



UKRPRODUCT GROUP

FOR IMMEDIATE RELEASE

September 8, 2016

TRADING UPDATE

Kyiv, Ukraine – September 8, 2016 – Ukrproduct Group Limited (“Ukrproduct” or the “Group”) (AIM: UKR), one of the leading Ukrainian producers and distributors of branded dairy foods and beverages (kvass), today announces the following trading update for the six months ended 30 June 2016 ahead of publishing its interim results later this month.

During the first half of 2016 Ukrproduct continued to experience the consequences of the storm in the Ukrainian economy in recent years. A devalued currency, a geographically contracted market place and consumers now pressured further by inflation provided a challenging business environment.

The Group’s response has been to adjust its focus to relevant products, sales channels and customers providing acceptable margins and ability to pay on time. Working capital has been released and costs contained via improved productivity.

Trading

Volumes fell, though revenues fell only marginally in hryvnia terms. Gross margins showed an improving trend but prices remained constrained by competition and low consumer confidence and spending power. Branded products, now subject to more emphasis, showed improved revenues with the key categories of packaged butter, spreads and processed cheese advancing. Private Label contracts with only marginal profitability have been terminated. Those retained reflect the quality demanded by the retailer and commensurate margins.

The kvass beverage continued to make a good gross profit contribution. Plans are in place to extend the offering in this category with white kvass, uzvar and rose hip based healthy drinks.

Skimmed milk powder is subject to the vagaries of world prices which were not encouraging in this period and milk prices trended upwards on the world market from midsummer. However the Group’s spare spray drying capacities were utilized profitably for third parties during the period.

The continued exchange rate depreciation has facilitated the successful pursuit of export business not least to CIS countries, Russian intervention notwithstanding.

Finances

In the challenging trading environment hryvnia revenues have held up to within 5% of same period 2015. However whilst management efforts resulted in some improvement in gross margins, overall they remained struggling. Although the Group made substantial progress in the second quarter, the first quarter negative result was not fully offset.

Overheads were reduced but EBITDA struggled to remain positive with an overall operating loss, accentuated by negative exchange differences for the period.

Cash under such trading circumstances is very much in focus. Along the lines mentioned the Company has adopted a trading model to release cash not least from working capital to fulfill

its ongoing obligations. This importantly includes interest payments due to EBRD under the terms of the favourable loan restructuring agreement finalized by the end of June.

Outlook

The Group targets a return to profitability as the market place continues to work towards stabilization. Our markets will however remain competitive. Ukrproduct's strategy as detailed earlier is to target segments with differentiated products and services. In particular, pursuit of growth opportunities in beverages and export and improving the cost and service efficiency of the supply chain. Overhead reduction has included the remuneration of directors. Underpinning this all is the need to continue to create positive cash flows.

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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 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. The Group reported consolidated revenues of approximately GBP 20.2 million for the twelve months ended December 31, 2015 and total assets of approximately 11.5 million as at that date. 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 they may differ materially from the actual events or results. 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.