



UKRPRODUCT GROUP

Ukrproduct Group Ltd

Presentation of Final Results

2007



www.ukrproduct.com

Helsinki-Stockholm-Zurich-Geneva-Moscow
May 2008

- Company and stockmarket information
- Year 2007 – Trading and Financials
- Outlook for 2008 and strategy



New management composition

- Jack Rowell, Chairman
- Sergey Evlanchik, CEO
- Dmitry Dragun, CFO
- Alexander Slipchuk, Executive Director
- Yuri Gordiychuk, Head of Operations in Ukraine



Company Information

- Ukrproduct is Ukraine's leading branded dairy foods business – processed cheese and packaged butter
- Four manufacturing plants, seven distribution subsidiaries
- Pan-Ukrainian sales & distribution + global export
- ISO certified production
- Sales FY2007 £48.1m, EBITDA £5.5m, Net profit £3.3m



UkrProduct Group

- | | |
|--|---|
| <p> Starokon Dairy (Starokonstantiniv)
Production of bulk and packaged butter, and skimmed milk powder.</p> <p> Molochnik Dairy (Zhytomyr)
Production of processed cheese and packaged butter</p> <p> Zhmerinka Dairy (Zhmerinka)
Production of processed cheese, butter and spreads</p> | <p> Letichiv Dairy (Letichiv)
Milk collection, production of casein and semi-processed dairy ingredients</p> <p> UkrProdExpo (Starokonstantiniv)
Export operations of the Group.</p> <p> AgroSpetsResursy LLC (Zhytomyr)
Trading company with the distribution network throughout Ukraine</p> |
|--|---|



Stockmarket indicators



- AIM ticker UKR.L, current MCap ~£32m, free float 32% or ~£10m
- Good block liquidity for the institutions
- One of the top-performing, non-mining stocks on AIM in 2007
- Free float holders – mostly the UK and European EMEA blue-chip institutions
- Research coverage by six independent brokers



- Year of excellent operating and financial progress
- Sales and profitability in key product segments improved
- Smoked sausage cheese sales are growing fast
- Taking full advantage of the favourable price trends in skimmed milk powder
- Manufacturing capacity and expertise built in hard cheese
- Stable macroeconomic situation



Operating milestones 2007

- New smoke room installed and used to full capacity
- Audit for supply of skimmed milk powder to Kraft and Nestle Ukraine successfully completed
- Continuation of the programme for development of milk supply and quality
- New hard cheese facility operational



Main UMBRELLA brands in 2007



Our Dairyman

49 % of sales*, 62% of profit*



People's Product

10% of sales, 5% of profit



Molendam

New for 2008

Main MONO brands in 2007



Farmer's

12% of sales, 19% of profit



Creamy Valley

6% of sales, 9% of profit



French

2% of sales, 3% of profit



Financials 2003-2007

	Year ended December 31, £ '000				
	2003	2004	2005	2006	2007
Revenues	17,597	27,115	39,962	35,053	48,110
EBITDA	1,418	2,589	3,481	2,794	5,521
Depreciation	-62	-520	-892	-1,359	- 1,371
EBIT	1,356	2,069	2,589	1,435	4,150
Interest payable and similar charges, net	-94	-312	-244	-237	- 473
Profit before taxation	1,262	1,757	2,345	1,198	3,677
Net profit	1,116	1,456	1,414	1,079	3,261



Segment sales

	2005	2006	2007
• Cheese	£16.2m	£12.7m	£12.2m
• Butter	£11.4m	£11.7m	£13.0m
• SMP*	£8.5m	£7.0m	£20.4m
• Resale**	£3.2m	£2.7m	£1.9m
• Transport Services***	£0.6m	£0.9m	£0.6m



Segment gross profitability

	2005	2006	2007
• Cheese	23.3%	21.5%	23.0%
• Butter	14.8%	24.5%	26.8%
• SMP*	11.4%	13.8%	18.6%
• Resale**	6.4%	10.4%	10.8%
• Transport Services***	17.6%	21.5%	29.2%



Cash flow and capex 2007

- Operating cash flow of £3.5m (£4.1m in 2006)
- Gross debt £4.2m (£3.6m in 2006)*

	2004	2005	2006	2007
Capex	£1.6m	£3.5m	£4.9m	£2.7m

2007 capex uses:

- Starkon (new hard cheese + maintenance + milk collection area): £1.4m
- Molochnik (new smoke room + maintenance): £0.8m
- Other plants (milk collection area + maintenance): £0.5m



- Processed cheese sales in tonnes grew substantially
- Smoked sausage cheese sales buoyant
- Packaged butter sales stable; spreads sales grew significantly
- Skimmed milk powder sales as expected
- Hard cheese sales increasing



Outlook for 2008

- **Packaged butter:** sales are expected to remain stable and profitable
- **Skimmed milk powder:** drop in export prices compensated by reduction of raw milk prices in Ukraine
- **Sources of growth:** processed cheese and hard cheese
- **Export to Russia:** certification of production is in progress, expected completion in mid-autumn 2008



Sales & marketing strategy: 2008-2010

- Product portfolio
 - Processed cheese – grow the sales of traditional and smoked sausage cheeses
 - Butter – continue to strengthen the profitable market position
 - Hard cheese – gain a meaningful market share of 3%
 - Skimmed milk powder – sustain profitable utilisation of production capacity
- Brand development – invest in flagship brand Nash Molochnik (“Our Dairyman”) and develop the upper-market, high-margin brand Molendam
- Enhance market penetration by capitalising on supermarket expansion
- Develop the sales potential of foreign markets
- Launch advertising campaign & continue merchandising



Longer term growth opportunities

- Broadening the product range
Sliced processed cheeses, small-pack soft cheeses, new hard cheeses
- Development of new plant
Multi-product facility close to the Group's raw milk collection area
- Consolidation
Acquisition opportunities of the overleveraged and overstretched competitors



- **Ukraine's commitments**

- Elimination of indirect subsidies (currently zero VAT) to the milk producers
- Reduction of import levies on dairy products to 10% on average (currently some 30%)
- Timing of implementation uncertain, likely in phases during 2009-2013



UKR: pros and cons

- **Likely impact on UKR**

- **Positive:**

- opening of the hitherto closed export markets for skimmed milk powder (Mexico, Algeria)
- purchase of dairy ingredients from the world market at lower prices

- **Negative:**

- increase in raw milk and associated costs
- some increase in competition from the import dairy products

- **On balance:** UKR is an ISO-certified public company well positioned to make the best use of the WTO opportunities & increase market share



Summary

- Building on market-leading position in branded dairy products
- Growth from introduction of new products (hard cheese, smoked sausage and sliced cheeses)
- Fast-growing Ukrainian economy underpinned by natural resources
- Opportunity to benefit from further increases in global food prices

