

Ukrproduct Group Ltd

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

18.05.2021

Trading Update for 2020

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 2020 ("FY 2020").

Financial highlights (unaudited)

- FY2020 revenue increased by 11.1% to £55.5 million (against £49.9 million in 2019), with growth delivered in part via product rebranding and repositioning. with the spreads and processed cheese products demonstrating the most significant increases of 132.8% and 79.9% respectively as a result.
- Gross profit remained at a similar level to 2019 and amounted to £4.7 million. The gross profit margin decreased by 0.9 percentage points to 8.5%, as a result of the rising raw milk prices and a sharp dip in milk protein prices worldwide during peak supply over the summer months that was to some extent offset by an improvement of margins in spreads, processed cheese and beverages.

Trading

Despite the COVID pandemic, 2020 has turned out well and been stable for the dairy industry, with the consumption and production of dairy products increasing against the background of quarantine restrictions. The dairy industry remains vital for consumers and therefore the Company has maintained its performance and has worked throughout 2020 without interruption, navigating new market realities.

The comprehensive marketing campaign for the Company's "Our cheese" and new butter brand "Molendam", launched in 2019, largely contributed to the improvement of Ukrproduct's processed cheese sales and packaged butter, strengthening the Company's market position, with Ukrproduct taking second and third place in terms of sales for processed cheese and packaged butter respectively in Ukraine. The Company increased sales in spreads and processed cheese whilst sales of traditional butter lines decreased but primarily due to the Company's decision to support, with marketing expenditure, only the profitable product lines going forward and to eliminate low margin butter. The sales revenues for 2020 resulted in the Company ranking top exporter of processed cheese with almost 59% of market share.

Though the bottled sales of kvass grew in 2020 the overall sales revenues for beverages were at the levels of 2019 - at £1.7 million, which was due to the

quarantine measures that suspended distribution over all food channels with the exception of the food and drink retailers.

In order to ensure high quality cheese production the Group concentrated on the use of its own semi-processed materials in the production of processed cheese and minimised skimmed milk powder (SMP) production due to the global dairy commodities prices contraction.

Expected Results

Despite an increase in sales, the profit from operations amounted to £0.8 million in 2020 (2019: £1.5 million). Negative foreign exchange losses however are expected to result in a loss after tax overall of £1.16 million (2019: Profit of £2.031 million). To date the Group has serviced its debt on time according to the loan agreements with all its lenders.

Outlook

Ukrproduct plans to pursue stronger margins and to further escalate sales of processed cheese and spreads, as well as to improve margins of packaged butter by a continuous upgrade into the premium market segment. However, the raw milk price trends in Ukraine will be fundamental for the dairy processing industry overall. The Group is looking into the most efficient ways of procuring raw milk, which is subject to local competition that has been strengthening and thus increasing prices.

The full audited accounts for the year to 31 December 2020 are in the process of being finalised and the Company expects to announce these within the deadlines.

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