

1 July 2022

UKRPRODUCT GROUP LIMITED

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

Trading Update 2021

Further to the Company announcement on 7 June 2022, due to the Russian invasion of Ukraine, Ukrproduct has not been able to complete its audit for the financial year to 31 December 2021, and post its 2021 Annual Report, by 30 June 2022, and therefore trading of the Company's shares will be temporarily suspended from 7.30am today pending completion of the audit and posting of the Annual Report.

Ukrproduct sets out below unaudited financial highlights and commentary for the year ended 31 December 2021.

- Turnover in 2021 was £51.9 million, 6.4% less than in the previous year, though in local currency it grew 0.6%.
- EBITDA 2021 was £1.1 million, 21.6% lower than in 2020 with EBITDA margin dropping from 2.6% in 2020 to 2.2% in 2021.
- Net profit in 2021 was £0.3 million compared to a £1.2 million loss in 2020.

2021 commentary

In 2021, Ukrproduct experienced several global challenges. There was an acute, ongoing shortage of dairy raw materials, and an increase in imports of dairy products from abroad hampered the development of the Ukrainian dairy products market. Rising costs of raw materials and consumables, energy and transport have created additional problems. Increases in selling prices could not keep pace with the growth in costs and this has affected manufacturers in 2021.

Due to an increase of 18% in the price of raw milk over the period, the Group limited the volume of raw milk procured and used previously purchased, semi-finished products for production (e.g. callata cheese and butter). The Group also suspended operations at their minor production facility in Letychiv due to the rise in raw milk prices in its captive raw milk zone.

Despite the difficult situation and limited marketing activities, Ukrproduct exceeded its expectations in sales of branded dairy products in 2021 achieving 11% growth in the domestic market compared to 2020. This increase in sales was delivered following a revision of the Company's marketing strategy with renewed focus on processed cheese and processed cheese products, which sales have grown by 24% and 98% respectively. The overall group market share in processed cheese and processed cheese products in Ukraine increased from 14% in 2020 to 21% in 2021.

Also in 2021, the Group resumed cooperation with the largest national retail chain in Ukraine, ATB-Market LLC, for the production of Private Label Cheese. However, due to a significant increase in costs as a result of the above noted factors, the sales margin of processed cheese and other processed cheese products decreased from 20.2% and 7.5% in 2020 to 16.0% and 6.4% in 2021, respectively.

In order to maintain profitability in the Company's key segment, butter, Ukrproduct reduced low-margin sales of packaged butter in retail chains in the second half of 2021 and utilised the butter in the production of processed cheeses. This led to a 46.3% decrease in sales of packaged butter

in 2021, but allowed for a significant increase in the category's margin (from 7.4% in 2020 to 10.6% in 2021), which almost maintained the gross margin at 2020 levels.

The Group increased sales of spreads by 8.1% in 2021, despite the market contraction in Ukraine. However, a significant increase in the cost of vegetable fats (35% compared to 2020) led to a decrease in sales margin from 19.9% in 2020 to 14.7% in 2021.

An additional factor contributing to the slight growth of turnover in 2021 (in local currency) was an increase in sales of kvass and beverages of 5.8% in volume and 5.9% in value. Ukrproduct continued to increase their range of products in 2021, launching several new drinks into the market in 2021.

The Group expanded its exports in 2021 both in terms of geographic locations and penetration in existing markets, which resulted in an increase in sales of exported branded products by 55.5% in volume (from 3,600 tons in 2020 to 5,600 tons in 2021), and by 60.5% in value (from \$7.1 million in 2020 to \$11.4 million in 2021). The main growth was delivered in the processed cheese category, sales of which increased 2.4 times in volume (from 1,900 tons to 4,600 tons) and 2.6 times in value (from \$3.2 million in 2020 to \$8.4 million in 2021).

In 2021, the Group minimised the export of skimmed milk powder using the raw milk for the production of other semi-processed products.

The export of spreads declined significantly compared to 2020 due to cost inflation, the impact of COVID-19 lockdowns on transportation, and a reluctance by major customers including retailers to pass on the respective price increases.

Additionally, Ukrproduct undertook a number of initiatives to improve its operational cost efficiency, including optimised energy consumption and production standards complemented with increased productivity. The Group was also successful in maintaining the same level of logistical costs as in 2020 due to further optimisation of transportation routes and processes. This was a material achievement offsetting the fuel inflation in 2021.

In 2021, the Group overheads rose by 15.5% compared to 2020, mainly driven by increases in salaries, legal and audit costs, marketing and fuel expenses.

2022 commentary

Trading in 2022 has been severely affected by the Russian invasion of Ukraine and the ongoing war. Ten out of twenty four Ukrainian regions have experienced heavy military damage and overall, these ten regions supply 42% of raw milk in Ukraine. Moreover, damaged infrastructure, and increases in fuel prices complemented with fuel shortages, have impacted transportation and adversely affected logistics costs, both on the supply and distribution side. As the Ukrainian sea ports have been blockaded by the Russian Navy, there is increased pressure on the remaining routes for export. Ukrproduct expects to make provisions for some of its distributors who operate in the regions engaged in military activities and cannot not pay on time.

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This announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014, which forms part of United Kingdom domestic law by virtue of the European (Withdrawal) Act 2018.

Ukrproduct Group Limited 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.