



UkrProduct Group Ltd ('UPG')

A Market-Leading Food Business based in Ukraine

Placing & proposed Admission to trading on the Alternative Investment Market
by W.H Ireland Limited

January 2005



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Executive Summary



- ❑ Market leading food business with a track record of profitable growth
- ❑ Operating in the growing Ukrainian dairy foods sector
- ❑ Market leader in processed cheese & packaged butter
- ❑ Growth in GDP & disposable income provides opportunities for UPG

Board Composition



- ❑ Jack Rowell (Non-executive Chairman)
- ❑ Sergey Evlanchik (Chief Executive Officer)
- ❑ Alexander Slipchuk (Executive Director)
- ❑ Iryna Yevets (Chief Operating Officer)
- ❑ Dmitry Dragun (Finance Director)
- ❑ Paul Williams (Non-executive Director)
- ❑ David Lattimore (Non-executive Director)

Senior Management



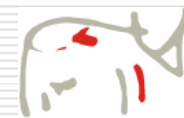
- Oksana Medyanaya – Finance
 - Appointed in Nov 2000. Prior experience includes Senior Auditor of Grossmaster Audit Company

- Ashok Kumar – Sales
 - Appointed in Sep 2001. Previously Business Development Manager at Unilever, Ukraine

- Vasily Zagariya – Production & Operations
 - Appointed in Sep 1999. Previously Technical Director of Electrofriz, Ukraine (food refrigeration systems)

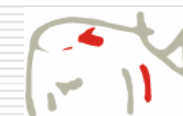
- Kateryna Dvorianets, HR
 - Appointed in January 2001, having previously worked at Orimi Capital and JV Primo Star, Ukraine

Ukraine – Politics



- **New president Mr Viktor Yushchenko elected with 7.8% margin on December 26th 2004. Inauguration scheduled for January 13th 2005**
- **New President's stance is reformist, democratic, pro-Western and pro-European**
- **Results of the vote recognised and welcomed by the EU and the US**
- **Investor support for changing political landscape – Ukrainian stock exchange the world's best performing market of 2004 with index up 204%***

Ukraine – Economy



- ❑ **Fast-growing, EMEA economy**
- ❑ **GDP growth* underpinned by**
 - Rising affluence of domestic consumers
 - Low inflation
 - Solid consumer & investor confidence

- ❑ **Member of the UN, IMF, World Bank, EBRD & Council of Europe**

- ❑ **Foreign Direct Investment***
 - 1991-2003 US\$6.7bn
 - 2003 FDI US\$ 1.186bn up 51.3% from 2002

- ❑ **Independent since 1991**



Numbers are rounded

* Source, 'PWC- Ukraine a business & investment guide', May 2004

Ukraine – FMCG Market Dynamics



- Increasing consumption trends
 - Average monthly household expenditure on food has increased from US\$79 in 1999 to US\$136 in 2003*

- Market dynamics
 - Food retail made up of small shops/open markets with little pricing power
 - Little branding



* Source: State Committee of Ukraine on Statistics Bulletin – FX rate UAH 5.4 to 1\$

Ukraine - Dairy Foods Consumption

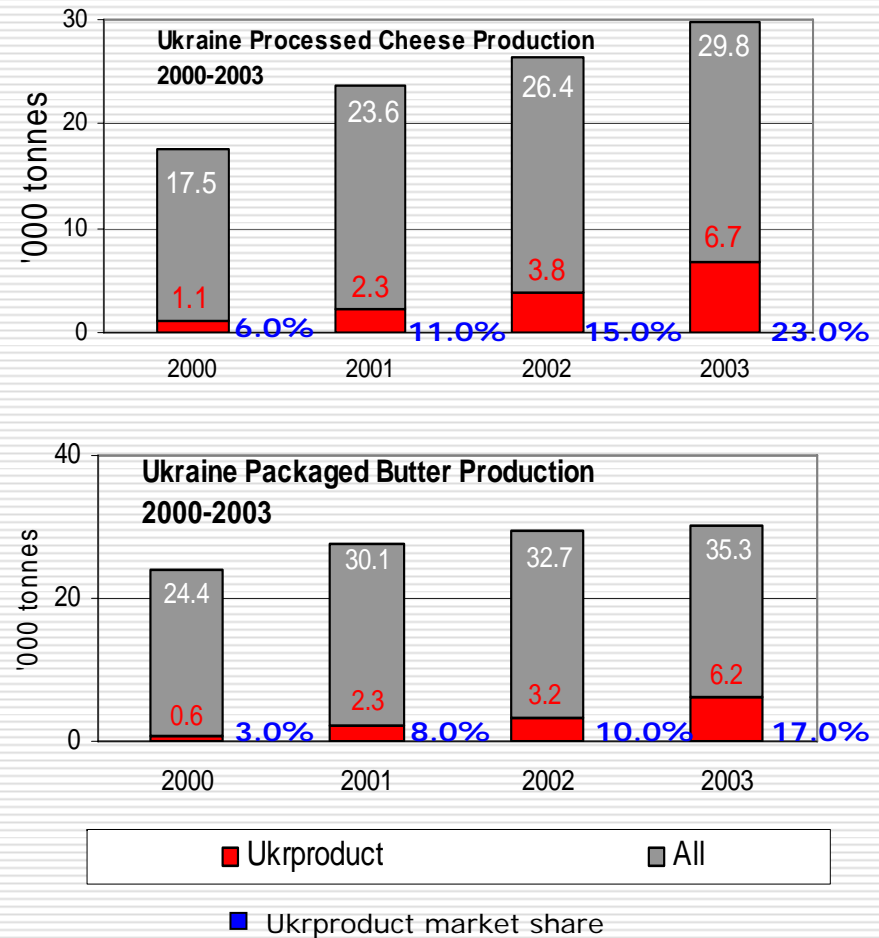


- Consumption of dairy foods rising
 - Increasing disposable income
 - Dairy products form an important part of diet
 - Processed cheese – popular multi-purpose snack
 - Packaged butter – perceived as more up-market than unpackaged

Ukraine – Competitive Environment

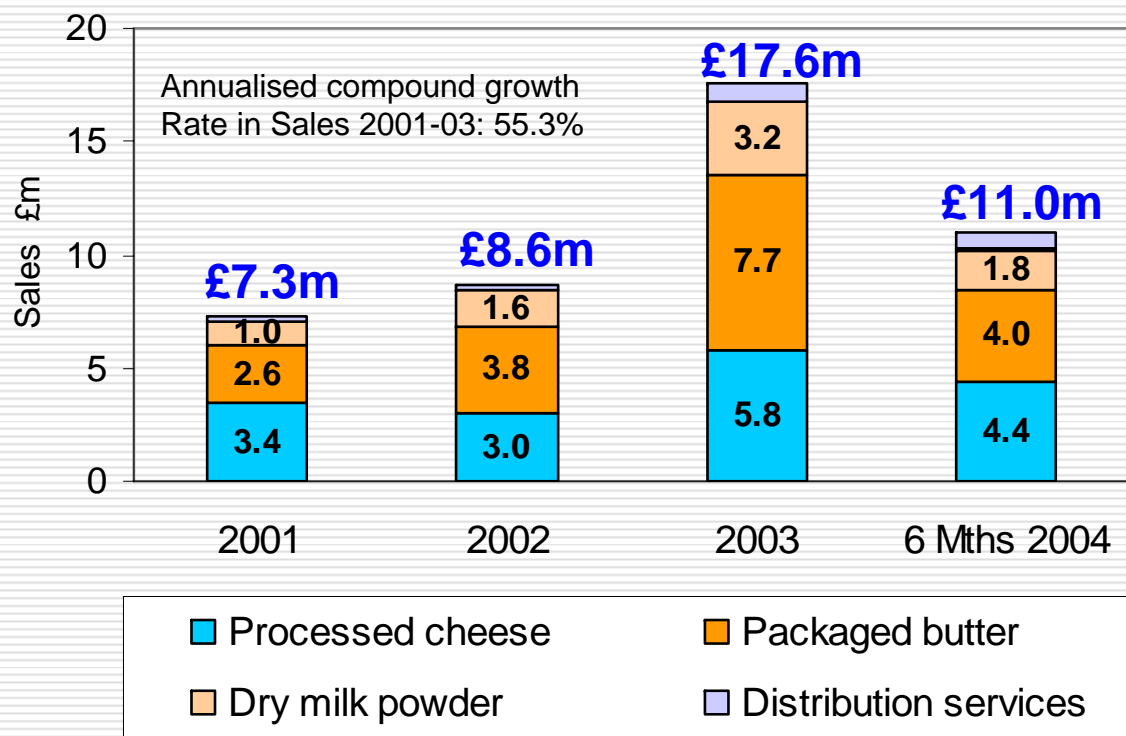
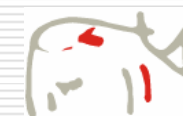


- **Fragmented market**
 - **Over 80 domestic manufacturers**
 - **Imports account for 2% of the market**
 - **Little branding**
 - **Inconsistent product quality**



* Source: State Committee of Ukraine on Statistics, Company data

UPG – Products & Services



Market leader in packaged butter & processed cheese

Dried milk powder – branded & profitable

Distribution services – incremental sales generator through distribution of non-competing third party products & additional revenue through wholesaling

UPG – USP



- It is the aim of UPG's Directors to manufacture products that have:
 - Desirable packaging
 - Consistency of taste
 - Long shelf life
 - Convenience of delivery

- Emphasis on brand and product differentiation

- Benefits of scale

- Ongoing product & brand innovations supported by market research

UPG – Locations



- ❑ **Zhytomyr – 1350 tonnes processed cheese + 700 tons packaged butter per month**
- ❑ **Starokonstantyniv – 360 tonnes of dried milk powder and 600 tons of packaged butter per month**
- ❑ **8 regional depots and central warehouse**
- ❑ **Operates 170+ vans & refrigerated vehicles**



UPG – Sales, Marketing & Distribution



- ❑ **Pan-Ukrainian logistical capability provides opportunity for significant competitive advantage**
- ❑ **Countrywide sales & marketing team made up of ~280 professionals (merchandising, trade promos, market analysis)**
- ❑ **Comprehensive data obtained from primary points of sale**
- ❑ **Developing close relationships with both consumers & retailers with the aim of driving customer loyalty**
- ❑ **Development of the distribution network to provide distribution & wholesaling services of non-competing 3rd party products**



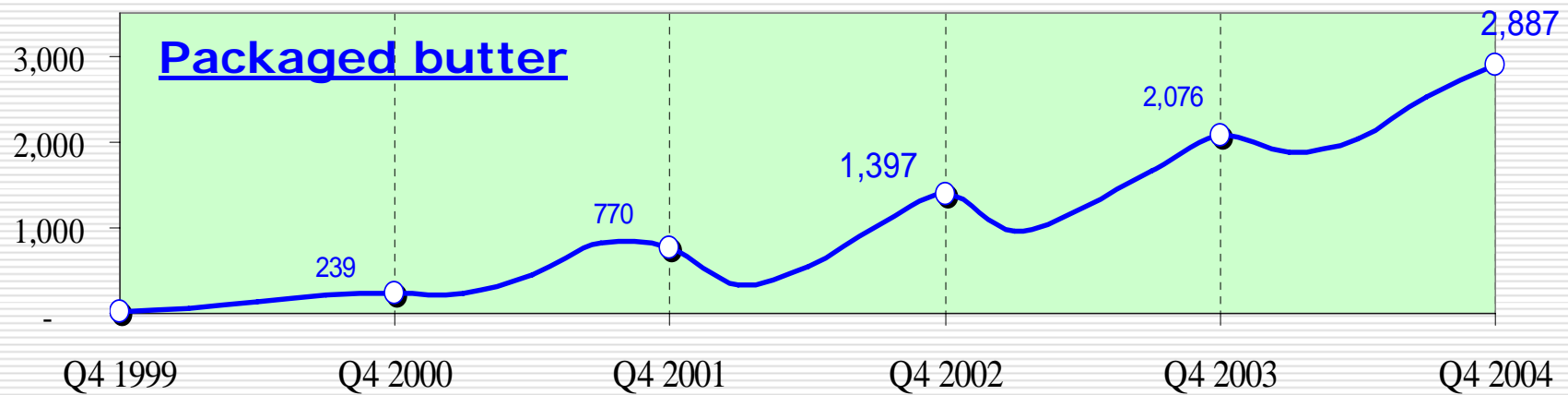
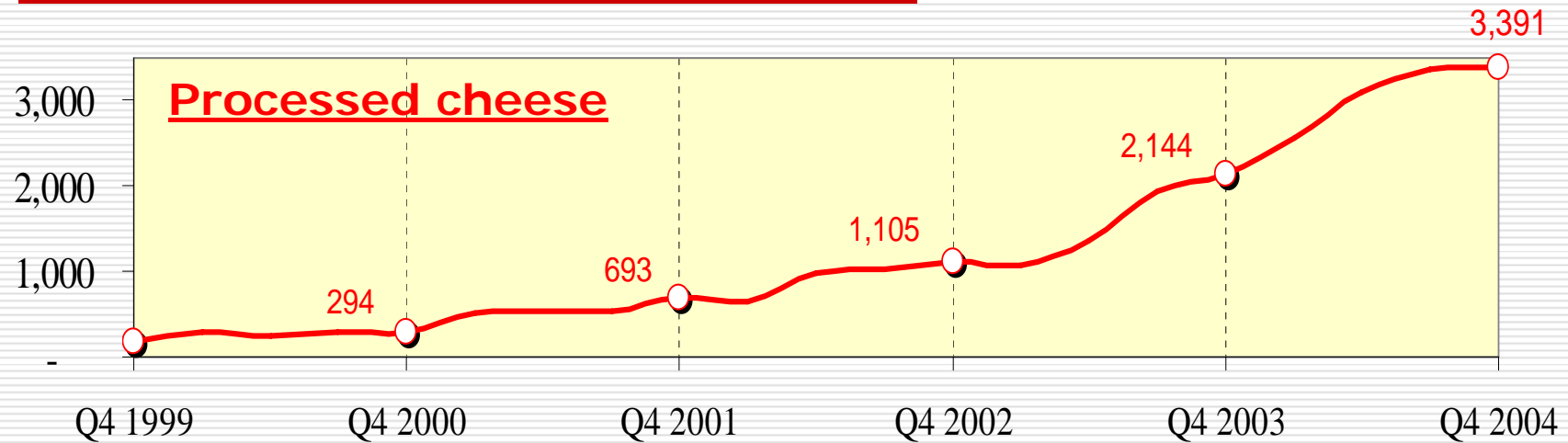
Ukraine – Sourcing



- ❑ **UPG is the largest purchaser of milk in one of the best milk-producing areas in Ukraine** (13% from the area surrounding the Starkon site)
- ❑ **No CAP or State support**
- ❑ **Disparate, low volume producers**
- ❑ **Market driven – no price controls**
- ❑ **UPG does not foresee any difficulty in maintaining the supply of milk from the area surrounding Starkon and believes given its market share & collection method that it could purchase more milk if required**



Quarterly Sales - Metric Tonnes



* Source: Company data

Numbers are rounded 16

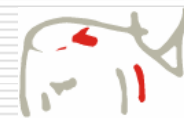
Track Record of Profitable Growth



	Year ended 31 December			Six months ended 30 June
	2001 £'000	2002 £'000	2003 £'000	2004 £'000
Revenues	7,293	8,647	17,597	11,025
Changes in inventories of finished goods and works in progress	(270)	(58)	(1,039)	(184)
Raw materials and consumables used	(6,437)	(7,257)	(13,750)	(8,567)
Employee benefit costs	(120)	(275)	(585)	(592)
Other expenses	(301)	(753)	(1,055)	(639)
Profit before depreciation, interest and taxation	165	304	1,168	1,043
Depreciation	(20)	(35)	(62)	(176)
Profit before interest and taxation	145	269	1,106	867
Interest payable and similar charges	(82)	(112)	(94)	(112)
Interest receivable and similar income	-	-	-	2
Profit before taxation	63	157	1,012	757
Income Tax Expense	(19)	(3)	(71)	(110)
Profit after taxation	44	154	941	647
Attributable to:				
Owners	12	171	936	638
Minority interest	32	(17)	5	9
	44	154	941	647

Turnover and operating profit all derive from continuing operations

Immediate Growth Drivers



- Increasing market trends
- Substantial investment in production facilities
 - Improved margins
 - Increased capacity
 - Enhanced product quality – ISO 9001
- Significant cost benefits from addressing seasonality of raw material production (forward storage)
- Launch of new products

Longer Term Growth Drivers



- ❑ Sustained consumption trends of Ukrainian dairy products
- ❑ Increase in exports
- ❑ Development of the distribution network to provide distribution & wholesaling services of non-competing third-party products
- ❑ Development of new complementary products

Summary



- Market leading food business operating in the growing Ukrainian dairy foods sector
- Track record of profitable growth
- Strong market position
 - Market leader in processed cheese & packaged butter segments
 - Distribution network
 - Purchaser of milk
- Opportunities for growth via:
 - Increasing share in principal markets
 - Increasing exports
 - Extension of distribution network
 - Complementary products

Flotation Details



- Propose to raise up to £6m through a placing of new shares

- Proceeds used to
 - Invest in new plant & equipment
 - Enhance distribution network coverage
 - Provide additional working capital to sustain and enhance the growth of UPG

- Key dates
 - 12th January – Formal marketing started
 - 11th February – Dealings commence