



FOR IMMEDIATE RELEASE

24 September, 2008

UKRPRODUCT ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2008

Kiev, Ukraine – 24 September, 2008 – Ukrproduct Group Limited (“Ukrproduct” or the “Group” or the “Company”) (AIM: UKR), a leading producer and distributor of branded dairy products in Ukraine, today announced its unaudited consolidated IFRS financial results for the six months ended June 30, 2008.

FIRST HALF HIGHLIGHTS

(Figures in brackets are for the six months ended or as at, 30 June 2007)

- **Consolidated revenues up by 7.7% year on year to GBP 23.6 million (GBP 21.9 million)**
- **Revenues in branded products segment up by 50.6% year on year to GBP 16.3 million (GBP 10.8 million)**
- **Gross profit decreased by 3.0% year on year to GBP 4.6 million (GBP 4.8 million) with Gross margin of 19.6% (21.8%)**
- **Gross profit for branded products increased by 41.2% year on year to GBP 3.8 million (GBP 2.7 million)**
- **EBITDA declined by 18.6% year on year to GBP 2.0 million (GBP 2.5 million) with EBITDA margin of 8.6% (11.3%)**
- **Profit after tax decreased by 26.8% year on year to GBP 1.0 million (GBP 1.4 million) with profit margin of 4.3% (6.3%)**
- **Total assets up by 16.0% to GBP 25.1 million (GBP 21.7 million)**

Sergey Evlanchik, Chief Executive Officer of Ukrproduct, commented: “Ukrproduct has delivered strong growth in branded products’ revenues and gross profits in the first half of 2008. In line with our stated strategy we continue to focus on branded products, including processed and hard cheeses, and packaged butter. Our skim milk powder (“SMP”) segment has reversed its highly positive trend in 2007 and was impacted by price volatility in global dairy markets.

Looking forward, we expect sales in our core branded products, soft cheese and packaged butter, to continue growing at the same rate as in the first half. Sales in our new product

segment, hard cheese, are expected to be robust in the second half as we continue to increase the production volume and receive positive feedback from customers. Furthermore, Ukrproduct introduced a new premium brand ‘Molendam’ for its cheeses and packaged butter to national supermarket chains, and we expect this brand to compete successfully with imported dairy products.

We anticipate global commodity pricing in skim milk powder to continue impacting our performance in this segment in the second half. In addition, import restrictions on the Ukrainian hard cheese and SMP exports introduced by the Russian authorities in August may impact domestic pricing in the future.

Ukrproduct's position in the domestic market and its key brands remains strong. We continue to invest in our core brand portfolio whilst exploring further growth opportunities in the Ukrainian dairy sector.”

FINANCIAL REVIEW

<i>(GBP thousands)</i>	1H 2008	1H 2007	Year on Year Change
Revenue	23,612	21,924	7.7%
Gross Profit	4,629	4,771	(3.0%)
EBITDA	2,022	2,483	(18.6%)
Profit after tax	1,017	1,389	(26.8%)
Basic earnings per share	2.4	3.3	(26.4%)

Ukrproduct’s consolidated revenues increased by 7.7% year on year or by GBP 1.7 million in the first half of 2008. The Group’s branded products segment, comprising cheeses and butter, generated 50.6% growth year on year and accounted for 69.0% (49.4%) of total revenues. Segment market shares improved in line with volume growth in branded products whilst prices kept pace with inflation. The volume growth was underpinned by a series of successful marketing and sales activities targeting domestic national and regional retail chains and expansion of distribution network to include two new depot branches in Donetsk and Dnipropetrovsk. Skim milk powder revenues declined by 38.9% year on year and contributed 25.6% (45.9%) to total revenues. Furthermore, Ukrproduct launched a new product segment, hard cheese, in late 2007, which made a promising contribution to total revenues in the first half of 2008.

In June 2008, Ukrproduct launched a new design of its major brand “Nash Molochnik” (Our Dairyman). The design features provide better visuals aimed at reflecting market leading quality of the Group’s most successful brand. The Group markets its cheese and butter products under this brand. In August 2008, the Group launched a new marketing campaign in Ukraine to promote this brand.

In June 2008, Ukrproduct expanded its brand portfolio to include a new premium brand ‘Molendam’ for high-income consumers. The Group offered two types of hard cheese,

Dutch and Gouda, and packaged butter under this brand to supermarket chains throughout Ukraine.

<i>(GBP thousands)</i>	1H 2008	1H 2007	Year on Year Change
Revenue			
- Branded	16,298	10,824	50.6%
- SMP	6,054	9,906	(38.9%)
- Other	1,260	1,194	5.5%
Gross Profit			
- Branded	3,823	2,708	41.2%
- SMP	645	1,914	(66.3%)
- Other	161	149	8.1%

Group gross profit decreased 3% year on year in the first half of 2008 with gross profit margin declining to 19.6% compared to 21.8% in the first half of 2007 as a result of margin pressure in the skim milk powder segment. The gross profit in branded products segment increased 41.2% year on year with gross profit margin of 23.5% compared to 25.0% in the previous period as a result of costs associated with rollout of hard cheese. The change in product mix reflected the higher sales of branded products, however it was not sufficient to offset the decrease in export prices of SMP and the rise in fuel and petrol costs.

Group EBITDA decreased 18.6% year on year in the first half of 2008 with EBITDA margin of 8.6% compared to 11.3% in the previous period, as a result of the decline in SMP prices.

Depreciation and amortisation expense increased 12.5% year on year from GBP 0.67 million to GBP 0.75 million following the launch of the hard cheese unit and the installation of a smoking chamber.

Selling, distribution and administrative expenses increased by 15.2% year on year from GBP 2.7 million to GBP 3.1 million, primarily as a result of the wage inflation and increase in marketing and distribution expenses.

Profit after tax decreased 26.8% year on year. The Group's basic earnings per share¹ (EPS) declined 29% year on year from 3.34 pence to 2.37 pence. The diluted earnings per share declined 26% year on year from 3.17 pence to 2.33 pence.

In view of the Group's current trading performance and cash generation, the Board has approved an interim dividend of 0.4 pence per share to the shareholders of record as at 3 October, 2008 payable on 25 October, 2008. The shares will be quoted 'ex dividend' from 1 October 2008.

¹ Basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of shares in issue during the period.

Net cash generated from operating activities decreased by 43.9% year on year to GBP 1.10 million in the first half from GBP 1.96 million in the previous period.

Net cash used in investing activities totalled GBP 0.9 million in the first half of 2008, with GBP 0.9 million spent on capital expenditure compared to GBP 1.46 million in the first half of 2007. The Group installed the hard cheese ripening chamber and expanded its distribution network as well as the captive raw milk collection zone.

Net cash used in financing activities amounted to GBP 0.97 million in the first half of 2008, compared to GBP 0.34 million generated for the corresponding period of 2007 following the repayment of GBP 0.21 million loan and redemption of GBP 0.83 million local bond.

The Group's cash balances stood at GBP 0.32 million as at June 30, 2008, compared to GBP 0.68 million as at June 30, 2007. The Group's net debt was GBP 3.74 million as at June 30, 2008 compared to GBP 3.56 million as at June 30, 2007.

Conference call information

Ukrproduct management will host a conference call today at 11 am (London time) / 12 pm (CET) / 1 pm (Kiev Time) to present and discuss the first half results.

The dial-in numbers for the conference call are:
UK/International: +44 20 7190 1232

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

UK/International: +44 20 7190 5901

PIN number: 140653#

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

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Ukrproduct Group Ltd is a leading Ukrainian producer and distributor 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 five dairy plants in western and central regions of Ukraine (Molochnik, Starokonstantinovskiy Dairy Plant, Krasilovskiy Dairy Plant, Zhmerinka Plant and Letichiv Dairy Plant) with a total annual integrated capacity of approximately 70,000 tons of dairy products. With its own fleet of more than 120 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 25,128 million as at June 30, 2008 and consolidated revenues of approximately GBP 23,612 million for the first six months of 2008. 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
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008 AND 2007
(Amounts in thousands of GBP)

	June 30, 2008 unaudited	June 30, 2007 unaudited
Revenue	23,612	21,924
Cost of Sales	(18,983)	(17,153)
Gross profit	4,629	4,771
Administrative expenses	(1,561)	(1,342)
Selling and distribution expenses	(1,499)	(1,322)
Other operating expenses	(301)	(291)
Profit from operations	1,268	1,816
Finance expense	(216)	(205)
Profit before taxation	1,052	1,611
Income tax expense	(35)	(222)
Profit for the period	1,017	1,389
Attributable to:		
Equity holders	1,014	1,377
Minority interest	(3)	(12)
Net Profit attributable to ordinary shareholders	1,014	1,377
Weighted average number of ordinary shares	42,817,849	41,214,953
Basic earnings per share (pence)	2.37	3.34
Number of ordinary shares granted under warrants and option agreements	612,028	2,214,924
Diluted average number of ordinary shares	43,429,877	43,429,877
Diluted earnings per share (pence)	2.33	3.17

UKRPRODUCT GROUP
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008 AND 2007
(Amounts in thousands of GBP)

	June 30, 2008	June 30, 2007
	unaudited	unaudited
Assets		
Non-Current Assets		
Property, plant and equipment	12,773	11,635
Intangible assets	1,067	1,200
Investments	112	264
Deferred tax assets	75	104
Total non-current assets	14,027	13,203
Current assets		
Inventories	4,118	2,997
Trade and other receivables	5,590	4,481
Current taxes	1,077	304
Cash and cash equivalents	316	679
Total Current assets	11,101	8,461
Total assets	25,128	21,664
Equity and liabilities		
Equity attributable to equity holders		
Share capital	4,282	4,121
Other reserves	5,046	3,992
Retained earnings	7,904	5,255
Total equity attributable to equity holders of the parent	17,232	13,368
Minority interest	141	207
Total equity	17,373	13,575
Liabilities		
Non-Current Liabilities		
Deferred tax liabilities	750	791
Total Non-Current Liabilities	750	791
Current Liabilities		
Bank loans and overdrafts	3,361	3,260
Bonds	-	1,051
Trade and other payables	3,535	2,770
Taxes payables	60	42
Current income tax liabilities	49	175
Total Current Liabilities	7,055	7,298
Total equity and liabilities	25,128	21,664

UKRPRODUCT GROUP
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008 AND 2007
(Amounts in thousands of GBP)

	June 30, 2008 unaudited	June 30, 2007 unaudited
Cash flows from operating activities		
Profit for the period	1,017	1,389
Adjustments for:		
Exchange difference	(10)	2
Depreciation and amortisation	754	669
Loss on disposal of property, plant and equipment	2	30
Interest expense	216	203
Income tax expense	35	222
(Increase) / decrease in inventories	81	(442)
(Increase) / decrease in trade and other receivables	(1,043)	(1,026)
Increase / (decrease) in trade and other payables	167	1016
Cash generated from operations	1,219	2,063
Income tax paid	(119)	(102)
Net cash generated by operating activities	1,100	1,961
Cash flows from investing activities		
Payments for property, plant and equipment	(934)	(1,462)
Purchase of available-for-sale investments	-	(25)
Proceeds from sale of property, plant and equipment	44	21
Proceeds from sale of available-for-sale investments	1	20
Loans issued to the third parties	(14)	(320)
Net cash used in investing activities	(903)	(1,766)
Cash flows from financing activities		
Proceeds from issue of shares	628	-
(Repayments) / proceeds from issue of bonds	(828)	578
Dividends paid	(351)	(210)
Interest paid	(216)	(203)
Net proceeds from short-term borrowing	(205)	177
Net cash (used in) / generated by financing activities	(973)	342
Net (decrease) / increase in cash and cash equivalents	(776)	537
Effect of exchange rate changes and restatements on cash and cash equivalents	5	(17)
Cash and cash equivalents at the beginning of the period	1,087	159
Cash and cash equivalents at the end of the period	316	679

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Basis of preparation

This financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union. The principal accounting policies used in preparing the interim results are those the group expects to apply in its financial statement for the year ended 31 December 2008 and are unchanged from those disclosed in the group's Annual Report and Consolidated Financial Statements 2007 for the year ended 31 December 2007. The financial information for the six months ended 30 June 2008 and 30 June 2007 is not reviewed and unaudited and does not constitute the group's statutory financial statements for those periods.