



UKRPRODUCT GROUP

FOR IMMEDIATE RELEASE

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TRADING UPDATE

Kyiv, Ukraine – August 21, 2015 – Ukrproduct Group Limited (“Ukrproduct” or the “Group”) (AIM: UKR), one of the leading Ukrainian producers and distributors of branded dairy foods and beverages (kvass), today announces the following trading update for the six month ended 30 June 2015 ahead of publishing its interim results in September 2015.

Over the past six months Ukrproduct has faced significant headwinds. The Ukrainian economy continued to decline mostly owing to the continuing unrest in the East of the country and the pressured state of Ukrainian economy overall. This reflected in hryvna devaluation, deterioration of consumer confidence and shrinking of the domestic market. Furthermore the closure of the Russian market put further pressure on the Ukrainian market due to oversupply.

The Company sought to defy the increasing challenges of the business environment by revising the regional sales focus, enhancing its sales and operating efficiency as well as adjusting the sales mix in view of the changing consumer preferences.

In dairy the domestic market capacity shrunk across the Company’s key product categories leading to stricter competition. At the same time the raw milk prices showed a year-on-year increase of circa 12% prompted by the tighter competition for supply on the back of the even higher increase for imported dairy ingredients.

Branded dairy products are expected to show a slight increase in revenue in hryvna terms not least as the result of an increasing shift of sales focus from the occupied Eastern regions to other highly populated areas as well as the consumer price increases where appropriate.

The comprehensive marketing campaign for the Company’s “Our Dairyman” brand launched in the end of 2014 continued in 2015 and largely contributed to the improvement of Ukrproduct’s packaged butter and processed cheese sales and overall strengthening of the Company’s market position. Thus the Company expects that over the first half of 2015 both packaged butter and processed cheese segments will show slight increase in sales revenues. At the same time the Company’s market share in packaged butter is expected to increase whilst the market shares of processed cheese in expected to show a slight decrease due to the Company’s decision to support only profitable products going forward and to eliminate some private label projects which were hardly at the break-even point.

The domestic sales of hard cheese category were the most challenged by the ban on exports to Russia. Thus the Company strived to expand its geography of sales and successfully resumed the sales to Crimea via a distributor. As result the sales of hard cheese are expected to show a good progress compared to the first half of 2014 in both volume and revenue terms.

On the gross profit level the contracting effective average wages made it very difficult to increase the consumer prices to fully offset the sharp rise in input costs namely energy and dairy ingredients, not least milk. As result the gross profit of branded dairy products is expected to show a sizeable decrease mostly owing to the packaged butter and processed cheese categories.

The sales of **kvass** are anticipated to show an increase in H1’2015 compared to the same period last year due to the successful sales promotion in the Southern Regions excluding Crimea and other large cities.

Skimmed Milk Powder (SMP) segment showed a considerable decline following the global dairy commodities prices contraction due to the oversupply caused not least by the Russian

embargo. Thus the Company expects the revenues in foreign currency and the gross profit in this segment to decrease substantially.

Meanwhile the Company continued to improve the efficiency of its production capacities utilization via placement of the third party orders for skimmed milk. As a result the revenues and the gross profit of the **third party services** is expected to show a healthy increase year on year.

Finances – Hryvna revenues grew overall, however the gross profit showed a very significant contraction. Thereby EBITDA while remaining positive fell similarly. This decline was further accentuated by the negative exchange differences resulting in the expected loss overall.

As at the date of this announcement Ukrproduct continues the negotiations with the European Bank for Reconstruction and Development to restructure the loan repayment and expects the process to be completed in the second half of 2015. Meanwhile the Company's payments of interest on the loan are up-to-date.

The Group's cash levels are sufficient to meet current debt interest obligations in the short and medium term.

Outlook – The Company is adapting to this most challenging business environment and is working to restore profitability according to a programme. The sales and marketing are orientated to the non-occupied regions with sales geared to cash and not just revenue. The productivity improving efficiencies and cost eliminations are being achieved and more are targeted. In this volatile trading environment working capital is subject to most strict control. Finally cash is the focus of all these initiatives.

For further information, please visit www.ukrproduct.com or contact:

Ukrproduct Group Ltd

Jack Rowell, Non-Executive Chairman

Sergey Evlanchik, Chief Executive Officer

Tel: +380 44 232 9602

www.ukrproduct.com

ZAI Corporate Finance Ltd.

Nominated Adviser and Broker

Richard Morrison, Irina Lomova

Tel: +44 20 7060 2220

www.zaicf.com

Ukrproduct Group Ltd is one of the leading Ukrainian producers and distributors of branded dairy products and kvass, a traditional fermented beverage. The Group's product portfolio includes processed and hard cheese, packaged butter, skimmed milk powder (SMP) and kvass. 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 reported total assets of approximately GBP 17.7 million as at December 31, 2014 and consolidated revenues of approximately GBP 31.9 million for the twelve months ended December 31, 2014. 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.