

Zhytomir Creamery

The Company demonstrated net profit growth in 2009

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Food industry

	Sales (\$ mln)	EBITDA (\$ mln)	Net income (\$ mln)	P/S	EV/EBITDA	P/E
2007	65.3	8.3	3.8	0.52	4.61	8.95
2008	75.0	10.7	4.9	0.45	3.56	6.87
2009	61.0	9.0	4.4	0.55	4.27	7.74

Zhytomir Creamery is one of the largest ice cream producers in Ukraine. The Company manufactures its products under the Rud trademark.

- ▶ In 2009, the Company's profit amounted to 34 mln hryvnia, which is up 31% from 2008. While Zhytomir Creamery has been generating a profit for many years, in 2005-2009, its net profit increased three-fold in hryvnia terms.
- ▶ In terms of its volume of production, Zhytomir Creamery holds a leading position among ice cream producers in Ukraine. It currently holds a market share of 19.6% on the domestic market.
- ▶ The Company's output capacity is 65-70 tonnes of ice cream per day. The Company produces over 90 types of this product. The creamery also produces butter, skim milk powder, kefir, sour cream, yogurt with natural fruit bits, and pasteurized milk. In addition, it produces a number of frozen products, including vegetables, berries, mushrooms, soups, and salads.
- ▶ The goods produced by the Zhytomir Creamery are sold on both domestic and foreign markets. Its dealer network extends to the Czech Republic, Slovakia, Israel, and Moldova. Its skim milk powder is exported to the United Kingdom, Germany, Japan, the Netherlands, the Czech Republic and other countries, while its butter is exported to other countries of the CIS.
- ▶ The fact that many milk suppliers work at minimal profitability levels means a significant reduction in the cost of production for the Zhytomir Creamery.
- ▶ Some milk farms do not always comply with the required technological standards for milk processing. The Zhytomir Creamery has identified this problem as one of the factors most negatively impacting on the Company.
- ▶ The seasonal factor in the level of demand for ice cream is an important determinant of the Company's activities. The demand curve has been partially compensated by the diversification of the Company's product line to also include various frozen food products.

BUY
Current price: \$1.21
Fair price: \$1.80
Upside: 48%

Tickers

PFTS / UX / Bloomberg ZHMZ

Shareholders structure

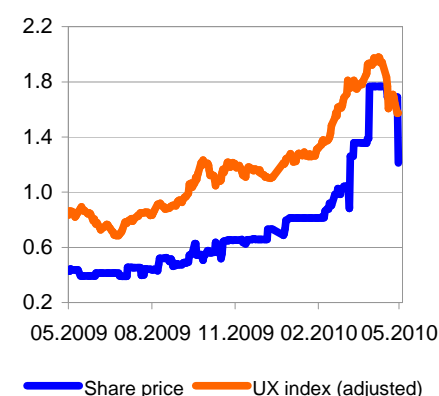
Petro Rud	52.6%
Oksana Vivsyk	33.3%
Other	14.1%

Capital Structure

Number of shares	27 865 000
Capitalization, \$ mln	33.75
Net debt, \$ mln	4.50
EV, \$ mln	38.25

Equities performance, \$

52-week low	0.38
52-week high	1.77



Financials

Balance sheet, \$ mln

	31.12.2007	31.12.2008	31.12.2009
Cash and cash equivalents	0.5	1.3	0.4
Current financial investments	0.0	0.0	0.0
Commercial accounts receivable	5.8	4.8	5.9
Other accounts receivable	2.4	0.8	0.8
Inventories	5.8	3.1	4.4
Other current assets	0.0	0.0	0.1
Total current assets	14.6	10.1	11.8
Fixed assets	19.1	14.3	17.4
Other fixed assets	1.8	3.7	2.3
Total fixed assets	20.8	18.0	19.7
Total assets	35.4	28.1	31.5
Short-term loans	3.7	4.8	4.9
Current long-term liabilities	0.0	0.0	0.0
Goods accounts payable	5.5	2.9	2.6
Other current liabilities	3.7	1.8	2.2
Total short-term liabilities	12.8	9.5	9.7
Long-term bank loans	0.0	0.0	0.0
Other long-term financial liabilities	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0
Total long-term liabilities	0.0	0.0	0.0
Charter capital	0.3	0.2	0.2
Retained profit	18.1	15.6	19.0
Other equity	4.2	2.7	2.6
Total equity	22.6	18.5	21.8
Total equity and liabilities	35.4	28.1	31.5

Income statement, \$ mln

	2007	2008	2009
Sales (net revenue)	65.3	75.0	61.0
COGS	48.5	53.7	42.6
Gross profit (loss)	16.7	21.3	18.4
Other operating income	3.7	1.2	1.0
Administrative and other operating expenses	12.1	11.8	10.4
EBITDA	8.3	10.7	9.0
Depreciation	2.7	3.0	2.0
Operating income (loss)	5.6	7.7	6.9
Other income	0.3	0.0	0.0
Financial expenses	0.2	0.8	0.9
Other expenses	0.3	0.1	0.1
Pre-tax profit (loss) from ordinary operations	5.4	6.8	5.9
Income tax on ordinary operations	1.6	1.9	1.6
Net income (loss) from ordinary operations	3.8	4.9	4.4

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