



FOR IMMEDIATE RELEASE

17 December, 2008

## **UKRPRODUCT ANNOUNCES TRADING UPDATE FOR THE YEAR ENDING 31 DECEMBER 2008**

**Kiev, Ukraine** – 17 December, 2008 – Ukrproduct Group Ltd (“Ukrproduct” or the “Group”) (AIM: UKR), one of the leading producers and distributors of branded dairy products in Ukraine, today provided the following pre-close trading update for the year ending 31 December, 2008 ahead of announcing its full year results in April 2009.

Despite challenging market conditions, the Group has performed in line with management’s expectations during the second half of 2008.

In accordance with its stated strategy, Ukrproduct has further expanded the Group’s branded products segment (including processed cheese, hard cheese, butter and spreads) and continues to invest in its procurement, distribution and marketing functions. As a result, there was a significant increase in sales and production volumes of branded products in the second half of the year compared to the first half. In particular, in the five month period between July and November 2008 sales volumes of products under the Group’s new premium brand ‘Molendam’ nearly tripled compared to the first half of 2008. In September, the Group launched a nationwide marketing campaign for its leading brand ‘Our Dairyman’. Following this initiative, at today’s date Ukrproduct had added 11 retail shops to its distribution network. During September and October, Ukrproduct conducted a retail audit to measure the presence of its branded products in stores across Ukraine. According to the audit’s findings, Ukrproduct branded products are sold in approximately 50% of Ukrainian retail chains with ‘Our Dairyman’ butter and cheeses, in particular, enjoying a 60% presence.

Sales and production volumes of the Group’s unbranded products, including skimmed milk powder (SMP), have continued to impact Ukrproduct’s performance in the second half of the year. Following more than a halving of SMP prices worldwide this year the Group expects a significant decrease in its export volumes next year and is instead focusing on domestic clients.

Ukrproduct’s gross margins are expected to have remained stable in the second half of 2008 compared to the first half despite the increase in volatility of global commodity prices and cost inflation. The Group has introduced a set of measures to effectively manage its cost base. In particular, in October Ukrproduct fixed raw milk prices for purchasing supplies in local currency, Ukrainian hryvnia. The Group is continuing to optimise its logistics and distribution costs, as well as the head count. Ukrproduct has centralised its purchasing function to achieve better economies of scale and is proactively managing its debtors’ situation. During the second half Ukrproduct reduced its capital expenditure by 22% compared to the first half of the year. Furthermore, management does not expect capital

expenditure to exceed GBP 1 million in 2009. The Group's profit after tax in the second half of 2008 is now anticipated to be in line with the first half of the year.

Ukrproduct's financial position remains stable. The Group's cash levels are sufficient to meet current debt obligations in the short and medium term. In addition, the Group has access to additional banking facilities if required.

Management is confident that the Group can deliver on its stated strategic objectives for the future.

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

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**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, well known and highly regarded by consumers ("Our Dairyman", "People's Product", "Creamy Valley", "Molendam", "Farmer's"). The Group has modern production facilities that comprise four dairy plants in western and central regions of Ukraine (Molochnik, Starokonstantinovskiy Dairy Plant, Zhmerinka Plant and Letichiv Dairy Plant) with a total annual integrated capacity of approximately 70,000 tons of dairy products. Ukrproduct has one of the largest logistics and distribution networks which covers eight major cities of Ukraine with its own fleet of 266 vehicles. The Group reported total assets of approximately GBP 25.1 million as at June 30, 2008 and consolidated revenues of approximately GBP 23.6 million for the first six months of 2008. 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.*