

25 September 2007

Ukrproduct Group Ltd (“Ukrproduct Group” or the “Group”)

Unaudited interim results for the six months ended 30 June 2007

Ukrproduct Group is a leading Ukraine-based producer and distributor of branded dairy foods.

Consolidated results (figures for the six months ended 30 June 2006 in brackets):

- Net revenues increased by 26% to £21.9m (£17.4m)
- Gross profit increased by 36% to £4.8m (£3.5m)
- Profit before tax up 150% to £1.6m (£0.6m)
- Profit after tax up 136% to £1.4m (£0.6m)
- Basic earnings per share up to 3.3p (1.4p)
- Interim dividend of 0.60p (0.1p)

Iryna Yevets, CEO of Ukrproduct Group, commented:

“Trading overall has been ahead of budget with the core product segments showing strong progress. During this period, the Group made substantial progress in many areas of the business, including the implementation of a programme for the improvement of milk quality and accreditation of the Starkon Plant to HASSP (Health Approved Safety Standards Protection) and ISO 22000 standards.

In processed cheese, the trends reported in the Spring and at the AGM in June have continued. The low-quality, low-cost domestic manufacturers have, in our opinion, expended their financial and marketing resources beyond their means and consumers have been returning to their normal pattern of quality preferences. The Group’s ISO-certified Molochnik plant therefore proved its worth by delivering a steady output of the Group’s higher grade products. As a result, the processed cheese market achieved a certain equilibrium whereby overall volume stabilised and market shares of the leading suppliers remained intact. In addition, with the advent of Autumn we are experiencing the usual seasonal upturn in trading performance, which is anticipated to continue until the end of the year.

In packaged butter, although market share and volumes have stayed at roughly last year’s levels, gross margins on this product have improved by approximately 1.5 percentage points in comparison to the first half of last year. This improvement has resulted in additional profit generation for the Group. For the remainder of the year, we expect butter to continue as a stable profitable category with the possibility of increased sales during the pre-Christmas buying period.

Skimmed milk powder (“SMP”) has continued to enjoy strong performance since the beginning of the year. The Group managed to take full advantage of a combination of expanded manufacturing capacity and very encouraging export prices. In the first half, we produced nearly 4,000 tonnes of SMP, which compared to 2,000 tonnes in the first half of 2006. The subsequent increase in profit generated from this product has been more than commensurate with the increase in sales with gross profit almost quadrupling. In the second half, this positive trend is continuing. In addition, the quality of SMP produced by the Group was audited by Nestle Ukraine and further confirmed by the UN World Food Programme (“WFP”) as being in full compliance with WFP requirements. It is the quality of product that allows the Group to obtain a premium to the typical prices of SMP supplied from Ukraine. We are expecting this good performance to continue until at least the end of the year.

Hard cheese, the new product in our range, is in its second month of production. Due to the maturation requirements (up to two months), only limited quantities of this product have been manufactured and sold. We are moving in line with our strategy of trial testing limited quantities via various non-retail channels before we look to move the product to the shelves of supermarkets. So far, customer feedback

regarding the quality and taste of this product has been encouraging. We are looking forward to following through a strategy of gradual introduction towards the end of the year.

At the operating level, the Group remains cash generative, and the capital expenditure programme continues to plan. In the first half the Group increased the bank borrowing modestly in order to fund the completion of the hard cheese plant and to finalise the seasonal forward storage – both of which are now accomplished. Subsequently, the levels of bank debt are being reduced, and the finance costs are decreasing.

We are pleased with the overall trading and performance of the Group. In the light of the encouraging financial results, the Board has approved an interim dividend of 0.60 pence per share (0.1p in the first half of 2006) to the shareholders on record as at 5 October 2007 payable on 26 October 2007. The Board looks forward to presenting a further set of good figures at the end of the financial year.”

For further information:

Ukrproduct Group

Iryna Yevets, CEO,

Dmitry Dragun, CFO

+38 044 502 8014

+44 7786 466 639

WH Ireland Limited

David Youngman

+44 161 832 2174

CONSOLIDATED BALANCE SHEET
As at 30 June 2007 and 30 June 2006

	30/06/2007	30/06/2006
	Unaudited	Unaudited
	£ '000	£ '000
Assets		
Non-current assets		
Property, plant and equipment (PPE)	11,635	9,055
Intangible assets	1,200	1,502
Financial assets	264	92
Deferred tax assets	104	28
Total non-current assets	13,203	10,677
Current assets		
Inventories	2,997	2,649
Trade and other receivables	4,159	3,662
Other financial assets	626	132
Cash and cash equivalents	679	370
Total current assets	8,461	6,813
Total assets	21,664	17,490
Equity attributable to equity holders of the parent		
Share capital	4,121	4,121
Other reserves	3,992	5,311
Retained earnings	5,255	3,415
	13,368	12,847
Minority interest	207	172
Total equity	13,575	13,019
Liabilities		
Non-current Liabilities		
Long-term loans	-	143
Deferred tax liability	791	730
Total non-current liabilities	791	873
Current liabilities		
Bank loans	3,260	1,098
Trade and other payables	2,812	2,351
Current portion of long term liabilities	1,051	106
Current tax liabilities	175	43
Total current liabilities	7,298	3,598
Total equity and liabilities	21,664	17,490

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2007 and 30 June 2006

	30/06/2007 Unaudited £ '000	30/06/2006 Unaudited £ '000
Revenue	21,924	17,395
Cost of sales	(17,153)	(13,891)
Gross profit	4,771	3,504
Administrative expenses	(1,341)	(1,342)
Selling and distribution costs	(1,323)	(1,275)
Other operating expenses	(291)	(188)
Profit from operations	1,816	699
Gain / (loss) from exchange rate differences	(2)	25
Finance costs	(203)	(79)
Profit before tax	1,611	645
Tax expense	(222)	(57)
Profit for the period	1,389	588
Attributable to:		
Equity holders of the parent	1,377	590
Minority interest	12	(2)
	1,389	588
Earnings per share (Note 3)		
- Basic (pence)	3.3	1.4
- Diluted (pence)	3.2	1.4

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2006 and 30 June 2005

	1/01/2007 to 30/06/07 Unaudited £ '000	1/01/2006 to 30/06/06 Unaudited £ '000
Operating activities		
Profit before tax	1,611	645
Adjustments for:		
Foreign exchange losses	2	(25)
Depreciation and amortisation	669	663
Loss on disposal of non-current assets	30	-
Interest expense	203	79
Operating profit before changes in working capital and provisions	2,515	1,362
(Increase)/decrease in trade and other receivables	(1,026)	742
(Increase)/decrease in inventories	(442)	1,660
Increase/(decrease) in trade and other payables	1,016	188
Cash generated from operations	2,063	3,952
Interest paid	(203)	(79)
Income tax paid	(102)	(185)
Net cash flows from operating activities	1,758	3,688
Investing activities		
Purchases of PPE and investments	(1,446)	(1,760)
Net cash used in investing activities	(1,446)	(1,760)
Financing activities		
Issue of bonds and loans received	578	46
Dividends paid	(210)	(206)
Net proceeds from short term borrowings	177	(1,809)
Loans repaid or issued	(320)	-
Net cash generated by/(used in) financing activities	225	(1,969)
Increase/(decrease) in cash and cash equivalents	537	(41)
Cash and cash equivalents at the beginning of the period	159	453
Effect of exchange rate changes and restatements on cash and cash equivalents	(17)	(42)
Cash and cash equivalents at the end of the period	679	370

NOTES

1. Accounting Policy Statement and Basis of Preparation

The accounting policies used in preparation of the above statements are those used in preparing the annual financial results for the year ended 31 December 2006 and are presented in a form consistent with that which will be adopted in the next annual accounts (including accounting policies) having regard to accounting standards applicable to such accounts. The accounting policies are expected to remain the same for the Company in preparing its annual financial results for the year ended 31 December 2007.

2. Segmental analysis

	Sales H1 2007 £ 000	Sales H1 2006 £ 000	Sales H1 2007 %	Sales H1 2006 %		Gross Profit H1 2007 £ 000	Gross Profit H1 2006 £ 000	Gross margin H1 2007	Gross margin H1 2006
Cheese	5,241	6,927	25%	40%		1,255	1,487	23.9%	21.5%
Butter	5,583	5,431	25%	31%		1,453	1,332	26.0%	24.5%
SMP	9,906	3,280	45%	19%		1,914	452	19.3%	13.8%
Services	266	459	1%	3%		69	99	25.9%	21.5%
Third-Party	928	1,298	4%	7%		80	134	8.6%	10.4%
Total	21,924	17,395	100%	100%		4,771	3,504	21.8%	20.1%

3. Earnings per share

Basic earnings per share have been calculated by dividing the profit after tax attributable to ordinary shareholders by the weighted average number of shares in issue during the period.

	Consolidated Six months ended 30 June 2007	Consolidated Six months ended 30 June 2006
Profit after tax attributable to ordinary shareholders (£'000)	1,377	590
Weighted average number of ordinary shares	41,214,953	41,214,953
Basic earnings per share (pence)	3.3	1.4
Number of ordinary shares granted under warrants and option agreements	2,214,924	2,214,924
Diluted average number of ordinary shares	43,429,877	43,429,877
Diluted earnings per share (pence)	3.2	1.4