



UKRPRODUCT GROUP

FOR IMMEDIATE RELEASE

21 April, 2010

UKRPRODUCT ANNOUNCES AUDITED FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009

Kyiv, Ukraine – 21 April, 2010 – Ukrproduct Group Limited (“Ukrproduct” or the “Group”) (AIM: UKR), a leading producer and distributor of branded dairy products in Ukraine, today announced its audited consolidated IFRS financial results for the twelve months ended December 31, 2009.

KEY FIGURES

(Figures in brackets are for the twelve months ended 31 December, 2008)

- **Ukrainian economy has slowed during the year with real GDP declining 14.8% and the Ukrainian Hryvnia (“UAH”) depreciating against GBP by 23.9% on average compared to 2008**
- **Group revenue declined by 16.9% YoY to GBP 43.2 million (GBP 51.9 million) but was up by 5.2% YoY in local currency to UAH 527.9 million (UAH 501.6 million)**
- **Revenue in branded products segment declined by 21% YoY to GBP 29.9 million (GBP 37.8 million) but was flat in local currency at UAH 365.2 million**
- **Market share in packaged butter segment increased to 13.5% (12%) and in processed cheese segment to 23.1% (21.6%)**
- **Gross profit for branded products declined by 25.9% YoY to GBP 6.5 million (GBP 8.8 million) with gross profit margin of 21.7% (23.1%)**
- **Global market conditions for skimmed milk powder segment improved in the second half of 2009. Revenue from SMP increased by 4% YoY to GBP 12 million (GBP 11.6 million) and by 31.7% YoY in local currency to UAH 147.1 million (UAH 111.7 million)**
- **Gross profit declined by 33.6% YoY to GBP 6.9 million (GBP 10.4 million) with gross profit margin of 16.1% (20.1%), following the unexpected increase in raw milk prices in the fourth quarter and a significant rise in energy costs**
- **Earnings per share declined by 53.7% YoY to 2.5p (5.4p)**
- **Positive cash flow with cash balance standing at GBP 0.2 million (GBP 0.7 million at 2008 YE) and bank facilities in place for anticipated requirements**
- **Proposed final dividend payment of 0.20p per ordinary share for 2009FY (interim dividend of 0.20p), making a total dividend for the year of 0.40p per share.**

Sergey Evlanchik, CEO of Ukrproduct, commented: “We experienced a challenging trading environment in 2009. We recognised changing market conditions and optimised our product portfolio in response, focusing on growth in more affordable market segments.

Ukrproduct adjusted its output and production facilities to take advantage of growth in these segments, whilst also focusing on reducing costs and keeping bad debts at a low level. We expect the situation is likely to remain challenging in 2010. We will therefore continue to pursue our adopted strategy and seek to reduce costs and improve profitability.”

CHIEF EXECUTIVE OFFICER’S REPORT:

“In 2009, the Group witnessed a significant slowdown in the Ukrainian economy accompanied by a 14.8%¹ decline of real GDP. This led to a 9.2% decrease in personal income and a 20.6% drop in retail turnover. The Ukrainian dairy market was impacted by the decline in consumers’ purchasing power and the subsequent switch of consumer demand to cheaper dairy products. Overall, the Ukrainian dairy market capacity has contracted across our key product categories in 2009. At the same time, Ukrproduct achieved market share increases in the butter and processed cheese segments.

Facing challenging market conditions, Ukrproduct undertook a number of initiatives in order to maintain its sales volumes in 2009. The Group optimised its product portfolio by focusing on higher margin products in premium market segments, such as butter and sliced soft cheese, and launched new products under the “Molendam” brand, including cheese in bricks, sausage cheese and cheese spreads aimed at import substitution. At the same time our flexible production model allowed us to adjust our output to take advantage of the growth in consumer demand in more affordable market segments. As a result, we increased sales volumes of packaged butter and processed cheese spreads under the “Creamy Valley” brand.

This enabled Ukrproduct to attract new clients and to strengthen its relationships with existing customers by introducing incentives to retailers for prepayments. The Group consolidated its customer base and focused on working only with solvent customers, thus allowing it to maintain its level of bad debt at below 1% of total revenue in 2009.

Throughout the year Ukrproduct carried out a number of marketing campaigns for its leading brands “Our Dairyman”, “Creamy Valley” and “Molendam”. Following these campaigns, the Group expanded its products’ presence in several regions, including Southern and Central Ukraine. Sales volumes were broadly in line with the previous year, declining by only 2% year on year.

In 2009, Ukrproduct maintained its leading position in the packaged butter segment and increased its market share by 1.5% year on year to 13.5%². The Group also benefited from consumer preferences shifting back into processed cheese from hard cheese due to higher prices of hard cheese in the second half of the year. As a result, the Group leveraged its strong distribution network to increase its share in the processed cheese segment by 1.5% year on year to 23.1%³.

As we stated previously, in the first half of 2009 Ukrainian hard cheese producers responded to the weakening domestic demand by cutting prices and over saturating the market. As a result, the difference between the price of hard and processed cheeses

¹ Ukrstat

² Company’s estimates

³ Ukrstat data as at the end of 2009.

narrowed, leading to a partial shift in consumer demand from processed to hard cheese. Ukrproduct's sales volumes and margins were impacted by this change. Hard cheese prices started to recover in the second half but profitability still remains low.

Following the recovery in the global soft commodities markets starting from the second half of 2009, Ukrproduct leveraged its export operations to increase sales volumes (in tonnes) of skimmed milk powder by nearly 64% year on year. In Ukraine the Group signed new sales contracts and started shipments of SMP to companies including Danone, Wimm-Bill-Dann and others.

In line with our stated strategy, we continued to look for opportunities to optimise our costs. As a result we have consolidated our manufacturing activities at four plants and mothballed the facility and suspended the operations at the Zhmerinka plant. We have transferred the production of processed cheese and butter to other plants and achieved annualised cost savings amounting to approximately GBP 300,000.

OUTLOOK

Looking forward, we plan to grow sales in all product categories and segments of the Group, as well as to increase the capacity utilisation of both our production and distribution facilities. We intend to continue promoting our brands and products through a series of targeted marketing campaigns.

Furthermore, we will explore opportunities to broaden the range of exported products under our flagship brand "Our Dairyman" and our premium brand "Molendam", as well as to expand into new export markets in the CIS.

Following the recent elections in Ukraine we look forward to stability in the economy. Nevertheless the trading environment is likely to remain challenging. We will therefore continue with our strategy of realigning product to different market segments as the economic situation evolves, seeking to further reduce our costs and improve profitability. Meanwhile the cash position of the Group is stable."

FINANCIAL REVIEW

	<i>(GBP thousands)</i>			<i>(UAH thousands)</i>		
	2009	2008	Year on Year Change	2009	2008	Year on Year Change
Revenue	43,167⁴	51,925	(16.9%)	527,870	501,591	5.2%
Gross Profit	6,929	10,431	(33.6%)	84,736	100,759	(15.9%)
EBITDA	3,175	4,382	(27.5%)	38,830	42,330	(8.3%)
Profit after tax	1,041	2,277	(54.3%)	12,731	21,996	(42.1%)
Basic earnings per share (pence)	2.5	5.4	(53.7%)	-	-	-

⁴ Following the change in accounting for bonuses paid to retailers, bonus payments were excluded from consolidated revenues for 2009 and 2008.

	<i>(GBP thousands)</i>			<i>(UAH thousands)</i>		
	2009	2008	Year on Year Change	2009	2008	Year on Year Change
Revenue						
- Branded	29,864	37,811	(21.0%)	365,186	365,250	0.0%
- SMP	12,026	11,561	4.0%	147,059	111,679	31.7%
- Other	1,277	2,553	(49.9%)	15,625	24,662	(36.6%)
Gross Profit						
- Branded	6,479	8,750	(25.9%)	79,232	84,529	(6.3%)
- SMP	267	1,274	(79.0%)	3,271	12,307	(73.4%)
- Other	183	407	(55.1%)	2,233	3,923	(43.1%)

Ukrproduct consolidated revenues decreased by 16.9% year on year in 2009. The branded products segment continued to account for the majority of the Group's revenues, respectively 69.2% in 2009 (72.8% in 2008). Branded products segment revenues declined 21% year on year. Skimmed milk powder revenues increased by 4.0% year on year following the recovery in global soft commodities markets.

The Group's gross profit declined by 33.6% year on year in 2009 with gross profit margin of 16.1% in 2009, compared to 20.1% in 2008, as a result of the margin pressure in processed cheese categories and the skimmed milk powder segment. The SMP gross profit margin declined to 2.2%, compared to 11% in 2008. SMP prices started to recover only towards the end of the year, in October. The branded products segment gross profit margin remained relatively stable at 21.7%, compared to 23.1% in the previous year. The Group's gross profit margin was further impacted by 82.3% year on year increase in gas costs, 23.3% year on year rise in electricity costs, as well as an increase in packaging costs.

The Group's administrative, selling and distribution expenses decreased by 21.1% year on year from GBP 6.6 million in 2008 to GBP 5.2 million in 2009 due to cost optimisation measures. The Group's cost reduction measures introduced in the second half of 2009 including the suspension of operations at the Zhmerinka plant and the shifting of production to other parts of the Group have generated significant savings.

Group EBITDA declined by 27.5% year on year in 2009. Depreciation and amortisation expense declined by 19.8% year on year from GBP 1.8 million in 2008 to GBP 1.4 million in 2009. Profit after tax decreased by 54.3% year on year in 2009.

The Group's basic earnings per share (EPS) declined 53.7% year on year from 5.4 pence in 2008 to 2.5 pence in 2009.

Ukrproduct paid an interim dividend of 0.20 pence per share on October 30, 2009. In line with the Group's dividend policy, the Board of Directors propose to pay a final dividend of 0.20 pence per ordinary share for 2009, resulting in a total dividend payment of 0.40 pence per ordinary share for the full year 2009 (2008: 0.80 pence). Subject to the approval of

shareholders at the AGM, the final dividend is expected to be paid on July 16, 2010 to shareholders on the register as at June 11, 2010.

Net cash generated by operating activities totalled GBP 2.2 million in 2009 (2008: GBP 2.6 million).

Net cash used in investing activities totalled GBP 0.1 million in 2009 (2008: GBP 1.9 million), with GBP 0.6 million spent on capital expenditure (2008: GBP 1.4 million). During the year, Ukrproduct invested in maintaining its production capacities. In the second half of 2009, the Group reduced its capital expenditure to the level of essential maintenance expense.

Net cash used in financing activities amounted to GBP 2.35 million in 2009 (2008: GBP 0.66 million). In the first half year 2009 the Group repaid its debt to OTP Bank in the amount of GBP 1.4 million.

The Group's cash balances stood at GBP 0.24 million as at 31 December 2009, compared with GBP 0.69 million as at 31 December 2008. The Group's net debt was GBP 1.35 million as at 31 December 2009, compared with GBP 2.99 million as at 31 December 2008. The Group maintained a working capital facility in Ukrainian Hryvnia with OTP Bank equivalent to up to GBP 3.2 million (2008: GBP 4.0 million). As at 31 December 2009, Ukrproduct had drawn down GBP 1.6 million of the available facility (2008: GBP 3.2 million). Ukrproduct also has available additional overdraft facilities for up to GBP 0.6 million. The Group's cash levels are sufficient to meet current debt obligations in the short and medium term.

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 audited 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 20 7959 6720

PIN number: 142788#

For further information, please visit 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 four operational dairy plants in western and central regions of Ukraine (Molochnik, Starokonstantinovskiy Dairy Plant, Krasilovski Dairy Plant and Letichiv Dairy Plant) with a total annual integrated capacity of approximately 60,000 tonnes of dairy products. With its own fleet of more than 150 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 18.3 million as at December 31, 2009 and consolidated revenues of approximately GBP 43.2 million for the twelve months of 2009. 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 AUDITED INCOME STATEMENT FOR THE YEARS ENDED
31 DECEMBER 2009 AND 2008
(Amounts in thousands of GBP)

	Year ended 31 December 2009	Year ended 31 December 2008 Restated
Revenue	43,167	51,925
<i>including of branded and SMP products</i>	<i>41,890</i>	<i>49,371</i>
Cost of Sales	(36,238)	(41,494)
Gross profit	6,929	10,431
Administrative expenses	(2,578)	(3,221)
Selling and distribution expenses	(2,601)	(3,342)
Other operating income/ expenses, net	20	(645)
Profit from operations	1,770	3,223
Finance expense, net	(426)	(592)
Effect of foreign currency translation	(249)	(192)
Profit before taxation	1,095	2,439
Income tax expense	(54)	(162)
NET INCOME / EXPENSES FOR THE PERIOD	1,041	2,277
Other comprehensive income	-	-
PPOFIT FOR THE PERIOD	1,041	2,277
Attributable to:		
Equity holders	1,064	2,320
Minority interest	(23)	(43)
Earnings per share:		
Basic	1,041	2,277
Diluted	2.5	5.4

UKRPRODUCT GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS
ENDED 31 DECEMBER 2009 AND 2008
(Amounts in thousands of GBP)

	Year ended 31 December 2009	Year ended 31 December 2008 Restated
Profit for the year	1,041	2,277
Other comprehensive income		
Depreciation of revaluation reserve of property, plant and equipment	127	165
Reduction of revaluation reserve	-	11
Tax effect from change in revaluation reserve	(32)	(44)
Exchange differences on translation to the presentation currency	(974)	1,730
Other comprehensive income for the year, net of tax	(879)	1,862
Total comprehensive income for the year, net of tax	162	4,139
Attributable to:		
Equity holders	194	4,188
Non-controlling interest	(32)	(49)
	162	4,139

UKRPRODUCT GROUP
CONSOLIDATED AUDITED BALANCE SHEET AS AT 31 DECEMBER 2009 AND
2008

(Amounts in thousands of GBP)

	As at 31 December 2009	As at 31 December 2008
ASSETS		
Non-current assets		
Property, plant and equipment	8,534	10,527
Intangible assets	1,065	1,155
Available for sale investments	86	557
Deferred tax assets	63	117
Total non-current assets	9,748	12,356
Current assets		
Inventories	2,445	3,511
Trade and other receivables	4,738	5,643
Current taxes	1,031	267
Other financial assets	79	35
Cash and cash equivalents	236	691
Total current assets	8,529	10,147
TOTAL ASSETS	18,277	22,503
Equity and liabilities		
Equity attributable to equity holders		
Share capital	4,107	4,282
Other reserves	(318)	703
Retained earnings	10,779	10,934
Total equity attributable to equity holders of the parent	14,568	15,919
Minority interest	30	82
Total equity	14,598	16,001
Liabilities		
Non-Current Liabilities		
Deferred tax liabilities	459	697
Promissory notes	-	285
Total Non Current Liabilities	459	982
Current Liabilities		
Bank loans and overdrafts	1,581	3,400
Trade and other payables	1,575	2,011
Taxes payable	32	79
Current income tax liabilities	32	30
Total Current Liabilities	3,220	5,520
TOTAL LIABILITIES AND EQUITY	18,277	22,503

UKRPRODUCT GROUP
CONSOLIDATED AUDITED CASH FLOW STATEMENT FOR THE YEARS ENDED
31 DECEMBER 2009 AND 2008
(Amounts in thousands of GBP)

	Year ended 31 December 2009	Year ended 31 December 2008
Cash flows from operating activities		
Profit for the year	1,041	2,277
Adjustments for:		
Exchange difference	249	192
Depreciation and amortisation	1,405	1,750
Profit of disposal of non-current assets	(7)	13
Interest income	(1)	-
Interest expense	427	592
Income tax expense	54	162
Decrease / (increase) of inventories	667	139
Decrease / (increase) in trade and other receivables	(1,290)	(1,236)
(Decrease) / increase in trade and other payables	(194)	(984)
Cash generated from operations	2,351	2,905
Interest received	1	-
Income tax paid	(150)	(264)
Net cash generated by operating activities	2,202	2,641
Cash flows from investing activities		
Payments for property, plant and equipment	(616)	(1,384)
Proceeds from sale of property, plant and equipment	96	62
Proceeds from sale of investments	492	-

Purchase of available for sale investments	-	(530)
Repayments / (proceeds) from loans issued	(50)	(13)
Net cash used in investing activities	(78)	(1,865)
Cash flows from financing activities		
(Repayments) / proceeds from issue of bonds net of issue costs	0	(811)
Proceeds from issue of shares, net of issue costs	-	628
Own shares acquisition	(210)	-
Dividends paid	(253)	(523)
Interest paid	(427)	(629)
Net proceeds from short term borrowing	(1,461)	361
Proceeds from issue of promissory notes	-	329
Net cash used in financing activities	(2,351)	(645)
Net increase in cash and cash equivalents	(227)	131
Effect of exchange rate changes on cash and cash equivalents	(228)	(527)
Cash and cash equivalents at the beginning of the year	691	1,087
Cash and cash equivalents at the end of the year	236	691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial information set out in this announcement has been prepared in accordance with the recognition and measurement principles of IFRS as endorsed for use in the European Union. The financial information set out in this announcement does not constitute the group's statutory accounts for the year ended 31 December 2009 or the year ended 31 December 2008 but is derived from the 2009 annual report and accounts.

Statutory accounts for the years ended 31 December 2008 and 31 December 2009 have been reported on by the Independent Auditors.

The Independent Auditors' Reports on the Annual Report and Financial Statements for the year ended 31 December 2009 and for the year ended 31 December 2008 were unqualified, did not draw attention to any matters by way of emphasis, and were properly prepared in accordance with the Companies (Jersey) Law 1991, as amended.

Statutory accounts for the year ended 31 December 2008 have been filed with the Companies Registry. The statutory accounts for the year ended 31 December 2009 will be delivered to the Registry in due course.

Following the change in accounting for bonuses paid to retailers, bonus payments were excluded from consolidated revenues for 2009 and 2008.

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 2009	31 December 2008
Net profit attributable to ordinary shareholders, GBP'000	1,064	2,320
Weighted number of ordinary shares in issue	41,997,869	42,817,849
Basic earnings per share, pence	2.5	5.4
Weighted number of WH Ireland warrants in the money	-	-
Weighted number of Directors' option shares in the money	-	-
Diluted average number of shares	41,997,869	42,817,849
Diluted earnings per share, pence	2.5	5.4

3. Dividends

The Board of Directors proposes a final dividend payment of 0.20 pence per ordinary share for the year ended 31 December 2009 which would result in a total dividend payment for the year of 0.40 pence per ordinary share. If approved at the AGM, the final dividend will be paid on 16 July, 2010 to the shareholders on the register as at 11 June, 2010.

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 2009 GBP '000	Year ended 31 December 2008 GBP '000
Final dividend for 2008 of 0.40 pence (2007 – 0.82 pence) per ordinary share proposed and paid during the year relating to the previous year's results	172	351
Interim dividend of 0.20 pence (2008 – 0.40 pence) per ordinary share paid during the year	82	172
Total	254	523

The directors are proposing a final dividend of 0.20 pence (2008 – 0.40 pence) per share totalling GBP 82,000 (2008: GBP 172,000). This dividend has not been accrued at the balance sheet date.

4. Availability of report

The Annual Report and Accounts are expected to be sent to shareholders on June 5, 2010 and will also be available on the Company's website at www.ukrproduct.com.