



UKRPRODUCT GROUP

**FINAL RESULTS FOR THE YEAR  
ENDING 31 DECEMBER 2010**

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, 2010.

**Financial Highlights:**

- Revenue of £45.0m, up 4.3% (2009 £43.2m) and Gross Profit of £7.7m, up 10.7% (2009 £6.9m)
- Net Profit of £1.094m, up 5.1% (2009 £1.04m)
- Basic Earnings per share of 2.69p versus 2.50p last year (up 7.6%)
- Proposed Dividend per share of 0.50p per share versus 0.40p per share last year (up 25.0%)
- Year end net cash of £0.676m versus £0.236m last year sufficient to meet current debt obligations in the short and medium term and access to additional banking facilities if required.

**Operational Highlights:**

- Ukrainian economy beginning to recover with real GDP rising 4.2% (according to official statistics from GfK) in 2010 (2009 down 15%), consumer disposable incomes continuing to be squeezed
- H2 2010 was particularly strong compared to H1 2010 which bodes well for a sustained recovery in 2011, with gross profit up 40.9% in the second half
- Profitability improved significantly, from 15.4% in H1 2010 to 18.4% in H2 2010, with gross profit in Branded Goods – which accounts for over 70% of Group revenues – up 92% in H2
- Branded Products – maintained market leadership in packaged butter, with marketing initiatives supporting a strong sales drive in middle and premium processed cheese markets
- Skimmed Milk Powder – recorded better profits although later, rising EU exports and raw material prices were a challenge
- Distribution services - network being leveraged for third party products, namely Kvass (fermented beverage) and imported frozen fish
- Senior management team strengthened with new appointments of CFO, Director of Sales and Director of Marketing.

**Sergey Evlanchik, CEO of Ukrproduct, commented:**

“Despite a challenging economic environment in Ukraine, Ukrproduct achieved positive revenue and net profit growth in 2010. Our core strategic focus of adjusting the product mix to match changing consumer purchasing power, backed by strong sales and marketing initiatives, is beginning to pay off. Restoring profit margins will be helped by improving production efficiency and capital investment.

Thus although we expect the current pressure on Ukrainian consumer finances to be maintained we see plenty of potential for sales and profit growth through improving efficiency gains looking forwards. Also we are leveraging our existing business by expanding exports as well as our distribution services. I have every confidence that the new team will assist me in driving forward Ukrproduct’s strategy of increasing sales and improving profitability.”



**UKRPRODUCT GROUP**

**Enquiries:**

**Ukrproduct**

Sergey Evlanchik, CEO

Tel: +38 044 502 8014

**PBN Buchanan**

Laura Citron

Tel: +44 07912601137

**WH Ireland Limited**

Robin Gwyn

Tel: +44 (0)161 832 2174

**Conference call for analysts and investors today 10.30am**

Local: (UK)

0845 351 0340

National free phone: (Ukraine)

0800 504 837

Participant Code

982592

The playback facility for the call will be available for ten days upon request using the same numbers.

The summarised financial statements follow, however the full text of the 2010 Annual Report, incorporating the 2010 Audited Financial Statements, is available in pdf form on the Company's website [www.ukrproduct.com](http://www.ukrproduct.com).



## UKRPRODUCT GROUP

---

**CONSOLIDATED INCOME STATEMENT**


---

	Year ended 31 December 2010 £ '000	Year ended 31 December 2009 £ '000
Revenue	45,020	43,167
Cost of sales	(37,349)	(36,238)
<b>GROSS PROFIT</b>	<b>7,671</b>	<b>6,929</b>
Administrative expenses	(2,899)	(2,578)
Selling and distribution expenses	(2,701)	(2,601)
Other operating income / (expenses), net	(502)	20
<b>PROFIT FROM OPERATIONS</b>	<b>1,569</b>	<b>1,770</b>
Finance income / (expenses), net	(367)	(426)
Effect of foreign currency translation	(5)	(249)
<b>PROFIT BEFORE TAXATION</b>	<b>1,197</b>	<b>1,095</b>
Income tax expenses	(103)	(54)
<b>PROFIT FOR THE YEAR</b>	<b>1,094</b>	<b>1,041</b>
Attributable to:		
Equity holders of the Parent	1,104	1,064
Non-controlling interests	(10)	(23)
Earnings per share (pence):		
Basic	2.69	2.50
Diluted	2.69	2.50



## UKRPRODUCT GROUP

---

 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 

---

	Year ended 31 December 2010 £ '000	Year ended 31 December 2009 £ '000
PROFIT FOR THE YEAR	1,094	1,041
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation to the presentation currency	351	(1,954)
Gain from revaluation of property, plant and equipment	4,112	-
Tax effect from change in revaluation reserve	(1,028)	-
OTHER COMPREHENSIVE INCOME, NET OF TAX	<u>3,435</u>	<u>(1,954)</u>
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>4,529</u>	<u>(913)</u>
Attributable to:		
Equity holders of the Parent	4,539	(890)
Non-controlling interests	(10)	(23)



## UKRPRODUCT GROUP

---

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**


---

	As at 31/12/2010 £ '000	As at 31/12/2009 £ '000
	<hr/>	<hr/>
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	12,263	8,534
Intangible assets	1,000	1,065
Available for sale investments	89	86
Deferred tax assets	248	63
	<hr/>	<hr/>
	13,600	9,748
Current assets		
Inventories	3,985	2,445
Trade and other receivables	5,605	4,738
Current taxes	1,094	1,031
Other financial assets	220	79
Cash and cash equivalents (excluding bank overdrafts)	676	236
	<hr/>	<hr/>
	11,580	8,529
<b>TOTAL ASSETS</b>	<hr/> <hr/>	<hr/> <hr/>
	25,180	18,277
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders		
Share capital	4,082	4,107
Other reserves	2,068	(1,283)
Retained earnings	12,817	11,744
	<hr/>	<hr/>
	18,967	14,568
Non-controlling interests	20	30
	<hr/>	<hr/>
	18,987	14,598
Non-Current Liabilities		
Deferred tax liabilities	1,434	459
	<hr/>	<hr/>
	1,434	459
Current liabilities		
Bank loans and overdrafts	2,938	1,581
Trade and other payables	1,715	1,575
Taxes payable	38	32
Current income tax liabilities	68	32
	<hr/>	<hr/>
	4,759	3,220
<b>TOTAL LIABILITIES AND EQUITY</b>	<hr/> <hr/>	<hr/> <hr/>
	25,180	18,277



## UKRPRODUCT GROUP

---

**CONSOLIDATED STATEMENT OF CASH FLOWS**


---

	Year ended 31/12/2010 £ '000	Year ended 31/12/2009 £ '000
	<hr/>	<hr/>
Cash flows from operating activities		
Profit for the year	1,094	1,041
Adjustments for:	-	-
Exchange difference	5	249
Depreciation and amortisation	1,068	1,405
Loss / (profit) of disposal of property, plant and equipment	74	(7)
Bad debts expenses	129	-
Interest income	(20)	(1)
Interest expense	387	427
Income tax expense	103	54
Decrease / (increase) of inventories	(1,468)	667
Decrease / (increase) in trade and other receivables	(1,082)	(1,290)
(Decrease) / increase in trade and other payables	492	(194)
Cash generated from operations	<hr/> 783	<hr/> 2,351
Interest received	20	1
Income tax paid	<hr/> (338)	<hr/> (150)
Net cash generated by operating activities	465	2,202
Cash flows from investing activities		
Payments for property, plant and equipment	(357)	(616)
Proceeds from sale of property, plant and equipment	16	96
Purchase of available for sale investments	(203)	-
Proceeds from sale of investments	(24)	492
Repayments / (proceeds) from loans issued	<hr/> (139)	<hr/> (50)
Net cash used in investing activities	(707)	(78)
Cash flows from financing activities		
Own shares acquisition	(58)	(210)
Dividends paid	(82)	(253)
Interest paid	<hr/> (387)	<hr/> (427)
Net proceeds from short term borrowing	1,312	(1,461)
Net cash used in financing activities	<hr/> 785	<hr/> (2,351)
Net increase in cash and cash equivalents	543	(227)
Effect of exchange rate changes on cash and cash equivalents	(103)	(228)
Cash and cash equivalents at the beginning of the year	236	691
Cash and cash equivalents at the end of the year	676	236



UKRPRODUCT GROUP

## 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 2010 or the year ended 31 December 2009 but is derived from the 2010 annual report and accounts. Statutory accounts for the years ended 31 December 2009 and 31 December 2010 have been reported on by the Independent Auditors. Statutory accounts for the year ended 31 December 2009 have been filed with the Companies Registry. The statutory accounts for the year ended 31 December 2010 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 2010 and for the year ended 31 December 2009 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

Starting from 01 January 2010 the Group applied a production method of depreciation for some items of cheese-making equipment. Management believes this method reflects more reliable information on consumption of economic benefits of these facilities as they are not operational at full capacity and are not influenced by moral depreciation. This change of the accounting estimate is applied prospectively. The impact of the revision of the depreciation method amounts to a decrease of GBP 313,958 in the depreciation accrued for 2010.



## UKRPRODUCT GROUP

## 3. Segmental Information

Year ended 31 December 2010 (GBP '000)	Branded products £ '000	Skimmed milk powder £ '000	Other £ '000	Un-allocated £ '000	Total £ '000
Sales, Total	81,331	17,081	13,069	-	111,481
Sales to internal customers	49,503	8,412	8,546	-	66,461
Sales to external customers	31,828	8,669	4,523	-	45,020
Gross profit	6,550	703	418	-	7,671
Administrative expenses	(1,942)	(272)	(91)	(594)	(2,899)
Selling and distribution expenses	(2,471)	(61)	(105)	(64)	(2,701)
Other operating expenses	(125)	-	-	(377)	(502)
Profit from operations	2,012	370	222	(1,035)	1,569
Finance expenses, net	-	-	-	(367)	(367)
Loss from exchange differences	-	-	-	(5)	(5)
Profit before taxation	2,012	370	222	(1,407)	1,197
Taxation	-	-	-	(103)	(103)
Profit for the year	2,012	370	222	(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





## UKRPRODUCT GROUP

SEGMENT INFORMATION (continued) 31 December 2009	Branded products £ '000	Skimmed milk powder £ '000	Other £ '000	Un- allocated £ '000	Total £ '000
Sales, Total	72,757	28,177	8,138	-	109,072
Sales to internal customers	42,893	16,151	6,861	-	65,905
Sales to external customers	29,864	12,026	1,277	-	43,167
Gross profit	6,480	267	182	-	6,929
Administrative expenses	(1,686)	(210)	(14)	(668)	(2,578)
Selling and distribution expenses	(2,218)	(29)	(24)	(330)	(2,601)
Other operating expenses	-	-	-	20	20
Profit from operations	2,576	28	144	(978)	1,770
Finance expenses, net	-	-	-	(426)	(426)
Loss from exchange differences	-	-	-	(249)	(249)
Profit before taxation	2,576	28	144	(1,653)	1,095
Taxation	-	-	-	(54)	(54)
Profit for the year	2,576	28	144	(1,707)	1,041
Segment assets	11,626	1,661	505	-	13,792
Unallocated corporate assets	-	-	-	4,422	4,422
Unallocated deferred tax	-	-	-	63	63
Consolidated total assets	11,626	1,661	505	4,485	18,277
Segment liabilities	933	-	-	-	933
Unallocated corporate liabilities	-	-	-	2,287	2,287
Unallocated deferred tax	-	-	-	459	459
Consolidated total liabilities	933	-	-	2,746	3,679
Other segment information:					
Depreciation and amortisation	989	280	10	126	1,405
Capital expenditure	588	110	6	15	719

The unallocated corporate liabilities represent bank loans, overdrafts and accruals.



## UKRPRODUCT GROUP

The basis of pricing of the inter-segment transfers is the current market price at which the goods could be bought on the spot market externally but not lower than the full production costs plus the accompanying transport expenses.

Secondary reporting format - geographical segments:

Sales by country (consignees)	year ended 31 December 2010 £ '000	Sales by country (consignees)	year ended 31 December 2009 £ '000
Ukraine	38,040	Ukraine	30,827
Holland	2,377	Singapore	4,480
Germany	1,529	Holland	1,810
Singapore	1,058	Germany	1,366
Kazakhstan	676	Turkey	1,141
Azerbaijan	383	Azerbaijan	793
Other countries	957	Other countries	2,750
<b>Total</b>	<b>45,020</b>	<b>Total</b>	<b>43,167</b>

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 the volume of sales to which exceeds 10% of the total amount.

#### 4. Earnings per share

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

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Net profit attributable to ordinary shareholders	1,104	1,064
Weighted number of ordinary shares in issue	41,052,531	41,997,869
Basic earnings per share, pence	2.69	2.50
Diluted average number of shares	41,052,531	41,997,869
Diluted earnings per share, pence	2.69	2.50

#### 5. Dividends

As at April 1, 2011, the Board of Directors proposed a final dividend payment of 0.50 pence per ordinary share for the full year ended December 31, 2010 in the amount of GBP 210,000. If approved at the AGM, the final dividend will be paid on June 24, 2011 to the shareholders on the register as at May 20, 2011.