

[DOWNLOAD KEY FACTS ABOUT AVANGARDCO IPL](#)

## LETTER FROM CEO



Dear Shareholders,

Whilst we saw some improvement in AVANGARDCO's performance towards the end of 2017, the Company continued to operate under challenging conditions in both our domestic and exports markets. This was particularly the case during the first nine months of the year when we had to sell our shell eggs at below-cost prices as we were suffering from the consequences of the import trade ban on Ukrainian poultry products from several countries, following the avian influenza outbreak in Ukraine in Q1. Our sales of dry egg products were further negatively impacted by slower than expected return to our traditional exports markets alongside

strong competition from US-based companies in the EU and Far East markets; two of our key export markets.

In spite of this, we saw some significant improvements in AVANGARDCO's profitability whilst growing both our exports and domestic sales as consumer demand is expected to gradually recover in Ukraine. 2018 is a crucial year for us as we continue to work towards a resolution around restructuring negotiations with our creditors, which we hope will be mutually beneficial.

In 2018, we will continue to focus on improving the Company's operational profitability whilst growing both our exports and domestic sales as consumer demand is expected to gradually recover in Ukraine. 2018 is a crucial year for us as we continue to work towards a resolution around restructuring negotiations with our creditors, which we hope will be mutually beneficial.

Sincerely,  
Nataliya Vasylyuk  
CEO, Board member

## OUTLOOK FOR 2018

Ukraine's economy continues to gradually recover from the 2014-2015 recession. Overall consumer demand is gradually restoring amid this economic stabilisation, whilst the demand for shell eggs in particular has remained weak.

Going forward, AVANGARDCO anticipates that the market environment will remain challenging in 2018, but believes that the domestic demand contraction may have passed its lowest point and there will be no further sharp price fluctuations.

Taking into account the current situation in Ukraine and globally, in 2018 AVANGARDCO expects:

- The laying flock will remain at approximately the same level; however, the Company expects a slight increase in shell egg output which will be driven by increased productivity of laying hens;
- A moderate increase in sales of shell eggs, dependent on the gradual recovery of consumer demand in Ukraine and further export diversification, including into the EU market;
- Continued increase in sales through retail channels with a focus on sales of Kvochka value-added products driven by targeted marketing campaigns; and
- Moderate growth in sales of dry egg products subject to the recovery in exports to the Company's traditional markets in MENA, Asia and the Far East. Further sales expansion to the EU.

## CONTACTS

Investor Relations  
Valeriya Nikitina

Public Relations  
Lidia Slivotska

Mob: +38 067 223 46 88

E-mail: [v.nikitina@avangardco.ua](mailto:v.nikitina@avangardco.ua)

Mob.: +38 067 447 97 42

E-mail: [l.slivotska@avangardco.ua](mailto:l.slivotska@avangardco.ua)

## IMPORTANT ACHIEVEMENTS

**Domestic sales mix continues to improve:**

- Avangardco continued to pursue its long-term strategy aimed at increasing the share of sales made through retail chains while reducing exposure to wholesalers, once its largest sales channel.
- In 2017, total sales of shell eggs through supermarkets reached 54% of total sales. At the same time, the share of shell egg sales through wholesalers contracted to 16%.
- Avangardco sells shell eggs to the leading retail chains in Ukraine, including Auchan, ATB, Silpo, Novus, Pakko, Velyka Kyshenya, Karavan, Brusnichka.

**Sales under the Kvochka brand soared by 53% YoY due to a supporting marketing campaign.**

- In January 2018, the Company also launched a new sub-brand under the Kvochka family for the premium segment, Kvochka XL.

**Export of shell eggs recovered following the lift of trade ban:**

- Exports of shell eggs more than double to 558 million units as geographies expand.
- The Company continued to grow sales of its dry egg products to the EU, selling them to Denmark and Italy and entering a new market of Hungary.
- Avangardco added 4 new country markets to its export destinations and in 2017 sold its shell eggs and egg products to 37 countries in the EU, Asia, the Far East, MENA, Sub-Sahara Africa and the CIS.
- Revenue from the export of shell eggs and egg products generated 29% of the consolidated revenue.

**Biogas plant launched at Chornobaivske:**

- In November 2016, Avangardco IPL put into operation a biogas plant at the Chornobaivske poultry complex that started the production of electricity in 2017.
- The biogas plant helps safely and sustainably convert chicken manure into clean energy by extracting from it a biogas mixture, largely made up of methane.

**EU approves Avangardco IPL as a supplier of table eggs.**

**Chornobaivske Complex Successfully Certified to ISO 22000:2005.**

## PRESS-RELEASES

[\[29.03.2018\] – FINANCIAL RESULTS FOR Q4 AND THE YEAR ENDED 31 DECEMBER 2017](#)

[\[20.02.2018\] – AVANGARDCO RECEIVES EU APPROVAL TO EXPORT SHELL EGGS](#)

[\[30.11.2017\] – FINANCIAL RESULTS FOR 9 MONTHS OF 2017](#)

[\[30.10.2017\] – AVG OCTOBER 2017 INTEREST PAYMENT PRESS RELEASE](#)

[\[09.10.2017\] – RESULTS OF AGM 2017](#)

[\[29.09.2017\] – UKRLANDFARMING PLC SEPTEMBER 2017 INTEREST PAYMENT](#)

[\[13.09.2017\] – AGM NOTIFICATION](#)

[\[31.08.2017\] – FINANCIAL RESULTS FOR THE FIRST HALF OF 2017](#)

[\[17.07.2017\] – UKRLANDFARMING PLC AND AVANGARDCO INVESTMENTS PUBLIC LIMITED FINANCIAL RESTRUCTURING](#)

[\[27.06.2017\] – IT SYSTEMS OF UKRLANDFARMING PLC AND AVANGARDCO IPL UNDER A CYBER-ATTACK](#)

[\[31.05.2017\] – FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2017](#)

[\[02.05.2017\] – AVANGARDCO INVESTMENTS PUBLIC LIMITED APRIL 2017 INTEREST PAYMENT](#)

[\[26.04.2017\] – 2016 ANNUAL REPORT PUBLICATION](#)

[\[29.03.2017\] – FINANCIAL RESULTS FOR Q4 AND THE YEAR ENDED 31 DECEMBER 2016](#)

[\[22.03.2017\] – NOTIFICATION OF 2016 FINANCIAL RESULTS AND CONFERENCE CALL](#)

[\[21.03.2017\] – UKRLANDFARMING PLC MARCH 2017 INTEREST PAYMENT](#)

[\[17.03.2017\] – COMMENT ON THE TEMPORARY BAN ON IMPORT OF POULTRY AND POULTRY PRODUCTS FROM UKRAINE DUE TO AVIAN INFLUENZA](#)

[\[17.01.2017\] – OPEN LETTER TO UKRAINE'S TOP OFFICIALS](#)

Visit our website:

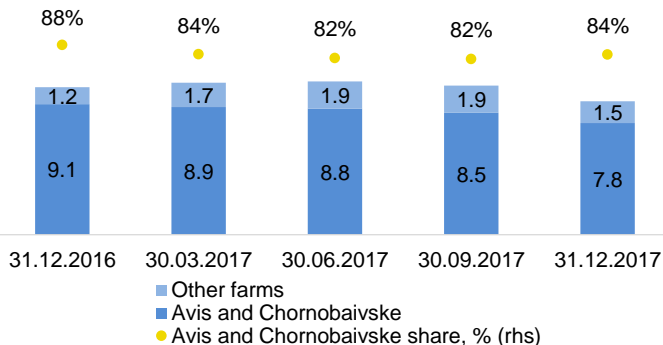
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### KEY PRODUCTION FIGURES

	2016	2017	%
Total poultry flock, million heads, eop	13.6	9.5	(30%)
Laying hens, million heads, eop	10.3	9.3	(10%)
Production, million eggs	2,496	2,399	(4%)
Processing, million eggs	1,039	542	(48%)
Sales, million eggs	1,515	1,869	23%
Export, million eggs	252	558	121%
Average sales price, UAH/egg	1.35	1.17	(13%)
Average sales price, USD/egg	0.053	0.044	(17%)
Production, tonnes	12,219	6,368	(48%)
Sales, tonnes	9,028	3,264	(64%)
Export, tonnes	8,249	2,561	(69%)
Average sales price, USD/kg	5.57	4.30	(23%)

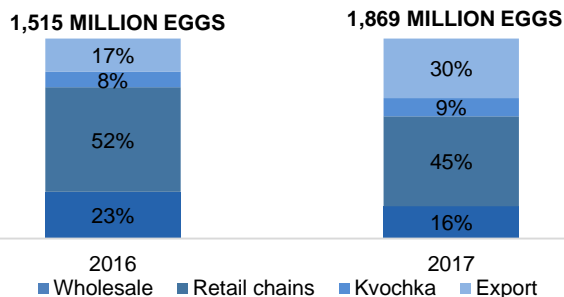
### POULTRY FLOCK

#### LAYING FLOCK, MILLION HENS

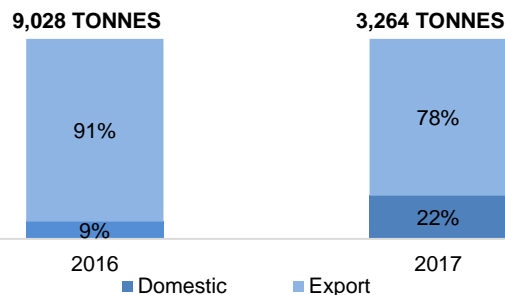


### DIVERSIFIED SALES STRUCTURE

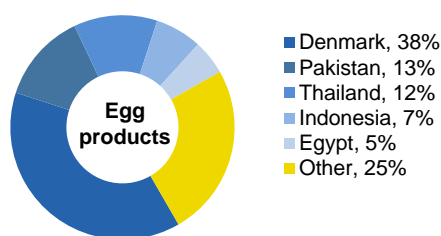
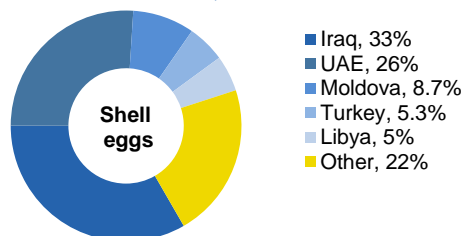
#### SHELL EGG SALES STRUCTURE BY VOLUME, %



#### EGG PRODUCT SALES STRUCTURE BY VOLUME, %

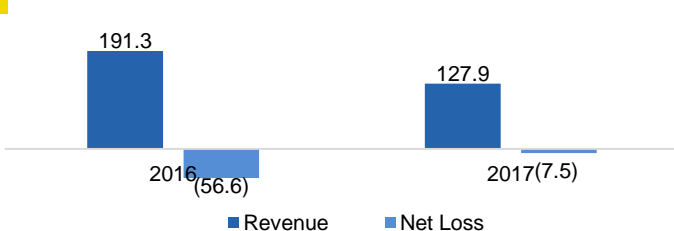


#### TOP-5 EXPORT MARKETS, % OF EXPORT REVENUE

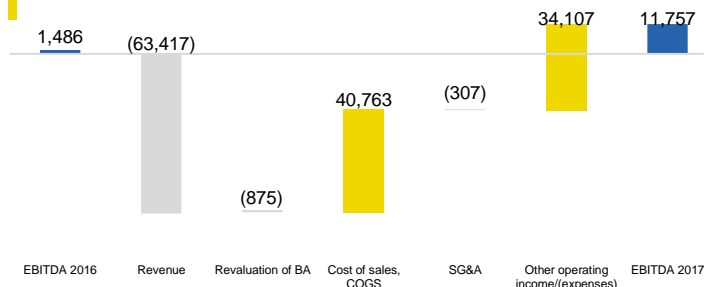


### KEY FINANCIAL RESULTS

#### REVENUE\* AND NET LOSS, USD MILLION



#### EBITDA BRIDGE, USD THOUSAND

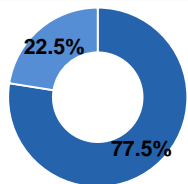


\*2016 and 2017 financials include operations with grain, purchased from an affiliated party. Detailed information on this is available at: [http://avangardco.ua/fileadmin/files/PRESS-CENTRE/Press-releases/2018/AVGR\\_2017\\_FS\\_ENG\\_final.pdf](http://avangardco.ua/fileadmin/files/PRESS-CENTRE/Press-releases/2018/AVGR_2017_FS_ENG_final.pdf)

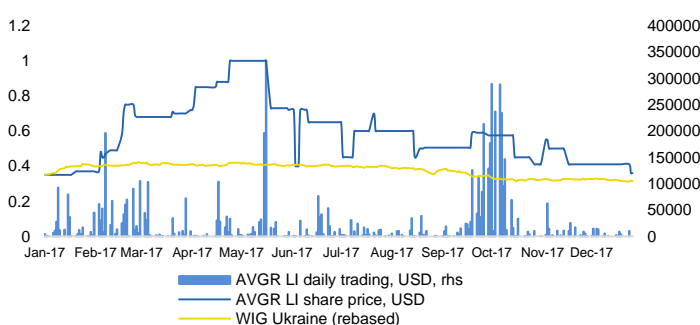
## COMPETITIVE ADVANTAGES

- Largest producer of shell eggs and dry egg products in Ukraine and Europe.
- Vertically integrated business model ensures effective cost management and quality control at every stage of production.
- Competitive prices for clients resulting from economies of scale.
- Production facilities across Ukraine enable the Company to meet consumer demand in an efficient and timely manner.
- Modern facilities and equipment allow for high level of automatization resulting in greater efficiency and reduced margins for error.
- Consistent adherence to high standards of biosecurity ensures safety of products.
- AVANGARDCO's Quality Management System and its key production assets are certified to ISO, meaning that all manufacturing processes are clearly regulated, defined and controlled.
- Widespread geographic outreach with sales to the EU, Asia, the Far East, MENA and the CIS.
- Experienced management team and adherence to the best standards of corporate governance guarantee fair partnership and respect for clients.

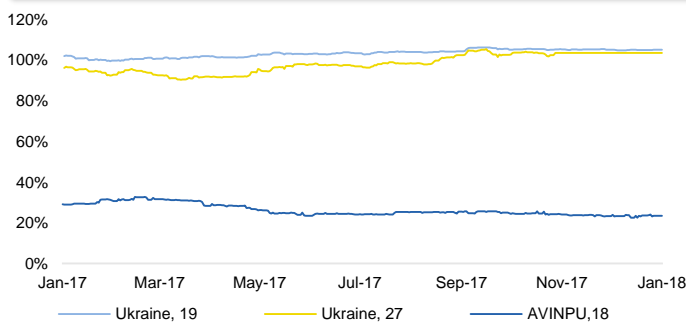
## SHAREHOLDER STRUCTURE -



## 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	Finalization 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"> <li>• 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");</li> <li>• 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:</li> </ul>																					
	<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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29.04.18	25	75																				
29.10.18	0	100																				

LISTING LSE

\*AVANGARDCO IPL is currently in the process of negotiations regarding the restructuring of its USD 200,000,000 10.0% Notes due in 2018 (ISIN: XS0553088708). Further updates will be made as the restructuring develops at:

## MACROECONOMIC OVERVIEW

### IN 2017, UKRAINE'S ECONOMY CONTINUED TO RECOVER FROM THE 2014-2015 RECESSION:

- Ukraine's GDP growth accelerated to 2.5% YoY in 2017.
- 7.8% YoY private consumption growth emerged as one of the key positive growth drivers.
- FX market was relatively stable as the Ukrainian Hryvnia depreciated just 4% YoY\* against the US dollar in 2017 following a 17% \* YoY drop in 2016
- Inflation accelerated to 14.4% YoY in 2017.
- The IMF expects Ukraine's GDP to increase by 3.2% YoY and inflation of 10.0% YoY in 2018.

\*Calculated at weighted average rate for the period.

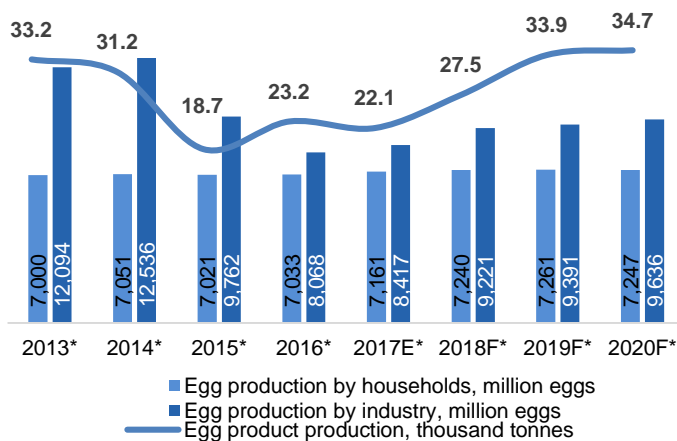
### ECONOMIC STABILITY AND RESTORATION OF PRIVATE CONSUMPTION REMAIN CRUCIAL FOR THE LOCAL MARKET:

- In 2017, a double-digit growth of both nominal and real wages (boosted by the minimum wage increase, which was doubled) supported the gradual recovery in private consumption.
- 8.8% YoY increase in retail trade turnover during Jan-Dec 2017 further indicates an increase in private consumption.
- Along with this, the real disposable income of the population demonstrated moderate YoY growth during Q1-Q3 2017, suggesting that the domestic purchasing power remains low and has yet to reach pre-crisis levels.
- In 2017, total egg consumption in Ukraine decreased by 3.3% to 11.0 billion eggs.

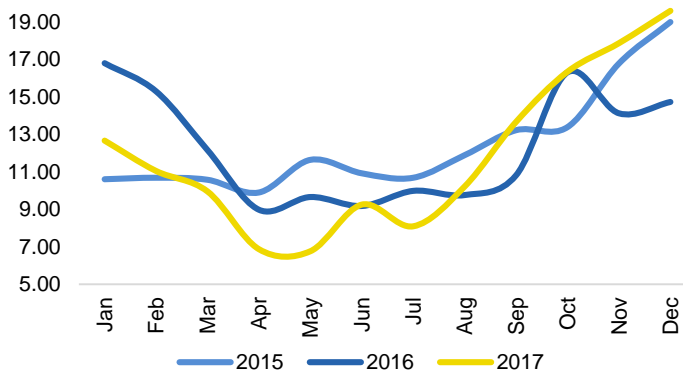
.Source: State Statistics Service of Ukraine, Company data.

## DOMESTIC MARKET OVERVIEW

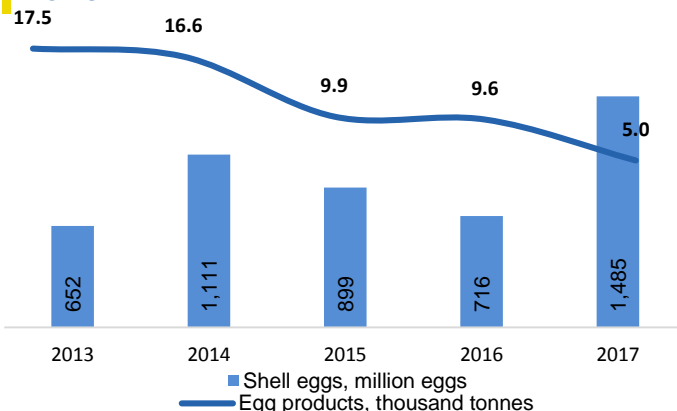
### EGG AND EGG PRODUCT PRODUCTION IN UKRAINE



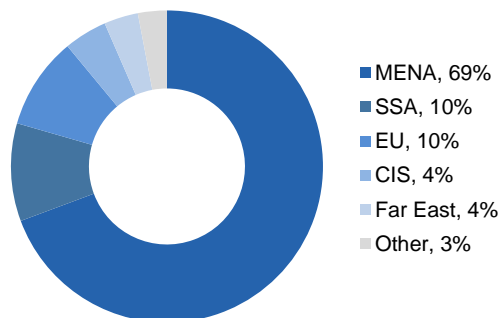
### SHELL EGG SALES PRICE TREND IN UKRAINE, UAH PER 10 EGGS NET OF VAT



### EXPORT OF SHELL EGGS AND EGG PRODUCTS FROM UKRAINE \*\*



### BREAKDOWN OF EXPORT OF SHELL EGGS AND EGG PRODUCTS FROM UKRAINE IN 2017, USD MILLION

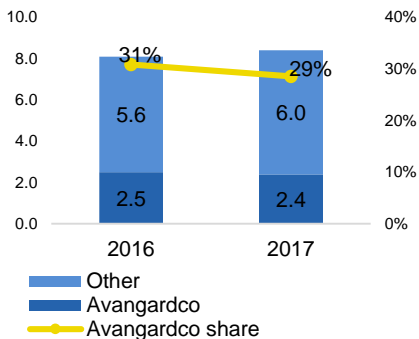


\*\*Excluding the Autonomous Republic of Crimea, the city of Sevastopol and military conflict zone.

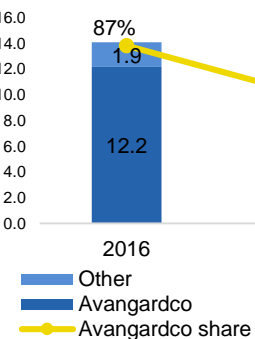
Source: State Statistics Service of Ukraine, Company data.

## INDUSTRY LEADER IN UKRAINE

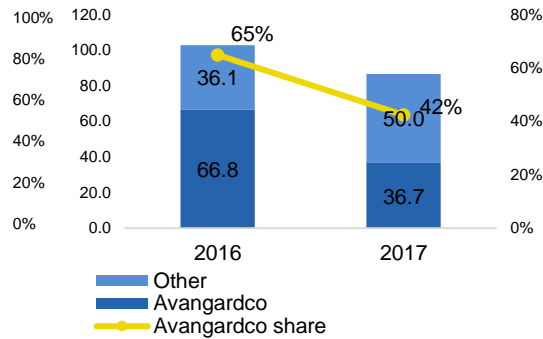
### INDUSTRIAL PRODUCTION OF SHELL EGGS, BILLION



### INDUSTRIAL PRODUCTION OF DRY EGG PRODUCTS, THOUSAND TONNES

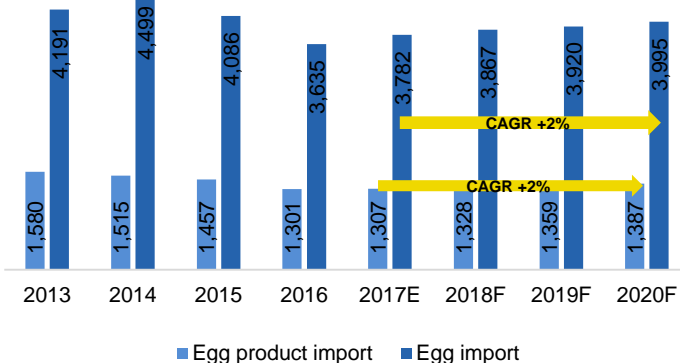


### EXPORT OF SHELL EGGS AND DRY EGG PRODUCTS FROM UKRAINE, USD MILLION

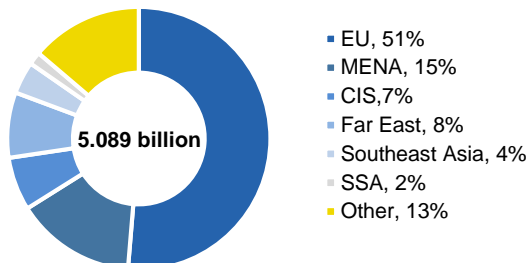


## GROWTH POTENTIAL

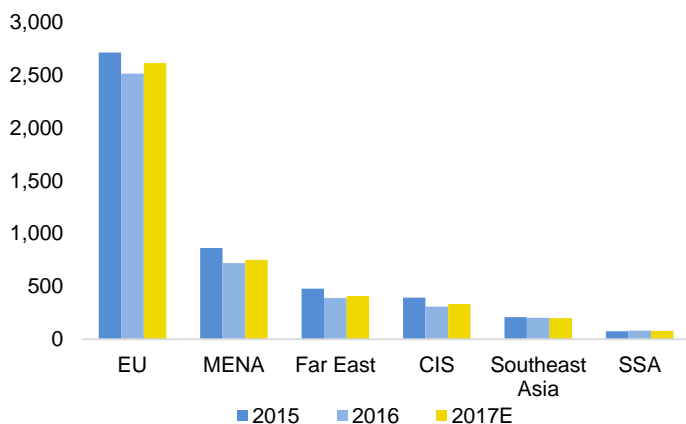
### WORLD IMPORT OF EGGS AND EGG PRODUCTS, USD MILLION



### BREAKDOWN OF WORLD IMPORT OF EGGS AND EGG PRODUCTS IN 2017E, USD MILLION



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



### EXPORT OF EGG PRODUCTS BY THE USA, USD MILLION

