

Ukrproduct Group Ltd

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

19.03.2020

Year End Trading Update

Ukrproduct, one of the leading Ukrainian producers and distributors of branded dairy foods and beverages (kvass), is pleased to announce its trading update for the year ended 31 December 2019 ("FY 2019") and outlook for 2020.

FY 2019 Financial highlights (unaudited)

- Revenue increased 35% to £50.0 million (FY 2018: £36.9 million)
- Gross profit increased 50% to £4.77 million (FY 2018: £3.18 million), with dairy products and beverages showing strong performances in particular
- Operating profit increased 744% to £1.57 million (FY 2018: 0.19 million)
- EBITDA margin improved to over 4% (FY 2018: 2%)
- Net foreign exchange gain of £1.08 million (FY 2018: £0.40 million)
- Profit after tax of £2.1 million (FY 2018: £0.09 million)

2019 Trading Update

The Ukrainian economy performed robustly in 2019, reporting GDP growth of over 2% for the year, which included growth in excess of 4% in Q4. Whilst the strengthening of the hryvnia during 2019 had a noticeable negative impact on Ukrainian exports, it increased the purchasing power of the population. Due to the growth of consumer incomes, retail sales increased significantly, with Q3 and Q4 showing greater than 10% year on year growth. As a result, the Group's operating performance exceeded expectations.

In this more encouraging operating environment, for FY 2019, the Group expects to report improved revenue of approximately £50.0 million, an increase of 35% compared with the 12 months to 31 December 2018 ("FY 2018").

Operating profit increased 744% to approximately £1.57 million. Overall, for FY 2019, the Company expects to report net profit of approximately £2.1 million, which includes a net foreign exchange gain of £1.08 million, compared to £0.09 million in FY 2018.

Gross margins improved as a result of higher prices for skimmed milk powder and the Group's ongoing pursuit of cost efficiencies. Such cost efficiencies helped offset inflationary wage pressures.

Financial position

Ukrproduct expects to report net assets of £3.14 million as at 31 December 2019, including cash balances of £0.23 million.

During FY 2019, the Group continued to breach certain loan covenants in relation to the EBRD debt. However, the Company continued to settle certain amounts to EBRD according to an agreed schedule. The Directors are confident that EBRD will not demand accelerated repayment of the loan due to breach of covenants and continue to grant the requisite waivers.

Outlook for 2020

Whilst the Company plans to consolidate and build on the progress achieved in FY 2019 with regard to profitability, with trading in Q1 2020 in line with the Board's expectations, the negative impact that COVID-19 is likely to have on consumer spending and the Group's performance is difficult to quantify and predict at this stage. The Company will make further announcements as appropriate.

For further information contact:

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

