



UKRPRODUCT GROUP

FOR IMMEDIATE RELEASE

17 September, 2013

**UKRPRODUCT ANNOUNCES UNAUDITED INTERIM FINANCIAL RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2013**

Kyiv, Ukraine – 17 September 2013 – 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 2013.

KEY FIGURES

(Figures in brackets are for the six months ended or as at 30 June 2012)

- **Revenues in dairy branded products segment increased by 20% year on year to GBP 19.1 million (GBP 16.0 million) but gross profit decreased by 29% year on year to GBP 2.6 million (GBP 3.7 million) owing to high raw milk costs.**
- **In kvass the revenues increased by 8% year on year to GBP 1.2 million (GBP 1.1 million) and gross profit up 6% year on year.**
- **Skimmed Milk Powder (SMP) revenues decreased by 13% to GBP 3.5 million (GBP 3.9 million) but gross profit margin saw a significant improvement to GBP 0.2 million (minus GBP 0.16 million).**
- **EBITDA declined by 11% to GBP 1.3 million (GBP 1.5 million) year-on-year.**
- **Finance expenses doubled to GBP 541,000 (GBP 268,000) due to a major reconstruction project with the loan finance from the European Bank for Reconstruction and Development.**
- **Cash balance standing at GBP 0.6 million (GBP 0.8 million).**
- **Earnings per share decreased to 0.4 pence (1.6 pence).**

CEO'S REPORT

The economic environment in the first half of 2013 continued to be challenging. The dairy sector was mainly marked by the significant increase in raw milk prices across both domestic and global markets and shortage of raw milk supply in Ukraine. The Company made an effort to off-set the pressure on the margins by lifting the consumer prices but the competitive market environment did not allow compensation for the increase in costs.

Nevertheless in terms of sales the branded dairy product groups performed well showing a 20% increase in value terms. However the profitability was undermined by the higher raw material costs resulting in a 29% decrease in gross profit.

The leading market shares in packaged butter and processed cheese were sustained and hard cheese increased.

In butter segment the Company saw the increase in both volumes and revenues, however the margins were challenged by the high input costs and competitive pricing. The overall market of **spreads** in Ukraine showed a declining trend as result of consumers switching their preferences back to the traditional butter. Ukrproduct managed to increase its sales of spreads and consequently the market share although similarly to butter the profitability was pressured.

Processed cheese showed further increase in revenues and volumes and improved aggregate margin due to securing new clients and adjusting the product mix especially in the premium price segment.

The Company continues to focus on the development of its **hard cheese** segment. In H12013 the sales showed a significant increase in both volumes and revenues along with the increase in profitability as result of better penetration into the profitable retail chains channel.

Skimmed Milk Powder (SMP) segment showed a strong recovery in profitability from the previous year benefitting from higher domestic and export demand and better prices. However the shortage of raw milk supply constrained the sales volumes. As result the sales declined by 13% year on year whilst the gross profit more than doubled compared to the last year.

BEVERAGES - The sales of **kvass** showed further increase supported by the improvement in geographical coverage as well as sales and marketing investment. Along with that the margins benefitted from the unique nature of this fresh product on the Ukrainian market.

DISTRIBUTION SERVICES continued to develop with the focus on growing quality business with sustainable margins. Sales of products becoming commoditized and cash consuming have been eliminated. As the issues with VAT refund on export persisted, the Company mainly concentrated on domestic operations. While sales have been reduced returns have been substantially maintained.

FINANCIAL RESULTS for the half year reflect the sensitivity of the dairy business margins to the ongoing high raw milk prices with the previously buoyant butter category being affected in particular. However such pressure could only be partially mitigated by the gradual improvement of branded dairy sales, the resumption of SMP profitability, the containment of overheads and also the successful move into the beverages where kvass again showed its worth. Overall these factors led to EBITDA lower than the last year. Net income was impaired by the sizeable increase in interest charges arising from the EBRD loan. The Group's cash levels are sufficient to meet current debt obligations in the short and medium term.

OUTLOOK

Trading - The Company will pursue the positive sales trends being achieved in dairy. Though kvass will be affected by the poor weather and the curtailment of the kvass season. Given the inflation of dairy purchases, cost management has become even more an issue. This is being addressed with an improved sourcing capability, planning of responsible price increases and the ongoing costs reduction program. Overall the Company plans to improve profitability in the second half, however the aggregate profit for the year is expected to be below FY2012.

Meanwhile in operations EBRD has approved a further Euro 1.3 million loan for the second stage of modernization. This will focus on upgrading the production platform for butter and spreads improving both quality and cost. Such approval shows confidence in the Company and its plans to progress. Also the EBRD monitoring system of its investment adds weight to the Ukrproduct corporate governance.

Conference call information

Ukrproduct management will host a conference call today at 10.30 am (London time) / 11.30 am (CET) / 12.30 am (Kiev Time) to present and discuss the unaudited financial results for the six months ended 30 June 2013.

The dial-in numbers for the conference call are:

+44 (0) 20 3003 2666 - Standard International Access

0808 109 0700 - UK Toll Free

Password – UKR Product

For the play-back or 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 foods and beverages (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 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 200 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 35.2 million as at June 30, 2013 and consolidated revenues of approximately GBP 24.7 million for the six months ended June 30, 2013. Ukrproduct's securities are traded under the symbol "UKR" on AIM, a market operated by the London Stock Exchange. 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.

FINANCIAL
REVIEW

	(GBP thousands)			(UAH thousands)		
	Jan- June 2013	Jan-June 2012	YOY Change	Jan- June 2013	Jan-June 2012	YOY Change
Revenue	24 689	25 343	-3%	304 523	319 084	-5%
Gross Profit	3 710	4 264	-13%	45 760	53 683	-15%
EBITDA	1 299	1 467	-11%	16 022	18 470	-13%
Profit after tax	173	636	-73%	2 122	8 008	-74%
<i>Basic earnings per share (pence)</i>						

	(GBP thousands)			(UAH thousands)		
	Jan- June 2013	Jan-June 2012	YOY Change	Jan- June 2013	Jan-June 2012	YOY Change
<i>Revenue</i>						
- Branded products	19 116	15 987	20%	235 784	201 286	17%
- Skimmed milk products	3 458	3 970	-13%	42 652	49 985	-15%
- Kvass	1 224	1 130	8%	15 097	14 227	6%
- Distribution services	891	4 256	-79%	10 990	53 586	-79%
<i>Gross Profit</i>						
- Branded products	2 652	3 732	-29%	32 712	46 985	-30%
- Skimmed milk products	270	(239)	213%	3 330	(3 009)	211%
- Kvass	640	604	6%	7 894	7 605	4%
- Distribution services	148	167	-11%	1 825	2 102	-13%

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2013 AND 2012
(in thousand GBP, unless otherwise stated)

	Six months ended	Six months ended
	30 June 2013	30 June 2012
	£ '000	£ '000
Revenue	24 689	25 343
<i>including of branded and SMP products</i>	22 574	19 957
Cost of sales	(20 979)	(21 064)
Gross profit	3 710	4 279
Administrative expenses	(1 397)	(1 510)
Selling and distribution expenses	(1 620)	(1 573)
Other operating income/ expenses, net	(119)	(228)
Profit from operations	574	968
Finance expense, net	(541)	(268)
Effect of foreign currency translation	112	192
Profit before taxation	145	892
Income tax expense	28	(256)
Profit for the Six months	173	636
Attributable to:		
Equity holders of the Parent	173	636
Non-controlling interest	-	-
	173	636
Earnings per share:		
Basic	0,4	1,6
Diluted	0,4	1,6

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME
FOR THE PERIOD ENDED 30 JUNE 2013 AND 2012
(in thousand GBP, unless
otherwise stated)

	Six months ended 30 June 2013 £ '000	Six months ended 30 June 2012 £ '000
Profit for the Six months	173	636
Other comprehensive income		
Exchange differences on translation to the presentation currency	932	(235)
Other comprehensive income for the Six months, net of tax	932	(235)
Total comprehensive income for the Six months, net of tax	1 105	401
Attributable to:		
Equity holders of the Parent	1 105	401
Non-controlling interests	-	-
	1 105	401

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION
AS AT 30 JUNE 2013 AND 31 DECEMBER 2012
AND 30 June 2012
(in thousand GBP, unless otherwise stated)

	As at 30 June 2013 £ '000	As at 31 December 2012 £ '000	As at 30 June 2012 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	19 192	18 447	19 181
Intangible assets	1 262	1 238	1 305
Available for sale investments	32	30	87
Deferred tax assets	87	46	41
Total non-current assets	20 573	19 761	20 614
Current assets			
Inventories	3 738	3 415	2 955
Trade and other receivables	7 442	6 899	7 526
Current taxes	2 659	2 990	1 458
Other financial assets	163	196	179
Cash and cash equivalents	653	415	808
Total current assets	14 655	13 915	12 926
TOTAL ASSETS	35 228	33 676	33 540
Equity and liabilities			
Equity attributable to equity holders			
Share capital	3 967	4 082	4 082
Other reserves	2 529	1 726	2 484
Retained earnings	13 798	13 496	13 145
Total equity attributable to equity holders of the parent	20 294	19 304	19 711
Non-controlling interest	-	-	-
Total equity	20 294	19 304	19 711
Liabilities			
Non-Current Liabilities			
Bank borrowings	4 998	4 903	5 155
Deferred tax liabilities	636	670	843
Total Non Current Liabilities	5 634	5 573	5 998
Current Liabilities			
Bank borrowings	5 883	4 056	3 499
Trade and other payables	3 272	4 512	4 192
Current income tax liabilities	90	110	73
Other taxes payable	55	121	67
Total Current Liabilities	9 300	8 799	7 831
TOTAL LIABILITIES AND EQUITY	35 228	33 676	33 540

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2013
AND 2012
(in thousand GBP, unless otherwise stated)

	Six months ended 30 June 2013	Six months ended 30 June 2012
	£ '000	£ '000
Cash flows from operating activities		
Profit before taxation for the six months	145	892
Adjustments for:		
Exchange difference	(112)	(192)
Depreciation and amortisation	725	499
Loss / (profit) of disposal of non-current assets	1	5
Impairment of trade receivables	1	35
Disposal of subsidiaries	20	-
Interest income	(1)	(1)
Interest expense	542	269
Decrease / (increase) of inventories	(147)	1 562
Decrease / (increase) in trade and other receivables	320	(1 663)
Increase / (decrease) in trade and other payables	(1 545)	369
Cash (used in) / generated from operations	(51)	1775
Interest received	1	1
Income tax paid	(156)	(309)
Net cash (used in) / generated by operating activities	(206)	1 467
Cash flows from investing activities		
Payments for property, plant and equipment	(523)	(2 520)
Proceeds from sale of property, plant and equipment	12	11
Repayments / (proceeds) from loans issued	44	(3)
Net cash used in investing activities	(467)	(2 512)

Cash flows from financing activities

Own shares acquisition	(109)	-
Interest paid	(542)	(269)
Net proceeds from short term borrowing	1 539	28
Increase in long term borrowing	-	1 629
Net cash used in financing activities	888	1 388
Net increase in cash and cash equivalents	215	343
Effect of exchange rate changes on cash and cash equivalents	23	(47)
Cash and cash equivalents at the beginning of the six months	415	512
Cash and cash equivalents at the end of the six months	653	808

UKRPRODUCT GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013 AND 2012

(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	£ '000	£ '000	£ '000
As at 1 January 2012	4 082	4 555	(367)	4 134	12 367	(5 454)	19 317	-	19 317
Profit for the six months					636		636	-	636
Other comprehensive income						(235)	(235)		(235)
Total comprehensive income	-	-	-	-	636	(235)	401	-	401
Depreciation on revaluation of non current assets				(141)	141		-		-
Reduction of revaluation reserve				(8)	1		(7)		(7)
As at 30 June 2012	4 082	4 555	(367)	3 985	13 145	(5 689)	19 711	-	19 711
Profit for the six months					216		216	-	216
Other comprehensive income				83		(650)	(567)		(567)
Total comprehensive income	-	-	-	83	216	(650)	(351)	-	(351)
Depreciation on revaluation of non current assets				(142)	142		-		-
Reduction of revaluation reserve				(49)	(7)		(56)		(56)
As at 31 December 2012	4 082	4 555	(367)	3 877	13 496	(6 339)	19 304	-	19 304
Profit for the year					173		173	-	173

Other comprehensive income						932	932		932
Total comprehensive income	-	-	-	-	173	932	1 105	-	1 105
Depreciation on revaluation of non current assets				(135)	135		-		-
Reduction of revaluation reserve				-	(6)		(6)		(6)
Acquiring of shares	(115)	6					(109)		(109)
As at 30 June 2013	3 967	4 561	(367)	3 742	13 798	(5 407)	20 294	-	20 294

NOTES TO 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 2012, except for the impact of the items described below.

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 2013 are extracted from the Group's consolidated financial statements for the year ended 31 December 2012. 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 2013	Six months ended 30 June 2012
Net profit attributable to ordinary shareholders, £'000	173	636
Weighted number of ordinary shares in issue	39 673 050	40 817 600
Basic earnings per share, pence	0,4	1,6
Weighted number of warrants and Directors' option shares in the money		
Diluted average number of shares	39 673 050	40 817 600
Diluted earnings per share, pence	0,4	1,6

3. Approval of interim financial statements

The financial statements were approved and signed on behalf of the Directors by Mrs Tetyana Komarova on September 16, 2013.