

**Condensed consolidated interim financial statements**



**Ukrproduct Group**

**Condensed consolidated interim financial statements**

**For the six months ended 30 June 2023**

# Condensed consolidated interim financial statements

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### Chairman and Chief Executive Statement

Ukrproduct, one of the leading Ukrainian producers and distributors of branded dairy foods and beverages (kvass), is pleased to announce its interim results for the half year ended 30 June 2023 (“1H 2023”) and outlook for the remainder of 2023.

#### 2023 Half-Year Highlights

Ukrproduct Group’s consolidated revenue amounted to £18.3 million in the first half of 2023, the same as the half year ended 30 June 2022 (“1H 2022”). Whilst at the Group level, organic revenue growth in local currency was 19.5%, achieved mainly by the improvement of topline drivers, including volume, mix and price, this was impacted by negative exchange rate effects of £3.6 million. On a nominal basis, total volumes of sales were 21% higher in 1H 2023 than the prior period due to an increase in domestic demand as well as the stabilization of exports, despite the effects of the war in Ukraine.

In the period, sales of processed cheese and processed cheese products amounted to £12.0 million which was 17.2% higher than the 1H 2022. This was due to the increase of export sales as well as the launch of new products in Ukraine.

In 1H 2023, sales of spreads amounted to £2.2 million, which was 8.9% lower than 1H 2022 due to an increase in competition. However, sales increased by 11.0% in local currency compared to 1H 2022. This was mainly due to rising prices.

Sales of butter in the period amounted to £1.5 million which was 33.1% higher than 1H 2022, mainly due to the recovered domestic demand and export sales.

Sales of kvass and other beverages grew by 81.3% in volume amounting to £0.8 million compared to 1H 2022. This was due to the sale of beverages covering the whole period of 1H 2023 and active sales starting in April 2023 while in 1H 2022 sales were completely eliminated and restored in May-June 2022 due to the beginning of war in Ukraine.

The Group’s gross profit in 1H 2023 decreased by 2.3% compared to 1H 2022, to £3.2 million. This was mainly as a result of marketing and trade marketing campaigns in response to local competition.

In 1H 2023, the Group’s administrative expenses and selling expenses increased by 24.4% and 17.3% respectively, compared to 1H 2022. This was mainly due to salary increases, the significant level of inflation in Ukraine in 2022-2023, growth in marketing activities and resumption of fees for certain auxiliary services which had been negotiated for provision on a complimentary basis last year after the start of the full scale invasion. The major factor behind the 97.7% reduction of the Group’s other operating expenses in 1H 2023 to £0.04 million was the impairment of trade receivables relating to temporary occupied territories in 1H 2022 reflecting the direct impact of war.

EBITDA increased to £1.5 million in 1H 2023, up by 242.8%, compared with £ 0.45 million in the prior period.

Finance costs in 1H 2023 grew by 68.0% year on year, to £0.39 million, primarily driven by increased interest rates and recognized additional interest expenses for the European Bank for Reconstruction and Development (“EBRD”) loan for the previous periods. In June 2023, the EBRD increased the interest rate on the loan retrospectively and charged additional interest from September 2021.

## Financial position

As at 30 June 2023, Ukrproduct had net assets of £4.9 million (including cash balances of £0.3 million) compared to £6.3 million (including cash balances of £0.3 million) as at 30 June 2022.

For the six months ended 30 June 2023, the Group continued to be in breach of several provisions of the loan agreement with the EBRD. The Company failed to repay Tranche A (aggregate EUR 2.1 million principal) before the maturity date of 1 December 2022 and has missed interest payments since 1 March 2022. In June 2023 the EBRD notified the Company about a recalculation and an increased interest rate in respect of the aggregate EUR 3.4 million principal and interest of Tranche B from 1 September 2021. The Company has been negotiating with the EBRD since June 2021 to potentially restructure the loan repayment and negotiations are ongoing. At present, the EBRD has taken no action to accelerate repayment of the loan.

## Outlook for 2023

The development of the business in the second half of 2023 remains highly uncertain due to the ongoing war in Ukraine. However, Ukrproduct has a positive economic outlook for the next six months running on the back of constant domestic demand, the stable operation of the energy system, and improved inflation. Due to developments of the domestic market the Group expects to increase sales slightly. Higher costs for energy and logistics will likely require further sales price increases in the quarters to come.



Jack Rowell

Non-Executive Chairman



Alexander Slipchuk

Chief Executive Officer

**Statement of Management's Responsibilities  
for preparation and approval of condensed consolidated interim financial statements for the six  
months ended 30 June 2023**

The directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with applicable Jersey law and other regulations and enactments in force at the time. The Companies (Jersey) Law 1991 as amended requires the directors to prepare financial statements for each year in accordance with Generally Accepted Accounting Principles.

The directors of the Group are responsible for preparing the condensed consolidated interim financial statements which reflect in all material aspects the financial position of the Group as at 30 June 2023, as well as the results of its activities, cash flows and changes in equity for the six months then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing condensed consolidated interim financial statements the Group's Management is responsible for:

- selecting appropriate accounting policies and their consistent application;
- making reasonable measurements and calculations;
- following principles of IFRS as adopted by the European Union or disclosing all considerable deviations from IFRS in the notes to condensed consolidated interim financial statements;
- preparing condensed consolidated interim financial statements of the Group on the going concern basis, except for the cases when such assumption is not appropriate.

The board of directors confirms that the Group has complied with the abovementioned requirements in preparing its condensed consolidated interim financial statements.

The directors are also responsible for:

- implementing and maintaining an efficient and reliable system of internal controls in the Group;
- keeping accounting records in compliance with the legislation and accounting standards of the respective country of the Group's registration;
- taking reasonable steps within its cognizance to safeguard the assets of the Group;
- detecting and preventing from fraud and other irregularities.

These condensed consolidated interim financial statements as at 30 June 2023 prepared in compliance with IFRS as approved by the European Union are approved on behalf of the Group's Directors on 27 September 2023.



On behalf of the Directors:

27 September 2023

## Condensed consolidated interim financial statements

### Management Statements

This statement is provided to confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the six months ended 30 June 2023, and the comparable information, have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union and give a true, fair and clear view of Group's assets, financial standing and net results.

A handwritten signature in black ink, appearing to be 'K. S. S. S.', written in a cursive style.

On behalf of the Directors:

27 September 2023

## Condensed consolidated interim financial statements

### Management Report

#### Operational and Financial Results

The following table sets forth the Group's results of operations derived from the condensed consolidated interim financial statements:

|  | Six months ended<br>30 June 2023 | Six months ended<br>30 June 2022 | Changes in    |
|--|----------------------------------|----------------------------------|---------------|
|  | £ '000                           | £ '000                           | %             |
| Revenue  | 18 273                           | 18 278                           | 0%            |
| Cost of sales  | (15 078)                         | (15 009)                         | 0%            |
| <b>GROSS PROFIT</b>  | <b>3 195</b>                     | <b>3 269</b>                     | <b>(2%)</b>   |
| Administrative expenses  | (689)                            | (554)                            | 24%           |
| Selling and distribution expenses                                    | (1 305)                          | (1 113)                          | 17%           |
| Other operating expenses   | (35)                             | (1 543)                          | (98%)         |
| <b>PROFIT FROM OPERATIONS</b>  | <b>1 166</b>                     | <b>59</b>                        | <b>1876%</b>  |
| Net finance expenses   | (388)                            | (231)                            | 68%           |
| Net foreign exchange (loss) / gain                                   | (124)                            | 20                               | (719%)        |
| <b>PROFIT / (LOSS) BEFORE TAXATION</b>                               | <b>654</b>                       | <b>(152)</b>                     | <b>(530%)</b> |
| Income tax expense   | (1)                              | (45)                             | (98%)         |
| <b>PROFIT / (LOSS) FOR THE SIX MONTHS</b>                            | <b>653</b>                       | <b>(197)</b>                     | <b>(431%)</b> |
| <b>Attributable to:</b>  |                                  |                                  |               |
| Owners of the Parent   | 653                              | (197)                            | (431%)        |
| Non-controlling interests  | -                                | -                                |               |
| Earnings per share from continuing and total operation:              |                                  |                                  |               |
| Basic (pence)  | 1.65                             | (0.50)                           | (429%)        |
| Diluted (pence)  | 1.65                             | (0.50)                           | (429%)        |
| <b>OTHER COMPREHENSIVE INCOME:</b>                                   |                                  |                                  |               |
| <b>Items that may be subsequently reclassified to profit or loss</b> |                                  |                                  |               |
| Currency translation differences                                     | (295)                            | 506                              | (158%)        |
| <b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>                        | <b>(295)</b>                     | <b>506</b>                       | <b>(158%)</b> |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS</b>                 | <b>358</b>                       | <b>309</b>                       | <b>16%</b>    |
| <b>Attributable to:</b>  |                                  |                                  |               |
| Owners of the Parent   | 358                              | 309                              | 16%           |
| Non-controlling interests  | -                                | -                                | -             |

## Condensed consolidated interim financial statements

### Non-IFRS financial information

The Group's results are reported under International Financial Reporting Standards (IFRS). However, the Group uses Non-IFRS measures including earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) which are used to measure segment performance. Non-IFRS measures have not been subject to audit or review.

The Group uses EBIT and EBITDA as key measures of its performance.

EBIT is an indicator of a Group's profitability, calculated as revenue less expenses, the latter excluding tax and interest. To external users, EBIT provides information on the Group's ability to generate earnings directly from its operations, disregarding its cost of capital and the tax burden and thus making the Group's results comparable to similar companies across the industry where those companies may have varying capital structures or tax environments. To the management, EBIT provides a performance measure additionally adjusted for expenses that may be deemed fixed (i.e. stemming from the given capital structure) or externally imposed by the environment (i.e. the tax burden).

|                              | Six months ended<br>30 June 2023 | Six months ended<br>30 June 2022 |
|------------------------------|----------------------------------|----------------------------------|
|                              | £ '000                           | £ '000                           |
| <b>CONTINUING OPERATIONS</b> |                                  |                                  |
| Revenue for the period       | 18 273                           | 18 278                           |
| Cost of sales                | (15 078)                         | (15 009)                         |
| Operating expenses           | (2 029)                          | (3 210)                          |
| <b>EBIT</b>                  | <b>1 166</b>                     | <b>59</b>                        |

EBITDA is calculated as revenue less expenses, the latter excluding tax, interest, depreciation and amortization. Being a proxy to the operating cash flow before working capital changes, EBITDA is widely used as an indicator of a company's ability to generate cash flows, as well as its ability to service debt. Consequently, to the management, EBITDA serves as a measure to estimate financial stability of the Group. Besides, excluding the effect of depreciation and amortization, along with cost of capital and taxation, provides to external users another measure to compare to similar companies, regardless of varying tax environments, capital structures or depreciation accounting policies.

|                               | Six months ended<br>30 June 2023 | Six months ended<br>30 June 2022 |
|-------------------------------|----------------------------------|----------------------------------|
|                               | £ '000                           | £ '000                           |
| <b>CONTINUING OPERATIONS</b>  |                                  |                                  |
| EBIT                          | 1 166                            | 59                               |
| Depreciation and amortization | 370                              | 387                              |
| <b>EBITDA</b>                 | <b>1 536</b>                     | <b>446</b>                       |



## Condensed consolidated interim financial statements

### Revenue

The Group's sales decreased by 0.03% in 1H 2023 in comparison with 1H 2022.

Sales of branded products increased by 13.0% in 1H 2023 in comparison with 1H 2022, while the share of sales of branded products increased from 76.3% to 89.0% of revenue.

The most significant part of the Group's income is the sale of packaged butter, processed cheese, processed cheese product and skimmed milk powder, making up 77.45% of total income in the first half of 2023 which compares with 58.65% in the first half of 2022.

### Cost of sales

The Group's cost of sales increased by 0.46% compared with 1H 2022. The following table sets forth the principal components of the Group's cost of sales for the periods indicated:

|                               | Six months ended<br>30 June 2023 | Six months ended<br>30 June 2022 | Changes in |
|-------------------------------|----------------------------------|----------------------------------|------------|
|                               | £ '000                           | £ '000                           | %          |
| Raw materials                 | 9 324                            | 8 641                            | 8%         |
| Manufacturing overhead        | 2 449                            | 2 345                            | 4%         |
| Fuel and energy supply        | 1 617                            | 1 615                            | 0%         |
| Wages and salaries            | 1 155                            | 1 184                            | -2%        |
| Supplementary products        | 0                                | 604                              | -100%      |
| Depreciation and amortization | 232                              | 289                              | -20%       |
| Transport                     | 320                              | 335                              | -4%        |
| Other expenses                | 28                               | 19                               | 47%        |
| Adjustments                   | (47)                             | (23)                             | 104%       |
|                               | <b>15 078</b>                    | <b>15 009</b>                    | <b>0%</b>  |

**Gross profit/(loss)**

The Group's gross profit decreased to £3.2 million in 1H 2023 from £3.3 million in 1H 2022.

**Net foreign exchange loss**

As at 30 June 2023, the Ukrainian Hryvnia remained stable against the US dollar compared to 31 December 2022 (6.8% of devaluation as at 30 June 2022 compared with 31 December 2021), 21.0% of devaluation for the average rate 1H2023/1H2022 in comparison with 3.9% of devaluation for the average rate 1H2022/1H2021. On 21 July 2022 the National Bank of Ukraine increased the official exchange rate against the USD to 36.57 UAH. In 1H 2023, the Group reports a net foreign exchange loss of £0.13million versus a net gain of £0.02 million in 1H 2022.

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**  
*(in thousand GBP, unless otherwise stated)*

|  | Note | Six months ended<br>30 June 2023<br>£ '000 | Six months ended<br>30 June 2022<br>£ '000 |
|--|------|--|--|
| Revenue  | 9    | 18 273                                     | 18 278                                     |
| Cost of sales  |      | (15 078)                                   | (15 009)                                   |
| <b>GROSS PROFIT</b>  |      | <b>3 195</b>                               | <b>3 269</b>                               |
| Administrative expenses  |      | (689)                                      | (554)                                      |
| Selling and distribution expenses                                    |      | (1 305)                                    | (1 113)                                    |
| Other operating expenses   |      | (35)                                       | (1 543)                                    |
| <b>PROFIT FROM OPERATIONS</b>  |      | <b>1 166</b>                               | <b>59</b>                                  |
| Net finance expenses   |      | (388)                                      | (231)                                      |
| Net foreign exchange (loss) / gain                                   |      | (124)                                      | 20   |
| <b>PROFIT / (LOSS) BEFORE TAXATION</b>                               |      | <b>654</b>                                 | <b>(152)</b>                               |
| Income tax expense   |      | (1)  | (45)                                       |
| <b>PROFIT/ (LOSS) FOR THE SIX MONTHS</b>                             |      | <b>653</b>                                 | <b>(197)</b>                               |
| <b>Attributable to:</b>  |      |  |  |
| Owners of the Parent   |      | 653  | (197)                                      |
| Non-controlling interests  |      | -  | -  |
| <br>   |      |  |  |
| Earnings per share from continuing and total operations:             |      |  |  |
| Basic (in pence)   | 10   | 1.65                                       | (0.50)                                     |
| Diluted (in pence)   | 10   | 1.65                                       | (0.50)                                     |
| <br>   |      |  |  |
| <b>OTHER COMPREHENSIVE INCOME:</b>                                   |      |  |  |
| <b>Items that may be subsequently reclassified to profit or loss</b> |      |  |  |
| Currency translation differences                                     |      | (295)                                      | 506  |
| <b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>                        |      | <b>(295)</b>                               | <b>506</b>                                 |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS</b>                 |      | <b>358</b>                                 | <b>309</b>                                 |
| <b>Attributable to:</b>  |      |  |  |
| Owners of the Parent   |      | 358  | 309  |
| Non-controlling interests  |      | -  | -  |

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**  
*(in thousand GBP, unless otherwise stated)*

|  | Note | As at<br>30 June 2023<br>£ '000 | As at<br>31 December<br>2022<br>£ '000 | As at<br>30 June 2022<br>£ '000 |
|--|------|---------------------------------|--|---------------------------------|
| <b>ASSETS</b>                                      |      |                                 |  |                                 |
| <b>Non-current assets</b>                          |      |                                 |  |                                 |
| Property, plant and equipment                      |      | 7 454                           | 7 916                                  | 9 926                           |
| Intangible assets                                  |      | 583                             | 681                                    | 842                             |
|  |      | <b>8 037</b>                    | <b>8 597</b>                           | <b>10 768</b>                   |
| <b>Current assets</b>                              |      |                                 |  |                                 |
| Inventories  | 6    | 3 463                           | 4 296                                  | 4 556                           |
| Trade and other receivables                        | 7    | 4 740                           | 3 073                                  | 5 528                           |
| Current taxes                                      |      | 172                             | 591                                    | 120                             |
| Other financial assets                             |      | 34                              | 35                                     | 43                              |
| Cash and cash equivalents                          |      | 295                             | 403                                    | 293                             |
|  |      | <b>8 704</b>                    | <b>8 398</b>                           | <b>10 540</b>                   |
| <b>TOTAL ASSETS</b>                                |      | <b>16 741</b>                   | <b>16 995</b>                          | <b>21 308</b>                   |
| <b>EQUITY AND LIABILITIES</b>                      |      |                                 |  |                                 |
| <b>Equity attributable to owners of the parent</b> |      |                                 |  |                                 |
| Share capital                                      |      | 4 282                           | 4 282                                  | 4 282                           |
| Treasury shares                                    |      | (315)                           | (315)                                  | (315)                           |
| Share premium                                      |      | 4 562                           | 4 562                                  | 4 562                           |
| Translation reserve                                |      | (15 832)                        | (15 537)                               | (14 481)                        |
| Revaluation reserve                                |      | 5 901                           | 6 005                                  | 6 182                           |
| Retained earnings                                  |      | 6 353                           | 5 597                                  | 6 026                           |
|  |      | <b>4 951</b>                    | <b>4 594</b>                           | <b>6 256</b>                    |
| <b>TOTAL EQUITY</b>                                |      | <b>4 951</b>                    | <b>4 594</b>                           | <b>6 256</b>                    |
| <b>Non-current Liabilities</b>                     |      |                                 |  |                                 |
| Deferred tax liabilities                           |      | 456                             | 530                                    | 748                             |
|  |      | <b>456</b>                      | <b>530</b>                             | <b>748</b>                      |
| <b>Current liabilities</b>                         |      |                                 |  |                                 |
| Bank loans   |      | 5 965                           | 6 116                                  | 6 394                           |
| Short-term payables                                |      | 447                             | 493                                    | 448                             |
| Trade and other payables                           |      | 4 724                           | 5 162                                  | 7 032                           |
| Current income tax liabilities                     |      | 39                              | 48                                     | 154                             |
| Other taxes payable                                |      | 159                             | 52                                     | 276                             |
|  |      | <b>11 334</b>                   | <b>11 871</b>                          | <b>14 304</b>                   |
| <b>TOTAL LIABILITIES</b>                           |      | <b>11 790</b>                   | <b>12 401</b>                          | <b>15 052</b>                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                |      | <b>16 741</b>                   | <b>16 995</b>                          | <b>21 308</b>                   |

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**  
*(in thousand GBP, unless otherwise stated)*

|  | Attributable to owners of the parent |                |               |                     |                   |                     |              |              |
|--|--------------------------------------|----------------|---------------|---------------------|-------------------|---------------------|--------------|--------------|
|  | Share capital                        | Share treasury | Share premium | Revaluation reserve | Retained earnings | Translation reserve | Total        | Total Equity |
|  | £ '000                               | £ '000         | £ '000        | £ '000              | £ '000            | £ '000              | £ '000       | £ '000       |
| <b>As At 31 December 2021</b>                                | <b>4 282</b>                         | <b>(315)</b>   | <b>4 562</b>  | <b>6 348</b>        | <b>6 057</b>      | <b>(14 987)</b>     | <b>5 947</b> | <b>5 947</b> |
| Loss for the six months                                      | -                                    | -              | -             | -                   | (197)             | -                   | (197)        | (197)        |
| Currency translation differences                             | -                                    | -              | -             | -                   | -                 | 506                 | 506          | 506          |
| <b>Total comprehensive income</b>                            | -                                    | -              | -             | -                   | (197)             | 506                 | 309          | 309          |
| Depreciation on revaluation of property, plant and equipment | -                                    | -              | -             | (166)               | 166               | -                   | -            | -            |
| <b>As At 30 June 2022</b>                                    | <b>4 282</b>                         | <b>(315)</b>   | <b>4 562</b>  | <b>6 182</b>        | <b>6 026</b>      | <b>(14 481)</b>     | <b>6 256</b> | <b>6 256</b> |
| Profit for the six months                                    | -                                    | -              | -             | -                   | (607)             | -                   | (607)        | (607)        |
| Currency translation differences                             | -                                    | -              | -             | -                   | -                 | (1 056)             | (1 056)      | (1 056)      |
| <b>Total comprehensive loss</b>                              | -                                    | -              | -             | -                   | (607)             | (1 056)             | (1 663)      | (1 663)      |
| Depreciation on revaluation of property, plant and equipment | -                                    | -              | -             | (177)               | 177               | -                   | -            | -            |
| <b>As At 31 December 2022</b>                                | <b>4 282</b>                         | <b>(315)</b>   | <b>4 562</b>  | <b>6 005</b>        | <b>5 596</b>      | <b>(15 537)</b>     | <b>4 594</b> | <b>4 594</b> |
| Profit for the six months                                    | -                                    | -              | -             | -                   | 653               | -                   | 653          | 653          |
| Currency translation differences                             | -                                    | -              | -             | -                   | -                 | (295)               | (295)        | (295)        |
| <b>Total comprehensive income</b>                            | -                                    | -              | -             | -                   | 653               | (295)               | 358          | 358          |
| Depreciation on revaluation of property, plant and equipment | -                                    | -              | -             | (104)               | 104               | -                   | -            | -            |
| <b>As At 30 June 2023</b>                                    | <b>4 282</b>                         | <b>(315)</b>   | <b>4 562</b>  | <b>5 901</b>        | <b>6 353</b>      | <b>(15 832)</b>     | <b>4 951</b> | <b>4 951</b> |

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**  
*(in thousand GBP, unless otherwise stated)*

|   | <b>Six months ended<br/>30 June 2023</b> | <b>Six months ended<br/>30 June 2022</b> |
|---|--|--|
|   | <b>£ '000</b>                            | <b>£ '000</b>                            |
| <b>Cash flows from operating activities</b>                         |  |  |
| Profit / (loss) before taxation                                     | 654                                      | (152)                                    |
| Adjustments for:  |  |  |
| Exchange difference   | 124                                      | (20)                                     |
| Depreciation and amortization                                       | 370                                      | 387                                      |
| Provision for bad debt  | 40                                       | 1 435                                    |
| (Reversal of) / Impairment of inventories                           | (48)                                     | 18                                       |
| Interest expense on bank loans                                      | 392                                      | 232                                      |
| <b>Operating cash flow before working capital changes</b>           | <b>1 532</b>                             | <b>1 900</b>                             |
| Increase in inventories   | 940                                      | 85                                       |
| (Increase)/Decrease in trade and other receivables                  | (1 306)                                  | 596                                      |
| Increase in trade and other payables                                | (580)                                    | (2 653)                                  |
| <b>Changes in working capital</b>                                   | <b>(946)</b>                             | <b>(1 972)</b>                           |
| <b>Cash generated from operations</b>                               | <b>586</b>                               | <b>(72)</b>                              |
| Interest received   | 4  | 1  |
| Income tax paid   | (16)                                     | 33                                       |
| <b>Net cash generated from operating activities</b>                 | <b>574</b>                               | <b>(38)</b>                              |
| <b>Cash flows from investing activities</b>                         |  |  |
| Purchases of property, plant and equipment and intangible assets    | (254)                                    | (194)                                    |
| Issuance of loans   | -  | (2)                                      |
| <b>Net cash used in investing activities</b>                        | <b>(254)</b>                             | <b>(196)</b>                             |
| <b>Cash flows from financing activities</b>                         |  |  |
| Interest paid   | (152)                                    | (149)                                    |
| Repayments of long term borrowing                                   | (4)                                      | -  |
| <b>Net cash used in from financing activities</b>                   | <b>(156)</b>                             | <b>(149)</b>                             |
| <b>Net increase/(decrease) in cash and cash equivalents</b>         | <b>164</b>                               | <b>(383)</b>                             |
| Effect of exchange rate changes on cash and cash equivalents        | (272)                                    | 364                                      |
| <b>Cash and cash equivalents at the beginning of the six months</b> | <b>403</b>                               | <b>312</b>                               |
| <b>Cash and cash equivalents at the end of the six months</b>       | <b>295</b>                               | <b>293</b>                               |

**Ukrproduct Group**  
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## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

### **1. REPORTING ENTITY**

Ukrproduct Group Limited ("the Company") is a public limited liability company registered in Jersey with a registered office at 26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands.

The Group's operational management and production facilities are based in Ukraine, with the headquarters in Kyiv. The Group commands leading positions in the Ukrainian processed cheese and packaged butter markets and owns a range of widely recognisable trademarks in Ukraine, including "Nash Molochnik" (translated as Our Dairyman), "Narodniy Product" (People's Product) "Molendam" and "Vershkova Dolina" (Creamy Valley).

### **2. BASIS OF PREPARATION**

#### **(a) Statement of compliance**

The unaudited condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The condensed consolidated financial information in this half yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34), as adopted by the EU, and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The interim financial statements are unaudited but have been reviewed by the auditors.

The condensed consolidated financial statements have been prepared on a historical cost basis, except for significant items of property, plant and equipment which have been measured using revaluation model.

The accounting policies used and the methods of computation are the same as those disclosed in the Group's recent annual consolidated financial statements except for the adoption of new and revised accounting standards as disclosed in Note 3.

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 Board has reviewed the Group's ongoing commitments for the next twelve months and beyond.

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**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

The Board's review included the Group's strategic plans and updated forecasts, capital position, liquidity and credit facilities. Other than as disclosed in Note 2(b) below in relation to the loan from the EBRD, based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next twelve months, from both the date of the Condensed Consolidated Statement of Financial Position and the approval of the Condensed Consolidated Financial Statements.

**(b) Going concern**

Since the beginning of the full-scale military invasion of Ukraine, neither the Group's critical facilities nor its infrastructure has suffered any significant damage and the Group's efforts have been focused on maintaining its operations to the full extent. The Group's business processes are reorganized to adapt to current challenges and ensure business continuity. In preparing these financial statements, the Directors have assessed the Group's ability to continue as a going concern. In making this assessment, the Directors have considered the level of debt and the facilities the Group have had available at 30 June 2023, and the Group's forecast financial results for the 12 months subsequent to the date of issue of these financial statements.

For the six months ended 30 June 2023, the Group continued to be in breach of several provisions of the loan agreement with the EBRD. The Company failed to repay Tranche A (aggregate EUR 2.1 million principal) before the maturity date of 1 December 2022 and has missed interest payments since 1 March 2022. In June 2023 the EBRD notified the company about a recalculation and an increased interest rate in respect of the aggregate EUR 3.4 million principal and interest of Tranche B from September 2021. The Company has been negotiating with the EBRD since June 2021 to potentially restructure the loan repayment and negotiations are ongoing. At present, the EBRD has taken no action to accelerate repayment of the loan.

Management acknowledges that future development of military actions and their duration represent a single source of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Taking into account the assessment of forecast for financial results of the next 12 months and existing risks, the Group's management believes that the Group is able to continue its operations on a going concern basis.



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**(c) Foreign currency translation**

***Functional and presentation currency***

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates (“the functional currency”). For the companies operating in Cyprus and British Virgin Islands, the functional currency is United States Dollars (“USD”). For the Parent company, which is located in Jersey, the functional currency is Pound Sterling (“GBP”). For the companies operating in Ukraine, the functional currency is Ukrainian Hryvnia (“UAH”).

These condensed consolidated interim financial statements are presented in the thousands of Pound Sterling (“GBP”), unless otherwise indicated.

***Foreign currency transactions and balances***

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The principal exchange rates used in the preparation of these condensed consolidated interim financial statements are as follows:

| Currency | 30 June 2023<br>(spot rate) | Average for the<br>six months ended<br>30 June 2023 | 31 December<br>2022<br>(spot rate) | 30 June 2022<br>(spot rate) | Average for the<br>six months ended<br>30 June 2022 |
|----------|-----------------------------|---|------------------------------------|-----------------------------|---|
| UAH/GBP  | 46,28                       | 45,08   | 44,00                              | 35,55                       | 37,72   |
| UAH/USD  | 36,57                       | 36,57   | 36,57                              | 29,25                       | 28,91   |
| UAH/EUR  | 40,00                       | 39,52   | 38,95                              | 30,77                       | 31,74   |

**(d) Reclassification**

Where applicable, comparatives have been adjusted to present them on the same basis as current period figures.

## **Ukrproduct Group**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

*(in thousand GBP, unless otherwise stated)*

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#### **3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

##### **IFRS 17 'Insurance Contracts'**

The International Accounting Standards Board (IASB) issued IFRS 17 'Insurance Contracts' in May 2017 to replace IFRS 4 'Insurance Contracts' for annual reporting periods beginning, at the latest, on or after 1 January 2021. The IASB tentatively decided to defer the effective date of IFRS 17 'Insurance Contracts' to annual periods beginning on or after January 1, 2022. In this connection, the IASB also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.

There are no significant impact on the Group's consolidated financial statements.

#### **4. ESTIMATES AND JUDGEMENTS**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

## Ukrproduct Group

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

*(in thousand GBP, unless otherwise stated)*

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#### 5. INVENTORY WRITE OFF TO NET REALISABLE VALUE

Inventories are measured at the lower of cost or net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of work in progress and finished goods includes costs of direct materials and labor and other direct productions costs and related production overheads (based on normal operating capacity).

The cost of inventories is assigned by using the FIFO method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Group periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realisable value has declined, and makes an allowance for such inventories.

The profit/loss from impairment of inventories amounted to:

|   | <b>Six months ended</b><br><b>30 June 2023</b> | <b>Six months ended</b><br><b>30 June 2022</b> |
|---|--|--|
|   | <b>£ '000</b>                                  | <b>£ '000</b>                                  |
| <b>Reversal of / (Impairment of finished goods)</b> | 48   | (18)   |

#### 6. PROVISION FOR BAD DEBT

The Group had to make an additional bad debt provision for receivables from customers who have been affected by the hostilities.

The expenses for the formation of a provision for doubtful debts amounted to:

|                                 | <b>Six months ended</b><br><b>30 June 2023</b> | <b>Six months ended</b><br><b>30 June 2022</b> |
|---------------------------------|--|--|
|                                 | <b>£ '000</b>                                  | <b>£ '000</b>                                  |
| <b>Write off of receivables</b> | (40)   | (1 435)  |

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. RELATED PARTY TRANSACTIONS**

A related party is a person or an entity that is related to the reporting entity:

1. A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel.
2. An entity is related to a reporting entity if, among other circumstances, it is a parent subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

The Group enters into transactions with related parties in the ordinary course of business.

The Group had no commercial relationships with the related parties in 1H 2023 except cash remuneration.

Details of the Directors' c are outlined below.

|                        | Salary/fee      |                 | Bonus           |                 | Non-cash compensation |                 | Total cash remuneration |                 |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|-------------------------|-----------------|
|                        | 1h2023<br>£ 000 | 1h2022<br>£ 000 | 1h2023<br>£ 000 | 1h2022<br>£ 000 | 1h2023<br>£ 000       | 1h2022<br>£ 000 | 1h2023<br>£ 000         | 1h2022<br>£ 000 |
| <b>Executive</b>       |                 |                 |                 |                 |                       |                 |                         |                 |
| Alexander Slipchuk     | 45.0            | 22.5            | -               | -               | -                     | -               | 45.0                    | 22.5            |
| Sergey Evlanchik       | 35.0            | 17.5            | -               | -               | -                     | -               | 35.0                    | 17.5            |
| Yuriy Hordiychuk       | 30.0            | 7.5             | -               | -               | -                     | -               | 30.0                    | 7.5             |
|                        | <u>110.0</u>    | <u>47.5</u>     | <u>-</u>        | <u>-</u>        | <u>-</u>              | <u>-</u>        | <u>110.0</u>            | <u>47.5</u>     |
| <b>Non-Executive</b>   |                 |                 |                 |                 |                       |                 |                         |                 |
| Jack Rowell            | 22.5            | 11.3            | -               | -               | -                     | -               | 22.5                    | 11.3            |
| <b>General manager</b> |                 |                 |                 |                 |                       |                 |                         |                 |
| Yuriy Hordiychuk*      | 4.8             | 5.7             | -               | -               | -                     | -               | 4.8                     | 5.7             |

\*This relates to fees paid to Yuriy Hordiychuk for general management services under a separate contract to his service contract.

There were no guarantees given to or provided by the Group to related parties and vice versa.

The ultimate controlling owners and beneficiaries of the related parties were Mr. Alexander Slipchuk and Mr. Sergey Evlanchik.

## Ukrproduct Group

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

*(in thousand GBP, unless otherwise stated)*

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#### 8. SEGMENT INFORMATION

IFRS 8 requires segment information to be presented on the same basis as that used by the Board for assessing performance and allocating resources.

Segment information is presented in respect of the group's key operating segments. The operating segments are based on the group's management and internal reporting structure.

At 30 June 2023, the Group was organized internationally into five main business segments:

- 1) Branded products – processed cheese, hard cheese, packaged butter and spreads
- 2) Beverages – kvass, other beverages
- 3) Non-branded products – skimmed milk powder, other skimmed milk products
- 4) Distribution services and other – resale of third-party goods and processing services
- 5) Supplementary products – export trading activities with non-dairy products.

The segment results for the six months ended 30 June 2023 are as follows:

|                     | <b>Branded products</b> | <b>Beverages</b> | <b>Non-branded products</b> | <b>Distribution services and other</b> | <b>Supplementary products</b> | <b>Total</b>  |
|---------------------|-------------------------|------------------|-----------------------------|--|-------------------------------|---------------|
|                     | <b>£ '000</b>           | <b>£ '000</b>    | <b>£ '000</b>               | <b>£ '000</b>                          | <b>£ '000</b>                 | <b>£ '000</b> |
| <b>Sales</b>        | 15 768                  | 815              | 789                         | 901                                    | -                             | <b>18 273</b> |
| <b>Gross profit</b> | 2 735                   | 399              | (162)                       | 223                                    | -                             | <b>3 195</b>  |

The segment results for the six months ended 30 June 2022 are as follows:

|                     | <b>Branded products</b> | <b>Beverages</b> | <b>Non-branded products</b> | <b>Distribution services and other</b> | <b>Supplementary products</b> | <b>Total</b>  |
|---------------------|-------------------------|------------------|-----------------------------|--|-------------------------------|---------------|
|                     | <b>£ '000</b>           | <b>£ '000</b>    | <b>£ '000</b>               | <b>£ '000</b>                          | <b>£ '000</b>                 | <b>£ '000</b> |
| <b>Sales</b>        | 13 951                  | 404              | 986                         | 2 330                                  | 607                           | <b>18 278</b> |
| <b>Gross profit</b> | 2 881                   | 184              | (270)                       | 472                                    | 2                             | <b>3 269</b>  |

## Ukrproduct Group

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

*(in thousand GBP, unless otherwise stated)*

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#### 9. EARNINGS PER SHARE

The earnings per ordinary share are calculated by reference to the profit attributable to the ordinary shareholders and the weighted average number of shares in issue during the period.

Basic earnings per share are calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by various employee share trusts and held as own shares.

Diluted earnings per share are calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the diluted weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by various employee share trusts and held as own shares.

|   | Six months ended<br>30 June 2023<br>£ '000 | Six months ended<br>30 June 2022<br>£ '000 |
|---|--|--|
| Net profit attributable to ordinary shareholders    | 653  | (197)                                      |
| Weighted average number of ordinary shares in issue | 39 673 049                                 | 39 673 049                                 |
| Basic earnings per share, pence                     | 1,65                                       | (0.50)                                     |
| Diluted weighted average number of shares           | 39 673 049                                 | 39 673 049                                 |
| Diluted earnings per share, pence                   | 1,65                                       | (0.50)                                     |

#### 10. SUBSEQUENT EVENTS

As of the date of this report, the war is ongoing in Ukraine. The Group continues to operate. The management of the Group controls all of its operations.

The duration and consequences of the war in Ukraine are currently unclear. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group in future periods.

Russia terminated the “Black Sea Grain Initiative” on 18 July 2023. Therefore, the future possibilities for the Group to export goods via Ukrainian Black Sea ports are uncertain.

There were no other events after the end of the reporting date, which would have a material impact on the financial statements.

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**11. APPROVAL OF INTERIM STATEMENTS**

The unaudited condensed consolidated financial statements were approved by the board of directors on 27 September 2023