

LETTER FROM CEO



Dear Shareholders,

In 2018, the business environment remained broadly favourable both domestically and internationally. AVANGARDCO IPL increased its export of shell eggs by 47% YoY to 822 million units and doubled YoY its export of dry egg products to 5,708 tonnes. In the reporting period, the share of export sales reached 39% of the consolidated revenues. This growth in the Company's exports was driven by significant demand for our products globally.

Currently, Ukraine is one of the world's largest exporters of shell eggs and egg products, with a notable contribution from AVANGARDCO IPL, the leading producer of shell eggs and dry egg products in Ukraine.

Domestically, AVANGARDCO IPL remained focused on increasing sales through high-margin retail chains. The Company was particularly successful in increasing sales of Kvochka branded products, which grew 36% YoY.

In the dry egg product segment, we managed to restore our sales after trade bans imposed in 2017 were lifted, whilst further diversifying the geography of exports and expanding our customer base. In order to acquire new customers, we have also expanded our product portfolio to include egg products with salt and sugar as additives and liquid egg melange. We plan to sell liquid egg products largely in Ukraine starting from 2019.

In addition, in 2018, the Company began implementing new steps to expand its global outreach and started exporting slaughtered laying hens to 6 foreign markets.

Going forward, we will continue to focus on improving the Company's operational profitability whilst further pursuing our sales expansion strategy. 2019 is a crucial year for us, as the Company continues negotiations with its creditors regarding the restructuring of its debt obligations with an aim of finding a mutually beneficial and timely solution, which will ensure the Company's financial stability."

Sincerely,
Nataliya Vasylyuk
CEO, Board member

CONTACTS

Investor Relations
Valeriya Nikitina

Public Relations
Marianna Konina

Mob: +38 067 223 46 88

Mob.: +38 067 223 60 39

E-mail: v.nikitina@avangardco.ua

E-mail: M.Konina@avangardco.ua

[DOWNLOAD KEY FACTS ABOUT AVANGARDCO IPL](#)

IMPORTANT ACHIEVEMENTS

- **SALES GROWTH UNFOLDS, ENCOURAGED BY EXPORTS**
 - In 2018, sales of shell eggs rose by 13% YoY to 2,106 million eggs.
- **SHELL EGG EXPORTS REACH A NEW HIGH**
 - Exports of shell eggs grew by 47% YoY to 822 million eggs benefiting from the greater diversification of its sales destinations and increased sales to key markets for the Company. Another reason is a growing recognition of Ukraine as a large and reliable supplier of high quality and safe shell eggs and egg products globally.
- **FLOCK SIZE AND CAPACITY EXPANDED TO MEET NEW DEMAND**
 - As at 31 December 2018, the total poultry flock increased by 41% YoY. The Company increased its poultry flock in order to meet growing export demand. For the same reason, since the end of 2018, AVANGARDCO IPL has reopened some of its poultry farms, which were suspended throughout 2014 - 2018 due to weak domestic demand and loss of sales markets in Crimea and Eastern Ukraine.
- **BRANDED EGG SALES EXPAND**
 - Sales of the 'Kvochka' packaged eggs increased by 36% YoY to 241 million eggs.
- **EGG PRODUCT SALES REEMBARCK ON GROWTH**
 - Sales of dry egg products more than tripled YoY to 11,114 tonnes due to higher sales to both export and domestic markets.
- [OSCHADBANK DEAL UNLOCKS DEBT RESTRUCTURING CONUNDRUM](#)
- [EGG PRODUCT PORTFOLIO NOW INCLUDES LIQUID PRODUCTS](#)
- **AVANGARDCO IPL SECURES HALAL CERTIFICATION FOR SHELL EGGS**
 - In February 2019, Avangardco obtained certification for its shell eggs produced at the Avis and Chornobaivske poultry complexes to Halal requirements.
- **SLAUGHTERED LAYERS NOW EXPORTED TO FOREIGN MARKETS**
 - The Company started exporting slaughtered layers as meat to several foreign markets, namely Azerbaijan, Liberia, Congo, Equatorial Guinea, Angola and Ghana.
- **AVANGARDCO IPL EMBARKS ON NEW INCOTERMS TO SUPPORT EXPORT GROWTH**
 - The Company has begun to offer clients CIF-based contracts in order to streamline its export logistics and enhance security of supply.

PRESS-RELEASES 

- [26.04.2019] – [2018 ANNUAL REPORT PUBLICATION](#)
- [05.04.2019] – [FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018](#)
- [25.02.2019] – [ЯЙЦЯ ВІД «АВАНГАРД» ВІДПОВІДАЮТЬ СТАНДАРТУ HALAL](#)
- [18.02.2019] – [AVANGARDCO IPL БЕРЕ УЧАСТЬ У ВИСТАВЦІ GULFOOD 2019](#)
- [07.02.2019] – [AVANGARDCO AND UKRLANDFARMING AGREE UAH4.4 BLN DEBT RESTRUCTURING WITH OSCHADBANK](#)
- [27.09.2018] – [RESULTS OF AGM 2018](#)
- [31.08.2018] – [NOTICE OF AGM, 2018](#)
- [08.08.2018] – [ПАТ «АГРОХОЛДІНГ АВАНГАРД» ДОТРИМУЄТЬСЯ НОРМ ЗАКОНОДАВСТВА ПРИ УТИЛІЗАЦІЇ КУРЧАГО ПОСЛІДУ ІЗ ПТАХОФАБРИКИ В ХЕРСОНСЬКІЙ ОБЛАСТІ](#)
- [31.05.2018] – [FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2018](#)
- [02.05.2018] – [AVANGARDCO INVESTMENTS PUBLIC LIMITED MAY 2018 INTEREST PAYMENT](#)
- [26.04.2018] – [2017 ANNUAL REPORT PUBLICATION](#)
- [04.04.2018] – [Заява Аграрного Холдингу Авангард щодо розповсюдження інформації, пов'язаної із справою керівника САП Холодницького Назара](#)
- [29.03.2018] – [FINANCIAL RESULTS FOR Q4 AND THE YEAR ENDED 31 DECEMBER 2017](#)
- [20.02.2018] – [AVANGARDCO RECEIVES EU APPROVAL TO EXPORT SHELL EGGS](#)

NEWS  AND AVANGARDCO IN MEDIA 

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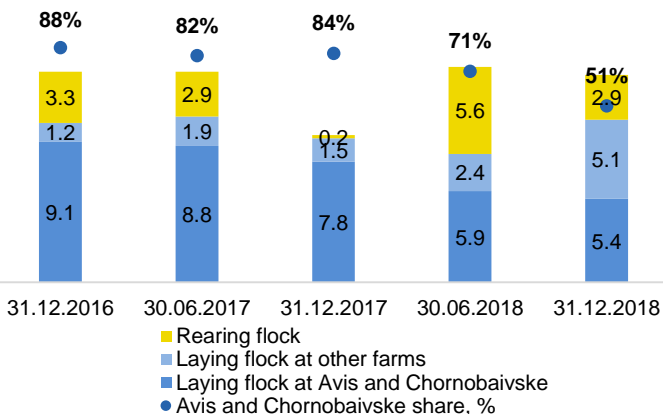
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KEY PRODUCTION FIGURES

	2017	2018	%
Total flock, million heads, eop	9.5	13.4	41%
Laying hens, million heads, eop	9.3	10.5	13%
Shell egg production, million pcs	2,399	2,625	9%
Shell egg sales, million pcs	1,869	2,106	13%
Shell egg export, million pcs	558	822	47%
Shell egg av. sales price, UAH/10 eggs (excl. VAT)	1.17	1.56	33%
Shell egg av. sales price, USD/10 eggs (excl. VAT)	0.044	0.057	30%
Dry egg product production, tonnes	6,368	6,482	2%
Dry egg product sales, tonnes	3,264	11,114	241%
Dry egg product export, tonnes	2,561	5,708	123%
Egg product average sales price, USD/kg	4.30	3.51	(18%)

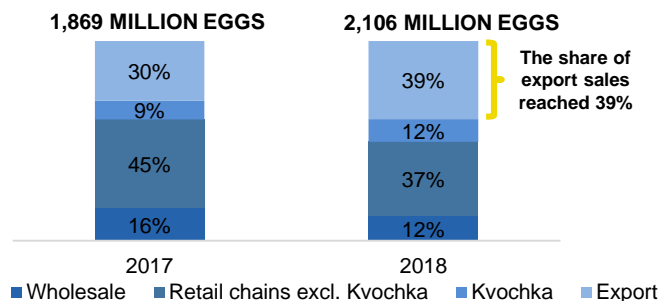
POULTRY FLOCK

LAYING FLOCK, MILLION HENS

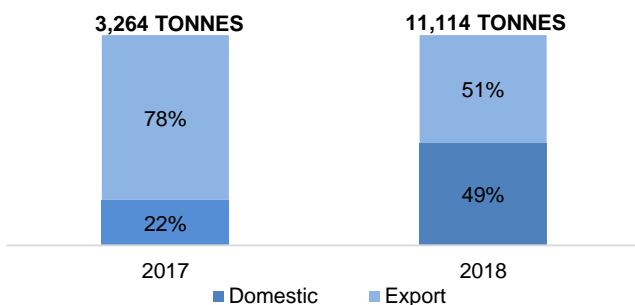


DIVERSIFIED SALES STRUCTURE

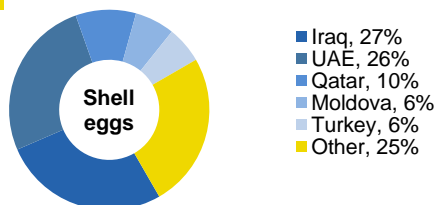
SHELL EGG SALES PROFILE BY VOLUME, %



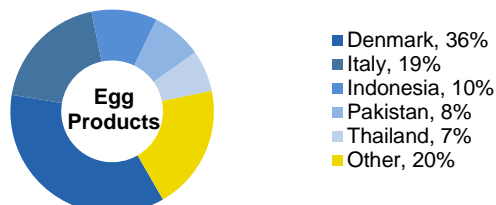
EGG PRODUCT SALES PROFILE BY VOLUME, %



SHELL EGG EXPORT BY REGION, % OF EGG EXPORT REVENUE



EGG PRODUCT EXPORT BY REGION, % OF EGG PRODUCT EXPORT REVENUE

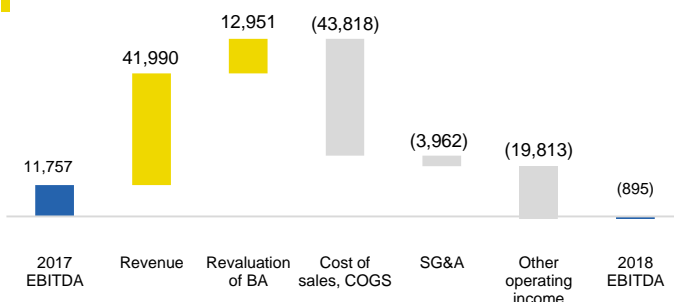


KEY FINANCIAL RESULTS

FINANCIAL SUMMARY

USD'000	2017	2018	%
Revenue	127,887	169,878	33%
Gross Profit/ (Loss)	(10,137)	1,675	-
Gross Profit Margin, %	-	1%	-
Operating Loss	(3,792)	(15,931)	-
EBITDA	11,757	(898)	-
EBITDA Margin, %	9%	-	-
Net Loss	(7,469)	(55,794)	-
Loss per share (basic and diluted), USD	(1)	(9)	-

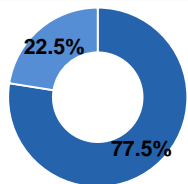
EBITDA BRIDGE, USD THOUSAND



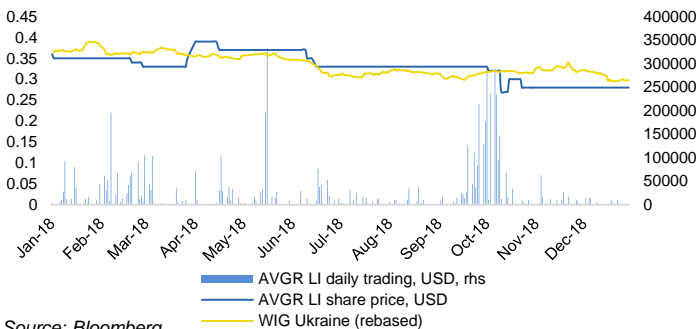
COMPETITIVE ADVANTAGES

- The largest producer of shell eggs and dry egg products in Ukraine and Europe.
- AVANGARDCO IPL has a vertically integrated production cycle and manages every stage of the value chain, from producing animal feed and breeding laying hens to selling shell eggs and egg products.
- Vertically integrated business model ensures stronger cost control and improves efficiency, whilst ensuring consistent quality of inputs and quality control at each stage of production.
- Modern facilities and equipment allow for high level of automation resulting in greater efficiency and reduced margins for error.
- Consistent adherence to high standards of biosecurity ensures safety of products.
- The Company has a diversified sales structure and geographic outreach of over 40 markets in the EU, Asia, the Far East, Middle East, Africa and the CIS.
- Experienced management team and adherence to the best standards of corporate governance guarantee fair partnership and respect for clients.

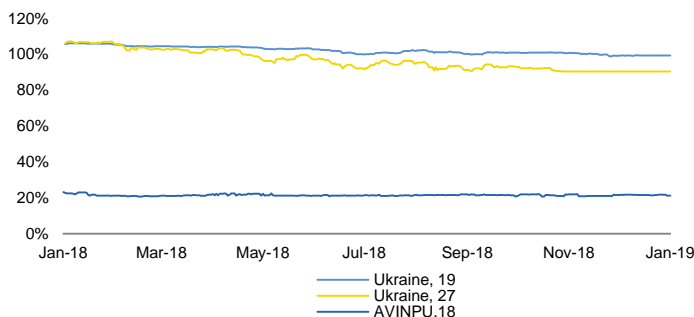
SHAREHOLDER STRUCTURE -



GDR PERFORMANCE -



EUROBOND PRICE -




SECURITIES DESCRIPTION

GDRS


TICKER	AVGR
STOCK EXCHANGE	LSE
DEAL SIZE	1,437,500 new ordinary shares in the form of GDRs
USE OF PROCEEDS	Finalisation 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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29.10.18	0	100																				

LISTING LSE

*AVANGARDCO IPL continues to be in discussions with various creditor groups to agree the terms of a holistic restructuring of its indebtedness. As part of these discussions, the Company is working with an ad hoc committee of bondholders regarding the treatment of AVANGARDCO's US\$200,000,000 10.0% Notes due in 2018 (ISIN: XS0553088708). Further updates will be made as the restructuring develops and will be available at: 

MACROECONOMIC OVERVIEW

IN 2018, UKRAINE'S ECONOMY CONTINUED TO RECOVER FROM THE 2014-2015 RECESSION:

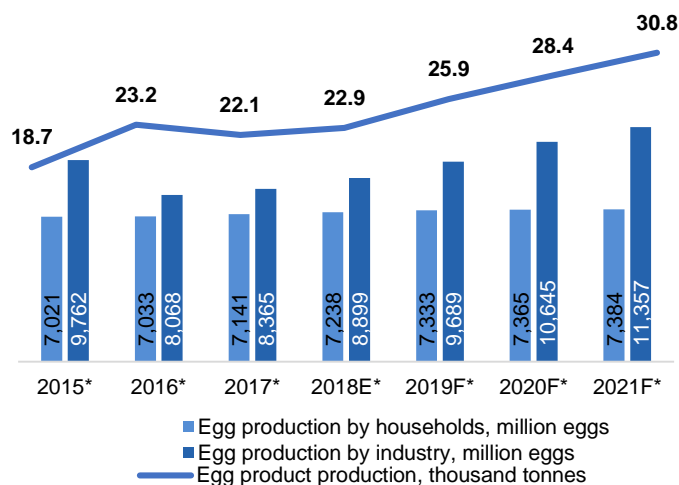
- The Ukrainian authorities have been able to restore macro-economic stability and growth following the economic collapse of 2014–2015.
- Ukraine's GDP growth accelerated to 3.3% YoY in 2018.
- Private consumption, which grew 8.9% YoY, was one of the key drivers of economic growth. Consumption growth was supported by strong growth in real wages, pension benefits and labor migrant remittances.
- Inflation decelerated to 10.9% YoY in 2018 and is expected to continue its downward path in 2019.

- FX market was relatively stable as the Ukrainian Hryvnia depreciated just 2% YoY* against the US dollar in 2018 following a 83%* YoY drop in 2015.
- Retail trade turnover decelerated to 6.1% YoY in Jan-Dec 2018. Retail trade is also being maintained by high consumer demand and continuing growth of personal income (mostly wages).
- The current economic recovery is expected to continue. The IMF expects Ukraine's GDP to increase by 2.7% YoY and inflation of 7.3% YoY in 2019.
- At the same time, the fund considers economic growth to be too low to recover the incomes lost during the crisis, whilst the business environment remains weak and external financing conditions have become tighter and more volatile.

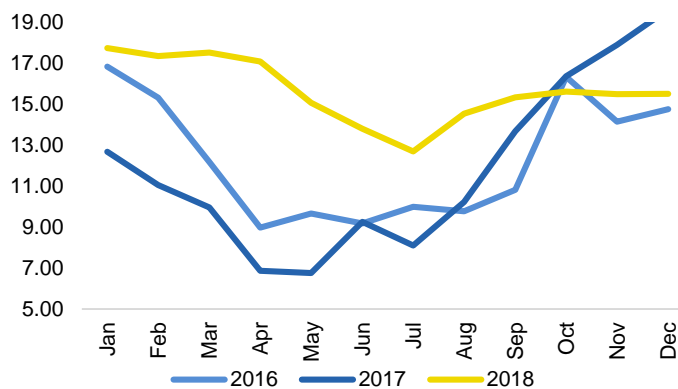
*Calculated at weighted average rate for the period.

DOMESTIC MARKET OVERVIEW

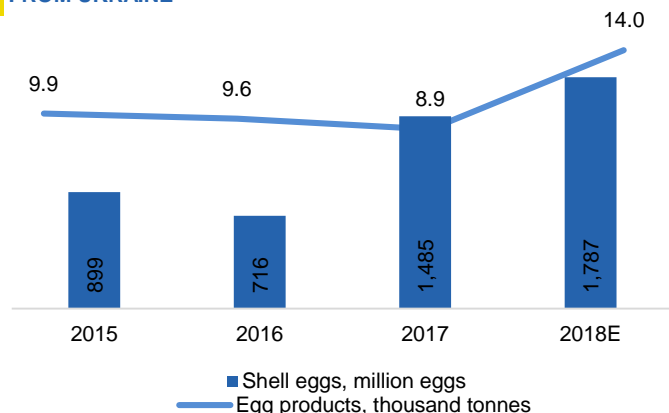
EGG AND EGG PRODUCT PRODUCTION IN UKRAINE



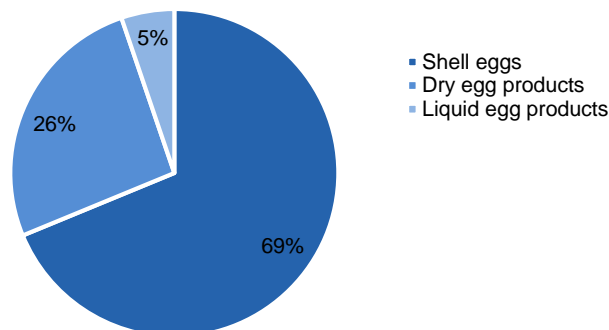
SHELL EGG SALES PRICE TREND IN UKRAINE, UAH PER 10 EGGS NET OF VAT



EXPORT OF SHELL EGGS AND EGG PRODUCTS FROM UKRAINE **



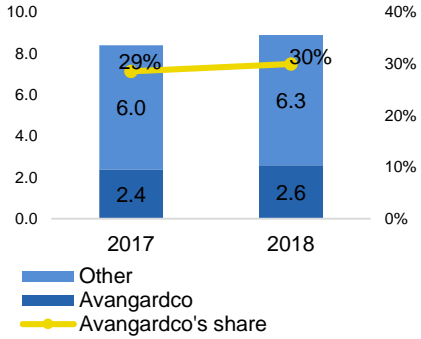
BREAKDOWN OF EXPORT OF SHELL EGGS AND EGG PRODUCTS FROM UKRAINE IN EGG EQUIVALENT IN 2018, %



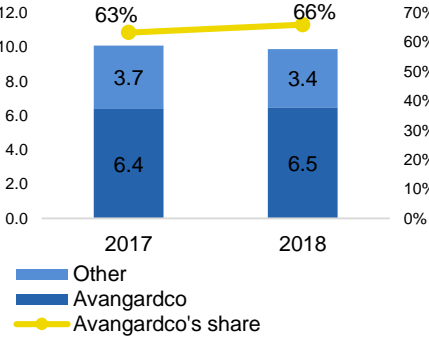
**Excluding the Autonomous Republic of Crimea, the city of Sevastopol and military conflict zone.
Source: State Statistics Service of Ukraine, Company data.

INDUSTRY LEADER IN UKRAINE

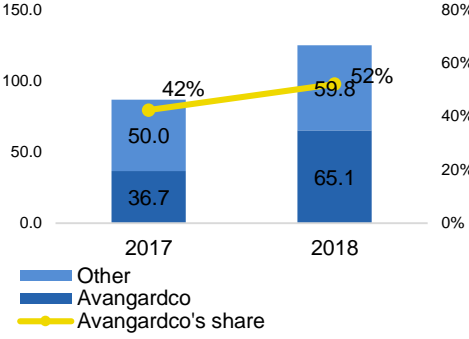
INDUSTRIAL PRODUCTION OF SHELL EGGS, BILLION



INDUSTRIAL PRODUCTION OF DRY EGG PRODUCTS, THOUSAND TONNES

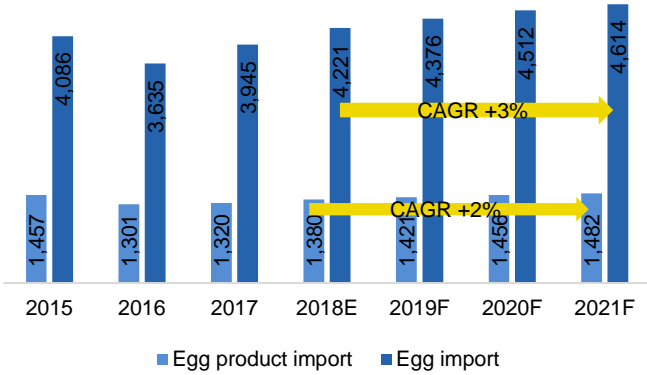


EXPORT OF SHELL EGGS AND DRY EGG PRODUCTS FROM UKRAINE, USD MILLION

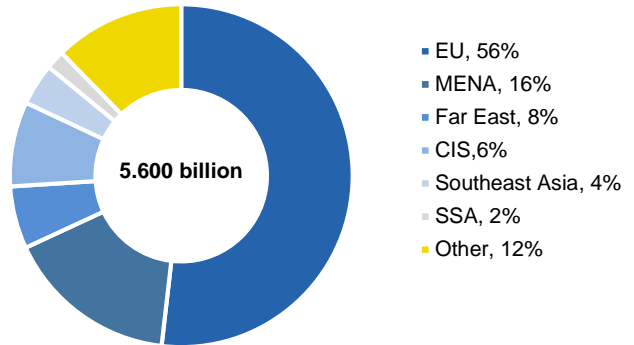


GROWTH POTENTIAL

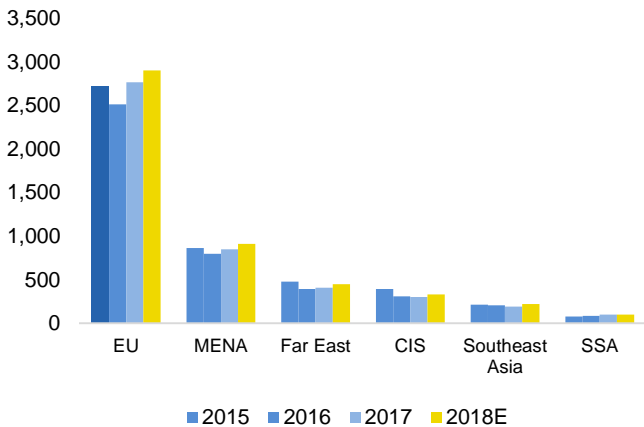
WORLD IMPORT OF EGGS AND EGG PRODUCTS, USD MILLION



BREAKDOWN OF WORLD IMPORT OF EGGS AND EGG PRODUCTS IN 2018E, USD MILLION



IMPORT OF EGGS AND EGG PRODUCTS IN THE KEY REGIONS, USD MILLION



BREAKDOWN OF EXPORT OF SHELL EGGS AND EGG PRODUCTS FROM UKRAINE BY REGION IN 2018, USD MILLION

