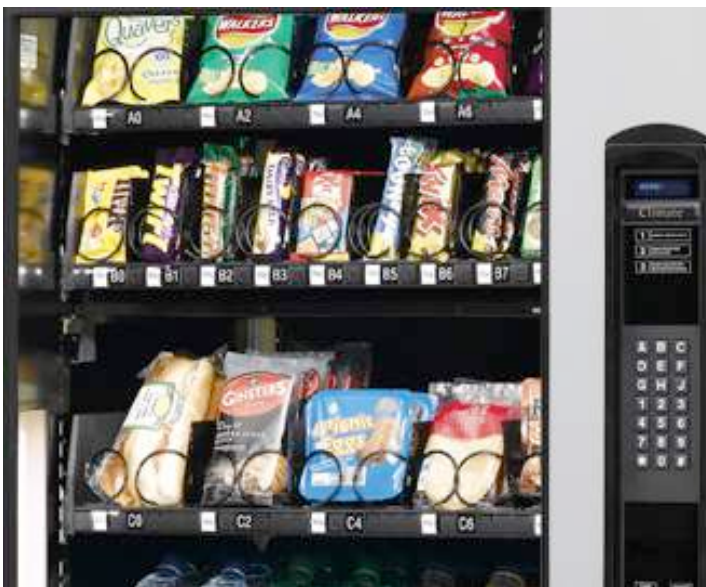


Vending Market Insights: Ukraine



General Information

Population: 46 million

Languages: Ukrainian (67%) and Russian 33%

Capital: Kiev

Other main cities: Donetsk, Odessa, Lvov and Dnepropetrovsk

Independence: 24.08.1991 from Soviet Union

GDP: 325 Billion USD (2007), raise by 2.1% in 2008 amounting to 331,8 Billion USD

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Vending Market Insights: Ukraine

Vending overview

The vending industry in Ukraine saw major growth in 2006-2007 with the turnover amounting to almost 7 million USD. Over 85% of the vending market is represented by coffee machines, however due to such high level of hot drink segment development, it sees its stagnation stage with the experts predicting the forthcoming growth in the snack and drink segments.

Vending in Ukraine is mostly developed in the urban areas and sees hardly any development outside them. The most developed vending cities are Donetsk, Odessa, Kharkov and the capital of Ukraine – Kiev.

- 3500 machines were working in 2006 in Kiev
- In 2007 over 1600 machines were sold which amount to 5000 machines altogether
- In 2008 the vending market in the capital (Kiev) sees 20-30% decrease in sales (over 6000

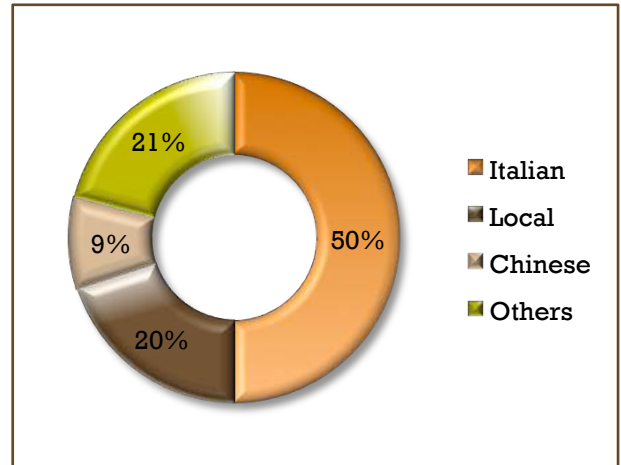
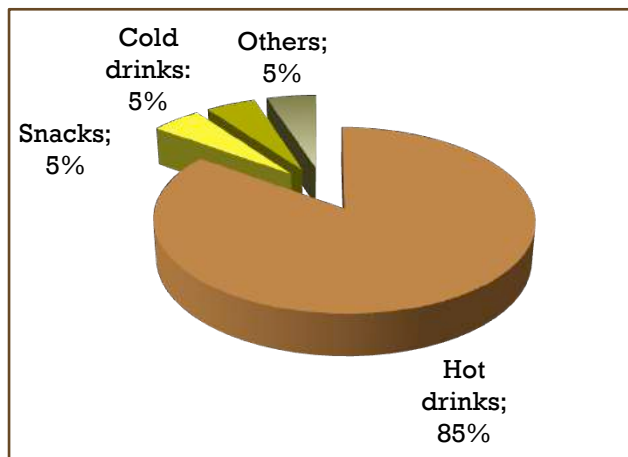
vending machines are expected to be without place to vend) due to the increase in rent, stronger competition and shortage of attractive places to vend

Vending Constraints

- Operators do not buy more machines, as they do not find the appropriate place
- No one is willing to take the risk to place the vending machine in the street due to high risk of vandalism
- Operators are facing double increase in price in rent up to 100 USD /sq m per month As a result 2 years ago, the return on investment was achievable within 1 year, today this period increased to 2-2,5 years. In order to increase the profit companies started actively offering lease and rental of vending machines with major stress on services including intensive post-warranty repairs.

Market Segmentation

The vending market of Ukraine is mainly represented by coffee machines, which account for over 85% of the market. Other types of vending such as cigarettes, newspapers and others are hardly heard of.



Statistics

- 50% of Kiev vending machine market is occupied by Italian manufacturers such as **Necta, Rhea Vendors, Saeco** and **GPE**
- 20% belongs to local manufacturers - CPS Vending and “Tomak” manufacturing plant
- Circa 9% belongs to the Chinese manufacturers (the biggest of them is Palleo)
- The remaining 21% of the market is shared between Korean, American and German manufacturers: i.e. Sielaff, Samsung, and Vendo.

- Today the vending market in Ukraine is estimated at roughly 10 000–15 000 vending machines.
- Out of the figure above not more than 4000 are vending machines equipment with payment systems, the rest are without, they are also called machines for office and fast food (OCS)
- Circa 8 000 vending machines are - coffee machines
- Circa 3.000 are snack machines and just very few are cold drink machines.
- Circa 1900 are cold drinks machines (1500 belong to Coca Cola)

Opinion from operators: Other market segments (apart from traditional hot drinks) are expected to grow since hot drinks segment is saturated



Market Intelligence

Main Operators

- Coca-Cola (1500 vending machines)
- Nestle (4000 machines)

Distributor Perspective

- The vending market can see some changes due to the appearance of the second local manufacturer of the vending machines – CPS Vending, which is competing with Tomak manufacturing plant from Dnepropetrovsk
- Its machines, assembled from imported spare parts, are cheaper than foreign manufactured equipment by 20-34%. According to the marketing director of CPS, Georgiy Borisenko, the company has built its own network of vending machines and is currently building the distribution network
- Most vending machines are equipped with payment systems, both coin mechanism and bill validators are installed in the machine
- Today the operators use more coffee machines due to high profitability: - the profitability of hot drink machine of the value of 3500 euro amounts to 200-300%
- The main reason of the lack of interest towards snack machines is a significant lower profitability of sales. For example the profitability of the snack machines costing 4500 EUR is 30-100%
- The lower profitability of the packed products sold in vending machines such as snacks, derives from the fact that individually packed goods can be easily bought from little shops and express bars (which are numerous in the streets in any city of Ukraine), thus the mark up cannot be more than 20% - the immediate result is lower profitability
- The operators usually connect the machines to the electricity only, and avoid the connection to the local water supply due to its poor water quality. The operators equip vending machines with water containers, which should be refilled minimum 3 times a week
- The decrease of vending machines sales takes place in a larger scale in the capital Kiev but is under active development in the other regions. In the first quarter of 2008, the sales in the Western Ukraine increased by 70% as compared to the same period of the last year – according to CPS Vending.

There is a significant increase in machines rental costs, particularly in Kiev, where, for example NESTLE UKRAINE rents each machine for 100 USD/ month. This applies to both cost of space rental and cost of machine rent from the distributor (lease).

- From the distributor price view point, it is important to note down, that in order to import vending machine, the distributor pays 5% of import duty on top of the price of the equipment and further 20% of VAT for imported vending machines at the point of machine crossing the border of Ukraine as part of customs clearance procedure

Vending Ingredient Suppliers

The following companies sell the ingredient vending products in the Ukrainian market via distributors or directly (Nestle):

- VendIn (Spain)
- Nestle (France)
- Satro (Germany)
- Caffè Poli (Italy) – coffee beans mix only
- Prontofoods S.p.a under brands Ristora and GOGO (Italy)
- Covim (Italy)
- GranBar (Italy)
- Maspex under brand La Festa (Poland)
- ICS of Autobar group (UK)

Cups and Stirrers

- FLO (Italy)
- VENDORPLAST S.r.l (Italy)
- RPC Tedeco-Gizeh (Netherlands)

Distributor Contact Data

In the past years while the vending business in the capital of Ukraine was booming, we saw the increase in a number of players, which today accounts for around 30 distributors representing machines of foreign manufacturers.

The biggest of them are – “Ukrainian Vending Company”, “Vending-Ukraine”, Vending Company, Vending Systems and “Liberty”.

▪ Nestle

Nestle, which leases the vending machines of Nescafe, is a big player in the Ukrainian market with over 1500 machines in the market.

▪ Ukrainian Company of Vending

www.vending.com.ua

The company works in the Ukrainian vending market intended for more than 10 years. Distributes the machines of FAS International, ABS coffee machines as well as acts as a service centre for Nestle Ukraine, NRI and Cash Code.

Ukrainian Company of Vending also distributes vending ingredients from Nestle and trades in second-hand machines.

Contact details:

31, Syretskaya street
Kiev, 04073
Ukraine

Tel: +38(044)390 60 60
+38(044)581 68 18

E-mail: salemanager1@vending.com.ua

Management:

Valerij Bogushev, Director

- **Vending – Ukraine Ltd**

www.vending-ukraine.com.ua

The company is the representative office and the official distributor of S.M.Coin, South Korea manufacturer and Samsung. It also sells second-hand machines, as well as offers to its customers a range of vending ingredients from ICS (Autobar group) and Maspex.

Contact details:

1, Kondratuyka str.
Kiev 04201
Ukraine
Tel: +38(044)461 81 91
Fax: +38(044)461 81 92
E-mail: sale@vengin-ukraine.com.ua

Management:

Roman Pek, Marketing Director

- **Vending Company**

www.vendingcompany.com.ua

The company is the official supplier of vending cups from RPC Tedeco Gizeh (Holland). It also offers its customers a selected range of vending machines from Rheavendors (Italy) and vending ingredients from Satro (Germany). The company is 6 years in the market and has 6 offices in the major cities, as well as a network of subdistributors.

Contact details:

Kurenivskij per., 19/5, office 377
Kiev 04073
Ukraine
Tel/Fax: +38(044)467 55 59
+38(044)467 55 14
E-mail: info@vendingcompany.com.ua

Management:

O. Vorotintsev, General Director

- **Euro-Vending**

www.euro-vending.com.ua

The company is a market sales leader of N&W vending machines. It also offers its customers various ingredients from Ristora (Italy), coffee beans from Covim (Italy) and vending cups from FLO (Italy) as well as payment systems from FAGE (Italy). Euro-vending operates in the market since 2001 and has 4 offices across the country in Kiev, Donetsk, Kharkov and Dnepropetrovsk.

Contact details:

Sadova 50-a street, Office 15
Kiev 02132
Ukraine
Tel: +38(044)545 73 13
Fax: +38(044)545 73 13

- **Liberty Ukraine**

www.uavending.com

The company is the official distributor of Saeco vending equipment in Ukraine, Caffe Poli and Ristora vending ingredients.

Contact details:

Kurenevskaya street, 2-B,
Kiev 04073
Ukraine
Tel: +38(044)468 42 45
+38(044)467 56 79
Fax: +38(044)468 42 45
E-mail: liberty@i.com.ua
info@uavending.com

- **Vending Systems**

www.vending-systems.com.ua

The company is distributing the vending machines of GPE (Italy)

of coffee and snack machines as well as cold drink machines of Royal. It also offers to its customers a number of special vending machines and payment terminals as well as NRI and CoinCo payment systems.

Contact details:

Yaroskavskaya street,
11-B, office 113
Kiev 04073
Ukraine
Tel: +38(044)451 74 04
E-mail: vending-systems@ukr.net

Management

Sergei Driga, General Director

▪ **Kavomaty**

www.kavomaty.com.ua

The company is the official distributor of the full range of Rheavendors S.p.a (Italy), FAGE Vesiel S.p.a payment systems and plastic cups for vending machines made by Vendoplast S.r.l. (Italy).

Contact details:

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E-mail: kavomaty@i.kiev.ua

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