



Milkiland Corporation

Management Presentation

Concorde Capital Conference
April, 2008

Vyacheslav Rekov, CEO

Market Overview

Company

Strategy

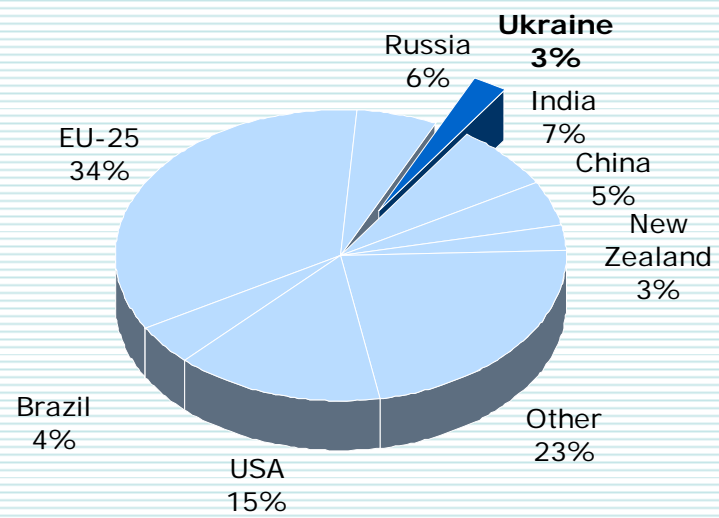
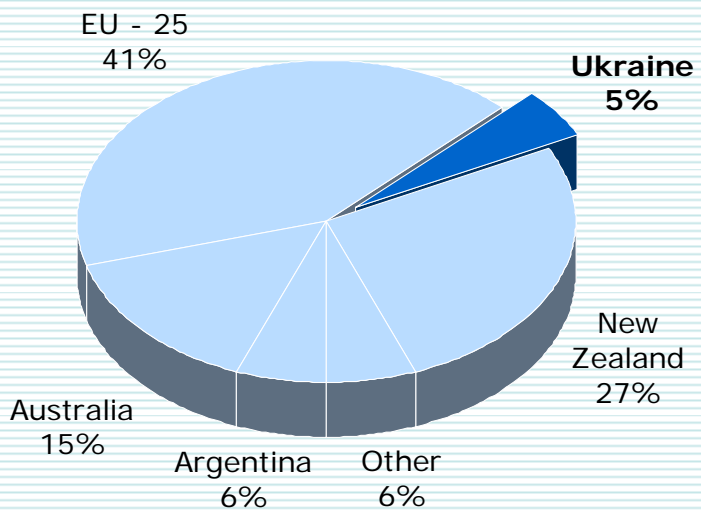


Ukraine in the Global Dairy Sector



- Ukraine is positioned among the world's largest dairy producers, accounting for approximately 6% of European production volumes and 3% of global dairy production.

Major cheese exporters worldwide in 2007
% of total net exports in mt



Source: FAS/OGC/ISAD

- Ukraine plays a sufficiently important role in the global cheese market with 5% of global net exports in 2007.

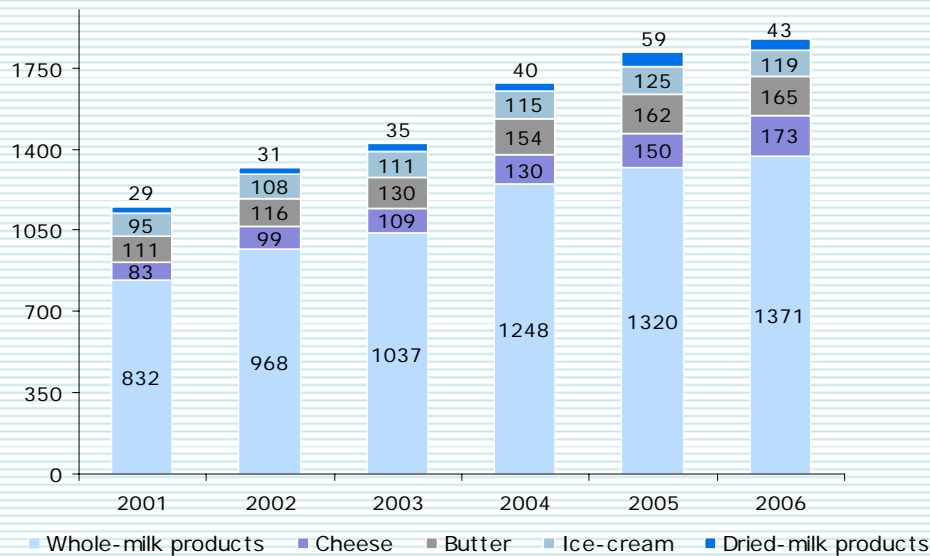
Source: Food and Agricultural Policy Research Institute



Market Growth



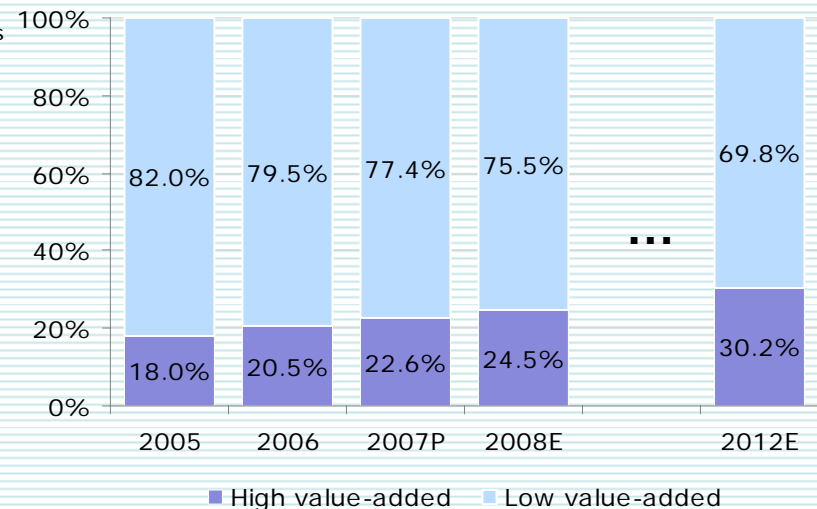
Ukrainian dairy market volume,
ths tons



- Fast market volume growth accelerates the switch to higher value-added products consumption

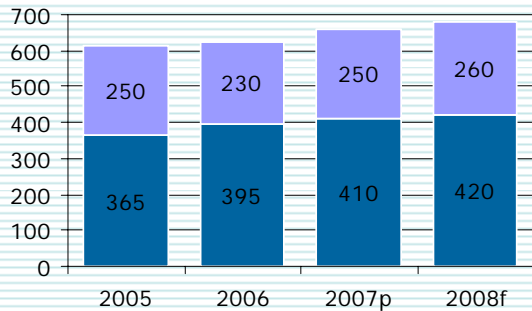
- The Ukrainian dairy market has witnessed substantial growth in the last five years, cheese and whole-milk products being the main growth drivers, with an average growth rate of 16% and 11% respectively.
- Cheese is ranked #2 on the dairy market, accounting for 16% of production in monetary terms followed by whole-milk products with roughly 31%.

Consumption structure,
% of tons

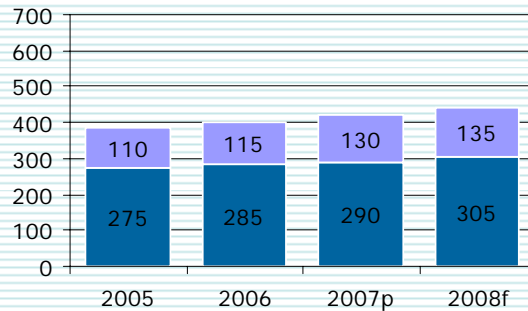


Russian dairy market by product group, ths tons

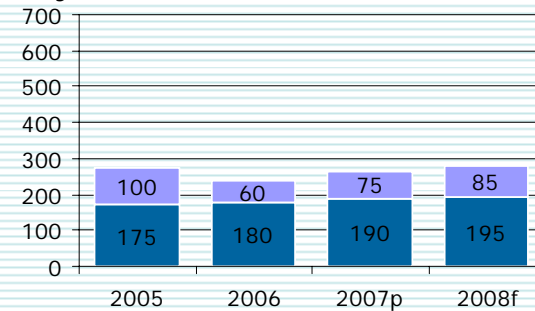
Cheese



Butter



Dry milk



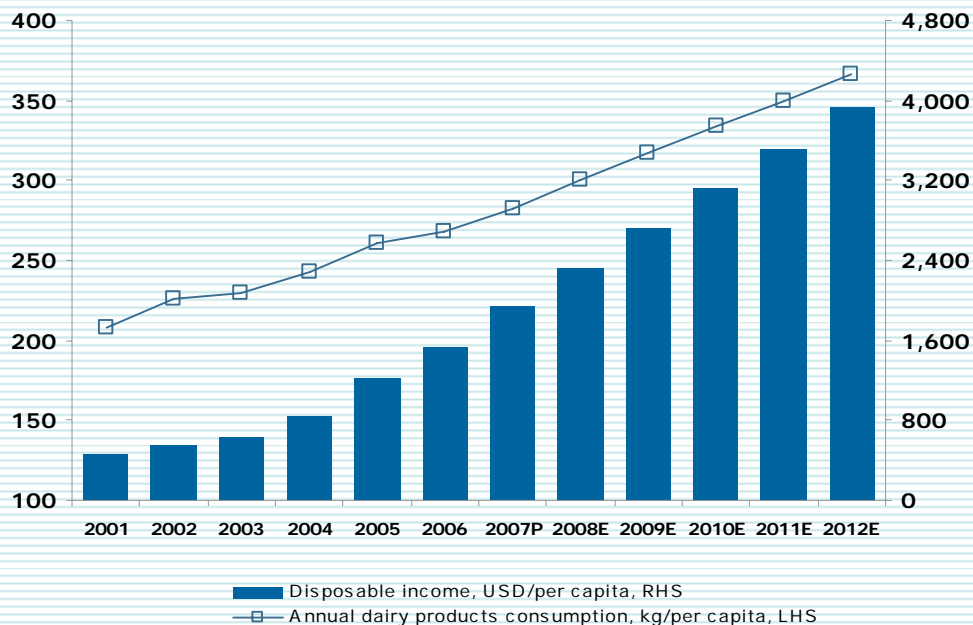
■ Own production ■ Imported

Source: Foreign Agricultural Service United States Department of Agriculture

- Russia is one of the world's major dairy product importers, primarily due to limitations in capacities and a scarce domestic raw milk supply raising dairy products deficit.
- Russian cheese, butter and dry milk consumption due to growing wealth experiences steady growth (supported both by own production and imports growth).
- Growth in cheese production during 2003-2007 falls behind growth in its consumption (CAGR of 4.9% vs 5.8%) leading to significant growth of import (CAGR of 7.4%).
- In late 2007 the Russian Government, concerned by rapidly rising domestic prices, has taken steps to ease the importation of dairy products after bans and limits introduced in 2006.



Disposable income vs. dairy consumption in Ukraine

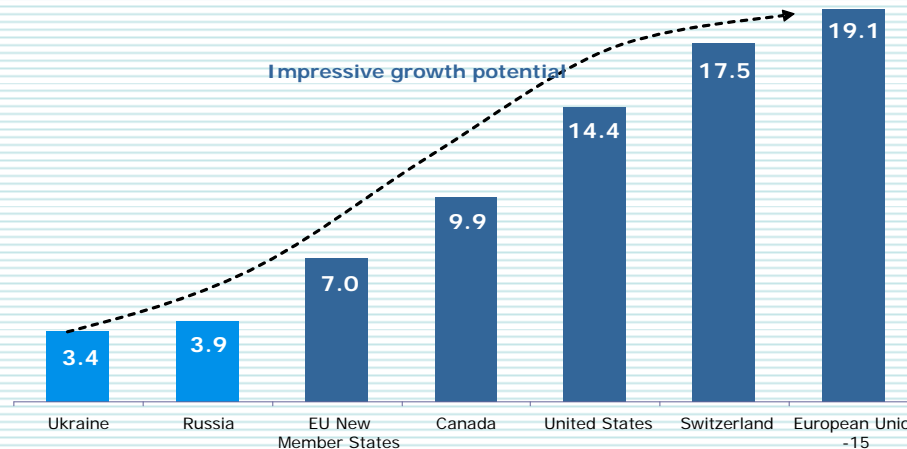


Source: State Statistics Committee of Ukraine

- Rising disposable income (29% CAGR over 2002-2007) has been the major driver of the domestic dairy market's consumption growth.

- After several years of growth, Ukrainian and Russian cheese consumption per capita is still below 4 kg, notably low compared to rates of 7 kg in EU new member states and 19 kg in EU-15 countries.

Cheese consumption per capita



Source: Food and Agricultural Policy Research Institute



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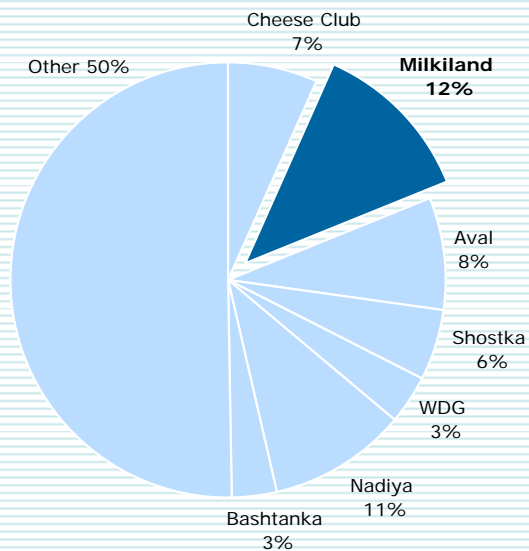




The leading producer and distributor of dairy products in Ukraine

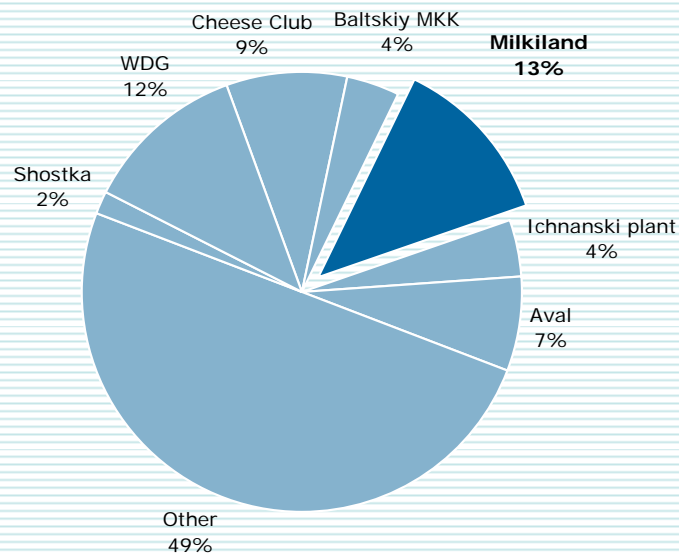
Hard cheese

% of total Ukrainian production in 2006*



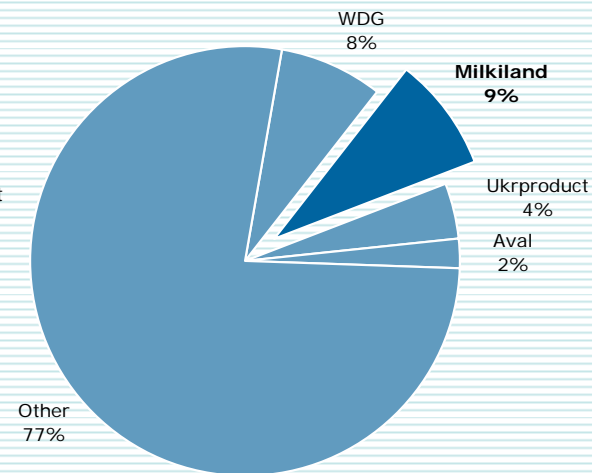
Dried-milk products

% of total Ukrainian production in 2006*



Butter

% of total Ukrainian production in 2006*



* Reliable 2007 data is not yet available

Source: State Statistics committee of Ukraine, Milkiland's estimates

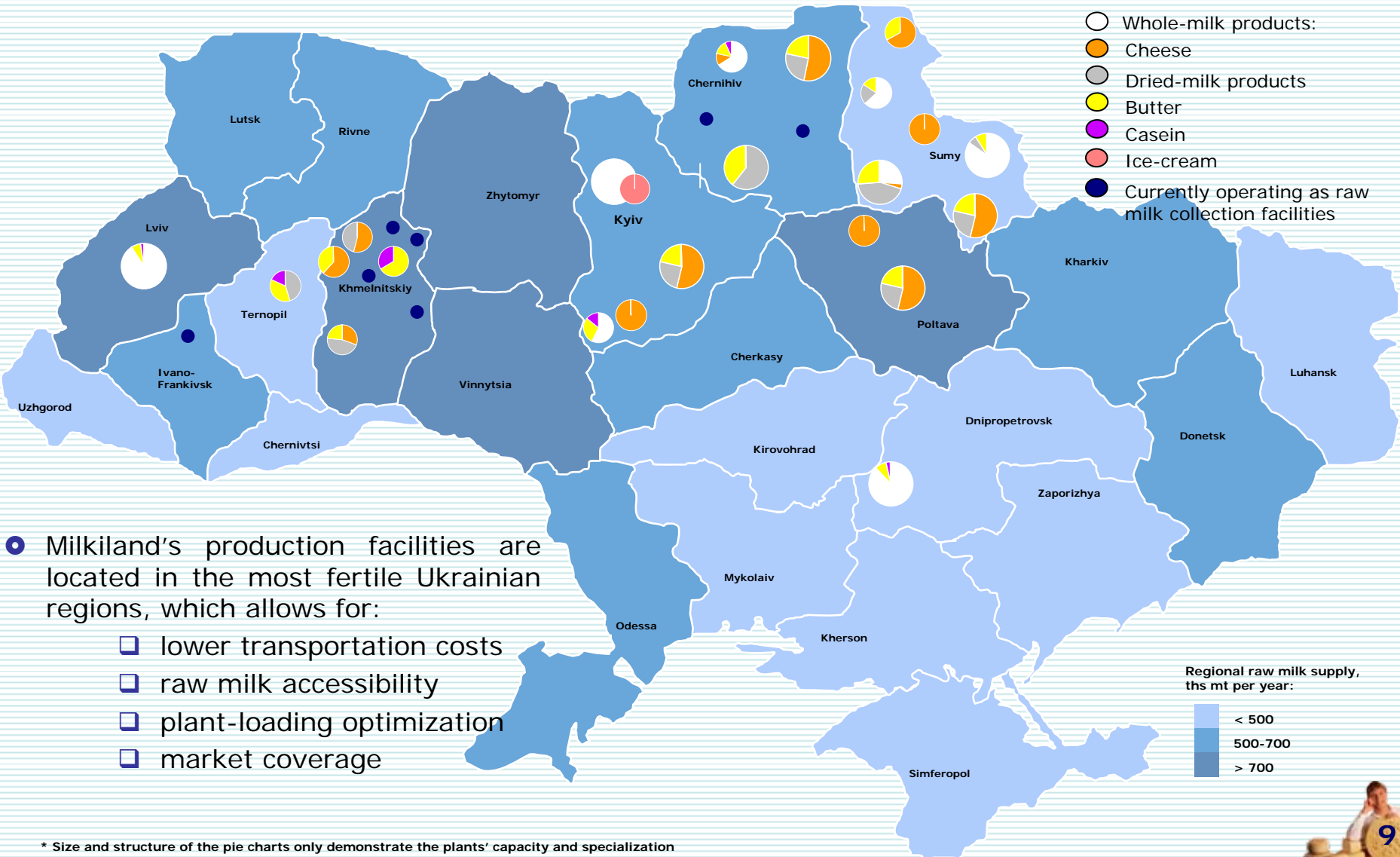


Milkiland Locations



Milkiland plants' prime specialization:

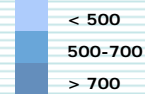
- Whole-milk products
- Cheese
- Dried-milk products
- Butter
- Casein
- Ice-cream
- Currently operating as raw milk collection facilities



Milkiland's production facilities are located in the most fertile Ukrainian regions, which allows for:

- ▣ lower transportation costs
- ▣ raw milk accessibility
- ▣ plant-loading optimization
- ▣ market coverage

Regional raw milk supply, ths mt per year:

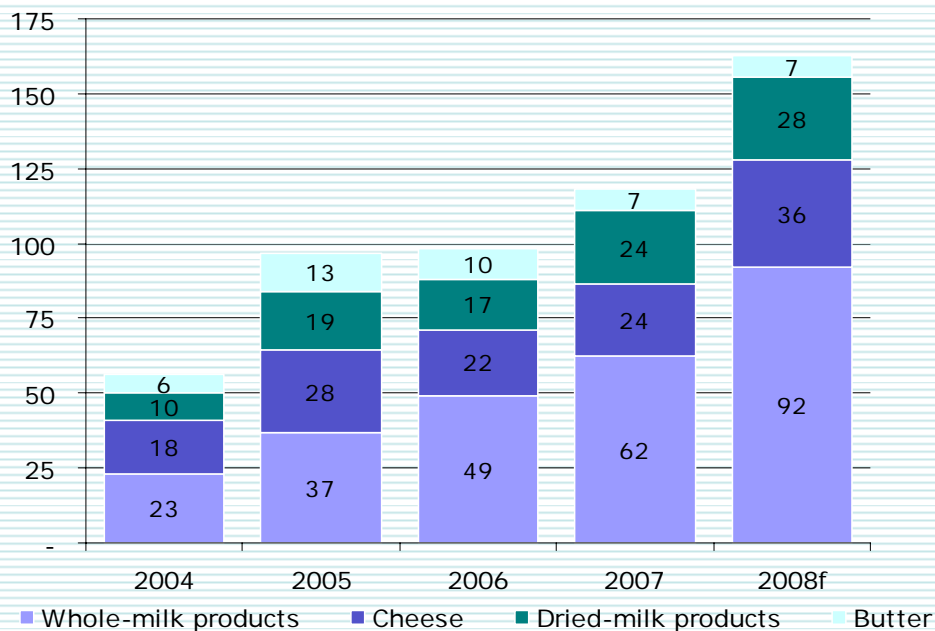


* Size and structure of the pie charts only demonstrate the plants' capacity and specialization



- Implementing its aggressive acquisition and investing strategy, Milkiland showed significant production growth - 2003-07 CAGR of 20.4%
- Plans to increase production by 37.5% in 2008 are primarily based on the following factors:

Milkiland's production volume, ths tons

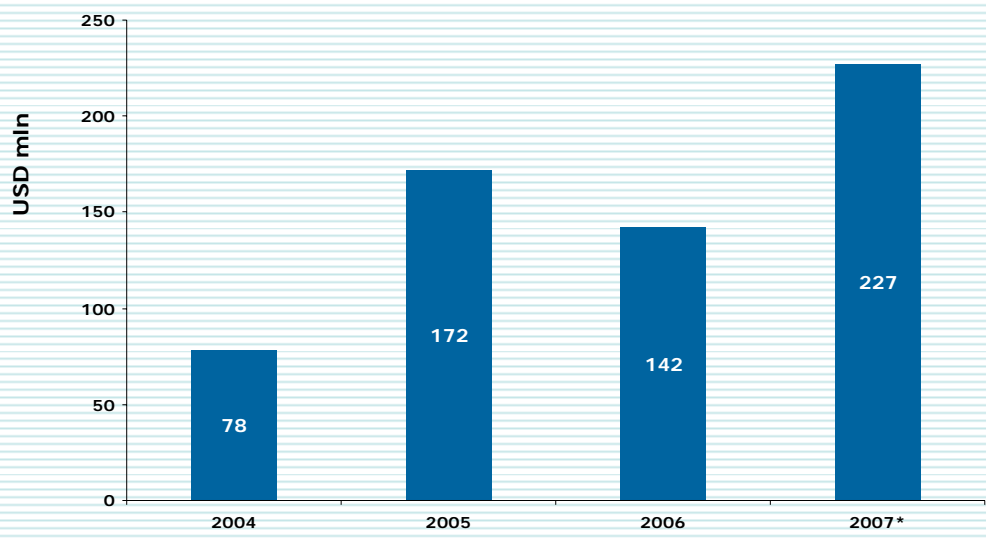


- purchase of OMK, top milk-processing plant in Russia
- planned further acquisitions in Russia
- projected investments into processing equipment and supply base development



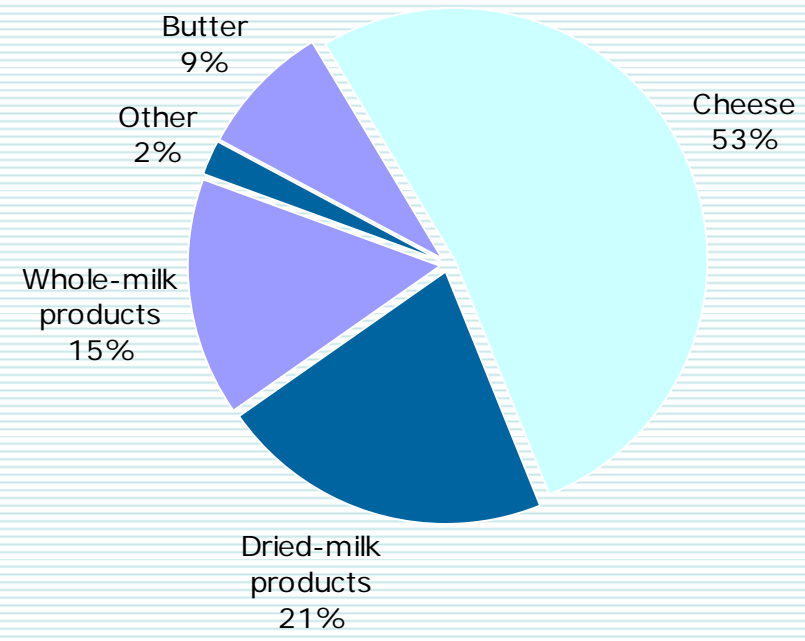
- We had a slight decrease in sales in 2006, due to the Russian ban on dairy products, with a subsequent recovery in 2007.

Milkiland sales dynamics 2004-2007, USD mln



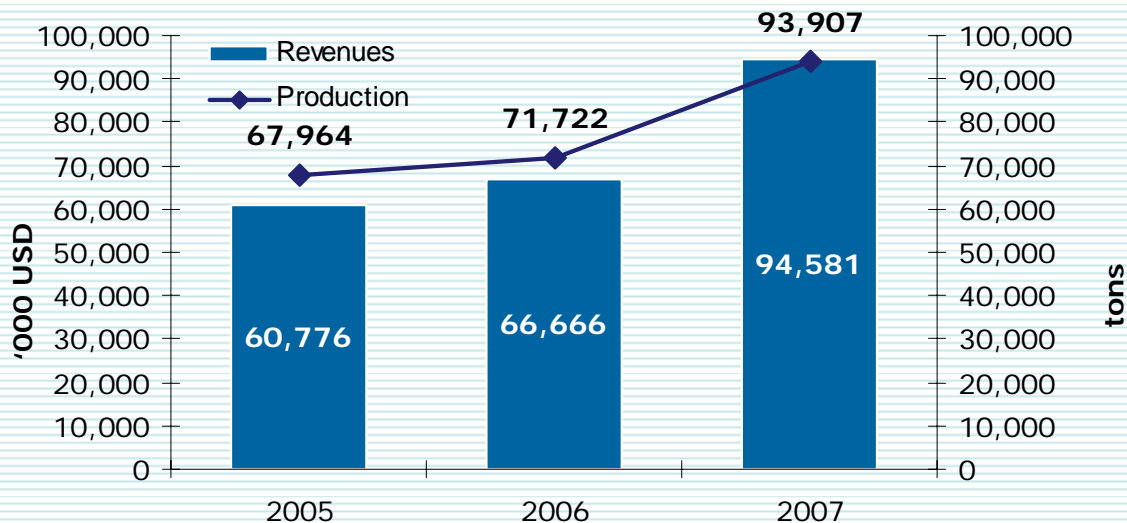
* - Unaudited IFRS financial statements

Milkiland's sales structure in 2007
% of revenues



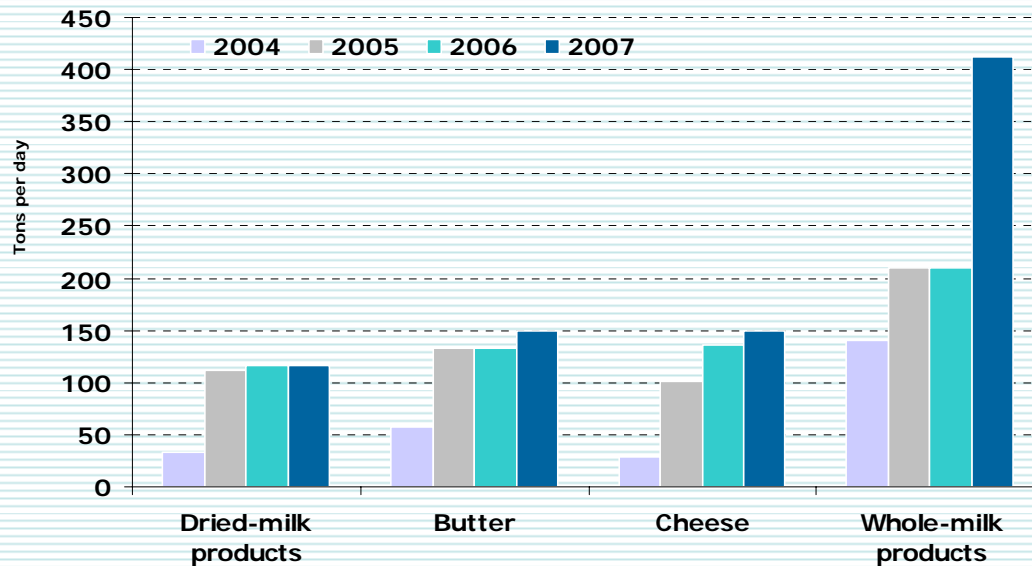
- In January 2008 Milkiland acquired Ostankinsky Molochny Kombinat in Moscow, one of the largest dairy plants in Russia by installed capacities

Dairy production volumes and revenues dynamics 2004-2007



- OMK controls approximately 8% of the total Moscow dairy market and 15% of its whole-milk segment
- Almost 100% of its dairy production relates to whole milk products (fluid milk, creams, sour milk, etc)
- The plant possess its own large distribution network in Moscow and the surrounding suburbs

Main production capacities increase during 2004-2007*



- For the last couple of years the company's production capacity has more than doubled with the main accent made on cheese and whole-milk products.
- To ensure achievement of its strategic goals, Milkiland is aimed at further increasing cheese and whole-milk products production capacities.

* 2007 figures include capacities of OMK, acquired at the beginning of 2008.

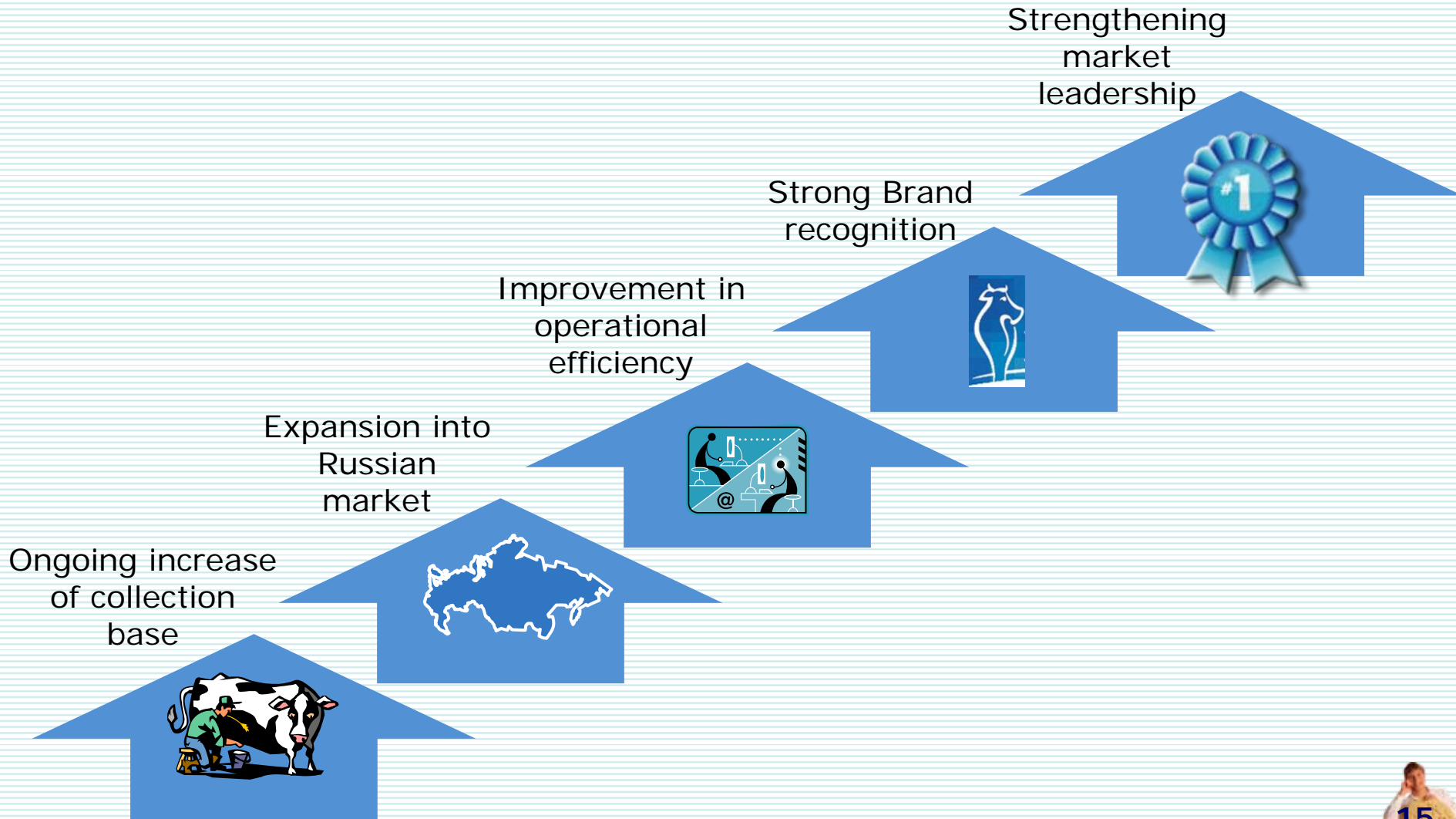


Market Overview

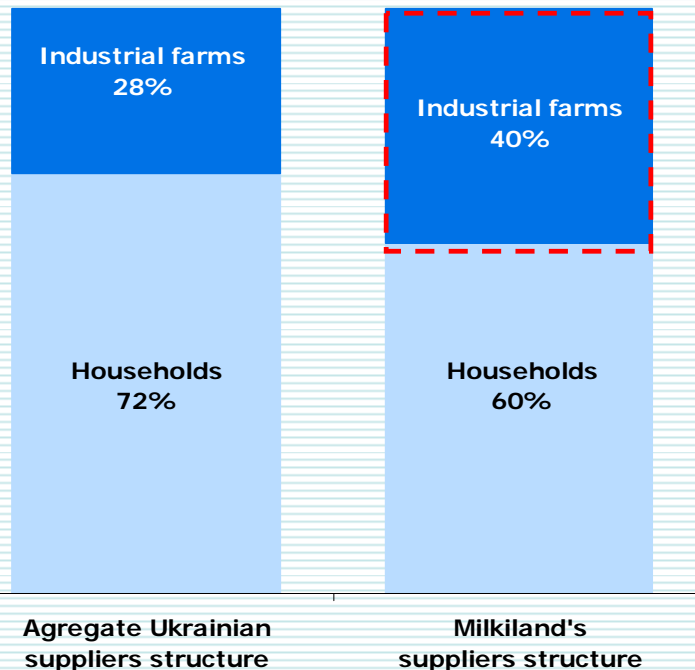
Company

Strategy

Strategy of the Company



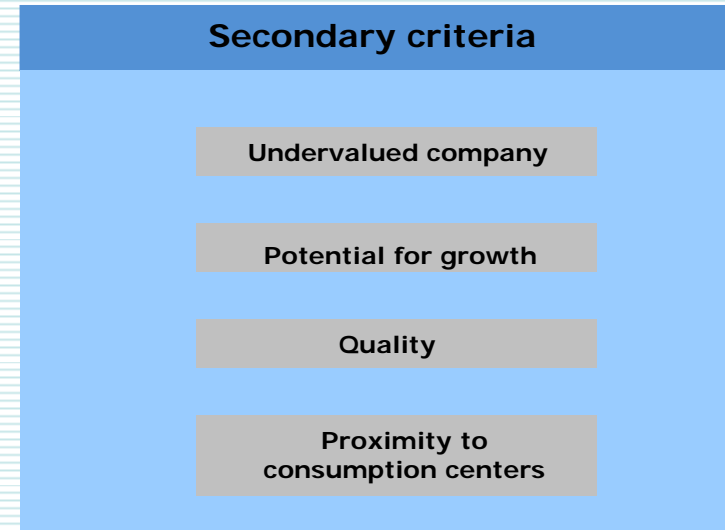
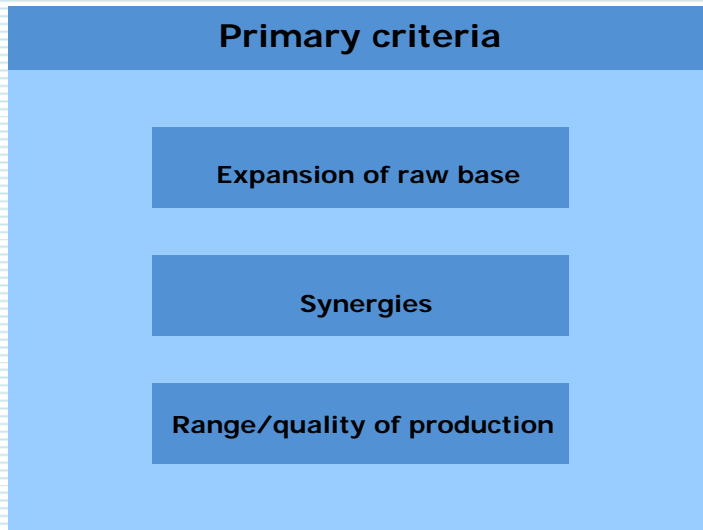
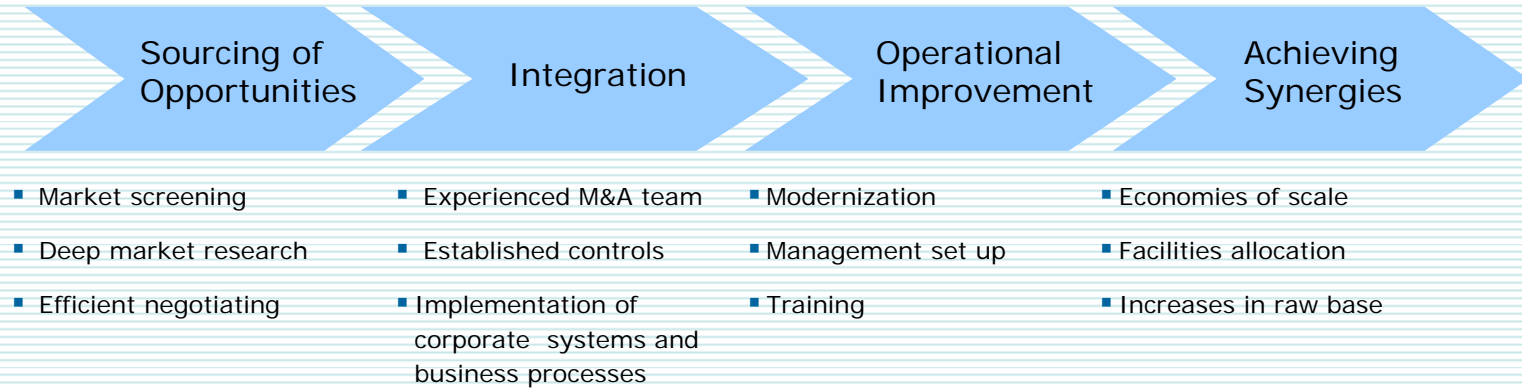
- Largest raw milk supply base in Ukraine dispersed throughout 17 high-milk-yield regions of Ukraine
- High share in raw milk supplies of industrial farms, which provide high-quality raw milk, as compared to the market average



- Increase in supply base is achieved by:
 - Acquiring dairy plants, which have established supply bases
 - Developing our own milk production through the acquisition and growth of milk farms
 - Retaining suppliers through loyalty programs

- Purchase of OMK, one of Russia's largest dairy plants, supports Milkiland's strategy:
 - Currently OMK has a 15% share of Moscow's whole-milk products market and 8% of total Moscow's dairy market
 - OMK has a large and diversified retail network in Moscow, which will be used for distributing of Milkiland's products
 - Stable and relatively cheap supply of powdered milk to OMK from Ukraine, while supply bases and high milk powder prices are common bottle-necks for most Russian dairies
 - OMK can consume about 25% of current Milkiland's milk powder production, which allows to shift to sales of more value-added products by OMK and substantially reduce costs
- Milkiland plans to continue acquisition of Russian plants to strengthen its position in the region and to benefit from synergies.





Acquisition history



2008

OMK, one of the largest Russian milk-processing plants, was acquired in early 2008

2007

Two dairy farms and three milk-processing plants (Kiev, Chernigiv, Gorodnya) were acquired

2006

Structuring and integration of previously acquired production capacities, investments into modernization

2005

Milkiland Group has acquired six milk-processing plants. Due to our aggressive market consolidation we have increased our production capacities by 112% yoy

2003 - 04

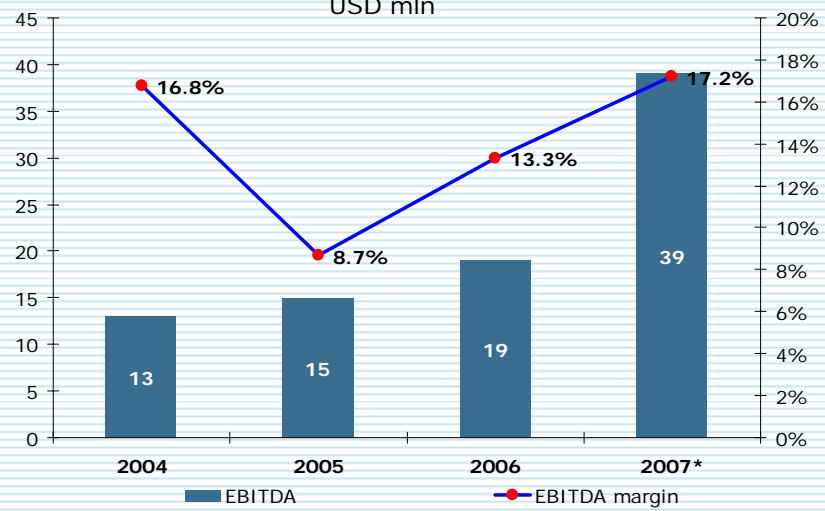
Starting point of implementing Milkiland's M&A Strategy. During this period the company acquired control over 17 plants across the country



- Substantial revenue growth in 2007 coupled with significant improvement in margins resulted in EBITDA boost.

Milkiland's EBITDA

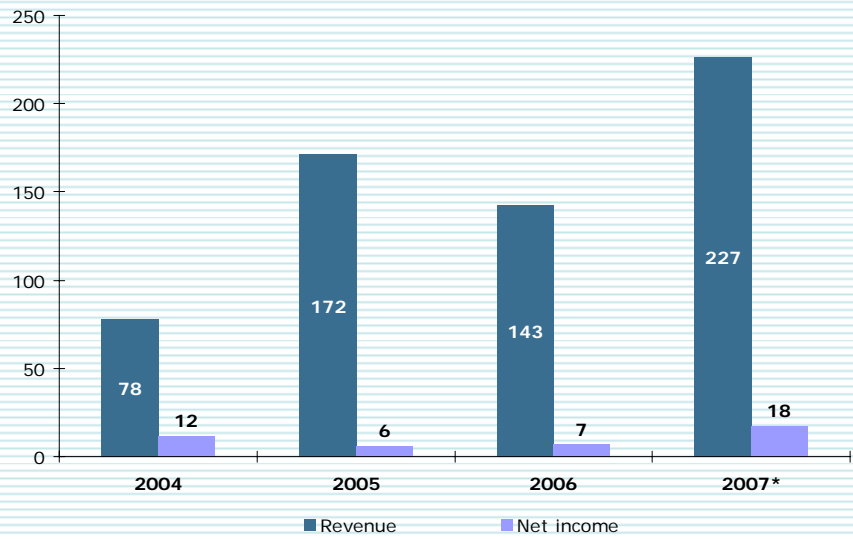
USD mln



* - Unaudited financial statements

Milkiland's Revenue and Net income

USD mln



* - Unaudited financial statements

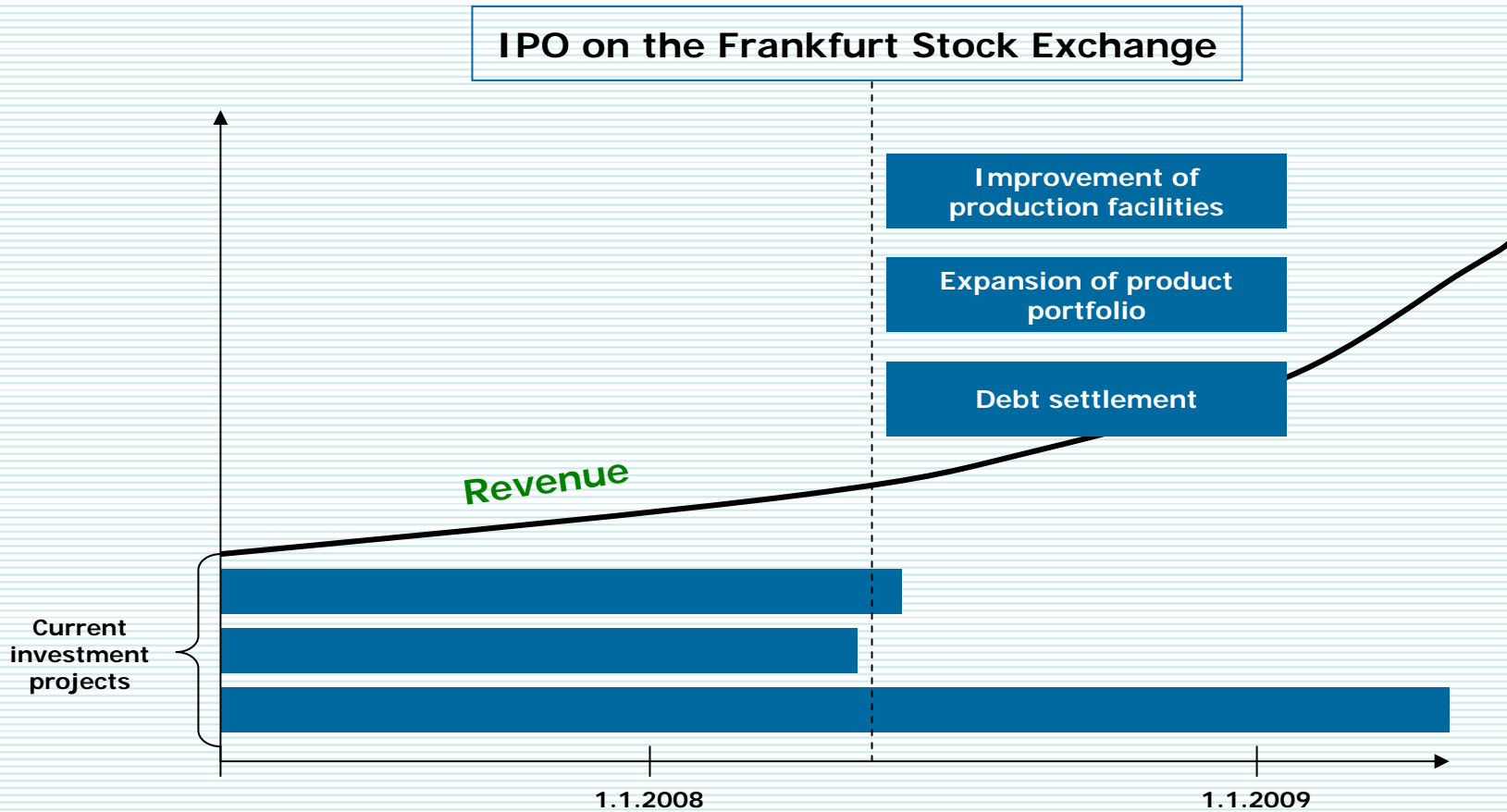
- Milkiland's consolidated EBITDA equaled USD 39 mln in 2007, implying a growth rate of 105% yoy and CAGR of 31.5% for 2004-07.

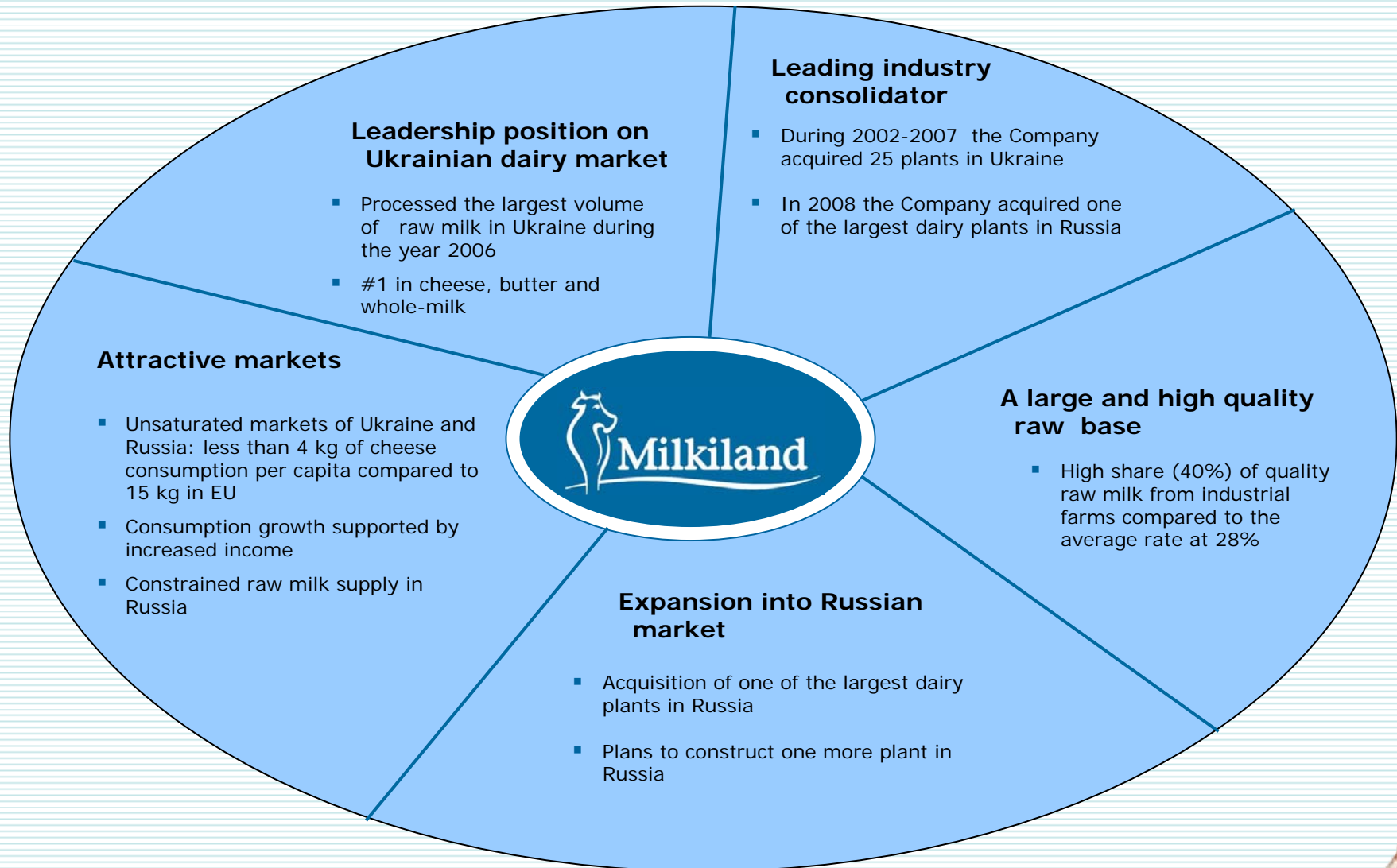


Milkiland - IPO Candidate



- Milkiland Corporation's shareholders and managers decided to make an IPO of 20% of the company's shares on the Frankfurt Stock Exchange in 2008





Questions?



Questions?

