



UKRPRODUCT GROUP

FOR IMMEDIATE RELEASE

8 December, 2009

**UKRPRODUCT ANNOUNCES TRADING UPDATE FOR THE YEAR  
ENDING 31 DECEMBER 2009**

**Kiev, Ukraine** – 8 December, 2009 – Ukrproduct Group Ltd (“Ukrproduct” or the “Group”) (AIM: UKR), one of the leading producers and distributors of branded dairy products in Ukraine, today provided the following pre-close trading update for the year ending 31 December, 2009 ahead of announcing its full year results in April 2010.

The Group continued to witness a significant slowdown of the Ukrainian economy in the second half of 2009. The Group’s sales during the second half are expected to be not less than in the first half of the year. Full year sales are anticipated to be below the previous year, impacted by a devaluation of the local currency against GBP.

Ukrproduct benefitted from strong demand for butter, the largest product group in terms of sales, as a result of the continued pressure on supply volumes in the market, and was also able to increase prices in November and December. As such, the Group anticipates generating growth in sales for 2009.

The Group also gained from consumer preferences switching back to processed cheese from hard cheese, due to seasonality factors, as well as the growth in prices of hard cheese in November, although these remain at a level below that seen at the start of the year. As a result, the Group’s sales of processed cheese are expected to have increased in the second half, compared to the first half of 2009. However, full year sales are likely to be below the previous year.

Ukrproduct’s sales of hard cheese in the second half were expected to be below the first half of 2009, due to lower production volumes in response to price dumping by competitors in the local market in the first half. The full year sales are expected to be below 2008.

The Group is likely to deliver double digit growth in Skimmed Milk Powder (“SMP”) sales in the second half of the year, compared to the first half, following a recovery in the market and, starting from October, a significant price increase. Sales for the full year in the SMP segment are expected to be up year on year.

Ukrproduct has continued to realign its product mix to take advantage of the growth in consumer demand in more affordable market segments. In addition, the Group strengthened its position in the premium market segment by expanding its offering and launching new products under the premium “Molendam” brand, including cheese in bricks, sausage cheese and spreadable cheese.

The Group’s cost reduction measures introduced in the second half, including the closing of Zhmerinka plant and optimisation of its production throughout the Group, have generated measurable savings. Management expects the Group’s capital expenditure for the year to come below its projected level of GBP 1 million in 2009 at GBP 0.7 million. Capital expenditure for 2010 is projected to be held at the 2009 level.

Furthermore, the Group’s Administrative, Selling and Distribution expenses declined in the second half, compared to the first half due to the salary freeze and optimisation of distribution costs, and are expected to decrease year on year in 2009. However, Ukrproduct has increased its bad debt provisions as it continued to witness challenging trading conditions in Ukraine with a number of retail customers and distributors going out of business. The Group also witnessed a sharp increase in raw material prices, particularly raw milk, in November.

Ukrproduct’s gross profit in branded products segment may decline in the second half, compared to the first half of 2009, largely as a result of the rapid increase in prices of raw milk and following the switch in consumer preferences to mass market brands. However, the Group anticipates generating positive growth in gross profits in its SMP segment in the second half of 2009. The Group’s gross profit for 2009 is expected to come below 2008, while Ukrproduct continues to realign its product mix in the branded products segment.

Overall the Group’s profit after tax in the second half of 2009 is anticipated to fall below the first half of the year. Ukrproduct expects its full year result to be below that recorded last year.

Despite the current challenging conditions, Ukrproduct’s financial position remains stable. The Group’s cash levels are sufficient to meet current debt obligations in the short and medium term. In addition, the Group has access to additional banking facilities if required.

Management is confident that the Group can deliver on its stated strategic objectives for the future and fully realise savings from optimising its production in the next year.

\*\*\*

**For further information, please visit [www.ukrproduct.com](http://www.ukrproduct.com) or contact:**

Ukrproduct Group Ltd.  
Sergey Evlanchik  
Chief Executive Officer  
Tel: +38 044 502 8014  
[sergey.evlanchik@ukrproduct.com](mailto:sergey.evlanchik@ukrproduct.com)

Shared Value Limited  
Larisa Kogut-Millings  
Investor Relations  
Tel. +44 (0) 20 7321 5010  
[ukrproduct@sharedvalue.net](mailto:ukrproduct@sharedvalue.net)

WH Ireland Limited  
Adrian Kirk  
Tel: +44 161 832 2174

**Ukrproduct Group Ltd is a leading Ukrainian producer and distributor of branded dairy products. The Group's product portfolio includes processed and hard cheese, skimmed milk powder (SMP) and butter. 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. The Group has modern production facilities that comprise five dairy plants in western and central regions of Ukraine (Molochnik, Starokonstantinovskiy Dairy Plant, Krasilovskiy Dairy Plant, Zhmerinka Plant and Letichiv Dairy Plant) with a total annual integrated capacity of approximately 70,000 tons of dairy products. With its own fleet of more than 150 vehicles, Ukrproduct has one of the largest logistics and distribution networks in Ukraine which covers the country's eight major cities. The Group reported total assets of approximately GBP 19.5 million as at June 30, 2009 and consolidated revenues of approximately GBP 22.1 million for the first six months of 2009. Ukrproduct's securities are traded under the symbol "UKR" on AIM, a market operated by the London Stock Exchange.**

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of the Group. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. These statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in such projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Ukraine, rapid technological and market change in our industry, as well as many other risks specifically related to the Group and its operations.*