



UKRPRODUCT GROUP

FOR IMMEDIATE RELEASE

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**UKRPRODUCT ANNOUNCES TRADING UPDATE  
FOR THE FIRST HALF OF 2010**

**Kyiv, Ukraine** – July 14, 2010 – Ukrproduct Group Limited (“Ukrproduct” or the “Group”) (AIM: UKR), one of the leading producers and distributors of branded dairy products in Ukraine, today provided a trading update ahead of announcing its first half results on September 8, 2010.

During the first five months of 2010 Ukrproduct has witnessed a further decrease in the purchasing power of the local population with growth in input prices outpacing the rise in consumer prices, which led to a switch in consumer preferences from the middle to the mass market segment. Domestic processed cheese prices have declined by 15% on average from January 2010 and have reached July 2009 levels, driven by aggressive pricing by local producers at the low end of the market. Prices for packaged butter were up by 25% year-on-year on average which has partially compensated for the increased cost of raw materials.

Over this period Ukrproduct experienced certain non-payment issues with its distribution channels which resulted in the delay of payments from a number of wholesale and retail customers. The Group also came under competitive pressure from producers of processed cheese. Management believes that both of these issues have now been addressed and overdue payments have been received, however, it has resulted in a short term disappointing effect on its trading. The Group experienced a significant reduction in its trading volumes in the first five months of 2010 in both the branded products segment and in sales of skimmed milk powder (“SMP”). Trading volumes of SMP were primarily affected by the issuance of bonds by the Ukrainian government in exchange for its VAT obligations to producers. As a result, management decided to forgo additional sales of third party SMP in the absence of clarity as to how it will be able to recoup from the State VAT sums owed on it. Trading in branded products started to recover at the end of June 2010 following the expansion of the distribution network and the rollout of competitively priced processed cheese products and spreads in the lower end of the market. Ukrproduct remains confident that trading in branded products will recover further in the second half of 2010 and expects to be able to take advantage of its economies of scale. Ukrproduct’s strengthened management team in sales, distribution and advertising is well positioned to implement this strategy.

Ukrproduct benefited from a favourable pricing environment in SMP in the first five months of 2010, and as a result the profitability of this segment is expected to be

significantly above the first half of last year. Management believes that the profitability of the SMP segment may decline in the second half of the year, even if the current global prices for SMP remain stable, due to the seasonal increase in raw milk prices.

The Group intends to provide a further trading update at the time of its first half results in September. The Group's cash levels are sufficient to meet its obligations in the short and medium term. Ukrproduct looks forward to signs of improvement in the purchasing power of the Ukrainian population.

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

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**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 four operational dairy plants in western and central regions of Ukraine (Molochnik, Starokonstantinovskiy Dairy Plant, Krasilovskiy Dairy Plant and Letichiv Dairy Plant) with a total annual integrated capacity of approximately 60,000 tonnes 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 18.3 million as at December 31, 2009 and consolidated revenues of approximately GBP 43.2 million for the twelve 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.*