



## **Ukrproduct Group Ltd**

Ukraine's Leading Branded Dairy Company

**Financial Results Presentation  
H1 2011**

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## Key Operational Highlights

- § Encouraging increase in sales of **branded/own label products**
- § Strengthened market leadership in **packaged butter**
- § Recovered leadership in **processed cheese**
- § Significantly increased distribution of **third party products**, especially kvass
- § Profitability of **SMP** hit by higher raw milk prices, hangover of excessive stocks in Ukraine from 2010 and strong global competition dampening export prices
- § Tax load increased substantially following the implementation of the new Tax Code
- § Profitability challenged by the new milk subsidy regime
- § Concluded loan agreement with European Bank for Reconstruction and Development to finance the modernization of the plant in Starokostiantyniv



# FINANCIAL OVERVIEW

## Key Financial Highlights

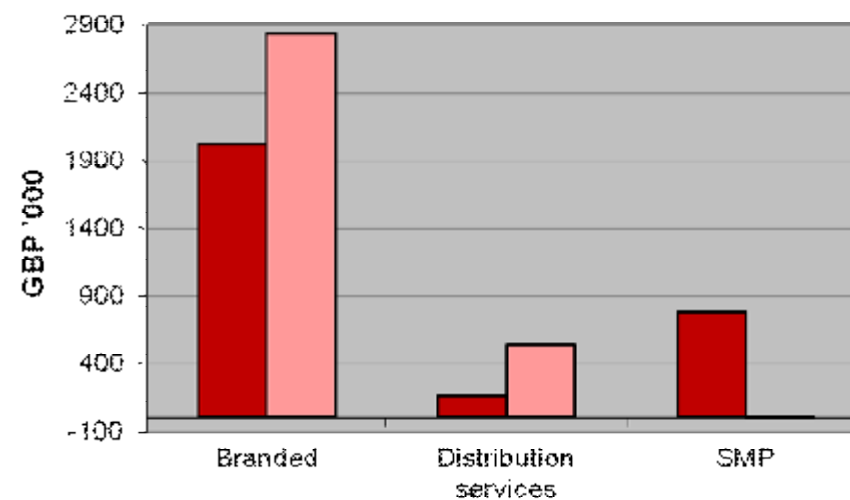
(GBP thousands)

Key Indicator	H1 2011	H1 2010	year-on-year change
Revenue	25,008	20,653	21%
Gross Profit	3,375	2,969	14%
Profit before tax	528	440	20%
Profit after tax	309	415	(26%)
Basic earnings per share (pence)	0.8	1.0	(23%)

Revenue by segment



Gross Profit by segment



# FINANCIAL OVERVIEW

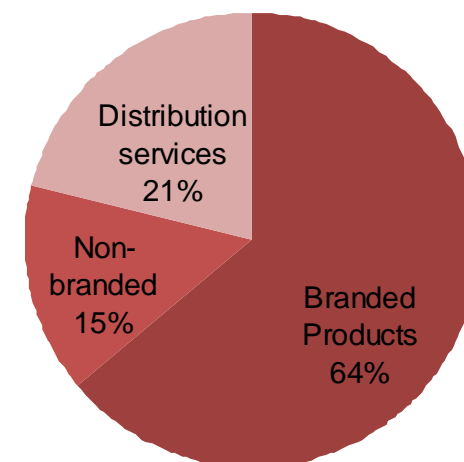
## Segment Sales and Profitability

### Sales

	(GBP thousands)			(UAH thousands)			(Tonnes)		
	H1 2011	H1 2010	Year-on-year Change	H1 2011	H1 2010	Year-on-year Change	H1 2011	H1 2010	Year-on-year Change
<b>Branded</b>	<b>15,992</b>	13,679	+17%	<b>205,815</b>	165,884	+24%	8,028	7,127	+13%
<b>SMP</b>	<b>3,738</b>	5,920	-37%	<b>48,108</b>	71,791	-33%	1,913	2,288	-16%
<b>Distribution services</b>	<b>5,278</b>	1,054	+401%	<b>67,927</b>	12,782	+432	N/A	N/A	-

### Gross Profit

	(GBP thousands)			(UAH thousands)		
	H1 2011	H1 2010	Year-on-year Change	H1 2011	H1 2010	Year-on-year Change
<b>Branded</b>	<b>2,837</b>	2,028	+40%	<b>36,511</b>	24,599	48%
<b>SMP</b>	<b>-7</b>	776	-101%	<b>-90</b>	9,410	-101%
<b>Distribution services</b>	<b>545</b>	164	231%	<b>7,014</b>	1,989	252%



Revenue by segment (GBP)



# FINANCIAL OVERVIEW

## Cash Flow, Debt and CapEx

(GBP, thousands)	H1 2011	H1 2010
<b>Net Cash Flow from Operating Activities</b>	315	1726
<b>Net Cash flow from Investing Activities</b>	(6)	(350)
<b>Net Cash flow from Financial Activities</b>	(541)	3
<b>CapEx</b>	(223)	(354)
<b>Cash, end of period</b>	395	1567
<b>Total Debt</b>	2661	1868
<b>Total Debt/Equity Ratio</b>	0.14	0.12
<b>Total Debt/EBITDA Ratio</b>	2.31	1.63

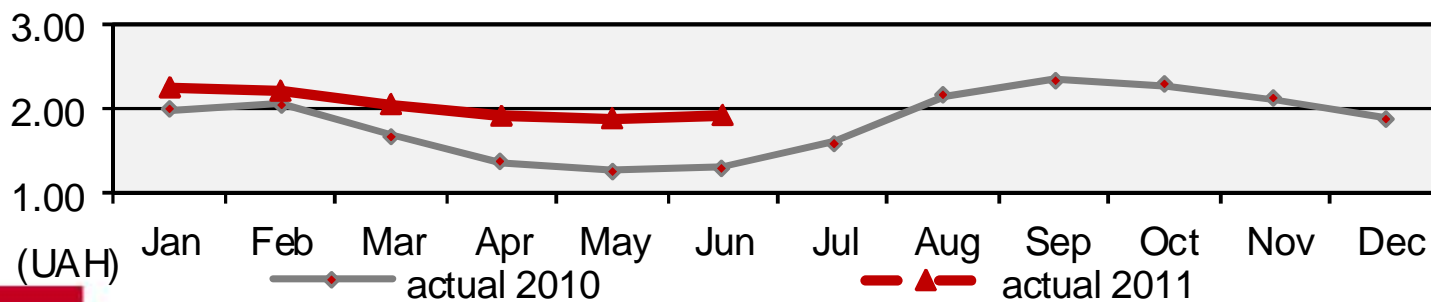
NOTE: As at 30 June 2011, the Group was due GBP 2 million following the sale of equipment



## CONTEXT

### Dairy Market Drivers in Ukraine

- § Continuing decline in volume of milk production by average 3% per year
- § Raw milk prices increased 31.4% year-on-year, mainly due to the new milk subsidy regime which pushed up prices by approximately 20%
- § Purchasing interventions by the Agrarian Fund added further to the increase in raw milk price
- § Dairy market capacity decreased across butter, processed and hard cheese sectors but increased in spreads
- § Prices of dairy commodities directly correlated with world trends and depend mostly on neighboring Russian trends
- § The quality of milk deteriorates in summer due to changing weather conditions



Raw Milk Price Trends (UAH)



## CONTEXT

### Ukraine – Market Environment

- § GDP is forecast to increase by 4.5% in 2011
- § Inflation was 6.1% for the first 6 months of 2011
- § Ukrainian Hryvna was relatively stable
- § Consumer disposable incomes will remain pressured by rising utility bills and fuel costs
- § Consumer demand switching to more affordable products; higher price sensitivity
- § Customers seek to extend their credit terms, further exacerbating risk of bad debts
- § Tax code stringency will impose pressure on all businesses



## Outlook for 2011

- § The Group aims to further increase sales of branded products with trade marketing campaigns and further realignment of product portfolio
- § Expansion of distribution services is planned to continue, helped by reorganization of the logistics system which will reduce unit costs
- § Margin pressure will continue given the new milk subsidy regime and input cost inflation, especially fuel
- § The Group will focus on cost-cutting measures and improving efficiency of operations to sustain profitability
- § The new Tax Code decrees significant change in tax planning program

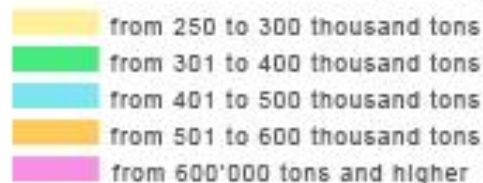


## Strategic Position

- 
**Cheese & butter plant in Zhytomyr**  
 Production of processed cheese and packaged butter
- 
**Dairy plant in Starokonstantyniv**  
 Production of bulk and packaged butter & spreads, skimmed milk powder
- 
**Dairy plant in Krasyliv**  
 Milk collection and production of semi-processed dairy ingredients
- 
**Dairy plant in Letychiv**  
 Milk collection, production of casein and semi-processed dairy ingredients
- 
**Export operations of the Group (Starokonstantyniv)**
- 
**Pan-Ukrainian distribution network**



**Raw milk collection capacity per region, Ukraine**



# Brand Portfolio

*Premium  
market*



Cheeses & butter



Butter

*Middle  
market*



Cheeses & Butter

*Mass  
market*



Creamy Valley  
Butter



Butter



Spreads



Spreads



Processed Cheese





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