

**UKRPRODUCT ANNOUNCES UNAUDITED INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

Kyiv, Ukraine – September 30, 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 its unaudited interim consolidated IFRS financial results for the six months ended 30 June 2016.

KEY FIGURES

(Figures in brackets are for the six months ended and as at 30 June 2015 when the exchange rate was

32.41 UAH/GBP compared to 36.61 UAH/GBP in this reporting period)

Total revenues decreased by 16% year on year to GBP 8.2 m (GBP 9.8 m), however in Ukrainian Hryvna the sales revenues decreased by 5%

Gross profit margin decreased to 9.2% (11.5%) resulting in gross profit decrease by 33.0% to GBP 0.8 m (GBP 1.1 m) which in Ukrainian Hryvna translated into a 25.0% decrease

Revenues in dairy branded products segment decreased by 12% year on year to GBP 5.4 m (GBP 6.3m) and the gross profit increased by 9.3% year on year to GBP 0.6 m (GBP 0.6 m)

In kvass the revenues decreased by 23% year on year to GBP 0.4 m (GBP 0.5 m) and gross profit down by 26 % year-on-year

Skimmed Milk Powder (SMP) revenues decreased by 34% to GBP 1.8 million (GBP 2.4 m) and gross profit decreased to GBP -0.1 m (GBP 0.2 m)

EBITDA decreased to GBP - 16 k (GBP 66 k)

Operating loss amounted to GBP -220 k (loss of GBP -221 k)

The negative effect of currency exchange differences amounted to GBP 0.3 million (GBP 0.5 m)

Cash balance as at June 30, 2016 stood at GBP 277 k (GBP 50 k).

CEO’s REPORT

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. Given the hryvnia devaluation increased effort has been made to develop the export business.

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. 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. Further expansion has been made into the North Africa region.

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 below the required level. 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. This led to an operating loss which was 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 more favourable loan restructuring agreement signed 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.

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2016 AND 2015
(in thousand GBP, unless otherwise stated)

	Six months ended	Six months ended
	30 June 2016	30 June 2015
	£ '000	£ '000
Revenue	8 192	9 766
<i>including of branded and SMP products</i>	7 642	8 791
Cost of sales	(7 436)	(8 642)
Gross profit	756	1 124
Administrative expenses	(388)	(562)
Selling and distribution expenses	(554)	(733)
Other operating income/ expenses, net	(34)	(50)
Profit from operations	(220)	(221)
Finance expense, net	(512)	(340)
Effect of foreign currency translation	(346)	(514)
Profit before taxation	(1 078)	(1 075)
Income tax expense	(20)	(6)
Profit for the Six months	(1 098)	(1 081)
Attributable to:		
Equity holders of the Parent	(1 098)	(1 081)
Non-controlling interest	-	-
	(1 098)	(1 081)
Earnings per share:		
Basic	(2,77)	(2,72)
Diluted	(2,77)	(2,73)

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016 AND 2015
(in thousand GBP, unless otherwise stated)

	Six months ended	Six months ended
	30 June 2016	30 June 2015
	£ '000	£ '000
Profit for the Six months	(1 098)	(1 081)
Other comprehensive income		
Exchange differences on translation to the presentation currency	233	(1 986)
Other comprehensive income for the Six months, net of tax	233	(1 986)
Total comprehensive income for the Six months, net of tax	(865)	(3 067)
Attributable to:		
Equity holders of the Parent	(865)	(3 067)
Non-controlling interests	-	-
	(865)	(3 067)

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION

AS AT 30 JUNE 2016 AND 31 DECEMBER 2015 AND 30 JUNE 2015

(in thousand GBP, unless otherwise

stated)

	As at 30 June 2016 £ '000	As at 31 December 2015 £ '000	As at 30 June 2015 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	7 774	7 417	6 970
Intangible assets	628	596	725
Long-term receivables	-	-	286
Deferred tax assets	6	45	1
Total non-current assets	8 408	8 058	7 982
Current assets			
Inventories	2 383	1 496	2 381
Trade and other receivables	2 510	1 486	2 350
Current taxes	166	349	665
Other financial assets	16	11	91
Cash and cash equivalents	277	93	50
Total current assets	5 352	3 435	5 537
TOTAL ASSETS	13 760	11 493	13 519
Equity and liabilities			
Equity attributable to equity holders			
Share capital	3 967	3 967	3 967
Other reserves	(6 813)	(6 540)	(7 794)
Retained earnings	5 062	5 654	8 327
Total equity attributable to equity holders of the parent	2 216	3 081	4 500
Non-controlling interest	-	-	-
Total equity	2 216	3 081	4 500
Liabilities			
Non-Current Liabilities			
Bank borrowings	2 692	3 206	3 751
Deferred tax liabilities	457	466	213
Total Non Current Liabilities	3 149	3 672	3 964
Current Liabilities			
Bank borrowings	4 268	3 121	2 519
Trade and other payables	3 927	1 586	2 494
Current income tax liabilities	31	18	17
Other taxes payable	169	15	25
Total Current Liabilities	8 395	4 740	5 055
TOTAL LIABILITIES AND EQUITY	13 760	11 493	13 519

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2016 AND 2015
(in thousand GBP, unless otherwise stated)

	Six months ended	Six months ended
	30 June 2016	30 June 2015
	£ '000	£ '000
Cash flows from operating activities		
Profit before taxation for the six months	(1 078)	(1 075)
Adjustments for:		
Exchange difference	346	514
Depreciation and amortisation	206	288
Loss of disposal of non-current assets	5	4
Impairment of trade receivables	31	-
Disposal of subsidiaries	(3)	(4)
Interest income	-	(1)
Interest expense	512	341
Decrease / (increase) of inventories	(887)	(851)
Decrease in trade and other receivables	(956)	479
Increase/ (decrease) in trade and other payables	2 143	571
Cash generated from operations	319	266
Interest received	-	1
Income tax paid	(8)	(21)
Net cash generated by operating activities	311	246
Cash flows from investing activities		
Payments for property, plant and equipment	(77)	(130)
Proceeds from sale of property, plant and equipment	9	17
Repayments / (proceeds) from loans issued	(8)	(13)
Net cash used in investing activities	(76)	(126)
Cash flows from financing activities		
Interest paid	(182)	(343)
Net proceeds / (repayments) from short term borrowing	(59)	(20)
Repayments of investment borrowing	-	-
Net cash used in financing activities	(241)	(363)
Net (decrease) / increase in cash and cash equivalents	(6)	(243)
Effect of exchange rate changes on cash and cash equivalents	190	78
Cash and cash equivalents at the beginning of the six months	93	215
Cash and cash equivalents at the end of the six months	277	50

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UKRPRODUCT GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016 AND 2015
(in thousand GBP, unless otherwise stated)

	Attributable to equity holders						Total attributable to equity holders of the parent	Non-controlling interest	Total Equity
	Share capital	Share premium	Merger reserve	Revaluation reserve	Retained earnings	Translation reserve			
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000			
As at 1 January 2015	3 967	4 562	-	3 453	9 358	(13786)	7 572	-	7 572
Profit for the six months					(1 081)		(1 081)	-	(108)
Other comprehensive income						(1 986)	(1 986)		(1986)
Total comprehensive income	-	-	-	-	(1081)	(1986)	(3067)	-	(3067)
Depreciation on revaluation of non current assets				(46)	46		-		-
Reduction of revaluation reserve				(9)	4		(5)		(5)
As at 30 June 2015	3 967	4 562	-	3 398	8 327	(15754)	4 500	-	4 500
Profit for the six months					(2825)		(2825)	-	(2825)
Other comprehensive income				913		460	1 373		1 373
Total comprehensive income	-	-	-	913	(2825)	460	(1 452)	-	(1452)
Depreciation on revaluation of non current assets				(40)	40		-		-
Reduction of revaluation reserve				(79)	112		33		33
As at 31 December 2015	3 967	4 562	-	4 192	5 654	(15294)	3 081	-	3 081
Profit for the year					(1098)		(1 098)	-	(1098)
Other comprehensive income		(2)			-	235	233		233
Total comprehensive income	-	(2)	-	-	(1098)	235	(865)	-	(865)
Depreciation on revaluation of non current assets				(83)	83		-		-
Reduction of revaluation reserve				(7)	7		-		-
Reclassified equity items					416	(416)	-		-

As at 30 June 2016	3 967	4 560	-	4 102	5 062	(15475)	2 216	-	2 216
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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The interim financial statements are unaudited but have been reviewed by the auditors.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for revaluation of certain properties.

The same accounting policies, presentation and methods of computation have been followed in this unaudited condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2015.

The comparatives for the six months ended 30 June 2015 are extracted from the Group's consolidated financial statements for the year ended 31 December 2015. The auditor's report for those accounts was unqualified, but did include references to an emphasis of matter in respect of the Group incurring a loss during the year as well as the uncertainty surrounding the breach of loan agreement with the European Bank for Reconstruction and Development (the "EBRD").

Going concern

The unaudited condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due, for the foreseeable future.

The Group incurred a loss of £1,098k for the six months ended 30 June 2016. This is primarily due to the volatile political and economic situation in Ukraine. This has resulted in a number of challenges to the Group, including but not limited to the significant devaluation of the local currency, the increase in raw milk prices and an overall fall in demand.

Despite the negative economical conditional in Ukraine the Group signed new terms in respect of loan with EBRD. The previous sum of loan was divided on 2 tranches. Tranche A has maturity date 01 December 2022 and interest is payable at a margin of 5% over EURIBOR per annum, tranche B has maturity date 01 December 2024 and the rate at the higher of EURIBOR or 1% per annum before 01 December 2022 and after this date before 01 December 2024 – at a margin of 5% over EURIBOR per annum. First principal payment of the loan will be paid in accordance with new schedule in the March 2017.

Based on the existence of these conditions, the condensed consolidated financial statements have been prepared on a going concern basis, because management believes that it has employed sufficient and appropriate measures to underpin its cost cutting strategy including but not limited to: reconstruction of manufacturing facilities in Starokonstantinov location, decrease in the number of subsidiaries and streamlining its business processes aimed to minimise non-value adding activities and related costs etc. According to the new terms of the contract, interest is paid in a timely manner.

2. Earnings per share

Basic earnings per share have been calculated by dividing net loss/profit attributable to the ordinary shareholders (loss/profit for the year) by the weighted average number of shares in issue.

Six months ended	Six months ended
30 June 2016	30 June 2015

Net (loss) / profit attributable to ordinary shareholders, £'000	(1 098)	(1 081)
Weighted number of ordinary shares in issue	39 673 050	39 673 050
Basic earnings per share, pence	(2,77)	(2,72)
Diluted average number of shares	39 629 619	39 629 619
Diluted earnings per share, pence	(2,77)	(2,73)

3. Approval of interim financial statements

The unaudited condensed consolidated financial statements were approved by the board of directors on 30 September 2016. A copy will shortly be available on the Company's website at www.ukrproduct.com