

# Ukrproduct Group Ltd

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**Ukraine's Leading Branded Dairy Company**

Presentation of Final Results 2008

May 2009

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# MANAGEMENT TEAM

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**Jack Rowell, Chairman**  
with Ukrproduct since 2004

- *Executive Director on the Board of Dalgety plc.*
- *Chairman of Celsis plc*
- *CEO of Golden Wonder Ltd and Lucas Food Ingredients (Dalgety Food Group)*
- *Manager of Bath Rugby Club*
- *Chartered Accountant*



**Sergey Evlanchik, CEO**  
with Ukrproduct since 1997

- *Founder of Ukrproduct Group*
- *Founding partner of Alfa-Broker, equity trading company*
- *MBA degree from Oxford University*



**Roman Prannichuk, CFO**  
with Ukrproduct since 2001

- *Head of Internal Audit at Ukrproduct*
- *Certified Auditor and CAP certification*

## **Ukrproduct at a Glance**

**FY 2008 Results – Operating and Financial Update**

**Outlook for 2009**

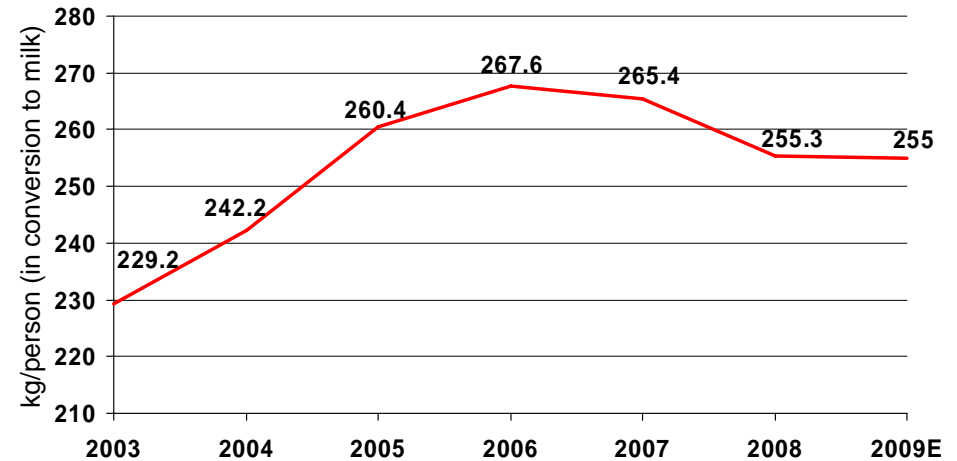
**Appendix**

# DAIRY MARKET DRIVERS



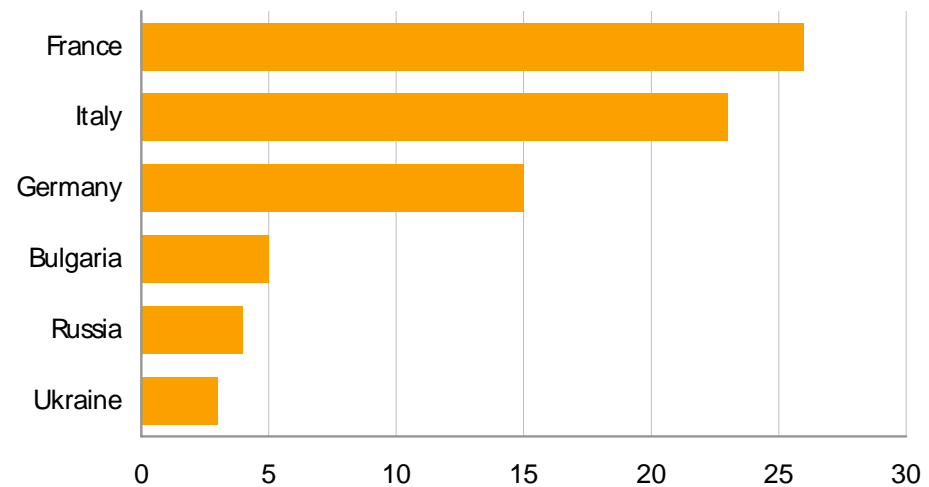
- Overall consumption demand for dairy products slightly decreased in 2008 due to the global economic crisis
- Consumer demand shifting to less expensive mass-market dairy products
- Ukrainian processed cheese market was up 6% year on year in 2008, while butter market remains stable
- Hard cheese consumption in Ukraine still far below other European countries
- 40% year on year decline of the global prices for skimmed milk powder since the beginning of 2008

Milk and Dairy Products Consumption in Ukraine



Source: State Statistic Committee of Ukraine

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

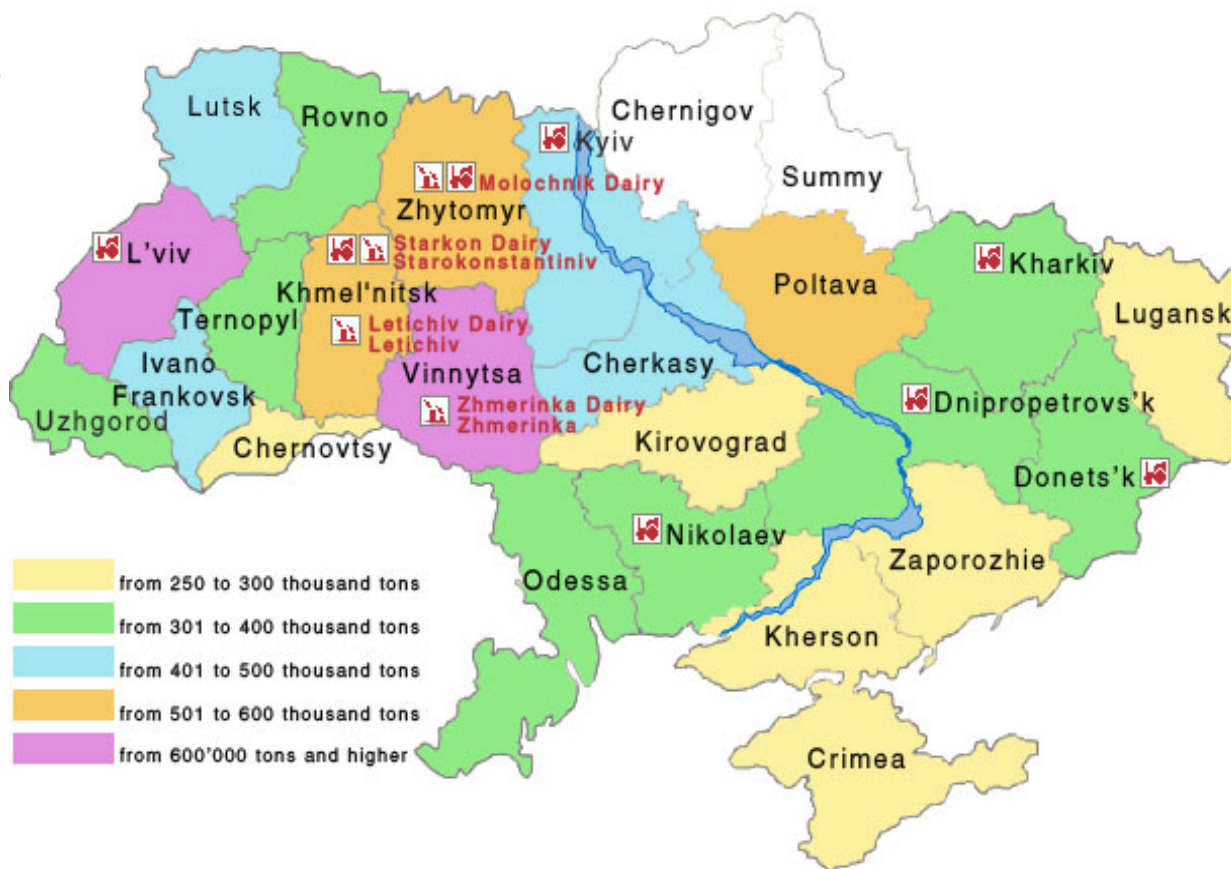
 **Letichiv Dairy (Letichiv)**

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

 **UkrProdExpo (Starokonstantiniv)**

Export operations of the Group.

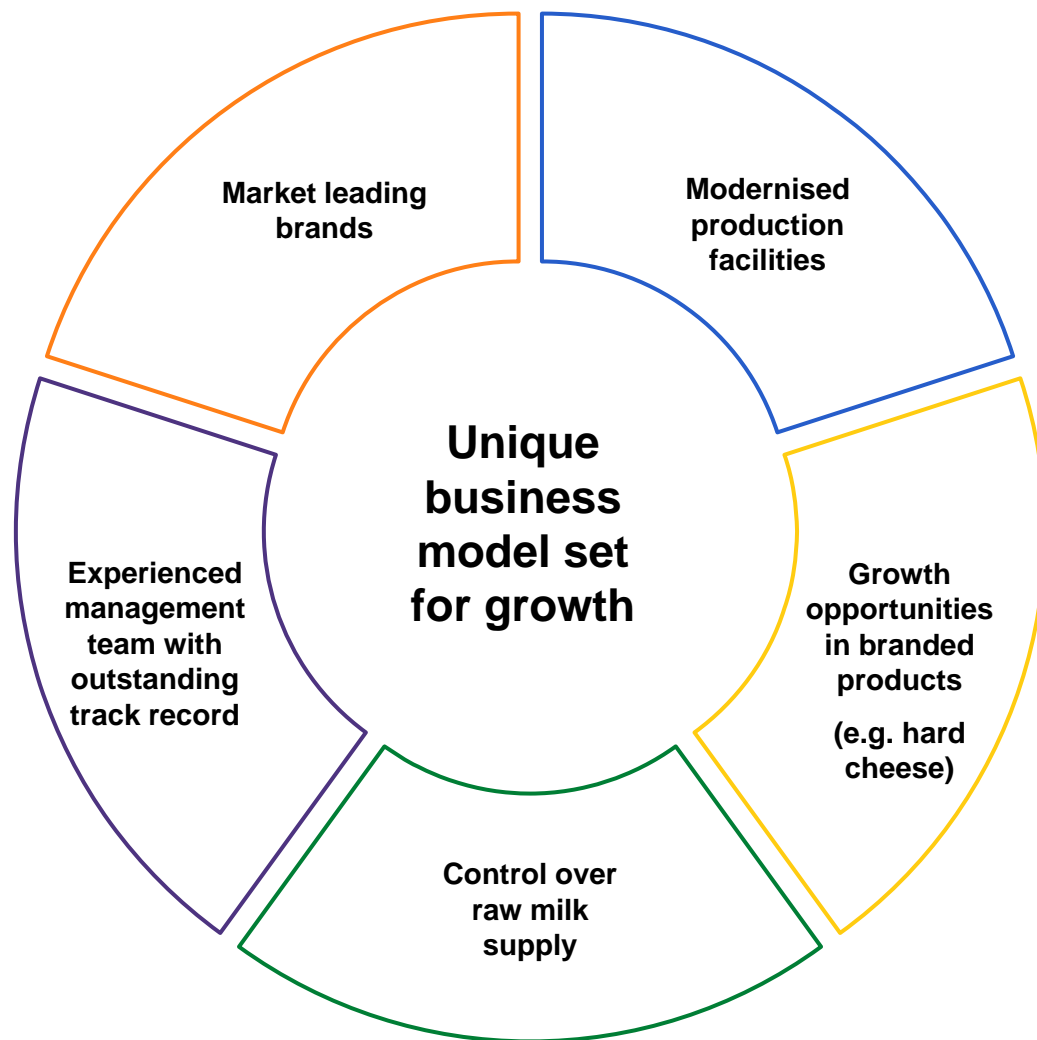
 **Distribution network depots throughout Ukraine**





# 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)

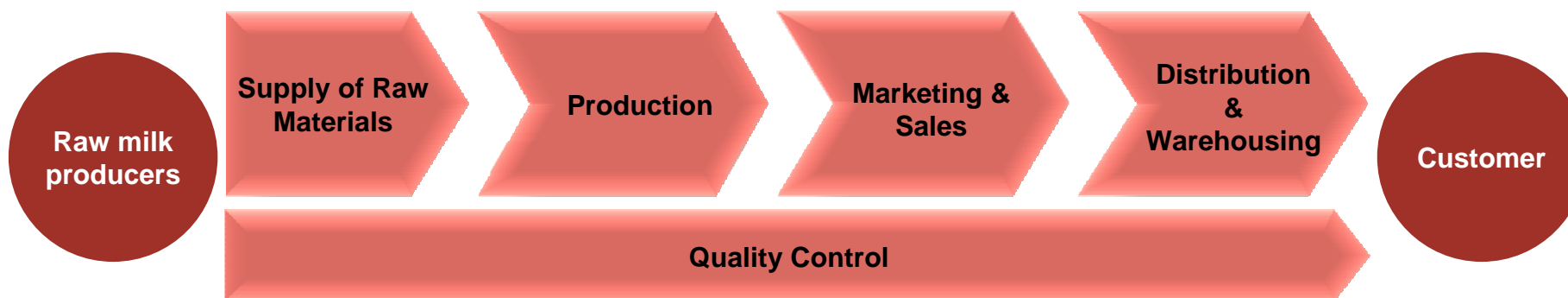
\*Company estimates



## 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 100 milk collection points
- Most modern production facilities
- ISO certified
- Only DQS\* certified dairy company in Ukraine
- 5 production plants
- GBP 13.7 million Capex (2004-08)
- 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

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*Premium  
market*



*Middle  
market*



*Mass  
market*



## **Ukrproduct at a glance**

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## **Outlook for 2009**

## **Appendix**

## FY 2008 KEY OPERATING HIGHLIGHTS

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- 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 23,995 tonnes
  - ✓ Skimmed Milk Powder (SMP) 3,540 tonnes
  
- Capacity utilisation
  - ✓ 183% increase in hard cheese
  - ✓ 16% growth in soft cheese
  - ✓ 100% increase in spreads

## COST OPTIMISATION PROGRAMME IN 2008

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- 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

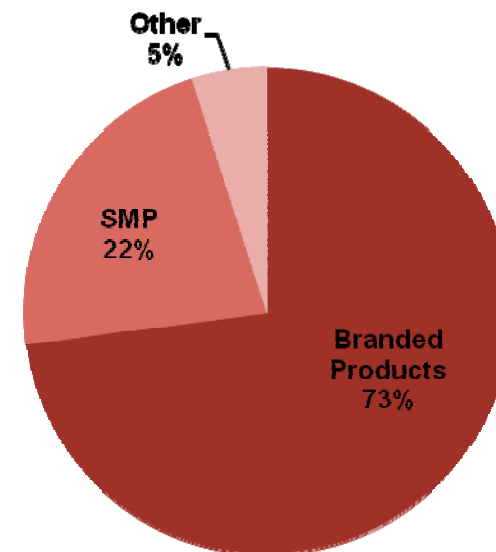


# SEGMENT SALES AND PROFITABILITY

## 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%

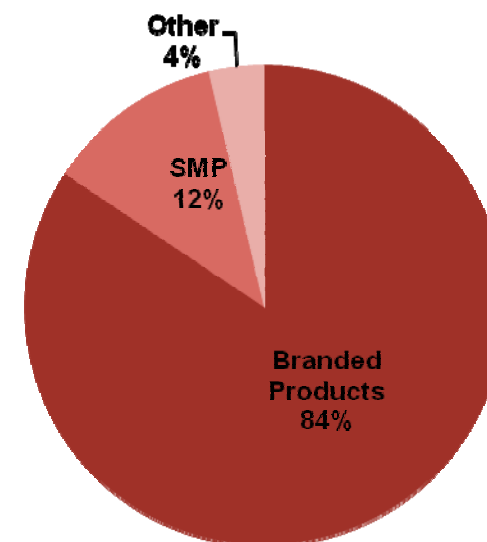
Sales FY 2008



## 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)	<b>FY 2008</b>	<b>FY 2007</b>
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

## **Ukrproduct at a glance**

### **FY 2008 Results – Operating and Financial Update**

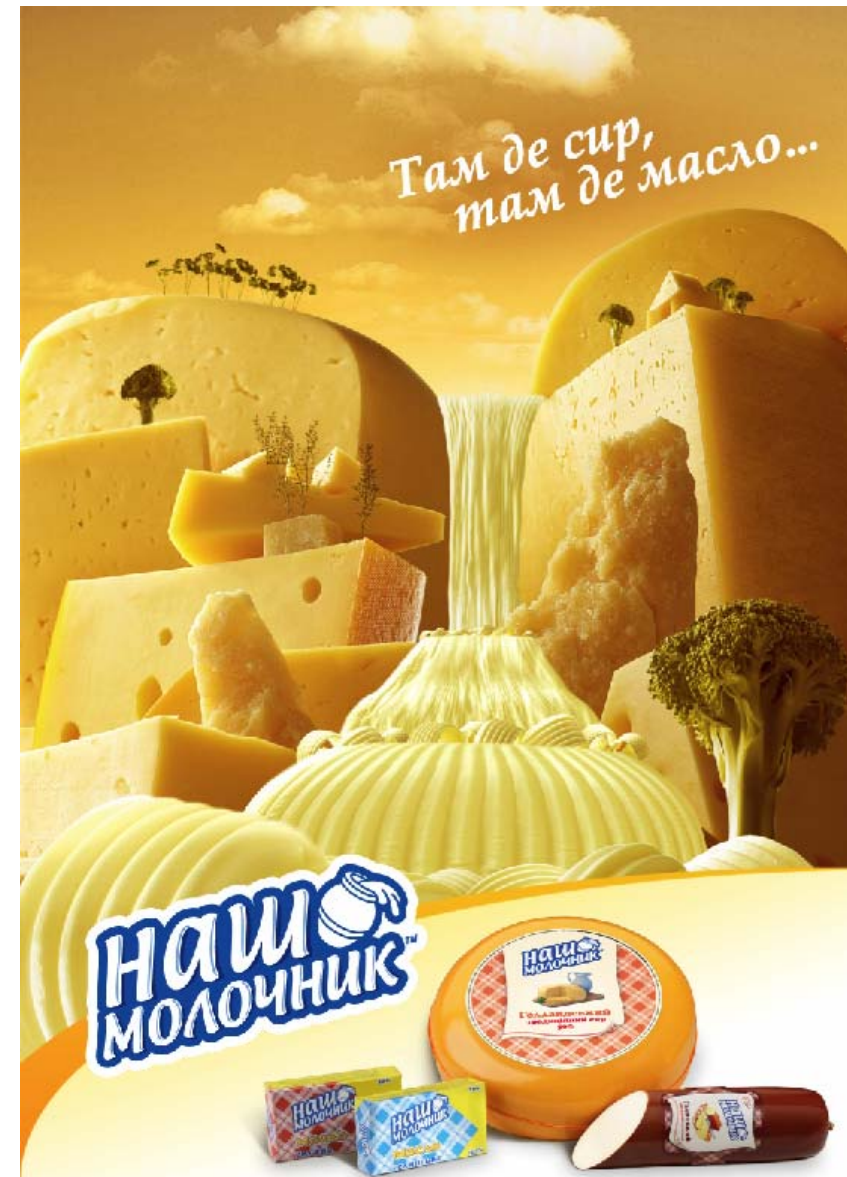
#### **Outlook for 2009**

## **Appendix**



## OUTLOOK FOR 2009

- Further development of product portfolio and strengthening existing brands
- Wider and deeper retail penetration in large regional centres
- Expansion of distribution network into smaller cities
- Increase market share and customer loyalty through targeted marketing campaigns
- Increase export sales to new markets, both geographically and through additional product offering
- Russian import restrictions and pricing in SMP will continue impacting domestic pricing
- Maintenance capital expenditure is not to exceed GBP 1 million
- Conservative financial position
- M&A opportunities if there is a fit with the Group's strategy



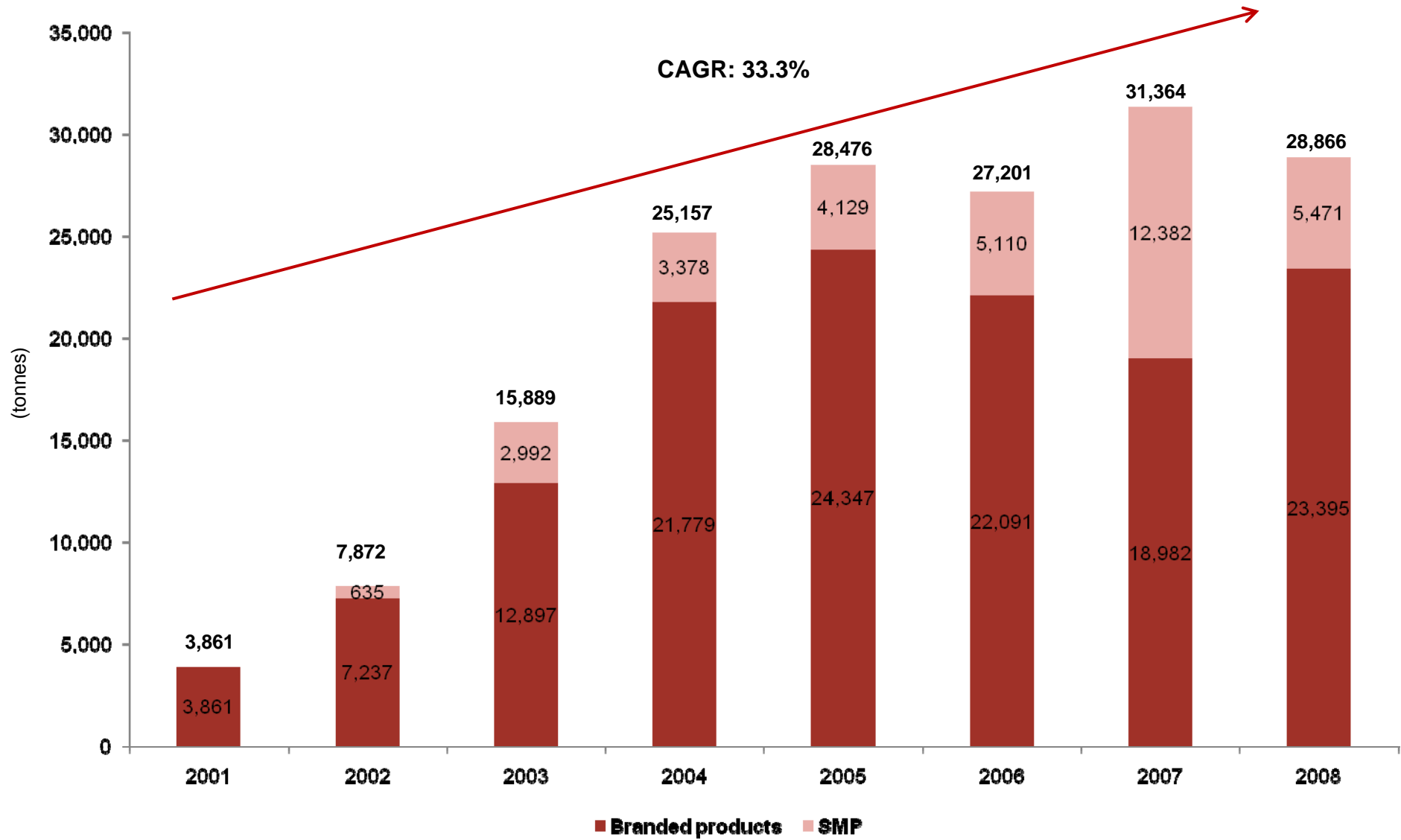
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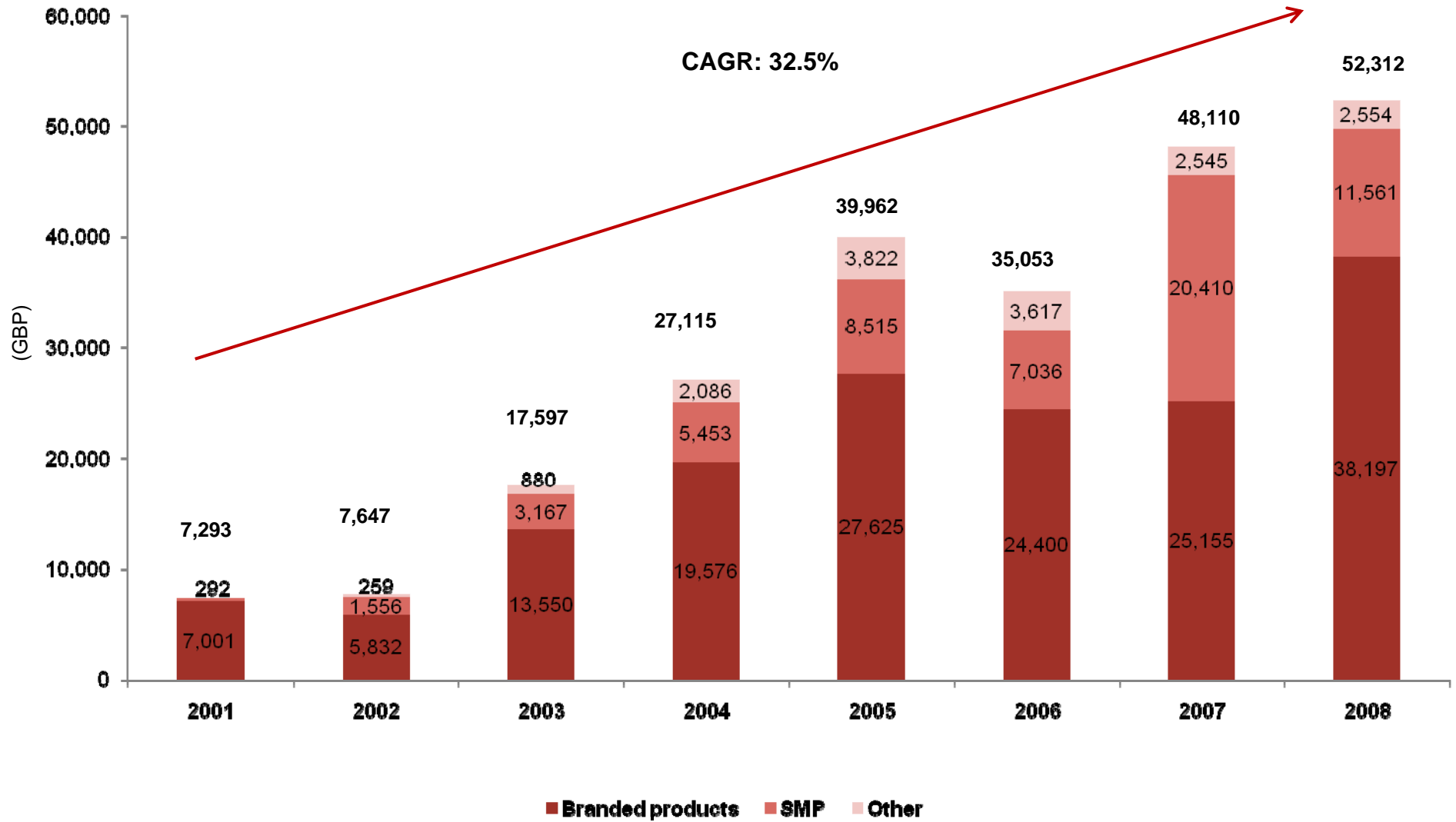
# SALES VOLUME IN 2001-2008



# OPERATING PERFORMANCE 2001-2008



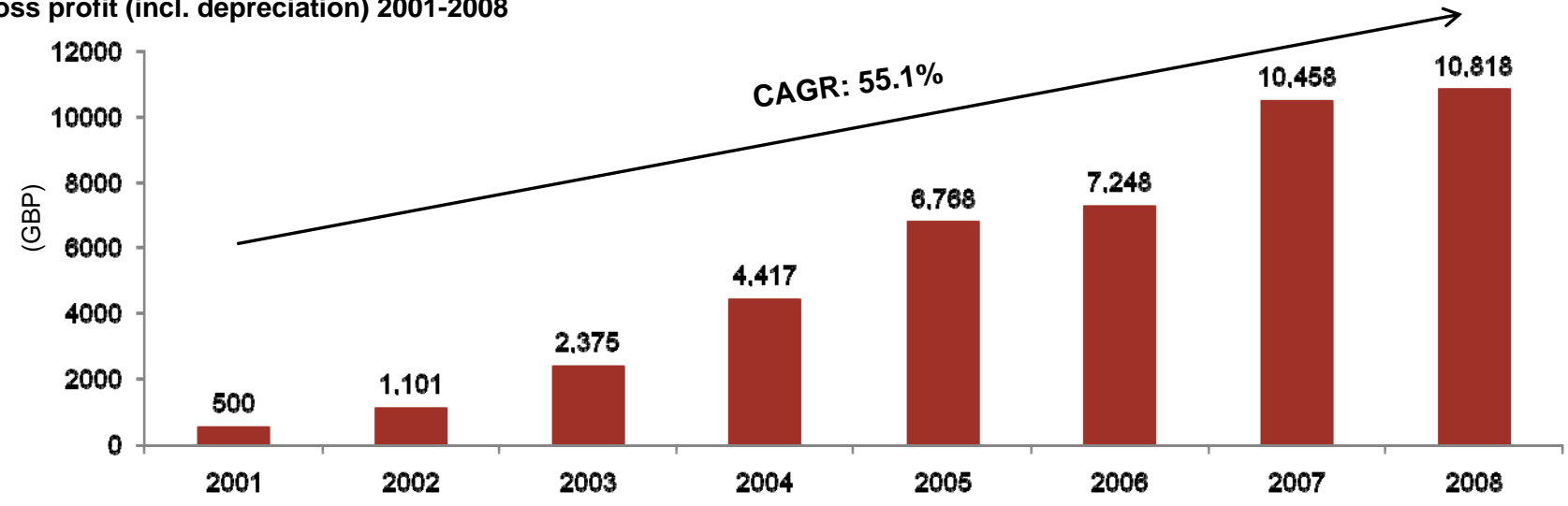
Net revenues 2001-2008



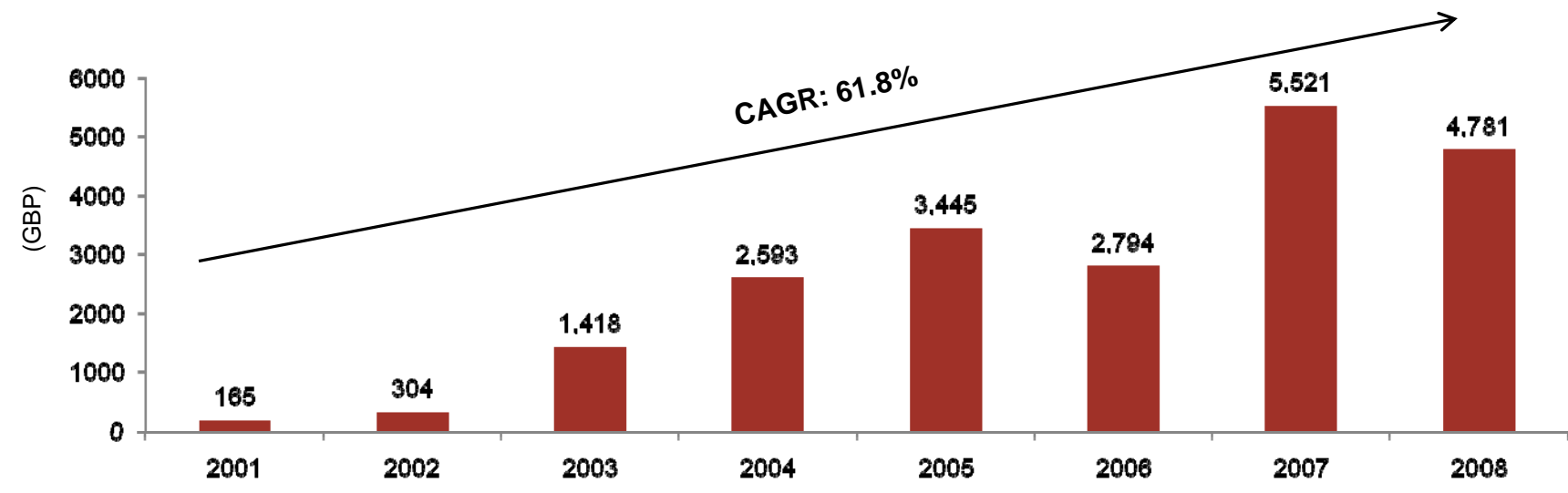


# OPERATING PERFORMANCE 2001-2008 cont'd

Gross profit (incl. depreciation) 2001-2008



Ukrproduct EBITDA 2001-2008



Source: Company Information

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