



**UKRPRODUCT GROUP**

**3 April 2018**

## **Ukrproduct Group Ltd**

("Ukrproduct", the "Company" or, together with its subsidiaries, the "Group")

### **Year End Trading Update**

Ukrproduct, one of the leading Ukrainian producers and distributors of branded dairy foods and beverages (kvass), is pleased to announce the following trading update for the year ended 31 December 2017 ("FY 2017").

#### **Highlights:**

- For FY2017, the Group expects to report increased revenue and gross margin, contributing to increased EBITDA and overall positive cash flow generation.
- The Group expects to generate an operating profit of approximately UAH 16.2 million (approximately £0.5 million) in 2017 compared with an operating loss of approximately UAH 7.4 million (approximately £0.2 million) in 2016.
- Post year end, the Group improved its capital structure by entering into a new loan agreement with Creditwest Bank and the subsequent repayment of the OTP Bank loan.
- Overall macroeconomic outlook in Ukraine is improving.

#### **Trading**

In FY2017, the Ukrainian economy showed encouraging growth in GDP, with increased wages leading to an improvement in consumer confidence. As a result, whilst the operating environment remains competitive, the Group's trading opportunities have improved domestically. In addition, the weakening of the hryvna has provided the Group with additional business development opportunities in its export markets. Ukrproduct's strategy has been to continue to focus on cash generation, ensure that its product offerings and service levels remain competitive, exploit export opportunities and to seek further cost efficiencies.

The Group expects to report improved revenue of approximately UAH 1.0 billion (approximately £31 million) as well as a stronger gross margin, with the Group increasing sales of branded products in its key segments of packaged butter and processed cheese. The Group has also pursued several export opportunities and expects to recorded revenues from exported products to double in FY2017, primarily as a result of increased sales in packaged butter. Private label sales were lower in FY2017 as the Company pursued stronger margin revenue streams. The Group also expects to report increased kvass beverage sales as new products were introduced to the market in FY2017.

Growth in sales of butter led to more skimmed milk powder being produced as a related product. Whilst the sale of skimmed milk powder itself is lossmaking, due to the global market price imposed, the overall milk processing is profitable.

Ukrproduct's spray drying facility at its Starokonstantyniv plant, which produces powdered milk, is now expected to afford the opportunity for B2B sales, by providing a service for drying milk requested by manufacturers of dairy products, thereby enhancing the Group's future profits.

As a result, the Group expects to report an operating profit of approximately UAH 16.2 million (approximately £0.5 million) in FY2017, compared with an operating loss of approximately UAH 7.4 million (approximately £0.2 million) in FY2016. The operating profit for FY2017 is also expected to include lower finance charges related to the outstanding debt with EBRD.

Following the Group's increase in gross profit, the Group expects record improved EBITDA, however, an overall loss for the year is expected, due to the negative impact of exchange rate differences.

### **Financial Position**

As at 31 December 2017, the Group expects to report net liabilities of UAH 429.0 million (approximately £11.4 million), with cash balances of UAH 18.7 million (approximately £0.5 million). However, post year end, the Group's financial position was improved following the UAH 65.0 million (approximately £1.755 million) new loan agreement with PJSC Creditwest Bank ("Creditwest") and the subsequent repayment, in full, of the OTP Bank Loan, and, in March 2018, Ukrproduct made a scheduled repayment of approximately €177,175 to EBRD.

### **Outlook**

Ukrproduct will continue to work to enhance its operating profitability and cash flow generation and continue to seek to improve its competitive position in the markets in which it operates.

For further information contact:

Ukrproduct Group Ltd

Jack Rowell, Non-Executive Chairman

Tel: +380 44 232 9602

Alexander Slipchuk, Chief Executive Officer

[www.ukrproduct.com](http://www.ukrproduct.com)

Strand Hanson Limited

Nominated Adviser and Broker

Tel: +44 20 7409 3494

Rory Murphy, James Dance, Jack Botros

*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").*

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 current 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. Ukrproduct's securities are traded under the symbol "UKR" on AIM, a market operated by the London Stock Exchange.