

Ukrproduct Group Ltd

Ukraine's Leading Branded Dairy Company

Presentation of Interim Results 2008

September 2008

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MANAGEMENT TEAM



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

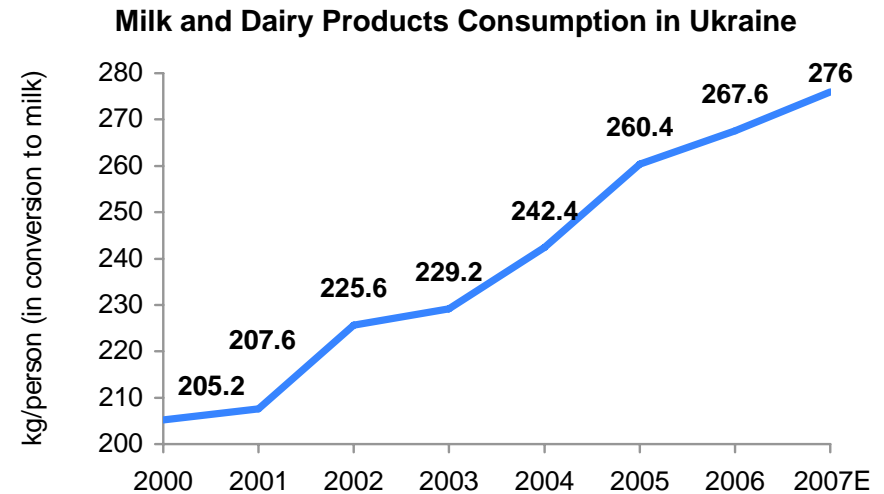
1H 2008 Interim Results – Operating and Financial Update

Outlook for 2008

Appendix

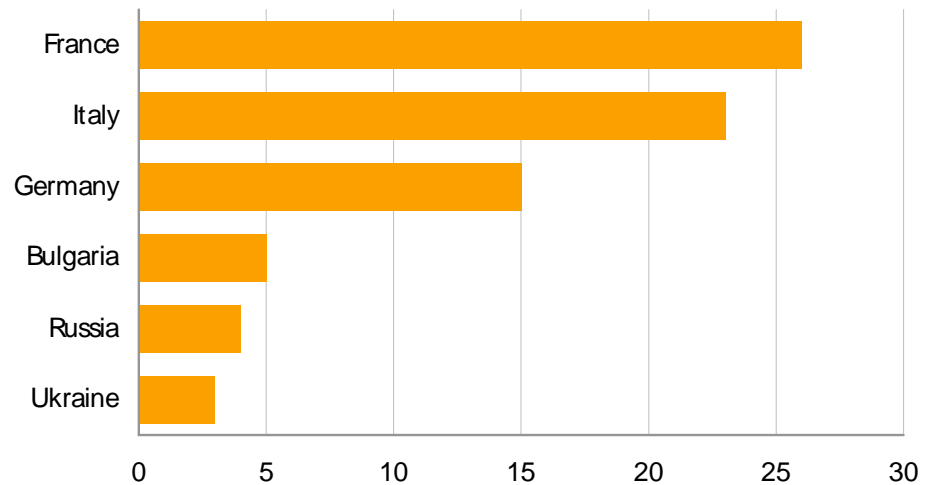
DAIRY MARKET DRIVERS

- Per capita consumption CAGR of over 5% in 2003-2007
- Changing consumer preferences
 - ✓ Higher quality
 - ✓ Increased consumption of packaged dairy
 - ✓ Growing importance of retailers
- Cheese consumption in Ukraine still far below other European countries



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

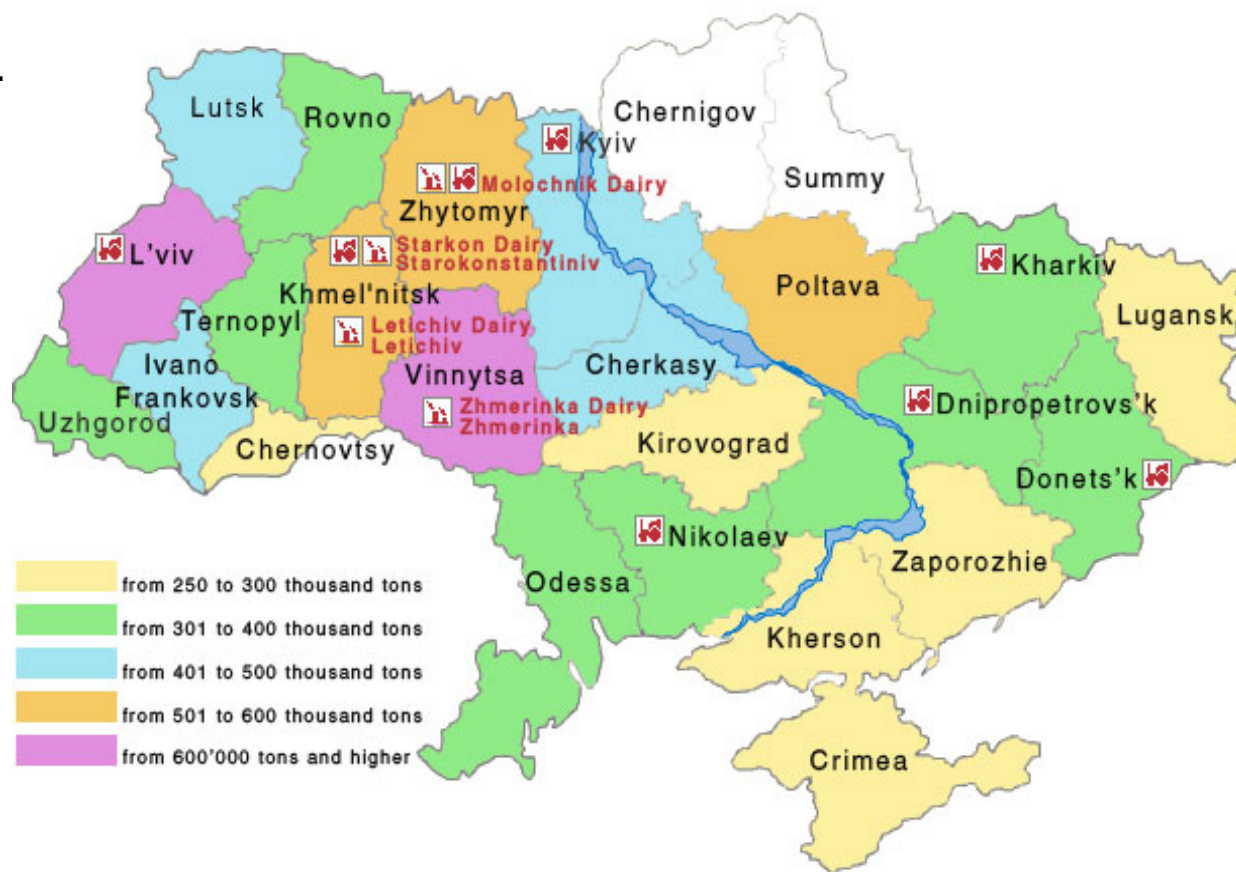
 **Letichiv Dairy (Letichiv)**

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

 **UkrProdExpo (Starokonstantiniv)**

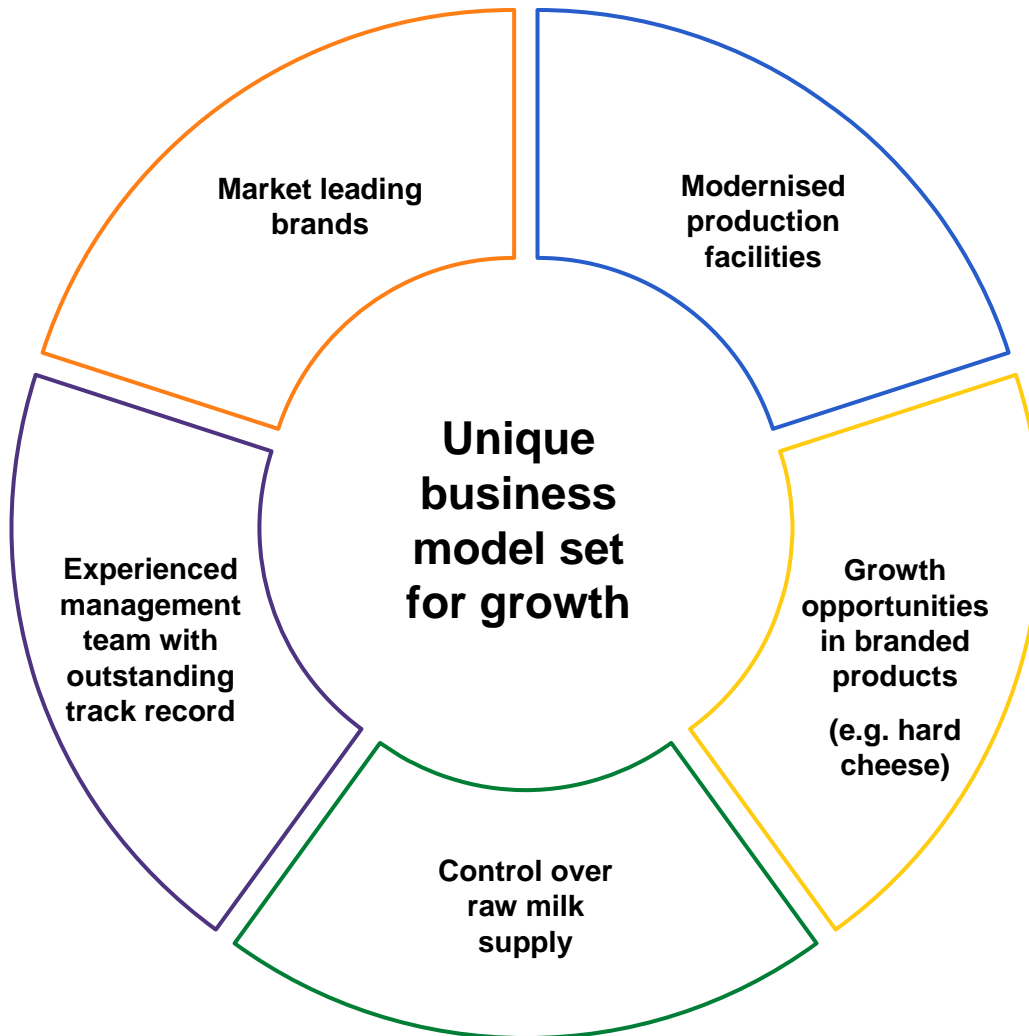
Export operations of the Group.

 **Distribution network depots throughout Ukraine**



UKRPRODUCT INVESTMENT CASE

Ukrproduct Group is a leading dairy company in the Ukrainian market



- Market leader in processed cheese (21% market share in Ukraine)*
- Market leader in packaged butter (13% market share in Ukraine)*
- 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
- Range of recognisable product brands (“Our Dairyman” is the Company’s flagship)



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 75 milk collection points
- Most modern production facilities
- ISO certified
- Only DQS* certified dairy company in Ukraine
- 5 production plants
- GBP 11 million Capex (2005-07)
- Strong brand recognition
- New marketing campaign to promote “Our Dairyman”
- Upgrade of brand portfolio – launch of the premium brand “Molendam”
- Unique distribution network
- 130+ vehicles, 7 depots, one central warehouse
- Third Party Services
- Shift in sales towards retail chains & increasing warehousing capacity



BRAND PORTFOLIO

**Premium
market**



Molendam
Molendam
Cheeses & butter

КРЕМЛЕВСКОЕ
The Kremlin
Butter

**Middle
market**



Наш Молочник
Our Dairyman
Cheeses & butter

**Mass
market**

**Вершкова
Долина**
Creamy Valley
Butter
Mass market +



НАШ ПРОДУКТ
People's Product
Processed cheese &
butter
Mass market +



Французьке
French
Spreads
Mass market +

Фермерське
Farmer's
Spreads
Mass market



НАШ СИР
Nash SyrOK
Processed cheese
Mass market

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1H 2008 KEY OPERATING HIGHLIGHTS

- Distribution network

24 new vehicles and 3 new refrigerators

2 depot branches opened in Donetsk and Dnipropetrovsk

- Brands

Launch of premium brand “Molendam”

New marketing campaign for “Nash Molochnik” (“Our Dairyman”)

- Production volumes

Branded products	10,582 tonnes
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Skim Milk Powder (SMP)	2,268 tonnes
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- Raw milk zone

37 milk coolers installed and 13 milk delivery vehicles put in operation



KEY FINANCIALS

Profit & Loss summary

(GBP, million)	1H 2008	1H 2007	FY 2007
Sales	23.6	21.9	48.1
EBITDA	2.0	2.5	5.5
Gross Profit	4.6	4.8	10.5
S,G & A	3.4	3.0	6.3
Interest	0.2	0.2	0.5
PBT	1.1	1.6	3.7
Net Income	1.0	1.4	3.3

- ✓ 7.7% y-o-y increase in revenues
- ✓ 18.6% y-o-y decrease in EBITDA as a result of the decline in SMP prices
- ✓ 12.7% y-o-y increase in depreciation and amortisation expenses following the launch of hard cheese
- ✓ 15.2% y-o-y increase in S,G & A expenses due to wage inflation and increase in marketing and distribution expenses
- ✓ 26.8% y-o-y decrease in net income

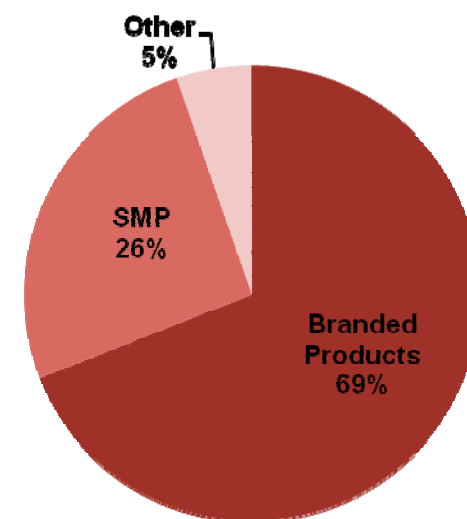


SEGMENT SALES AND PROFITABILITY

Sales

(GBP, million)	1H 2008	1H 2007	Year on Year Change
Branded	16.3	10.8	50.6%
SMP	6.1	9.9	(38.9%)
Other	1.3	1.2	5.5%

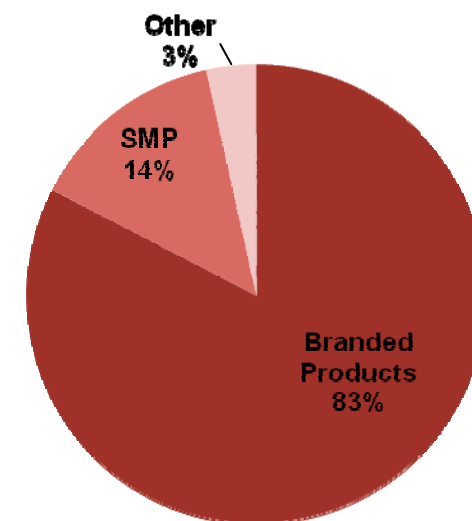
Sales 1H 2008



Gross Profit

(GBP, million)	1H 2008	1H 2007	Year on Year Change
Branded	3.8	2.7	41.2%
SMP	0.6	1.9	(66.3%)
Other	0.2	0.1	8.1%

Gross Profit 1H 2008



CASH FLOW, DEBT AND CAPEX

(GBP, million)	1H 2008	1H 2007	FY 2007
Net cash flows from operations	1.1	2.0	3.0
Net cash flow from investing activities	(0.9)	(1.8)	(2.5)
Net cash flow from financing activities	(1.0)	0.3	0.5
CAPEX	0.9	1.5	2.7
Cash	0.3	0.7	1.1
Total Debt	3.4	4.3	4.2
Net Debt	3.1	3.6	3.1
Debt/Equity Ratio	17.8%	26.5%	20.4%
Debt/EBITDA Ratio	1.6	1.4	0.6

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TRADING UPDATE

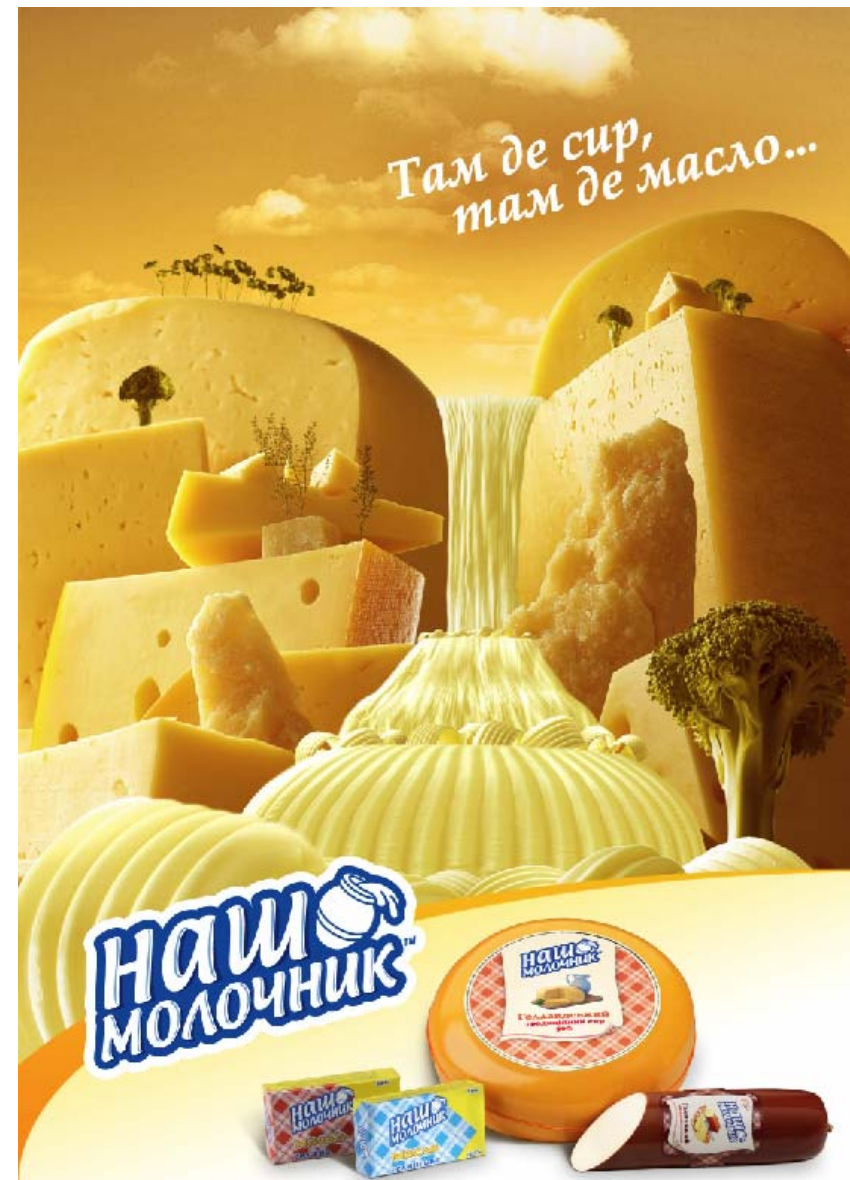
- Sales and volumes in branded segments continue growing at the same rate as in 1H 2008
- Robust increase in sales and volumes in hard cheese segment
- SMP continues to be impacted by price volatility in global dairy markets





OUTLOOK FOR 2008

- Further investment into product portfolio and strengthening existing brands
- New Russian import restrictions and pricing in SMP may impact domestic pricing
- Expansion of distribution network into smaller cities
- Wider and deeper retail penetration in large regional centres
- Increase market share and customer loyalty
- Additional growth from targeted marketing campaigns



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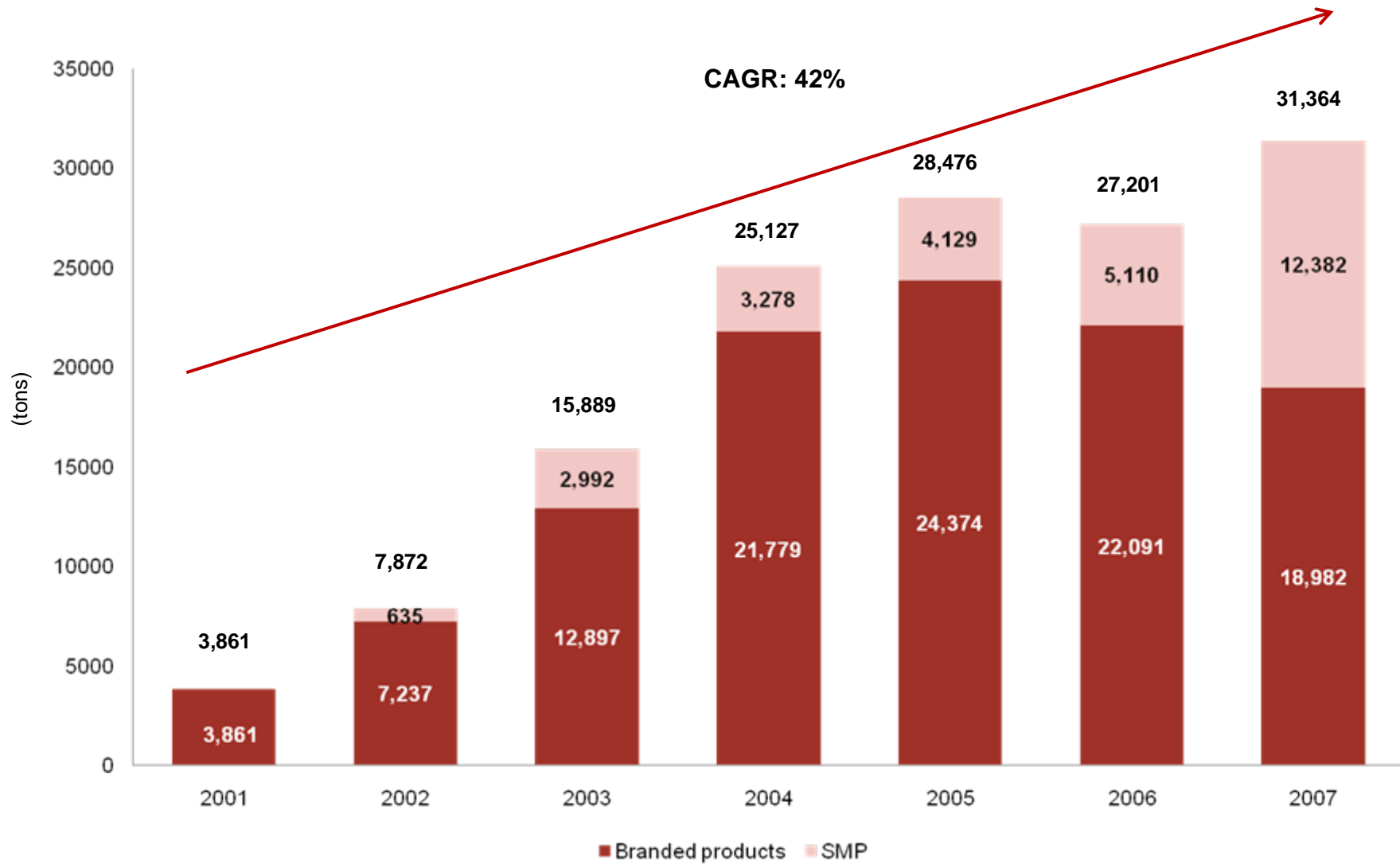
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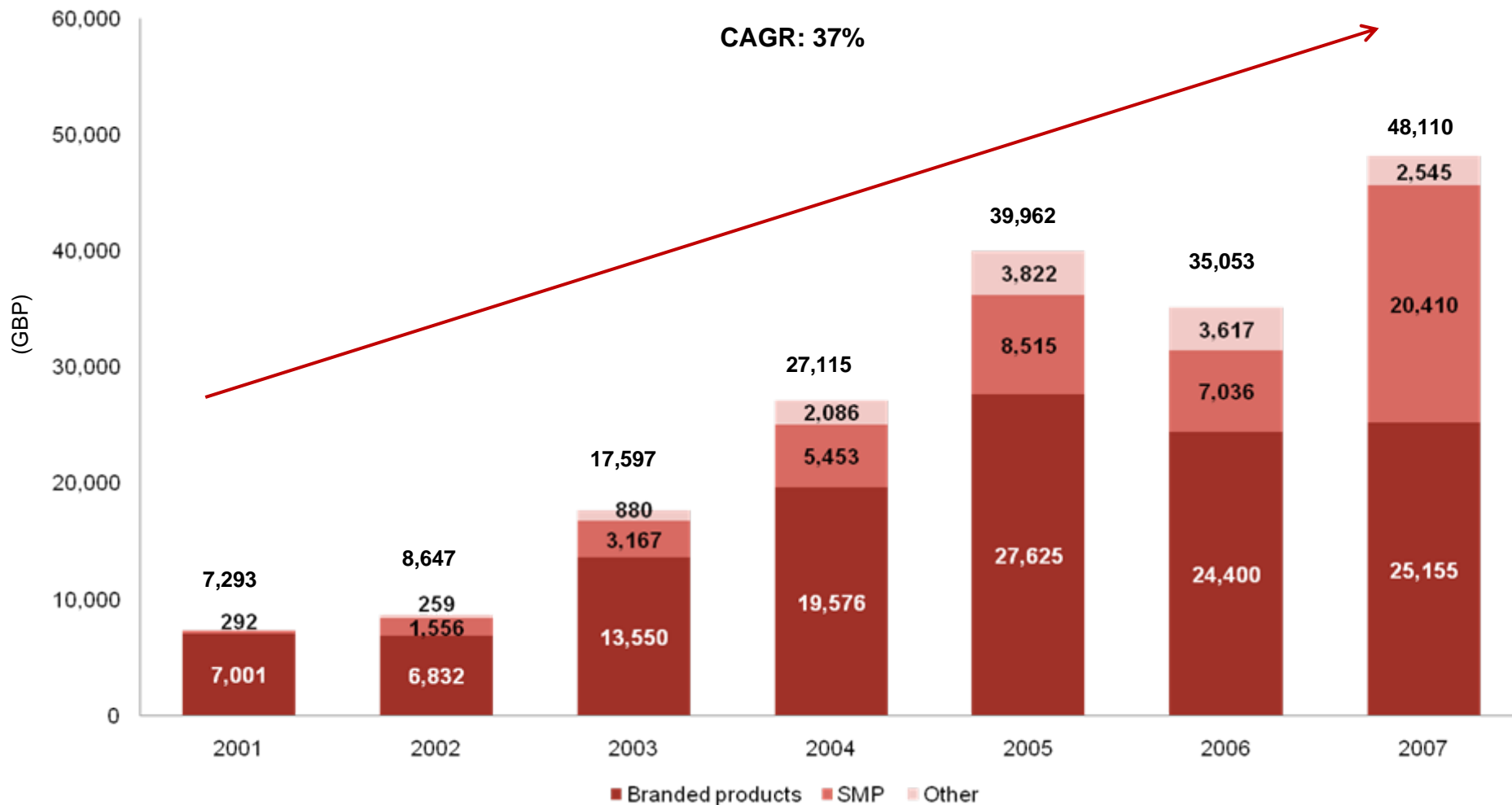


PRODUCTION VOLUME IN 2001-2007



OPERATING PERFORMANCE 2001-2007

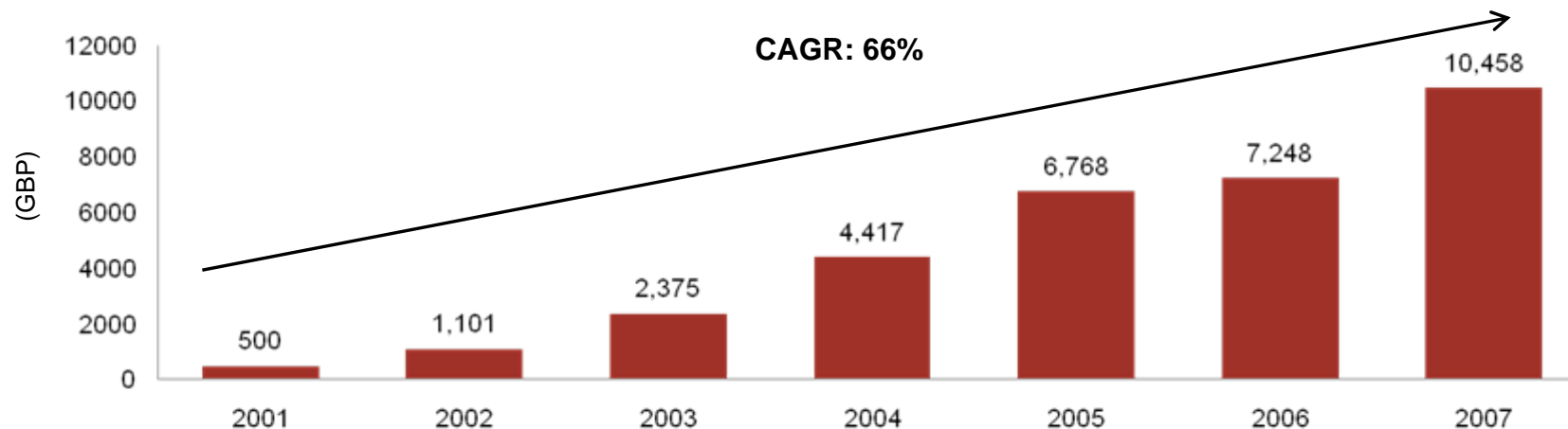
Net revenues 2001-2007



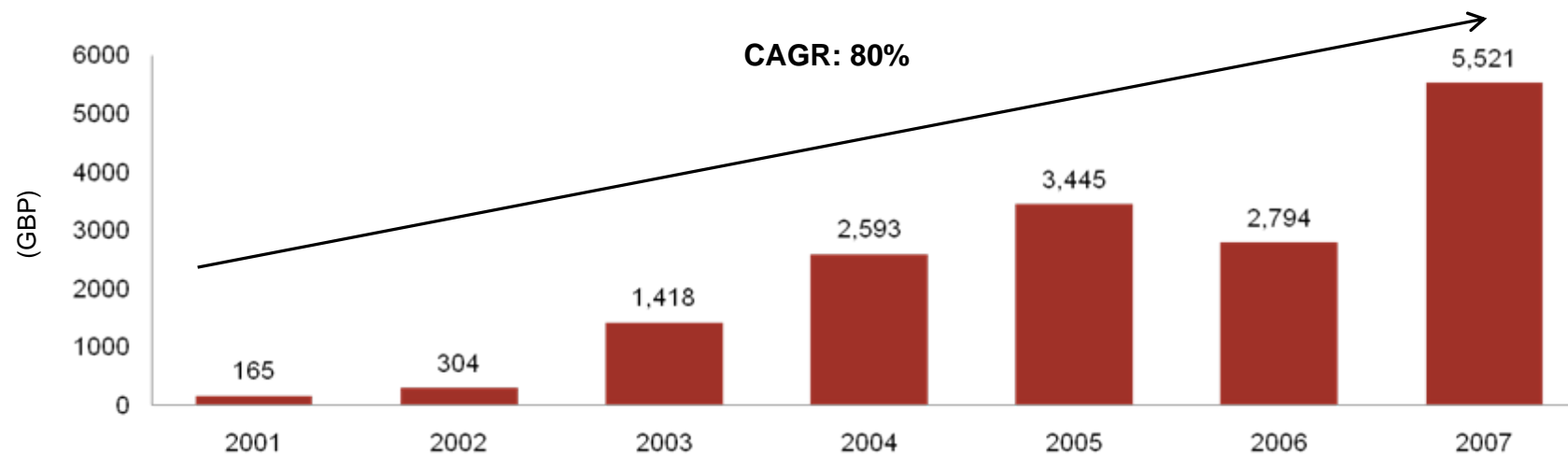
Source: Company Information

OPERATING PERFORMANCE 2001-2007 cont'd

Gross profit (incl. depreciation) 2001-2007



Ukrproduct EBITDA 2001-2007



Source: Company Information

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