FOR IMMEDIATE RELEASE 7 September, 2011

UKRPRODUCT ANNOUNCES UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Kyiv, Ukraine – 7 September 2011 – Ukrproduct Group Limited ("Ukrproduct" or the "Group") (AIM: UKR), one of the leading producers and distributors of branded dairy products and third party products in Ukraine, today announces its unaudited interim consolidated IFRS financial results for the six months ended 30 June 2011.

FINANCIAL HIGHLIGHTS

(Figures in brackets are for the six months ended or as at 30 June 2010)

- **Total revenue up 21.1% year-on-year to GBP 25.0 million (GBP 20.7 million), with revenue in local currency up 28.5% year-on-year**
- **Gross profit increased by 13.7% to GBP 3.4 million (GBP 3.0 million), despite a decline in gross profit margin to 13.5% (14.4%)**
- **Branded/own label products and distribution services for third party products performed strongly, with gross profit growth of 39.9% and 231% respectively year-on-year**
- **Skimmed Milk Powder (SMP) saw significant declines in revenue and gross profit as a result of a weak domestic market**
- **EBITDA unchanged from 2010 at GBP 1.15 million**
- **Profit before taxation up 19.0% year-on-year to GBP 0.52 million (GBP 0.44 million)**
- **Tax increased substantially to GBP 0.215 million (GBP 0.025 million) following the introduction of the new Ukrainian Tax Code as of 1 April 2011.**
- **Cash balance standing at GBP 0.4 million (GBP 1.6 million)**
- **Earnings per share decreased to 0.8 pence (1.0 pence) – due to the increased tax charge**

Sergey Evlanchik, CEO of Ukrproduct, commented: "In the first half of 2011 the Group achieved a significant increase in sales volumes and revenues, led by branded/own label products and distribution services for third party products. Margins came under pressure, not least from changes to the milk subsidy regime in Ukraine. SMP revenues fell due to market conditions. Overall, Ukrproduct saw strong growth in operating profit. It was therefore disappointing that this improved operating performance was undermined by the imposition of the stringent new Tax Code."

CEO'S REPORT

The Ukrainian business environment has become more challenging following the introduction of the new Tax Code, effective April 1, 2011 and pressure from the tax authorities. The dairy sector was also affected by a new milk subsidy regime which led to an increase in raw milk prices of approximately 20% for all processors.

Ukrproduct achieved strong increases in both sales volumes and revenues, driven by a new sales and marketing strategy led by a new management team. Revenue in GBP in H1 2011 was up 21.1% year-on-year, mostly driven by sales of branded products, Ukrproduct's core offering.

The Group strengthened its leading position in the overall butter segment, increasing market share by 1.5 percentage points (9.2% in H1 2011 compared to 7.7% in H2 2010)[1]. The Group also added 1.1 percentage points to market share for bulk and packaged spreads. Sales of packaged butter and spreads increased by 28% in H1 2011, with gross profit up 68%.

There was extreme price competition at the lower end of the processed cheese market as consumer demand switched to lower priced goods and the market contracted in H1 2011. Ukrproduct's revenues in this segment fell 15% year-on-year, with a gross profit fall of 10%. Encouragingly, the Group did recover its leading position with 17.5% market share in H1 2011 (15.6% at year-end 2010).

The profitability of the SMP segment in H1 2011 was adversely affected by higher raw milk prices and excess stocks of SMP from 2010 in Ukraine, which resulted in an unexpected price decrease on the domestic market. The Group limited production of SMP and as a result broke even in this segment in H1 2011. Difficult market conditions are expected to continue for the rest of the year.

The distribution of kvass (a traditional brewed drink) showed a considerable improvement both in terms of sales volumes and profitability, contributing significantly to the Group's gross profit.

Furthermore, the Group started construction work to modernize the plant at Starokostantyniv within the framework of a project financed by the European Bank for Reconstruction and Development (EBRD). The upgrade of the plant will bring substantial cost savings, particularly due to increased energy efficiency. Benefits are expected to accrue as from mid-2012.

Business circumstances dictate prudence and the conservation of cash. The Board has therefore decided not to pay an interim dividend in respect of the first six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

OUTLOOK

---

[1] Overall butter market shares are taken from State Statistics Committee data and include both packaged and bulk butter. Management estimates that Group's market share for packaged butter is 24%.

In the second half of 2011 the Group aims to further increase the sales of branded/own label products with trade marketing campaigns and further adaptation of the product portfolio to meet new market requirements, including the launch of new products. Sales of distribution services for third party products are also expected to improve. The SMP market is expected to remain subdued.

Margin pressure will continue given the new milk subsidy regime. The Group also expects a seasonal increase in raw milk prices as well as further increases in fuel and other input costs. In addition to increasing sales, Ukrproduct will therefore be focused on cost-cutting measures to sustain profitability.

The onerous new tax situation will require effective planning to offset its impact on the expected improvements in operating profit.

FINANCIAL REVIEW

	(GBP thousands)			*(UAH thousands)*		
	Jan-Jun 2011	Jan-Jun 2010	Year-on-year change	**Jan-Jun 2011**	Jan-Jun 2010	Year-on-year change
Revenue	**25,008**	20,653	21%	**321,850**	250,457	29%
Gross Profit	**3,375**	2,969	14%	**43,435**	36,002	21%
EBITDA	**1,151**	1,148	0%	**14,815**	13,925	7%
Profit after tax	**309**	415	-26%	**3,977**	5,033	-21%
Basic earnings per share (pence)	**0.8**	1.0	-23%	**-**	-	-

	(GBP thousands)			*(UAH thousands)*		
	Jan-Jun 2011	Jan-Jun 2010	Year-on-year change	**Jan-Jun 2011**	Jan-Jun 2010	Year-on-year change
Revenue						
- Branded	**15,992**	13,679	17%	**205,815**	165,884	24%
- Non-branded	**3,738**	5,920	-37%	**48,108**	71,791	-33%
- Distribution services	**5,278**	1,054	401%	**67,927**	12,782	432%
Gross Profit						
- Branded	**2,837**	2,028	40%	**36,511**	24,599	48%
- Non-branded	**-7**	776	-101%	**-90**	9,410	-101%

-	Distribution services	**545**	164	231%	**7,014**	1,989	252%

Ukrproduct's consolidated revenues increased by 21.1% year-on-year in the first half of 2011. The Branded products segment continued to account for the majority of the Group's revenues, representing 63.9% of total revenues (66.2% in the first half of 2010). Branded products segment revenues increased by 16.9% year-on-year, while the revenue of the Non-branded products segment (SMP) declined by 36.9% year-on-year due to the decision of management to minimize the loss from SMP sales caused by high input costs and weak domestic SMP prices.

The Group's gross profit increased by 13.7% from GBP 3.0 million in H1 2010 to GBP 3.4 million in H1 2011 with a gross profit margin of 13.5% in the first half of 2011 compared to 14.4% in the corresponding period of 2010. The fall in gross profit margin was mainly due to the increased price of milk and decreased profitability of SMP.

The Non-branded products segment delivered a gross profit margin of - 0.2% compared to 13.1% in the previous period. The Branded products segment's gross profit margin increased from 14.8% to 17.7% year-on-year, largely due to increased sales volumes and stronger pricing.

Group EBITDA in H1 2011 was consistent with H1 2010 at GBP 1.15 million.

Depreciation and amortisation expenses decreased by 14.7% year-on-year from GBP 0.53 million in the first half of 2010 to GBP 0.45 million following a change in the depreciation method from the reducing balance method to the straight-line method. This new method has been applied from 1 January 2011.

The Group's Administrative and Selling & Distribution expenses increased by 18.4% year-on-year to GBP 2.7 from GBP 2.3 million. This was due to increases in fuel costs and in salaries of the sales people, which, in turn, increased due to higher sales volumes.

Profit before taxation increased 19.0% year-on-year to GBP 0.52 million in H1 2011 compared to H1 2010 (GBP 0.44 million). Profit after tax decreased by 25.6% year-on-year to GBP 0.31 million in H1 2011 (GBP 0.42 million) due to the newly introduced Tax Code. The Group's basic earnings per share (EPS) declined 21.4% year-on-year from 1.0 pence to 0.8 pence in the first half of 2011.

Net cash generated by operating activities totalled GBP 0.3 million in the first half of 2011 (GBP 1.7 million), reflecting very high tax paid, increased trade and other accounts receivables in line with increased sales, and a one-time sale of equipment.

The Group's cash balances stood at GBP 0.40 million as at 30 June 2011, compared to GBP 1.6 million as at 30 June 2010. The Group's net debt was GBP 2.7 million as of 30 June 2011, compared to net debt of GBP 1.9 million as at 30 June 2010. As at 30 June 2011, the Group had a credit facility in Ukrainian Hryvnia with OTP Bank equivalent to up to GBP 2.7 million (GBP 2.9 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 am (CET) / 12.30 pm (Kiev Time) to present and discuss the unaudited interim results. A presentation for investors is available here: http://www.ukrproduct.com/en/140/155.html.

UK dial-in (toll-free): **0800 368 1950**

Ukraine dial-in (toll-free): **0800 500 684**

International dial-in: **+44 (0)20 3140 0668**

The participant passcode is: **160008#**

A replay will then be available for 30 days after the conference call. To access the replay, please dial:

UK playback: **+44 (0) 20 3140 0698 or 0800 368 1890**

US/International playback: **+1 877 846 3918**

The playback code is: **379439#**

***

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

Ukrproduct Group Ltd.
Sergey Evlanchik
Chief Executive Officer
Tel: +38 044 502 8014
sergey.evlanchik@ukrproduct.com

PBN
Laura Citron
Financial Public Relations
Tel. + 44 (0) 7912 601 137
Laura.citron@pbn.ru

WH Ireland Limited
Robin Gwyn
Tel: +44 161 832 2174

Metropol (UK) Limited
Natalia Pastukhova
Tel. +44 (0) 20 7439 6880

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 26.7 million as at June 30, 2011 and consolidated revenues of approximately GBP 25.0 million for the first six months of 2011. 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 2011 AND 2010
(in thousands of GBP, unless otherwise stated)

	Six months ended 30 June 2011 £ '000	**Six months ended 30 June 2010 £ '000**
Revenue	25,008	20,653
including of branded and SMP products	19,730	19,599
Cost of sales	(21,633)	(17,684)
Gross profit	**3,375**	**2,969**
Administrative expenses	(1,384)	(1,332)
Selling and distribution expenses	(1,323)	(955)
Other operating income/ expenses, net	33	(63)
Profit from operations	**701**	**619**
Finance expense, net	(155)	(162)
Effect of foreign currency translation	(22)	(17)
Profit before taxation	**524**	**440**
Income tax expense	(215)	(25)
Profit for the six months	**309**	**415**
Attributable to:		
Equity holders of the Parent	315	428
Non-controlling interest	(6)	(13)
	309	**415**
Earnings per share (p):		
Basic	**0.8**	**1.0**
Diluted	**0.8**	**1.0**

During 2011 the Group has changed the presentation of delivery costs from the Group's manufacturing to trading enterprises. These costs have been excluded from selling and distribution expenses and included in cost of sales. The Group has performed an appropriate reclassification of the comparative data amounting to GBP 214,000.

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2011 AND 2010
(in thousands of GBP, unless otherwise stated)

	Six months ended 30 June 2011 £ '000	Six months ended 30 June 2010 £ '000
Profit for the six months	**309**	**415**
Other comprehensive income		
Exchange differences on translation to the presentation currency	(723)	851
Other comprehensive income for the six months, net of tax	**(723)**	**851**
Total comprehensive income for the six months, net of tax	**(414)**	**1,266**
Attributable to:		
Equity holders of the Parent	(408)	1,279
Non-controlling interests	(6)	(13)
	(414)	**1,266**

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011 AND 31 DECEMBER 2010 AND 30 JUNE 2010
(in thousands of GBP, unless otherwise stated)

	Note	As at 30 June 2011 £ '000	As at 31 December 2010 £ '000	As at 30 June 2010 £ '000
ASSETS				
Non-current assets				
Property, plant and equipment	**3**	11,220	12,263	8,916
Intangible assets		960	1,000	1,044
Available for sale investments		85	89	92
Deferred tax assets		260	248	195
Total non-current assets		**12,525**	**13,600**	**10,247**
Current assets				
Inventories		3,564	3,985	2,702
Trade and other receivables		8,215	5,605	4,590
Current taxes		1,202	1,094	1,335
Other financial assets		396	220	92
Cash and cash equivalents		395	676	1,567
Total current assets		**13,772**	**11,580**	**10,286**
TOTAL ASSETS		**26,297**	**25,180**	**20,533**
Equity and liabilities				
Equity attributable to equity holders				
Share capital		4,082	4,082	4,107
Other reserves		1,091	2,068	(464)
Retained earnings		13,182	12,817	12,204
Total equity attributable to equity holders of the parent		**18,355**	**18,967**	**15,847**
Non-controlling interest		14	20	17
Total equity		**18,369**	**18,987**	**15,864**
Liabilities				
Non-Current Liabilities				
Deferred tax liabilities		1,295	1,434	506
Total Non Current Liabilities		**1,295**	**1,434**	**506**

Current Liabilities

Bank loans and overdrafts	2,661	2,938	1,868
Trade and other payables	3,679	1,715	2,200
Taxes payable	180	38	43
Current income tax liabilities	113	68	52
Total Current Liabilities	**6,633**	**4,759**	**4,163**
TOTAL LIABILITIES AND EQUITY	**26,297**	**25,180**	**20,533**

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2011 AND 2010
(in thousands of GBP, unless otherwise stated)

	Note	Six months ended 30 June 2011 £ '000	Six months ended 30 June 2010 £ '000
Cash flows from operating activities			
Profit for the six months		309	415
Adjustments for:			
Exchange difference		22	17
Depreciation and amortisation		450	528
Loss / (profit) of disposal of non-current assets		8	60
Bad debts expenses		30	60
Interest income		(18)	(17)
Interest expense		173	179
Income tax expense		215	25
Decrease / (increase) of inventories		266	(98)
Decrease / (increase) in trade and other receivables		(2,964)	112
Increase in trade and other payables		2,091	543
Cash generated from operations		**582**	**1,824**
Interest received		18	17
Income tax paid		(286)	(115)
Net cash generated by operating activities		**314**	**1,726**
Cash flows from investing activities			
Payments for property, plant and equipment		(223)	(354)
Proceeds from sale of property, plant and equipment	**3**	400	12
Repayments / (proceeds) from loans issued		(184)	(8)
Net cash used in investing activities		**(7)**	**(350)**
Cash flows from financing activities			
Dividends paid		(204)	-
Interest paid		(173)	(179)
Net proceeds from short term borrowing		(163)	182
Proceeds from issue of promissory notes		-	-
Net cash used in financing activities			

	(540)	**3**
Net increase in cash and cash equivalents	**(233)**	**1,379**
Effect of exchange rate changes on cash and cash equivalents	(48)	(48)
Cash and cash equivalents at the beginning of the six months	**676**	**236**
Cash and cash equivalents at the end of the six months	**395**	**1,567**

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITYFOR THE PERIOD ENDED 30 JUNE 2011 AND 2010
(in thousands of GBP, unless otherwise stated)

	Attributable to equity holders								
	Share capital	Share premium	Merger reserve	Revaluation reserve	Retained earnings	Translation reserve	**Total attributable to equity holders of the parent**	Non-controlling interest	**Total Equity**
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '001	**£ '000**	£ '000	**£ '000**
As at 1 January 2010	**4,107**	**4,588**	**(1,427)**	**1,333**	**11,744**	**(5,777)**	**14,568**	**30**	**14,598**
Profit for the 6 months					428		**428**	**(13)**	**415**
Other comprehensive income						851	**851**		**851**
Total comprehensive income	**-**	**-**	**-**	**-**	**428**	**851**	**1,279**	**(13)**	**1,266**
Depreciation on revaluation of non current assets				(32)	32		**-**		**-**
As at 30 June 2010	**4,107**	**4,588**	**(1,427)**	**1,301**	**12,204**	**(4,926)**	**15,847**	**17**	**15,864**
Profit for the 6 months					676		**676**	**3**	**679**
Other comprehensive income				3,084		(500)	**2,584**		**2,584**
Total comprehensive income	**-**	**-**	**-**	**3,084**	**676**	**(500)**	**3,260**	**3**	**3,263**
Depreciation on revaluation of non current assets				(18)	18		**-**		**-**
Reduction of revaluation reserve				(1)	1		**-**		**-**
Dividends paid					(82)		**(82)**		**(82)**
Acquisition of own shares	(25)	(33)					**-** **(58)**		**-** **(58)**
As at 31 December 2010	**4,082**	**4,555**	**(1,427)**	**4,366**	**12,817**	**(5,426)**	**18,967**	**20**	**18,987**
Profit for the 6 months					**315**		**315**	**(6)**	**309**
Other comprehensive						**(723)**	**(723)**		**(723)**

income									
Total comprehensive income					**315**	**(723)**	**(408)**	**(6)**	**(414)**
Depreciation on revaluation of non current assets				(123)	123		**-**		**-**
Reduction of revaluation reserve				(131)	131		**-**		**-**
Dividends paid					(204)		**(204)**		**(204)**
As at 30 June 2011	**4,082**	**4,555**	**(1,427)**	**4,112**	**13,182**	**(6,149)**	**18,355**	**14**	**18,369**

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 2010, except for the impact of the items described below.

Change of depreciation method for certain equipment
The Group changed its basis of depreciation from the declining balance method for buildings and vehicles to the straight-line method of depreciation. The change was due to the requirements of the new Ukrainian Tax code. The Group also changed the method of depreciation for the production equipment other than cheese manufacturing equipment from declining balance method to unit of production method. Management believes this method reflects better use of the Group's equipment. The effect of the changes in accounting estimates was to decrease depreciation by about GBP 173, 000.

Reclassification of delivery cost from the Group's manufacturing to trading enterprises
The Group changed the presentation of product delivery costs from the Group's manufacturing facilities to the trading enterprises. Starting from 1 January 2011 these costs have been included in the cost of sales of finished products. In previous periods these expenses were included within selling and distribution expenses. Management believes this provides a fair presentation of the Group's cost allocation as intercompany transportation expenses are related to cost of sales in accordance with IAS 2 "Inventories". The prior year comparative cost of GBP 214,000 has also been appropriately reclassified.

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 2010 are extracted from the Group's consolidated financial statements for the year ended 31 December 2010. 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.

	Six months ended 30 June 2011	**Six months ended 30 June 2010**
Net profit attributable to ordinary shareholders, £'000	**315**	**428**
Weighted number of ordinary shares in issue	40,817,600	41,067,599
Basic earnings per share, pence	**0.8**	**1.0**
Diluted average number of shares	40,817,600	41,197,889
Diluted earnings per share, pence	**0.8**	**1.0**

3. Property plant and equipment

In January, 2011 the Group sold the assets of Zhmerinsky Maslosyrzavod LLC. Proceeds from sale of the equipment were GBP 374,831. The Group profit on disposal was approximately GBP 12,239.

4. Comparative information

Certain information in the consolidated statement of changes in equity, consolidated statement of comprehensive income, the consolidated statement of financial position and in the underlying notes has been reclassified to conform with the presentation format adopted in the current year. The restatement has no effect on the financial results or financial position of the Group.

5. Subsequent events

On 10 August 2011 the Group received EUR 2.5 million being the first tranche of the facility from the European Bank for Reconstruction and Development under a line of credit agreement of EUR 11 mln. Interest is payable at the annual level of interbank offered rate for EUR deposits plus 7% bank margin. Repayment of liabilities under the loan shall be made quarterly in 21 equal parts starting from 10 June 2013. The purpose of the loan is to finance the modernization of the plant at Starokostiantyniv. This project is expected to achieve substantial cost savings including increased efficiency in energy consumption.

6. Approval of interim financial statements

The interim financial statements were approved by the board of directors on 5 September 2011.