

Ukrproduct Group Ltd

Ukraine's Leading Branded Dairy Company

1H 2010 Financial Results Presentation

September 2010



U K R P R O D U C T

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2010, Ukrproduct Group LTD



Dairy Market Environment in Ukraine

1H 2010 Results – Operating and Financial Update

Key Events following the Reporting Period

Outlook for FY 2010

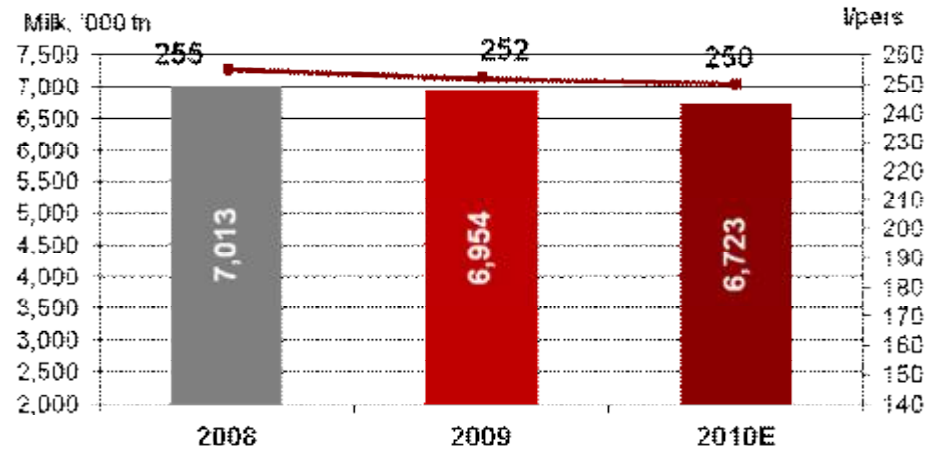
Appendix



DAIRY MARKET DRIVERS IN UKRAINE

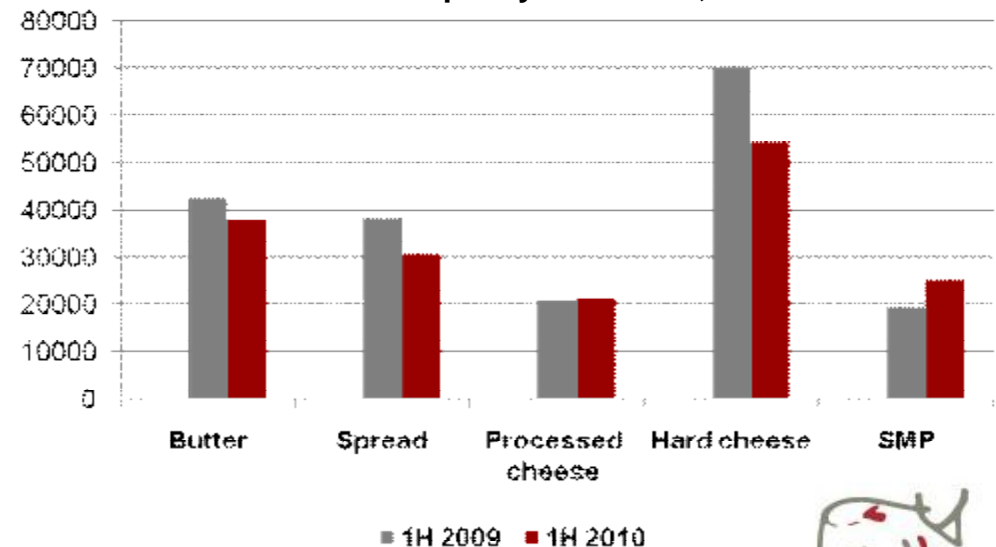
- § Continued decline in consumer's purchasing power and a subsequent switch of consumer demand into mass market dairy products
- § Unexpected 67% rise YoY in raw milk prices for the first 8 months of 2010 and an 11.0% increase YoY in energy costs in 1H 2010
- § Dairy market capacity has contracted across butter, spreads and hard cheese product categories in 1H 2010, however, it has expanded in SMP and hard cheese
- § Total raw milk production declined 2.9% YoY in 1H 2010
- § Strengthening government policy on regulation of retail prices

Milk production ('000, tonnes) and consumption in Ukraine (per person)



Source: Company Data

Market Capacity in Ukraine, tonnes



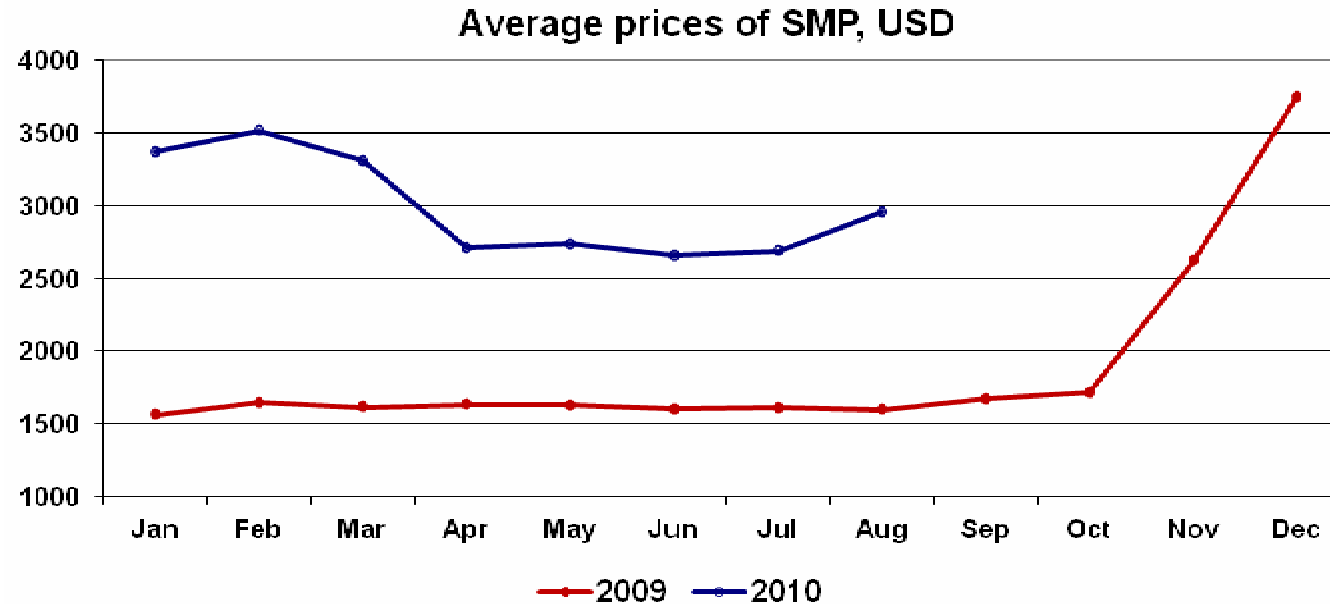
Source: Company Data



SKIMMED MILK POWDER (SMP) DRIVERS

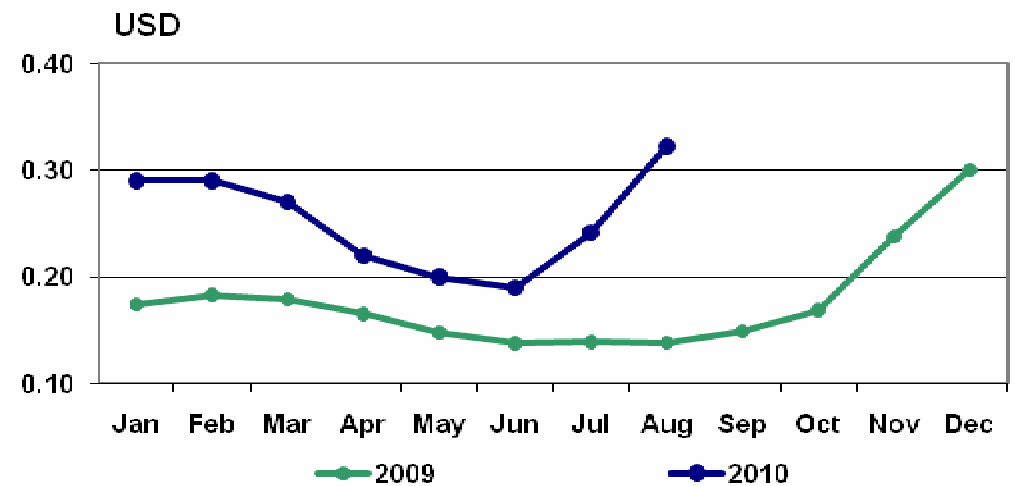
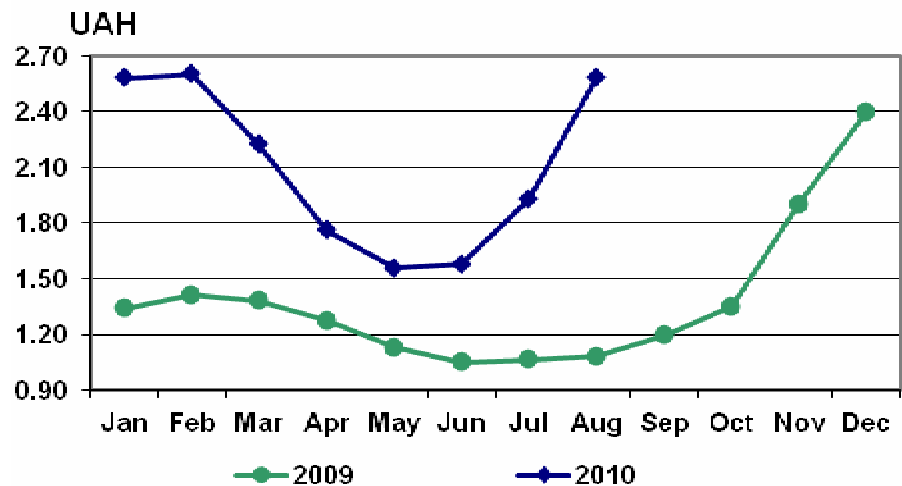
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- § Following the recovery in global soft commodities markets, which started in the second half of 2009, SMP prices in 1H 2010 were significantly above 2009 level
- § Export trading volumes of SMP declined and were affected by the Ukrainian government's decision to issue bonds in exchange for its VAT obligations to exporters
- § In Ukraine the Group signed sales contracts and started shipments of SMP to companies including Danone, Wimm-Bill-Dann and others at improved margins



AVERAGE PRICE OF RAW MILK IN UKRAINE

- § 67% YoY increase in average raw milk prices in the first 8 months of 2010
- § Extreme weather conditions adversely affected seasonality of both raw milk collection and consumption
- § High demand for dairy products from Russia puts more pressure on the raw milk market and stimulates price increase



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1H 2010 KEY OPERATING HIGHLIGHTS

- § Further decrease in the purchasing power of the local population with growth in input prices outpacing the rise in consumer prices, which led to a further switch in consumer preferences from the middle to the mass market segment
- § Continued to maintain a leading market share of packaged butter and came under competitive pressure in processed cheese market
- § Trading in SMP was up YoY following price increases, however trading volumes declined due to government decision to issue bonds in exchange for VAT obligations on export sales
- § Benefited from a favourable pricing environment in SMP resulting in significantly improved profitability of this segment
- § Increase in raw milk prices outpaced the rise in retail prices of butter
- § Introduction of new motivation system to increase profits from each sales point and to improve financial discipline in order to decrease overdue payments
- § Increased third party products turnover



KEY FINANCIALS

	(GBP thousands)			(UAH thousands)		
	1H 2010	1H 2009	Year on Year Change	1H 2010	1H 2009	Year on Year Change
Revenue	20,653	21,799	(5.3%)	250,457	249,345	0.5%
Gross Profit	3,183	3,934	(19.1%)	38,600	44,998	(14.2%)
EBITDA	1,148	1,669	(31.2%)	13,925	19,093	(27.1%)
Profit after tax	415	629	(33.9%)	5,033	7,183	(29.9%)
Basic earnings per share (pence)	1.0	1.5	(33.3%)	-	-	-

- § Group's revenues mainly impacted by a consumer shift to mass market products and a decrease in sales of branded products
- § Revenues in branded products segment declined by 12.8% YoY as a result of competitive pressure experienced in the processed cheese market and following increase of raw milk prices which affected butter sales
- § SMP revenues increased by 11.0% YoY following the continued recovery in global soft commodities markets and a favourable pricing environment in the domestically and abroad
- § Gross profit declined by 19.1% YoY with gross profit margin of 15.4% as a result of the continued margin pressure in the branded products segment
- § 8.9% YoY decrease in S,G & A expenses from GBP 2.8 million in 1H 2009 to GBP 2.6 million in 1H 2010 due to cost optimisation measures
- § No interim dividend payment for the first six months ended 30 June 2010



SEGMENT SALES AND PROFITABILITY

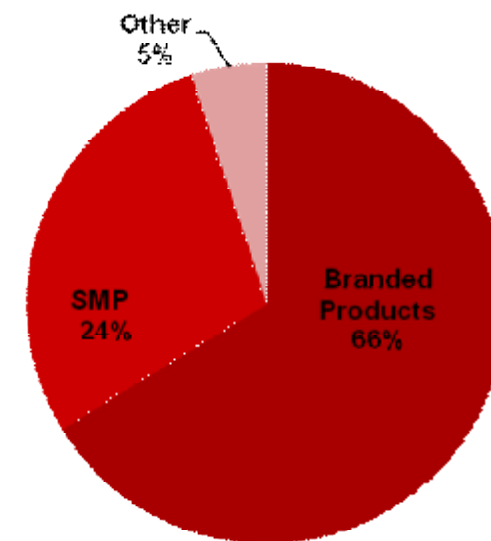
Sales

	(GBP thousands)			(UAH thousands)			(Tonnes thousands)		
	1H 2010	1H 2009	Year on Year Change	1H 2010	1H 2009	Year on Year Change	1H 2010	1H 2009	Year on Year Change
Branded	13,679	15,692	(12.8%)	165,884	179,487	(7.6%)	7,127	9,360	(23.8%)
SMP	5,920	5,332	11.0%	71,791	60,989	17.7%	2,288	3,698	(38.1%)
Other	1,054	775	36.2%	12,782	8,869	44.1%	-	-	-

Gross Profit

	(GBP thousands)			(UAH thousands)		
	1H 2010	1H 2009	Year on Year Change	1H 2010	1H 2009	Year on Year Change
Branded	2,243	3,853	(41.8%)	27,200	44,059	(38.3%)
SMP	776	(22)	-	9,410	(252)	-
Other	164	100	64.0%	1,989	1,149	73.1%

Sales 1H 2010



CASH FLOW, DEBT AND CAPEX

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(GBP, millions)	1H 2010	1H 2009
Net cash flows from operations	1.8	3.6
Net cash flow from investing activities	(0.4)	(0.3)
Net cash flow from financing activities	(0.003)	(1.5)
CapEx	0.4	0.5
Cash	1.6	2.2
Total Debt	1.9	2.1
Total Debt/Equity Ratio	0.12	0.14
Total Debt/EBITDA Ratio	1.63	1.25



Dairy Market Environment in Ukraine

FY 2009 Results – Operating and Financial Update

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KEY EVENTS FOLLOWING THE REPORTING PERIOD

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- § Appointment of new Chief Financial Officer, Director of Sales and Distribution and Director of Marketing
- § Transferred the production of bulk spreads from Zhmerynka plant to Starokonstantinovskiy Dairy Plant and introduced new technology, which has resulted in encouraging savings in production costs and simultaneously increased the quality and texture of the product
- § Became the exclusive distributor of 'Arsenievsky' branded kvass, a traditional fermented beverage, with an attractive growth outlook and leverage to Ukrproduct's distribution network
- § Improved its auxiliary infrastructure, including the installation of new cooling equipment at Starokonstantinovskiy Dairy Plant
- § Launched the production of processed cheese 'product' with vegetable oil and soya content at its Molochnik Plant in Zhytomyr
- § Initiated the switch to more cost efficient packaging products following a 20% increase YoY in packaging costs in 1H 2010
- § Optimized advertising budget due to more efficient use of common advertising budgets with retail chains



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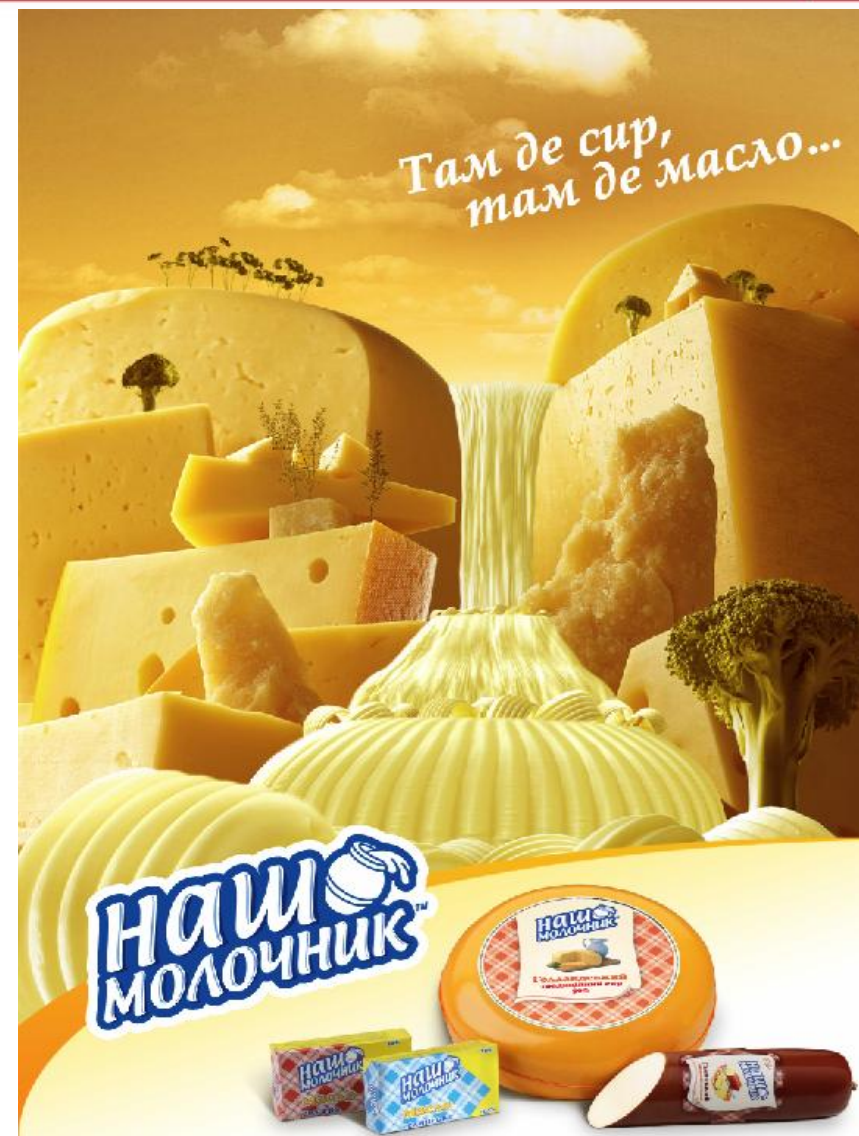
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OUTLOOK FOR 2010

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- § More stable outlook for the economy under the new government, however, consumer budgets continue to be pressured inducing a further shift to the mass market
- § Continue vigorously marketing our products and promoting our brands, through a series of targeted marketing campaigns
- § The trading environment is likely to remain challenging and management expects further increase in raw milk prices
- § Necessary provisions were made during the summer months for the forward storage of milk and milk derivatives to achieve our production targets in processed cheese and butter in the second half of 2010
- § We will continue with our strategy of realigning product to different market segments as the economic situation evolves, seeking to further reduce our costs and improve profitability
- § Cash position of the Group is stable



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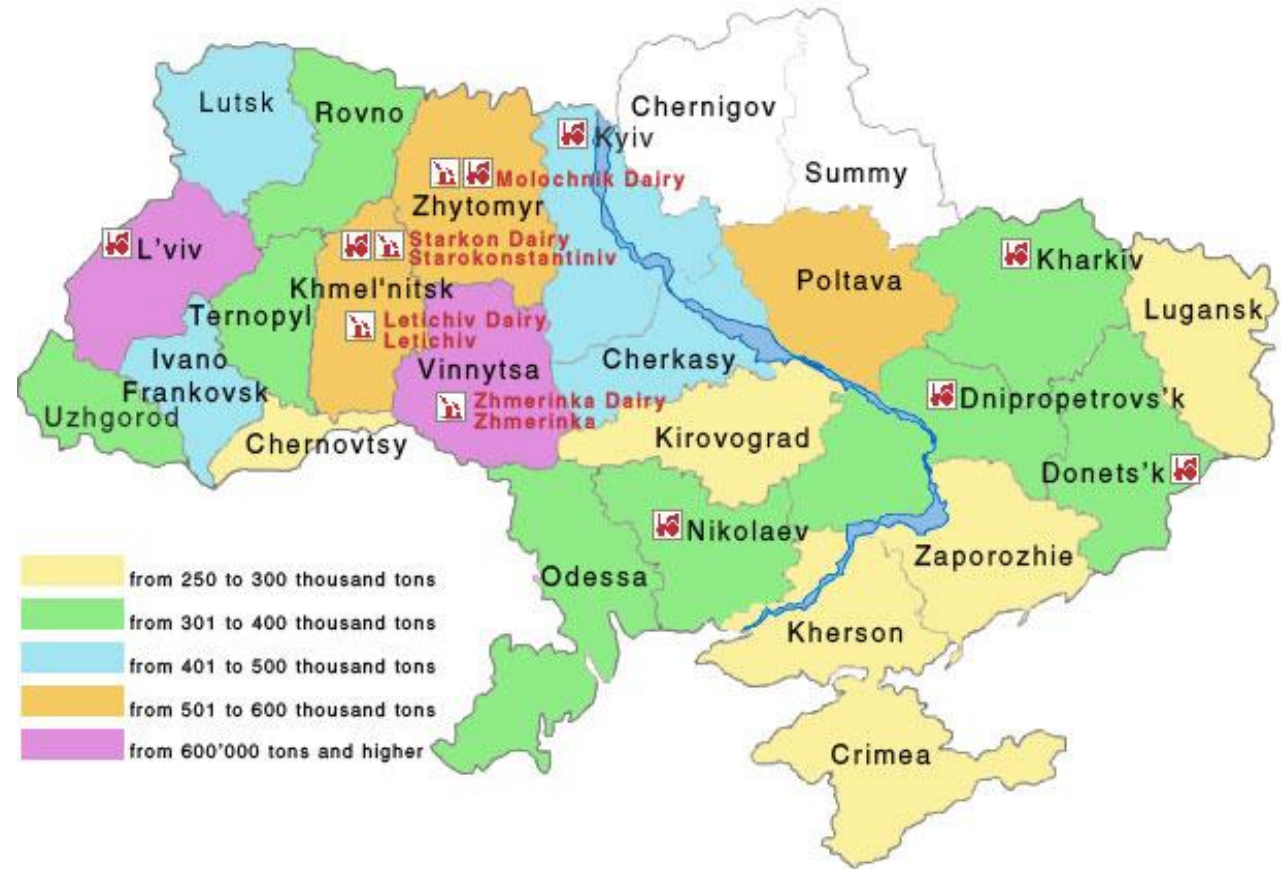
Appendix



STRATEGIC POSITION

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

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



* Zhmerinka plant is mothballed and operations are closed



BRAND PORTFOLIO

*Premium
market*



*Middle
market*



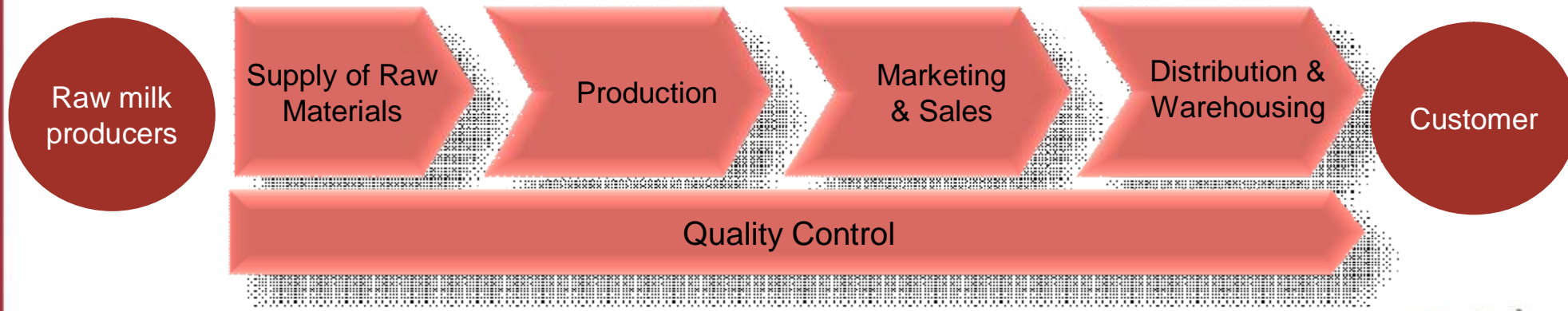
*Mass
market*



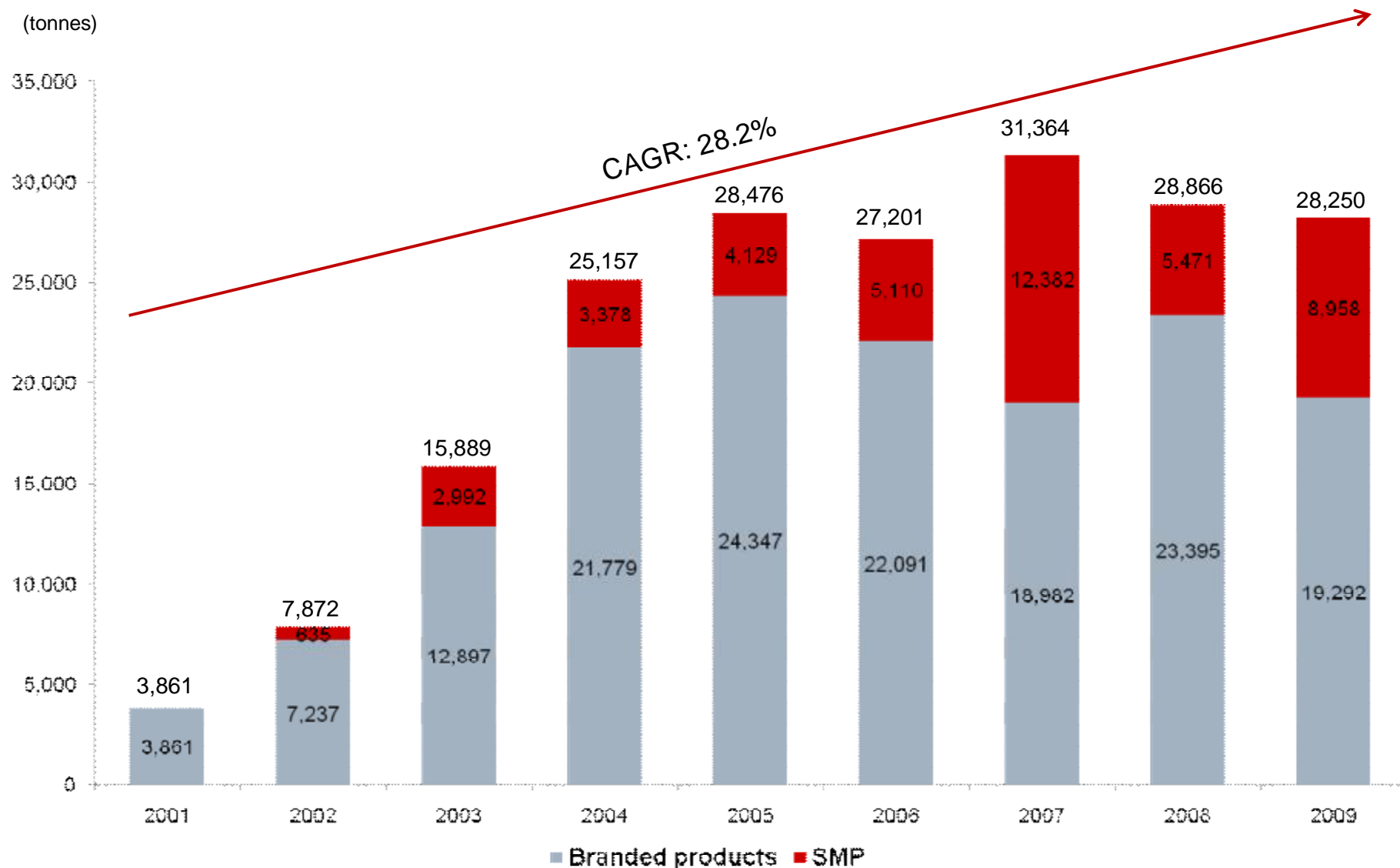
INTEGRATED BUSINESS MODEL

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

- § Long-standing relationships with suppliers
- § Most modern production facilities in Ukraine
- § Strong brand recognition
- § Unique distribution network
- § Around 78 milk collection points
- § ISO certified
- § Introduced new packaging sizes for the “Creamy Valley” brand of butter and for the “Fermerske” brand of spreads for more affordable market segments
- § 125 vehicles, 7 depots, one central warehouse
- § Only DQS* certified dairy company in Ukraine
- § 4 operational production plants
- § Third party services
- § Sales through top retail chains and direct distributors
- § GBP 13.1 million Capex invested (2005-09)

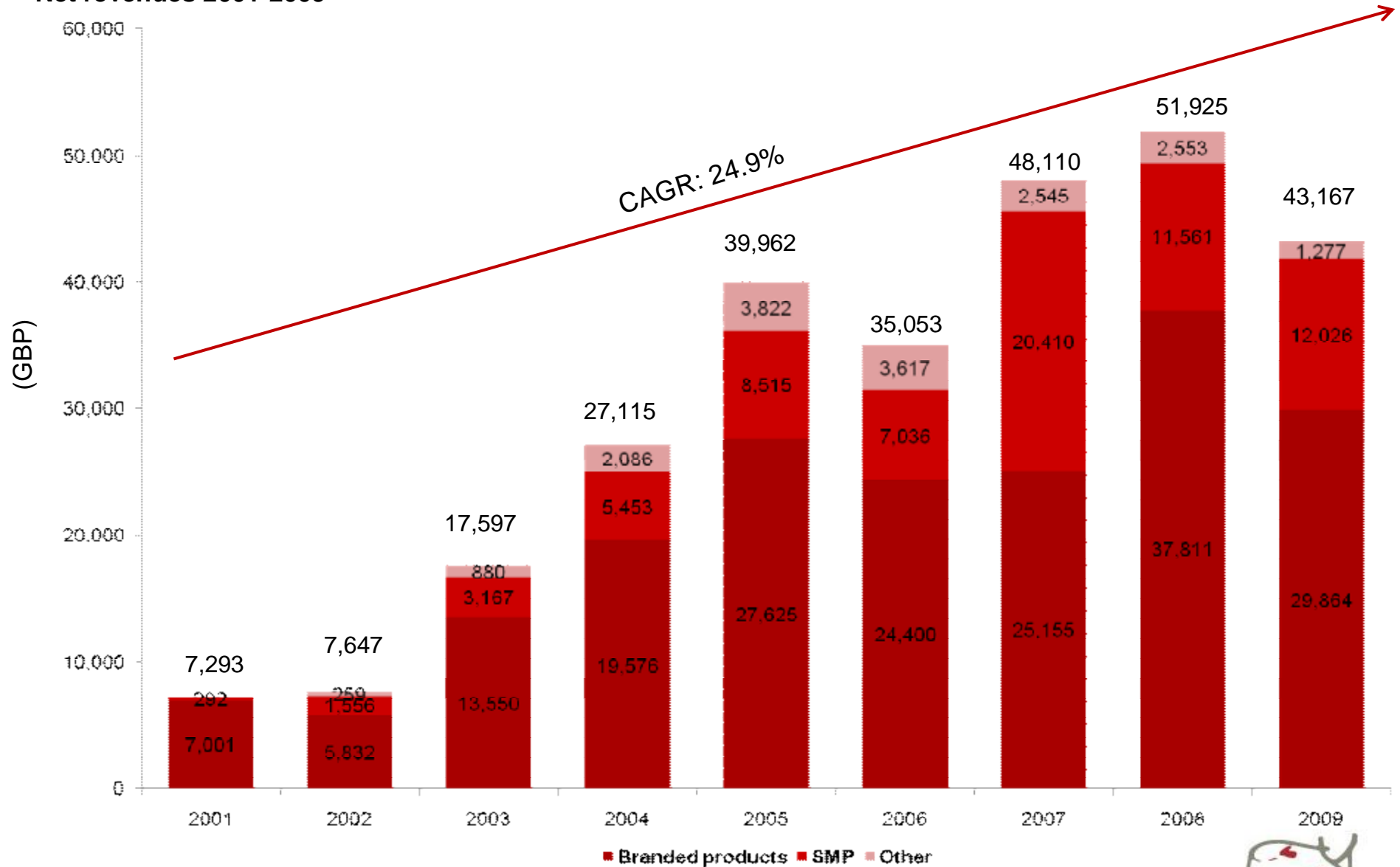


PRODUCTION VOLUME IN 2001-2009



OPERATING PERFORMANCE 2001-2009

Net revenues 2001-2009

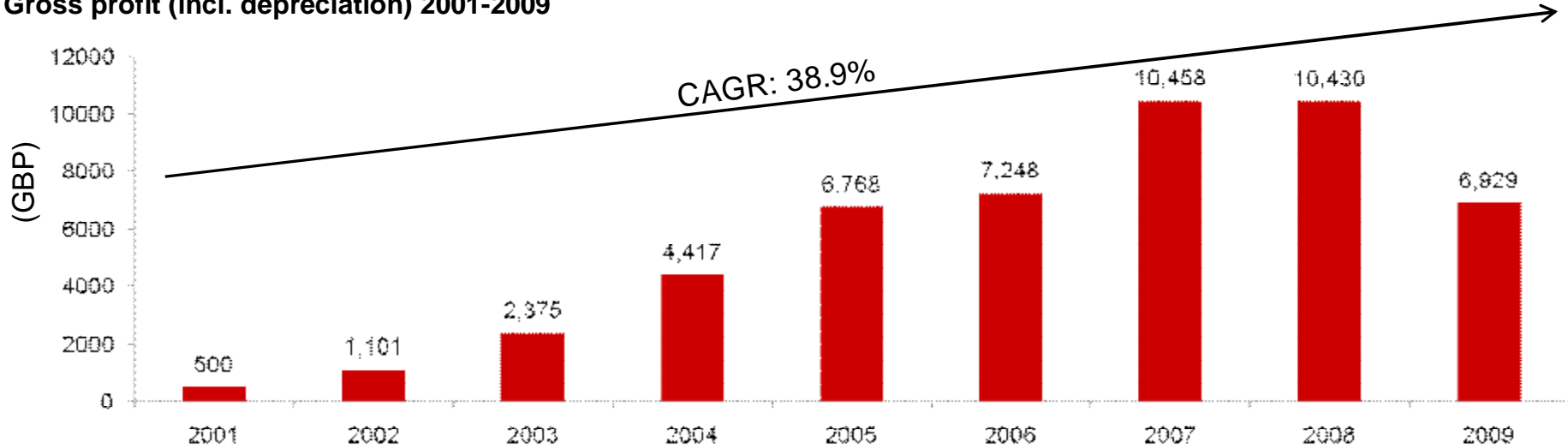


Source: Company Information

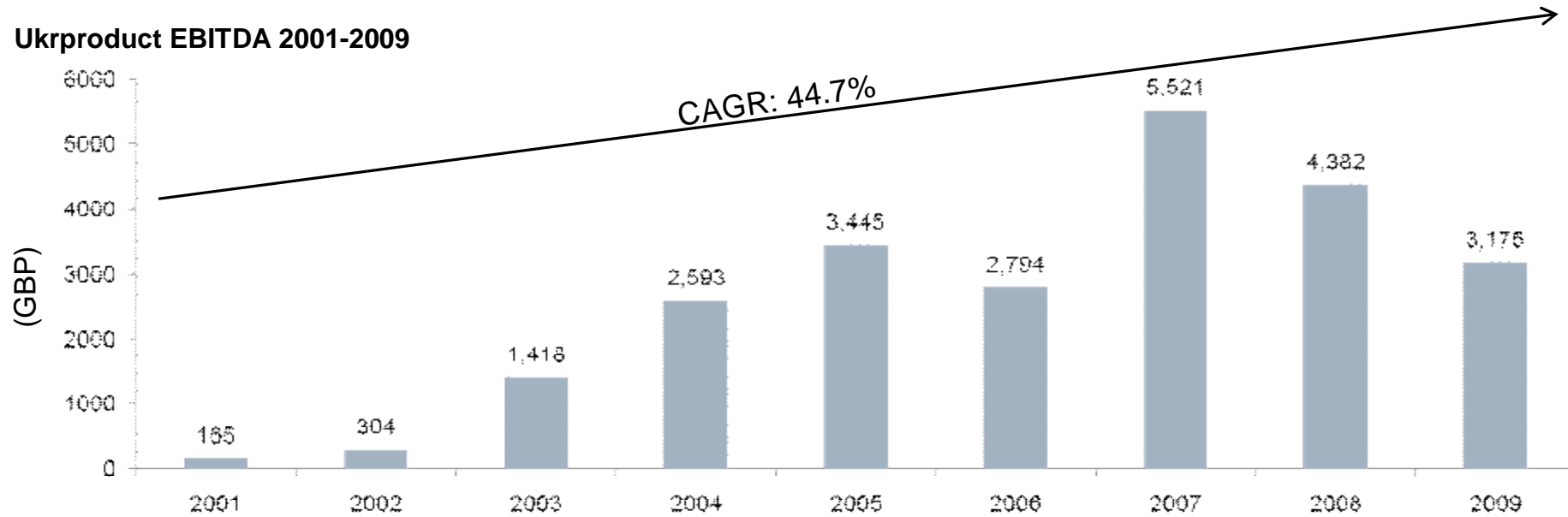


OPERATING PERFORMANCE 2001-2009 cont'd

Gross profit (incl. depreciation) 2001-2009



Ukrproduct EBITDA 2001-2009



Source: Company Information



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