



Ukrproduct Group Ltd

A Leading Branded Dairy and Beverage Company in Ukraine

Financial Results Presentation H1'2012

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Key Operational Highlights

- § Major improvement in overall **profitability**
- § Gross profit in **dairy branded/own label products** increased by 32%
- § Focus on profitability in **packaged butter** resulted in gross profit increase by 16.9%
- § Sales of **processed cheese** increased while successful product repositioning grew margins
- § **Kvass** previously distributed and now acquired - sales increased by 47% y-o-y benefitting from the new marketing focus and extended geography of sales
- § **SMP** was suppressed owing to the weak world market conditions and an overhang on the domestic market
- § **Effective tax rate** decreased due to improved efficiency of tax planning
- § Completed the first stage of **the reconstruction of the plant in Starokostiantyniv** under a loan facility provided by European Bank for Reconstruction and Development. Cost savings are underway



CONTEXT

Ukraine – Market Environment

- § Inflation remains a concern, especially fuel
- § Population purchase power is under further pressure on the back of rising unemployment and increasing costs of living
- § Upcoming Parliamentary election in the Autumn force businesses to be apprehensive as to the aftermath
- § Strict regulation of food products quality to EU standards is an opportunity for Ukrproduct given its quality regime

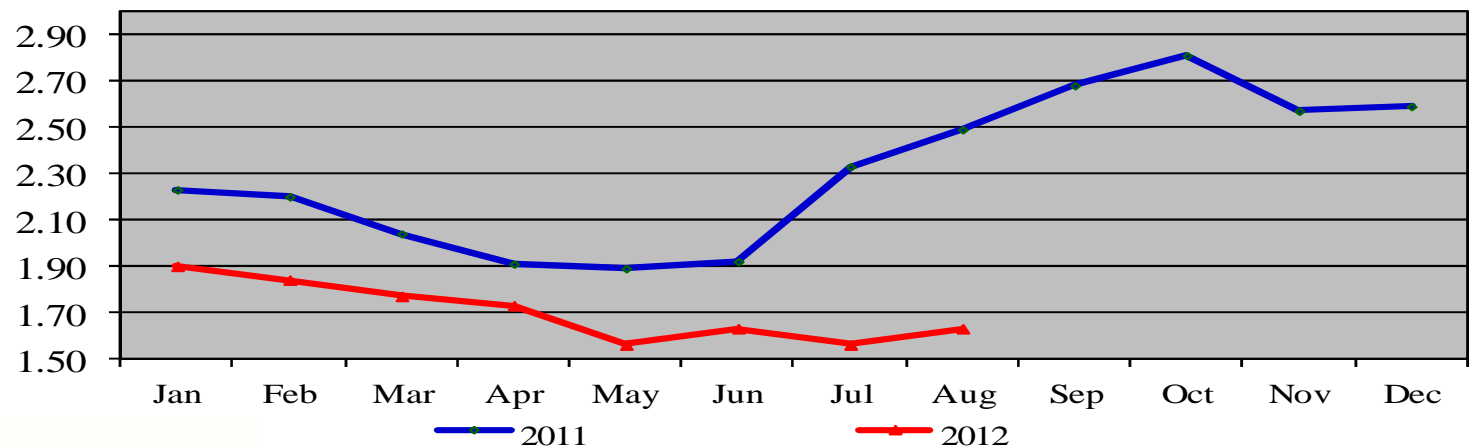


CONTEXT

Dairy Market Drivers in Ukraine

- § Raw milk prices decreased year-on-year due to partial return of the milk subsidy regime and hard cheese export restrictions
- § Raw milk prices expected to increase but remain below last year's levels
- § SMP – trend of weak global market environment observed in H1'2012 is about to reverse due to seasonal revival and price increase
- § The ban on import of Ukrainian hard cheese in Russia still in place causing the overproduction of hard cheese, butter and SMP on the domestic market
- § Russia's recent WTO membership will make trading more transparent in the future

Raw Milk Price Trends (UAH) net of VAT subsidy



Outlook for FY2012

Within the challenging dynamics Ukrproduct looks to continue an improved performance

- § The margins will be pursued across all the categories of **branded dairy products** by targeting the most profitable sales channels
- § **Kvass** will continue to benefit from expanded geography of sales and efficient marketing communication
- § In **export sales** the focus will be made on widening the product range of exported products
- § **Cost improvement:**
 - § The cost optimization program will be continued
 - § The effect from the completion of first stage of energy efficiency project at Starokostiantyniv plant will become evident



Financial Overview

(GBP, thousands)	H1'2012	H1'2011
Revenue	25,343	25,008
Gross Profit margin	16.7%	13.5%
EBITDA	1,467	1,151
EBITDA margin	5.8%	4.6%
Operating Income	968	701
Tax	256	215
Profit after Tax	636	309
Earnings per share, pence	1.6	0.8
ROA	1.9%	1.2%
ROE	3.2%	1.7%



FINANCIAL OVERVIEW

Segment Sales and Profitability

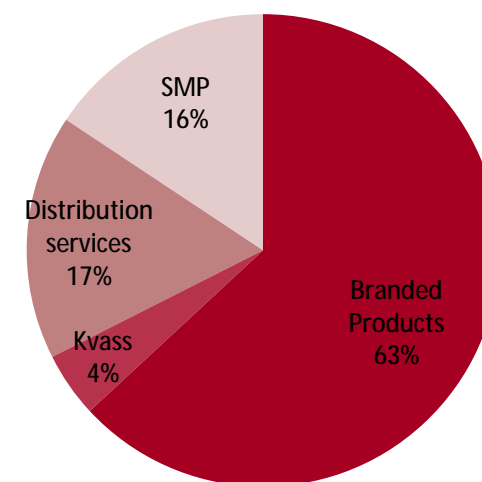
Sales

Segments	(GBP '000)			(UAH '000)			(tonnes)		
	H1'2012	H1'2011	y-on-y change	H1'2012	H1'2011	y-on-y change	H1'2012	H1'2011	y-on-y change
Branded products	15,987	15,992	0%	201,286	205,815	-2%	7,296	8,028	-10%
Kvass	1,130	770	47%	14,227	9,910	44%	2,250	1,390	62%
Distribution services	4,256	4,508	-6%	53,586	58,018	-8%	Not applicable		
Skimmed milk products	3,970	3,738	6%	49,985	48,108	4%	1,742	1,913	-9%

Gross Profit

Segments	(GBP '000)			(UAH '000)		
	H1'2012	H1'2011	y-on-y change	H1'2012	H1'2011	y-on-y change
Branded products	3,732	2,837	32%	46,985	36,511	29%
Kvass	619	175	-	7,794	2,252	-
Distribution services	167	370	-55%	2,102	4,762	-56%
Skimmed milk products	-239	-7	-	-3,009	-90	-

Sales by segments



Cash Flow, Debt and CapEx

(GBP, thousands)	H1'2012	H1'2011
Net Cash Flow from Operating Activities	1,467	314
Net Cash Flow from Investing Activities	(2,512)	(7)
Net Cash Flow from Financing Activities	1,388	(540)
Net Change in Cash	296	(281)
Cash, end of period	808	395
Total Debt	8,654	2,661
Debt/Capital	0.44	0.14
Current Ratio	1.65	2.08



Board of Directors



Sergey Evlanchik
Chief Executive Officer

Sergey Evlanchik is responsible for the Group's overall performance and strategy implementation and is a founder of Ukrproduct Group.

He studied at Vladivostok State University of Economics & Service in the Russian Federation and at Oxford University in the UK, where he received his MBA degree. In 1998, Mr Evlanchik focused his activities on business development in the dairy industry sector of Ukraine, where he joined the companies that would subsequently form Ukrproduct Group in 2004. Sergey then led the Group to its successful listing on the AIM market of the London Stock Exchange in 2005.



Dr Jack Rowell
Non-Executive Chairman

Jack Rowell provides the entrepreneurial leadership to the Company, is responsible for setting the company's values and standards and ensuring that obligations to shareholders are duly met. His role includes ensuring that the Company develops ongoing strategy direction and has a capability and management team to deliver such strategy.

He was educated at Oxford University and is a Chartered Accountant. He has acted as Chairman of a number of companies in the public and private sector, mainly within the food production industry. He was previously an executive director on the board of Dalgety plc and served as Chairman of Celsis plc. He has also been Manager of Bath Rugby and the English national team.



Strategic Position

🏭 Dairy plant in Starokonstantyniv

Production of packaged butter & spreads, hard cheese and skimmed milk powder

🏭 Cheese & butter plant in Zhytomyr

Production of processed cheese and packaged butter

🏭 Kvass Production Plant in Zhytomyr

🏭 Dairy plant in Letychiv

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

🏭 Dairy plant in Krasyliv

Milk collection and production of semi-processed dairy ingredients

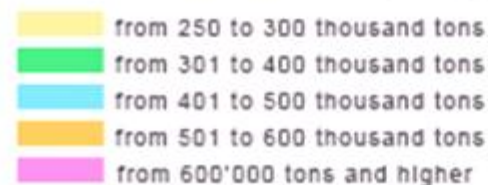
🏭 Central Warehouse in Zhytomyr

🏭 Pan-Ukrainian distribution network

🏭 Export operations of the Group (Starokonstantyniv)



Raw milk collection capacity per region, Ukraine



Brand Portfolio

*Premium
market*



Cheeses & butter



Butter



Kvass

*Middle
market*



Cheeses & Butter

*Mass
market*



Butter



Butter



Spreads



Processed Cheese





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