

Message from the CEO



Nataliya Vasylyuk
CEO,
Board member

Dear Shareholders,

In 2015, the ongoing military conflict combined with the unfavourable political environment and the bleak macroeconomic indicators continued to affect Ukraine and the company.

Amid these adverse conditions, AVANGARDCO IPL is seeking to implement its strategic plans, including to maintain its leading position in the domestic market and to increase its exports to improve forex revenue and enhance awareness of its products worldwide. The worsening situation in the Middle East has encouraged us to seek new export markets, with the EU and Asia our primary target markets.

We are going to compete for the world markets. We are also planning to improve our efficiency by using the full capacity of our new poultry complexes and by deploying a well-balanced procurement strategy. We will continue to streamline our production taking into account the needs of our domestic and external markets.

Despite the fact that the loss of facilities and sales in Crimea and Eastern Ukraine and low domestic demand negatively impacted the 2015 financial results, the company hopes it will be able to overcome these difficulties and demonstrate sound operating and financial results in 2016, driven by an adjustment to our operations in response to current conditions. I am sure that our sustainable business model combined with the coordinated work of our team will help us to weather the current downturn and come out even stronger.

Outlook for 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 the current year. In 2016 the company will focus on ensuring profitability and competitiveness of its business in the current challenging environment and the fulfilment of its financial obligations. In this regard, the strategy for 2016 includes:

- Containing the number of laying hens at 11.0 mln to prevent a surplus in the domestic shell egg market and to keep the average sales price high.
- Expanding the company's export market and sales volumes, by growing sales of egg products into the EU and the Far East which will also help to reduce dependency on the volatile situation in the Middle East.
- Continuing to develop sales via all available distribution channels, focusing on increasing sales through supermarkets, and on new export opportunities in existing and new markets.

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Key achievements in 2015

Retaining industry leadership in a challenging operating environment:

- 35% share in the industrial production of shell eggs in Ukraine
- 80% share in the production of dry egg products in Ukraine
- 68% share in export of shell eggs and dry egg products from Ukraine

Acquiring new export markets as trade with MENA shrinks due to military conflict:

- In 2015 we entered **7 new export markets**:
 - ✓ for shell eggs - Qatar and Israel
 - ✓ for egg products - UK, Latvia, Italy, Bangladesh and Iran
- Export portfolio encompasses **42 country markets**

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

- In 2015 the share of the EU in our egg powder exports soared from 1% in 2014 to **40% in 2015**. This successful development was especially helpful given the partial loss of trading volume with MENA

Strengthening sales channel mix:

- In 2015, the share of sales through supermarkets reached a **hefty 44%** 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 **15%** from total sales in 2015 from 13% in 2014

A bond restructuring deal securing vital breathing space:

- On 28 October 2015 we completed a restructuring deal and **extended the maturity of Eurobonds** from 29 October 2015 to 29 October 2018. The full information on the restructuring deal is available at: <http://avangardco.ua/en/investor-relations/bond/scheme-of-arrangement/>

Press-releases

- [30.11.2015] – [Financial Results for Q3 and 9M 2015](#)
- [23.11.2015] – [Notification of 9M 2015 Financial Results and Call](#)
- [20.10.2015] – [Coupon payment on Eurobonds](#)
- [17.09.2015] – [Results of AGM](#)
- [28.08.2015] – [Financial Results for the 1H 2015](#)
- [26.08.2015] – [Notification of 1H 2015 Financial Results and Call](#)
- [24.08.2015] – [AGM Notification](#)
- [29.05.2015] – [Financial Results for the 1Q 2015](#)
- [27.05.2015] – [Notification of 1Q 2015 Financial Results and Call](#)
- [30.04.2015] – [2014 Annual Report Publication](#)
- [29.04.2015] – [Coupon Payment on its Eurobonds](#)
- [31.03.2015] – [Audited Financial Results for 2014](#)
- [27.03.2015] – [Notification of Full Year 2014 Financial Results and Call](#)
- [05.02.2015] – [Notice of EGM](#)
- [29.01.2015] – [Update on Declaration of Dividend Distribution](#)

Macroeconomics: key metrics

The ongoing political and economic uncertainty and turbulence in the country's foreign currency market continue to subdue the company's performance.

- GDP fell 9.9% YoY in FY 2015
- The Ukrainian Hryvnia depreciated 83% YoY* against the US dollar in FY 2015
- Inflation adversely impacted customers' purchasing power and impeded the recovery of private consumption, as highlighted by a YoY increase in CPI of 48.7%
- Retail trade turnover fell 21% YoY in FY 2015

*Weighted average for the period

Source: SSCU, company data

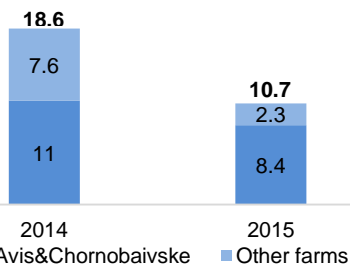
VAT subsidy

In 2016 amendments to the VAT subsidy regime for agricultural producers came into force. Depending on the specialisation producers can retain:

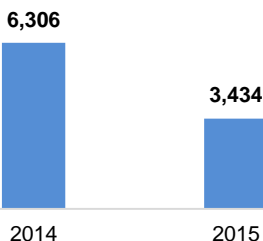
- Grain growing – 15% of VAT refund
- Milk and cattle farming – 80% of VAT refund
- Poultry – 50% of VAT refund

Production: key charts

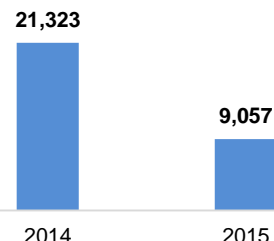
Laying hens flock, mln birds



Production of shell eggs, mln eggs

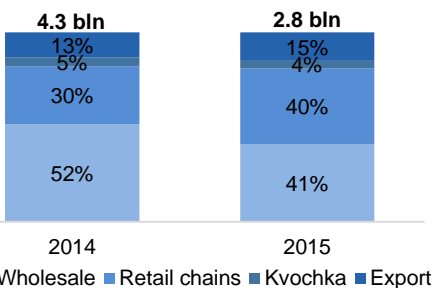


Production of egg products, tonnes

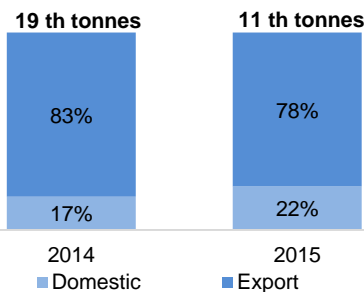


Diversified sales structure

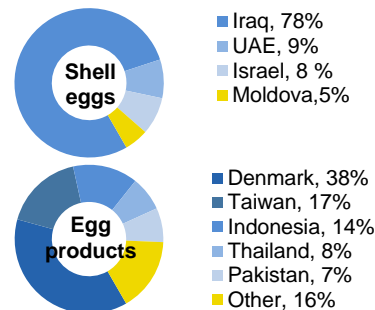
Shell egg sales by volume, %



Egg product sales by volume, %

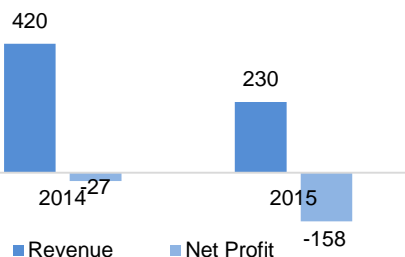


Top - 5 export markets, % of revenue

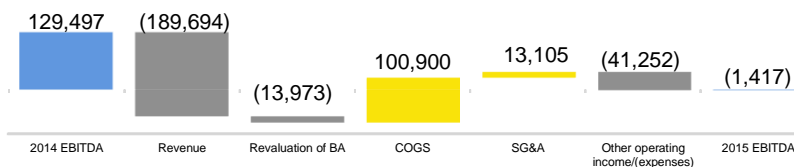


Financial results: key charts

Revenue and net profit, mln



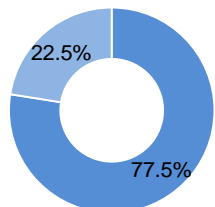
EBITDA bridge, mln



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 situated across all Ukraine improving logistics and access to customers
- Economies on scale support competitiveness on domestic and foreign markets
- High quality and diversified customer base and export to 42 countries
- 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 -



■ Uklandfarming PLC ■ Free Float



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

Format	Reg S
Amount	USD 200 mln
Maturity	29 October 2018

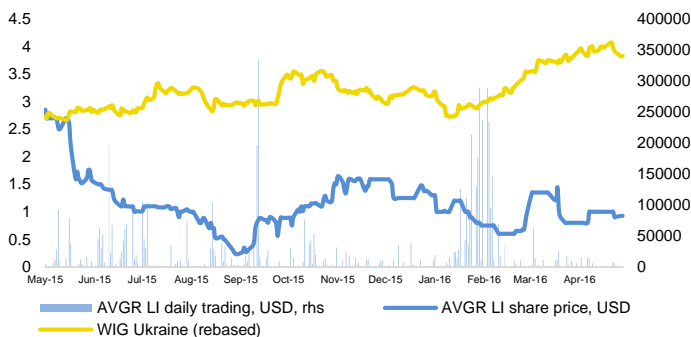
Coupon

- 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:

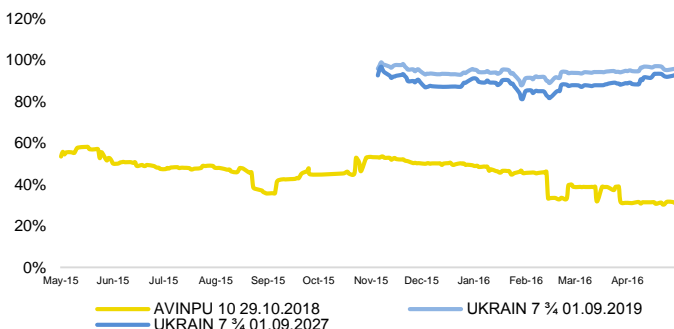
Interest payment date	PIK interest %	Cash interest %
29.04.16	75	25
29.10.16	75	25
29.04.17	50	50
29.10.17	50	50
29.04.18	25	75
29.10.18	0	100

Listing	LSE
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GDR performance -

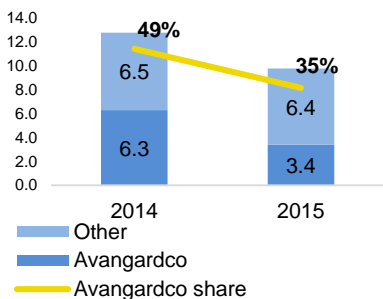


Bond price -

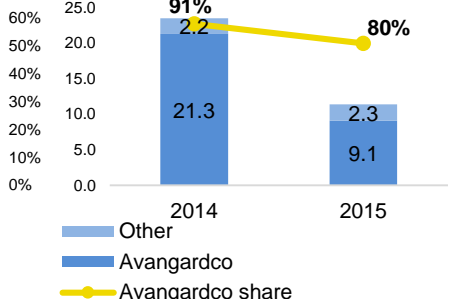


Industry leader in Ukraine

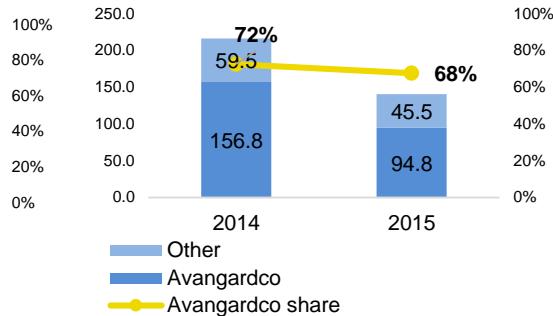
Industrial production of shell eggs, bln pcs



Industrial production of dry egg products, th tonnes

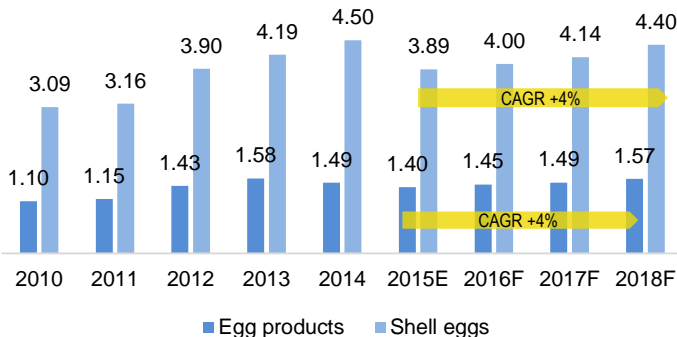


Export of shell eggs and egg products from Ukraine, USD mln

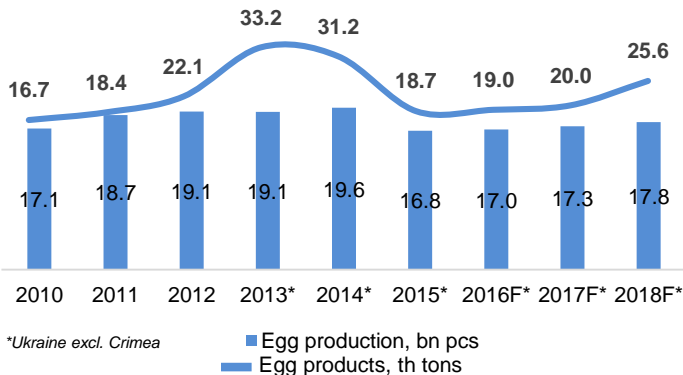


Growth potential for eggs and dry egg products

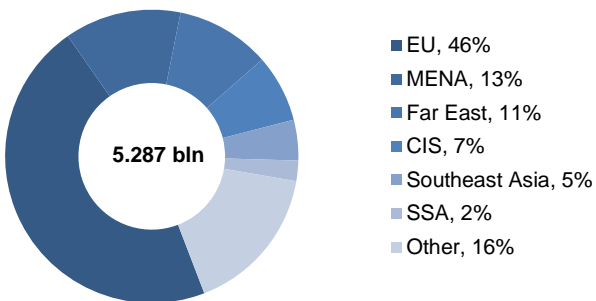
World imports of eggs and egg products, USD bln



Egg and egg products production in Ukraine



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



Export of eggs and egg products from Ukraine, USD mln

