



UKRPRODUCT GROUP

FOR IMMEDIATE RELEASE

September 30, 2015

**UKRPRODUCT ANNOUNCES UNAUDITED INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

Kyiv, Ukraine – September 29, 2015 – 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 2015.

KEY FIGURES

(Figures in brackets are for the six months ended and as at 30 June 2014 when the exchange rate was 16.99 UAH/GBP compared to 32.41 UAH/GBP in this reporting period)

- **Total revenues decreased by 43% year on year to GBP 9.8 m (GBP 17.2 m), however in Ukrainian Hryvna the sales revenues increased by up 7.7%**
- **Gross profit margin decreased to 11.5% (22.7%) resulting in gross profit decrease by 71.3% to GBP 1.1 m (GBP 3.9m) which in Ukrainian Hryvna translated into a 45.1% decrease**
- **Revenues in dairy branded products segment decreased by 44% year on year to GBP 6.3 m (GBP 11.3 m) and the gross profit decreased by 72% year on year to GBP 0.6 m (GBP 2.1 m)**
- **In kvass the revenues decreased by 37% year on year to GBP 0.5 m (GBP 0.7 m) and gross profit down by 38% year-on-year**
- **Skimmed Milk Powder (SMP) revenues decreased by 48% to GBP 2.4 million (GBP 4.7 m) and gross profit decreased to GBP 0.2 m (GBP 1.3 m)**
- **EBITDA decreased to GBP 66 k (GBP 1.8 m)**
- **Operating loss amounted to GBP 221 k (profit of GBP 1.3 m)**
- **The negative effect of currency exchange differences amounted to GBP 0.5 million (GBP 2.8 m)**
- **Cash balance as at June 30, 2015 stood at GBP 50 k (GBP 0.4 million).**

CEO’s REPORT

During the first six months of FY2015 Ukrproduct has faced significant headwinds. The Ukrainian economy continued to decline mostly owing to the continuing unrest in the East of the country and the pressured state of Ukrainian economy overall. This is reflected in the devaluation of the hryvna, deterioration of consumer confidence and the shrinking domestic market. Furthermore the closure of the Russian market exerted further pressure causing an oversupply of dairy products on the Ukrainian market.

The Company sought to defy the increasing challenges of the business environment by revising the regional sales focus, enhancing its sales and operating efficiency as well as adjusting the sales mix in view of changing consumer preferences. This turnaround programme designed to focus on maintaining profit margins, improve working capital and reducing costs has been implemented in consultation with the European Bank of Reconstruction and Development.

In dairy domestic market demand shrunk across the Company's key product categories leading to fiercer competition. At the same time, raw milk prices showed a year-on-year increase of circa 12% prompted by the tighter competition for supply on the back of even higher price increases for imported dairy ingredients.

Branded dairy products showed a 8% increase in revenue in hryvna terms not least as the result of an increasing shift of sales focus from the occupied Eastern regions to other highly populated areas as well as the consumer price increases where achievable.

The comprehensive marketing campaign for the Company's "Our Dairyman" brand launched at the end of 2014 continued in 2015 and largely contributed to an improvement of Ukrproduct's packaged butter and processed cheese sales. Over the first half of 2015, packaged butter and processed cheese segments showed an increase in sales revenues of 3% and 14% respectively in hryvna terms. At the same time, the Company's market share in packaged butter has increased whilst the market share in processed cheese showed a slight decrease. This was due to the Company's decision to focus on only profitable products going forward and to eliminate some private label projects which were barely break-even.

Domestic sales of hard cheese were impacted by the ban on exports to Russia. Thus the Company strove to expand its geography of sales and successfully resumed sales to Crimea via a distributor. As a result sales of hard cheese showed good progress compared to the first half of 2014 in both volume and revenue terms increasing by 34% and 60% respectively.

At a gross profit level the contracting effective average wages made it very difficult to increase the consumer prices to fully offset the sharp rise in input costs namely energy and dairy ingredients, not least milk. As a result, gross profit of branded dairy products decreased by 48% in hryvna terms (72% in GBP terms) mostly owing to the packaged butter and processed cheese categories.

The sales of **kvass** showed a 24% increase in H1'2015 in sales denominated in Ukrainian Hryvna compared to the same period last year due to the successful sales promotion in the Southern Regions excluding Crimea and other large cities.

Skimmed Milk Powder (SMP) segment showed a considerable decline following the global dairy commodities prices contraction accentuated by the Russian embargo. Thus revenues and the gross profit in GBP Terms have decreased by 48% and 83% respectively. However in September the dairy commodities price trend reversed and the Company expects improvement in the SMP gross profit margins going forward.

Meanwhile the Company continued to improve the efficiency of its production capacities utilization via placement of the third party orders for skimmed milk. As a result the revenues and the gross profit of the **third party services** showed a healthy increase year on year.

Finances – Hryvna revenues overall grew by 9%. Exports accounted for approximately 27% of sales, with domestic sales being split principally between regional distributors, national retail chains and wholesale suppliers to other producers (such as Danone and Kraft).

Gross profit showed a very significant contraction of 45%. Therefore EBITDA while remaining positive fell similarly. This decline was further accentuated by negative exchange differences resulting in the expected overall loss of GBP 1.1 m.

There has been a focus to reduce overdue receivables in order to improve cash generation and reduce finance costs. New operating procedures and incentives have been introduced across the sales and marketing and finance function resulting in average cash collection period falling from 45 to 39 days. As at the date of this announcement, Ukrproduct continues its negotiations with the European Bank for Reconstruction and Development to restructure the loan repayment and expects the process to be completed in the second half of 2015. Meanwhile the Company's payments of interest on the loan are up-to-date.

The Group's cash levels are sufficient to meet current debt interest obligations in the short and medium term.

Outlook – The Company is adapting to this most challenging business environment and is working to restore profitability according to a programme. Sales and marketing activities are orientated to the non-occupied regions with sales geared to cash and not just revenue. Productivity improving efficiencies and cost

eliminations are being achieved and more are targeted. In this volatile trading environment, working capital is subject to most strict control with cash creation the focus of all these initiatives.

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

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Conference call information

Ukrproduct management will host a conference call today at 9 am (London time) / 10 pm (CET) / 11pm (Kiev Time) to present and discuss the unaudited financial results for the six months ended 30 June 2015.

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

Ukrproduct Group Ltd is one of the leading Ukrainian producers and distributors of branded dairy products and 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. 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 2015	Jan- June 2014	YOY Change		Jan- June 2015	Jan- June 2014	YOY Change
Revenue	9 766	17 237	-43%		315 554	290 443	9%
Gross Profit	1 124	3 913	-71%		36 502	65 934	-45%
EBITDA	66	1 840	-96%		2 273	31 004	-93%
Loss after tax	(1 081)	(2 007)	-46%		(47 619)	(33 818)	41%

	(GBP thousands)				(UAH thousands)		
	Jan- June 2015	Jan- June 2014	YOY Change		Jan- June 2015	Jan- June 2014	YOY Change
<i>Revenue</i>							
- Branded products	6 351	11 342	-44%		205 687	191 113	8%
- Skimmed milk products	2 440	4 717	-48%		79 075	79 481	-1%
- Kvass	466	737	-37%		15 359	12 418	24%
- Servises	71	164	-57%		2 299	2 763	-17%
- Other	438	277	58%		13 133	4 667	181%
<i>Gross Profit</i>							
- Branded products	584	2 119	-72%		18 512	35 704	-48%
- Skimmed milk products	223	1 293	-83%		7 757	21 787	-64%
- Kvass	243	390	-38%		8 065	6 572	23%
- Servises	17	70	-76%		558	1 180	-53%
- Other	57	41	40%		1 611	691	133%

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2015 AND 2014
(in thousand GBP, unless otherwise stated)

	Six months ended 30 June 2015 £ '000	Six months ended 30 June 2014 £ '000
Revenue	9 766	17 237
<i>including of branded and SMP products</i>	8 791	16 059
Cost of sales	(8 642)	(13 324)
Gross profit	1 124	3 913
Administrative expenses	(562)	(1 163)
Selling and distribution expenses	(733)	(1 349)
Other operating income/ expenses, net	(50)	(110)
(Loss) / Profit from operations	(221)	1 291
Finance expense, net	(340)	(456)
Effect of foreign currency translation	(514)	(2 822)
(Loss) before taxation	(1 075)	(1 987)
Income tax expense	(6)	(20)
Loss for the Six months	(1 081)	(2 007)
Attributable to:		
Equity holders of the Parent	(1 081)	(2 007)
Non-controlling interest	-	-
	(1 081)	(2 007)
Earnings per share:		
Basic	(2,72)	(5,06)
Diluted	(2,72)	(5,06)

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015 AND 2014
(in thousand GBP, unless otherwise stated)

	Six months ended 30 June 2015 £ '000	Six months ended 30 June 2014 £ '000
Loss for the six months	(1 081)	(2 007)
Other comprehensive income		
Exchange differences on translation to the presentation currency	(1 986)	(5 377)
Other comprehensive income for the Six months, net of tax	(1 986)	(5 377)
Total comprehensive income for the Six months, net of tax	(3 067)	(7 384)
Attributable to:		
Equity holders of the Parent	(3 067)	(7 384)
Non-controlling interests	-	-
	(3 067)	(7 384)

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015 AND 31 DECEMBER 2014 AND 30 June 2014
*(in thousand GBP, unless
otherwise stated)*

	As at 30 June 2015 £ '000	As at 31 December 2014 £ '000	As at 30 June 2014 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	6 970	9 592	11 719
Intangible assets	725	829	1 082
Long-term receivables	286	-	-
Deferred tax assets	1	2	12
Total non-current assets	7 982	10 423	12 813
Current assets			
Inventories	2 381	2 085	1 725
Trade and other receivables	2 350	3 674	4 615
Current taxes	665	1 177	1 435
Other financial assets	91	108	122
Cash and cash equivalents	50	215	434
Total current assets	5 537	7 259	8 331
TOTAL ASSETS	13 519	17 682	21 144
Equity and liabilities			
Equity attributable to equity holders			
Share capital	3 967	3 967	3 967
Other reserves	(7 794)	(5 753)	(4 053)
Retained earnings	8 327	9 358	10 758
Total equity attributable to equity holders of the parent	4 500	7 572	10 672
Non-controlling interest	-	-	-
Total equity	4 500	7 572	10 672
Liabilities			
Non-Current Liabilities			
Bank borrowings	3 751	4 728	5 322
Deferred tax liabilities	213	302	363
Total Non Current Liabilities	3 964	5 030	5 685
Current Liabilities			
Bank borrowings	2 519	2 454	2 482
Trade and other payables	2 494	2 583	2 230
Current income tax liabilities	17	14	28
Other taxes payable	25	29	47
Total Current Liabilities	5 055	5 080	4 787
TOTAL LIABILITIES AND EQUITY	13 519	17 682	21 144

UKRPRODUCT GROUP LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015 AND 2014

(in thousand GBP, unless otherwise stated)

	Six months ended 30 June 2015 £ '000	Six months ended 30 June 2014 £ '000
Cash flows from operating activities		
Loss before taxation for the six months	(1 075)	(1 987)
Adjustments for:		
Exchange difference	514	2 822
Depreciation and amortisation	288	549
Loss of disposal of non-current assets	4	9
Impairment of trade receivables	-	34
Disposal of subsidiaries	(4)	-
Interest income	(1)	(3)
Interest expense	341	459
Decrease / (increase) of inventories	(851)	298
Decrease in trade and other receivables	479	221
Increase in trade and other payables	571	146
Cash generated from operations	267	2 548
Interest received	1	3
Income tax paid	(21)	(48)
Net cash generated by operating activities	247	2 503
Cash flows from investing activities		
Payments for property, plant and equipment	(130)	(300)
Proceeds from sale of property, plant and equipment	17	12
Payments from loans issued	(13)	(8)
Net cash used in investing activities	(126)	(296)
Cash flows from financing activities		
Interest paid	(343)	(459)
Net repayments from short term borrowing	(20)	(1 928)
Repayments of investment borrowing	-	(64)
Net cash used in financing activities	(363)	(2 451)
Net decrease in cash and cash equivalents	(245)	(244)
Effect of exchange rate changes on cash and cash equivalents	77	(328)
Cash and cash equivalents at the beginning of the six months	215	1 006
Cash and cash equivalents at the end of the six months	50	434

UKRPRODUCT GROUP LIMITED
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015 AND 2014**

(in thousand GBP, unless
otherwise stated)

	Attributable to equity holders						Total attributa ble to equity holders of the parent	Non- controll ing interest	Total Equity
	Share capital	Share premiu m	Merger reserve	Revalua tion reserve	Retained earnings	Translati on reserve	£ '000	£ '000	£ '000
As at 1 January 2014	3 967	4 562	-	3 636	12 672	(6768)	18 069	-	18 069
Loss for the six months	-	-	-	-	(2 007)	-	(2 007)	-	(2 007)
Other comprehensive income	-	-	-	-	-	(5 377)	(5 377)	-	(5 377)
Total comprehensive income	-	-	-	-	(2 007)	(5 377)	(7 384)	-	(7 384)
Depreciation on revaluation of non current assets	-	-	-	(91)	91	-	-	-	-
Reduction of revaluation reserve	-	-	-	(15)	2	-	(13)	-	(13)
As at 30 June 2014	3 967	4 562	-	3 530	10 758	(12 145)	10 672	-	10 672
Loss for the six months	-	-	-	-	(1 471)	-	(1 471)	-	(1 471)
Other comprehensive income	-	-	-	-	-	(1 623)	(1 623)	-	(1 623)
Total comprehensive income	-	-	-	-	(1 471)	(1 623)	(3 094)	-	(3 094)
Depreciation on revaluation of non current assets	-	-	-	(71)	71	-	-	-	-
Reduction of revaluation reserve	-	-	-	(6)	-	-	(6)	-	(6)
As at 31 December 2014	3 967	4 562	-	3 453	9 358	(13 768)	7 572	-	7 572
Loss for the year	-	-	-	-	(1 081)	-	(1 081)	-	(1 081)
Other comprehensive income	-	-	-	-	-	(1 986)	(1 986)	-	(1 986)
Total comprehensive income	-	-	-	-	(1 081)	(1 986)	(3 067)	-	(3 067)
Depreciation on revaluation of non current assets	-	-	-	(46)	46	-	-	-	-
Reduction of revaluation reserve	-	-	-	(9)	4	-	(5)	-	(5)
As at 30 June 2015	3 967	4 562	-	3 398	8 327	(15 754)	4 500	-	4 500

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

The interim financial statements are unaudited but have been reviewed by the auditors whose review report is set out below.

The unaudited condensed consolidated financial statements have 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 consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2014, except for the impact of the items described below.

The preparation of the unaudited condensed consolidated financial statements 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 2015 are extracted from the Group's consolidated financial statements for the year ended 31 December 2014. The auditor's report for those accounts was unqualified, but did include references to an emphasis of matter in respect of the Group incurring a loss during the year as well as the uncertainty surrounding the breach of loan agreement with the European Bank for Reconstruction and Development (the "EBRD").

Going concern

The unaudited condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due, for the foreseeable future.

The Group incurred a loss of £1,081,000 for the six months ended 30 June 2015. This is primarily due to the volatile political and economic situation in Ukraine. This has resulted in a number of challenges to the Group, including but not limited to the significant devaluation of the local currency, the increase in raw milk prices and an overall fall in demand. Moreover the Group did not make the principal amount payment of EUR 300 thousand due in September 2015 under the terms of its Loan Agreement with the EBRD dated March 31, 2011. The total overdue amount payable by the Group to the EBRD is EUR 900 thousand. Such breach of the provisions relating to the loan repayment gives the bank a formal right to demand early repayment of loans. The Board notified the EBRD in advance about all breaches of terms of the Loan Agreement and expected to obtain a waiver on the date of signing these condensed consolidated financial statements. However, the EBRD did not provide waiver in respect of breach of the repayment schedule in 2015. The representatives of EBRD provided a letter on 29 September 2015 to the Group's Board stating that: 1) EBRD is aware of the breach of the repayment schedule in 2015; 2) EBRD is currently considering a restructuring of the terms of the Loan Agreement, including extension of the maturity date under the Loan Agreement and; 3) as of the date of signing of the letter did not exercise any of its rights in accordance with the Agreement. The Board believes that the EBRD will not demand accelerated repayment of the loans due to the breach of the repayment schedule in 2015 and will continue to support the Group through their capital projects, during a time of political unrest. Based on the existence of these conditions, the condensed consolidated financial statements have been prepared on a going concern basis, because management believes that it has employed sufficient and appropriate measures to underpin its cost cutting strategy including but not limited to: reconstruction of manufacturing facilities in Starokonstantinov location, decrease in the number of subsidiaries and streamlining its business processes aimed to minimise non-value adding activities and related costs etc.

2. Earnings per share

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

	Six months ended 30 June 2015	Six months ended 30 June 2014
Net (loss) / profit attributable to ordinary shareholders, £'000	(1 081)	(2 007)
Weighted number of ordinary shares in issue	39 673 050	39 673 050
Basic earnings per share, pence	(2,72)	(5,06)
Diluted average number of shares	39 629 619	39 629 619
Diluted earnings per share, pence	(2,72)	(5,06)

3. Approval of interim financial statements

The unaudited condensed consolidated financial statements were approved by the board of directors on 29 September 2015.