

Ukrproduct Group Ltd

Ukraine's Leading Branded Dairy Company

Investor Presentation

July 2009

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Ukrproduct at a Glance

Trading Update for 1H 2009

FY 2008 Results – Operating and Financial Update

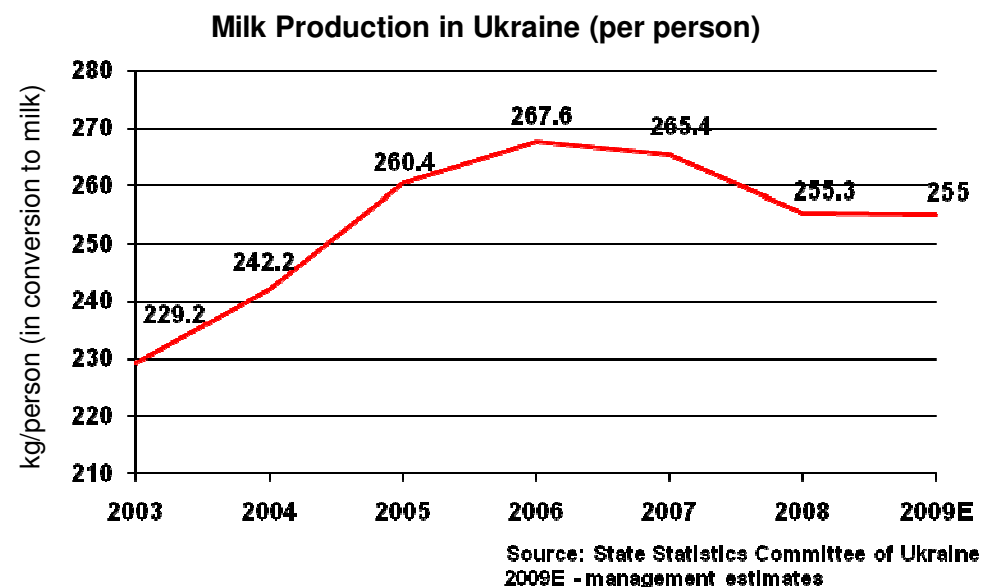
Outlook for 2009

Appendix

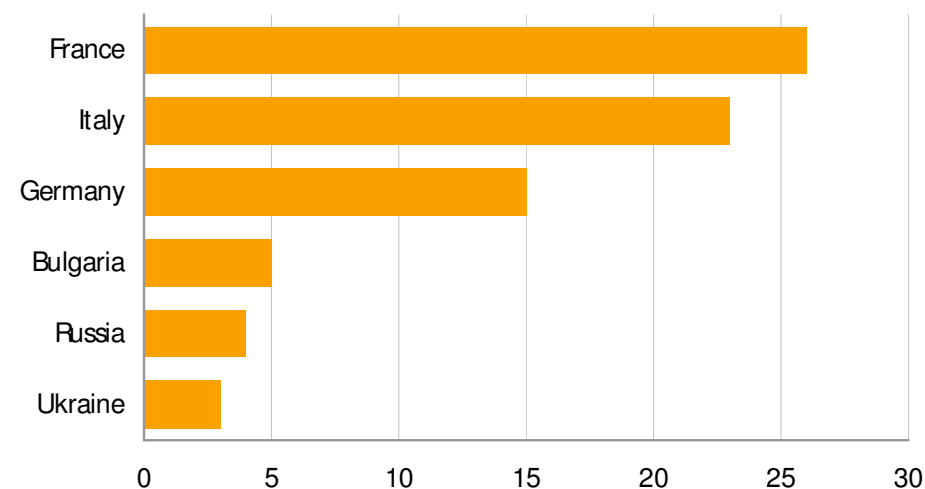


DAIRY MARKET DRIVERS

- A significant slowdown of the Ukrainian economy
- In Jan – May 2009 retail trade turnover declined by 19.5%
- Ukrainian hard cheese producers responded to weak domestic demand by cutting prices and releasing the surplus of products into the market
- The price differential between hard cheese and processed cheese has narrowed
- Partial shift in consumer demand from processed to hard cheese
- Russian authorities introduced an import ban on dairy products from Belarus at the beginning of June 2009
- As a result of this ban, it is anticipated that increased volumes of Belarusian dairy products will be sold in Ukraine and Ukrproduct export markets



Cheese (Hard & Processed) Consumption in European Countries, kg per capital per year



Source: Euromonitor



STRATEGIC POSITION

Ukrproduct Group benefits from proximity to its raw milk suppliers and customers

 **Starkon Dairy (Starokonstantiniv) incl. production facility in Krasilov**

Production of bulk and packaged butter, and skimmed milk powder.

 **Molochnik Dairy (Zhytomyr)**


Production of processed cheese and packaged butter

 **Zhmerinka Dairy (Zhmerinka)**

Production of processed cheese, butter and spreads

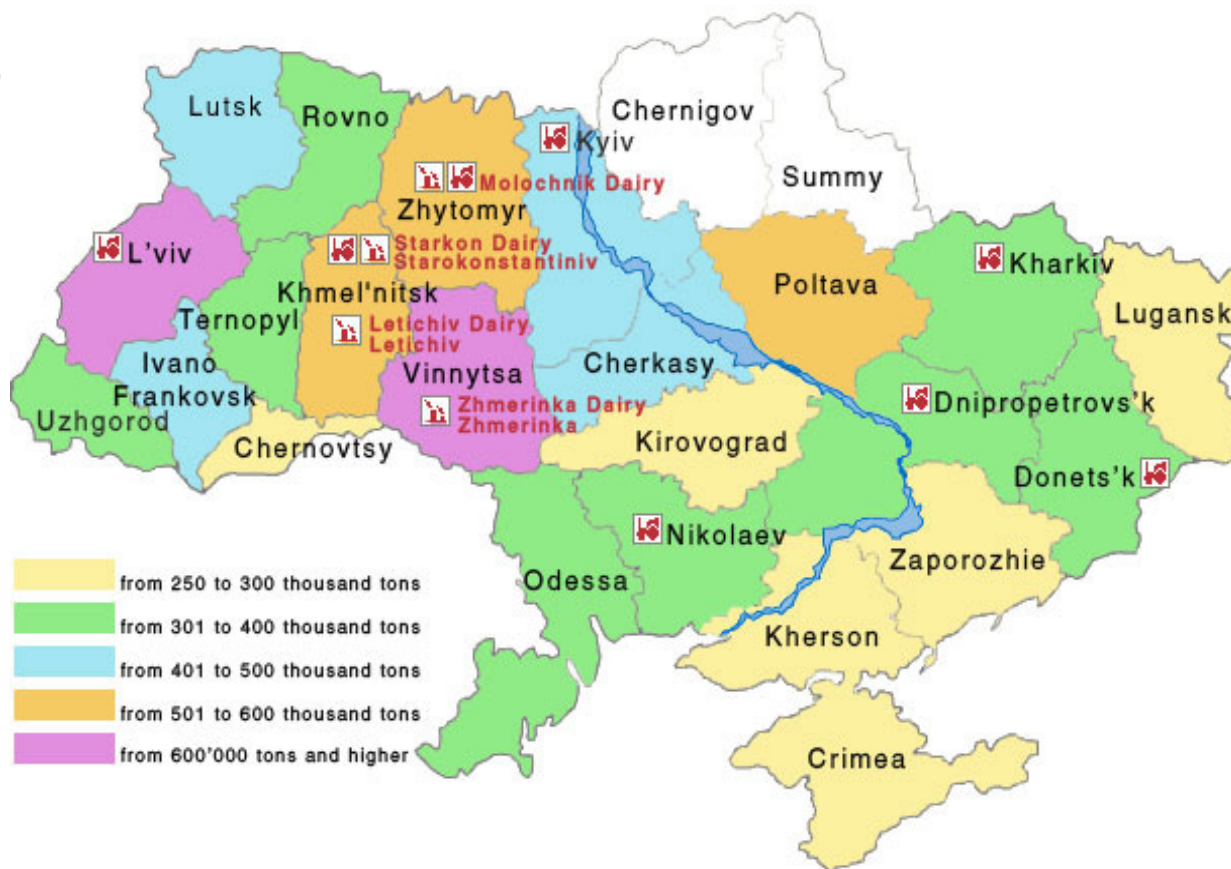
 **Letichiv Dairy (Letichiv)**

Milk collection, production of casein and semi-processed dairy ingredients

 **UkrProdExpo (Starokonstantiniv)**

Export operations of the Group.

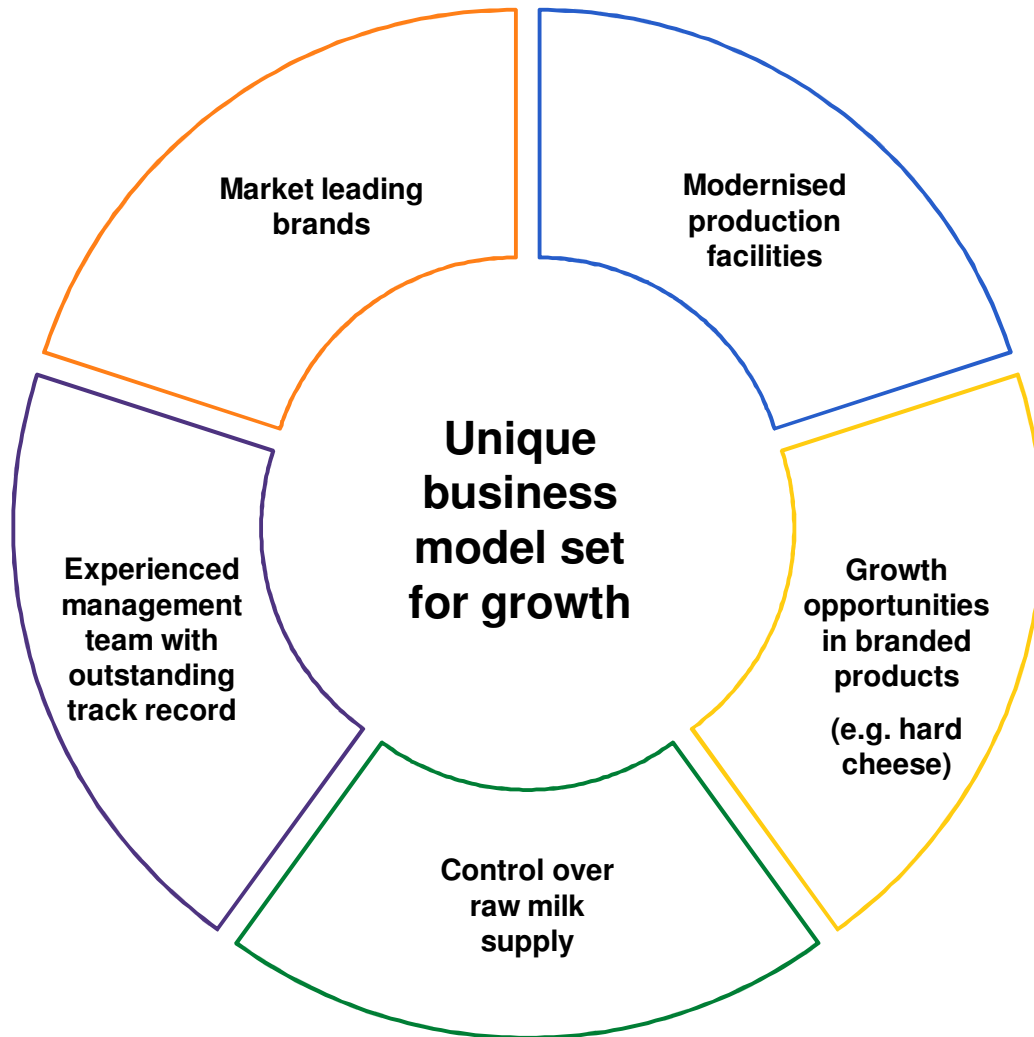
 **Distribution network depots throughout Ukraine**



UKRPRODUCT INVESTMENT CASE



Ukrproduct Group is a leading dairy company in the Ukrainian market



- Market leader in processed cheese (23% market share in Ukraine)* and in packaged butter (13% market share in Ukraine)*
- Brand portfolio with attractive offering for different consumer segments
- Five dairy plants in central and western regions of Ukraine
- Total annual integrated capacity of approximately 70,000 tons of dairy products
- Over 17,500 covered points of sale
- One of the largest logistics and distribution networks in Ukraine with its own fleet of vehicles
- Close proximity to sources of raw milk and customers
- Present in 8 out of the top ten retail chains in Ukraine
- Range of recognisable product brands (“Our Dairyman” is the Company’s flagship)

*Company estimates



INTEGRATED BUSINESS MODEL

Ukrproduct targets profitable growth whilst maintaining its position as a leading regional dairy player

- Low cost raw milk
 - Europe
 - Ukraine
- Long-standing relationships with suppliers
- Around 93 milk collection points
- Most modern production facilities
- ISO certified
- Only DQS* certified dairy company in Ukraine
- 5 production plants
- GBP 12.4 million Capex (2005-08)
- Strong brand recognition
- New marketing campaign to promote “Our Dairyman”
- Upgrade of brand portfolio – launch of the premium brand “Molendam”
- Unique distribution network
- 150+ vehicles, 7 depots, one central warehouse
- Third Party Services
- Sales through top retail chains and direct distributors



BRAND PORTFOLIO



*Premium
market*



*Middle
market*



*Mass
market*



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- Sales volumes remained seasonally low in the first quarter of 2009
- Trading did not recover, however, in April and May, showing further decline in sales of the branded products segment
- Packaged butter sales volumes and profit margins were above management expectations
- Skimmed milk powder (SMP) production and export sales volumes exceeded management forecast, however, the segment's profit margins have significantly decreased due to a further increase in energy costs



ANTI-CRISIS MEASURES IN 2009

▪ Raw milk zone

- ✓ Optimisation of milk collection and storage costs
- ✓ Stricter control of milk quality
- ✓ Further development of imports of bulk butter from Belarus

▪ Production

- ✓ Optimisation of staff and work shifts
- ✓ Employee motivation system aimed at product quality, standardised production and cost savings
- ✓ Disposal of non-core assets
- ✓ Optimisation of energy consumption

▪ Operations

- ✓ Increased managers' responsibility for operating results
- ✓ Strengthened debt collection
- ✓ Further conversion of vehicle fleet from petrol to gas

▪ Marketing and Sales

- ✓ Enhanced sales coverage (deeper penetration of retailers)
- ✓ Higher quality merchandising (expansion of shelf space and accenting packaging)
- ✓ Motivation of sales force
- ✓ Promotion aimed at major sales points and wholesale markets

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FY 2008 KEY OPERATING HIGHLIGHTS

▪ **Distribution network**

- ✓ Increased final points of sale up to 978 in retail chains
- ✓ Acquired 31 new vehicles and opened 2 depot branches opened in Donetsk and Dnipropetrovsk
- ✓ Training programme of the distribution team in order to achieve higher efficiency levels

▪ **Production volumes**

- ✓ Branded products 24000 tonnes
- ✓ Skimmed Milk Powder (SMP) 3540 tonnes

▪ **Capacity utilisation**

- ✓ 183% increase in hard cheese
- ✓ 16% growth in soft cheese
- ✓ 100% increase in spreads

▪ **Raw milk zone**

- ✓ 93 collection points and 93 cooling tanks



COST OPTIMISATION PROGRAMME IN 2008

- Locked-in raw milk prices in October in UAH
- Revised CapEx programme to maintenance levels
- Optimised staff headcount and froze salaries in UAH
- Introduced programme of matching receivables and payables
- Optimised stock levels
- Improved logistics and optimised distribution costs
- Centralized purchasing to improve economies of scale



KEY FINANCIALS

Profit & Loss summary

(GBP, millions)	FY 2008	FY 2007	Year on Year Change
Sales	52.3	48.1	8.7%
EBITDA	4.8	5.5	(13.4%)
Gross Profit	10.8	10.5	3.4%
S,G & A	6.9	5.7	22.2%
PBT	2.4	3.7	(33.7%)
Net Income	2.3	3.3	(30.2%)

- ✓ 8.7% y-o-y increase in revenues
- ✓ 13.4% y-o-y decrease in EBITDA as a result of the decline in SMP prices
- ✓ 28.6% y-o-y increase in depreciation and amortisation expenses following the launch of hard cheese and the installation of a smoking chamber
- ✓ 22.2% y-o-y increase in S,G & A expenses due to increase in marketing and distribution expenses
- ✓ 30.2% y-o-y decrease in net income
- ✓ Bad debt as a percentage of sales remains constant

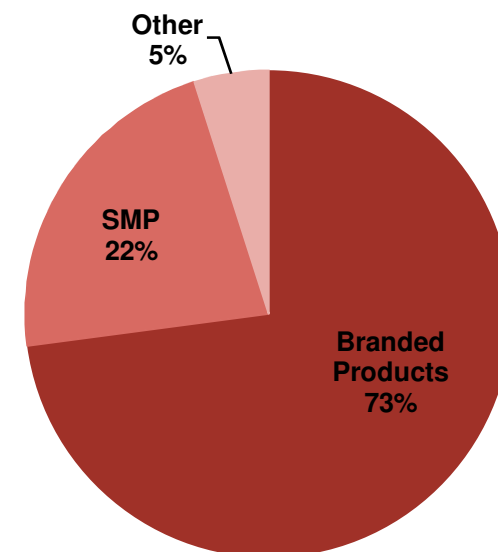


SEGMENT SALES AND PROFITABILITY

Sales

(GBP, million)	FY 2008	FY 2007	Year on Year Change
Branded	38.2	25.2	51.8%
SMP	11.6	20.4	(43.4%)
Other	2.55	2.54	0.4%

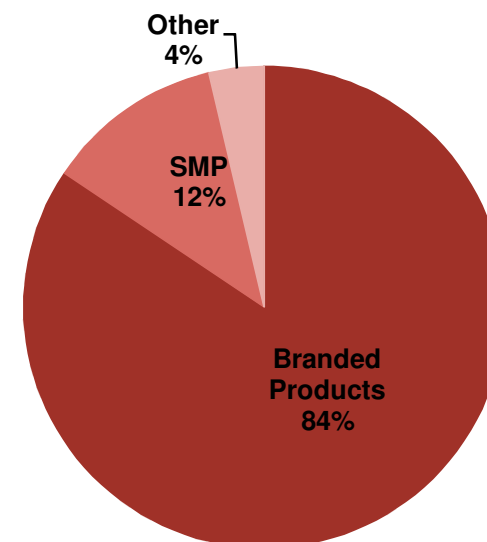
Sales FY 2008



Gross Profit

(GBP, million)	FY 2008	FY 2007	Year on Year Change
Branded	9.1	6.3	45.9%
SMP	1.3	3.8	(68.4%)
Other	0.41	0.39	3.6%

Gross Profit FY 2008



CASH FLOW, DEBT AND CAPEX

(GBP, million)	FY 2008	FY 2007
Net cash flows from operations	2.6	3.6
Net cash flow from investing activities	(1.9)	(2.5)
Net cash flow from financing activities	(0.7)	(0.08)
CAPEX	1.4	2.7
Cash	0.7	1.1
Total Debt	3.7	4.2
Net Debt	2.9	3.1
Debt/Equity Ratio	18.8%	20.4%
Debt/EBITDA Ratio	1.2	1.4

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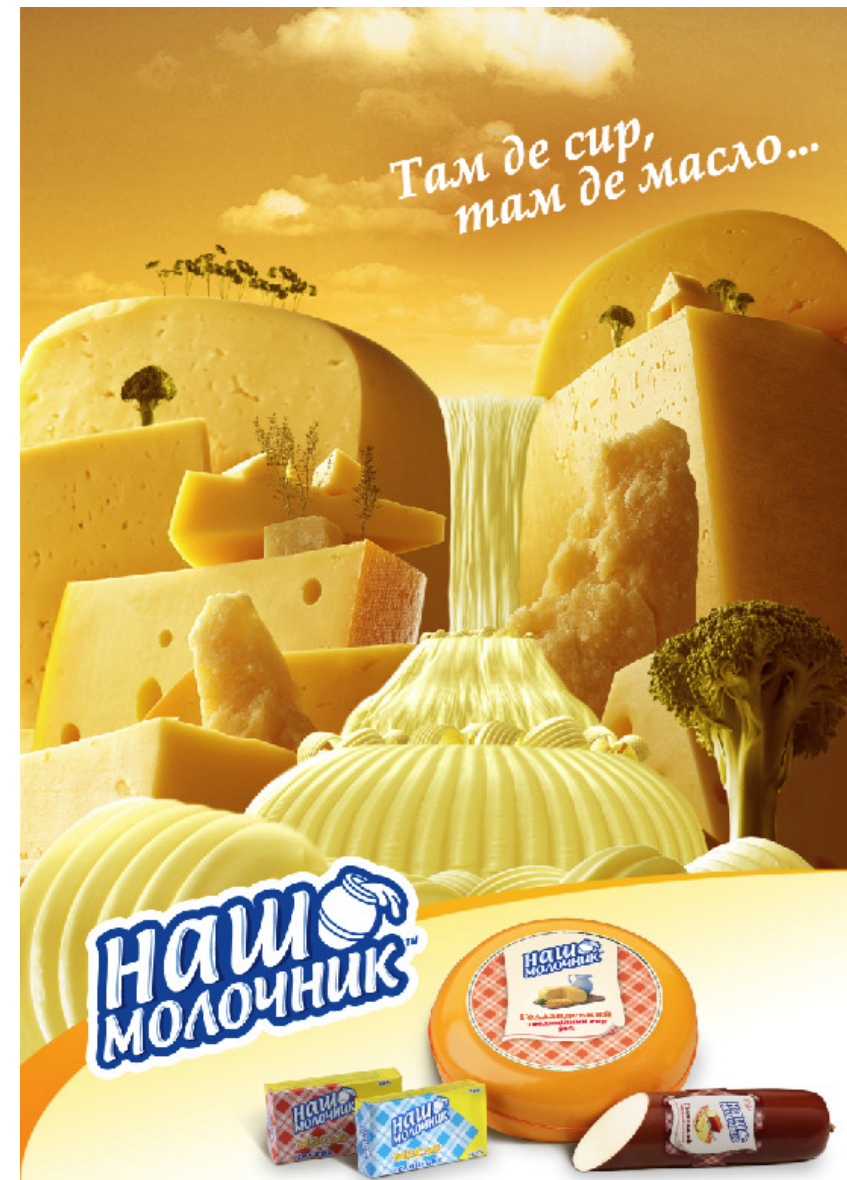
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OUTLOOK FOR 1H 2009 AND FY 2009

- Net profit for the first half of 2009 to be substantially lower, compared to the corresponding period in 2008
- Full year 2009 net results to be below 2008
- Capital expenditure to be below GBP 1 million
- M&A opportunities if there is a fit with the Group's strategy
- Cash levels are sufficient to meet current debt obligations in the short and medium term
- Management remains confident that it will successfully work through the immediate market challenges and continues to see significant opportunities in its domestic and export markets over the long term



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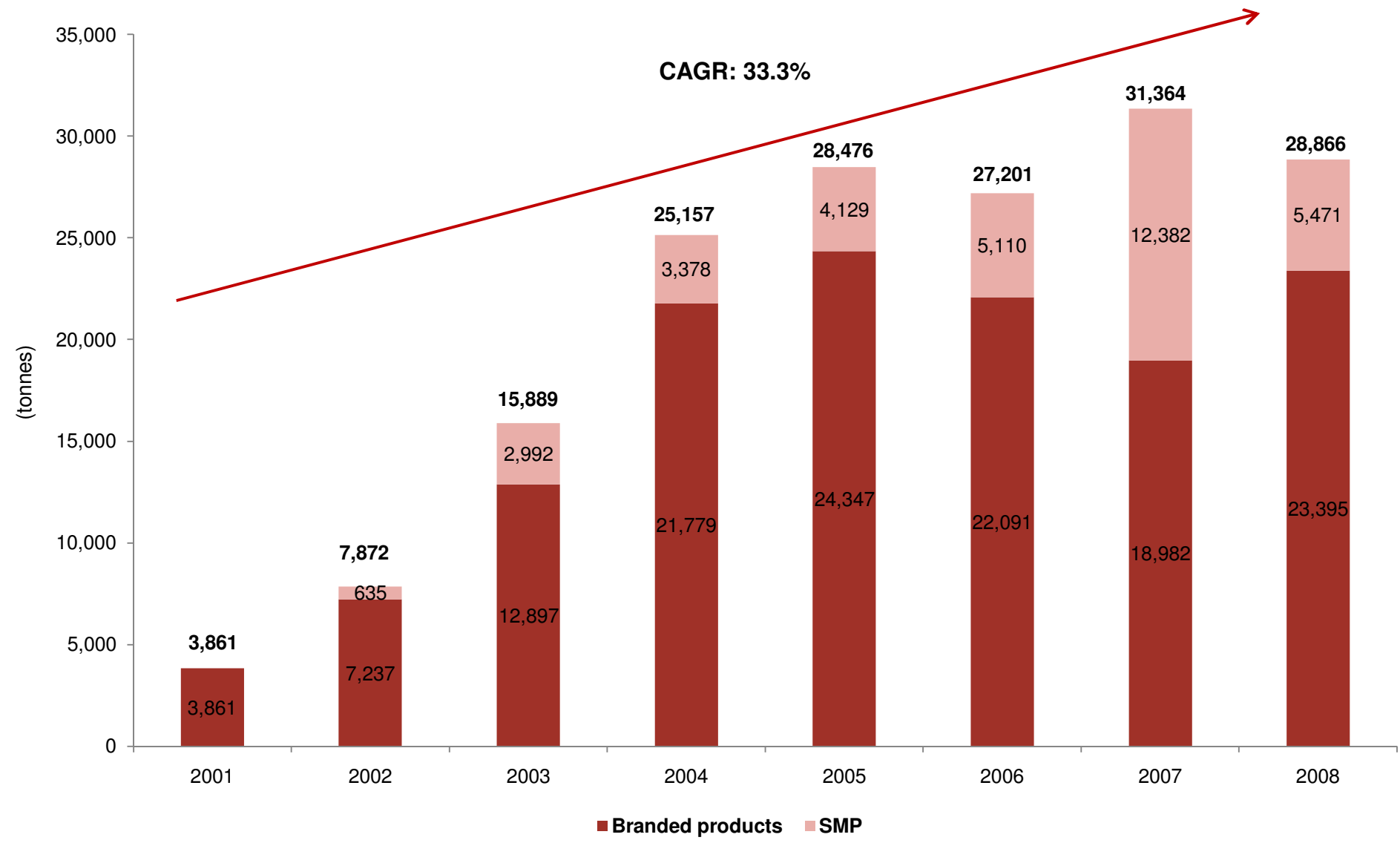
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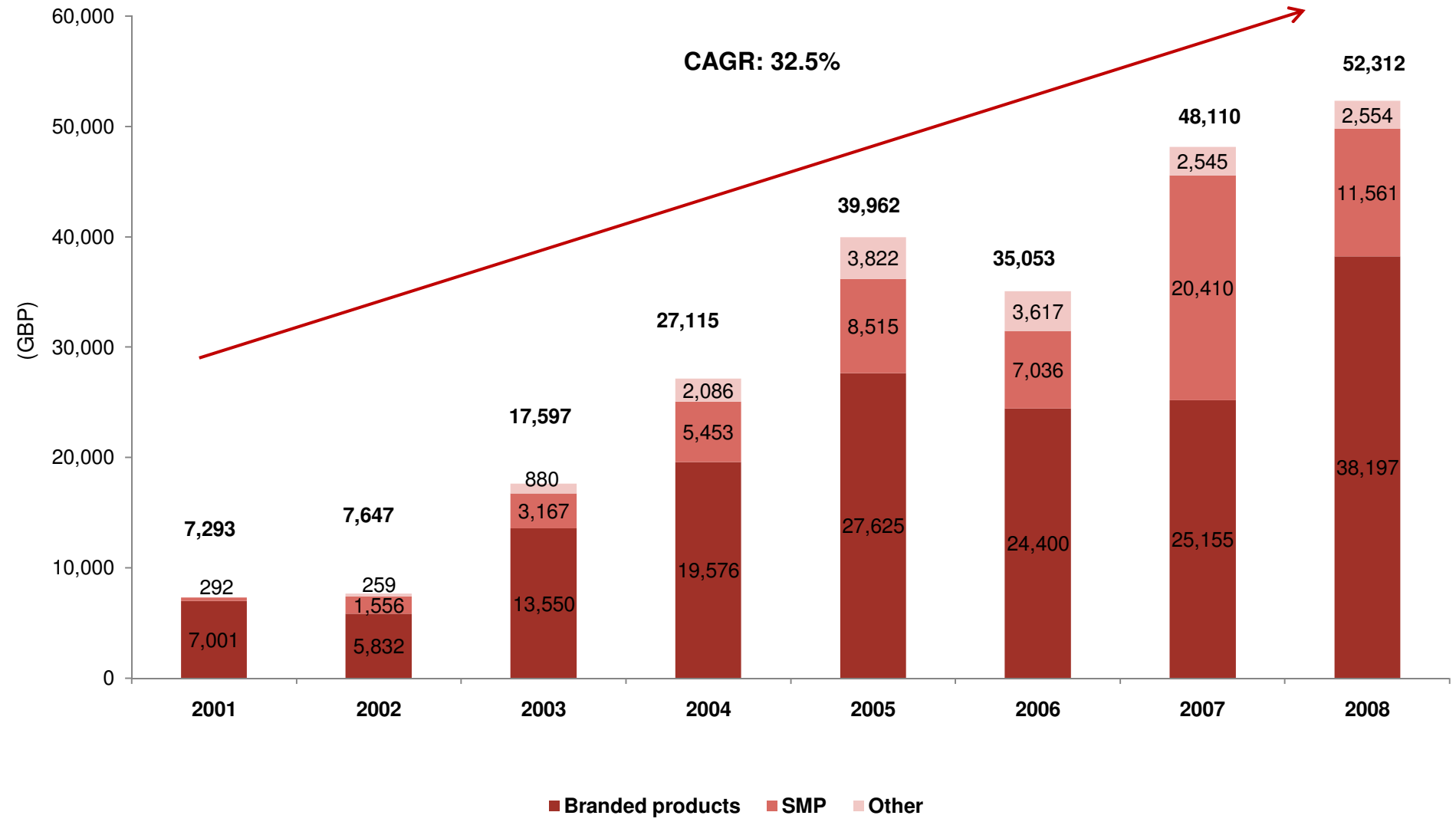
PRODUCTION VOLUME IN 2001-2008





OPERATING PERFORMANCE 2001-2008

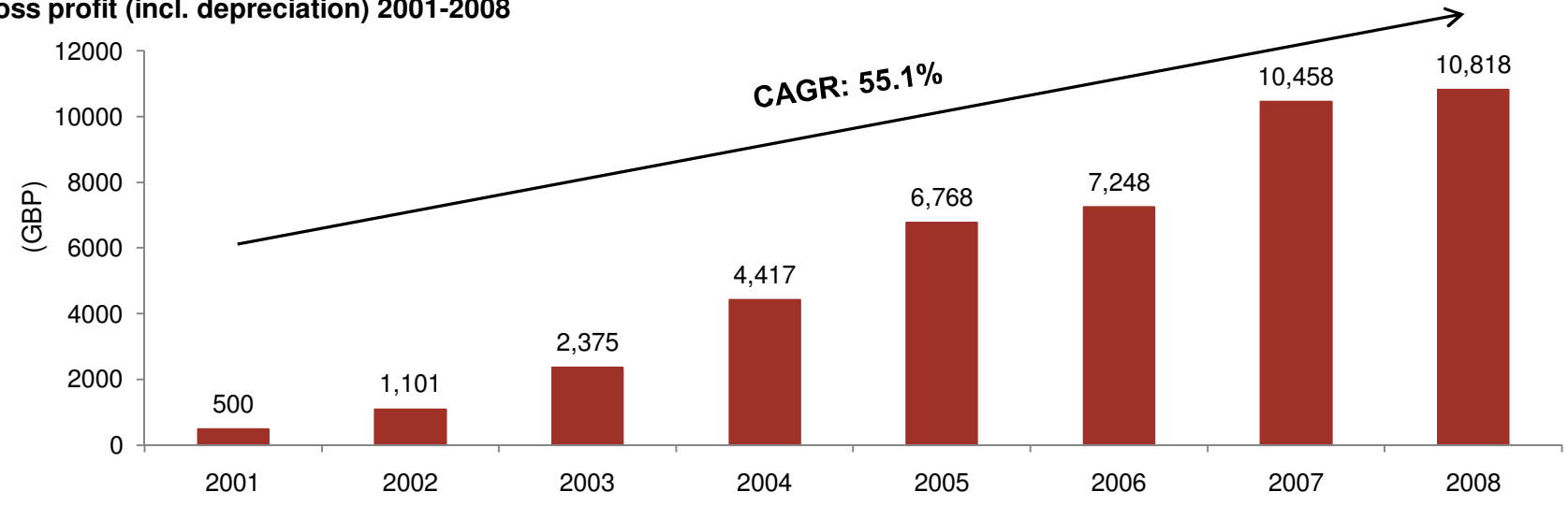
Net revenues 2001-2008



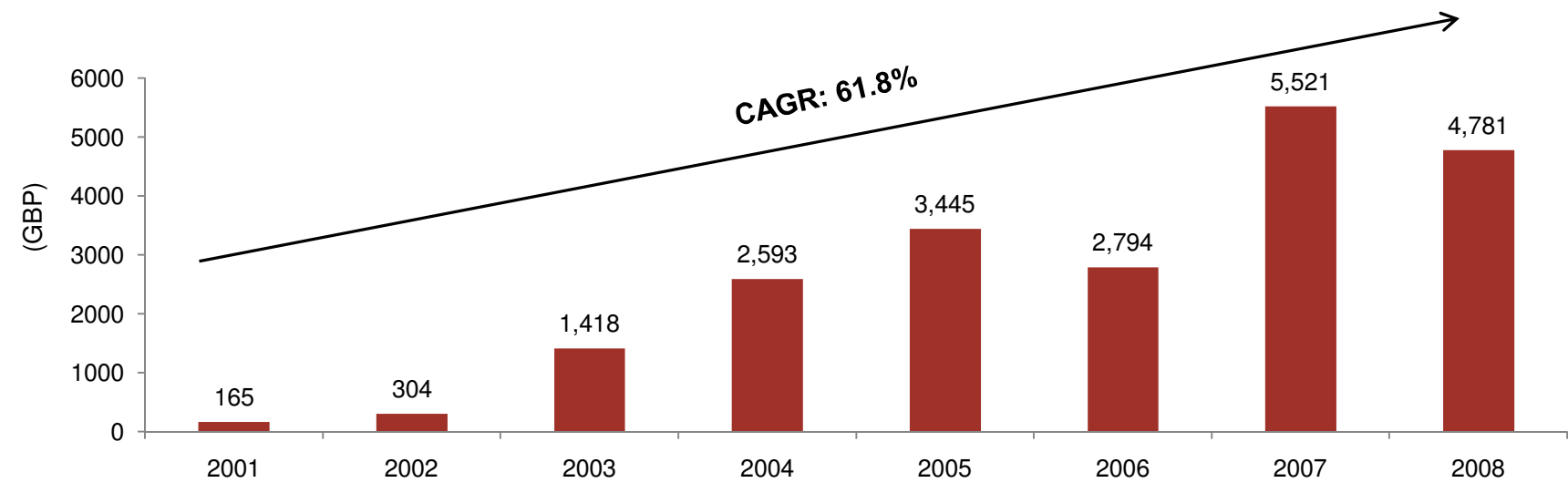


OPERATING PERFORMANCE 2001-2008 cont'd

Gross profit (incl. depreciation) 2001-2008



Ukrproduct EBITDA 2001-2008



Source: Company Information

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