



Ukrproduct Group Ltd ('UPG')

Presentation of Interim Results 2005

London
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Structure of presentation

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Executive Summary

- ❖ **UPG is Ukraine's leading branded dairy foods business**
 - ❖ Largest market share in processed cheese and packaged butter
 - ❖ Pan-Ukrainian sales & distribution, recognisable brands
 - ❖ ISO-9001 certified production

- ❖ **Highlights of the interim results 2005**
 - ❖ Continued strong growth
 - ❖ Sales up 57% to £17.3m, operating profit up 56% to £1.6m
 - ❖ Profit margins improved

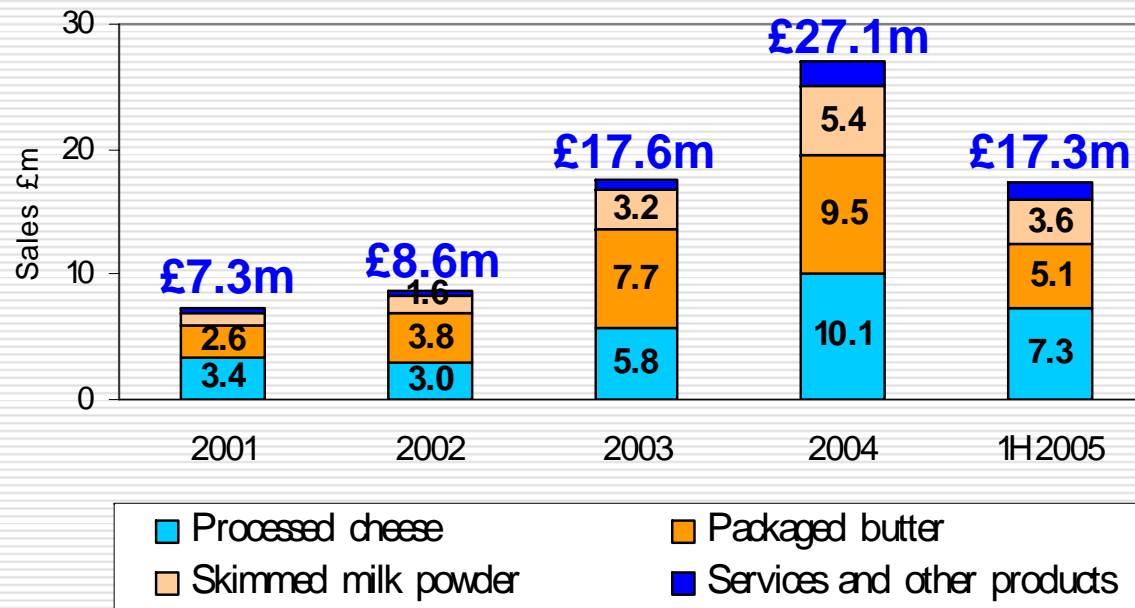
- ❖ **Positive growth trends in operating environment continuing**



UPG – Overview & Operations

Sergey Evlanchik, CEO

UPG – Products and 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 – Locations

- ❖ Zhytomyr – 20,000 tonnes of processed cheese & 7,000 tonnes of packaged butter
- ❖ Starokonstantiniv – 3,500 tonnes of skimmed milk powder & 3,100 tonnes of packaged butter
- ❖ 8 regional depots & central warehouse including new depot at Kharkiv
- ❖ Operates 200+ vans & refrigerated vehicles



Manufacturing plants



Distribution depots



UPG – Sales & Marketing

- ❖ **Pan-Ukrainian logistical capability provides opportunity for significant competitive advantage**
- ❖ **Countrywide sales & marketing team made up of ~300 professionals (merchandising, trade promotions, 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 third party products**



A Year of Growth – Headline Figures

- ❖ Sales +57% to £17.3m
- ❖ EBITDA +56 % to £1.6m
- ❖ Net profit +78% to £1.16m
- ❖ Gross Margins +1.2% points to 16.7%
- ❖ One of Ukraine's fastest growing companies, 55% compound annual sales growth, 2001-2004



Minimising Cyclicity – Forward Storage

- ❖ **Further investment in forward storage**
 - ❖ Mitigates differences in protein content & price between the winter and summer months
 - ❖ Ensures the stability of raw material supplies for the year
 - ❖ Provides cost benefits
- ❖ **The growth in production capacity continues to be underpinned by forward storage**
- ❖ **Plans to increase storage levels up to 4,000 tonnes in order to satisfy growing demand**



Financial Review

Dmitry Dragun, CFO

Financial Highlights 1H2005

	<u>1H2005</u>	<u>1H2004</u>
Sales:	£17.3 million	£11.1m
Gross profit:	£2.9 million	£1.7m
Gross margin:	16.7%	15.5%
EBITDA:	£1.6 million	£1.0m
PBT:	£1.3 million	£0.75m
Net profit:	£1.16 million	£0.65m
Earnings per share*:	2.8p	2.1p



11 *Basic earnings per share excluding non-recurring items: release of “negative goodwill”, income from exchange differences & other non-operating expenses.

Cash Flows

	6 Months to 30 June, £ 000	
	2005	2004
Cash flow from operating activities	-57	574
Cash flow from investing activities	-2,696	-970
Cash flow from financing activities	3,846	486
Effect of exchange rate changes	-129	-7
Net increase in cash	964	83
Cash at the beginning of the year	300	132
Cash at the end of the period	1,264	215



12 * Cash flow from operating activities excludes non-recurring items: release of “negative goodwill”, income from exchange differences & other non-operating expenses. Capex PPE 1H2005 £2.2 million (1H2004 £0.724 million)

Balance sheet

	£ 000	
	30/6/2005	31/12/2004
Non-current assets	7,087	5,145
Current assets	9,843	4,869
Current Liabilities	(3,781)	(3,002)
<i>Net current assets</i>	6,062	1,867
Non-Current Liabilities	(926)	(1,862)
<i>Net assets</i>	5,136	5
Total shareholders' equity	12,058	5,018
<i>Total debt</i>	1,026	2,236



Core Business Segments

Processed cheese

- ❖ Sales + 66.6% to £7,309 million
- ❖ Gross margins + 1.7 percentage points to 22.1%
- ❖ Market share* + 1 percentage point to 31%

Packaged butter

- ❖ Sales + 25.7% to £5,081 million
- ❖ Gross margins + 4 percentage points to 14.9%
- ❖ Market share* stable



Growth Outlook

Sergey Evlanchik

Growth Drivers

- ❖ Favourable consumption trends of dairy products in Ukraine
- ❖ Development of new products
- ❖ Enhancement of the distribution network
- ❖ Possible entry into the adjacent market segment (hard cheese)



Strategy

- ❖ Expand UPG's market share in core segments
- ❖ Invest in modernisation of plant facilities
- ❖ Enhance scale and efficiency of distribution network
- ❖ Launch and commercialise new products
- ❖ Enter the hard cheese segment



Outlook

- ❖ Economic growth in Ukraine increases consumer affluence
- ❖ UPG core segments grow substantially
- ❖ Opportunities for sector consolidation open up
- ❖ Entry into the lucrative hard cheese segment is a possibility



Appendix

Track Record of Profitable Growth

	<u>Year ended December 31, £ 000</u>			
	2001	2002	2003	2004
Revenues	7,293	8,647	17,597	27,115
EBITDA	165	304	1,418	2,589
Depreciation	(20)	(35)	(62)	(520)
Profit before interest and taxation	145	269	1,356	2,069
Interest payable and similar charges	(82)	(112)	(94)	(312)
Profit before taxation	63	157	1,262	1,757
Net profit	44	154	1,116	1,456



Successful Admission to AIM – Feb 2005

- ❖ **First Ukrainian trading group to be admitted to AIM**
- ❖ **Strong investor support**
- ❖ **Offer oversubscribed raising £6 million gross**
- ❖ **Market cap on admission £22 million**

