



UKRPRODUCT GROUP

27 June 2019

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

Copies of the 2018 Annual Report and Accounts, will shortly be posted to shareholders and will be available on the Company's website at www.ukrproduct.com. In addition, a [Notice of Annual General Meeting \("AGM"\)](#), along with a [Proxy Form](#), will shortly be posted to shareholders and will be available at the Company's website at www.ukrproduct.com.

The AGM will be held at the head office of the Company, 10th Floor, 39-41 Shota Rustaveli Street, 01033 Kyiv, Ukraine at 6.00 pm (Kyiv time) / 4.00 pm (London time) on 30 July 2019.

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

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

Tel: +44 20 7409 3494
www.strandhanson.co.uk

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 to 31 December 2018 ("FY 2018"), the Ukrainian economy showed moderate growth, accompanied by wage inflation, which has helped consumer confidence. Ukrproduct Group Ltd ("Ukrproduct", the "Company" or, together with its subsidiaries, "the Group") continued focusing on cash generation while aiming to address opportunities in export markets, beverages and B2B, as well as expanding its dairy business.

The Group reports improved revenue of approximately £36.9 million (approximately 1.3 billion UAH). Gross profit in UAH terms increased 4.3% to approximately 115 million UAH, however, in GBP terms, the negative impact of exchange rate differences resulted in a decrease of 2.5% to approximately £3.2 million.

The Group reports an operating profit of approximately £0.2 million (approximately UAH 6.2 million) in FY2018, compared with an operating profit of approximately £0.5 million (approximately UAH 16.2 million) in 2017.

Overall, for FY 2018, the Company reports net profit of approximately £0.1 million (approximately 2.7 million UAH) compared to a loss of approximately £1.1 million (approximately 40.6 million UAH) in 2017. Net profit for 2018 is lower than previously expected (as announced on 7 May 2019) as a result of increased operating expenses. Net profit for FY2018 included lower finance charges related to the outstanding debt with EBRD, although total finance expenses increased to approximately £0.5 million (approximately 16.2 million UAH) from approximately £0.4 million (approximately 15.1 million UAH) in 2017.

Overall, the Group reports that its sales volumes have grown by 4%, including sales of branded products in its key packaged butter and processed cheese segments. However, both export sales volumes and revenue decreased due to the worldwide contraction of skimmed milk powder prices. Although the Company continued to capitalise on its spare dairy processing capacity by acquiring new B2B partners, Ukrproduct's B2B gross profit slightly decreased in 2018. Whilst gross profit of branded products showed substantial growth, it was unfortunately offset by losses caused by the decline in both skimmed milk powder and butter prices.

Sales of beverages significantly increased as a result of the Group's targeted marketing initiatives and the introduction of new drinks.

Financial Position

As at 31 December 2018, Ukrproduct reports net assets of approximately £1.0 million (approximately 35.13 million UAH) and net current liabilities of approximately £0.03 million (approximately 1.05 million UAH), with cash balances of approximately £0.2 million (approximately 6.4 million UAH). During FY 2018, the Group met its outstanding obligations, including the EBRD loan repayments, which were paid on schedule in the amount of €0.52 million.

Outlook

Ukrproduct's strategy going forward is to generate cash by improving the profitability of its key dairy product and beverage segments and to further enhance its working capital position.

The Group expects to boost its sales volume and revenue in 2019 by launching new products in its key business areas, introducing new marketing activities and capitalising further on export opportunities.



Jack Rowell

Non-Executive Chairman



Alexander Slipchuk

Chief Executive Officer

Ukrproduct Group
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousand GBP, unless otherwise stated)

	Year ended 31 December 2018 £ '000	Year ended 31 December 2017 £ '000
Revenue	36 928	30 525
Cost of sales	(33 751)	(27 267)
GROSS PROFIT	3 177	3 258
Administrative expenses	(1 061)	(1 031)
Selling and distribution expenses	(1 799)	(1 561)
Other operating expenses	(131)	(156)
PROFIT FROM OPERATIONS	186	510
Net finance expenses	(494)	(437)
Net foreign exchange gain (loss)	398	(1 250)
PROFIT / (LOSS) BEFORE TAXATION	90	(1 177)
Income tax expense	-	62
PROFIT / (LOSS) FOR THE YEAR	90	(1 115)
Attributable to:		
Owners of the Parent	90	(1 115)
Non-controlling interests	-	-
Earnings per share:		
Basic (pence)	0,23	(2,81)
Diluted (pence)	0,23	(2,81)
OTHER COMPREHENSIVE INCOME:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(8)	(113)
Items that will not be reclassified to profit or loss		
Gain on revaluation of property, plant and equipment	-	-
Income tax in respect of revaluation reserve	-	-
OTHER COMPREHENSIVE INCOME, NET OF TAX	(8)	(113)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	82	(1 228)
Attributable to:		
Owners of the Parent	82	(1 228)
Non-controlling interests	-	-

Ukrproduct Group
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2018
(in thousand GBP, unless otherwise stated)

	As at 31 December 2018 £ '000	As at 31 December 2017 £ '000
ASSETS		
Non-current assets		
Property, plant and equipment	6 420	6 288
Intangible assets	524	543
	6 944	6 831
Current assets		
Inventories	3 735	2 426
Trade and other receivables	3 156	2 171
Current taxes	349	271
Other financial assets	24	30
Cash and cash equivalents	181	496
	7 445	5 394
TOTAL ASSETS	14 389	12 225
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	3 967	3 967
Share premium	4 562	4 562
Translation reserve	(14 902)	(14 894)
Revaluation reserve	3 619	3 769
Retained earnings	3 718	3 478
	964	882
Non-controlling interests	-	-
TOTAL EQUITY	964	882
Non-Current Liabilities		
Bank loans	5 208	5 716
Long-term payables	467	459
Deferred tax liabilities	274	262
	5 949	6 437
Current liabilities		
Bank loans	2 455	1 318
Trade and other payables	5 008	3 565
Other taxes payable	13	23
	7 476	4 906
TOTAL LIABILITIES	13 425	11 343
TOTAL EQUITY AND LIABILITIES	14 389	12 225

Ukrproduct Group
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 December 2018
(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	£ '000	£ '000	£ '000	£ '000
As At 1 January 2017	3 967	4 562	3 935	4 427	(14 781)	2 110	-	2 110
Loss for the year	-	-	-	(1 115)	-	(1 115)	-	(1 115)
Other comprehensive income								
Currency translation differences	-	-	-	-	(113)	(113)	-	(113)
Total comprehensive income	-	-	-	(1 115)	(113)	(1 228)	-	(1 228)
Depreciation on revaluation of property, plant and equipment	-	-	(166)	166	-	-	-	-
As At 31 December 2017	3 967	4 562	3 769	3 478	(14 894)	882	-	882
Profit for the year	-	-	-	90	-	90	-	90
Other comprehensive income								
Currency translation differences	-	-	-	-	(8)	(8)	-	(8)
Total comprehensive income	-	-	-	90	(8)	82	-	82
Depreciation on revaluation of property, plant and equipment	-	-	(150)	150	-	-	-	-
As At 31 December 2018	3 967	4 562	3 619	3 718	(14 902)	964	-	964

Ukrproduct Group
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 December 2018
(in thousand GBP, unless otherwise stated)

	Year ended 31 December 2018 £ '000	Year ended 31 December 2017 £ '000
Cash flows from operating activities		
Gain (loss) before taxation	90	(1 177)
Adjustments for:		
Exchange difference	(398)	1 250
Depreciation and amortisation	523	553
Loss on disposal of non-current assets	4	8
Write off of receivables/payables	21	(5)
Impairment of inventories	72	82
Loss from disposal of subsidiaries	-	-
Interest income	-	-
Interest expense on bank loans	494	437
Operation cash flow before working capital changes	806	1 148
Increase in inventories	(1 380)	(653)
Decrease / (Increase) in trade and other receivables	(1 096)	298
Increase in trade and other payables	1 437	473
Changes in working capital	(1 039)	118
Cash (used in)/ generated from operations	(233)	1 266
Interest received	2	1
Income tax paid	1	(31)
Net cash (used in)/ generated from operating activities	(230)	1 236
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(181)	(93)
Proceeds from sale of property, plant and equipment	-	1
Repayments of loans issued	7	(15)
Net cash used in investing activities	(174)	(107)
Cash flows from financing activities		
Interest paid	(421)	(378)
Decrease in short term borrowing	901	-
Repayments of long term borrowing	(459)	(259)
Net cash (used in)/ generated from financing activities	21	(637)
Net Increase / (decrease) in cash and cash equivalents	(383)	492
Effect of exchange rate changes on cash and cash equivalents	68	(171)
Cash and cash equivalents at the beginning of the year	496	175
Cash and cash equivalents at the end of the year	181	496

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 June 2019 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 2018 statutory financial statements. It contained no statement under section 113B of the Companies (Jersey) Law 2011. The financial statements for 2018 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 significant items of property, plant and equipment which have been measured using revaluation model. 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

For the year ended 31 December 2018, net profit amounted to approximately £0.1 million (year ended 31 December 2017 net loss of approximately £1.1 million). As at 31 December 2018, the Group continued to breach certain loan covenant terms of its loan with European Bank for Reconstruction and Development (“EBRD”).

These conditions indicate a significant uncertainty with regard to the Group’s ability to continue its operations on a going concern basis.

According to the Company’s management, the Group's ability to continue its operations on a going concern basis is permissible based on the following assumptions:

1. The Group received waivers from EBRD - in respect of the annual financial statements for 2018 and the first quarter of 2019 and the Board believes that EBRD will not demand accelerated repayment of the loan due to the breach of covenants;
2. The Group continues to repay the loan to EBRD according to the agreement and timely settled the last two tranches after the reporting date;
3. On 7 February 2018, the Company announced that it had entered into an agreement for a new loan facility with PJSC Creditwest Bank (“Creditwest Bank”), under which it could draw down up to UAH 65 million for refinancing purposes (to repay the OTP Bank Loan) as well as for financing working capital (“New Loan Agreement”). All amounts drawn down by the Group under the New Loan Agreement, together with interest accrued, is due to be repaid on 5 February 2021. The interest rate under the New Loan Agreement is fixed at 18% per annum. Any draw down under the facility is secured on appropriate collateral provided by the Group (real estate, equipment etc), including non-current assets located in Zhytomyr and equipment for production of Zhiviy Kvass. On 9 February 2018, the Group announced that it had drawn down UAH 32.3 million under the terms of the New Loan Agreement in order to fully repay all amounts outstanding to OTP Bank. Accordingly, the Group extinguished all outstanding liabilities to OTP Bank; and
4. The Group is planning to raise funding in H2 2019.

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 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

On 7 February 2018, the Company announced that it had entered into an agreement for a new loan facility with PJSC Creditwest Bank (“Creditwest Bank”), under which it could draw down up to UAH

65 million for refinancing purposes (to repay the OTP Bank Loan) as well as for financing working capital (“New Loan Agreement”). All amounts drawn down by the Group under the New Loan Agreement, together with interest accrued, is due to be repaid on 5 February 2021. The interest rate under the New Loan Agreement is fixed at 18% per annum. Any draw down under the facility is secured on appropriate collateral provided by the Group (real estate, equipment etc), including non-current assets located in Zhytomyr and equipment for production of Zhiviy Kvass.

On 9 February 2018, the Group announced that it had drawn down UAH 32.3 million under the terms of the New Loan Agreement in order to fully repay all amounts outstanding to OTP Bank. Accordingly, the Group extinguished all outstanding liabilities to OTP Bank.

As at 31 December 2018 the Group has two loans: the loan from Creditwest Bank in the amount of 1 850 thousand GBP (in UAH 65,0 million) and the loan from EBRD in the amount of 5,813 thousand GBP (in EUR 6,439 thousand).

During 2018, the Group fulfilled its obligations under the EBRD loan in accordance with the agreement. The Group completed installments of payments and in accordance with an agreement between all parties, the payment of the tranche in December was postponed to subsequent periods.

Fixed assets with a net book value of GBP 4,872 thousand at 31 December 2018 (2017: GBP 4,829 thousand) were pledged as collateral.

Assets pledged as security for the EBRD loan include property and land in Starokonstantinov, equipment for dairy production and production of hard cheese, as well as trademarks.

Bank	Currency	Type	Opening date	Termination date	Interest rate	Limit	As At 31 December 2018	As at 31 December 2017
						£ ‘000	£ ‘000	£ ‘000
EBRD	EUR	Loan	31.03.2011	30.11.2024	5-7%	7 493	5 813	6 178
OTP Bank	UAH	Credit line	09.08.2011	09.02.2018	2,12%	1 139	-	856
Creditwest Bank Ukraine	UAH	Credit line	05.02.2018	05.02.2021	15,89%	1 850	1 850	-
Total							7 663	7 034

The average interest rate as at 31 December 2018 was 6,15% (2017: 5,27%).