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Letter from CEO



Iryna Marchenko
CEO,
Board member

Dear Investor,

Due to the rapid devaluation of the Ukrainian hryvnia against the US dollar, the Company's consolidated revenue decreased by 14% year-on-year to US\$262.7 mln, net income decreased by 51% year-on-year to US\$52.0 mln and EBITDA margin was down to 30%, amid a complex political situation in Ukraine, the annexation of the Crimean peninsula and the military conflict in eastern Ukraine.

The Company was able to partially offset the negative impact of the Ukrainian hryvnia devaluation by increasing the share of export sales in total sales revenue to 39%, as well as by expanding sales volumes of shell eggs to the retail chains.

We cannot fully counterbalance the negative effect of the national currency devaluation against the US dollar and now expect softer financial results in the US dollar terms, our reporting currency, for the full year compared to 2013.

In the current environment, the Company leverages all available resources to be effectively support the operations and reduce the impact of the negative factors affecting our business

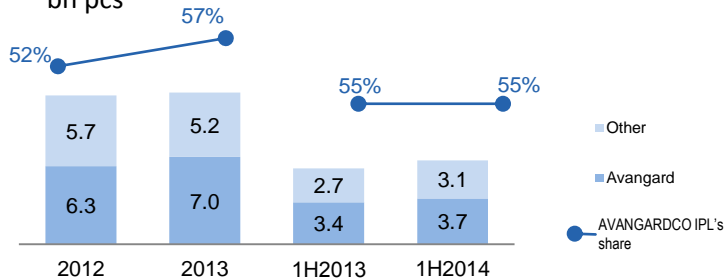
We are always open to any questions you may have. We look forward to our continuing partnership.

Sincerely yours,
Iryna Marchenko,
Chief Executive Officer

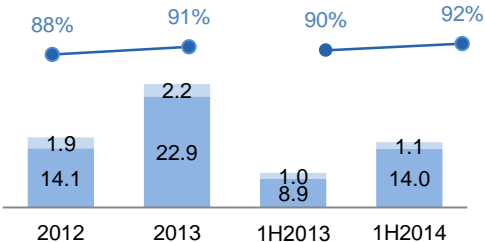
Key Business Drivers - Performance

Industrial production of shell eggs

bn pcs



Industrial Productions of Dry Egg Products, th tons



Business outlook for 2014:

- to increase the capacity utilisation at poultry complexes "Avis" and "Chornobaivske", as well as expanding the processing capacity of the egg processing plant "Imperovo Foods"
- to focus on the redistribution of shell egg sales to the sales channels with higher margins, including an increase of sales volumes of "Kvochka"-branded products, as well as an increase in sales volumes of dry egg products
- to further develop existing export markets and enter into new export markets, including the EU. The Company has successfully passed all the audits to obtain permission to export to the EU and expects to receive the Euronumber in the near future
- we expect the average sales price of shell eggs in hryvnia equivalent to slightly increase
- the military conflict in eastern Ukraine and the annexation of Crimea led to a decline in demand for shell eggs in the domestic market. We expect a decrease in domestic sales of shell eggs due to the reduced demand. However, since the Company has suspended its operations in Crimea, and limited the use of poultry farms in the Donetsk and Lugansk regions, we expect that the level of shell egg production at the year-end will not exceed the previous year level

Macroeconomics – Key Metrics

- In 2013 nominal GDP totaled \$182 bn (3.2% y-o-y growth)
- Economic reforms to ensure fiscal sustainability led to low inflation at 0.5% in 2013
- Refinancing rate decreased (from 7.0% in June to 6.5% in August) due to positive economic development dynamics
- In 2013 the harvest reached 63 mn tons of crops that is a historical maximum
- Since November 2013, Ukraine has been subject to political instability that could negatively affect both the Ukrainian economy in next period.

Credit Ratings

	Fitch	S&P	Moody's
Ukraine	CCC	CCC	Caa3
Avangardco IPL	LT Foreign Currency	CCC	n/a
	LT Local Currency	B-	n/a
	Senior Unsecured Debt	CCC	n/a
MHP	LT Foreign Currency	CCC	CCC+
	LT Local Currency	B-	B-
	Senior Unsecured Debt	CCC	Caa1
Kernel	LT Foreign Currency	CCC	n/a
	LT Local Currency	B-	n/a
Agroton	LT Foreign Currency	WD	LT Foreign Isuer Credit NR
	LT Local Currency	WD	LT Local Isuer Credit NR
Ferrexpo	LT Issuer Default	CCC	LT Foreign Isuer Credit CCC+
	ST Issuer Default	C	LT Local Isuer Credit B-
			ST Foreign Isuer Credit C
			ST Local Isuer Credit B
DTEK	B-	n/a	Caa1
Metinvest	B-	n/a	Caa1

Source: Bloomberg

Press-releases



- [23/05/2014] – Financial and operational results for the first quarter of 2014
- [30/04/2014] – 2013 Annual report publication
- [29/04/2014] – Avangardco IPL makes the seventh UDS 10 mn coupon payments on its bonds
- [11/04/2014] – Audited financial results for 2013
- [07/04/2014] – Notification of the full year 2013 financial results and conference call
- [12/02/2014] – 2013 full tear trading update

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 4 and 5

Investor Relations

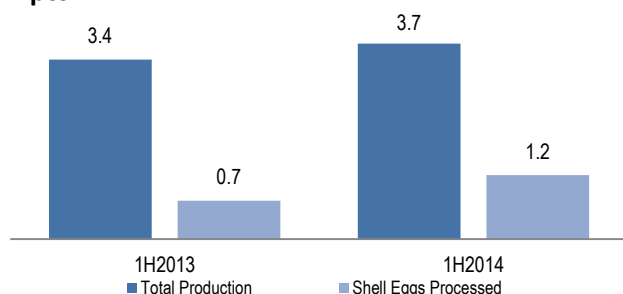
phone: +38 044 393 40 50
e-mail: ir@avangardco.ua

Public Relations

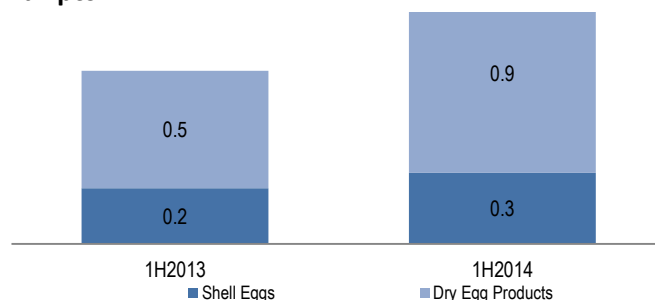
Lidia Slivotska
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e-mail: lidia.slivotska@avangardco.ua

Production Results – Key Charts

Egg and dry egg product output in egg equivalent, mn pcs



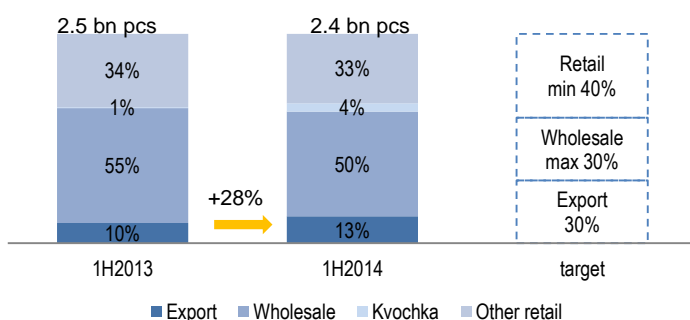
Export of shell eggs and egg products in egg equivalent, bn pcs



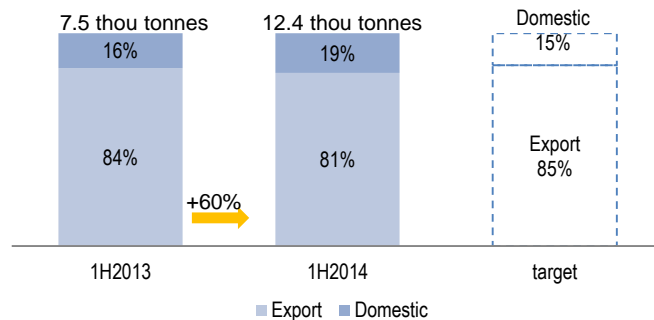
Source: Company data

Diversified sales structure

Eggs sales to third parties by volume, %



Egg products sales by volume, %



Financial Results – Key Figures

\$'000	1H2013	1H2014	change, %
Revenue	304,288	262,680	(14%)
Cost of sales	-206,400	-190,932	(7%)
Gross profit	118,605	80,797	(32%)
Profit from operating activities	121,957	67,949	(44%)
Net Profit	105,568	51,991	(51%)
Net profit margin	35%	22%	(12%)
Earnings per share, USD	16	9	(44%)
EBITDA	134,653	78,950	(41%)
EBITDA margin	44%	30%	(14%)
Capital investment (expansion)	62	14	(77%)
Capital investment (maintenance)	10	19	+90%
Net debt	155,594	106,097	(32%)
Net debt/LTM EBITDA	0.5	0.4	
Total debt/LTM EBITDA	1.1	1.4	

- The decrease in 1H2014 consolidated revenue was driven by the Ukrainian hryvnia devaluation against the US dollar, the decrease in sales of shell eggs to third parties as well as lower sales price of dry egg products. Higher export sales volumes partially mitigated the decline in revenues

- The increase in the average sales price of shell eggs in the Ukrainian hryvnia was due to the increased share of "Kvochka"-branded products and export sales

- The increase in cost per egg in the Ukrainian hryvnia was due to higher fodder prices and the growth in consumption of fodder per a hen

- The decrease in cost per unit for eggs and egg products in the US Dollars was due to the Ukrainian hryvnia devaluation

- Gross profit, profit from operating activities, net profit, EBITDA were effected by all above mentioned factors

- Net debt reflects the increase in cash&cash equivalents at the period-end

- The Company maintains a strong liquidity position in line with covenants

Average FX UAH/USD	1Q13	1Q14	Δ	2Q13	2Q14	Δ	1H13	1H14	Δ
	7.993	8.863	+11%	7.993	11.696	+46%	7.993	10.287	+29%

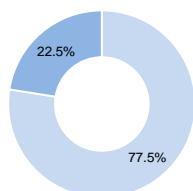
Source: Company data, SSCU

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 with production facility to 30.1 mn laying hens and 8.2 bn eggs per year
- Eggs processing plant Imperovo will increase its processing capacity from 6 to 10 mn eggs per day in 2015
- Export to 34 markets during 2009-2014
- Received permission to export to EU
- Strong financial results
- Debt ratio reached 1.4x, a very attractive level compared to traded Ukrainian peers

* by World Poultry Magazine

Shareholder Structure -

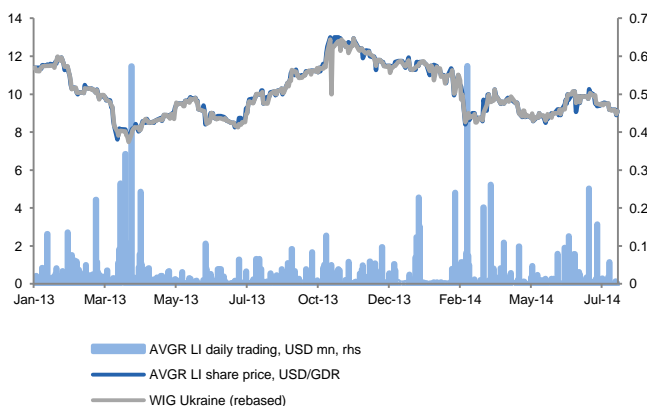


Uklandfarming PLC Free Float



- In September 2011, with the goal to restructure and rationalize his ownership in agricultural assets Mr. Bakhmatyuk made a decision to transfer his 77.5% shareholding in Avangardco IPL to Uklandfarming PLC.

GDR's Performance -

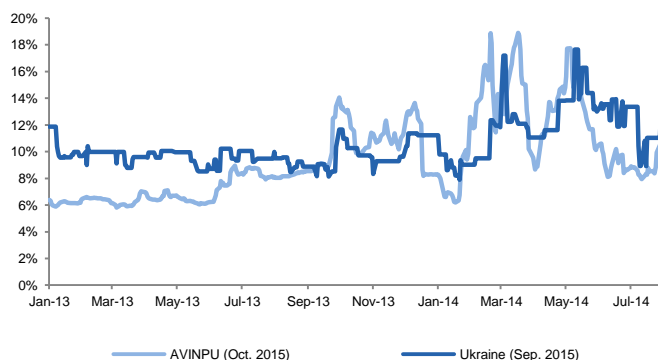


Securities - General Information

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

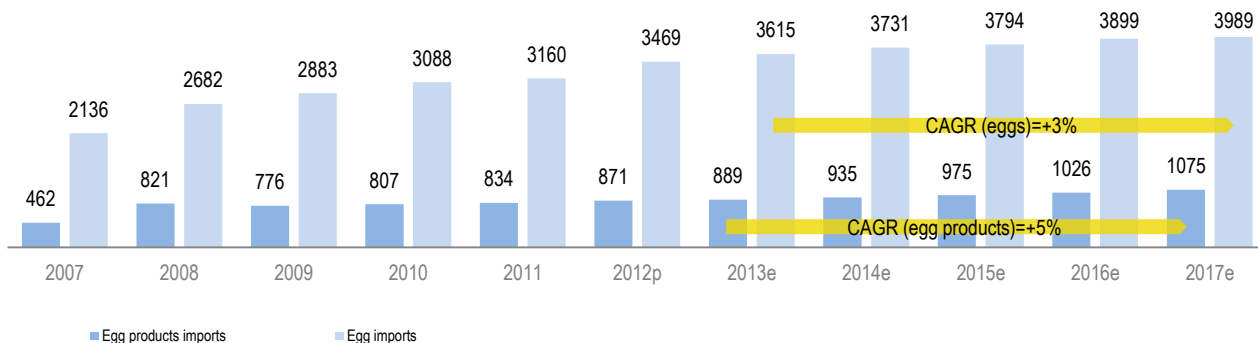
GDR\ADR's		Bonds	
Ticker	AVGR	Format	Reg S
Stock Exchange	LSE	Amount, \$ mln	200
Deal Size	1,437,500 new ordinary shares in the form of GDRs	Maturity	29 October 2015
Use of Proceeds	Finalization of new capacity expansion programs	Coupon	10%, payable semi-annually in arrears on 29 Apr and Oct commencing on 29 Apr 2011
Proceeds	USD 208 m	Listing	LSE
Offer Price	\$15.0 per GDR	Issue Rating	B (Fitch Ratings)

Bond's Performance -

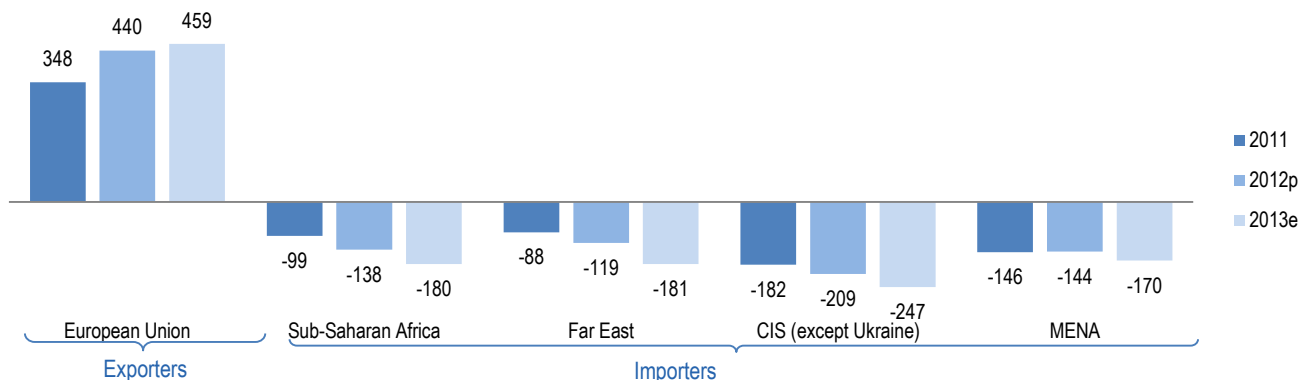


World Egg Market Trends – Key Charts

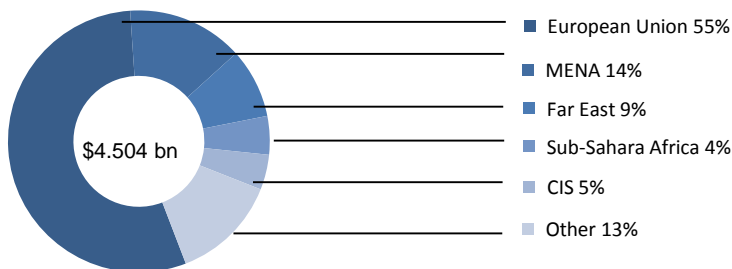
World Imports of Eggs and Eggs Products, US\$ mln



Trade balance of the most active regions in the eggs and egg products trade, \$ mn



Structure of World Imports of Eggs and Egg Products in 2013E, \$ mn

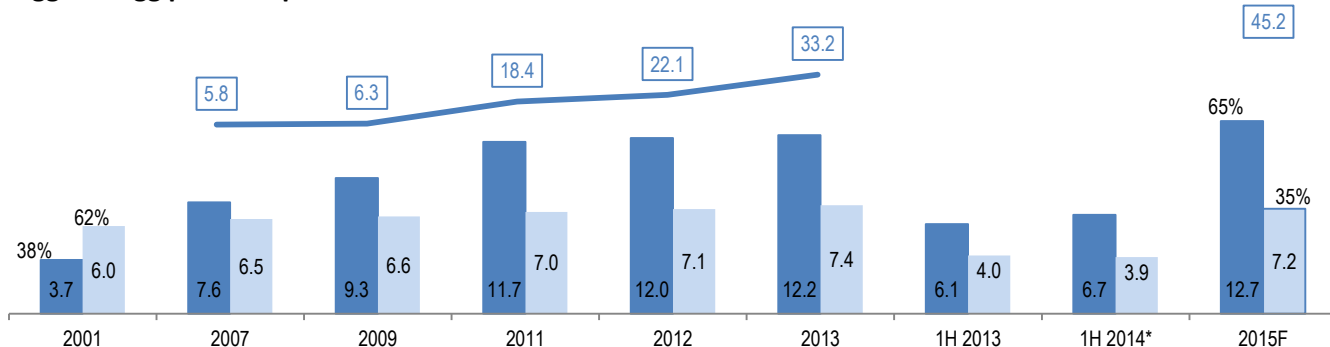


*Key destinations for AVANGARDCO IPL's export

- 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
- In 2009-1H2014 the Company exported to 33 markets in MENA, the Far East, SSA and the CIS, which represent 34% of total global consumption potential
- Export strategy aimed to expand key markets: MENA, Asia, Africa, the CIS and enter the EU

World & Ukrainian Egg Market Trends – Key Charts

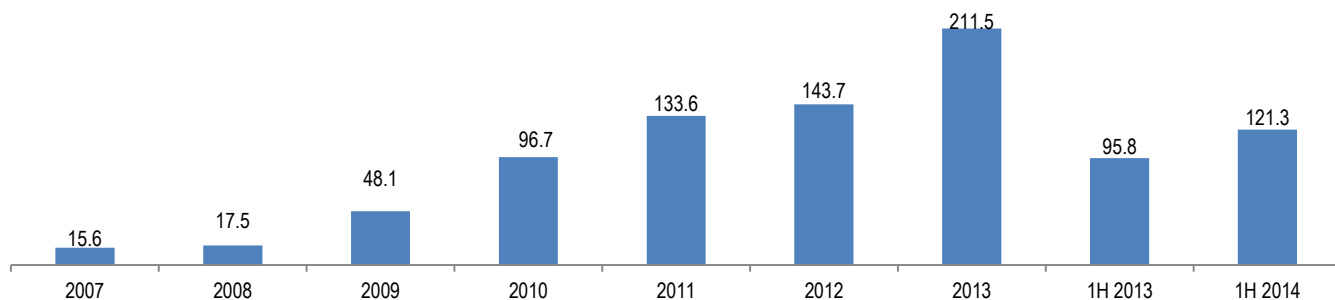
Egg and egg products production in Ukraine



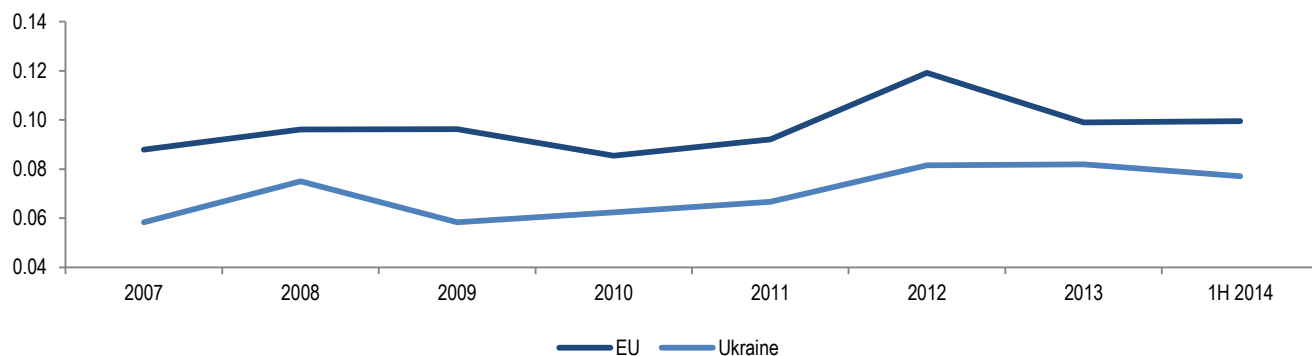
*Ukraine without Crimea. In 2013 share of Crimea in total production of eggs was 3%.

■ Produced eggs in industrial companies, bn pcs ■ Produced eggs in households, bn pcs
 — Egg products, thou tons

Export of eggs and egg products from Ukraine, USD mn



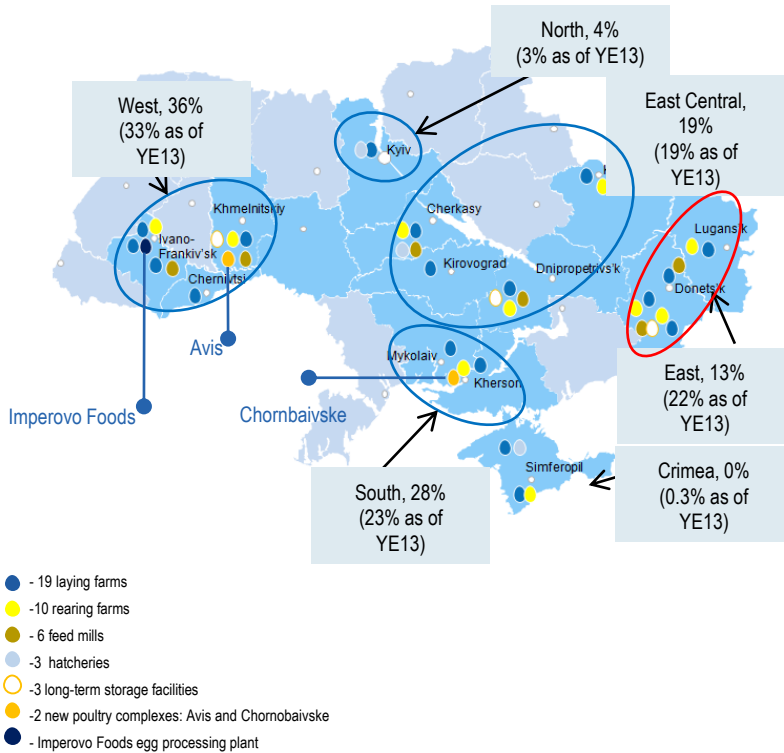
Average domestic price of eggs in the EU and Ukraine, USD/egg



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

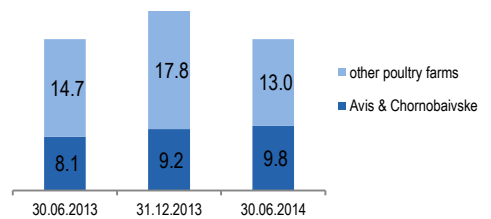
Facilities overview

Despite the challenging situation in eastern Ukraine, the Company has managed to minimize the negative impact on operating activity. Company built vertically integrated business model with 19 farms for laying hens, 3 second order breeder farms, 10 farms for rearing young laying hens, 6 feed mills, 3 storage facilities and the Imperovo Foods egg processing plant.



- The Company decided to suspend operations at its facilities in Crimea and to limit the use of poultry farms in the Donetsk and Lugansk regions. Also, earlier this year the Company made a decision not to renew its poultry flock in these poultry farms until the situation in the region stabilizes
- Total production capacity: 8.6 bn eggs a year and 30.1 mn laying hens
- Two modern poultry complexes Avis and Chornobaivske with total production capacity of 3.5 bn eggs and 11.2 mn laying hens

Total laying hens flock, mn heads



Business outlook for 2014:

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Source: Company data