

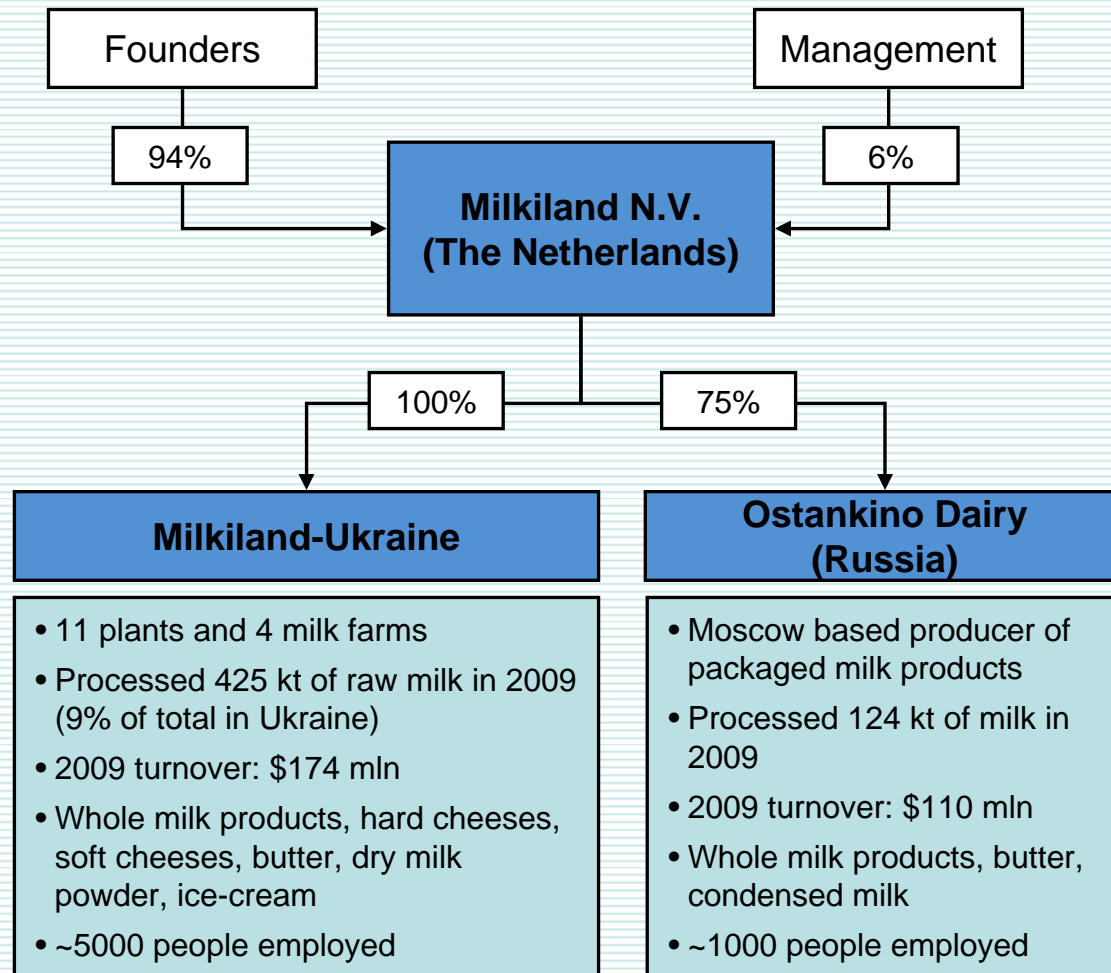


Milkiland N.V.

Management Presentation

March 4, 2010

www.milkiland.nl



- Founded in 1998 by Ukrainian entrepreneur Anatoliy Yurkevych and his family
- In 10 years evolved from dry milk exporter to diversified dairy company
- During 2000-07 the company had grown through acquisitions and modernization of small regional players
- The major step-up took place in early 2008, when Ostankino Dairy was acquired and thus the company expanded beyond Ukraine
- Holding company incorporated in the Netherlands
- Long history (10 years) of international audit and IFRS reporting



Company Highlights



Attractive markets

- CIS dairy market is third in the world by size after EU and NA, and is growing fast
- A lot of growth potential remains in the area of value added products
- A number of markets, notably cheese, are still fragmented and represent consolidation opportunities

Market leader

- #3 in CIS after Wimm-Bill-Dann and Unimilk by volume of milk processed (>600 kt in 2009)
- #4 in CIS by turnover
- #1 in Ukraine (10% of total milk processed); #3 on Moscow market
- CIS leader in cheese

Impressive growth

- Since 2002 successfully acquired and integrated 25 dairies
- Since 2004 the size of business increased 4 times
- After started as dry milk company, successfully diversified in cheese and packaged milk products

Diversified revenues

- Full range of milk products allows flexibility depending on existing market conditions
- Geography of sales includes Ukraine (30%), Russia (60%), other countries (10%)

Strong financials

- 2009 EBITDA of \$47 mln (16,5% margin)
- 2,7 debt/ EBITDA ratio as of 31.12.2009
- Debt portfolio consists mainly of long term loans (65%)
- Trade receivables are less than 30 days

Secured raw milk base

- Established milk collection network in high-yield regions
- Close long term relations with raw milk producers
- High share (almost 50%) of supply from farms
- Own milk production started

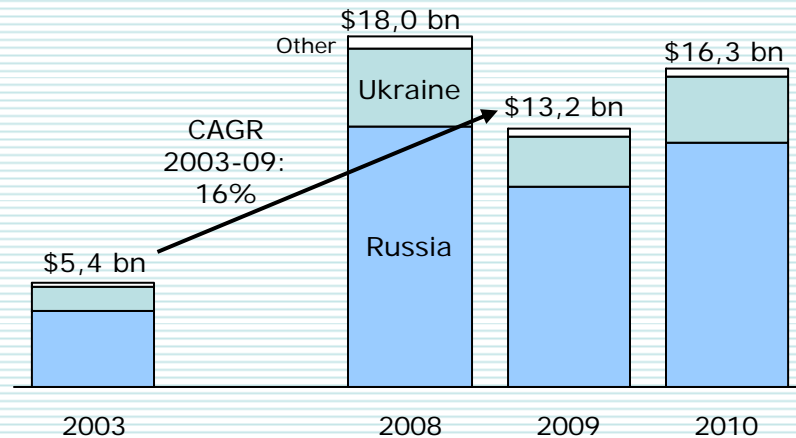


Quickly growing market



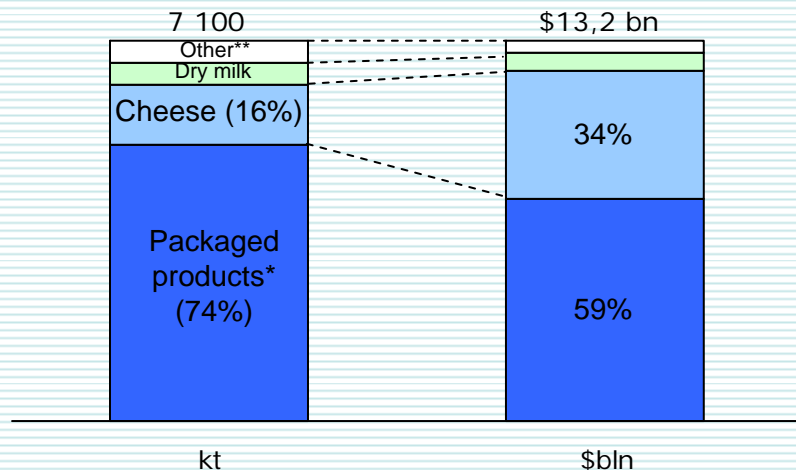
CIS dairy markets, 2003-2010

\$ bln (wholesale prices)



Structure of CIS dairy market, 2009

% of total



- Russia and Ukraine are the key dairy markets in CIS due to large population and traditional appetite for dairy products
- Despite significant market decrease in 2009 (devaluation of currencies and prices deflation), annual growth rate for 2003-09 was over 15%
- Value growth was higher than volume growth (8%)
 - ❖ Increase in share of higher value added products (cheese, yoghurts, desserts etc.)
 - ❖ Prices inflation
- Crisis did not affect much overall volume consumption. However, cheaper products were favored
- In 2010 value growth is resuming, as prices are catching up; volume growth expected to be in the range of 3-5%
- Packaged dairy products and cheese prevailed in 2009 with 90% share. Dry milk industry had shrunk significantly due to low global prices

* Drinking milk, cultured milk products (kefir etc.), fresh cheese, sour cream, yoghurts, desserts, butter
 ** Condensed milk, ice-cream, milk-based drinks

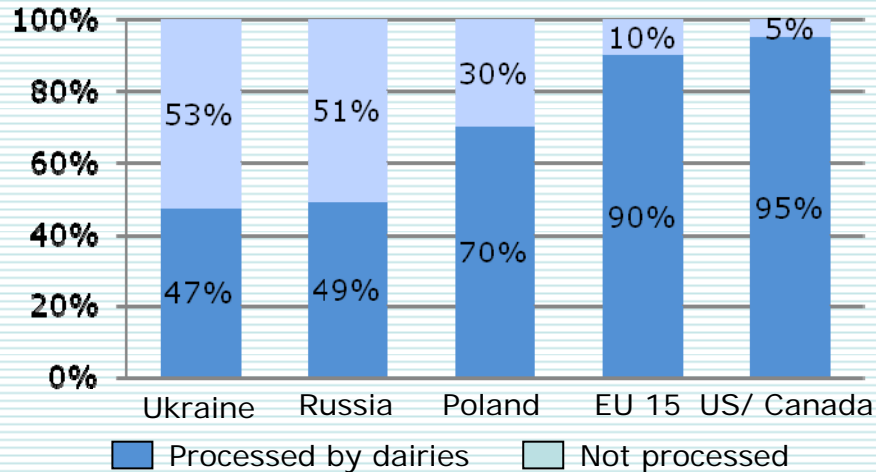
Source: Food and Agricultural Policy Research Institute; Dairy Report 2008; Milkiland



Attractive long term prospective

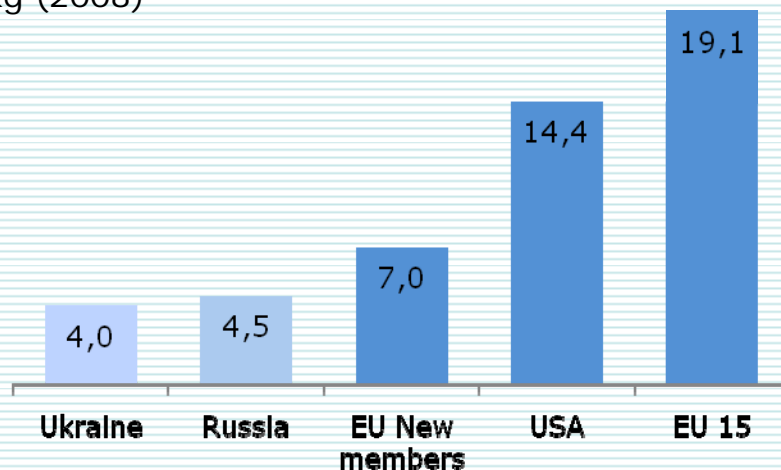


Milk consumption structure (2008)

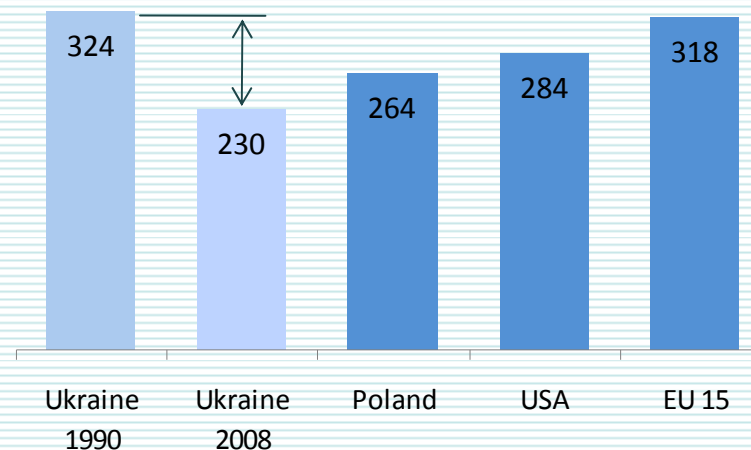


- Compared to developed countries, significant amount of milk in CIS is still consumed unprocessed. Further growth in processed milk consumption expected
- Historically CIS population consumed milk in amounts comparable to European nations. This implies long term uptrend in the volume of milk consumed
- Consumption of higher value added products, such as cheese, has significant growth potential

Hard cheese per capita consumption
Kg (2008)



Milk products per capita consumption
Kg of milk equivalent (2008)



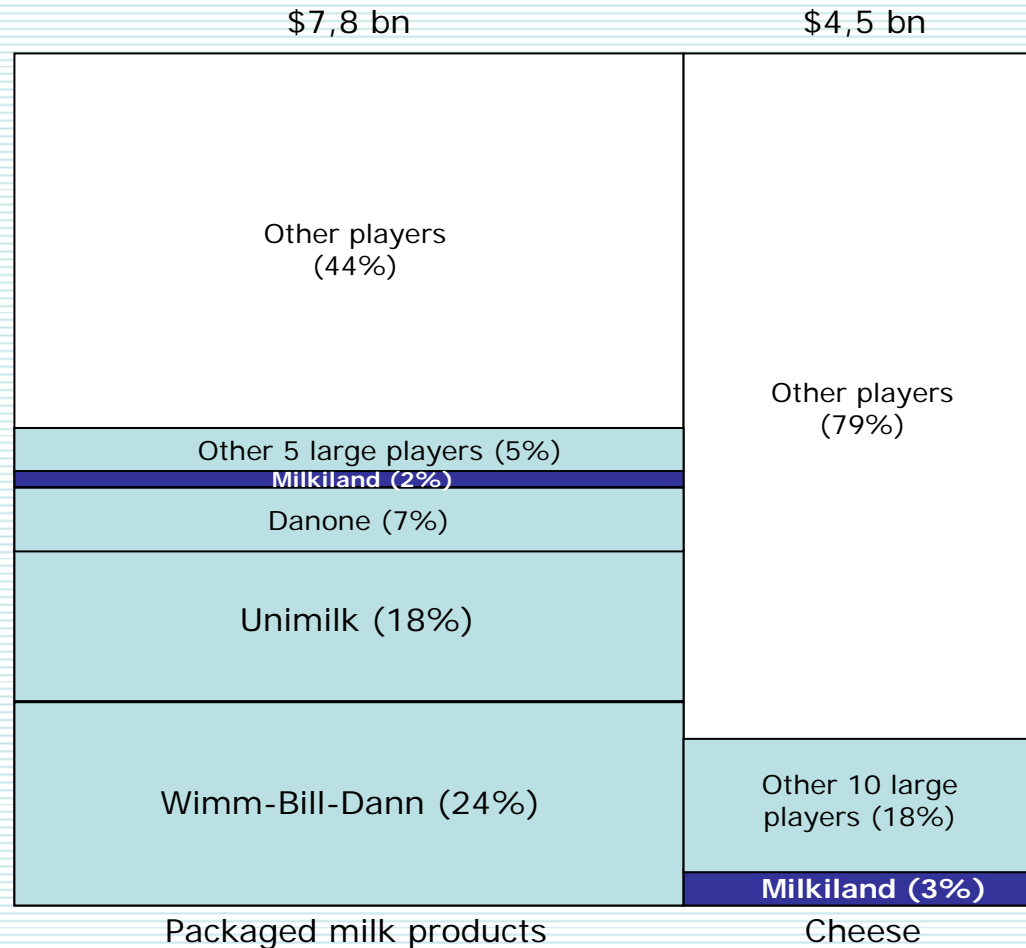
Source: Food and Agricultural Policy Research Institute; Dairy Report 2008



Industry consolidation to continue



Market shares in major dairy segments, 2009



- Packaged products segment is unusually structured:
 - ❖ Wimm-Bill-Dann, Unimilk, and Danone control together 50%;
 - ❖ another half is shared among numerous regional players; Milkiland is leading the second tier with \$150 mln sales
- Cheese segment is very fragmented:
 - ❖ None of players controls more than 3% of the market
 - ❖ Top 10 players control a bit more than 20%
- CIS market, given its growth potential, justifies existence of several more "billion plus" companies
- Milkiland aims to grow a billion-dollar dairy business, combining both consolidation and organic growth

Source: Food and Agricultural Policy Research Institute; Dairy Report 2008; Milkiland



Milkiland is one of the leading players



	Sales in 2009		Market position (2009)	
	kt	\$ mln	Ukraine	Russia
Packaged milk products	151	\$149	Pricing: economy, lower-medium ~5% market share Regional leader in northern and central parts of Ukraine (Sumy, Chernigiv, Poltava) Top-5 player in butter market Strategy: (a) +10% market share by 2012; (b) establishment in the medium price segment; (c) consolidation of brand portfolio and focus on a few national brands	Pricing: economy, medium #3 player on Moscow market (after Wimm-Bill-Dann and Unimilk) 10% market share Strategy: (a) 15% share in Moscow market by 2012; (b) strengthen positions in medium price segment
Cheese	30	\$117	Pricing: economy to premium #1 cheese producer and exporter 12% market share The only Ukrainian producer of premium cheese like brie, parmesan etc. Strategy: (a) 15%+ market share by 2012; (b) establishment in the segment of packaged/ sliced cheese	Pricing: medium, upper-medium No production in Russia; supply made from Ukraine Top-5 player on Moscow market with share of ~7% One of the largest foreign cheese player in Russia Strategy: penetrate most of large and medium cities in Russia and achieve 5% market share
Dry milk products	15	\$13	#1 producer holding >20% share #1 exporter #1 local player Strategy: (a) enter EU market; (b) opportunistic sales depending on global prices	No presence
Other	7	\$5	Ice-cream (top-5 player in Kiev) Condensed milk	Condensed milk
TOTAL	204	\$284		

Source: Milkiland



Diversified revenue base allows flexibility and helps to manage risks

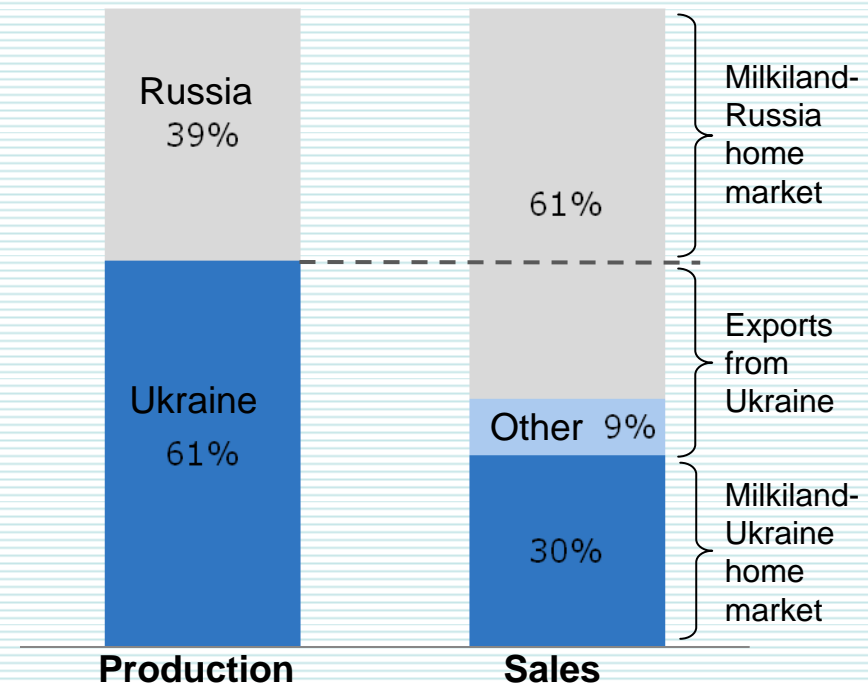


Milkiland product line overview

Product category	Share in sales, range	Consumer type	Category overview
Whole milk products	40-50%	B2C HORECA	Good for building brands and developing consumer loyalty In downturns sales tend to decrease as consumers switch to cheaper substitutes
Cheese	40-45%	B2C HORECA	Strong demand with low exposure to economic cycles Consumption seasonality (high in winter) conflicts with production (high in summer). Therefore, cheese should be balanced by other products
Butter	5-15%	B2C B2B	Can be stored for a long time waiting for better prices
Dry milk powder	5-15%	B2B	Opportunistic, driven by global prices Storage product for absorbing excessive milk in high season

- Diversified product line helps to keep bottom-line in downturns, by focusing on the basic consumer products
- B2B products yield additional profits in economic upturns

Milkiland georgaphy, 2008, \$ mln



- Diversified geography helps to manage country/ currency risks
- At the same time, Milkiland is not overly dependent on exports since 70% of sales are made on home markets

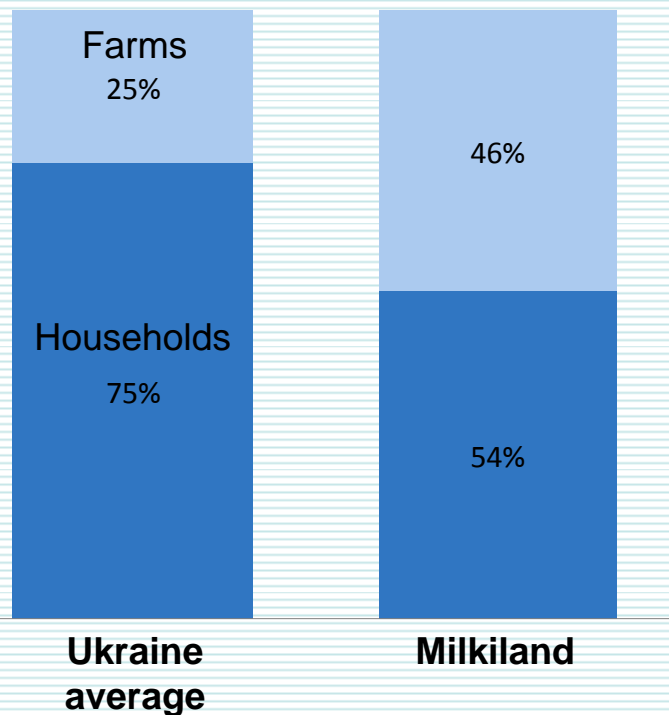
Source: Milkiland



High quality raw milk base



**Milk collection system,
2009**



- Milkiland controls the largest raw milk supply base in Ukraine covering 17 high-yield regions
- Raw milk collection base was developed in parallel with dairies acquisitions
- High share of supply from farms ensures stable milk quality and makes possible long term supply arrangements
- Milkiland is actively developing loyalty programs with milk suppliers thus building long term foundations for organic growth
- Own farms development is one of the strategic priorities. Own milk production facilities will set internal quality standards and serve as training base for external suppliers



Financial performance



	2007	2008	2009	2010 plan
Raw milk intake, kt	509	646	550	605
Packaged products, kt	51	180	147	188
Cheese, kt	23	24	30	32
Dry milk, kt	19	21	15	18
Butter, kt	7	10	5	9
Consolidated turnover, \$ mln	\$229	\$395	\$284	\$377
EBITDA, \$ mln	\$39	\$45	\$47	\$65
Maintenance investments, \$ mln*	\$5	\$4	\$6	\$10
Loans (end of period), \$ mln	\$138	\$141	\$127	\$120
Portion of short term loans	\$84	\$95	\$45	\$35
EBITDA margin, %	16.9%	11.7%	16.5%	17.2%
Debt/ EBITDA	3.5	3.1	2.7	1.8

* Acquisitions and major investment programs not included



Strategy of the Company



Development of collection base



Goals:

- Secure high quality milk supply
- Stable raw materials base

Targets:

- Achieve 25% of milk supply from own farms
- Establish long term proprietary relations with milk farms
- Diminish share of households to < 30%

Geographic diversification



Goals:

- Access to large and high margin markets
- Decrease country risk and regional volatility

Targets:

- Establish cheese production in Russia
- Penetrate most of Russian cities in addition to Moscow and St.-Pet
- Achieve >20% share of non-CIS sales

Improvements in operational efficiency



Goals:

- Build world-class dairy operations
- Increase profitability of the business

Targets:

- Achieve leading cost position
- Meet international quality standards for dairy products
- Scale acquired knowledge base and experience

Strong brand recognition



Goals:

- Achieve wide brand loyalty
- Enter the league of leading dairy brands

Targets:

- Strengthen national distribution in Ukraine
- Strengthen retail presence in large cities
- Develop consumer brand loyalty

