



FOR IMMEDIATE RELEASE

8 September, 2010

UKRPRODUCT ANNOUNCES UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2010

Kyiv, Ukraine – 8 September, 2010 – Ukrproduct Group Limited (“Ukrproduct”, the “Company” or, together with its subsidiaries, the “Group”) (AIM: UKR), one of the leading producers and distributors of branded dairy products in Ukraine, today announces its unaudited interim consolidated IFRS financial results for the six months ended June 30, 2010.

KEY FIGURES

(Figures in brackets are for the six months ended or as at 30 June, 2009)

- **Total revenue declined by 5.3% year on year to GBP 20.7 million (GBP 21.8 million), however revenues remained stable year on year in local currency**
- **Decline of gross margin to 15.4% (18.0%) led to a decrease in gross profit to GBP 3.2 million (GBP 3.9 million)**
- **Revenue in skimmed milk powder (“SMP”) segment increased by 11% year on year to GBP 5.9 million (GBP 5.3 million)**
- **Gross profit for SMP increased to GBP 0.8 million with gross margin of 13.1%, compared to GBP 0.02 million loss in prior period**
- **Revenue in branded products segment declined by 12.8% year on year to GBP 13.7 million (GBP 15.7 million)**
- **Gross profit for branded products decreased by 41.8% year on year to GBP 2.2 million (GBP 3.9 million) with gross margin of 16.4% (24.6%) as a result of margin pressure from consumer preferences shift to the mass market segment**
- **Earnings per share of 1.0 pence (1.5 pence)**
- **Positive cash flow with cash balance standing at GBP 1.6 million (GBP 2.2 million)**

Sergey Evlanchik, CEO of Ukrproduct, commented: “Consumer preferences shifted further to the price sensitive mass market away from Ukrproduct’s strong position in the premium middle market segment, impacting our profitability. Ukrproduct continued to adapt its product mix to suit changing consumer preferences, with the intention of improving profitability. Implementation of these plans will be assisted by the recently announced strengthening of the senior management team.”

CEO'S REPORT

During the first half of 2010 Ukrproduct has witnessed a further decrease in the purchasing power of the local population, which resulted in a continued switch in consumer preferences from the middle to the mass market segment. At the same time growth in input prices outpaced the rise in consumer prices. 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.

Ukrproduct continued to maintain a leading market share of packaged butter. The Group came under competitive pressure in the processed cheese market in the first six months of 2010, however, its market position started to recover following an improving adjustment of its product range and the introduction of competitively priced processed cheese products and spreads in the lower end of the market in June.

Overall, the Group experienced a significant reduction in its trading volumes in the first half of 2010. Ukrproduct gross margins came under pressure from competitive pricing and input cost increases, particularly in raw milk prices, which were up over 60% year on year.

Ukrproduct did benefit from a favourable pricing environment in SMP in the first half of 2010, and as a result, the profitability of this segment improved significantly, compared to the first half of last year. Though, as previously announced, trading volumes of SMP were affected by the Ukrainian government decision to issue bonds in exchange for its VAT obligations to exporters, which undermined their confidence.

The Group's cash situation is sufficient with balances of GBP 1.6 million backed by additional banking facilities into next year.

Despite the cash position, business circumstances dictate prudence and conserving cash. The Board is therefore forgoing the payment of an interim dividend in respect of the first six months ended 30 June 2010.

OUTLOOK

Ukrproduct sees a more stable outlook for the economy under the new government, however, consumer budgets continue to be pressured inducing a further shift to the mass market. The Company now has an improved product offering for this segment with more products to come in the short term. We witnessed some improvement in sales in May and June, which continued into the second half of the year. However, in July and August, input costs have risen prematurely, following drought, which forced local cheese producers exporting to Russia to increase their production. Such volatility in the business and trading conditions makes predictions difficult.

Nevertheless Ukrproduct has defined plans for profit improvement. These include the recent re-launch of hard cheese production and the commencement of distribution of the soft drink, kvass. Additionally, Ukrproduct made necessary provisions during the summer months for the forward storage of milk and milk derivatives to achieve its production

targets in processed cheese and butter in the second half of 2010. The implementation of these plans will be aided by an overhaul of the senior management team. This has led to the appointment of a new CFO, Olena Yakovenko, and heads of Sales and Marketing departments.

FINANCIAL REVIEW

	<i>(GBP thousands)</i>			<i>(UAH thousands)</i>		
	Jan-Jun 2010	Jan-Jun 2009	Year on Year Change	Jan-Jun 2010	Jan-Jun 2009	Year on Year Change
Revenue	20,653	21,799	(5.3%)	250,457	249,345	0.5%
Gross Profit	3,183	3,934	(19.1%)	38,600	44,998	(14.2%)
EBITDA	1,148	1,669	(31.2%)	13,925	19,093	(27.1%)
Profit after tax	415	629	(34.0%)	5,033	7,183	(29.9%)
Basic earnings per share (pence)	1.0	1.5	(33.3%)	-	-	-

	<i>(GBP thousands)</i>			<i>(UAH thousands)</i>		
	Jan-Jun 2010	Jan-Jun 2009	Year on Year Change	Jan-Jun 2010	Jan-Jun 2009	Year on Year Change
Revenue						
- Branded	13,679	15,692	(12.8%)	165,884	179,487	(7.6%)
- SMP	5,920	5,332	11.0%	71,791	60,989	17.7%
- Other	1,054	775	36.0%	12,782	8,865	44.1%
Gross Profit						
- Branded	2,243	3,853	(41.8%)	27,200	44,059	(38.6%)
- SMP	776	(22)	-	9,410	(252)	-
- Other	164	100	64.0%	1,989	1,149	73.1%

Ukrproduct's consolidated revenues decreased by 5.3% year on year in the first half of 2010. The branded products segment continued to account for the majority of the Group's revenues, representing 66.2% of total revenues in the reporting period (72.0% in the first half of 2009). Branded products segment revenues declined 12.8% year on year as a result of competitive pressure experienced in the processed cheese market in the first six months of 2010, as well as the increase of raw milk prices outpacing the rise in retail prices of butter. Skimmed milk powder ("SMP") revenues increased by 11.0% year on year during the same period, following the continued recovery in global soft commodities markets and a favourable pricing environment domestically and abroad.

The Group experienced a significant reduction in its trading volumes in the first half of 2010 in both the branded products segment and in sales of skimmed milk powder. As previously disclosed, trading volumes of SMP were primarily affected by the issuance of bonds by the Ukrainian government in exchange for its VAT obligations to exporters. As a result, management decided to forgo additional sales of third party SMP in the absence of clarity with regard to VAT refunds. Ukrproduct's volumes of branded products declined due to continued shift in consumer preferences to mass market products from Ukrproduct's strong position in the premium middle market segment.

The Group's gross profit declined by 19.1% year on year with gross profit margin of 15.4% in the first half of 2010, compared to 18.0% in the corresponding period of 2009, as a result of the margin pressure in the branded products segment. Ukrproduct continued to benefit from a favourable pricing environment in SMP in the first half of 2010, and as a result the profitability of this segment was significantly above the first half of last year. The SMP segment delivered gross profit margin of 13.1%, compared to a loss in the prior period. The branded products segment gross profit margin declined from 24.6% in the first half of 2009 to 16.4% in the reporting period, largely as a result of reduction in gross profit margins for butter following the rise in raw milk prices and the strengthening of government policy on regulation of retail prices. The Group's gross profit margin was further impacted by an 11% year on year rise in electricity costs and a 20% increase in packaging costs.

Group EBITDA decreased 31.2% year on year in the first half of 2010 with an EBITDA margin of 5.5%, compared to 7.6% in the previous period.

Depreciation and amortisation expense decreased by 31.3% year on year from GBP 0.8 million in the first half of 2009 to GBP 0.5 million.

The Group's Selling, Distribution and Administrative expenses decreased by 8.9% year on year from GBP 2.8 million in the first half of 2009 to GBP 2.6 million in the reporting period due to cost optimisation measures. The Group's reduced its leasing costs for warehouse and office space, as well as logistics and advertising expenses.

Profit after tax decreased by 33.9% year on year to GBP 0.4 million in the first half of 2010 (GBP 0.6 million). The Group's basic earnings per share (EPS) declined 33.3% year on year from 1.5 pence to 1.0 pence in the first half of 2010.

Net cash generated by operating activities totalled GBP 1.8 million in the first half of 2010 (GBP 3.7 million).

Net cash used in investing activities totalled GBP 0.4 million in the first half of 2010 (GBP 0.3 million) with GBP 0.4 million spent on capital expenditure (GBP 0.3 million). During the reporting period Ukrproduct upgraded the production of spreads and purchased 3 new transport vehicles.

Net cash received from financing activities amounted to GBP 0.003 million in the first half of 2010, compared to net cash used in financing activities of GBP 1.5 million in the prior period.

The Group's cash balances stood at GBP 1.6 million as at 30 June 2010, compared to GBP 2.2 million as at 30 June 2009. The Group's net debt was GBP 0.3 million as at 30 June

2010, compared to net cash of GBP 0.2 million as at 30 June 2009. The Group maintained a working capital facility in Ukrainian Hryvnia with OTP Bank equivalent to up to GBP 3.2 million (GBP 3.2 million). As at 30 June 2010, Ukrproduct had drawn down GBP 1.9 million of the available facility (2009: GBP 1.6 million). Ukrproduct also has available additional overdraft facilities for up to GBP 0.6 million. The Group's cash levels are sufficient to meet current debt obligations in the short and medium term.

Conference call information

Ukrproduct management will host a conference call today at 10.30 am (London time) / 11.30 pm (CET) / 12.30 pm (Kiev Time) to present and discuss the unaudited interim results.

The dial-in numbers for the conference call are:
UK/International: +44 20 7190 1530

A replay will then be available for 7 days after the conference call. To access the replay, please dial:

UK/International: +44 20 7154 2833

PIN number: 4359119#

For further information, please visit www.ukrproduct.com or contact:

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Ukrproduct Group Ltd is one of the leading Ukrainian producers and distributors 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 dairy plants in western and central regions of Ukraine (Zhytomyr, Starokonstantyniv, Krasyliv and Letychiv) with a total annual integrated capacity of approximately 60,000 tons of dairy products. With its own fleet of more than 125 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 20.5 million as at June 30, 2010 and consolidated revenues of

approximately GBP 20.7 million for the first six months of 2010. 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
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30
JUNE 2010 AND 2009

(in thousands of GBP, unless otherwise stated)

	Period ended 30 June 2010 £ '000	Period ended 30 June 2009 £ '000
Revenue	20,653	21,799 ¹
<i>including of branded and SMP products</i>	<i>19,599</i>	<i>21,024</i>
Cost of Sales	(17,470)	(17,865)
Gross profit	3,183	3,934
Administrative expenses	(1,332)	(1,355)
Selling and distribution expenses	(1,169)	(1,357)
Other operating income/ expenses, net	(63)	(105)
Profit from operations	619	1,117
Finance expense, net	(162)	(251)
Effect of foreign currency translation	(17)	(217)
Profit before taxation	440	649
Income tax expense	(25)	(20)
NET INCOME FOR THE PERIOD	415	629
Attributable to:		
Equity holders	428	639
Non-controlling interest	13	10
	415	629
Earnings per share:		
Basic	1.0p	1.5p
Diluted	1.0p	1.5p

¹ Following the change in accounting for bonuses paid to retailers, bonus payments were excluded from consolidated revenues for 2009

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2010 AND 2009
(in thousands of GBP, unless otherwise stated)

	Period ended 30 June 2010 £ '000	Period ended 30 June 2009 £ '000
Profit for the period	415	629
Other comprehensive income		
Exchange differences on translation to the presentation currency	619	(1,266)
Other comprehensive income for the period, net of tax	619	(1,266)
Total comprehensive income for the period, net of tax	1,034	(637)
Attributable to:		
Equity holders	1,065	(618)
Non-controlling interest	31	(19)
	1,034	(637)

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT 30 JUNE 2010 AND 31 DECEMBER 2009 AND 30 JUNE 2009
(in thousands of GBP, unless otherwise stated)

	Note	As at 30 June 2010 £ '000	As at 31 December 2009 £'000	As at 30 June 2009 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	3	8,916	8,534	9,007
Intangible assets		1,044	1,065	1,072
Available for sale investments		92	86	87
Deferred tax assets		195	63	106
Total non-current assets		10,247	9,748	10,272
Current assets				
Inventories		2,702	2,445	2,321
Trade and other receivables		4,590	4,738	4,218
Current taxes		1,335	1,031	451
Other financial assets		92	79	26
Cash and cash equivalents		1,567	236	2,228
Total current assets		10,286	8,529	9,245
TOTAL ASSETS		20,533	18,277	19,517
Equity and liabilities				
Equity attributable to equity holders				
Share capital	4	4,107	4,107	4,282
Other reserves		(120)	(318)	75
Retained earnings		11,859	10,779	10,244
Total equity attributable to equity holders of the parent		15,846	14,568	14,601
Non-controlling interest		18	30	44
Total equity		15,864	14,598	14,644
Liabilities				
Non-Current Liabilities				
Deferred tax liabilities		506	459	567
Total Non Current Liabilities		506	459	575
Current Liabilities				
Bank loans and overdrafts	5	1,868	1,581	1,605
Trade and other payables		2,200	1,575	2,151
Taxes payable		43	32	34
Current income tax liabilities		52	32	31
Total Current Liabilities		4,163	3,220	4,297
TOTAL LIABILITIES AND EQUITY		20,533	18,277	19,517

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2010 AND 2009
(in thousands of GBP, unless otherwise stated)

	Period ended 30 June 2010 £ '000	Period ended 30 June 2009 £ '000
Cash flows from operating activities		
Profit for the year	415	629
Adjustments for:		
Exchange difference	17	217
Depreciation and amortisation	528	769
Loss / (profit) on disposal of non-current assets	60	6
Bad debts expense	60	-
Interest (loss)/ income	(17)	-
Interest expense	179	251
Income tax expense	25	20
(Increase) / decrease of inventories	(98)	862
Exclusion from the Group	-	(101)
Decrease / (increase) in trade and other receivables	112	436
(Decrease) / increase in trade and other payables	543	592
Cash generated from operations	1,824	3,681
Interest received	17	-
Income tax paid	(115)	(56)
Net cash generated by operating activities	1,726	3,625
Cash flows from investing activities		
Payments for property, plant and equipment	(354)	(453)
Proceeds from sale of property, plant and equipment	12	71
Proceeds from sale of investments	-	(280)

Purchase of available for sale investments	-	402
(Proceeds) / repayments from loans issued	(8)	5
Net cash used in investing activities	(350)	(255)
Cash flows from financing activities		
Proceeds from issue of bonds net of issue costs	-	9
Proceeds from issue of shares, net of issue costs	-	-
Own shares acquisition	-	-
Dividends paid	-	-
Interest paid	(179)	(251)
Net proceeds from short term borrowing	182	(1,546)
Proceeds from issue of promissory notes	-	246
Net cash used in financing activities	3	(1,542)
Net increase in cash and cash equivalents	1,379	1,828
Effect of exchange rate changes on cash and cash equivalents	(48)	(291)
Cash and cash equivalents at the beginning of the year	236	691
Cash and cash equivalents at the end of the year	1,567	2,228

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2010 AND 2009

(in thousands of GBP, unless otherwise stated)

	Attributable to equity holders			Total Attributable to equity holders of the parent £ '000	Non controlli ng Interest £ '000	Total Equity £ '000
	Share capital £ '000	Other reserves £ '000	Retained earnings £ '000			
Balance as at 1 January 2009	4,282	823	10,814	15,919	82	16,001
Depreciation on revaluation of non-current assets	-	(51)	51	-	-	-
Reduction of revaluation reserve	-	(24)	-	(24)	-	(24)
Decrease of Non-controlling interest	-	-	-	-	(22)	(22)
Exchange differences on translation to the presentation currency	-	(673)	(1,260)	(1,933)	(6)	(1,939)
Net income (expense) recognised directly in equity	-	(748)	(1,209)	(1,957)	(28)	(1,985)
Profit for the period			639	639	(10)	629
Total recognised income and expense for the period	-	(748)	(570)	(1,318)	(38)	(1,356)
Issue of shares						
Dividends paid	-	-	-	-	-	-
Balance as at 30 June 2009	4,282	75	10,244	14,601	44	14,645
Balance as at 1 January 2010	4,107	(318)	10,779	14,568	30	14,598
Depreciation on revaluation of non-current assets	-	(32)	32	-	-	-
Reduction of option reserve	-	(2)	2	-	-	-
Exchange differences on translation to the presentation currency	-	232	618	850	1	851
Net income recognised directly in equity	-	198	652	850	1	851
Profit for the period	-	-	428	428	(13)	415
Total recognised income and expense for the period	-	198	1,080	1,278	(12)	1,266
Dividends paid			-	-		-
Balance as at 30 June 2010	4,107	(120)	11,859	15,846	18	15,864

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

The unaudited condensed consolidated financial information has 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 financial information as were applied in the preparation of the Group's financial statements for the year ended 31 December 2009, except for the impact of the items described below.

Change of depreciation method for certain equipment

The company changed its basis of depreciation for cheese making equipment from the reducing balance method to the unit of production method as this method better reflects the use of the equipment by the company. The change in the accounting policy decreased depreciation for the period by approximately GBP 116,817.

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

The comparatives for the six months ended 30 June 2009 are extracted from the Group's consolidated financial statements for the year ended 31 December 2009. The auditor's report for those accounts was unqualified and did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

2. Earnings per share

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

	Period ended 30 June 2010	Period ended 30 June 2009
Net profit attributable to ordinary shareholders, £ '000	428	639
Weighted number of ordinary shares in issue	41 067 599	42 817 849
Basic earnings per share, pence	1.0	1.5
Weighted number of warrants and Directors' option shares in the money	130 290	
Diluted average number of shares	41 197 889	42 817 849
Diluted earnings per share, pence	1.0	1.5

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Property, plant and equipment

During the period, the Group spent approximately GBP 294,000 (UAH 3.565m) on the purchase of equipment to upgrade its manufacturing facilities.

4. Share capital

There were no movements in issued share capital during the period but at the Annual General Meeting (AGM) of the company held on 24 June 2010, the authorised share capital was increased from GBP 5,000,000 divided into 50,000,000 ordinary shares of ten pence (GBP 0.1) nominal value each to GBP 6,000,000 divided into 60,000,000 ordinary shares of ten pence (GBP 0.1) nominal value each.

5. Bank loans and overdrafts

During the period, the Group obtained a new overdraft facility in the amount of approximately GBP 192,000 (UAH 2.284m)

6. Approval of interim financial statements

The interim financial statements were approved by the board of directors on 6 September 2010.