
Ukrproduct Group Ltd ('UPG')

Presentation of the Interim Results 2007

London
25-28 September 2007



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, 22000 and HASSP certified production

- ❖ **Highlights of the interim results 2007****
 - ❖ Revenue up 26% to £21.9m (£17.4m)
 - ❖ Gross margin expanded by 1.7 percentage points to 21.8% (20.1%)
 - ❖ EBIT up 160% to £1.8m (£0.7m)
 - ❖ Profit after tax up 136% to £1.4m (£0.6m)

- ❖ **Trading from July onwards encouraging**



Trading, H1 2007

Trading exceeded expectations in the changed market environment

- ❑ Processed cheese – stable market share and steady profitability
- ❑ Packaged butter – growing demand and expanding margins
- ❑ Skimmed Milk Powder (SMP) – strong demand, high prices, favourable margins
- ❑ Seasonal increase in sales started in September



Main operating achievements

Fully in line with plan

- ❑ Programme for the improvement of milk quality implemented
- ❑ Starkon plant accredited to HASSP* and ISO 22000 standards
- ❑ Hard cheese plant completed (July)
- ❑ Second smoke room commissioned (August)



Finance



Consolidated Income Statements

	H1 2007	H1 2006	FY 2006
□ Sales	£21.9m	£17.4m	£35.0m
□ Admin & S&D exp	£2.7m	£2.7m	£5.3m
□ PBT	£1.6m	£0.6m	£1.2m
□ Profit after tax	£1.4m	£0.6m	£1.1m



Segment Sales

	H1 2007	H1 2006	FY 2006
☐ Cheese	£5.2m	£6.9m	£12.7m
☐ Butter	£5.6m	£5.4m	£11.7m
☐ SMP	£9.9m	£3.3m	£7.0m
☐ Services	£0.3m	£0.4m	£0.9m
☐ Third-party	£0.9m	£1.3m	£2.7m



Segment Gross Margins

	H1 2007	H1 2006	FY 2006
☐ Cheese	23.9%	21.5%	24.1%
☐ Butter	26.0%	24.5%	24.7%
☐ SMP	19.3%	13.8%	12.3%
☐ Services	25.9%	21.5%	19.2%
☐ Third-Party	8.6%	10.4%	9.5%



Cash flow, Debt and Capex

	H1 2007	H2 2006	FY 2006
Operating cash-flow	£2.1m	£4.0m	£3.8m
Cash	£0.7m	£0.4m	£0.2m
Net Debt*	£3.6m	£0.8m	£3.4m
Gearing (D/E)	26%	6.1%	26.9%
Capex	£1.5m**	£1.8m	£4.7m



Current Trading

- ❑ UPG's market share in processed cheese remains stable; sales strong – smoked sausage cheese in particular; likely to increase in pre-Christmas buying season; margins sustained
- ❑ Butter continues an earlier encouraging trend – volumes are up slightly, consumer shift to quality, margins on the increase
- ❑ SMP continues a strong run; prices and margins are high; increasing raw milk price is a concern
- ❑ Hard cheese production started; initial quantities sold; customer feedback encouraging



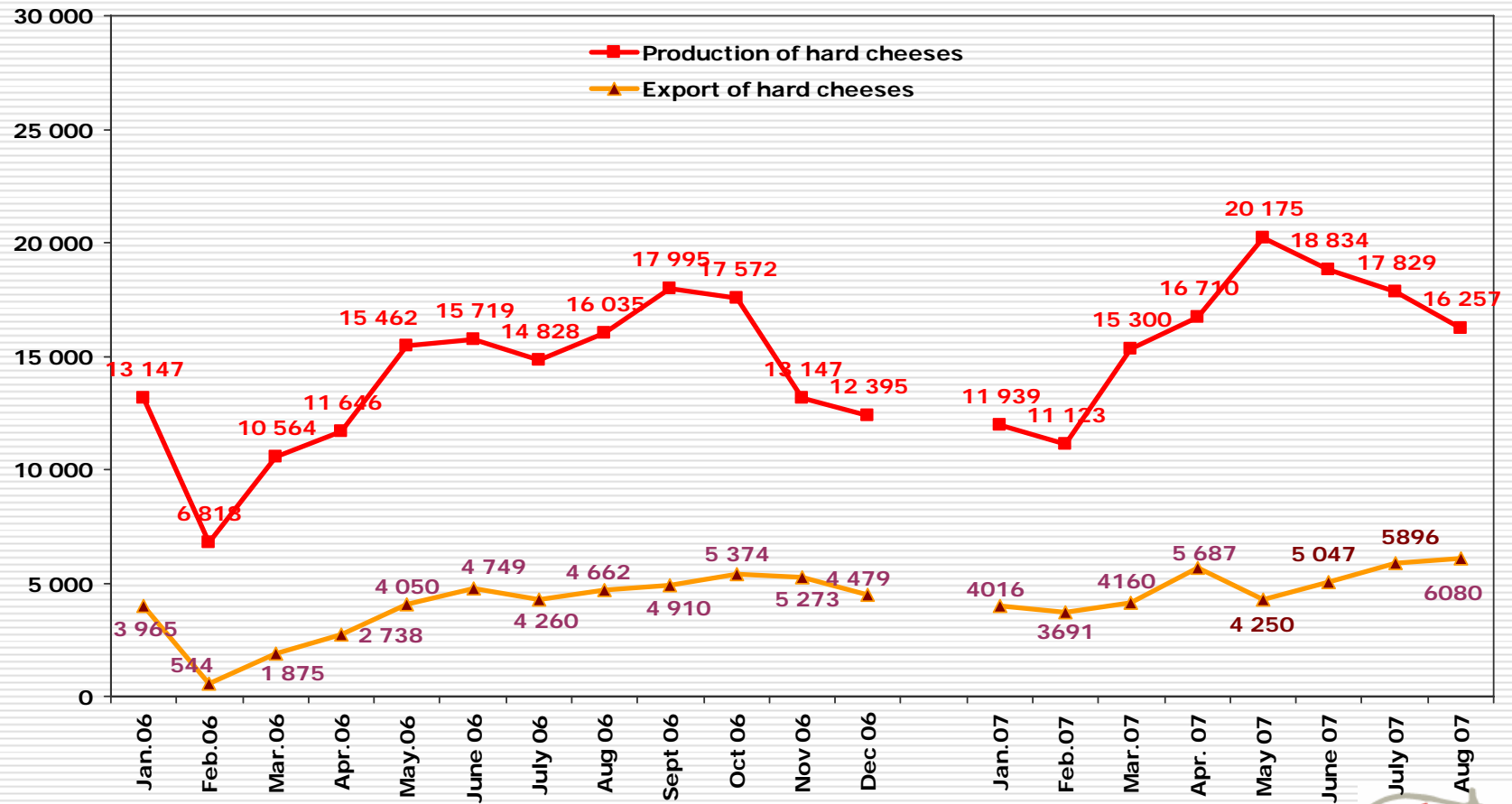
Hard Cheese Market, July-September

Good opportunities for UPG

- Overall Ukraine production ahead of last year's level; increase of exports to the re-opening Russia
- Prices for hard cheese exported to Russia have increased; domestic prices are likely to follow within the next 2-3 months
- Some sector consolidation



Ukrainian Hard Cheese Market



Prospects for the FY 2007

- Existing products – seasonal peak of sales is likely in October-December
- Re-branded improved smoked sausage cheese continues to demonstrate steady sales dynamic
- Hard cheese – strategy of gradual introduction proceeds to plan
- SMP – even though the increasing raw milk price is a concern, favourable prices generating attractive margins are likely to continue

