shell eggs and egg products generated 35% of the consolidated revenue;
- Sales to the EU generated 40% of export proceeds from the sales of shell eggs and egg products;
- Export to 23 countries in the EU, Asia, the Far East, MENA and the CIS.

Strengthening sales channel mix:

- The share of shell egg sales through supermarkets and for export reached a hefty 60% and 17% from total sales respectively;
- AvangardCo sells shell eggs to the leading retail chains in Ukraine, including Auchan, ATB, Fozzy Group, Novus, Karavan, Velyka Kishenya, Eko Market, Billa, MegaMarket, Brusnichka, Tavria B, Evrotek and Pakko Holding;
- 91% of egg products are sold for exports.

Achievement of ISO certification to promote sales:

- AvangardCo's Quality Management System was certified to ISO 9001:2015;
- Avis completed ISO 22000:2005 certification for Food Safety Management Systems;
- Chornobaivske is on its way to be certified to ISO 22000:2005 in early 2017.

AvangardCo's bio-security safeguards prove strong amid outbreaks of avian Influenza in Ukraine.

Source: State Statistics Service of Ukraine, Pro-Consulting, Company data.

Press-releases

- [30.11.2016] – [Financial results for 9 months of 2016](#)
- [28.10.2016] – [Avangardco IPL makes coupon payment on its Eurobonds](#)
- [16.09.2016] – [Results of AGM](#)
- [30.08.2016] – [Financial results for the H1 2016](#)
- [23.08.2016] – [Notification of H1 2016 financial results and call](#)
- [18.08.2016] – [AGM Notification](#)
- [31.05.2016] – [Financial results for Q1 2016](#)
- [24.05.2016] – [Notification of Q1 2016 financial results and call](#)
- [29.04.2016] – [Coupon Payment on Eurobonds](#)
- [29.04.2016] – [Board changes and new CEO appointment](#)
- [22.04.2016] – [2015 Annual report publication](#)
- [30.03.2016] – [Financial results for Q4 and FY 2015](#)
- [24.03.2016] – [Notification of 2015 financial results and conference call](#)

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Macroeconomics: key metrics

Improved macroeconomic environment in Ukraine in 2016:

- GDP **up 2.3% YoY** in 2016, growing for four consecutive quarters (FY 2015: (9.8%) YoY);
- FX market was **relatively stable**, however the Ukrainian Hryvnia depreciated a further 17% YoY against the US dollar in 2016, following a 83% YoY drop in 2015;
- Inflation **decelerated to 13.9% YoY** (FY 2015: 48.7% YoY), but remained in double digits, mainly due to increased utilities tariffs and weaker currency;
- IMF expects GDP to increase 2.5% YoY and inflation of 11.0% YoY in 2017.

Source: State Statistics Service of Ukraine, Company data.

Industry overview

Positive dynamics in domestic consumption:

- Households' disposable income has been improving since Q2 2016;
- In 2016 retail trade **rose 4.0% YoY** after a 21% YoY drop in 2015. The positive dynamics in consumer spending was due to the low base effect rather than a solid pick up in consumer confidence.

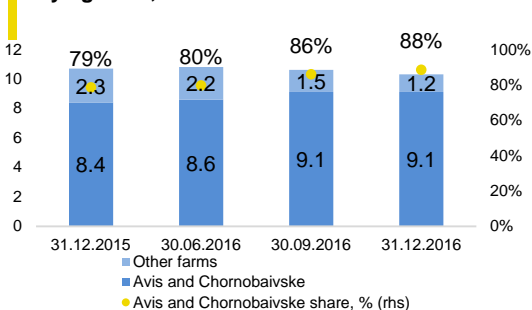
Special VAT regime for agricultural producers:

- The special VAT regime for agricultural producers was cancelled in 2017;
- On December 2016, the Ukrainian government introduced a new subsidy scheme which included a subsidy of **UAH 4 billion** for the farming industry in 2017;
- We expect this subsidy to partially mitigate against the negative impact from the special VAT regime cancellation in 2017.

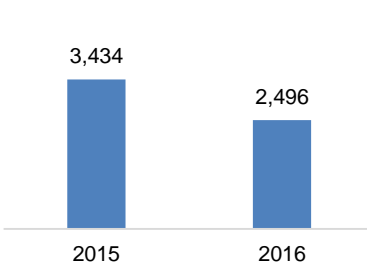
Source: State Statistics Service of Ukraine, Company data.

Production: key charts

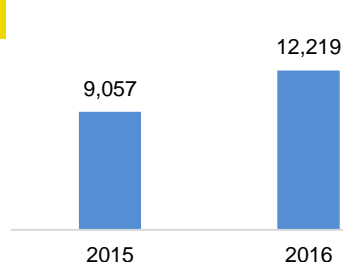
Laying flock, million heads



Production of shell eggs, million

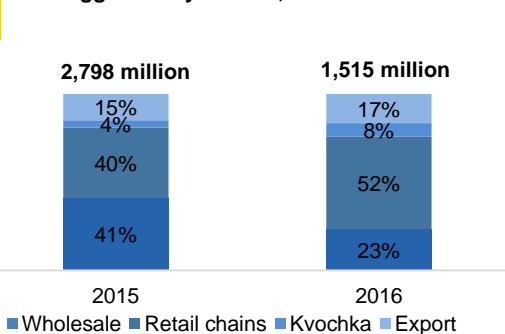


Production of egg products, tonnes

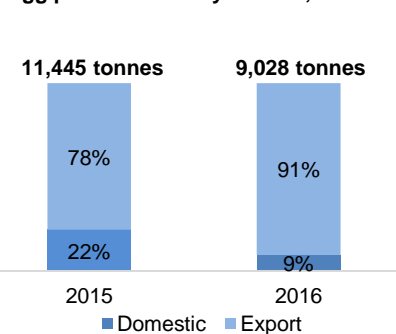


Diversified sales structure

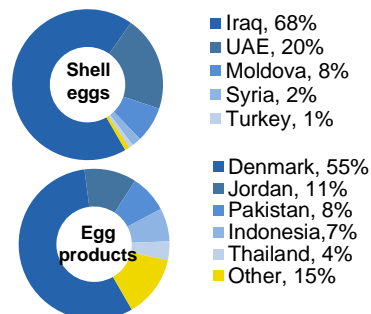
Shell egg sales by volume, %



Egg product sales by volume, %

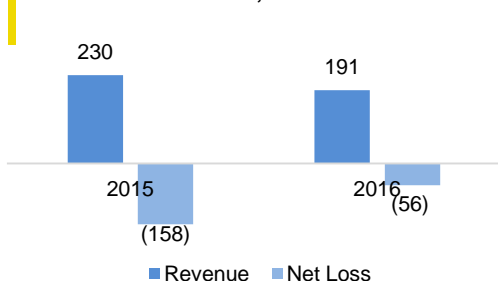


Top - 5 export markets, % of export revenue*

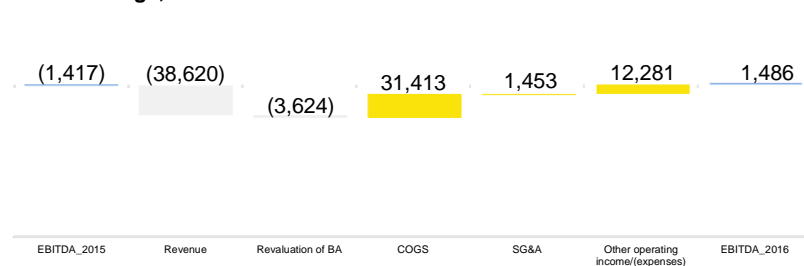


Financial results: key charts

Revenue* and net loss, USD million



EBITDA bridge, USD thousand



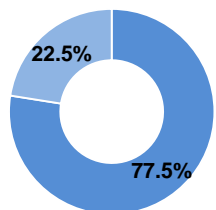
*Egg and egg product export revenue

*2016 financials include operations with grain, purchased from an affiliated party. Detailed information on this is available at: http://avangardco.ua/fileadmin/files/PRESS-CENTRE/Press-releases/2017/AVGR_FS_2016_ENG_Final.pdf

Our competitive advantages

- The largest producer of shell eggs and dry egg products in Ukraine and Europe;
- Economies of scale promote competitiveness on domestic and foreign markets;
- Vertically integrated business model ensures effective cost and quality control at each stage of production;
- Production facilities across Ukraine enable AvangardCo to meet consumer demand in an efficient and timely manner;
- Diversified consumer base and geographical sales outreach in the EU, Asia, the Far East, MENA and the CIS;
- Modern asset base and an automated production cycle promote cost reduction, limit human factor and improve quality of products;
- Consistent adherence to high standards of biosecurity;
- AvangardCo's Quality Management System and its key production assets are certified to ISO standards;
- Experienced management team and adherence to the best standards of corporate governance.

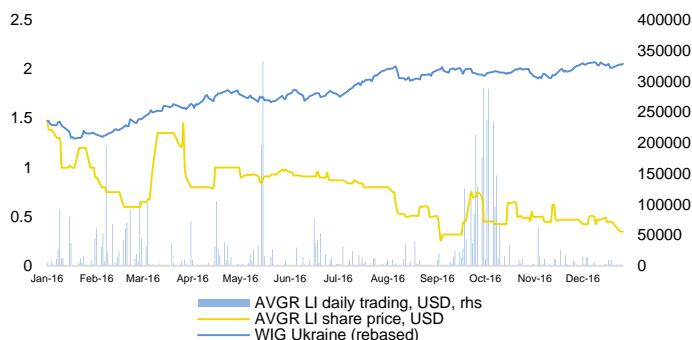
Shareholder structure -



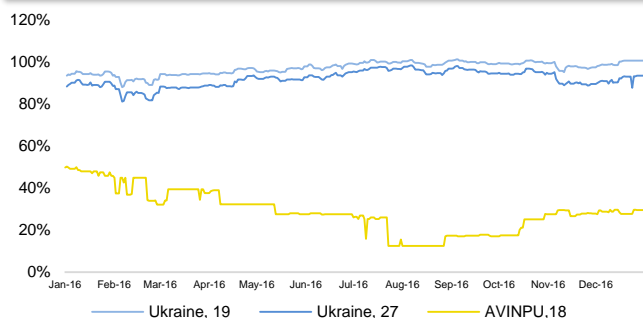
■ Uklandfarming PLC ■ Free Float



GDR performance -



Eurobond price -



Securities information

GDRs

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

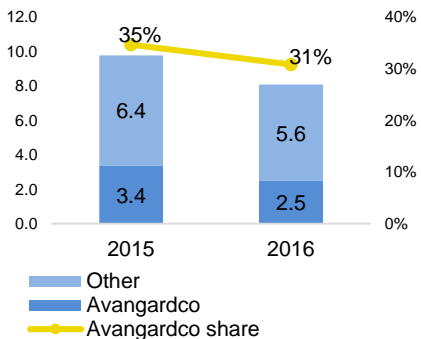
Bonds

On 28 October 2015, AvangardCo via Scheme of Arrangement extended maturity of its Eurobonds from 29 October 2015 to 29 October 2018

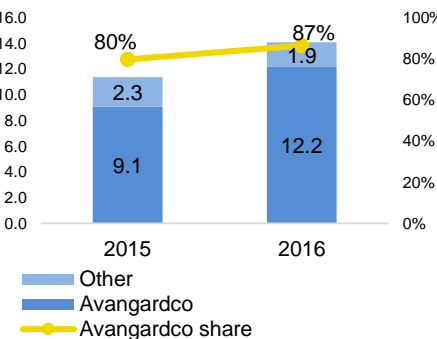
Format	Reg S																					
Amount	USD 200 million																					
Maturity	29 October 2018																					
Coupon	<ul style="list-style-type: none"> • The 5% coupon payable on 29 October 2015 (representing the semi-annual payment of the existing 10% coupon) was paid as follows: (i) 2% in cash and (ii) 3% as payment in kind ("PIK"); • 10% payable semi-annually in arrears on 29 April and 29 October of each year, commencing 29 April 2016, subject to the following PIK and cash payment provisions: 																					
	<table border="1"> <thead> <tr> <th>Interest payment date</th> <th>PIK interest %</th> <th>Cash interest %</th> </tr> </thead> <tbody> <tr> <td>29.04.16</td> <td>75</td> <td>25</td> </tr> <tr> <td>29.10.16</td> <td>75</td> <td>25</td> </tr> <tr> <td>29.04.17</td> <td>50</td> <td>50</td> </tr> <tr> <td>29.10.17</td> <td>50</td> <td>50</td> </tr> <tr> <td>29.04.18</td> <td>25</td> <td>75</td> </tr> <tr> <td>29.10.18</td> <td>0</td> <td>100</td> </tr> </tbody> </table>	Interest payment date	PIK interest %	Cash interest %	29.04.16	75	25	29.10.16	75	25	29.04.17	50	50	29.10.17	50	50	29.04.18	25	75	29.10.18	0	100
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Industry leader in Ukraine

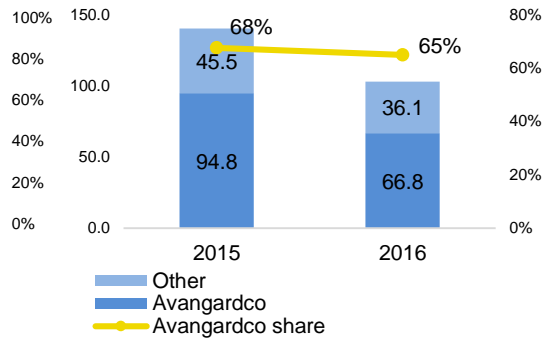
Industrial production of shell eggs, billion



Industrial production of dry egg products, thousand tonnes

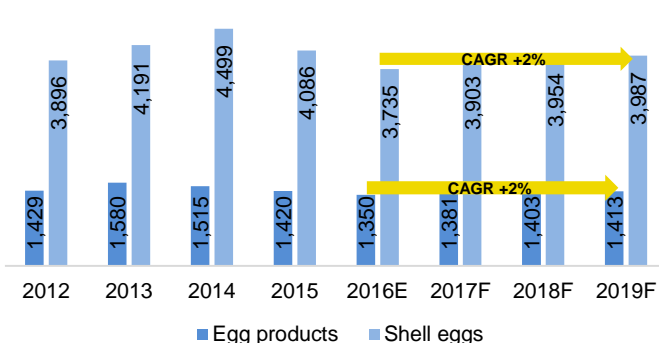


Export of shell eggs and dry egg products from Ukraine, USD million

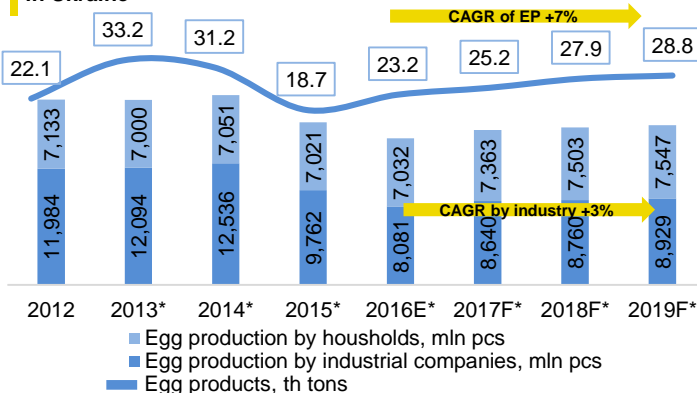


Growth potential for eggs and dry egg products

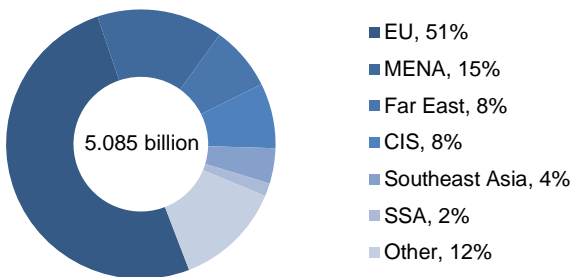
World import of eggs and egg products, USD million



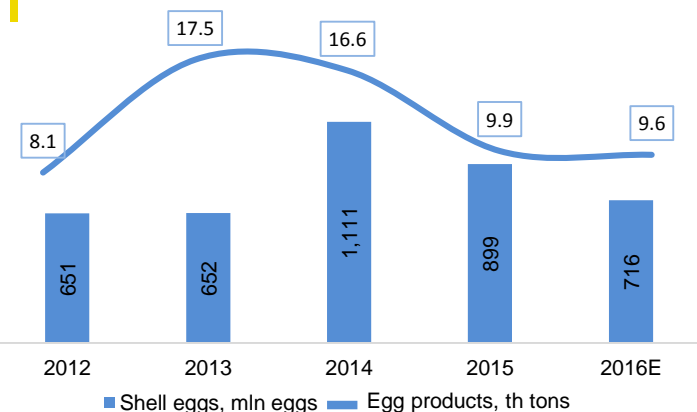
Egg and egg product production in Ukraine



World import of eggs and egg products in 2016E, USD million



Export of eggs and egg products from Ukraine*



*Excluding the Autonomous Republic of Crimea, the city of Sevastopol and military conflict zone in Eastern Ukraine.
Source: State Statistics Service of Ukraine, International Trade Center, European Commission, Pro-Consulting, Company data.