



UKRPRODUCT GROUP

FOR IMMEDIATE RELEASE

3 April 2012

### **UKRPRODUCT ACQUIRES LLC ZHYVYI KVASS AND ARSENEVSKY TRADEMARK**

**Kyiv, Ukraine** – 3 April 2012 – Ukrproduct Group Limited (“Ukrproduct” or “the Company” or, together with its subsidiaries, “the Group”) (AIM: UKR) is one of the leading producers and distributors of branded dairy products in Ukraine.

The Company announces that it has acquired the “Arsenievsky” branded kvass business. The acquisition has been completed through purchase of the entire issued share capital of LLC Zhyvyi Kvass (“Zhyvyi Kvass”), a producer of “Arsenievsky” branded kvass, and, by way of a separate agreement, the purchase of the “Arsenievsky” trademark for an aggregate consideration of GBP 295 k payable in cash in quarterly instalments out of current facilities.

Ukrproduct has been the exclusive distributor of “Arsenievsky” branded kvass, traditional fermented beverage made from rye, black bread or barley, since September 2010. This has proved to be successful and encouraging growth prospects are foreseen. The existing distribution agreement was due for renewal at the end of 2012.

The Company therefore considers this to be an important strategic acquisition, integrating into Ukrproduct the kvass operations, production facilities, trademark and marketing which will achieve greater efficiency and ensure security of supply and branding.

The Kvass production facility is located in Zhytomyr and is adjacent to the Group’s facilities for the production of processed cheese. This makes it efficient to run joint businesses going forward. Most of the production equipment of Zhyvyi Kvass is new and was commissioned into full operation in July 2011 to EU standards. This has provided for a substantial increase in capacity to satisfy the growing demand for kvass that management believes to be available in the Ukraine and abroad. There are plans to actively develop its sales coverage and the well recognized trademark, as sales in 2011 were generated mainly in three central regions of Ukraine and limited by the lower production capacity which existed before the upgrade was put in place.

The aggregate net asset value of Zhyvyi Kvass at completion, including the “Arsenievsky” trademark (at cost), is GBP 286 k and net debt at 31 December 2011 was GBP 1.77 m. In the year ended 31 December 2011, Zhyvyi Kvass recorded revenue of GBP 1.35 m, operating profit of GBP 49k and a loss before taxation of GBP 76 k after one-off spending on market development. The Company believes that prospects for the kvass business in 2012 are favourable.

Alexander Slipchuk and Sergey Evlanchik, directors of Ukrproduct, are each beneficial owners of 42.5% of the issued share capital of Zhyvyi Kvass and Sergey Evlanchik is the beneficial owner of 47.5% of the issued share capital of the vendor of the trademark. The directors of Ukrproduct who are not involved in the transaction as related parties consider, having consulted with WH Ireland Limited, Ukrproduct’s nominated adviser, that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

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

Ukrproduct Group Ltd.  
Sergey Evlanchik  
Chief Executive Officer  
Tel: +38 044 502 8014  
[sergey.evlanchik@ukrproduct.com](mailto:sergey.evlanchik@ukrproduct.com)

Allenby Capital (Broker)  
Jeremy Porter  
Tel: +44 (0)20 3328 5656

WH Ireland Limited (Nominated Adviser)

Robin Gwyn  
Tel: +44 161 832 2174

**Ukrproduct Group Ltd is one of the leading Ukrainian producers and distributors 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 dairy plants in western and central regions of Ukraine (Zhytomyr, Starokonstantyniv, Krasyliv and Letychiv) with a total annual integrated capacity of approximately 60,000 tons of dairy products. With its own fleet of more than 125 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 26.3 million as at June 30, 2011 and consolidated revenues of approximately GBP 25.0 million for the first six months of 2011. 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 that actual events or results may differ materially. 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.*