

Ukrproduct Group Ltd

Ukraine's Leading Branded Dairy Company

1H 2009 Financial Results

September 2009

DISCLAIMER



The information in this presentation is subject to updating, completion, revision, further verification and amendment without notice. The presentation refers to certain events having occurred which have not yet occurred but which are expected to occur. This presentation does not constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares in the Group, nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, or act as an inducement to enter into any contract or commitment therefore.

This presentation is only being distributed and made available to persons of the kind described in Article 19(5) (investment professionals) and Article 49(2) (high net worth companies, unincorporated associations, etc.) of Part IV of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 ("FPO") and any investment activity to which this presentation relates is only available to and will only be engaged with such persons. Persons who do not have professional experience in matters relating to investment or who are not persons to whom Article 49 of the FPO applies should not rely upon this presentation.

No reliance may be placed for any purpose whatsoever on the information or opinions contained in this presentation or any other document or oral statement, or on the completeness, accuracy or fairness of such information and/or opinions therein.

No representation or warranty, express or implied, is made or given by or on behalf of the Group or its advisors, any of their respective directors, or any other person as to the accuracy or completeness or fairness of the information or opinions contained in this presentation and no responsibility or liability is accepted by any of them for such information or opinions or for any errors, omissions, misstatements, negligent or otherwise, or for any communication written or otherwise, contained or referred to in this presentation.

Accordingly, neither the Group nor its advisors nor any of their respective directors, officers, employees, advisers, associated persons or subsidiary undertakings shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying upon the statement or as a result of any admission in, or any document supplied with, this presentation or by any future communications in connection with such documents and any such liabilities are expressly disclaimed.

This presentation and its contents are confidential and should not be distributed, published or reproduced in whole or in part or disclosed by recipients to any other person. This presentation should not be distributed to persons with addresses in Canada, Australia, Japan, Republic of Ireland, Republic of South Africa, or to persons with addresses in the United States of America, its territories or possession or to any citizen thereof or to any corporation, partnership or other entity created or organised under the laws thereof. Any such distribution could result in the violation of Canadian, Australian, Japanese, Irish, South African or United States of America law.

The information in this presentation is confidential and must not be copied, reproduced or distributed to others at any time except for the purposes of analysis by certain employees and advisers of the recipient who have agreed to be bound by the restrictions contained herein. Prospective investors interested in investing in the Group are recommended to seek their own independent financial advice from a person authorised for the purposes of FSMA.

Ukrproduct at a Glance

1H 2009 Results – Operating and Financial Update

Anti-Crisis Measures in 2009

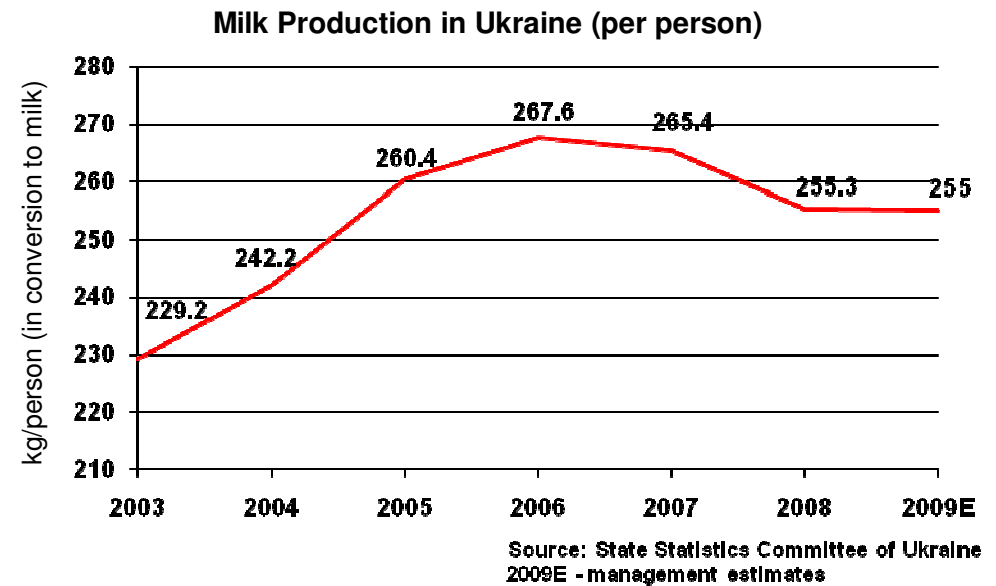
Outlook for FY 2009

Appendix

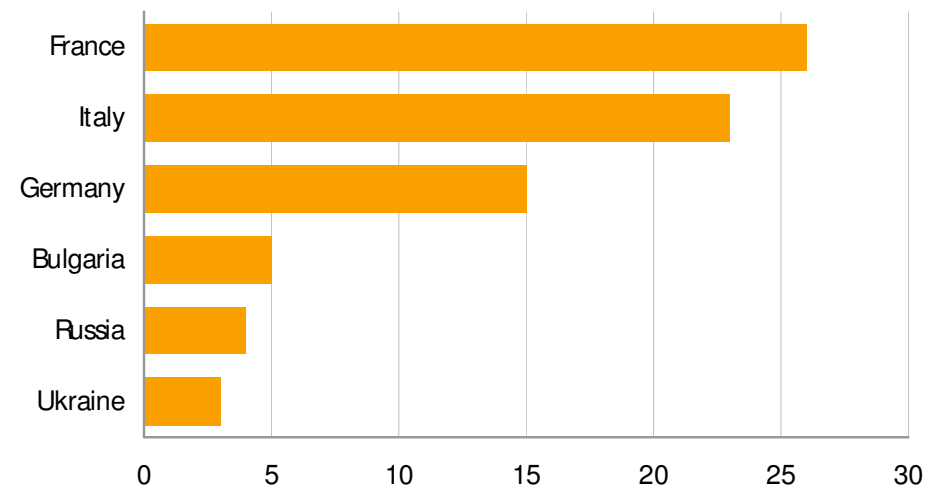
DAIRY MARKET DRIVERS



- A significant slowdown of the Ukrainian economy
- Retail trade turnover declined on average by 20% in 1H 2009
- Ukrainian hard cheese producers responded to weak domestic demand by cutting prices and releasing the surplus of products into the market
- The price differential between hard cheese and processed cheese has narrowed
- Partial shift in consumer demand from processed to hard cheese
- Russian authorities introduced an import ban on dairy products from Belarus at the beginning of June 2009
- Sustained demand for butter in Ukraine was met by Belarusian imports



Cheese (Hard & Processed) Consumption in European Countries, kg per capital per year



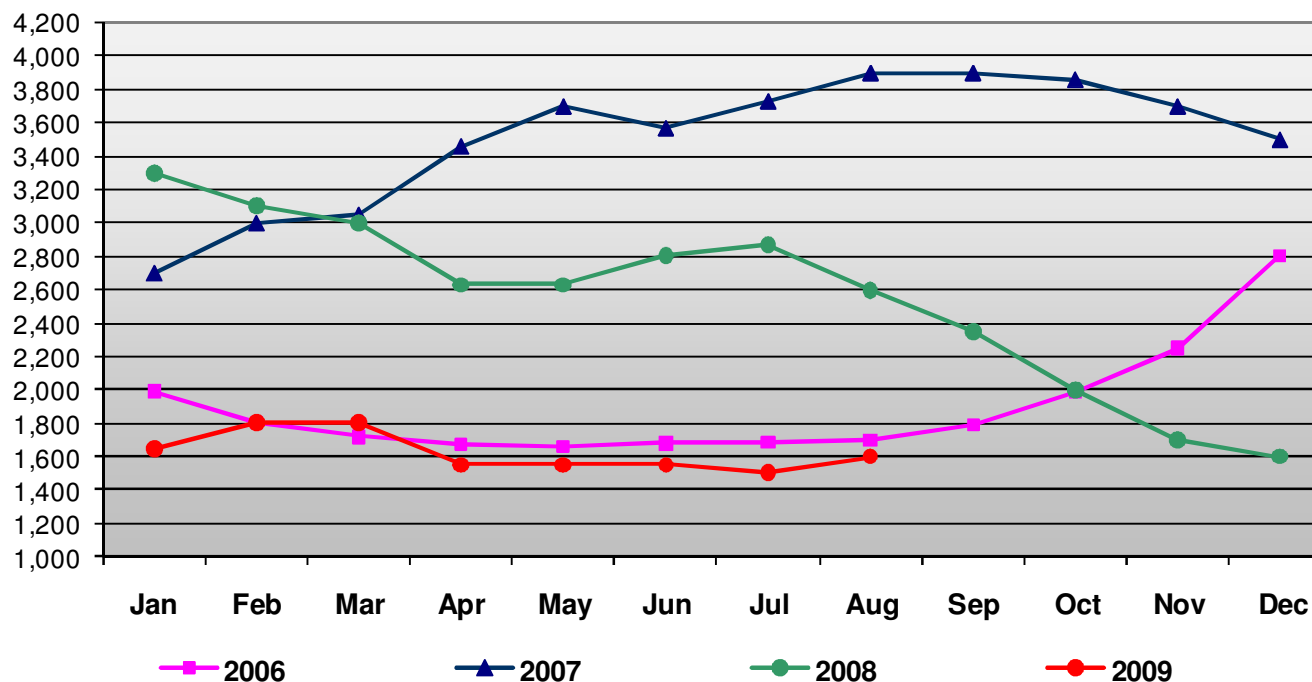
Source: Euromonitor



SIMMED MILK POWDER (SMP) DRIVERS

- Global market conditions for SMP remain weak
- SMP segment export volumes have increased by 48% year on year, however, segment revenues declined as a result of pricing pressure with margins further impacted by the increase in energy costs

Export prices of SMP in Ukraine , USD/tn, FOB/DAF





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

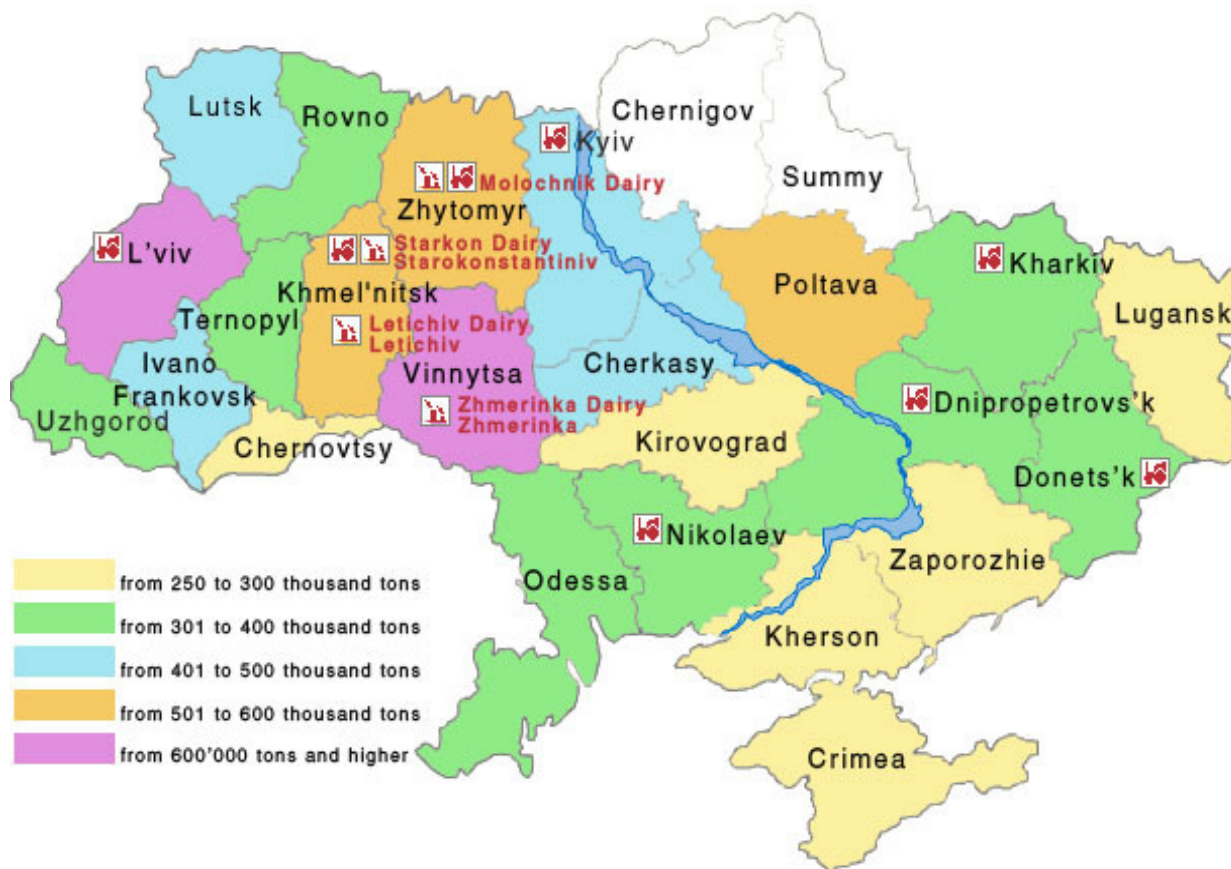
 **Letichiv Dairy (Letichiv)**

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

 **UkrProdExpo (Starokonstantiniv)**

Export operations of the Group.

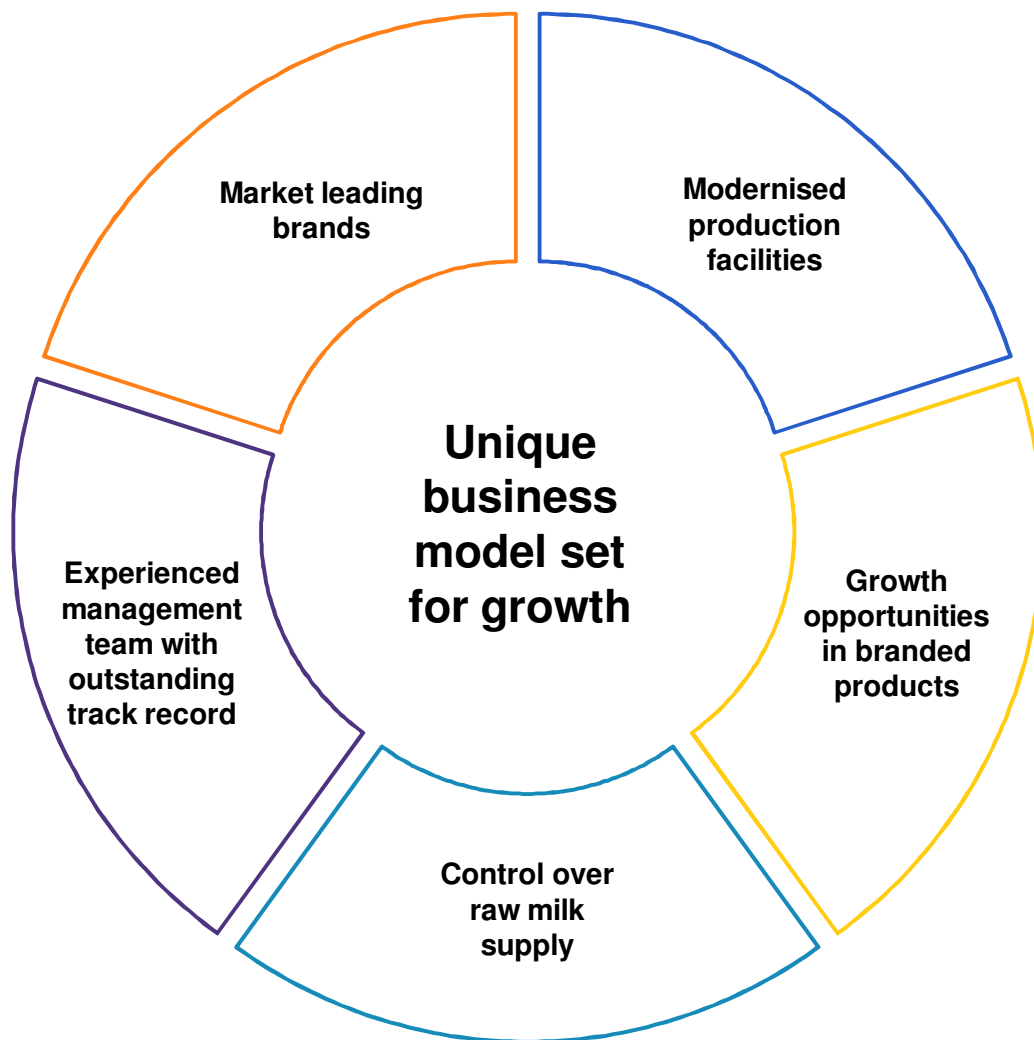
 **Distribution network depots throughout Ukraine**





UKRPRODUCT INVESTMENT CASE

Ukrproduct Group is a leading dairy company in the Ukrainian market



- Market leader in processed cheese (22% market share in Ukraine)* and in packaged butter (13% market share in Ukraine)*
- Brand portfolio with attractive offering for different consumer segments
- 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
- Close proximity to sources of raw milk and customers
- Present in 8 out of the top ten retail chains in Ukraine
- Range of recognisable product brands (“Our Dairyman” is the Company’s flagship)

*Company estimates



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 93 milk collection points
- Most modern production facilities
- ISO certified
- Only DQS* certified dairy company in Ukraine
- 5 production plants
- GBP 12.4 million Capex (2005-08)
- Strong brand recognition
- New marketing campaign to promote “Our Dairyman”
- Upgrade of brand portfolio – launch of the premium brand “Molendam”
- Unique distribution network
- 150+ vehicles, 7 depots, one central warehouse
- Third Party Services
- Sales through top retail chains and direct distributors



BRAND PORTFOLIO



*Premium
market*



*Middle
market*



*Mass
market*



Ukrproduct at a Glance

1H 2009 Results – Operating and Financial Update

Anti-Crisis Measures in 2009

Outlook for FY 2009

Appendix



1H 2009 KEY OPERATING HIGHLIGHTS

- Became the largest producer of butter in Ukraine and maintained leading market shares in packaged butter at 13% and processed cheese at 22% despite the contraction of the processed cheese market
- Increased market share of the “Molendam” brand butter by substituting for imports
- Undertook a number of marketing initiatives to strengthen and increase the Group’s sales, including stimulating distributors with additional bonuses and incentives to meet their sales targets for packaged butter and spreads
- Introduced new packaging sizes for the “Nash Molochnik” brand of processed cheese and updated packaging for the “Nadorny Product” brand
- Rationised the total number of retail chain customers, which totalled 54 (69) with the number of total sales points covered reducing to 722 from 978
- Consolidated manufacturing activities at four plants and shut down operations at Zhmerinka plant. Transferred the production of processed cheese and butter to other plants following the end of the reporting period

KEY FINANCIALS

	(GBP thousands)			(UAH thousands)		
	1H 2009	1H 2008	Year on Year Change	1H 2009	1H 2008	Year on Year Change
Revenue	22,082	23,612	(6.5%)	252,618	233,268	8.3%
Gross Profit	4,214	4,629	(8.9%)	48,208	45,734	5.4%
EBITDA	1,669	2,022	(17.5%)	19,064	19,977	(4.6%)
Profit after tax	629	1,017	(38.2%)	7,198	10,048	(28.4%)
Basic earnings per share (pence)	1.5	2.4	(37.5%)	-	-	-

- ✓ Revenues impacted by 22.7% y-o-y depreciation of local currency against GBP
- ✓ Revenues in UAH up 8.3% y-o-y with gross profit up 5.4% y-o-y
- ✓ Revenues in branded products segment in UAH up 13.5% y-o-y with gross profit increasing by 25.1% y-o-y
- ✓ SMP revenues in UAH up 2.0% y-o-y with gross profit remaining under pressure
- ✓ 1.4% y-o-y decrease in S,G & A expenses is smaller than expected as a result of the increase in bonuses and marketing expenses paid to retailers, which accounted for a larger share of sales, compared to the prior period
- ✓ Significantly improved financial position with the Group's cash balance totalling GBP 2.2 million and net cash position of GBP 0.2 million vs net debt of GBP 3.1 million in the prior period

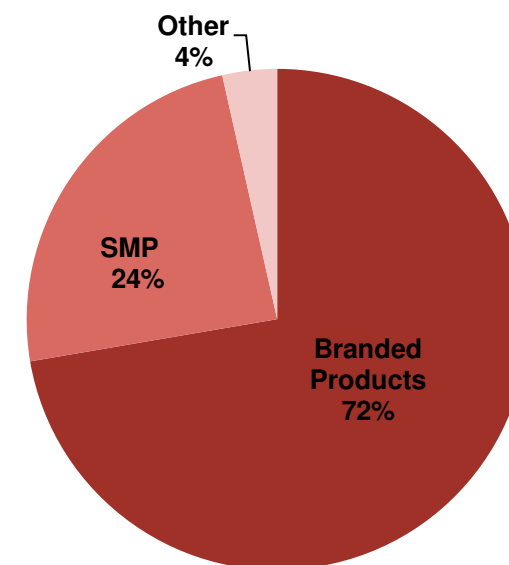


SEGMENT SALES AND PROFITABILITY

Sales

	(GBP thousands)			(UAH thousands)		
	1H 2009	1H 2008	Year on Year Change	1H 2009	1H 2008	Year on Year Change
Branded	15,971	16,299	(2.1%)	182,697	161,024	13.5%
SMP	5,332	6,054	(11.9%)	60,998	59,814	2.0%
Other	779	1,259	(38.1%)	8,923	12,448	(28.3%)

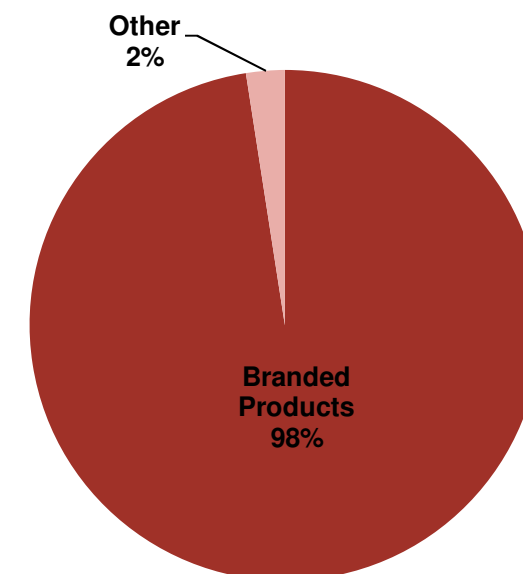
Sales 1H 2009



Gross Profit

	(GBP thousands)			(UAH thousands)		
	1H 2009	1H 2008	Year on Year Change	1H 2009	1H 2008	Year on Year Change
Branded	4,131	3,823	8.1%	47,248	37,771	25.1%
SMP	(22)	645	-	(252)	6,373	-
Other	104	161	(35.4%)	1,212	1,590	(23.8%)

Gross Profit 1H 2008



CASH FLOW, DEBT AND CAPEX

(GBP, thousands)	1H 2009	1H 2008
Net cash flows from operations	3,625	1,100
Net cash flow from investing activities	(255)	(903)
Net cash flow from financing activities	(1,542)	(973)
CAPEX	230	800
Cash	2,228	316
Total Debt	2,081	3,361
Net Cash/ (Debt)	147	(3,045)
Total Debt/Equity Ratio	0.14	0.19
Total Debt/EBITDA Ratio	1.25	1.66

Ukrproduct at a Glance

1H 2009 Results – Operating and Financial Update

Anti-Crisis Measures in 2009

Outlook for FY 2009

Appendix



ANTI-CRISIS MEASURES IN 2009

▪ Raw milk zone

- ✓ Optimised milk collection and storage costs
- ✓ Introduced stricter control of milk quality
- ✓ Further increased imports of raw milk materials from Belarus

▪ Production

- ✓ Optimised work shifts and reduced staff by 136
- ✓ Introduced employee motivation system aimed at product quality, standardised production and cost savings
- ✓ Centralised energy saving initiatives at all plants
- ✓ Shifted production of processed cheese from Zhmerinka to Molochnik plant in order to improve productivity level and economies of scale

▪ Operations

- ✓ Strengthened debt collection
- ✓ Expanded exports geography to the USA and Israel with first shipments in 2H 2009

▪ Marketing and Sales

- ✓ Implemented a number of initiatives to motivate distributors aimed at increasing sales and retail presence
- ✓ Introduced new packaging sizes for the “Nash Molochnik” brand of processed cheese in order to capitalise on several popular flavours
- ✓ Updated packaging for the “Nadorny Product” brand to attract new customers in the entry level price point category
- ✓ Product line expansion planned for Molendam smoked cheese and processed cheese in the fall

Ukrproduct at a glance

1H 2009 Results – Operating and Financial Update

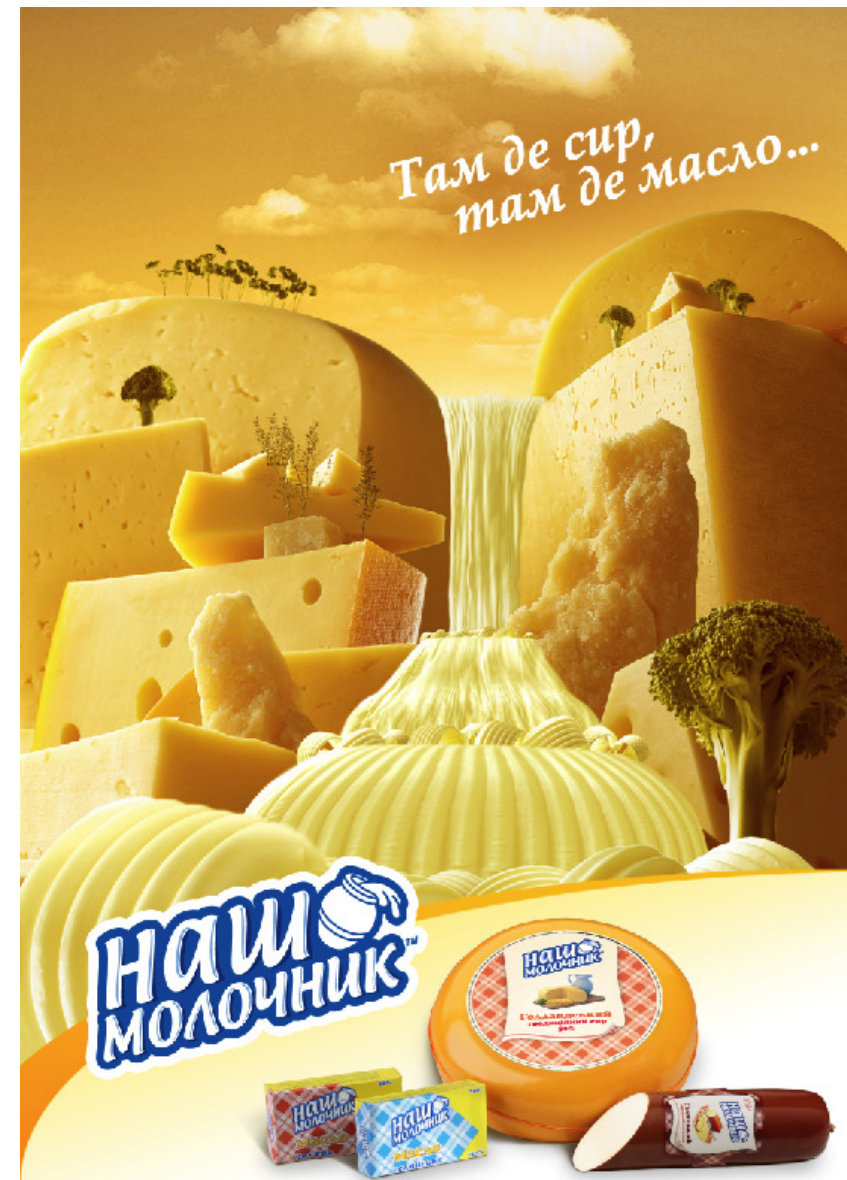
Anti-Crisis Measures in 2009

Outlook for FY 2009

Appendix

OUTLOOK FOR FY 2009

- Financial position has significantly improved and is expected to continue strengthening in 2H
- We are looking for a performance improvement in the second half, with the cash situation improving further although profitability level is expected to continue to be below last year
- We are focused on increasing our market share in each product category and segment of operation
- We continue to look further for productivity improvements, which are necessary to implement in order to withstand the pressure on our margins.
- M&A opportunities if there is a fit with the Group's strategy



Ukrproduct at a glance

1H 2009 Results – Operating and Financial Update

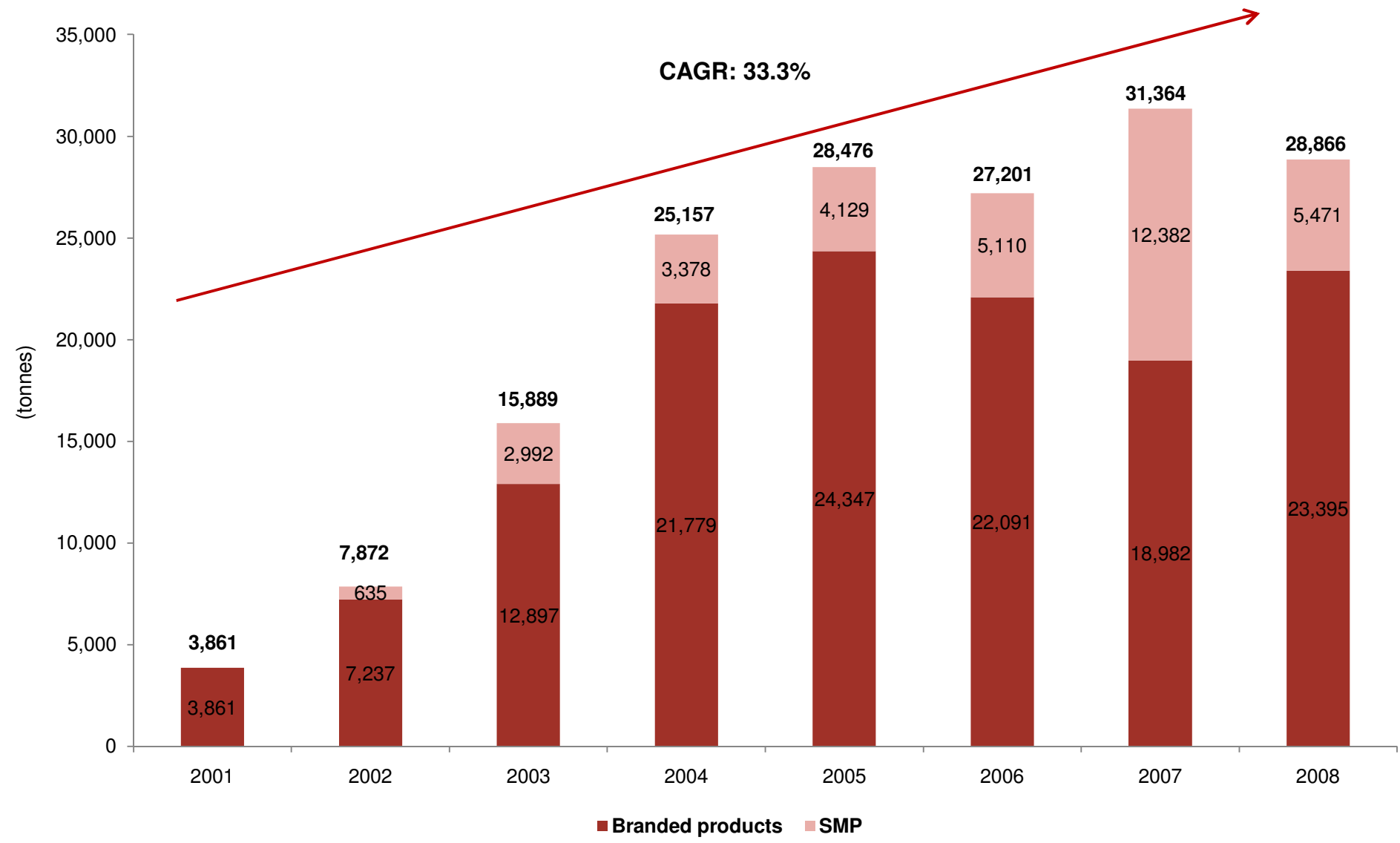
Anti-Crisis Measures in 2009

Outlook for FY 2009

Appendix



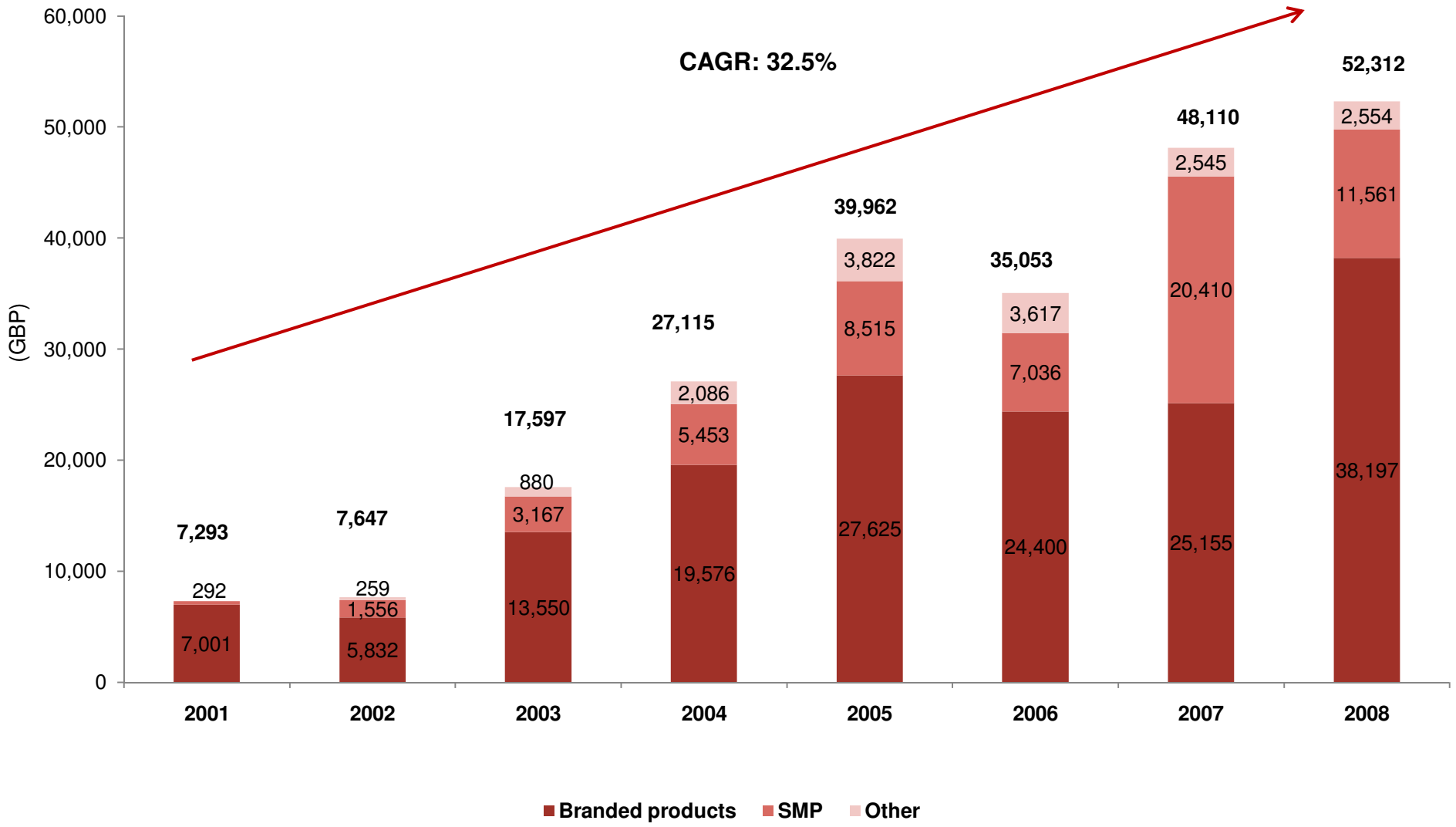
PRODUCTION VOLUME IN 2001-2008





OPERATING PERFORMANCE 2001-2008

Net revenues 2001-2008

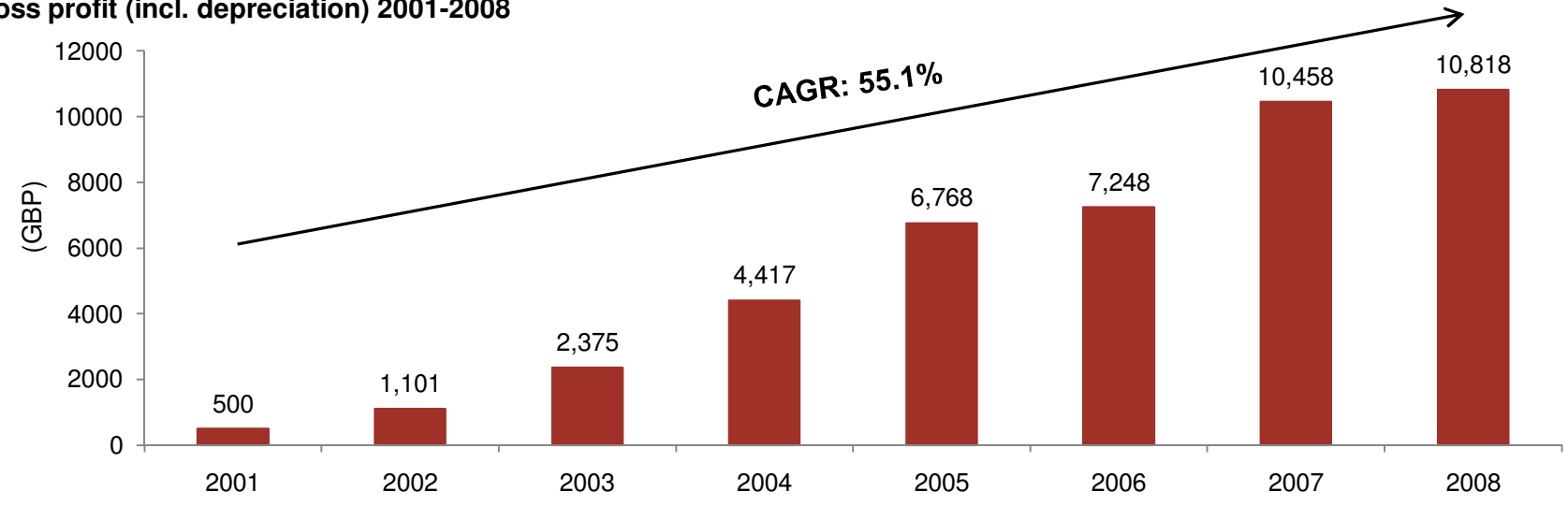


Source: Company Information

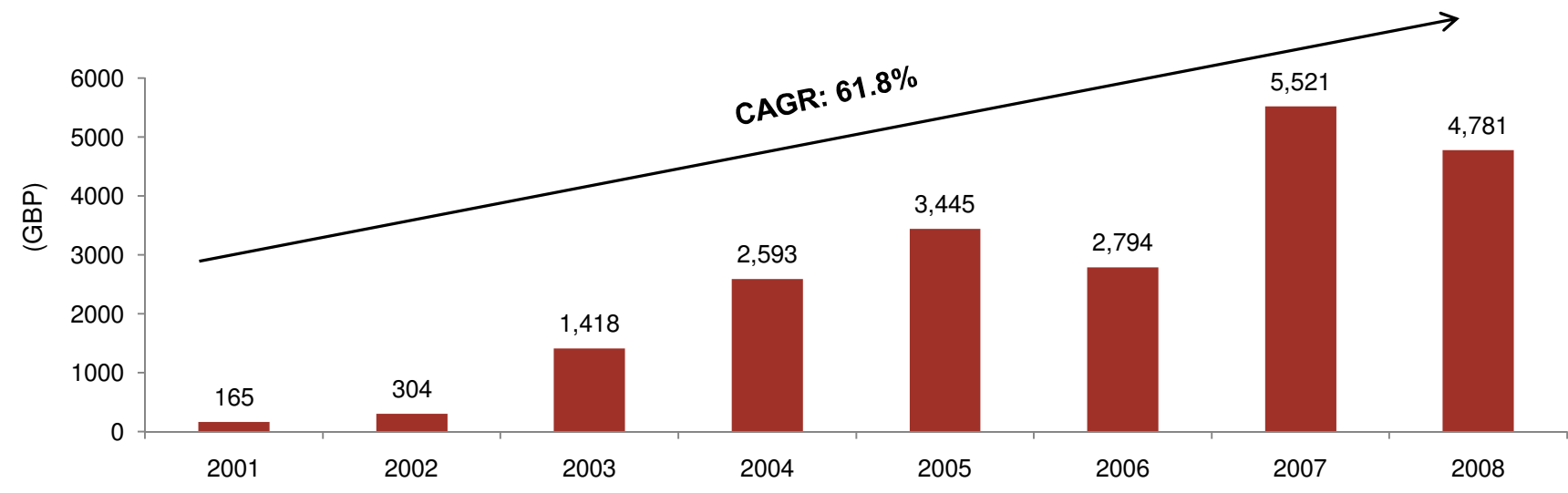


OPERATING PERFORMANCE 2001-2008 cont'd

Gross profit (incl. depreciation) 2001-2008



Ukrproduct EBITDA 2001-2008



Source: Company Information

For further information please contact:

Sergey Evlanchik

CEO

sergey.evlanchik@ukrproduct.com

Roman Prannichuk

CFO

roman.prannichuk@ukrproduct.com

Tel: +38 044 502 8014