



Ukrproduct Group Ltd

Ukraine's Leading Branded Dairy Company

**Financial Results Presentation
H1 2011**

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Key Operational Highlights

- § Encouraging increase in sales of **branded/own label products**
- § Strengthened market leadership in **packaged butter**
- § Recovered leadership in **processed cheese**
- § Significantly increased distribution of **third party products**, especially kvass
- § Profitability of **SMP** hit by higher raw milk prices, hangover of excessive stocks in Ukraine from 2010 and strong global competition dampening export prices
- § Tax load increased substantially following the implementation of the new Tax Code
- § Profitability challenged by the new milk subsidy regime
- § Concluded loan agreement with European Bank for Reconstruction and Development to finance the modernization of the plant in Starokostiantyniv



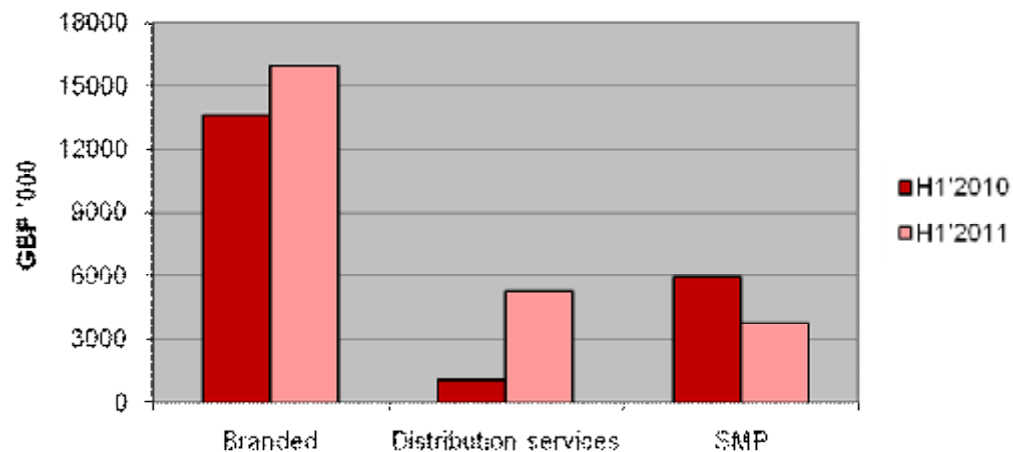
FINANCIAL OVERVIEW

Key Financial Highlights

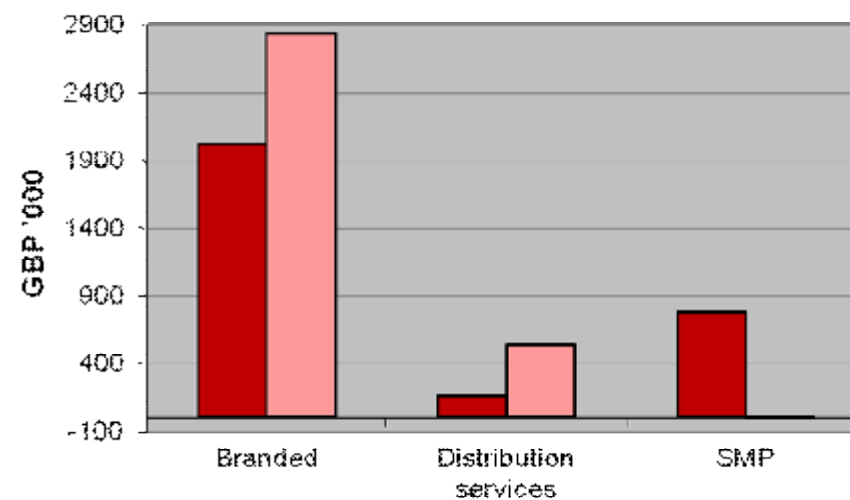
(GBP thousands)

Key Indicator	H1 2011	H1 2010	year-on-year change
Revenue	25,008	20,653	21%
Gross Profit	3,375	2,969	14%
Profit before tax	528	440	20%
Profit after tax	309	415	(26%)
Basic earnings per share (pence)	0.8	1.0	(23%)

Revenue by segment



Gross Profit by segment



FINANCIAL OVERVIEW

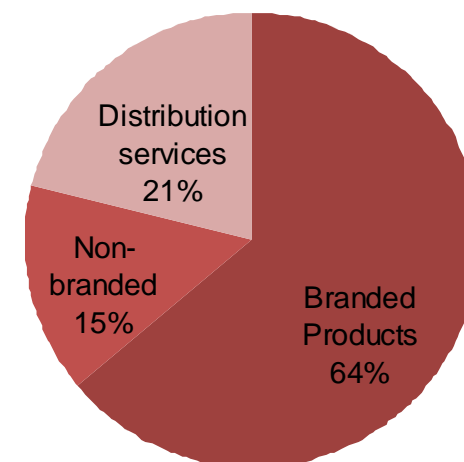
Segment Sales and Profitability

Sales

	(GBP thousands)			(UAH thousands)			(Tonnes)		
	H1 2011	H1 2010	Year-on-year Change	H1 2011	H1 2010	Year-on-year Change	H1 2011	H1 2010	Year-on-year Change
Branded	15,992	13,679	+17%	205,815	165,884	+24%	8,028	7,127	+13%
SMP	3,738	5,920	-37%	48,108	71,791	-33%	1,913	2,288	-16%
Distribution services	5,278	1,054	+401%	67,927	12,782	+432	N/A	N/A	-

Gross Profit

	(GBP thousands)			(UAH thousands)		
	H1 2011	H1 2010	Year-on-year Change	H1 2011	H1 2010	Year-on-year Change
Branded	2,837	2,028	+40%	36,511	24,599	48%
SMP	-7	776	-101%	-90	9,410	-101%
Distribution services	545	164	231%	7,014	1,989	252%



Revenue by segment (GBP)



FINANCIAL OVERVIEW

Cash Flow, Debt and CapEx

(GBP, thousands)	H1 2011	H1 2010
Net Cash Flow from Operating Activities	315	1726
Net Cash flow from Investing Activities	(6)	(350)
Net Cash flow from Financial Activities	(541)	3
CapEx	(223)	(354)
Cash, end of period	395	1567
Total Debt	2661	1868
Total Debt/Equity Ratio	0.14	0.12
Total Debt/EBITDA Ratio	2.31	1.63

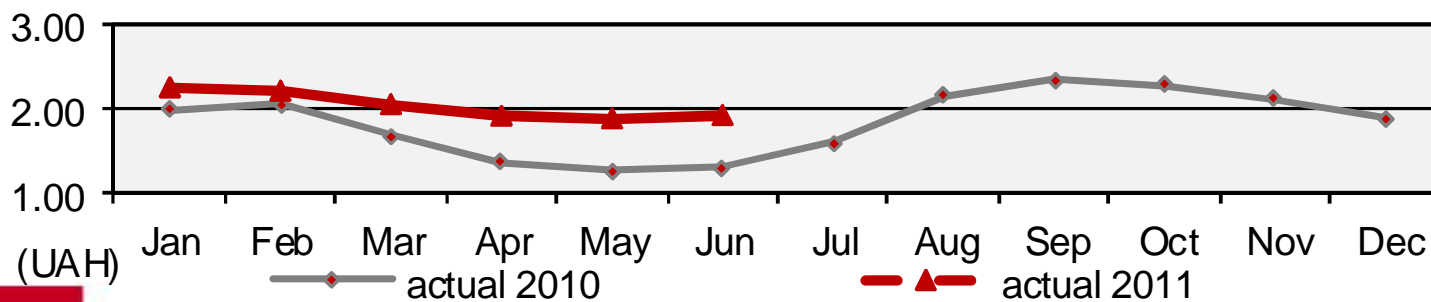
NOTE: As at 30 June 2011, the Group was due GBP 2 million following the sale of equipment



CONTEXT

Dairy Market Drivers in Ukraine

- § Continuing decline in volume of milk production by average 3% per year
- § Raw milk prices increased 31.4% year-on-year, mainly due to the new milk subsidy regime which pushed up prices by approximately 20%
- § Purchasing interventions by the Agrarian Fund added further to the increase in raw milk price
- § Dairy market capacity decreased across butter, processed and hard cheese sectors but increased in spreads
- § Prices of dairy commodities directly correlated with world trends and depend mostly on neighboring Russian trends
- § The quality of milk deteriorates in summer due to changing weather conditions



Raw Milk Price Trends (UAH)

CONTEXT

Ukraine – Market Environment

- § GDP is forecast to increase by 4.5% in 2011
- § Inflation was 6.1% for the first 6 months of 2011
- § Ukrainian Hryvna was relatively stable
- § Consumer disposable incomes will remain pressured by rising utility bills and fuel costs
- § Consumer demand switching to more affordable products; higher price sensitivity
- § Customers seek to extend their credit terms, further exacerbating risk of bad debts
- § Tax code stringency will impose pressure on all businesses



Outlook for 2011

- § The Group aims to further increase sales of branded products with trade marketing campaigns and further realignment of product portfolio
- § Expansion of distribution services is planned to continue, helped by reorganization of the logistics system which will reduce unit costs
- § Margin pressure will continue given the new milk subsidy regime and input cost inflation, especially fuel
- § The Group will focus on cost-cutting measures and improving efficiency of operations to sustain profitability
- § The new Tax Code decrees significant change in tax planning program








Strategic Position

- 
Cheese & butter plant in Zhytomyr
 Production of processed cheese and packaged butter
- 
Dairy plant in Starokonstantyniv
 Production of bulk and packaged butter & spreads, skimmed milk powder
- 
Dairy plant in Krasyliv
 Milk collection and production of semi-processed dairy ingredients
- 
Dairy plant in Letychiv
 Milk collection, production of casein and semi-processed dairy ingredients
- 
Export operations of the Group (Starokonstantyniv)
- 
Pan-Ukrainian distribution network



Raw milk collection capacity per region, Ukraine

-  from 250 to 300 thousand tons
-  from 301 to 400 thousand tons
-  from 401 to 500 thousand tons
-  from 501 to 600 thousand tons
-  from 600'000 tons and higher

Brand Portfolio

*Premium
market*



Cheeses & butter



Butter

*Middle
market*



Cheeses & Butter

*Mass
market*



Creamy Valley
Butter



Butter



Spreads



Spreads



Processed Cheese





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