



UKRPRODUCT GROUP

**FINAL RESULTS FOR THE YEAR
ENDING 31 DECEMBER 2011**

Ukrproduct Group Limited (“Ukrproduct” or the “Group”) (AIM: UKR), one of the leading producers and distributors of branded dairy products in Ukraine, announces its audited consolidated IFRS results for the twelve months ending 31 December, 2011.

Financial Highlights:

- Revenue increased by 12% to GBP 50.5 m (2010: GBP 45.0 m)
- Gross profit decreased by 5% to GBP 6.8 m (2010: GBP 7.2 m)
- EBITDA declined by 29% to GBP 1.86 m (2010: GBP 2.6 m)
- Tax increased to GBP 431 k (2010: GBP 103 k)
- Profit after Tax declined to GBP 400 k (2010: GBP 1.094 m)
- Dividend withheld in view of a major cost saving capital expenditure program
- Year end cash balance stood at GBP 512 k (2010: GBP 676 k), sufficient to meet current obligations in the short and medium term

Operational Highlights:

- Branded products showed a good performance with revenue increasing by 9% to GBP 34.7 m (2010: 31.8 m) and gross profit increasing by 4% to GBP 6.3 m (2010: GBP 6.0 m)
- Strengthened the market leading position in packaged butter increasing the market share to 23% (22% in 2010)
- Recovered leadership in processed cheese achieving market share of 16.3% (15.5% in 2010)
- Distribution Services improved in terms of revenue and gross profit by 155% and 125% respectively. Especially driven by kvass sales
- Profitability undermined by substantial energy costs increase and a 25% increase in raw milk prices mostly due to the changes in the milk subsidy regime
- SMP remained subdued with the world trading environment and high input costs negating profit making opportunities reversing last year’s profitability (revenue declined by 24.6% to GBP 7.5 m and the gross profit declined by 166% to minus GBP 457 k)
- Tax charge increased substantially owing to new Tax Code
- Launched the reconstruction of the plant in Starokostiantyniv under a loan facility provided by European Bank for Reconstruction and Development. A major cost saving project
- Acquired LLC “Zhyvyi Kvass” a producer of “Arsenievsky” branded kvass, a traditional fermented beverage of which Ukrproduct was the exclusive distributor since September 2010

Sergey Evlanchik, CEO of Ukrproduct, commented:

“The trading environment has remained challenging with unemployment accentuating the squeeze on consumer disposable incomes. Nevertheless, within this Ukrproduct succeeded in building its market positions and thereby sales and aggregate gross profit in core business – branded products, distribution services, export. However on the downside margins were severely curtailed by raw milk price/fuel inflation. SMP reversed profitability. The Tax Code change led to very sizeable increase in the charge.

Going forward there are robust plans to recover profitability. In the core business we plan to build on our momentum and further sales growth is planned. Margins will be key to this end, milk prices are stabilizing at a lower level and a major cost saving capital expenditure program is underway at Starokostiantyniv manufacturing plant. The kvass acquisition is an exciting opportunity. We now have total control over the manufacturing and marketing of this product and will lead to further enhancement of profitability. Meanwhile the financial year to date is showing good progress”

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 audited FY2011 results.

The dial-in numbers for the conference call are:

Standard International: +44 (0) 203 003 2666
UK Toll Free: 0808 109 0700

For the play-back or further information, please visit www.ukrproduct.com or contact:

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The summarised financial statements follow however the full text of the 2011 Annual Report, incorporating the 2011 Audited Financial Statements, is available in pdf form on the Company’s website www.ukrproduct.com.

CONSOLIDATED INCOME STATEMENT

	year ended 31 December 2011 £ '000	year ended 31 December 2010 £ '000
Revenue	50,524	45,020
Cost of sales	(43,725)	(37,866)
GROSS PROFIT	6,799	7,154
Administrative expenses	(2,855)	(2,899)
Selling and distribution expenses	(2,790)	(2,184)
Other operating income / (expenses), net	(183)	(502)
PROFIT FROM OPERATIONS	971	1,569
Net finance costs	(428)	(367)
Effect of foreign currency translation	288	(5)
PROFIT BEFORE TAXATION	831	1,197
Income tax expenses	(431)	(103)
PROFIT FOR THE YEAR	400	1,094
Attributable to:		
Owners of the Parent	410	1,104
Non-controlling interests	(10)	(10)
Earnings per share:		
Basic	1.00	2.69
Diluted	1.00	2.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	year ended 31 December 2011 £ '000	year ended 31 December 2010 £ '000
PROFIT FOR THE YEAR	400	1,094
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation to the presentation currency	(28)	351
Gain on revaluation of property, plant and equipment	-	4,112
Income from changes in tax rates	268	-
Tax effect from change in revaluation reserve	(62)	(1,028)
OTHER COMPREHENSIVE INCOME, NET OF TAX	178	3,435
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	578	4,529
Attributable to:		
Total for owners of the Parent	588	4,539
Total non-controlling interests	(10)	(10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2011 £ '000	As at 31 December 2010 £ '000
ASSETS		
Non-current assets		
Property, plant and equipment	17,173	12,263
Intangible assets	1,055	1,000
Available for sale investments	169	89
Deferred tax assets	50	248
	18,447	13,600
Current assets		
Inventories	4,634	3,985
Trade and other receivables	6,906	5,605
Current taxes	404	1,094
Other financial assets	177	220
Cash and cash equivalents	512	676
	12,633	11,580
TOTAL ASSETS	31,080	25,180
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	4,082	4,082
Other reserves	2,868	2,068
Retained earnings	12,367	12,817
	19,317	18,967
Non-controlling interests	-	20
	19,317	18,987
Non-Current Liabilities		
Bank borrowings	3,844	-
Deferred tax liabilities	881	1,434
	4,725	1,434
Current liabilities		
Bank borrowings	3,514	2,938
Trade and other payables	3,165	1,715
Current income tax liabilities	108	68
Other taxes payable	251	38
	7,038	4,759
TOTAL EQUITY AND LIABILITIES	31,080	25,180

CONSOLIDATED STATEMENT OF CASH FLOWS

	year ended 31 December 2011 £ '000	year ended 31 December 2010 £ '000
Cash flows from operating activities		
Profit before taxation for the year	831	1,197
Adjustments for:		
Exchange difference	(288)	5
Depreciation and amortisation	890	1,068
(Profit)/loss of disposal of property, plant and equipment	(214)	74
Impairment of trade receivables	51	129
Income from disposal of subsidiaries	(18)	-
Interest income	(19)	(20)
Interest expense	447	387
Increase in inventories	(583)	(1,468)
Increase in trade and other receivables	(2,789)	(1,082)
Increase in trade and other payables	1,842	492
Cash generated from operations	150	783
Interest received	19	20
Income tax paid	(511)	(338)
Net cash (used in) / generated by operating activities	(342)	465
Cash flows from investing activities		
Payments for property, plant and equipment	(3,792)	(357)
Proceeds from sale of property, plant and equipment	422	16
Purchase of available for sale investments	-	(203)
Purchase / sale of investments	113	(24)
Repayments of loans issued	(222)	(139)
Net cash used in investing activities	(3,479)	(707)
Cash flows from financing activities		
Own shares acquisition	-	(58)
Dividends paid	(204)	(82)
Interest paid	(447)	(387)
Increase in short term borrowing	561	1,312
Increase in long term borrowing	3,707	-
Net cash used in financing activities	3,617	785
Net (decrease) / increase in cash and cash equivalents	(204)	543
Effect of exchange rate changes on cash and cash equivalents	40	(103)
Cash and cash equivalents at the beginning of the year	676	236
Cash and cash equivalents at the end of the year	512	676

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Attributable to owners of the parent				Total	Non-controlling interests	Total Equity
		Share premium	Revaluation reserve	Retained earnings	Translation reserve			
	£ '000	£ '000	£ '000	£ '000	£ '001	£ '000	£ '000	£ '000
As at 1 January 2010	4,107	4,588	1,333	11,744	(5,777)	14,568	30	14,598
Profit for the year				1,104		1,104	(10)	1,094
Other comprehensive income								
Gain on the revaluation of property, plant and equipment			3,084			3,084		3,084
Currency translation differences					351	351		351
Total comprehensive income	-	-	3,084	1,104	351	4,539	(10)	4,529
Transactions with owners								
Dividends paid				(82)		(82)		(82)
Total transactions with owners	-	-	-	(82)	-	(82)	-	(82)
Depreciation on revaluation of non current assets			(50)	50		-		-
Reduction of revaluation reserve			(1)		1	-		-
Acquiring of shares (Note 22)	(25)	(33)				(58)		(58)
As at 31 December 2010	4,082	4,555	4,366	12,817	(5,426)	18,967	20	18,987
Profit for the year				410		410	(10)	400
Other comprehensive income								
Income from changes of tax rates			206			206		206
Currency translation differences					(28)	(28)		(28)
Total comprehensive income	-	-	206	410	(28)	588	(10)	578
Transactions with owners								
Dividends paid (Note 28)				(204)		(204)		(204)
Total transactions with owners	-	-	-	(204)	-	(204)	-	(204)
Depreciation on revaluation of property, plant and equipment			(302)	302		-		-
Reduction of revaluation reserve			(136)	102		(34)		(34)
Exclusion from Group (Note 2.1 (c))				(1,060)		-	(10)	(10)
As at 31 December 2011	4,082	4,555	4,134	12,367	(5,454)	19,317	-	19,317

These financial statements were approved and authorised for issue by the Board of Directors on 24 April 2012.

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 2011 or the year ended 31 December 2010 but is derived from the 2011 annual report and accounts. Statutory accounts for the years ended 31 December 2011 and 31 December 2010 have been reported on by the Independent Auditors. Statutory accounts for the year ended 31 December 2010 have been filed with the Companies Registry. The statutory accounts for the year ended 31 December 2011 will be delivered to the Registry in due course.

The Independent Auditors' Reports on the Annual Report and Financial Statements for the year ended 31 December 2011 and for the year ended 31 December 2010 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.

2. Change in accounting estimate

The Group changed its basis of depreciation from the reducing balance method for buildings and vehicles to the straight-line method of depreciation. The change was due to the requirements of the new Ukrainian Tax code. The Group also changed the method of depreciation for the production equipment other than cheese manufacturing equipment from reducing balance method to unit of production method. Management believes this method reflects better use of the Group's equipment. The effect of the changes in accounting estimates was to decrease depreciation by about GBP 498,843.

3. Reclassification of delivery cost from the Group's manufacturing to trading enterprises

The Group changed the presentation of product delivery costs from the Group's manufacturing facilities to the trading enterprises. Starting from 1 January 2011 these costs have been included in the cost of sales of finished products. In previous periods these expenses were included within selling and distribution expenses. Management believes this provides a fair presentation of the Group's cost allocation as intercompany transportation expenses are related to cost of sales in accordance with IAS 2 "Inventories". The prior year comparative cost of GBP 517,000 has also been appropriately reclassified.

4. Segmental Information

	Branded products	Non- branded products	Distribution services	Un- allocated	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Sales, Total	76,623	11,497	18,641	-	106,762
Sales to internal customers	41,929	4,027	10,283	-	56,238
Sales to external customers	34,694	7,471	8,359	-	50,524
Gross profit	6,287	(457)	969	-	6,799
Administrative expenses	(1,825)	(286)	(265)	(479)	(2,855)
Selling and distribution expenses	(2,377)	(77)	(296)	(39)	(2,790)
Other operating expenses	(93)	-	-	(90)	(183)
Profit from operations	1,992	(821)	408	(608)	971
Finance expenses, net	-	-	-	(428)	(428)
Loss from exchange differences	-	-	-	288	288
Profit before taxation	1,992	(821)	408	(748)	831
Taxation	-	-	-	(431)	(431)
Profit for the year	1,992	(821)	408	(1,179)	400
Segment assets	17,748	2,384	3,445	-	23,577
Unallocated corporate assets	-	-	-	7,475	7,475
Unallocated deferred tax	-	-	-	227	227
Consolidated total assets	17,748	2,384	3,445	7,702	31,279
Segment liabilities	1,885	-	646	-	2,531
Unallocated corporate liabilities	-	-	-	8,550	8,550
Unallocated deferred tax	-	-	-	881	881
Consolidated total liabilities	1,885	-	646	9,431	11,962
Other segment information:					
Depreciation and amortisation	620	159	46	66	891
Capital expenditure	1,068	2,523	78	93	3,762

SEGMENT INFORMATION (CONTINUED)

	Branded products £ '000	Non- branded products £ '000	Distribution services £ '000	Un- allocate d £ '000	Total £ '000
Sales, Total	81,331	18,325	11,825	-	111,481
Sales to internal customers	49,503	8,412	8,546	-	66,461
Sales to external customers	31,828	9,913	3,279	-	45,020
Gross profit	6,033	693	428	-	7,154
Administrative expenses	(1,942)	(272)	(91)	(594)	(2,899)
Selling and distribution expenses	(1,954)	(61)	(105)	(64)	(2,184)
Other operating expenses	(125)	-	-	(377)	(502)
Profit from operations	2,012	360	232	(1,035)	1,569
Finance expenses, net	-	-	-	(367)	(367)
Loss from exchange differences	-	-	-	(5)	(5)
Profit before taxation	2,012	360	232	(1,407)	1,197
Taxation	-	-	-	(103)	(103)
Profit for the year	2,012	360	232	(1,510)	1,094
Segment assets	15,209	2,662	612	-	18,483
Unallocated corporate assets	-	-	-	6,449	6,449
Unallocated deferred tax	-	-	-	248	248
Consolidated total assets	15,209	2,662	612	6,697	25,180
Segment liabilities	1,027	79	147	-	1,253
Unallocated corporate liabilities	-	-	-	3,506	3,506
Unallocated deferred tax	-	-	-	1,434	1,434
Consolidated total liabilities	1,027	79	147	4,940	6,193
Other segment information:					
Depreciation and amortisation	679	288	16	85	1,068
Capital expenditure	252	107	32	80	471

Sales by country (consignees)	year ended	Sales by country (consignees)	year ended
	31 December 2011		31 December 2010
	£ '000		£ '000
Ukraine	42,302	Ukraine	38,040
Holland	1,900	Singapore	2,377
Russia	1,659	Holland	1,529
Estonia	992	Germany	1,058
Azerbaijan	752	Turkey	676
Greece	514	Azerbaijan	383
Other countries	2,405	Other countries	957
Total	50,524	Total	45,020

The majority of the Group's assets and liabilities are in Ukraine. Sales to the countries in Europe represent sales to international traders of milk powders located in Europe. These traders consequently resell the milk powders to other countries worldwide.

The Group has no customers volume of sales to which exceeds 10% from the total amount.

5. Earnings per share

Basic earnings per share has been calculated by dividing net profit attributable to the ordinary shareholders by the weighted average number of shares in issue.

	year ended	year ended
	31 December	31
	2011	December
	£ '000	2010
	£ '000	£ '000
Net profit attributable to ordinary shareholders	410	1,104
Weighted number of ordinary shares in issue	40,817,599	41,052,531
Basic earnings per share, pence	1.00	2.69
Diluted average number of shares	40,817,599	41,052,531
Diluted earnings per share, pence	1.00	2.69

6. Dividends

Due to the business circumstances dictating the prudence and cash conservation, the Board has decided not to pay a final dividend in respect of the year ended 31 December 2011.