



UKRPRODUCT GROUP

FOR IMMEDIATE RELEASE

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TRADING UPDATE

Kyiv, Ukraine – 15 January 2016 – 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 a trading update as the 2015 trading period drew to a close. The full year financial results are expected to be released in the second quarter of 2016.

Over the year Ukrproduct faced significant headwinds. The Ukrainian economy continued under pressure accentuated by the unrest in the East of the country. This has reflected in the major devaluation of its currency, deterioration of consumer confidence and geographic contraction of the available market. Closure of the Russian market further intensified the local competition.

Trading - Whilst revenues in hryvnia terms grew, the overall gross profit in dairy products suffered a significant downturn. This was caused by the rising prices of raw materials including the raw milk and imported components. The compensating pricing was difficult and reduced demand further. In addition, volumes contracted as the Company has sought to manage its counterparty risk by stopping selling to customers with weak credit ratings.

Revenue growth in hryvnia terms resulted from increased sales of packaged butter, hard cheese and third party orders, in particular a 25% increase in skimmed milk powder sales. Other product lines such as processed cheese, processed cheese product and bulk and packaged spreads were marginally down on the previous period. Sales and profitability of the beverage, Kvass, grew marginally, this was achieved by adjusting the sales mix. Kvass production is becoming increasingly important for the company business going forward.

The export business has been increasingly successful and given the devaluation is pursued further. To this end recently the access to China and Kazakhstan markets has been approved and opportunities there are being sought.

Finances

The overall financial performance was undermined by the fall in gross profit given the cost increase and the decline in volumes. The ongoing efficiency improvement program has been able to offset these factors to some extent although EBITDA still fell significantly. This decline was accentuated by the devaluation of hryvnia, weakening approximately 52% against the pound versus the comparative financial period, which induced increase in the interest rates and produced the negative exchange difference leading to an overall loss in 2015. However, the cash flow situation has been significantly improved by the careful working capital management including debtors.

As the cost of the EBRD euro denominated loan was inflated by the devaluation of hryvnyia, the bank undertook a thorough business review as a part of the loan restructuring negotiations. That resulted in the agreement with EBRD to restructured terms including the extension of the maturity date of the loan from 2018 to 2024 and a year’s grace period. The Board believes that these terms provide confidence and are favourable for the Group relieving immediate pressure on cash flow whilst ensuring that the loan will be repaid in full over a longer

period. The Group expects to finalise documentation on restructuring of the loan with EBRD during the first half of 2016.

Outlook

Ukrproduct's business is being reset to operate successfully in a very challenging market place. To that end a comprehensive review programme of the business operations and practices is underway. Given the volatile environment the working capital and capital expenditure are subject to day-to-day monitoring and stringent control. The sales and marketing departments are focused on further penetration of the Ukrainian market (excluding occupied Crimea and the eastern territories). The kvass business remains one of the major focus areas of further growth. Additionally, the Group undertakes further expansion of its export sales seeing high potential in the markets of EU, China and Kazakhstan. Moreover, the manufacturing facilities are being streamlined and further utilised for third party products. Finally, overheads are being materially reduced. Undoubtedly, there is more to do to ensure that Ukrproduct's business adapts to and is synchronised with current market conditions but we are pursuing a structured plan to return to profitability.

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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 13.5 million as at June 30, 2015 and consolidated revenues of approximately GBP 9.8 million for the six months ended June 30, 2015. 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.