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Message from the CEO



Dear Shareholders,

AVANGARDCO's financial and operating results reflect the difficult environment in which the Company continues to operate. The Company's H1 2016 results were affected by the Q2 sales price of shell eggs which fell below the 2015 level amid rising production costs. The lower sales price was due to increased domestic competition triggered by reduced shell egg exports from Ukraine and weaker domestic demand.

Nataliya Vasylyuk

CEO,
Board member

We have made good progress in optimising the Company's domestic and export sales structure.

In the reporting period, we increased the share of export sales to 49% of the consolidated revenues, while we also significantly diversified our export destinations for shell eggs and egg products. Sales to the EU increased to 43% of export revenue, while the share of sales in the Middle East declined from 58% to 46% due to instability in the region.

We continue to streamline our domestic sales structure, selling almost half of our shell eggs to supermarket chains and reducing sales to the lower margin wholesale channel, as the average sales price to supermarkets is 10% - 20% higher compared to wholesale.

The ongoing challenging economic situation in Ukraine combined with the devaluation of the national currency and the reduction of tax incentives, continue to hinder the development of the Company, and there is still a difficult road to recovery. However, we continue to adjust our business processes in response to this so we are well placed to achieve revenue growth and profit once external conditions become more favourable.

Outlook for H2 2016

In light of the ongoing political and economic uncertainty in Ukraine and low demand for shell eggs in the domestic market, the Company provides a conservative forecast for H2 2016.

We expect a partial recovery in the demand and sales price for shell eggs in the second half of the year.

The Company continues to focus on ensuring the profitability and competitiveness of its business in the current challenging environment and the fulfillment of its financial obligations.

In this regard, the strategy for H2 2016 includes:

- Keeping the number of laying hens at 11.0 mln, with flat production and sales of shell eggs in H2 to prevent a surplus in the domestic shell egg market and a lower sales price
- Moderately growing sales of dry egg products together with their inventories formed in Q2 2016. The price of dry egg products is expected to be stable
- Expanding the Company's geographical outreach and export sales, by growing sales of shell eggs to Azerbaijan and egg products into the EU and the Far East. This will also help to reduce dependency on the volatile situation in the Middle East
- Continuing to increase sales via all available distribution channels, focusing on higher margin supermarkets, and on additional export opportunities in existing and new markets

Source: SSCU, Pro-Consulting, Company data

Key achievements in H1 2016

Retaining industry leadership in a challenging operating environment:

- 31% share in the industrial production of shell eggs in Ukraine
- 84% share in the production of dry egg products in Ukraine
- 67%* 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:

- The share of export sales increased to 49% of the consolidated revenues
- Diversified geographical sales outreach of 18 countries in the EU, Asia, the Far East, MENA and the CIS in H1 2016

The long-awaited penetration into EU market begins to take shape:

- Sales to the EU generated 43% of the export revenue. This successful development was especially helpful given the partial loss of trading volume with MENA

Strengthening sales channel mix:

- In H1 2016, the share of sales through supermarkets reached a hefty 54% from total sales
- While expanding sales through retail chains we are at the same time reducing our exposure to egg wholesalers that represent a riskier and less lucrative home market channel
- Our exports grew to 17% from total sales in H1 2016

*The Company's calculations

Press-releases

- [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

- Moderate recovery of the Ukrainian economy, with GDP up 0.1 YoY in Q1 2016 and 1.3% YoY in Q2 2016
- FX market stable since March 2016. As at 30.06.2016 the weighted average exchange rate of the Ukrainian Hryvnia stabilised at UAH 24.85 per US dollar
- Retail trade turnover on a slow recovery since February and rose to 2.3% YoY in June
- Inflation decelerated to 6.9% YoY in June due to a weakened domestic demand, a strengthening of the Ukrainian Hryvnia and the peak agricultural season. It is expected to moderately accelerate during H2 2016, driven by increased utility tariffs. According to IMF, inflation will not exceed 15.1% at the year end

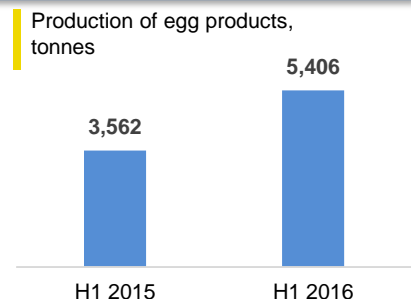
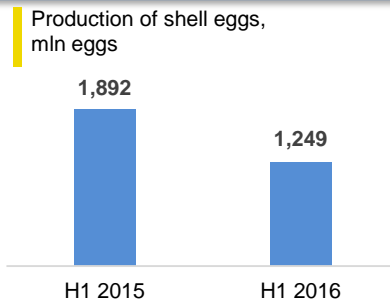
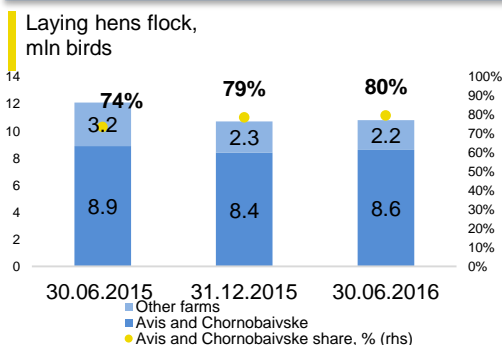
Source: SSCU, Company data

Industry overview

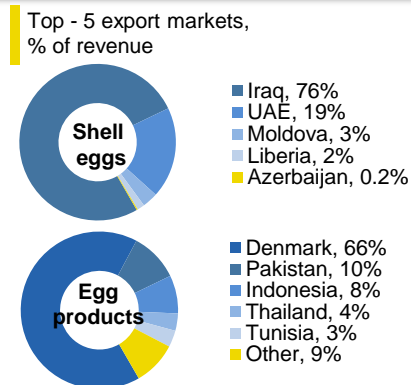
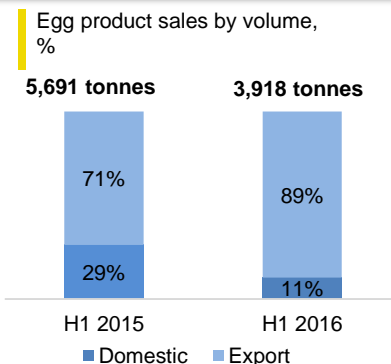
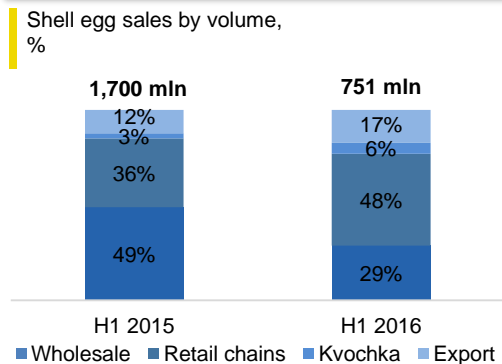
- Industrial production of shell eggs declined 24% YoY due to weakened domestic demand, increased household supplies and decreased exports from Ukraine
 - Private consumption remains subdued due to decreased purchasing power owing to inflation and seasonality
 - The share of household production rose to 49% in H1 2016
- In Q2 2016, the shell egg price fell 7.5% YoY as a result of the increased domestic competition triggered by a reduction in shell egg exports from Ukraine and weaker consumer demand. The Company expects shell egg prices and consumption to gradually recover in H2 2016

Source: SSCU, Company data

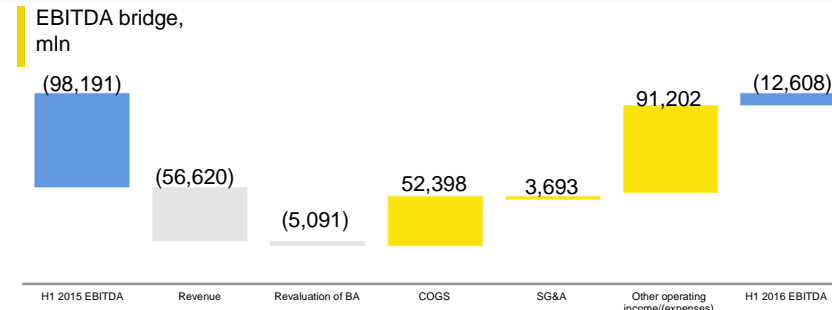
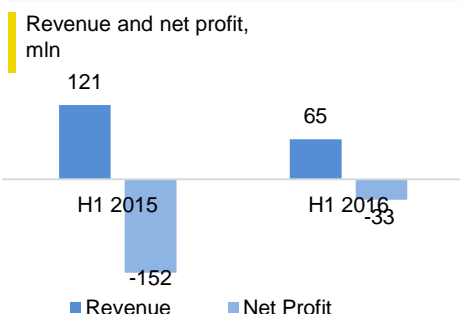
Production: key charts



Diversified sales structure



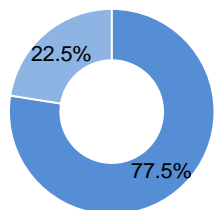
Financial results: key charts



Our competitive advantages

- The largest producer of shell eggs and dry egg products in Ukraine and number one producer in Europe
- Vertically integrated business model ensures effective cost control
- Production facilities across Ukraine improve logistic capabilities and access to customers
- Economies on scale support competitiveness on domestic and foreign markets
- Diversified customer base and geographical sales outreach of 18 countries in the EU, Asia, the Far East, MENA and the CIS
- State of the art poultry complexes Avis and Chornobaivske with total production capacity of 3.5 bln eggs and 11.2 mln laying hens
- Technologically-advanced egg processing plant Imperovo Foods with a processing capacity of 6 mln eggs per day
- Employment of high level of biosecurity standards
- Experienced management team and adherence to the best standards of corporate governance

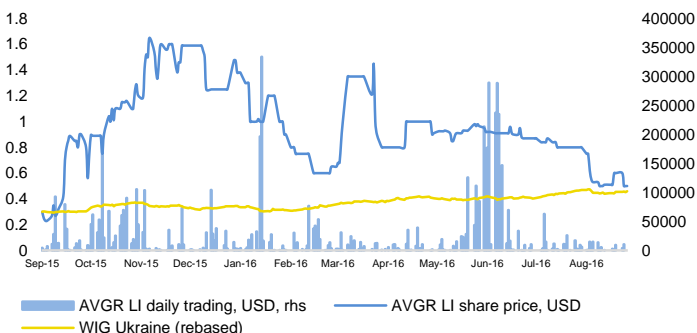
Shareholder structure -



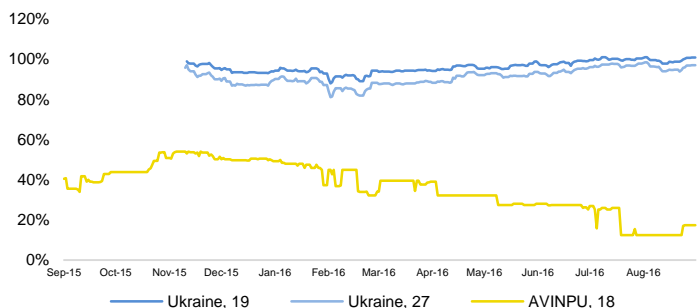
■ Ukrlandfarming PLC ■ Free Float



GDR performance -



Bond price -



Securities information

GDRs

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

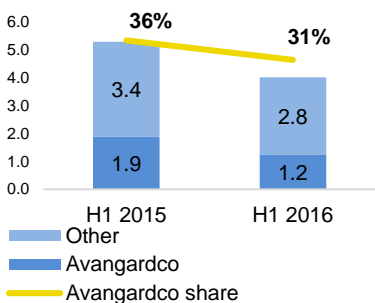
Bonds

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

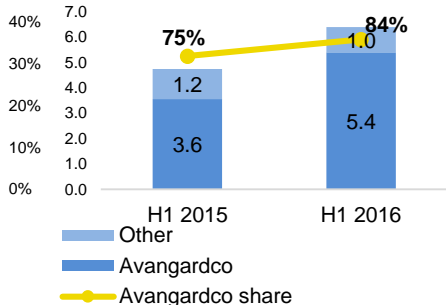
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Amount	USD 200 mln																					
Maturity	29 October 2018																					
Coupon	<ul style="list-style-type: none"> • The 5% coupon payable on 29 October 2015 (representing the semi-annual payment of the existing 10% coupon) was paid as 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, but subject to the following PIK and cash payment provisions: 																					
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Industry leader in Ukraine

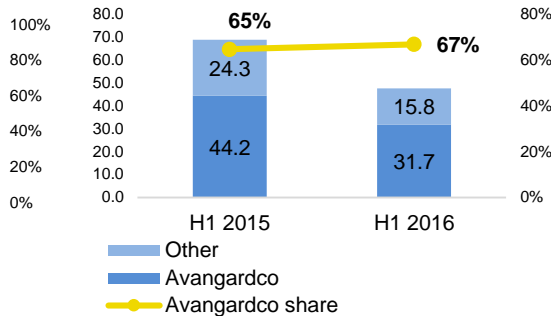
Industrial production of shell eggs, bln pcs



Industrial production of dry egg products, th tonnes

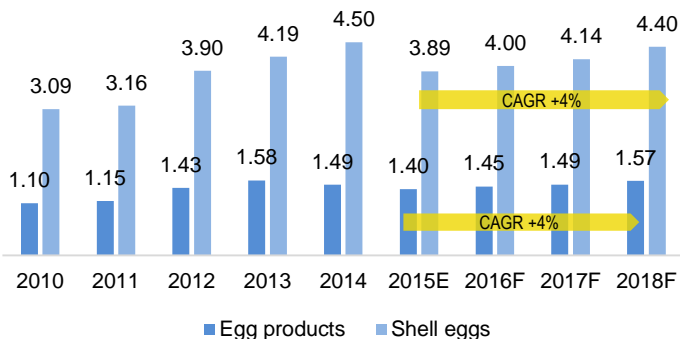


Export of shell eggs and egg products from Ukraine, USD mln

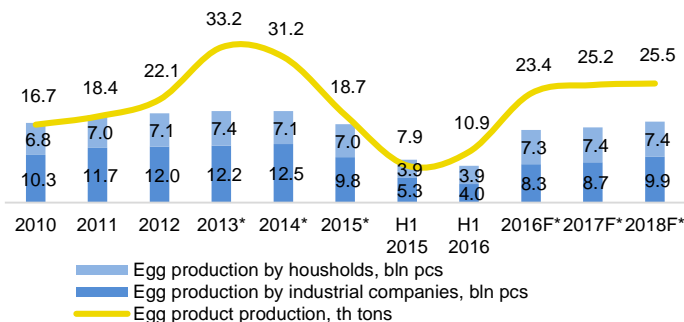


Growth potential for eggs and dry egg products

World imports of eggs and egg products, USD bln

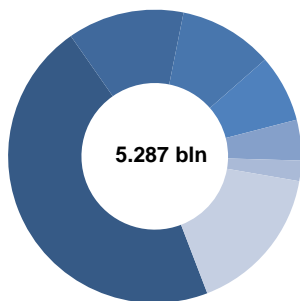


Egg and egg products production in Ukraine



*Ukraine excl. Crimea, the city of Sevastopol and military conflict zone

Breakdown of world imports of eggs and egg products in 2015E, USD mln



5.287 bln

Export of eggs and egg products from Ukraine, USD mln

