

Management presentation

October 2013



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Milkiland at a Glance



Milkiland at a glance

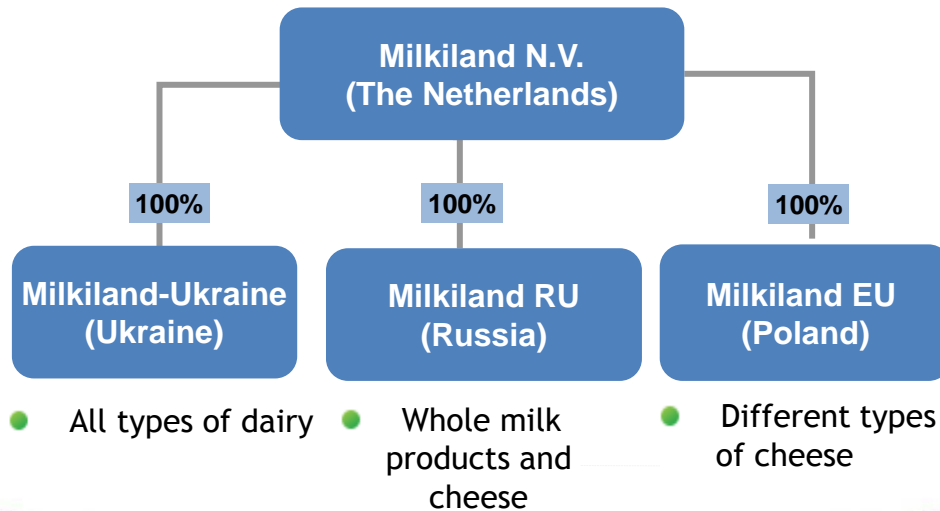


Our products

- Full range of consumer dairy products and dry milk products
- Focus on cheese & butter (yellow palette) and whole milk products (white palette), 51% and 40% of 2012 revenues respectively



Our business structure



Our markets and sales, 2012



Our financials

EUR m	2011	2012	Δ 2012 2011
Revenue	279.7	287.3	+3%
EBITDA	34.6	38.2	+10%
<i>EBITDA margin</i>	12.4%	13.3%	
Net debt	41.9	73.1	
Net debt / EBITDA	1.21x	1.91x	

Attractive dairy markets

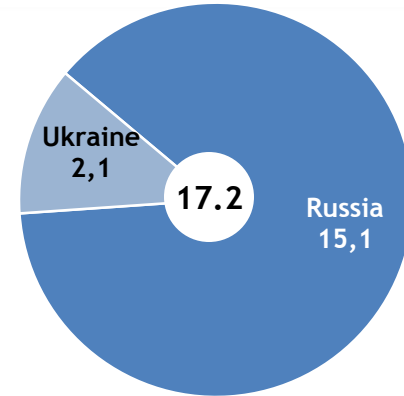


Attractive dairy markets in Russia and Ukraine...



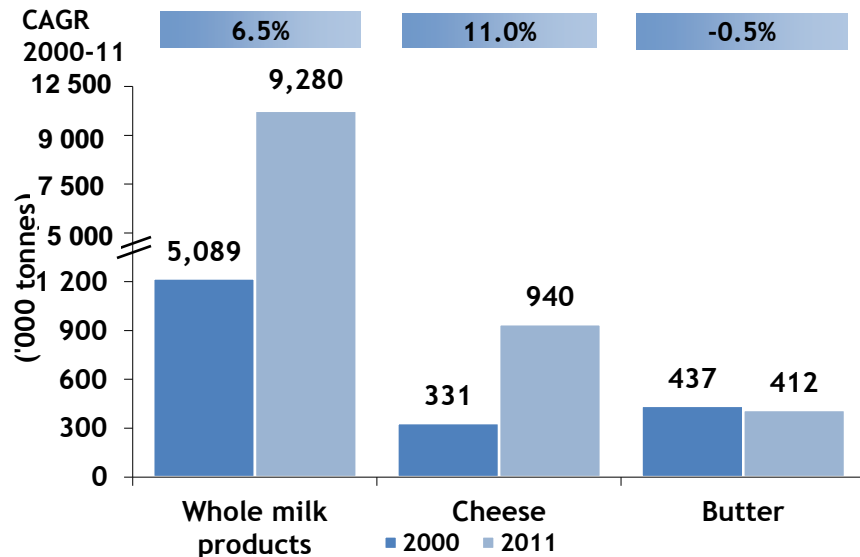
- ca. 190 million combined population
- ca. EUR 17.2 billion dairy market size in 2011
- Established traditions of dairy consumption
- High historical growth in key segments

Market split by country (2011, EUR bn*)



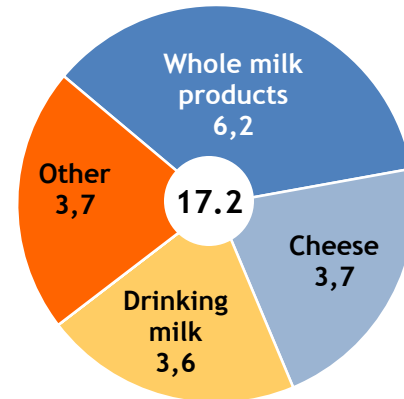
Source: Eurostat, Derzhkomstat, Rosstat

Market growth by segment



Source: Eurostat, Derzhkomstat, Rosstat

Market split by segment (2011, EUR bn*)



Source: Eurostat, Derzhkomstat, Rosstat

* Wholesale prices, net of VAT

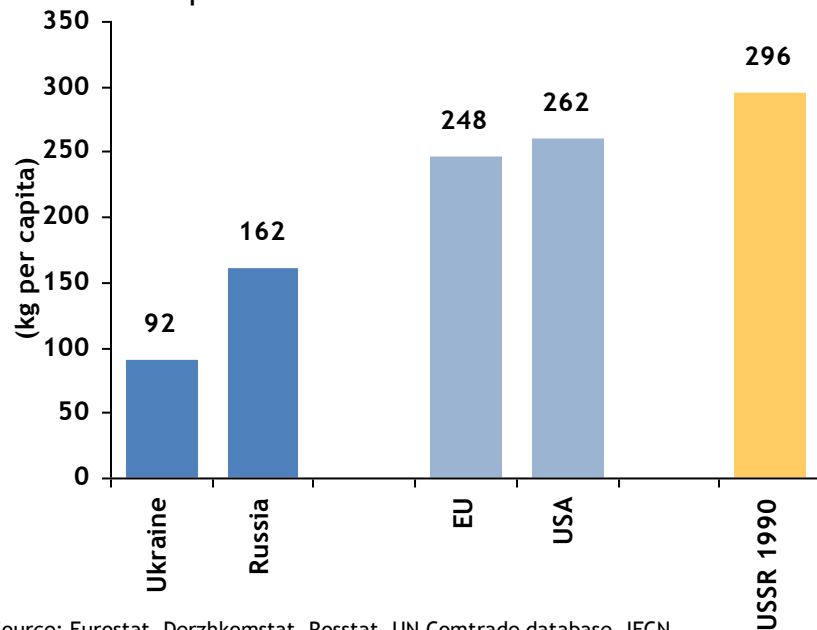
... with significant growth potential...



- Current per capita consumption lags behind neighbouring European countries
- Historical level of consumption in Russia and Ukraine was significantly higher

Consumption of processed dairy products (2010)

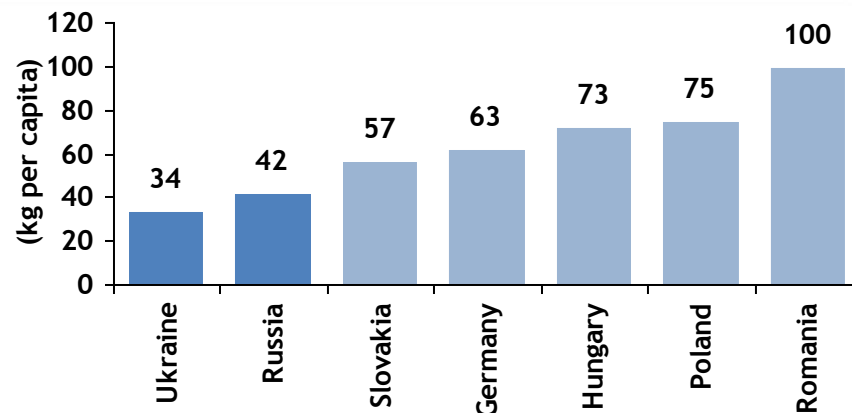
In raw milk equivalent*



Source: Eurostat, Derzhkomstat, Rosstat, UN Comtrade database, IFCN

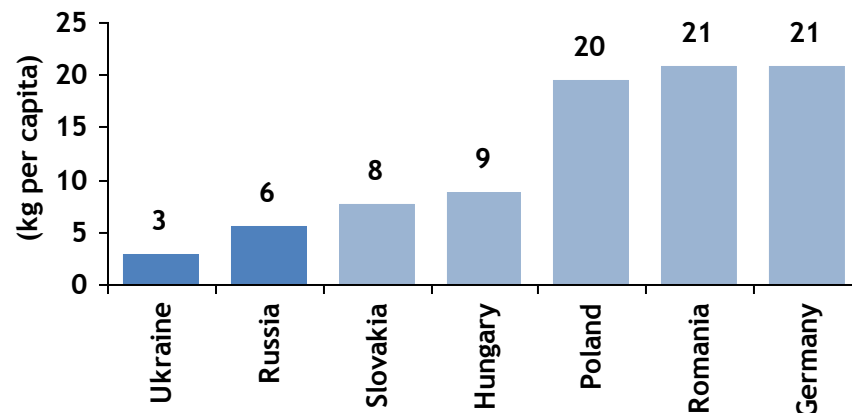
*Raw milk equivalent is calculated for milk of 4% fat, 3.3% protein

Consumption of drinking milk (2011)



Source: Eurostat, Derzhkomstat, Rosstat, UN Comtrade database

Consumption of cheese (2011)



Source: Eurostat, Derzhkomstat, Rosstat, UN Comtrade database

Milkiland overview



Our Strategic goals

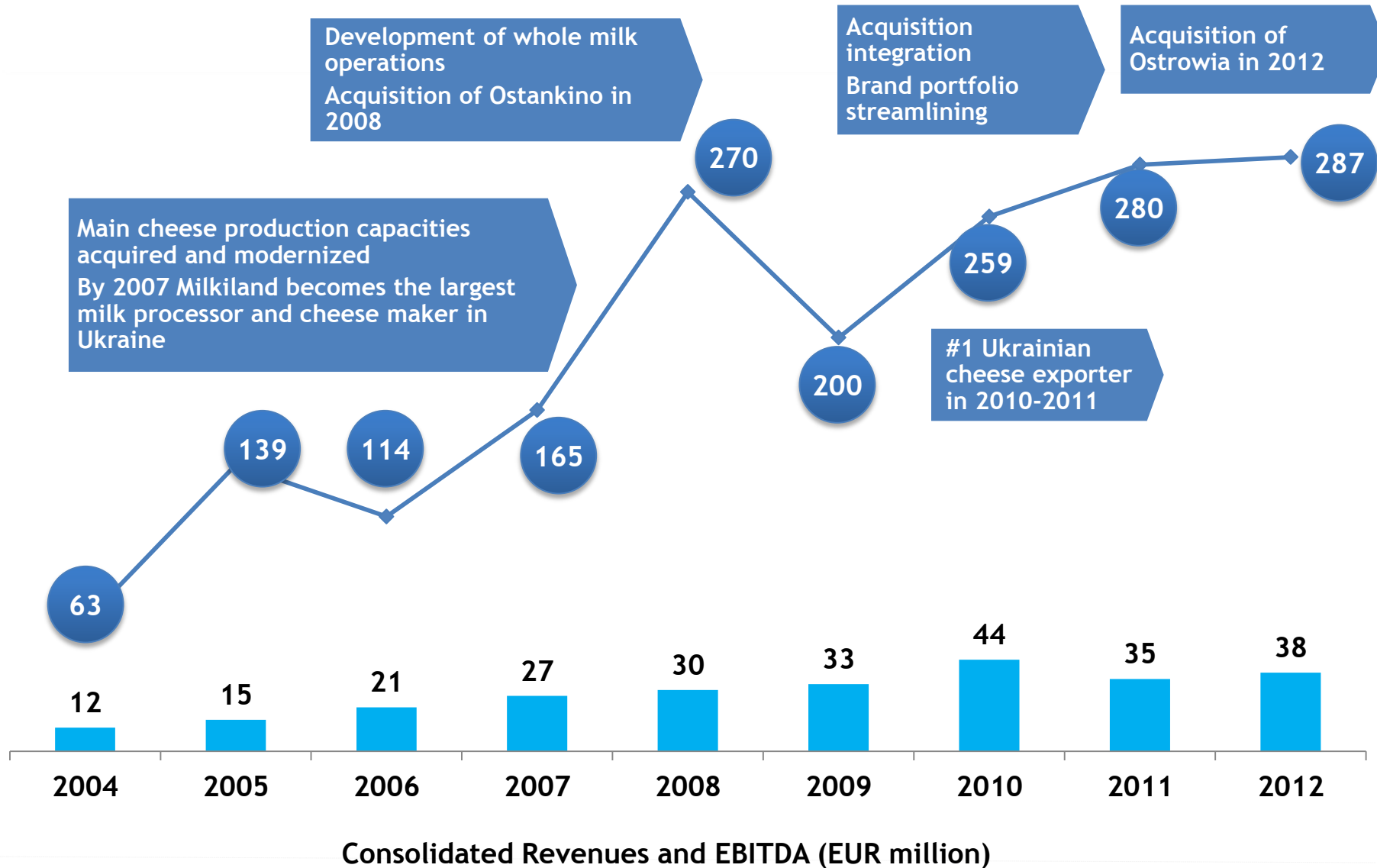
Dairy consumption in Russia and Ukraine poised for growth led by cheese and whole milk products

Strong local players can capitalize on market growth and consolidation trend

Milkiland is well-positioned to lead market consolidation across the CIS and make an acquisitions of attractive targets in CEE

Our aim is to become a clear CIS market leader in cheese, a Top-3 player in whole milk products and get access to a new markets, including in EU and MENA

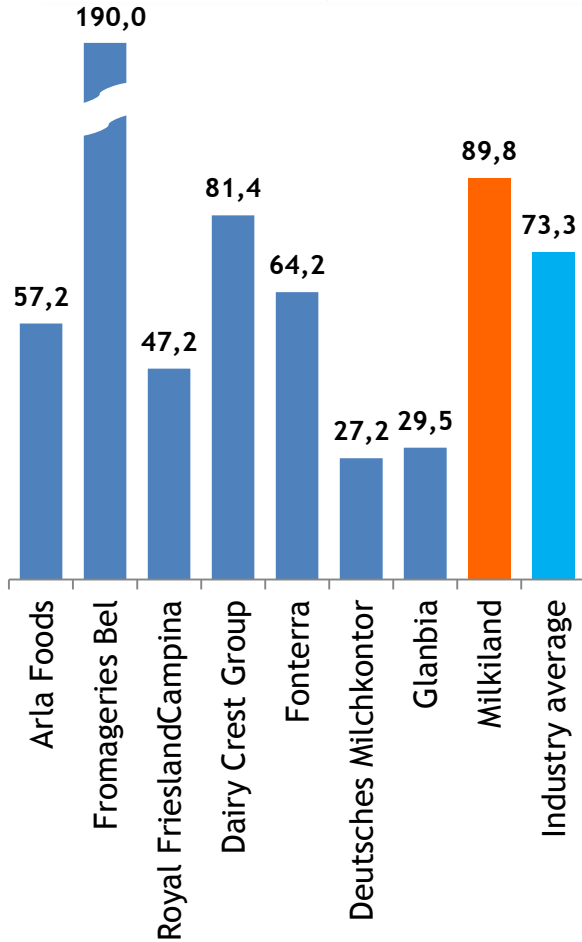
Strong organic growth with selective M&A



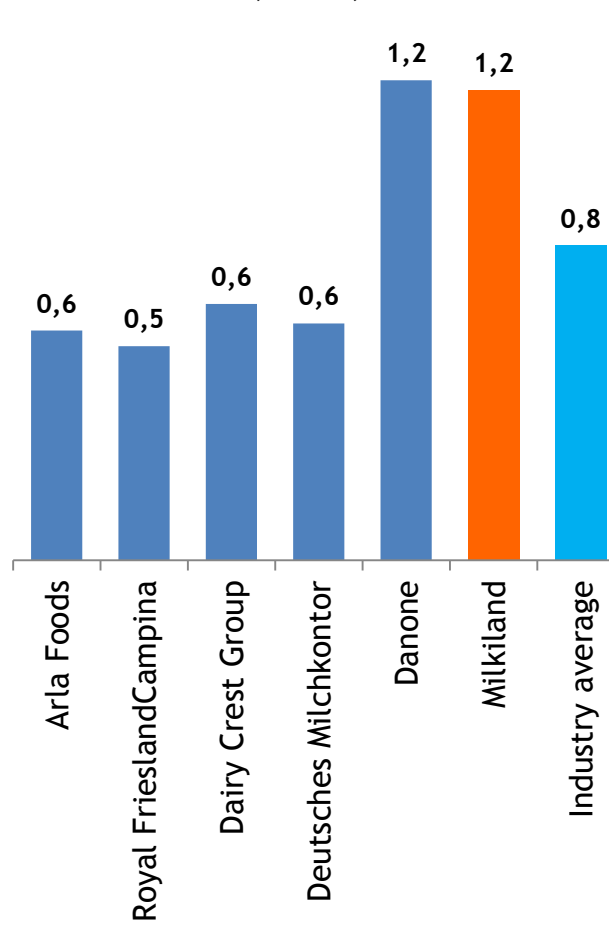
Among the industry best performers



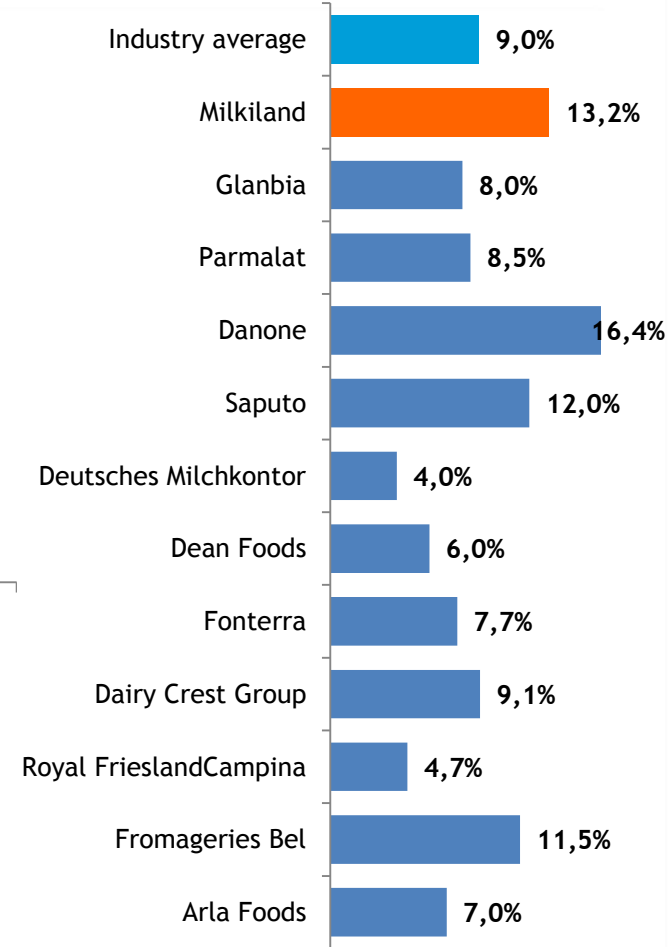
EBITDA per ton of milk,
EUR, 2012



EBITDA per EUR of labour
costs, EUR, 2012



EBITDA margin, 2012



Milkiland today - integrated dairy company



Raw milk supply

- Long-standing relationships with suppliers across 17 regions of Ukraine
- ca. 1,600 people employed in milk collection
- Over 1,800 collection points
- Partner National milk production cooperative “Moloko Krainy” with its operations in 8 regions of Ukraine
- Leased ca. 24 ha of land for development of own modern dairy farms

Production

- 13 production facilities with milk processing capacity of c.1.3 m tonnes p.a.
- Internationally recognized standards of production and quality control
- Ukrainian plants are favorably located in milk-rich regions
- Ostankino plant is a TOP-3 player at key Moscow region dairy market
- Ostrowia plant in Poland is a footprint of the Group in EU dairy market

Warehousing & distribution

- Extensive distribution network in Ukraine and Russia
- Top-3 Ukrainian cheese exporter (mainly to Russia and other CIS countries)
- Key clients include X5, Metro, Auchan, Fozzy and Furshet

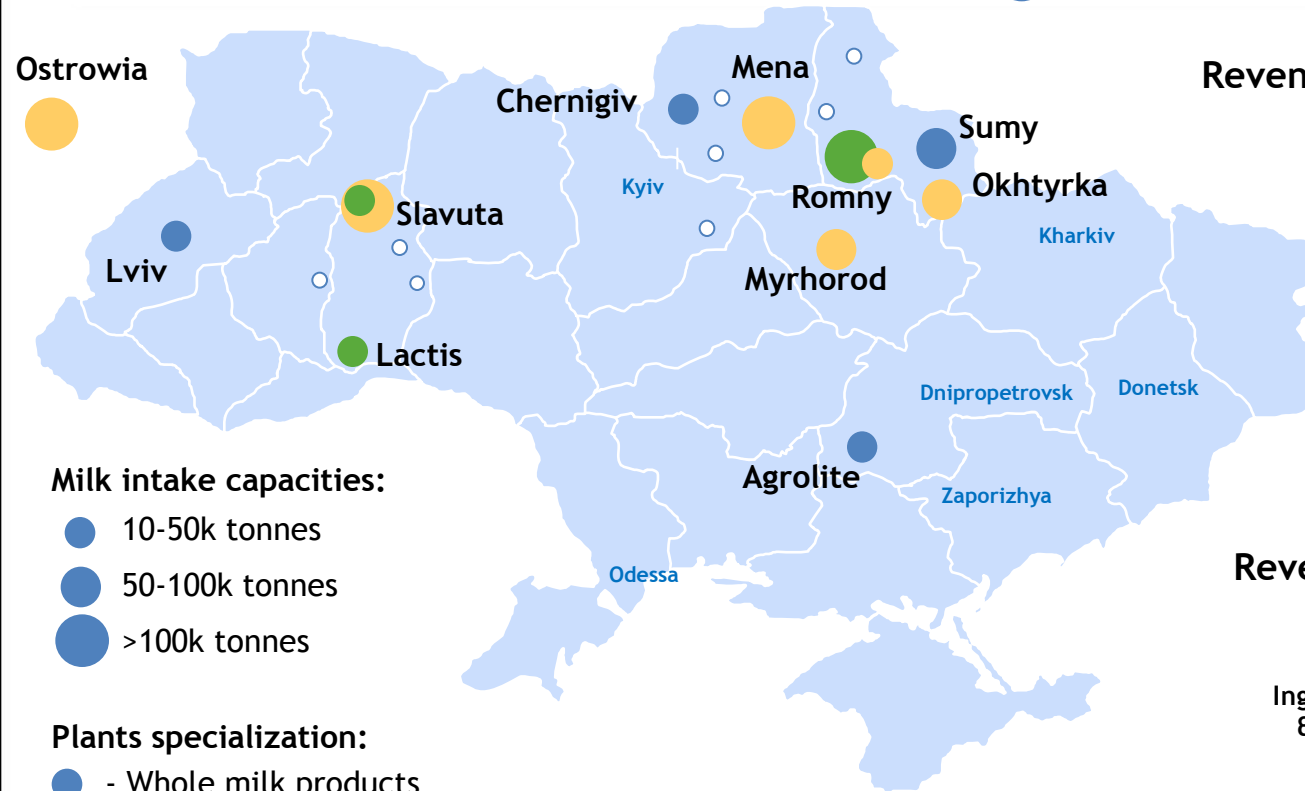
Marketing & sales

- Three umbrella brands (Dobryana, Ostankinskaya, Kolyada) covering c. 80% of sales
- International brands (Dobryana, Milkiland) and Regional brands (Ostankinskaya, Ostrowia) for Russian and Polish markets
- Mostly medium and upper medium price positioning



Diversified and flexible business model...

● Ostankino



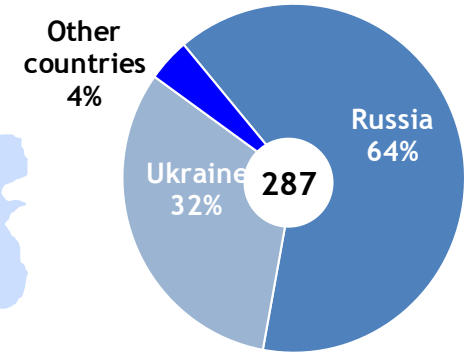
Milk intake capacities:

- 10-50k tonnes
- 50-100k tonnes
- >100k tonnes

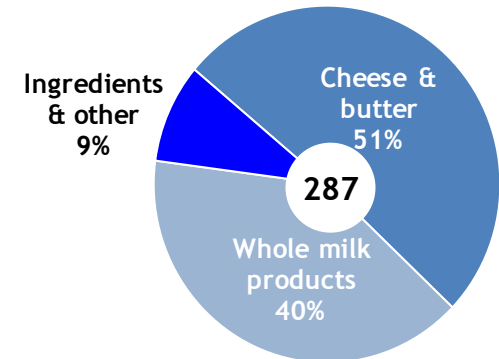
Plants specialization:

- - Whole milk products
- - Cheese
- - Dry milk products
- - Milk collection plants

Revenue by geography (EUR m, 2012)



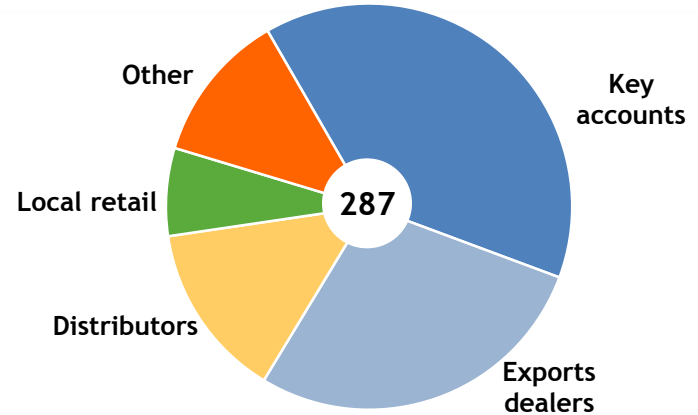
Revenue by product (EUR m, 2012)



Multiple sales and distribution channels

Key accounts	<ul style="list-style-type: none"> ● Hypermarket and supermarket chains active in the CIS ● More than 20 key accounts in 2012, including Metro, X5, Auchan, Fozzy and Furshet
Exports dealers	<ul style="list-style-type: none"> ● Key distributors of cheese and dry milk products abroad
Regional distributors	<ul style="list-style-type: none"> ● Access to regions where Milkiland is not represented directly in local retail
Local retail	<ul style="list-style-type: none"> ● Local retail chains, groceries and outlets ● Important sales channel for fresh whole milk products
Other	<ul style="list-style-type: none"> ● HoReCa ● Industrial clients

Revenues by distribution channel (EUR m, 2012)



Source: Company

Selected key accounts



Strong portfolio of local brands



- In 2013, the Group's brand portfolio has been expanded with two new brands, Ostrowia and Łąki Mazowska
- Łąki Mazowska is a new brand of hard cheeses produced by Ostrowia cheese plant in a heart of green Masowia region, targeted for the Polish market only
- To market these cheeses in CIS and third countries markets, new international Milkiland brand was introduced
- We also concentrated the efforts on promotion of international Dobryana brand in core markets of Russia and Ukraine

Milkiland:
Results of H1 2013



Key operational highlights of H1 2013

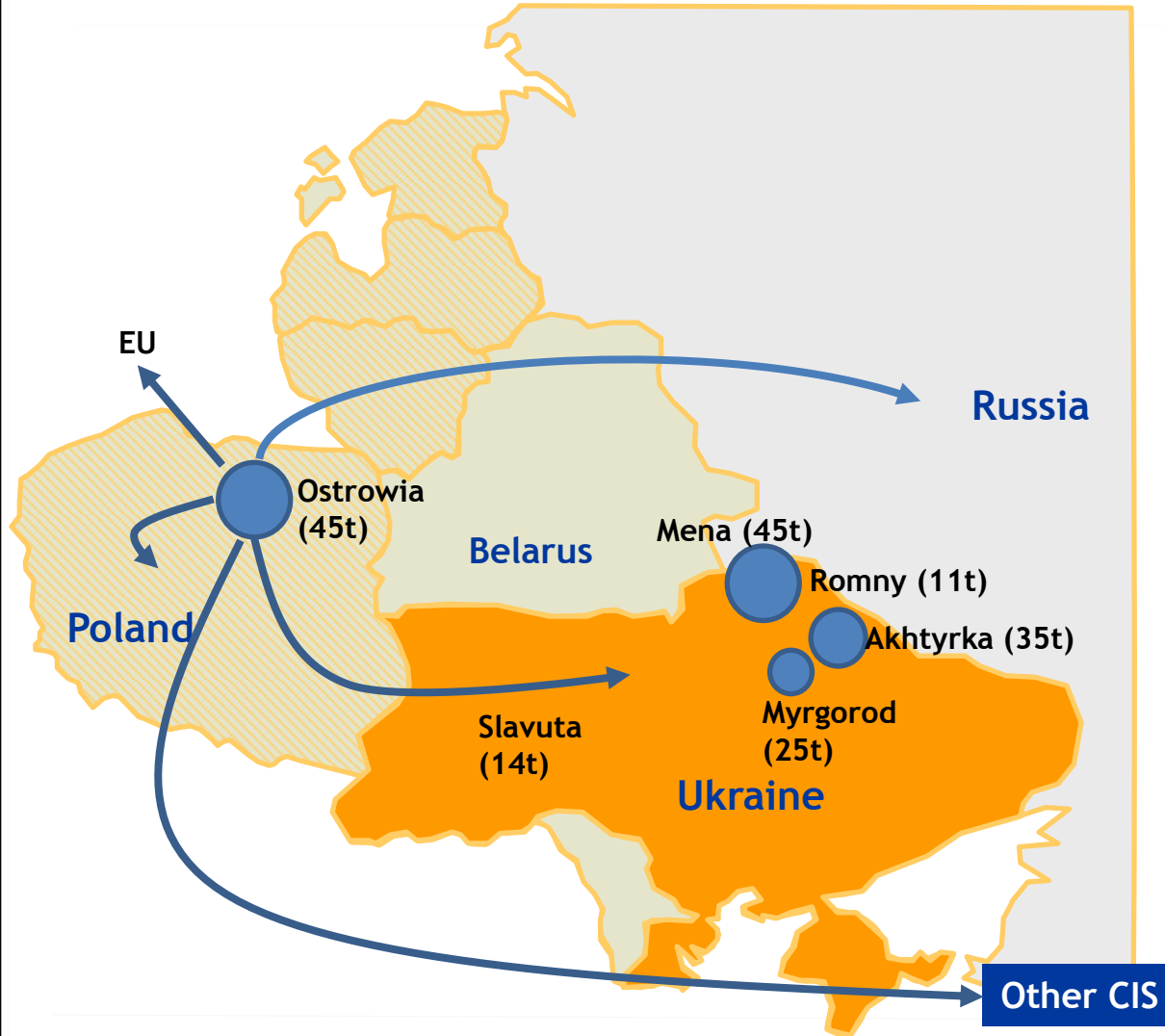
Operational results

- Spike in global milk prices, coupled with seasonal shortage in Ukraine and Russia, resulted in some margin squeeze to dairy producers; in these circumstances the Group looked to optimize its cost base by refraining from the most expensive milk, and change accordingly its product mix, in order to sustain planned profitability
- A decline in cheese sales in the first quarter 2013 limited segment performance for the first six months of the year. Despite of that, in the second quarter 2013, the Group managed to restore cheese sales to Russia after this drop
- Revenue growth comprised 13% on y-o-y basis, with significant increase in fresh dairy and ingredients, and stable sales of cheese
- Completed acquisition of Syrodel dairy plant in Russia

Key operational highlights of H1 2013



Ostrowia, a new growth driver



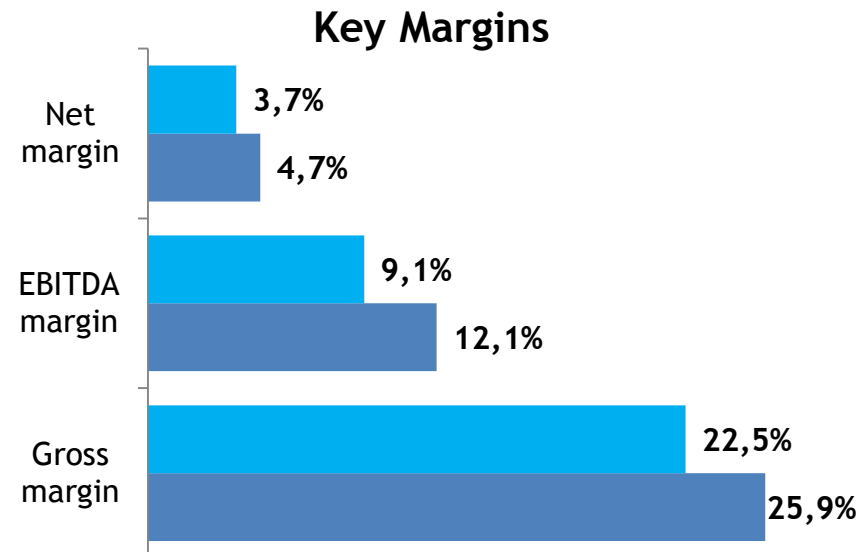
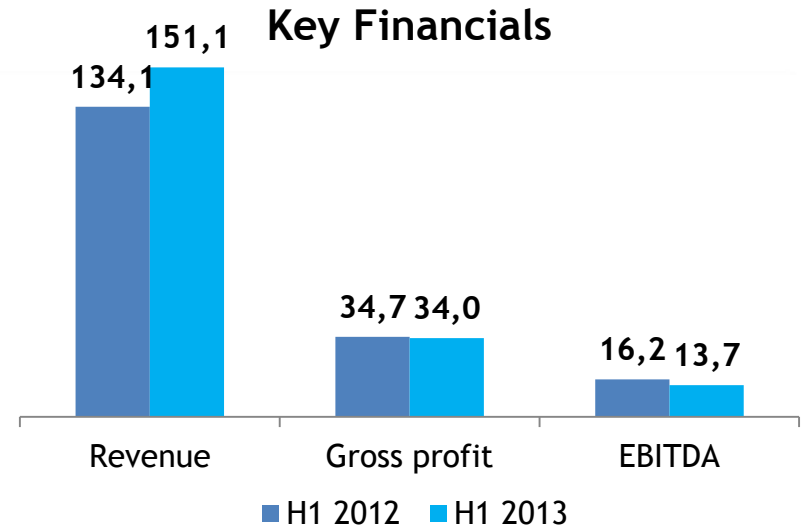
- Poland is among the largest cheese exporters to Russia: in 2012 Polish cheese exports grew by 84% to make more than 5% of the total Russian imports
- In H1 2013, the Group fulfilled its strategic initiative to modernize its Polish asset Ostrowia in order to bring it in full compliance with Russian and Ukrainian veterinary requirements and resume full scale production
- Ostrowia started production of dry milk products and curd cheese in February 2013
- Full launch of cheese production in Ostrowia was made in May 2013
- Permits for the export to Ukraine were obtained, Russian licenses are still under way

Financial Performance in H1 2013



Financial results

- Revenues grew by c. 13% to EUR 151.1 million driven mainly by better WMP sales, both in Russia and Ukraine
- Gross profit and EBITDA, although decreased on y-o-y basis by, respectively, 2% (to c. EUR 34.0 million) and 16% (to EUR 13.7 million), were in line with the Group's annual budget, and the Group's growth plan for 2013 remains intact
- Net profit depressed by c. 12% to EUR 5.5 million, as a result of lower operating profit
- Higher than expected milk prices and launch of "Ostrowia" were main factors restraining EBITDA and net profit development in H1 2013



Balance sheet items & debt profile

Balance sheet

- Current assets grew by 11% from EUR 113.9 as of December 31, 2012 to EUR 127.0 million as of June 30, 2013, as the Group used summer availability of surplus milk to recover the inventories. Start of hard cheese production at Ostrowia also contributed to a rise in inventories
- An increase in current and non-current biological assets resulted from a seasonal increase in the Group's agricultural operations
- Total liabilities grew by 16% resulting from a substantial rise in the trade and other payables, as well as a 35% increase in short-term loans and borrowings and the current portion of long-term borrowings
- Net debt of the Group grew 56% and stood at EUR 96.8 million as of June 30, 2013. Total Debt Ratio constituted 0.49 vs. 0.46 in 2012

