



Ukrproduct Group Ltd

A Leading Branded Dairy Foods and Beverage Company in Ukraine

**Company Presentation
October 2014**

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CONTENT

Board of Directors

Ukrproduct Profile

Context

Key Operational Highlights

Financial Overview

Outlook for H2'2014

Strategy Going Forward



Board of Directors



Sergey Evlanchik
Chief Executive Officer

MBA degree from Oxford University (Said Business School), founder of Ukrproduct Group



Dr Jack Rowell
Non-Executive Chairman

Provides the entrepreneurial and strategy leadership to the Company, is responsible for setting the company's values and standards and ensuring that obligations to shareholders are duly met, was educated at Oxford University and is a Chartered Accountant



Yuriy Hordiyчук
Chief Operating Officer

MBA degree from the School of Economics (Russia) with focus on Logistics and Supply Chains Management, began his career in the Group as Head of Sourcing in 2002



Ukrproduct Profile

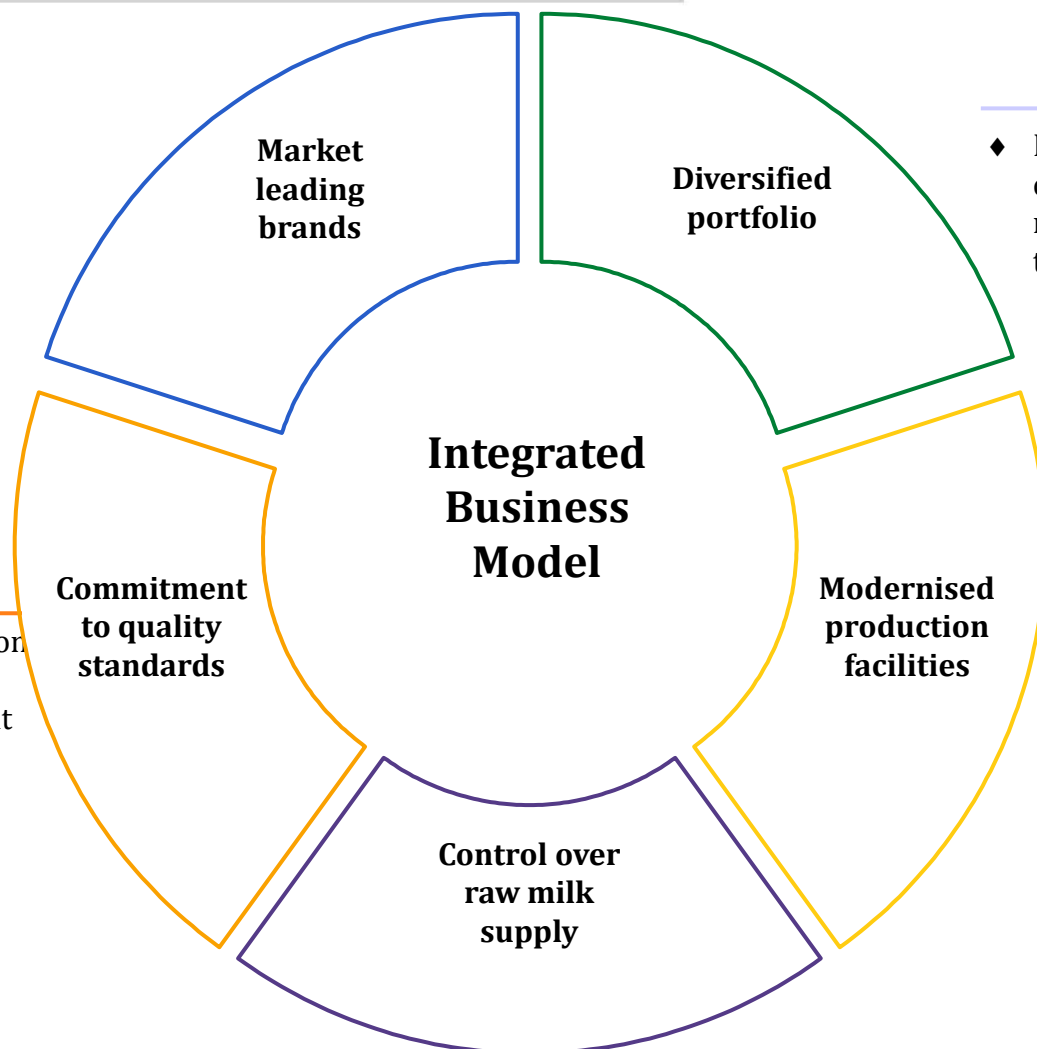
- ❑ One of the largest players on the Ukrainian dairy market
- ❑ Public since 2005 on AIM (LSE)
- ❑ Flexible output of commodity and branded products
- ❑ Own distribution depots in four major cities
- ❑ Cooperation with major distributors throughout Ukraine
- ❑ Certified supplier to Nestle, Kraft and other multinational companies in Ukraine
- ❑ One of the leading exporters of SMP*

* Skimmed Milk Powder



Integrated Business Model

- ◆ Segmented brand strategy
- ◆ Brands well-known for value and quality
- ◆ Strong market position in processed cheese and packaged butter



- ◆ Product mix ranges from cheeses to butter, spreads and milk powders as well as kvass, traditional fermented beverage

- ◆ ISO 22000 certification (safety standards for food supply chains) at Starokostantiniv
- ◆ DQS certification
- ◆ HACCP system implemented at Starokostiantyniv
- ◆ Major retailers and multinational companies certification

- ◆ ~ USD 40m CapEx invested in since 2004
- ◆ EBRD finance used to boost energy and production efficiency

- ◆ Network of milk collection points
- ◆ Long standing relationships with suppliers

Strategic Positions

Dairy plant in Starokostiantyniv

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

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

Processed cheese plant in Zhytomyr

Kvass Brewing Plant in Zhytomyr

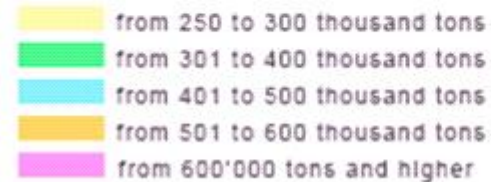
Central Warehouse in Zhytomyr

Own distribution depots

Export hub (Starokostiantyniv)



Raw milk collection capacity per region, Ukraine



Strong Portfolio of Well-Recognizable Brands

*Premium
market*



КРЕМЛЕВСКОЕ

Butter



Kvass

*Middle
market*



Cheeses & Butter

**Вершкова
Долина**

Butter

*Mass
market*

Private brands of local retailers, bulk etc.



Brand Development

- ❑ Well-known brand “Our Dairyman” with 73% brand awareness level
- ❑ Ongoing investment into existing product portfolio and strengthening the leading brands
- ❑ Launch of active support for “Our Dairyman” as we speak
- ❑ Planned development of “Molendam” brand in 2015
- ❑ Strong marketing support of kvass “Arsenyevsky” for the last 3 years
- ❑ Core brand values
 - Responsibility
 - Experience
 - Quality
 - Trust



Multiple Sales and Distribution Channels

Key accounts	National retail chains including Fozzy, ATB, Metro and Auchan
Distributors	Regional distributors with large active client base operating in the regions where Ukrproduct doesn't have strong presence
Small retail	Local retail chains, grocery shops and outlets
Wholesales	Local wholesalers enhancing the coverage in open markets etc.
Export	Strong in-house team well-known under Ukrproduct umbrella brand
Industrial clients	Supply of SMP to multinational companies such as Nestle and Kraft
Private Label	Manufacturing of processed cheese and packaged butter under the private labels of large retail chains





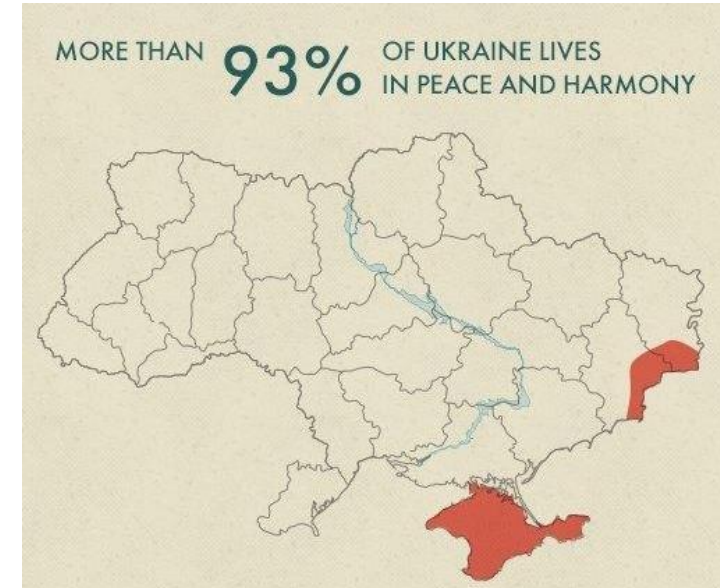




CONTEXT

Ukraine – Market Environment

- ❑ Eastern military clashes calm down following truce agreement signed in Minsk
- ❑ Variable trading with Crimea
- ❑ Further UAH devaluation risk
- ❑ Higher interest rates
- ❑ Increase in prices and deficit of energy resources
- ❑ EU association agreement signed and is already in force for Ukrainian export which is subject to agreed quotas
- ❑ Active dialogue between authorities and businesses
- ❑ Ukraine's position in the Doing Business ranking improved by 12 points and currently standing at 96th in the list of 189 economies

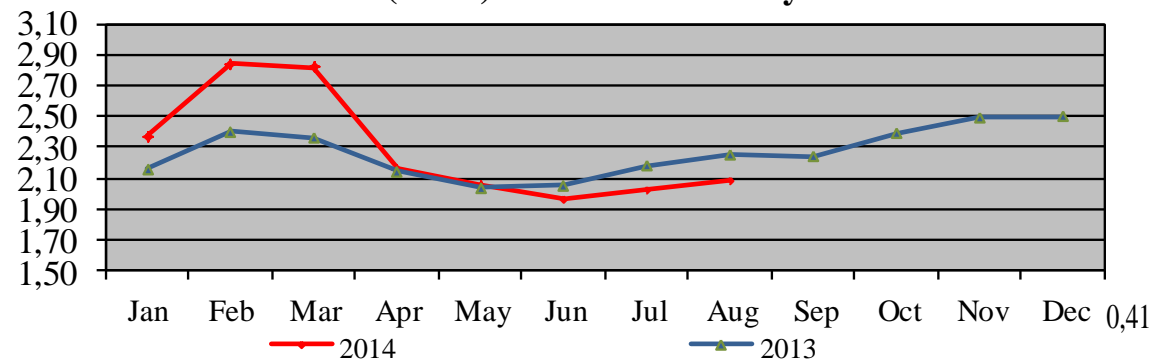


CONTEXT

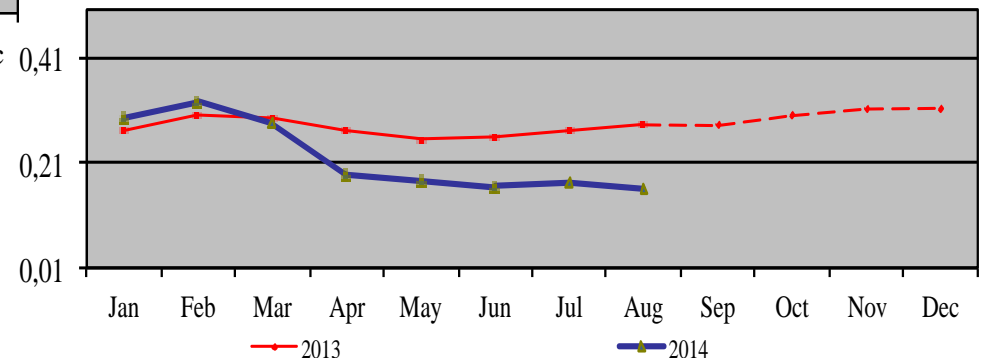
Dairy Market Trends in Ukraine

- ❑ Milk consumption per capita in Ukraine still lags the one in EU countries but is showing the trend for growth in 2014
- ❑ Gradual ban of exports to Russia led to lower prices and more availability of raw milk and stronger competition and price dumping in hard cheese segment
- ❑ Boost of SMP export as a result of significant UAH devaluation
- ❑ Shelf prices increased as a result of USD appreciation for imported raw materials and energy

Raw Milk Price (UAH) net of VAT subsidy



Raw Milk Price (USD) net of VAT subsidy



Key Operational Highlights H1'2014

- ❑ Adjusted **business model** to allow carrying through the challenging market environment
- ❑ **Turnover** level in UAH sustained
- ❑ Major improvement in **gross profitability**
- ❑ Boost of **SMP** profitability
- ❑ Higher SMP dryer efficiency and close to 100% **capacity utilization** due to the third parties orders
- ❑ Major **negative effect of exchange differences** due to UAH devaluation
- ❑ Additional energy and production efficiency as a result of **the modernization project at Starokostiantyniv plant** financed by EBRD
- ❑ **EBRD debt** restructured and **working capital** optimized



Financial Overview - Key Figures

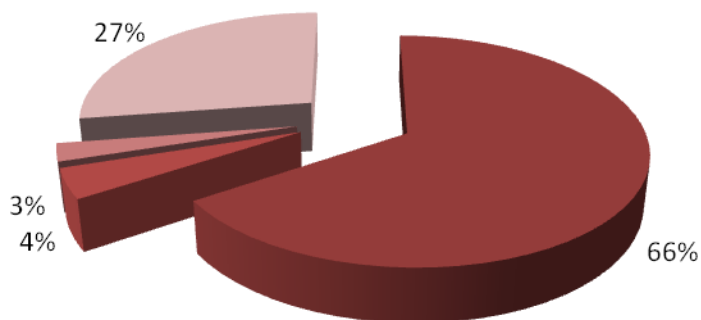
	H1'2014		H1'2013	
	GBP, thousands	UAH, thousands	GBP, thousands	UAH, thousands
Revenue	17 237	290 443	24 689	304 523
Gross Profit margin		22.7%		15.0%
EBITDA	1 840	31 004	1 299	16 022
EBITDA margin		10.7%		5.3%
Operating Income	1 291	21 753	574	7 077
Profit before FOREX	835	14 070	33	407
Effect of foreign currency translation	(2 822)	(47 551)	112	1 381
Profit after Tax	(2 007)	(33 818)	172	2 122

Financial Overview - Segment Sales

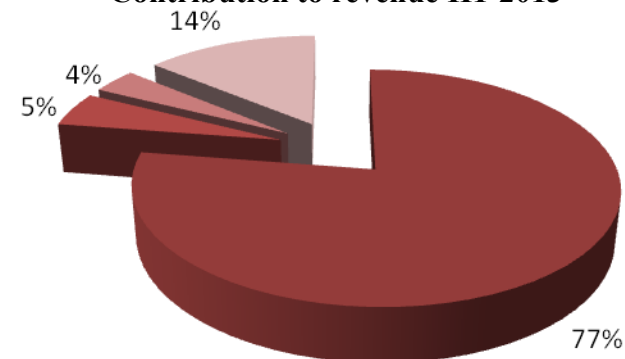
Sales

Segments	(GBP '000)			(UAH '000)			(tonnes)		
	H1'2014	H1'2013	y-on-y change	H1'2014	H1'2013	y-on-y Change	H1'2014	H1'2013	y-on-y change
Branded dairy products	11,342	19,116	-41%	192,701	235,784	-18%	6,822	9,325	-17%
Kvass	737	1,224	-40%	12,522	15,097	-17%	2,006	2,299	-13%
Distribution services	441	891	-51%	7,493	10,990	-32%	Not applicable		
Skimmed milk products	4,717	3,458	+36%	80,142	42,652	+88%	1,876	1,199	+56%
Total	17,237	24,689	-30%	292,857	304,523	-4%	Not applicable		

Contribution to revenue H1'2014



Contribution to revenue H1'2013



■ Branded dairy products
 ■ Kvass
■ Distribution services
 ■ Skimmed milk products

■ Branded dairy products
 ■ Kvass
■ Distribution services
 ■ Skimmed milk products

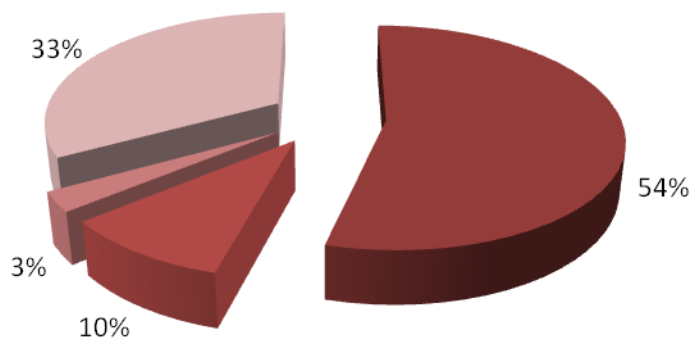


Financial Overview - Segment Profitability

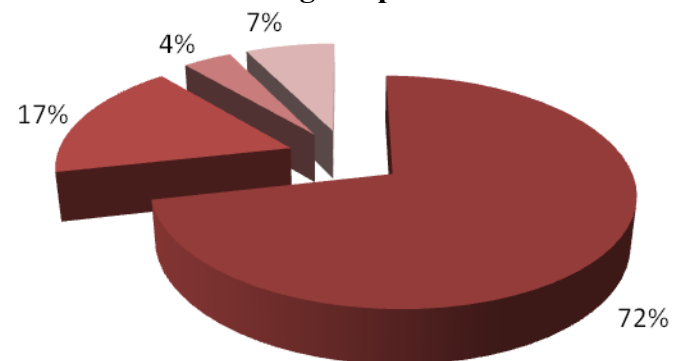
Gross profit

Segments	(GBP '000)			(UAH '000)		
	H1'2014	H1'2013	y-on-y change	H1'2014	H1'2013	y-on-y change
Branded dairy products	2,119	2,652	-20%	36,002	32,712	+10%
Kvass	390	640	-39%	6,626	7,894	-16%
Distribution services	111	148	-25%	1,886	1,825	+3%
Skimmed milk products	1,293	270	+379%	21,968	3,330	+560%
Total	3,913	3,710	+5%	66,482	45,761	+45%

Contribution to gross profit H1'2014



Contribution to gross profit H1'2013



■ Branded dairy products
 ■ Kvass
■ Distribution services
 ■ Skimmed milk products

■ Branded dairy products
 ■ Kvass
■ Distribution services
 ■ Skimmed milk products

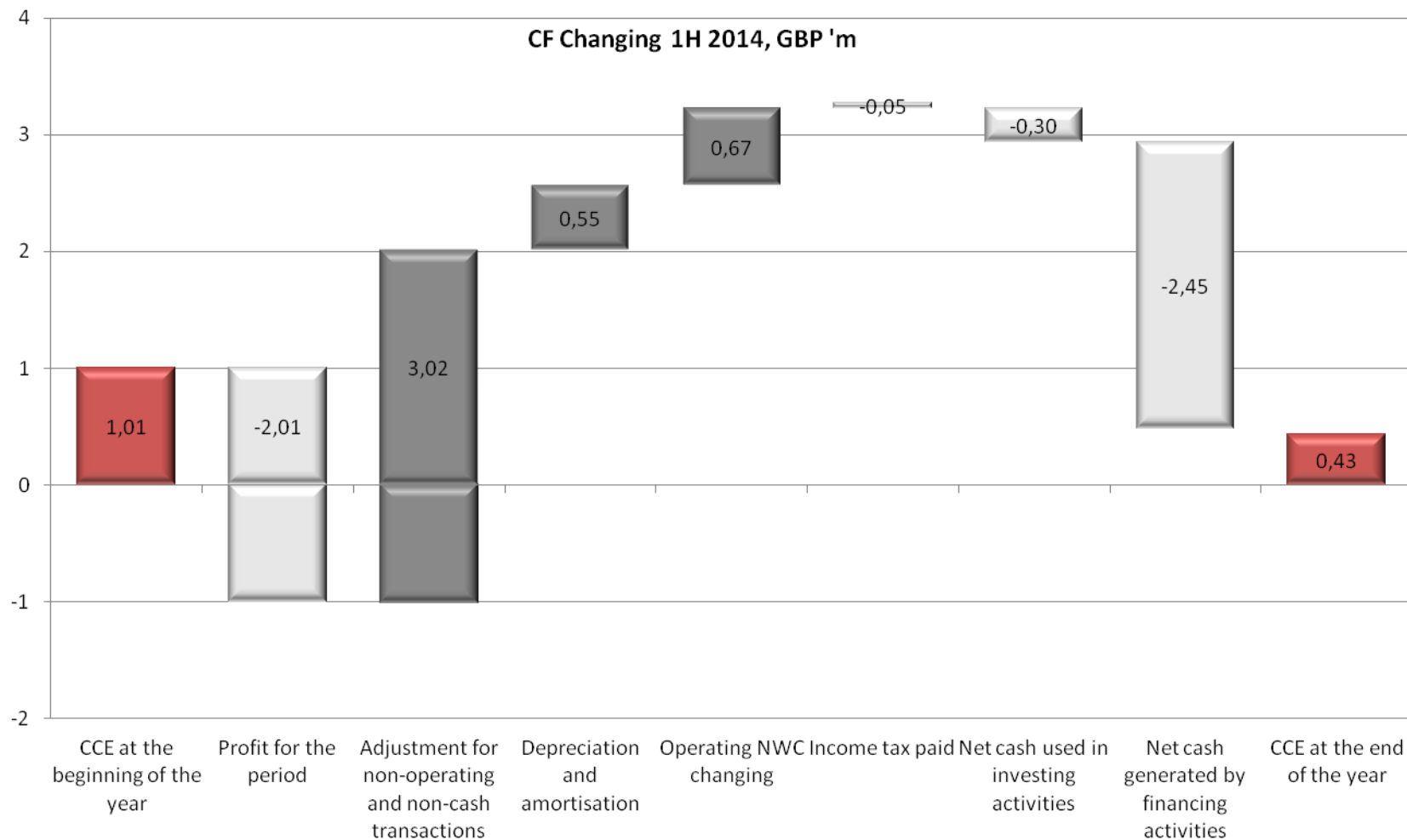


Financial Overview - Cash Flow, Debt and CapEx

(GBP, thousands)	H1'2014	H1'2013
Net Cash Flow from Operating Activities	2 503	(206)
Net Cash Flow from Investing Activities	(296)	(467)
Net Cash Flow from Financing Activities	(2 451)	888
Net Change in Cash	(244)	215
Cash, end of period	434	653
Total Debt	7 804	10 881
Debt/Equity	0.73	0.54
Current Ratio	1.74	1.49



Financial Overview - Cash Flow



Outlook for H2'2014

- ❑ Dairy commodities price trend has reversed but stabilised
- ❑ Strengthening of competition on the domestic market
- ❑ Stable raw milk prices
- ❑ Further UAH devaluation
- ❑ Recovering sales volumes
- ❑ Sales to Crimea and separatists controlled regions sustained*
- ❑ Better kvass sales
- ❑ Moderate price inflation
- ❑ No hard cheese overhang as a result of complete ban on export to Russia
- ❑ Further development of SMP production for the third parties



*Food products in Ukraine are in general significantly cheaper than in Russia



Strategy going forward

- ❑ Export to EU
- ❑ Export to China
- ❑ Active brands promotion
- ❑ Balanced brands & products portfolio
- ❑ Full concentration of dairy production at Starokostiantyniv Plant
- ❑ Further energy saving on gas substitution
- ❑ Further export development
- ❑ Ongoing cost efficiency program





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