



UKRPRODUCT GROUP

27 June 2018

**UKRPRODUCT GROUP LIMITED**  
(“Ukrproduct”, the “Company” or, together with its subsidiaries, the “Group”)

**FINAL RESULTS**  
**ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**  
**NOTICE OF AGM**

Ukrproduct Group Limited (AIM: UKR), one of the leading Ukrainian producers and distributors of branded dairy foods and beverages (kvass) today announces its audited results for the year ended 31 December 2017.

Copies of the Group’s annual report and accounts, incorporating the 2017 Audited Financial Statements, will shortly be posted to shareholders and will be available on the Company’s website at [www.ukrproduct.com](http://www.ukrproduct.com). Copies will also be available from the Company’s head office, 10th Floor, 39-14 Shota Rustaveli St., Kiev 01033, Ukraine.

The Board of Ukrproduct is also pleased to announce that the Notice of Annual General Meeting (“AGM”), along with a Proxy Form, will shortly be posted to shareholders.

The AGM will be held at the head office of the Company, 10th Floor, 39-41 Shota Rustaveli Street, 01033 Kyiv, Ukraine at 6 pm (Kyiv time) on Thursday, 3 August 2018. Copies of the [Notice of AGM](#) and [Proxy Form](#) will be available for download on the Company’s website at [www.ukrproduct.com](http://www.ukrproduct.com), as well as by request at the following address: Ocorian Secretaries (Jersey) Limited, Secretary, 26 New Street St. Helier, Jersey JE2 3RA Channel Islands.

For further information contact:

Ukrproduct Group Ltd  
Jack Rowell, Non-Executive Chairman  
Alexander Slipchuk, Chief Executive Officer

Tel: +380 44 232 9602  
[www.ukrproduct.com](http://www.ukrproduct.com)

Strand Hanson Limited  
Nominated Adviser and Broker  
Rory Murphy, James Dance, Jack Botros

Tel: +44 20 7409 3494  
[www.strandhanson.co.uk](http://www.strandhanson.co.uk)

*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.**

## **Chairman and Chief Executive's Statement**

### **Trading**

During the year ended 31 December 2017 ("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 conditions 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.

For FY2017 the Group reports improved revenue of UAH 1.0 billion (approximately £30.5 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 resulting in the doubling of export revenues 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 reports 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 business is profitable.

Ukrproduct's spray drying facility at its Starokonstantyniv plant, which produces powdered milk, afforded the opportunity to enhance profits, by providing a service for drying milk requested by other manufacturers of dairy products, thereby enhancing the Group's profits.

As a result, the Group reports an operating profit of UAH 16.2 million (approximately £0.5 million) in FY2017, compared with an operating loss of UAH 7.4 million (approximately £0.2 million) for the full year ended 31 December 2016 ("FY2016"). The operating profit for FY2017 included lower finance charges related to the outstanding debt with EBRD.

Following the Group's increase in gross profit, the Group recorded an improved EBITDA margin of 3.5%, however, an overall loss £1.1 million for the year is recorded, due to the negative impact of exchange rate differences.

## **Financial Position**

As at 31 December 2017, the Group reports total liabilities of UAH 428.0 million (approximately £11.3 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 £1.7 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 €177,175 to EBRD and in June 2018 - €176, 529.

## **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. The year 2018 is showing a continued improvement in financial performance.

**Ukrproduct Group**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
*(in thousand GBP, unless otherwise stated)*

	year ended 31 December 2017 £ '000	year ended 31 December 2016 £ '000	#
Revenue	30 525	20 190	
Cost of sales	(27 267)	(18 071)	
<b>GROSS PROFIT</b>	<b>3 258</b>	<b>2 119</b>	
Administrative expenses	(1 031)	(930)	
Selling and distribution expenses	(1 561)	(1 367)	
Other operating expenses	(156)	(17)	
<b>PROFIT/(LOSS) FROM OPERATIONS</b>	<b>510</b>	<b>(195)</b>	
Net finance expenses	(437)	(623)	
Foreign exchange loss, net	(1 250)	(743)	
<b>LOSS BEFORE TAXATION</b>	<b>(1 177)</b>	<b>(1 561)</b>	
Income tax expenses	62	77	
<b>LOSS FOR THE YEAR</b>	<b>(1 115)</b>	<b>(1 484)</b>	
<b>Attributable to:</b>			
Owners of the Parent	(1 115)	(1 484)	
Non-controlling interests	-	-	
 Earnings per share:			
Basic	(2,81)	(3,74)	
Diluted	(2,81)	(3,74)	
 <b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences	(113)	513	
<b>Items that will not be reclassified to profit or loss</b>			
Gain on revaluation of property, plant and equipment	-	-	
Income tax in respect of revaluation reserve	-	-	
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>(113)</b>	<b>513</b>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(1 228)</b>	<b>(971)</b>	
<b>Attributable to:</b>			
Owners of the Parent	(1 228)	(971)	
Non-controlling interests	-	-	

Ukrproduct Group  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 December 2017**  
*(in thousand GBP, unless otherwise stated)*

	As at 31 December 2017 £ '000	As at 31 December 2016 £ '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	6 288	7 511
Intangible assets	543	656
Deferred tax assets	-	-
	<b>6 831</b>	<b>8 167</b>
<b>Current assets</b>		
Inventories	2 426	1 855
Trade and other receivables	2 171	2 507
Current taxes	271	230
Other financial assets	30	18
Cash and cash equivalents	496	175
	<b>5 394</b>	<b>4 785</b>
<b>TOTAL ASSETS</b>	<b>12 225</b>	<b>12 952</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	3 967	3 967
Share premium	4 562	4 562
Translation reserve	(14 894)	(14 781)
Revaluation reserve	3 769	3 935
Retained earnings	3 478	4 427
	<b>882</b>	<b>2110</b>
Non-controlling interests	-	-
<b>TOTAL EQUITY</b>	<b>882</b>	<b>2110</b>
<b>Non-Current Liabilities</b>		
Bank loans	5 716	-
Long-term payables	459	441
Deferred tax liabilities	262	363
	<b>6 437</b>	<b>804</b>
<b>Current liabilities</b>		
Bank loans	1 318	7 162
Trade and other payables	3 565	2 854
Current income tax liabilities	-	10
Other taxes payable	23	12
	<b>4 906</b>	<b>10 038</b>
<b>TOTAL LIABILITIES</b>	<b>11 343</b>	<b>10 842</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12 225</b>	<b>12 952</b>

**Ukrproduct Group**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 December 2017**  
*(in thousand GBP, unless otherwise stated)*

	Attributable to owners of the parent					Total	Non-controlling interests	Total Equity
	Share capital	Share premium	Revaluation reserve	Retained earnings	Translation reserve			
	£ '000	£ '000	£ '000	£ '000	£ '001			
<b>As At 1 January 2016</b>	<b>3 967</b>	<b>4 562</b>	<b>4 192</b>	<b>5 654</b>	<b>(15 294)</b>	<b>3 081</b>	-	<b>3 081</b>
Loss for the year	-	-	-	(1 484)	-	(1 484)	-	(1 484)
<b>Other comprehensive income</b>								
Gain on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	513	513	-	513
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 484)</b>	<b>513</b>	<b>(971)</b>	<b>-</b>	<b>(971)</b>
Depreciation on revaluation of property, plant and equipment	-	-	(248)	248	-	-	-	-
Reduction of revaluation reserve	-	-	(9)	9	-	-	-	-
<b>As At 31 December 2016</b>	<b>3 967</b>	<b>4 562</b>	<b>3 935</b>	<b>4 427</b>	<b>(14 781)</b>	<b>2 110</b>	-	<b>2 110</b>
Loss for the year	-	-	-	(1 115)	-	(1 115)	-	(1 115)
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	-	(113)	(113)	-	(113)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 115)</b>	<b>(113)</b>	<b>(1 228)</b>	<b>-</b>	<b>(1 228)</b>
Depreciation on revaluation of property, plant and equipment	-	-	(166)	166	-	-	-	-
<b>As At 31 December 2017</b>	<b>3 967</b>	<b>4 562</b>	<b>3 769</b>	<b>3 478</b>	<b>(14 894)</b>	<b>882</b>	-	<b>882</b>

Ukrproduct Group  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
AS AT 31 December 2017  
*(in thousand GBP, unless otherwise stated)*

	year ended 31 December 2017 £ '000	year ended 31 December 2016 £ '000
<b>Cash flows from operating activities</b>		
Loss before taxation	(1 177)	(1 561)
Adjustments for:		
Exchange difference	1 250	743
Depreciation and amortisation	553	589
Loss/(Profit) on disposal of non-current assets	8	25
Write off of receivables/payables	(5)	32
Impairment of inventories	82	120
Loss from disposal of subsidiaries		(3)
Interest income	-	(1)
Interest expense on bank loans	437	624
<b>Operation cash flow before working capital changes</b>	<b>1 148</b>	<b>568</b>
(Increase) in inventories	(653)	(472)
(Increase) / decrease in trade and other receivables	298	(933)
Increase / (decrease) in trade and other payables	473	1 122
<b>Changes in working capital</b>	<b>118</b>	<b>(283)</b>
<b>Cash generated from operations</b>	<b>1 266</b>	<b>285</b>
Interest received	1	1
Income tax paid	(31)	(32)
<b>Net cash generated by / (used in) operating activities</b>	<b>1 236</b>	<b>254</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment and intangible assets	(93)	(217)
Proceeds from sale of property, plant and equipment	1	17
Repayments of loans issued	(15)	(11)
<b>Net cash used in investing activities</b>	<b>(107)</b>	<b>(211)</b>
<b>Cash flows from financing activities</b>		

Interest paid	(378)	(372)
(Decrease) / increase in short term borrowing	-	(63)
Repayments of long term borrowing	<u>(259)</u>	<u>-</u>
<b>Net cash generated by financing activities</b>	<b><u>(637)</u></b>	<b><u>(435)</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>492</b>	<b>(392)</b>
Effect of exchange rate changes on cash and cash equivalents	(171)	474
<b>Cash and cash equivalents at the beginning of the year</b>	<b>175</b>	<b>93</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>496</b>	<b>175</b>



These consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 June 2018 and were signed on its behalf by Alexander Slipchuk.

## **Nature of Financial Information**

The financial information contained in this announcement does not constitute statutory accounts as defined under section 113 of the Companies (Jersey) Law 1991 but has been extracted from the Group's 2017 statutory financial statements. It contained no statement under section 113B of the Companies (Jersey) Law 2011. The financial statements for 2017 will be delivered to the Registrar of Companies after adoption at the Company's Annual General Meeting.

## **EXTRACTS FROM NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment which have been measured at fair value. The consolidated financial statements are presented in British Pounds Sterling (GBP) and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

### **2. Going concern**

These consolidated financial statements have been prepared on the assumption that the Group is able to continue its operations on an going concern basis in the near future.

For the year that ended on 31 December 2017, the cumulative losses amounted to £1.115 million (£1.484 million - For the year that ended on 31 December 2016). Although as at 31 December 2017 the Group increased its cash flow from operations and met all European Bank for Reconstruction and Development ("EBRD") covenants but one, overall it has continued to breach the EBRD covenant requirements of the loan with that indicates a significant uncertainty with regard to the Group to continue its operations on a going concern basis.

According to Management, the assumption of the Group's ability to continue its operations on going concern basis is sustainable, as:

1. The Group received waivers from EBRD - in respect of the annual financial statements for 2017 and the first quarter of 2018;
2. The Group continues to repay a loan to EBRD according to the agreement and timely settled the last two tranches after the reporting date;
3. The Company increased its cash flow from operations;
4. During 2017, the Group kept prolonging the loan agreements with OTP Bank. In December 2017, the Group received an offer of for 65.0 million UAH (£1.723 million) from Creditwest Bank Ukraine to allow both the refinancing of its loan with OTP and increase of its working capital. In February 2018, the Group met all requirements of Creditwest Bank Ukraine, signed a loan agreement and refinanced its loan with OTP moving its entire working capital facility to Creditwest Bank Ukraine.

The Group's current strategy is to further expand its export sales worldwide with a focus on Asia and Africa. CIS markets also remain strategically important for the Group not least Kazakhstan where to the Company increased its export volumes. Ukrproduct is also looking to expand domestic sales in Ukraine driven in part by the introduction of new products and rebranding. The Group continues to boost its dairy processing volumes via close cooperation with local farmers and cooperatives, thereby increasing its capacity utilization.

### **3. Bank Loans and Overdrafts**

As at 31 December 2017 the Group has two loans: a loan from OTP Bank in the amount of £856,000 (approximately UAH 32.3 million) and EBRD in the amount of £6.2 million (approximately EUR 7.0 million).

During 2017, the Group fulfilled its obligations under the EBRD loan in accordance with the agreement. The Group applied instalments of payments and in accordance with the agreement, the payment of the tranche in December was postponed to subsequent periods.

During 2017, the Group prolonged agreement with OTP Bank three times. The last tranche prolongation with OTP related to the 6 March 2018 loan repayment. In December, the Group received confirmation of a loan facility with Creditwest Bank Ukraine for the amount of 65 million UAH under a condition of refinancing the OTP loan and opening additional budgeting backed by Zhiviy Kvass equipment. The loan term is 3 years, the interest rate - 18%. In 2018, the Group fulfilled conditions of the Creditwest Bank Ukraine and in February 2018 the first Tranche from Creditwest Bank Ukraine was received, refunding with the OTP Bank was carried out. With the refinancing of OTP Bank, the pledge was transferred to Creditwest Bank Ukraine.