



2016 audited financial results
29 March 2017



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1. Macro and market overview

Macro and industry overview

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

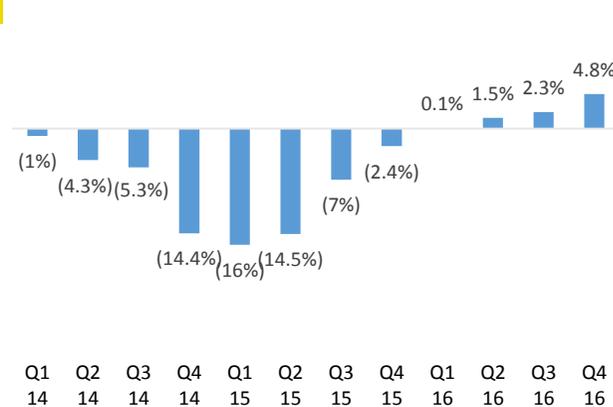
Positive dynamics in domestic consumption:

- 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

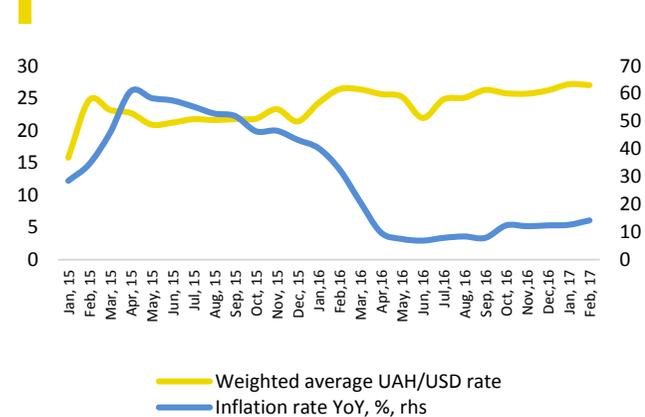
Special VAT regime for agricultural producers:

- 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 bln for the farming industry in 2017
 - ✓ The subsidy will be distributed automatically on a monthly basis in proportion to the amount of VAT paid within the allocated funds
 - ✓ Subsidy for poultry producers capped at 50% of its monthly amount
- We expect this subsidy to partially mitigate against the negative impact from the special VAT regime cancellation in 2017

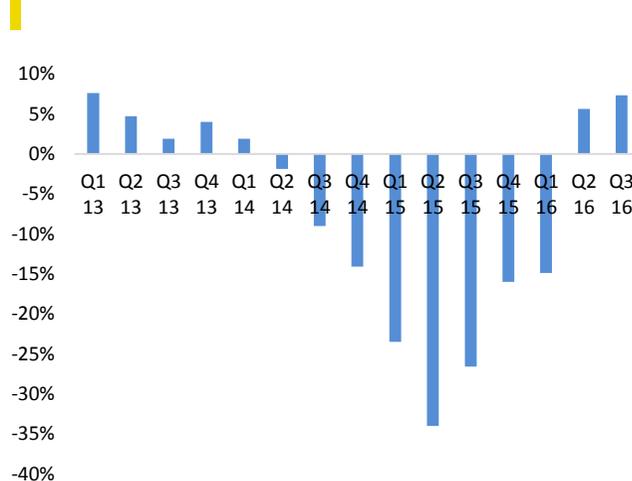
Change of GDP in constant 2010 prices YoY, % **



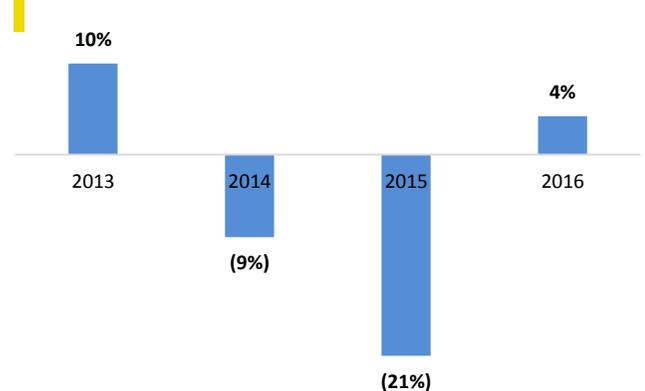
CPI** and UAH/USD exchange rate



Change in disposable income of households YoY, % **



Change in retail trade turnover in comparable prices YoY, % **



*Calculated at weighted average rate for the period

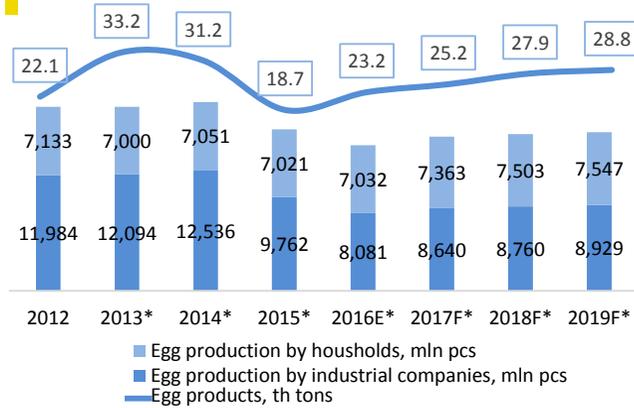
** Excluding the Autonomous Republic of Crimea, the city of Sevastopol and military conflict zone

Source: SSCU, Pro-consulting, Company data

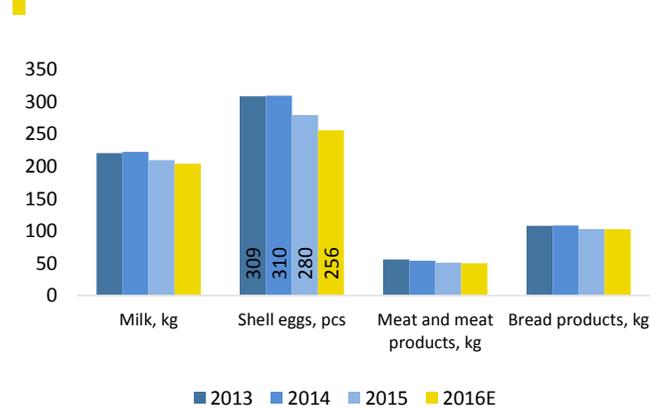
Domestic egg and egg product market

- 17% YoY decline in industrial production of shell eggs in Ukraine as a result of subdued consumption on the back of reduced consumers' purchasing power, and lower exports from Ukraine
- The share of shell egg production by households rose to 47% from 37% in 2013
- Increased production by households made seasonality more apparent while impacting price volatility
- 24% YoY increase in production of dry egg products in 2016 due to unfavourable sales conditions for shell eggs in Ukraine and to avoid an inventory accumulation
- Industrial production of shell eggs is expected to recover by 6.9% YoY in 2017, 1.4% YoY in 2018 and 1.9% in 2019 as a result of the gradual stabilisation of the situation in Ukraine and demand from export markets
- Volume of export of shell eggs from Ukraine decreased by 20% YoY due to political instability in MENA, in particular in Iraq
- Volume of exports of egg products declined by 3% YoY due to a recovery of exports from the US (one of the largest suppliers of egg products in the world)

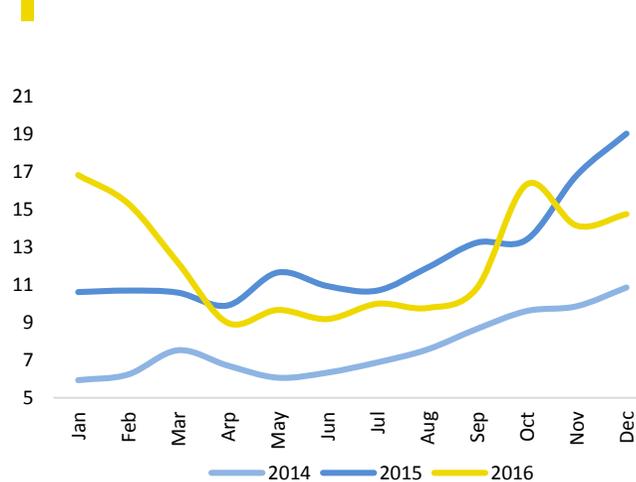
Egg and egg product production in Ukraine



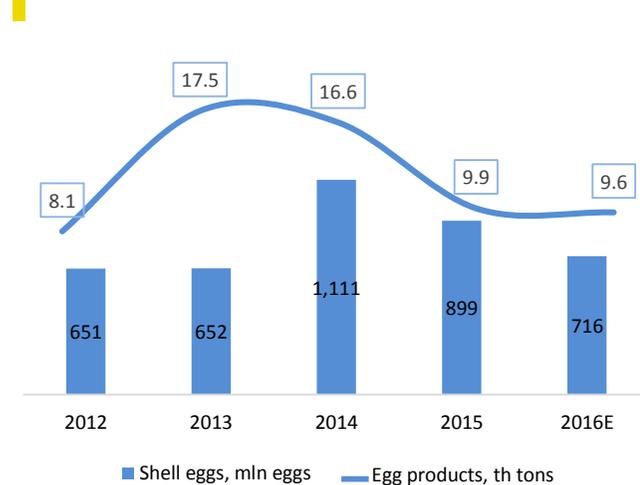
Consumption of basic food products per capita



Shell egg price in Ukraine, UAH/10 eggs



Export of shell eggs and egg products from Ukraine*

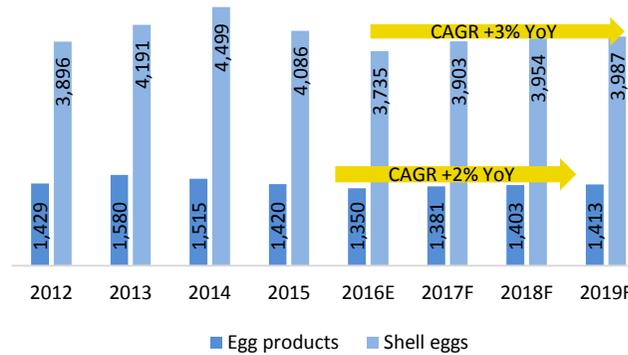


*Excluding the Autonomous Republic of Crimea, the city of Sevastopol and military conflict zone
Source: SSSU, Pro-consulting, Company data

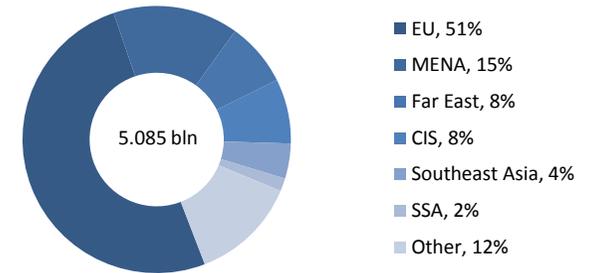
World egg and egg product market

- In 2016 the global import of eggs and egg products in monetary terms declined by 9% YoY and 5% YoY respectively due to:
 - Increased shell egg production in the EU after the implementation of the Council Directive 1999/74/EC, resulting in a decline in internal trade within the EU
 - Further import reduction from MENA due to political instability and military conflicts
 - Decline in import from SSA due to a slow down of the region's economy
 - Temporary ban on the import of poultry products from a number of countries due to outbreaks of avian influenza
- The most attractive regions for the export of shell eggs and egg products continue to be the EU (51% of global imports of eggs and egg products) and MENA (15% of global imports of eggs and egg products)

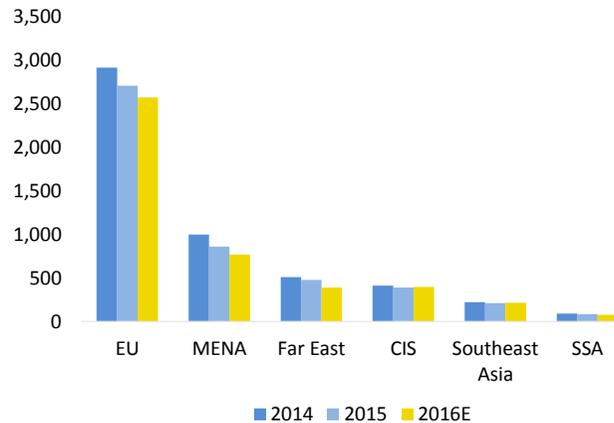
World import of eggs and egg products, USD mln



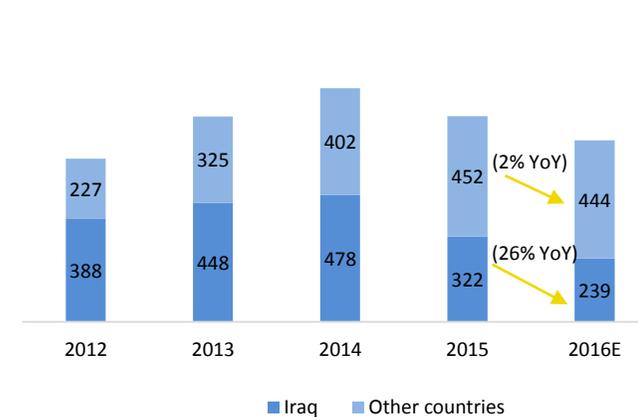
Breakdown of world import of eggs and egg products in 2016E, USD mln



Import of eggs and egg products in the key regions, USD mln



Import of shell eggs in MENA, USD mln






2. Operations overview

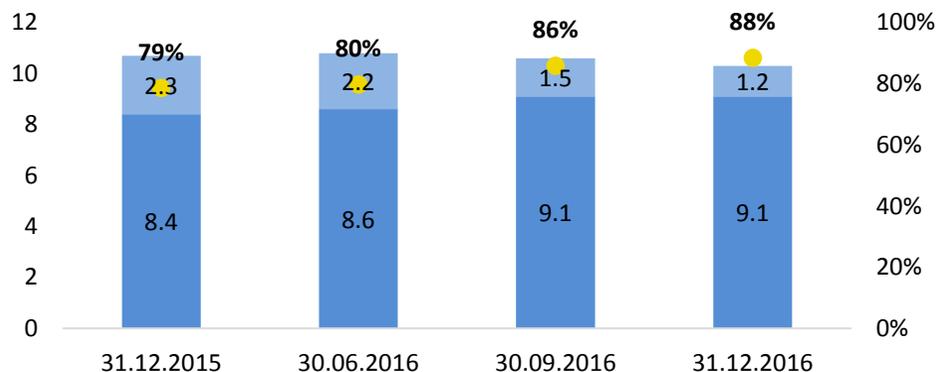
Shell egg segment

- The number of laying hens declined by 4% YoY to 10.3 mln heads due to:
 - The ongoing subdued level of shell egg consumption in Ukraine affected by lower consumers' purchasing power
 - Lower export sales which, among other things, were impacted by the temporary ban on imports of poultry and poultry products from Ukraine imposed by some countries due to avian influenza
- As a result production of shell eggs decreased by 27% YoY to 2,496 mln units
- Sales of shell eggs declined by 46% YoY to 1,515 mln units due to the aforementioned reasons combine with a sales price below costs in Q2 and Q3 2016
- Exports of shell eggs decreased by 40% YoY to 252 mln units mainly due to the unstable situation in Iraq, one of the Company's key markets for shell egg exports where sales declined by 50% YoY. The share of shell egg export in total sales rose to 17%
- The Company continued further diversification of its export destinations into Iraq, UAE, Syria, Turkey, Moldova, Azerbaijan and Liberia
- The share of sales through supermarkets has increased significantly reaching 60% of total sales, whilst the share of sales to the lower margin wholesale channel reduced to 23%
- The average sales price of shell eggs increased by 11% YoY to 1.35 UAH per unit, excluding VAT, following larger sales volumes in Q1 and Q4 2016 when the sales price was higher, as well as due to changes in the sales structure with a continued focus on higher margin sales channels

Key figures

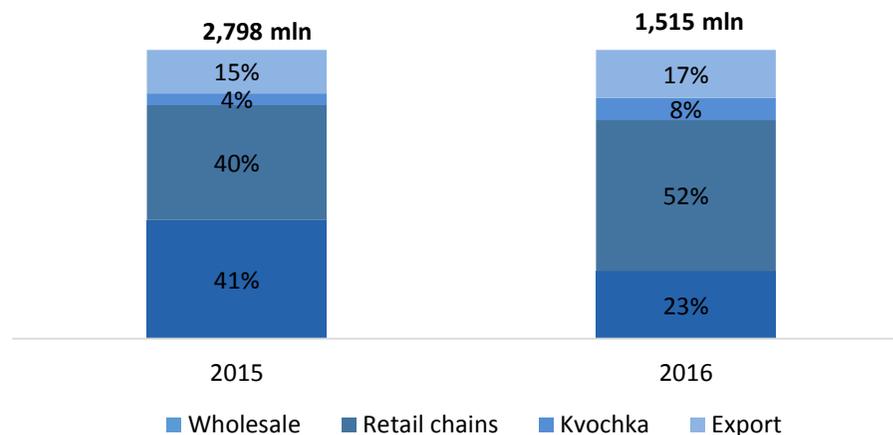
	2015	2016	%
Production, mln eggs	3,434	2,496	(27%)
Sales, mln eggs	2,798	1,515	(46%)
Processing, mln eggs	770	1,039	35%
Export, mln eggs	421	252	(40%)
Average sales price, UAH/egg	1.22	1.35	11%
Average sales price, USD/egg	0.056	0.053	(5%)

Laying flock, mln hens



■ Other farms ■ Avis and Chornobaivske ● Avis and Chornobaivske share, % (rhs)

Sales structure by volume, %



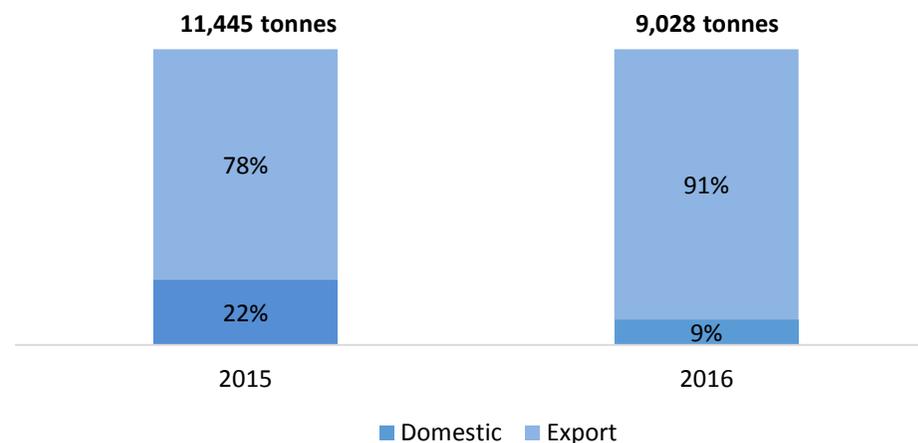
Dry egg product segment

- Production of dry egg products increased by 35% YoY to 12,219 tonnes to counterbalance challenging sales conditions for shell eggs in Ukraine, helping the Company to avoid the accumulation of inventories with a short shelf life
- Sales declined by 21% YoY to 9,028 tonnes mainly due to untypically high sales in H1 2015 (sales of inventories of 2,129 tonnes)
- Exports declined by 8% YoY to 8,249 tonnes due to the decline of sales in the Far East because of the increased competition from the EU and the US. The Company believes that this trend is temporary and expects to restore its supplies to the region, which is one of the largest albumin consumers, in the near term
- The Company expanded its geographic sales outreach to 16 countries in the EU, Asia, the Far East, the Middle East and North Africa
- The Company continues to increase its sales to the EU which in 2016 amounted to 57% of dry egg products exports
- The average sales price of dry egg products decreased 2% YoY to USD 5.57/kg due to a different sales breakdown within product mix and geography

Key figures

	2015	2016	%
Production, tonnes	9,057	12,219	35%
Sales, tonnes	11,445	9,028	(21%)
Export, tonnes	8,929	8,249	(8%)
Average sales price, USD/kg	5.66	5.57	(2%)

Sales structure by volume, %






3. Financial performance

Revenue

- Consolidated revenue declined 17% YoY to USD 191.3 mln

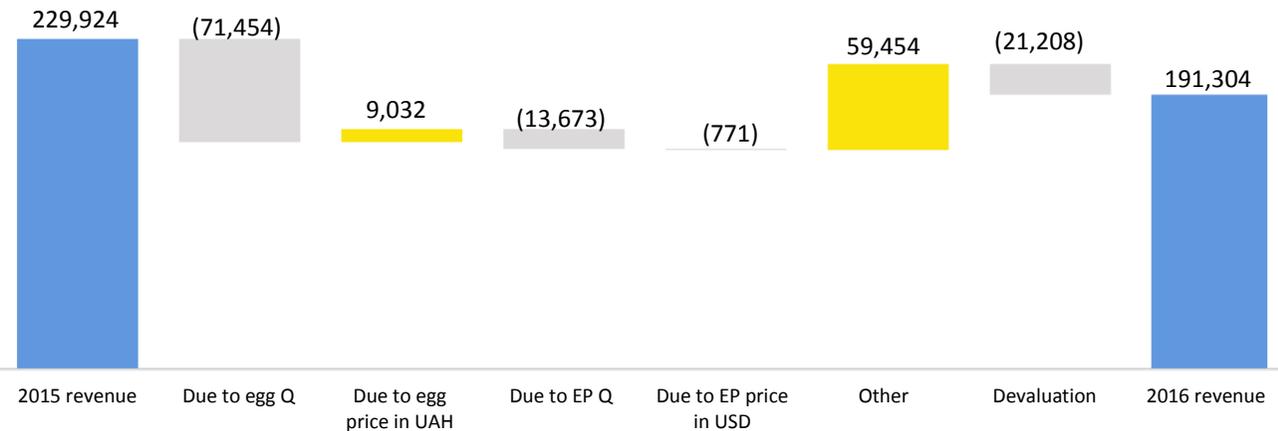
Negative influence:

- ✓ 46% YoY and 21% YoY decrease in sales of shell eggs and dry egg products respectively
- ✓ 2% YoY decrease in the average sales price of egg products in US dollar terms
- ✓ 17% YoY* devaluation of the Ukrainian Hryvnia against the US dollar

Positive influence:

- ✓ 11% YoY increase in the average sales price of shell eggs in the Ukrainian Hryvnia
- ✓ Increase in other income from revenue of grain trading operations of USD 50.2 mln

Revenue bridge, USD th



EBITDA of USD 1.5 mln resulted from:

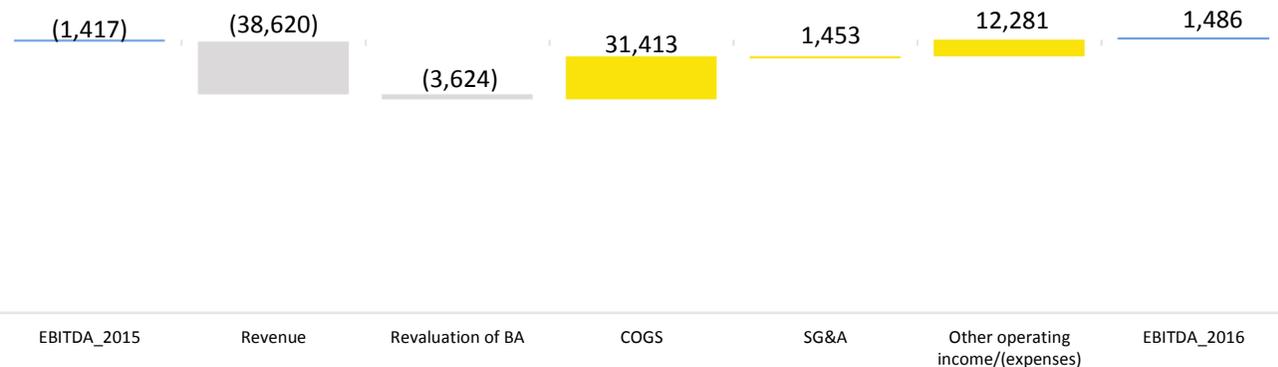
Negative influence:

- ✓ 17% YoY decrease in consolidated revenue
- ✓ Loss from the revaluation of biological assets due to a reduction in laying hens flock

Positive influence:

- ✓ 16% YoY decrease in cost of sales and 8% YoY decline in SG&A expenses due to lower sales volumes
- ✓ Other operating income improved YoY as in 2015 the Company recognised losses from impairment of current assets and funds as well due to a decrease in provisions for doubtful debt

EBITDA bridge, USD th



The EBITDA margin was 1%

Average FX UAH/USD

	Q3 16	Q4 16	Δ	Q4 15	Q4 16	Δ	2015	2016	Δ
Average FX UAH/USD	25.376	25.890	2%	22.849	25.890	13%	21.829	25.546	17%

Source: Company data, NBU

* Calculated at weighted average rate for the period

Export revenue

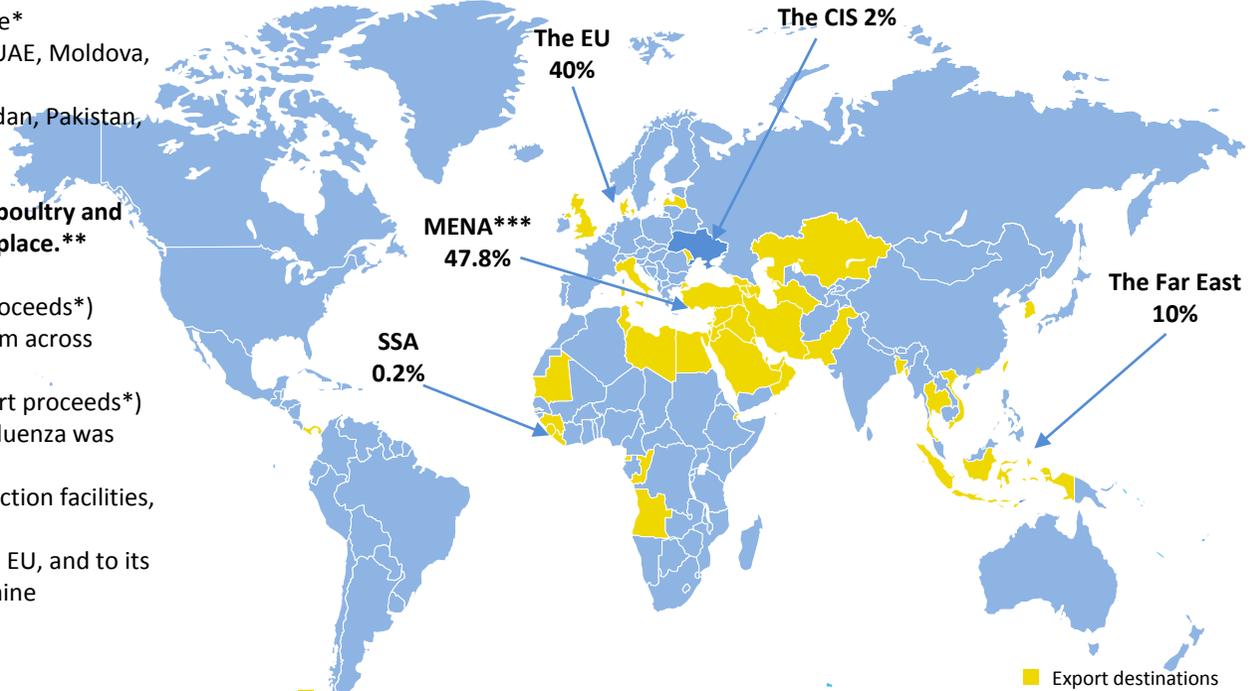
- Export revenue from sales of shell eggs and egg products declined by 30% to USD 66.7 mln and amounted to 47% of the consolidated revenue excluding grain trading operations
- Sales to the EU and MENA generated 88% of the export revenue*
- Top 5 markets for the export of shell eggs continue to be Iraq, UAE, Moldova, Syria and Turkey
- Top 5 markets for the export of egg products are Denmark, Jordan, Pakistan, Indonesia and Thailand

The temporary ban from a number of countries on the import of poultry and poultry products from Ukraine due to avian influenza remains in place.**

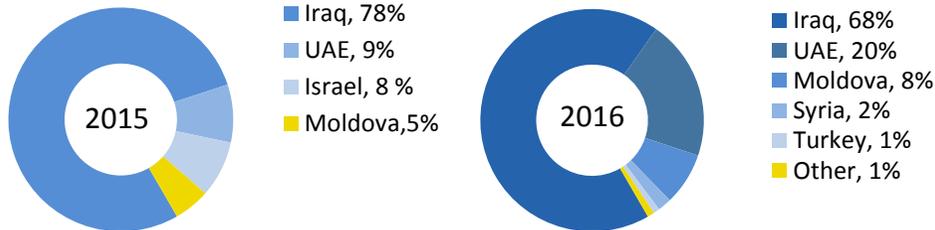
Among those countries are the Company's key exports markets:

- Iraq (20% of export proceeds*) and Jordan (8% of export proceeds*) introduced a temporary import ban on poultry products from across Ukraine
 - The UAE (7% of export proceeds*) and the EU (40% of export proceeds*) have banned imports only from the regions where avian influenza was detected
- Avian influenza was not detected at any of AvangardCo's production facilities, which are located at a significant distance from the outbreaks
 - AvangardCo can continue to export its products to the UAE and EU, and to its other export regions which have not banned imports from Ukraine

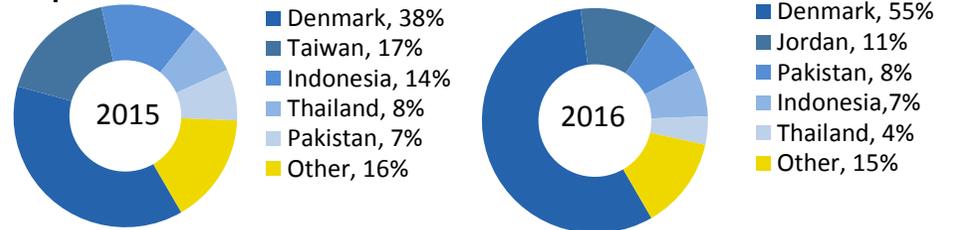
2016 export by region, % of export revenue*



Top-5 egg export markets, % of egg export revenue



Top-5 egg product export markets, % of egg products export revenue



*Export proceeds from sales of eggs and egg products

**As at 16 March 2017, Iraq, China, Qatar, Yemen, Jordan introduced a temporary import ban on poultry products from across Ukraine. The principle of regionalization was applied by Hong Kong, the EU, Saudi Arabia and the UAE

***Including Turkey and Pakistan

Key segment results

- Sales of shell eggs and egg products generated 68% of the consolidated revenue

Shell egg segment:

- Shell egg segment's revenue decreased by 49% YoY to USD 79.8 mln as a result of reduced sales and a lower sales price in Q2 and Q3 2016
- Gross profit declined by 92% YoY to 1.2 mln due to decreased sales volumes and a loss from revaluation of biological assets
- Gross profit margin was 2%
- The segment's loss amounted to USD 12.2 mln due to a shortfall in revenue in Q2 and Q3 2016

Egg product segment:

- The segment's revenue was down 22% YoY to USD 50.3 mln as result of decrease in sales volumes
- Gross profit declined by 24% YoY to USD 8.9 mln as a result of lower sales
- Gross profit margin was flat YoY at 18%
- The segment's loss amounted to USD 3.4 mln

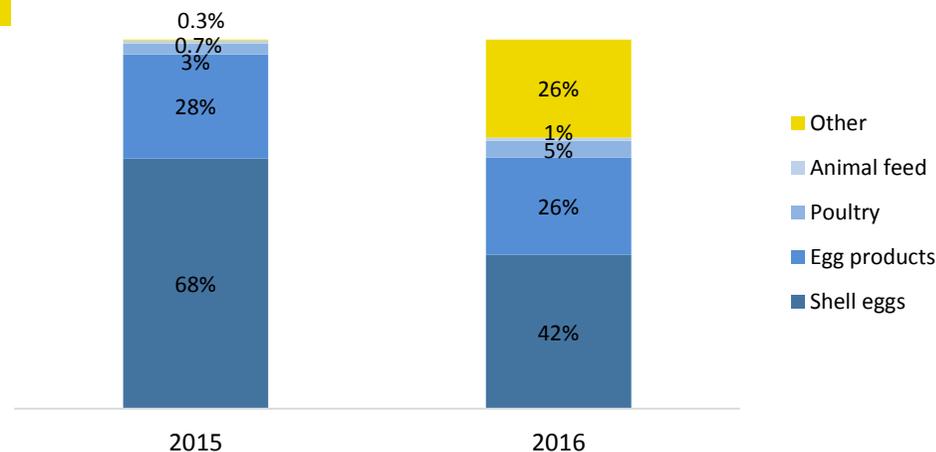
Other activities segment:

- In 2016, the Company conducted operations on trading grain purchased from an affiliate of Ukrlandfarming PLC at market rates. Since these operations are of a technical nature and have a minimum margin, they do not affect AvangardCo's operational and net profit

Key financial indicators

	Shell eggs			Egg products		
	2015	2016	%	2015	2016	%
Revenue, USD'000	155,789	79,782	(49%)	64,735	50,291	(22%)
Export, % of sales	24%	24%	-	89%	95%	6 p.p.
Revenue, % of total sales	68%	42%	(26 p.p.)	28%	26%	(2 p.p.)
Gross profit, USD'000	14,626	1,231	(92%)	11,805	8,933	(24%)
Gross profit margin, %	9%	2%	(7 p.p)	18%	18%	-
Operating profit/(loss), USD'000	(10,584)	(12,317)	-	(25,002)	(1,630)	-
Profit/(loss), USD'000	(10,356)	(12,216)	-	(36,602)	(3,414)	-

Revenue by segment, %



Cost of sales

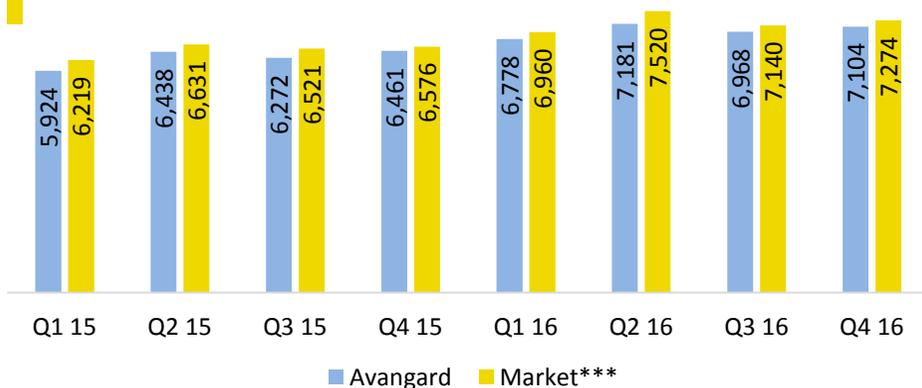
- In 2016 cost of sales excluding grain trading operations fell by 39% YoY mainly due to reduced sales of shell egg and egg product sales
- Cost per egg in UAH rose 14% YoY due to higher cost of feed and utilities tariffs in the Ukrainian market
- In US dollar terms the cost of sales of shell eggs fell 4% YoY due to the devaluation of the Ukrainian Hryvnia
- Cost per kg of egg products in US dollar terms fell 1% YoY driven by the decreased cost per egg in USD used for processing

Gross profit and net loss:

- Gross profit excluding grain trading operations declined 51% YoY as a result of lower consolidated revenue and a drop in margins in the key Shell Eggs and Egg Products segments
- Gross profit margin was 8%
- Net loss excluding grain trading operations reduced threefold to USD 56.5 mln affected by a shortfall in profits in Q2 and Q3 2016 due to unfavourable prices in the domestic market combined with lower sales and high costs

USD'000, excl. grain trading	Q3 2016	Q4 2016	%	2015	2016	%
Revenue	31,222*	44,962*	44%	229,924	141,136	(39%)
Average shell egg price, UAH/egg	1.11	1.55	40%	1.22	1.35	11%
Average shell egg price, USD/egg	0.044	0.060	36%	0.056	0.053	(5%)
Average egg products price USD/kg	5.69	5.36	(6%)	5.66	5.57	(2%)
Cost of sales	29,609*	39,213*	32%	209,190	128,028	(16%)
Cost per egg, UAH/egg	1.26	1.27	1%	1.11	1.26	14%
Cost per egg, USD/egg	0.050	0.049	(2%)	0.051	0.049	(4%)
Cost per egg products, USD/kg	4.62	4.65	1%	4.62	4.58	(1%)
Gross profit/(Loss)	690*	7,426*	-	22,125	10,876	(51%)
Net Profit/(Loss)	(5,945)*	(17,846)*	-	(158,390)	(56,487)	-
EBITDA	2,645*	11,264*	-	(1,417)	1,635	-
EBITDA margin	8%	25%	17 p.p.	-	1%	-

Average feed price, UAH/tonne



* Recalculated at weighted average rate for the period, slide 12

** In volume terms average recipe of feed consists of grains (48%), oils (48%) and others (4%)

***Avangard average recipe, volume

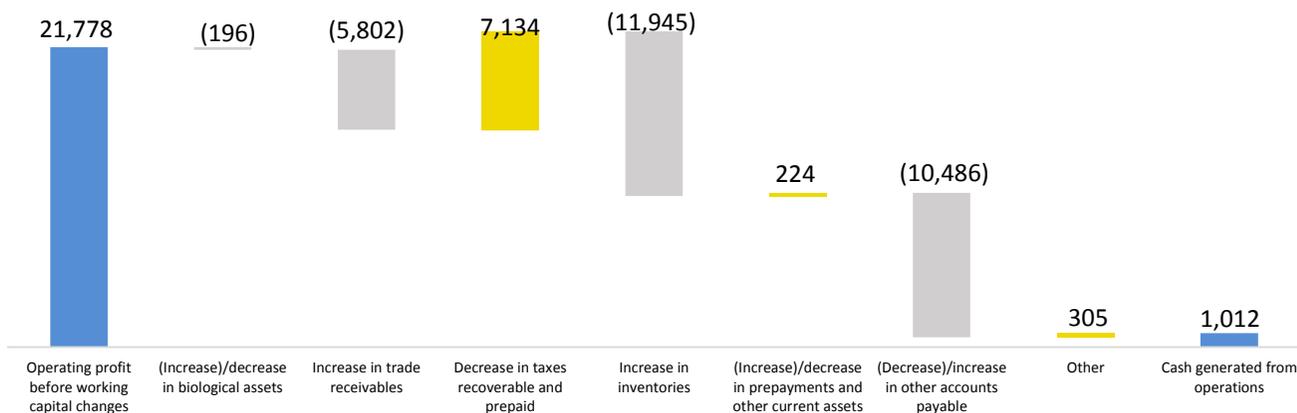
Cost of sales for shell egg, UAH/egg

	Q3 2016	Q4 2016	%
Feed**	0.871	0.888	2%
Grains	0.192	0.195	2%
Oils	0.489	0.498	2%
Other	0.190	0.195	3%
Labor	0.061	0.062	2%
Depreciation	0.066	0.066	0%
Packing, veterinary medicines	0.104	0.101	(3%)
Other	0.162	0.152	(6%)
Total	1.264	1.269	0.4%

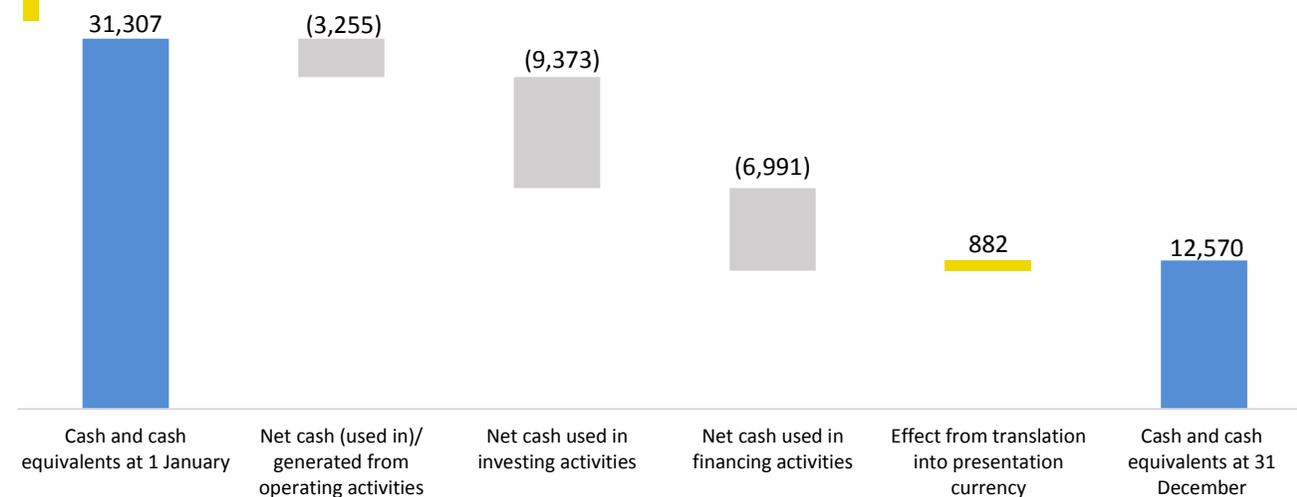
Working capital and cash flow

- Cash outflow from operating activities amounted to USD 3.3 mln due to the reduced operating profit
- Net cash used in investing activities amounted to USD 9.4 mln for maintenance capex
- Net cash used in financing activities was USD 7.0 mln
- Net cash outflow amounted to USD 19.6 mln
- Cash and cash equivalents decreased to USD 12.6 mln due to the outflow of funds from operating, financing and investing activities

Operating profit before NWC* to net cash from operations bridge, USD th



Cash flow, USD th



*Net working capital

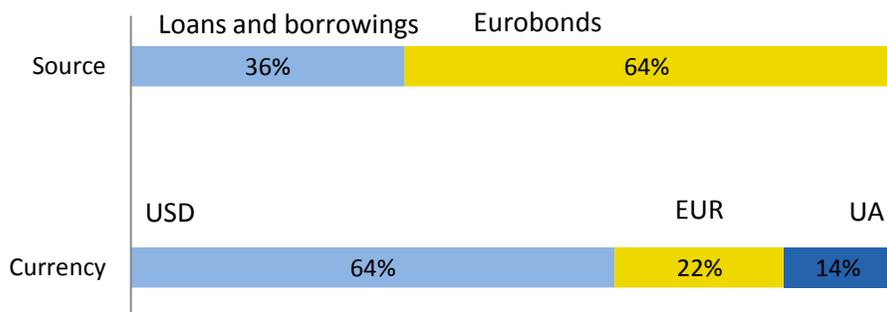
Debt structure

- Total debt rose to USD 344.1 mln as a result of PIK payment accumulation
- Net debt increased to USD 331.5 mln
- The debt portfolio mainly consists of Eurobonds and loans and borrowings
- Eurobond represents 64% of total debt
- 86% of debt is USD and EUR denominated
- AVANGARDCO IPL is in discussions with an ad hoc committee of bondholders regarding a proposal on its US\$200,000,000 10.0% Notes due in 2018 (ISIN: XS0553088708) which it expects to share with bondholders in due course

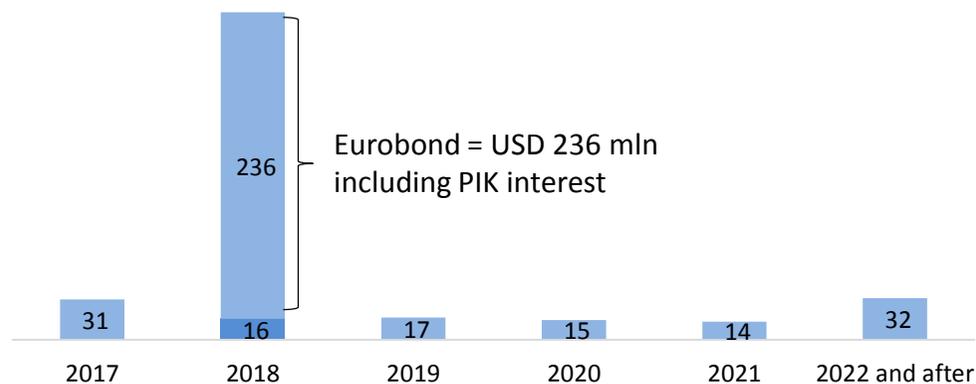
Debt structure, USD th

	31.12.2015	31.09.2016	31.12.2016
Total Debt	336,354	345,253	344,076
Long-term loans	64,423	52,164	93,924
Current portion of long-term debt	19,015	31,418	31,135
Long-term finance lease (incl. VAT)	45	4	3
Bond liability	202,871	212,168	219,014
Short-term loans	50,000	49,499	-
Cash and cash equivalents	31,307	14,306	12,570
Net Debt	305,047	330,947	331,506

Debt structure as at the period end, %



Loan portfolio servicing schedule, USD mln*



*Excluding interest



4. Outlook

Outlook



The Company 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

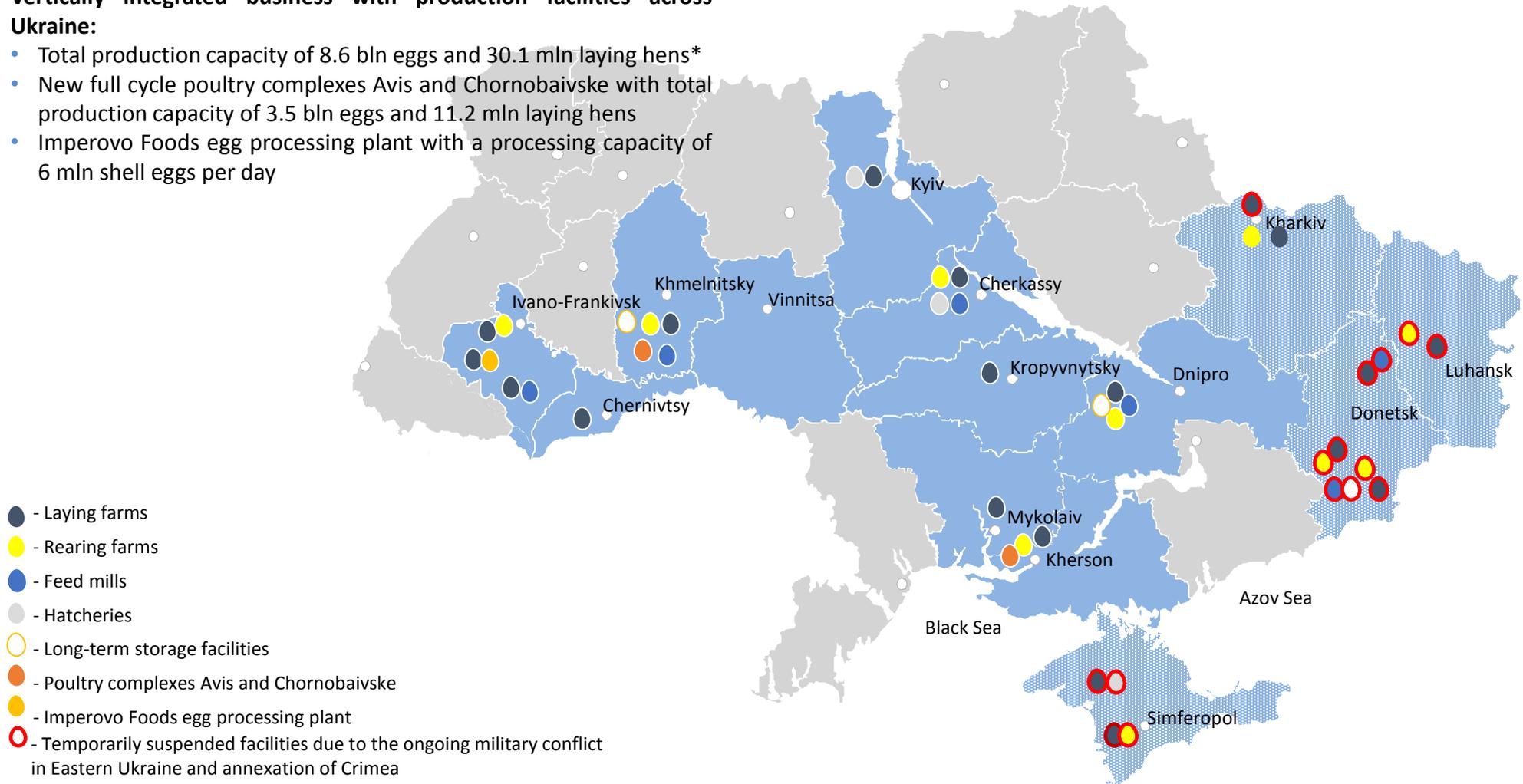


Appendix

Asset map

Vertically integrated business with production facilities across Ukraine:

- Total production capacity of 8.6 bln eggs and 30.1 mln laying hens*
- New full cycle poultry complexes Avis and Chornobaivske with total production capacity of 3.5 bln eggs and 11.2 mln laying hens
- Imperovo Foods egg processing plant with a processing capacity of 6 mln shell eggs per day



* Including temporarily closed facilities in the East and Crimea with a total capacity of 8.4 mln laying hens. Laying farms as well as sales markets in Crimea and affected zone in Eastern Ukraine remain closed

Financials excluding grain trading operations

Q4 2016	Units	Grain trading in Q4 2016*	Consolidated financials excluding grain trading in Q4 2016*	Q4 2015*	Change excluding grain trading
Consolidated Revenue	USD '000	34,667	44,962	53,716	(16%)
Cost of sales	USD '000	32,187	39,213	43,621	(10%)
Gross Profit/(Loss)	USD '000	2,480	7,426	8,988	(17%)
<i>Gross Profit Margin</i>	%	7%	17%	17%	-
Distribution expenses	USD '000	2,437	1,354	1,930	(30%)
Operating Profit/(Loss)	USD '000	43	7,461	12,762	(42%)
<i>Operating Margin</i>	%	0.1%	17%	24%	(7 p.p.)
EBITDA	USD '000	-	11,264	12,897	(13%)
EBITDA Margin	%	-	25%	24%	1 p.p.
Net Profit/(Loss)	USD '000	-	(17,846)	(9,815)	-

2016	Units	Grain trading in 2016	Consolidated financials excluding grain trading 2016	2015	Change excluding grain trading
Consolidated Revenue	USD '000	50,168	141,136	229,924	(39%)
Cost of sales	USD '000	47,847	128,028	209,190	(39%)
Gross Profit/(Loss)	USD '000	2,321	10,876	22,125	(51%)
<i>Gross Profit Margin</i>	%	5%	8%	10%	(2 p.p.)
Distribution expenses	USD '000	2,470	6,088	10,773	(43%)
Operating Profit/(Loss)	USD '000	(149)	(14,731)	(87,104)	-
Operating Margin	%	(0.3%)	-	-	-
EBITDA	USD '000	-	1,635	(1,417)	-
<i>EBITDA Margin</i>	%	-	1%	-	-
Net Profit/(Loss)	USD '000	-	(56,487)	(158,390)	-

*recalculated at the average UAH/USD exchange rate for the Q4 of 2015 and 2016

Balance sheet

USD'000	31.12.2014	31.12.2015	31.12. 2016	Change 2015 vs 2016, %
NON-CURRENT ASSETS	622,035	430,357	383,462	(11%)
Property, plant and equipment	579,922	404,930	357,821	
Non-current biological assets	21,637	13,403	14,273	
Deferred tax assets	2,489	2,761	5,663	
Held to maturity investments	17,959	9,257	5,700	
Other non-current assets	28	6	5	
CURRENT ASSETS	416,292	193,814	146,029	(25%)
Inventories	115,896	58,149	62,144	
Current biological assets	28,228	13,736	7,755	
Trade accounts receivable, net	79,221	56,665	40,628	
Prepaid income tax	48	72	41	
Prepayments and other current assets, net	29,094	21,027	14,412	
Taxes recoverable and prepaid	45,949	12,858	8,479	
Cash and cash equivalents	117,856	31,307	12,570	
TOTAL ASSETS	1,038,327	624,171	529,491	(15%)
TOTAL EQUITY	645,888	235,055	138,810	(41%)
NON-CURRENT LIABILITIES	82,178	298,658	343,957	15%
CURRENT LIABILITIES	310,261	90,458	46,724	(48%)
Short-term bond liabilities	198,635	-	-	
Current portion of non-current liabilities	15,368	19,125	31,224	
Short-term loans	50,000	50,000	-	
Trade accounts payable	6,907	3,375	3,062	
Other payables	39,351	17,958	12,438	
TOTAL LIABILITIES	392,439	389,116	390,681	0.4%
TOTAL EQUITY AND LIABILITIES	1,038,327	624,171	529,491	(15%)
NET DEBT at the date	225,901	305,047	331,506	9%

Income statement

USD'000	2014	2015	2016	Change 2015 vs 2016, %
REVENUE	419,618	229,924	191,304	(17%)
(Loss)/profit from revaluation of biological assets at fair value	15,364	1,391	(2,232)	
Cost of sales	(314,001)	(209,190)	(175,875)	
GROSS PROFIT	120,981	22,125	13,197	(40%)
General administrative expenses	(10,772)	(7,195)	(7,886)	
Distribution expenses	(20,532)	(10,773)	(8,558)	
Income from government grants and incentives	218	107	98	
Impairment of non current assets	(23,589)	-	-	
Income from special VAT treatment	36,490	25,098	5,376	
Other operating income/expenses, net	18,680	(116,466)	(17,107)	
OPERATING PROFIT/(LOSS)	84,116	(87,104)	(14,880)	-
Financial income	3,176	3,978	2,825	
Financial expenses	(44,101)	(32,528)	(31,280)	
Gains/(losses) on exchange	(71,284)	(43,616)	(16,622)	
PROFIT/(LOSS) BEFORE TAX	(28,093)	(159,270)	(59,957)	-
Income tax credit	1,175	880	3,321	
PROFIT/(LOSS) FOR THE PERIOD	(26,918)	(158,390)	(56,636)	-
EBITDA	129,497	(1,417)	1,486	-
EBITDA margin	31%	-	1%	-

Cash flow statement

USD'000	2014	2015	2016
LOSS BEFORE INCOME TAX	(28,093)	(159,270)	(59,957)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	96,067	26,976	21,778
(Increase)/decrease in net working capital	(45,840)	(20,801)	20,766
Interest paid	(8,983)	(4,897)	(4,224)
Income tax paid	(73)	(63)	(43)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	41,171	1,215	(3,255)
Purchases of PP&E	(77,030)	(37,446)	(12,981)
Acquisitions of subsidiary	-	5	-
Proceeds from sale of non-current assets	-	-	779
Interest received	159	2,183	2,829
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	(76,871)	(35,258)	(9,373)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	13,384	(15,245)	(6,991)
NET INCREASE/(DECREASE) IN CASH	(22,316)	(49,288)	(19,619)
Cash at the beginning of the year	156,804	117,856	31,307
Impairment of funds	-	(25,639)	-
Effects of translation into presentation currency	(16,632)	(11,622)	882
Cash at the end of the period	117,856	31,307	12,570