



FOR IMMEDIATE RELEASE

29 April, 2009

## **UKRPRODUCT ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008**

**Kyiv, Ukraine** – 29 April, 2009 – Ukrproduct Group Limited (“Ukrproduct” or the “Group” or the “Company”) (AIM: UKR), a leading producer and distributor of branded dairy products in Ukraine, today announced its unaudited consolidated IFRS financial results for the twelve months ended December 31, 2008.

### **FULL YEAR HIGHLIGHTS**

(Figures in brackets are for the twelve months ended or as at 31 December, 2007)

- **Consolidated revenue up by 8.7% year on year to GBP 52.3 million (GBP 48.1 million)**
- **Revenue in branded products segment up by 51.8% year on year to GBP 38.2 million (GBP 25.2 million)**
- **Gross profit increased by 3.4% year on year to GBP 10.8 million (GBP 10.5 million) with Gross margin of 20.7% (21.7%)**
- **Gross profit for branded products increased by 45.9% year on year to GBP 9.1 million (GBP 6.3 million)**
- **Global market conditions weakened for Skimmed Milk Powder segment**
- **EBITDA declined by 13.4% year on year to GBP 4.8 million (GBP 5.5 million) with EBITDA margin of 9.1% (11.4%)**
- **Profit after tax decreased by 30.2% year on year to GBP 2.3 million (GBP 3.3 million) with profit margin of 4.4% (6.8%)**
- **Earnings per share declined 30.8% to 5.4 pence (7.8 pence)**
- **Total dividend payment of 0.80 pence per ordinary share for the year ended 31 December 2008 (interim dividend of 0.40 pence), subject to shareholders’ approval**
- **Total assets of GBP 22.5 million (GBP 23.7 million)**

Sergey Evlanchik, Chief Executive Officer of Ukrproduct, commented: “Despite challenging market conditions during the period under review, Ukrproduct has delivered robust growth in branded products’ revenues and gross profits. In line with our stated strategy we continue to focus on branded products, including processed and hard cheese and packaged butter. We are well positioned to take advantage of changes in market

demand by offering a range of products in relevant price categories and appropriate quality for the majority of consumer segments. Our skimmed milk powder (“SMP”) segment has reversed its highly positive trend in 2007 and has been impacted by price volatility in global dairy markets.

Looking forward, we seek to improve our market share in each product category and segment of operation. We believe that we have the right strategy for this market and expect it to see us through this challenging period successfully. We intend to continue promoting our brands and products through a series of targeted marketing campaigns and take further steps in developing and optimising our sales and distribution network. Furthermore, we plan to increase our export sales to new markets both geographically and through additional product offering. However, SMP prices are anticipated to remain weak until there are signs of recovery in the global economy and commodity markets.

We are optimistic that Ukrproduct will continue to benefit from its strong position in the domestic dairy market with a brand portfolio that targets a wide range of consumer segments. We believe that the Ukrainian dairy market offers growth potential despite the prevailing economic environment. Indeed, under current market conditions there may be consolidation opportunities that Ukrproduct will be able to take advantage of provided that they fit the Group’s strategy.

Ukrproduct’s financial position remains stable. The Group’s cash levels are sufficient to meet the current debt obligations in the short and medium term. In addition, the Group has access to additional banking facilities if required.”

## **FINANCIAL REVIEW**

<i>(GBP thousands)</i>	<b>FY 2008</b>	FY 2007	Year on Year Change
Revenue	<b>52,312</b>	48,110	8.7%
Gross Profit	<b>10,818</b>	10,458	3.4%
EBITDA	<b>4,781</b>	5,521	(13.4%)
Profit after tax	<b>2,277</b>	3,262	(30.2%)
Basic earnings per share(pence)	<b>5.4</b>	7.8	(30.8%)

Ukrproduct’s consolidated revenues increased by 8.7% year on year or by GBP 4.2 million in 2008. The Group delivered strong growth in its branded products segment which comprises processed and hard cheese, butter and spreads. This segment generated 51.8% revenue growth year on year and accounted for 73.0% (53.4%) of total revenues. The Group’s market share of branded products also improved whilst prices kept pace with inflation. The volume growth was underpinned by a series of successful marketing and sales activities during the year targeting domestic national and regional retail chains, as well as the expansion of a direct sales network with two new depot branches in Donetsk and Dnepropetrovsk. Furthermore, Ukrproduct significantly increased production of hard cheese following its launch in December 2007. Ukrproduct’s sales of hard cheese more

than tripled in the second half of 2008, compared to the first half. Skimmed milk powder revenues declined by 43.4% year on year and contributed 22.1% (42.4%) to total revenues.

In September 2008, the Group launched a nationwide marketing campaign for its leading brand 'Our Dairyman'. The campaign was launched as part of the Group's strategy to expand the distribution of its products to regional retail outlets and to increase shelf space in large national chains throughout Central, Eastern and Western Ukraine. As at the end of the reporting period, the number of national and regional retail chains and outlets selling Ukrproduct's dairy products was 69 and 978, respectively. The Group's products were sold in eight out of the top ten Ukrainian supermarket chains.

During September and October 2008, Ukrproduct conducted a retail audit to measure the presence of its branded products in stores across Ukraine. According to the audit's findings, 'Our Dairyman' branded butter and cheese was found in 50% and 30%, respectively, of Ukrainian retail chains.

<i>(GBP thousands)</i>	<b>FY 2008</b>	FY 2007	Year on Year Change
<b>Revenue</b>			
- Branded	<b>38,197</b>	25,155	51.8%
- SMP	<b>11,561</b>	20,410	(43.4%)
- Other	<b>2,554</b>	2,545	0.4%
<b>Gross Profit</b>			
- Branded	<b>9,138</b>	6,263	45.9%
- SMP	<b>1,274</b>	3,804	(66.5%)
- Other	<b>406</b>	391	3.6%

The current product mix reflects the Group's strategy to increase sales of higher value added branded products. Group gross profit increased 3.4% year on year with the gross profit margin declining to 20.7% compared to 21.7% in 2007 as a result of margin pressure in the skimmed milk powder segment. The gross profit in branded products increased by 45.9% year on year with a gross profit margin of 23.9% compared to 24.9% in the previous year. This was the result of additional costs associated with the roll-out of hard cheese. The Group's gross profit margin was further impacted by a 35% increase in energy and raw material costs, as well as higher inflation in 2008.

Group EBITDA decreased 13.4% year on year to GBP 4.8 million in 2008 with an EBITDA margin of 9.1%, compared to 11.4% in the previous period, as a result of the decline in SMP prices.

Depreciation and amortisation expense increased by 28.6% year on year from GBP 1.4 million to GBP 1.8 million in 2008, following the launch of the hard cheese production unit and the installation of a smoking chamber.

Selling, Distribution and Administrative expenses increased by 22.2% year on year from GBP 5.69 million to GBP 6.95 million, primarily as a result of the rise in marketing and distribution expenses.

Profit after tax decreased by 30.2% year on year to GBP 2.3 million in 2008, compared to GBP 3.3 million in 2007. The Group's basic earnings per share (EPS) declined 30.8% year on year from 7.8 pence to 5.4 pence in 2008. The diluted earnings per share declined 28.0% year on year from 7.5 pence to 5.4 pence in the same period.

An interim dividend of 0.40 pence per share was paid on 25 October 2008. In line with the Group's dividend policy, the Board of Directors propose to pay a final dividend of 0.40 pence per ordinary share for the year ended 31 December 2008, resulting in a total dividend payment of 0.80 pence per ordinary share for the full year (2007: 1.4 pence). The final dividend is expected to be paid on 30 June 2009 to shareholders of record as at 5 June 2009, subject to the approval by shareholders at the AGM.

Net cash generated by the operating activities totalled GBP 2.6 million in 2008 (2007: GBP 3.6 million) after absorbing the increase in working capital given the rise in sales.

Net cash used in investing activities totalled GBP 1.9 million in 2008 (2007: GBP 2.5 million), with GBP 1.4 million spent on capital expenditure (2007: GBP 2.7 million). During the year, Ukrproduct invested in the increase of hard cheese production capacity and the expansion of the milk collection zone. In the second half of 2008, the Group reduced its capital expenditure going forward to the level of essential maintenance expense.

Net cash used in financing activities amounted to GBP 0.66 million in 2008 (2007: GBP 0.08 million) following the redemption of GBP 0.81 million of local bonds.

The Group's cash balances stood at GBP 0.69 million as at 31 December 2008, compared to GBP 1.1 million as at 31 December 2007. The Group's net debt was GBP 2.99 million as at 31 December 2008, compared to GBP 3.13 million as at 31 December 2007.

### **Conference call information**

Ukrproduct management will host a conference call today at 10.30 am (London time) / 11.30 pm (CET) / 12.30 pm (Kiev Time) to present and discuss the final unaudited results.

The dial-in numbers for the conference call are:  
UK/International: +44 20 8515 2301

A replay will then be available for 7 days after the conference call. To access the replay, please dial:

UK/International: +44 207 154 2833

PIN number: 4060115#

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**For further information, please visit [www.ukrproduct.com](http://www.ukrproduct.com) or contact:**

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**Ukrproduct Group Ltd is a leading Ukrainian producer and distributor of branded dairy products. The Group's product portfolio includes processed and hard cheese, skimmed milk powder (SMP) and butter. Ukrproduct has built a range of recognisable product brands ("Our Dairyman", "People's Product", "Creamy Valley", "Molendam", "Farmer's") that are well known and highly regarded by consumers. The Group has modern production facilities that comprise five dairy plants in western and central regions of Ukraine (Molochnik, Starokonstantinivskiy Dairy Plant, Krasilovskiy Dairy Plant, Zhmerinka Plant and Letichiv Dairy Plant) with a total annual integrated capacity of approximately 70,000 tons of dairy products. With its own fleet of more than 120 vehicles, Ukrproduct has one of the largest logistics and distribution networks in Ukraine which covers the country's eight major cities. The Group reported total assets of approximately GBP 22.5 million as at December 31, 2008 and consolidated revenues of approximately GBP 52.3 million for the twelve months of 2008. Ukrproduct's securities are traded under the symbol "UKR" on AIM, a market operated by the London Stock Exchange.**

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of the Group. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. These statements are only predictions and they may differ materially from the actual events or results. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in such projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Ukraine, rapid technological and market change in our industry, as well as many other risks specifically related to the Group and its operations.*

**UKRPRODUCT GROUP**  
**CONSOLIDATED UNAUDITED INCOME STATEMENT FOR THE YEARS ENDED**  
**31 DECEMBER 2008 AND 2007**  
*(Amounts in thousands of GBP)*

	Year ended 31 December 2008	Year ended 31 December 2007
<b>Revenue</b>	<b>52,312</b>	<b>48,110</b>
<b>Cost of Sales</b>	<b>(41,494)</b>	<b>(37,652)</b>
<b>Gross profit</b>	<b>10,818</b>	<b>10,458</b>
Administrative expenses	(3,221)	(2,770)
Selling and distribution expenses	(3,729)	(2,919)
Other operating expenses	(837)	(619)
<b>Profit from operations</b>	<b>3,031</b>	<b>4,150</b>
Finance income	-	20
Finance expense	(592)	(493)
<b>Profit before taxation</b>	<b>2,439</b>	<b>3,677</b>
Income tax expense	(162)	(415)
<b>Profit for the year</b>	<b>2,277</b>	<b>3,262</b>
Attributable to:		
Equity holders	2,320	3,256
Minority interest	(43)	6
	<b>2,277</b>	<b>3,262</b>
<b>Earnings per share:</b>		
Basic	5.4	7.8
Diluted	5.4	7.5

**UKRPRODUCT GROUP**  
**CONSOLIDATED UNAUDITED BALANCE SHEET AS AT 31 DECEMBER 2008 AND 2007**  
*(Amounts in thousands of GBP)*

	As at 31 December 2008	As at 31 December 2007
<b>Assets</b>		
<b>Non-Current Assets</b>		
Property, Plant and equipment	10,527	11,903
Intangible assets	1,155	1,093
Available for sale investments	557	108
Deferred tax assets	117	51
<b>Total non-current assets</b>	<b>12,356</b>	<b>13,155</b>
<b>Current assets</b>		
Inventories	3,511	4,008
Trade and other receivables	5,643	5,139
Current taxes	267	247
Other financial assets	35	29
Cash and cash equivalents	691	1,087
<b>Total Current assets</b>	<b>10,147</b>	<b>10,510</b>
<b>Total assets</b>	<b>22,503</b>	<b>23,665</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to equity holders</b>		
Share capital	4,282	4,164
Other reserves	823	4,060
Retained earnings	10,814	7,031
<b>Total equity attributable to equity holders of the parent</b>	<b>15,919</b>	<b>15,255</b>
Minority interest	82	131
<b>Total equity</b>	<b>16,001</b>	<b>15,386</b>
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	697	752
<b>Total Non-Current Liabilities</b>	<b>697</b>	<b>752</b>
<b>Current Liabilities</b>		
Bank loans and overdrafts	3,685	3,407
Trade and other payables	2,011	3,211
Taxes payable	79	28
Bonds	-	811
Current income tax liabilities	30	70
<b>Total Current Liabilities</b>	<b>5,805</b>	<b>7,527</b>
<b>Total equity and liabilities</b>	<b>22,503</b>	<b>23,665</b>

**UKRPRODUCT GROUP**  
**CONSOLIDATED UNAUDITED CASH FLOW STATEMENT FOR THE YEARS ENDED**  
**31 DECEMBER 2008 AND 2007**  
*(Amounts in thousands of GBP)*

	Year ended 31 December 2008	Year ended 31 December 2007
<b>Cash flows from operating activities</b>		
Profit for the year	2,277	3,262
Adjustments for:		
Exchange difference	192	15
Depreciation and amortisation	1,750	1,371
Loss on disposal of property, plant and equipment	13	64
Interest expense	592	493
Interest income	-	(20)
Income tax expense	162	415
Decrease/ (increase) of inventories	139	(1,444)
Increase in trade and other receivables	(1,236)	(1,884)
(Decrease)/ increase in trade and other payables	(984)	1,649
<b>Cash generated from operations</b>	<b>2,905</b>	<b>3,921</b>
Interest received	-	20
Income tax paid	(264)	(384)
<b>Net cash generated by operating activities</b>	<b>2,641</b>	<b>3,557</b>
<b>Cash flows from investing activities purchase of loans and receivables</b>		
Payments for property, plant and equipment	(1,384)	(2,712)
Proceeds from sale of property, plant and equipment	62	28
Proceeds from sale of available for sale investments	-	176
Purchase of available for sale investments	(530)	(25)
<b>Net cash used in investing activities</b>	<b>(1,852)</b>	<b>(2,533)</b>
<b>Cash flows from financing activities</b>		
Gross repayments from long term borrowing	-	(100)
(Repayments) / proceeds from issue of bonds net of issue costs	(811)	463
Proceeds from issue of shares net of issue costs	628	241
Dividends paid	(523)	(459)
Interest paid	(629)	(493)
Net proceeds from short-term borrowing	677	267
<b>Net cash used in financing activities</b>	<b>(658)</b>	<b>(81)</b>
<b>Net increase in cash and cash equivalents</b>	<b>131</b>	<b>943</b>
Effect of exchange rate changes on cash and cash equivalents	(527)	(15)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,087</b>	<b>159</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>691</b>	<b>1,087</b>



**UKRPRODUCT GROUP**  
**CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007**  
*(Amounts in thousands of GBP)*

	Attributable to equity holders			Total attributable to equity holders of the parent	Minority interest	<b>Total Equity</b>
	Share capital	Other reserves	Retained earnings			
<b>Balance at 1 January 2007</b>	<b>4,121</b>	<b>4,181</b>	<b>4,141</b>	<b>12,443</b>	<b>199</b>	<b>12,642</b>
Depreciation on revaluation of non-current assets and reduction of revaluation reserve	-	(124)	122	(2)	-	(2)
Exchange differences on translation to presentation currency	-	(124)	(90)	(214)	(4)	(218)
Decrease of minority interest	-	-	(10)	(10)	(70)	(80)
<b>Net expense recognised directly in equity</b>	<b>-</b>	<b>(248)</b>	<b>22</b>	<b>(226)</b>	<b>(74)</b>	<b>(300)</b>
Profit for the year	-	-	3,256	3,256	6	3,262
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>(248)</b>	<b>3,278</b>	<b>3,030</b>	<b>(68)</b>	<b>2,962</b>
Dividends paid	-	-	(459)	(459)	-	(459)
Issue of shares (net of issue cost)	43	198	-	241	-	241
Reduction of options reserve	-	(71)	71	-	-	-
<b>Balance at 31 December 2007</b>	<b>4,164</b>	<b>4,060</b>	<b>7,031</b>	<b>15,255</b>	<b>131</b>	<b>15,386</b>
Depreciation on revaluation of non-current assets and Reduction of revaluation reserve	-	(128)	134	6	-	6
Exchange differences on translation to the presentation currency	-	(3,501)	1734	(1,767)	(6)	(1,773)
<b>Net income / (expense) recognised directly in equity</b>	<b>-</b>	<b>(3,629)</b>	<b>1868</b>	<b>(1,761)</b>	<b>(6)</b>	<b>(1,767)</b>
Profit for the year	-	-	2,320	2,320	(43)	2,277
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>(3,629)</b>	<b>4188</b>	<b>559</b>	<b>(49)</b>	<b>510</b>
Dividends paid	-	-	(523)	(523)	-	(523)
Issue of shares (net of issue cost)	118	510	-	628	-	628
Reduction of options reserve	-	(118)	118	-	-	-
<b>Balance at 31 December 2008</b>	<b>4,282</b>	<b>823</b>	<b>10,814</b>	<b>15,919</b>	<b>82</b>	<b>16,001</b>

## NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

### 1. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs on May 20, 2009.

### 2. Earnings per share

Basic earnings per share have been calculated by dividing net profit attributable to the ordinary shareholders (profit for the year) by the weighted average number of shares in issue.

	31 December 2008	31 December 2007
Net profit attributable to ordinary shareholders, GBP '000	2,320	3,256
Weighted number of ordinary shares in issue	42,817,849	41,644,953
Basic earnings per share, pence	5.4	7.8
Weighted number of WH Ireland warrants in the money	-	1,172,896
Weighted number of Directors' option shares in the money	-	612,028
Diluted average number of shares	42,817,849	43,429,877
Diluted earnings per share, pence	5.4	7.5

### 3. Dividends

The Board of Directors propose a final dividend payment of 0.40 pence per ordinary share for the year ended 31 December 2008 which would result in a total dividend payment of 0.80 pence per ordinary share for the full year. If approved by the AGM, the final dividend will be paid on 30 June 2009 to the shareholders on record as at 5 June 2009. No tax consequences for the Group will arise out of this transaction as the Group's parent company is an entity registered under the laws of Jersey.

	Year ended 31 December 2008 GBP '000	Year ended 31 December 2007 GBP '000
Final dividend for 2007 of 0.82 pence (2006 – 0.51 pence) per ordinary share proposed and paid during the year relating to the previous year's results	351	210
Interim dividend of 0.40 pence (2007 – 0.60 pence) per ordinary share paid during the year	172	249
Total	<b>523</b>	<b>459</b>

The directors are proposing a final dividend of 0.40 pence (2007 – 0.82 pence) per share totalling GBP 172,000 (2007: GBP 351,000). This dividend has not been accrued at the balance sheet date.

### 4. Availability of report

It is anticipated that the Annual Report will be distributed to shareholders around May 20, 2009, and will be available on the Company's website, [www.ukrproduct.com](http://www.ukrproduct.com)