



Interim Statement

Results of the first quarter of 2018

Milkiland N.V. hereby publishes the Group's results of the first quarter of 2018

Macroeconomic environment

- First quarter of 2018 became a period of improved macroeconomic environment in the key markets of the Group in Russia and Ukraine, when the restoration of the growth trends in the national economies of both countries became evident. In particular, Russian Ministry of Economic Development penciled 1.1% increase of GDP in Q1 2018, mainly on the back of growing adding value in the services and financial sectors of the economy and some restoration of consumer demand. Russia's Central Bank estimates Q1 2018 GDP at 1.5 - 1.8%. At the same time, in Ukraine real GDP increased 2.3% y-o-y in Q1 2018, according to the National Bank of Ukraine (NBU's) estimates. Domestic demand, both consumer and investment, were the main growth driver. Further nominal wage growth and rising social standards, positive business expectations, as well as a favorable external environment helped bolster economic growth. To some extent, a lower comparison base, due to disruptions in production and logistic links with the NGCA, was another contributor. However, this effect will only be fully realized in the quarters ahead. As before, the NBU predicts that Ukraine's GDP would accelerate in 2018 to 3.4% from 2.5% in 2017 and slow to 2.9% in 2019-2020.
- In April 2018, the IMF retained its forecast for Ukraine's GDP growth in 2018 at 3.2%, while it reviewed downwards the forecast for 2019 to 3.3% from 4%, according to the World Economic Outlook published last month. Average annual inflation forecast in 2018 was reviewed downwards by 1pp, to 11%, and in 2019 the IMF expects 8% inflation in Ukraine. As reported, the World Bank left unchanged its forecast for Ukraine's GDP growth in 2018-2019 at 3.5% and 4% respectively.
- In Russia, the Central Bank issued its April 2018 GDP projections at 1.5 - 2.0% for 2018-2020, while EBRD in November 2017 expected Russian GDP to grow 1.5% in 2018 and 1.5% in 2019 as stated in Regional Economic Prospects in EBRD regions published in May 2018.
- Still struggling situation with the national currencies of the both countries in Q1 2018, when Russian rouble devalued against EUR by 14.1% (average rate y-o-y), while Ukrainian hryvnia exchange rate against European currency devalued by 11.8% (average rate y-o-y), negatively affected the Group's euro denominated reporting numbers in Q1 2018.
- Also, Russian economy posted low inflation rate, in particular, CPI in Russia in Q1 2018 stood at 2.4% (down from 4.1% as of end-Q1 2017).
- Inflation pressure remained elevated in Ukraine in Q1 2018. Headline inflation slowed down to 13.2% y-o-y in March 2018. However, inflation remained above the targets set by the NBU in the Monetary Policy Guidelines for 2018 and the Medium Term (7.5% +2pp for the end of Q1 2018). Core inflation also remained elevated (9.4% y-o-y). The ongoing sharp increase in food prices was the primary reason for the high inflation recorded. This was due to the lower output of some agricultural products and robust food exports, which prompted price convergence with neighboring countries. Further increases in production costs, including due to higher labor costs, contributed to inflation pressures as well. The rapid recovery in consumer demand, on the back of the continued rise in household incomes, was also a major inflation driver. The increase in household incomes was in turn driven by a steady wages growth, due to both higher minimum wage and labor market

tightening, attributed, among other things, to labor migration, as well as by a rise in other social standards, including pensions in Q4 2017.

Operational environment and results

- In the first quarter of 2018, Milkiland decreased its overall sales volumes by 39% y-o-y by following its strategy to focus on production and selling of higher value added products to preserve the profitability of the Group's business segments.
- On a revenue side, the Group's main Russian subsidiary - Ostankino concentrated on selling the high value-added whole milk dairy, primarily through the key accounts channel, better servicing of the key clients in order to increase the presence of the Group's products at their shelf in focus regions, development of the distribution network. But the devaluation of national currency in Russia against euro restrained the growth opportunities and contributed to y-o-y decline in its revenues in Q1 2018.
- At the same time, the average milk price in Russia declined by c. 9% y-o-y in rouble terms in Q1 2018 due to oversupply of raw milk supported by stagnating consumer demand for processed dairy products. The lower y-o-y raw milk prices in Russia positively affected profitability of Ostankino in the reporting period, while EBITDA of this subsidiary increased by 1.5 pp. to 8.6% in Q1 2018 on y-o-y basis.
- Milkiland RU in line with the Group's strategy of the growing local competence in the markets of its operations continued the localization of cheese production in its subsidiary in Rylsk.
- Declining raw milk production in EU in 2017, when the volume of milk supplied for processing was lower through the year, triggered some deficit of butter and increasing prices trend for this good, as well as for dry milk products, globally. This factor also influenced on the situation in the Ukrainian dairy market, where the aim of the local dairy producers to capitalize on it combined with the declining raw milk production in the country led to galloping raw milk prices. In Q1 2018 they were on average by 15% higher y-o-y in hryvnia terms, implying only slight c. 3% y-o-y growth in euro terms (Ukrainian hryvnia devalued by 12% to euro on average in Q1 2018). Higher y-o-y raw milk prices over the reporting period in the Group's key markets held back profitability margins in Ukraine, while the Group continued increasing products prices cautiously based on the slow improvement of consumers' demand both in Russia and Ukraine.
- Aiming to support the profitability of the business Milkiland Ukraine focused on the development of sales of high value-added products, including innovative lactose-free cheese and whole milk products, primarily in the key accounts channel, also trying to increase the prices for finished goods in line with the general market trends. However, slow recovery of consumers demand for dairy and unfavorable international market conditions for dry milk products and butter resulted in the decrease of the Group's EBITDA margin of the Ukrainian segment in Q1 2018 to 1.0% (-4.1 pp. y-o-y). On a positive note, Milkiland Ukraine increased sales volume of cheese and butter by c. 5% y-o-y in Q1 2018 while keeping almost flat y-o-y sales volume of whole milk products in Ukraine over the reported period.
- Russia remains the best performing geographical segment of the Group's business in Q1 2018, which generated 67% of the Group's revenue and almost all of the Group's EBITDA. The revenue of this segment in the reporting period declined 20% on y-o-y basis, while the segments EBITDA declined by c. 2% implying EBITDA margin improve by 1.5pp y-o-y to 8.6% in Q1 2018.
- Milkiland EU in Q1 2018 reported negative profitability due to unfavorable pricing environment for dry milk products in EU and globally. However, Milkiland EU almost doubled sales volumes and revenues for cheese in Q1 2018. EBITDA margin of this subsidiary declined to negative 10.0% in Q1 2018 compared to positive 6.7% in Q1 2017.
- Being limited in growth opportunities in the core markets of its operations, in Q1 2018 Milkiland put additional efforts aimed at the entering of new export markets and catching the opportunities of profitable international trade in the global dairy market. One of such opportunities was the further development of the sales at the Group's traditional export markets. In particular, Milkiland Intermarket subsidiary managed to double the sales volumes of butter in Kazakhstan. As the result, the butter sales volumes

almost doubled in Q1 2018 in comparison with the same period of 2017, the respective revenues grew by c. 33% y-o-y. The supplies of butter to China were started, while the Group also entered with the new cheese-like products to the markets of Moldova, Uzbekistan and Kyrgyzstan.

Group's Sales in Q1 2018 by geographical segments

Russia was the largest geographical segment in terms of revenue generation for Milkiland in Q1 2018 providing for 67% (down 1pp compared to Q1 2017). The segment's revenue was down by 20% y-o-y and stood at c. EUR 20.2 million, mainly due to selling volumes contraction triggered by lower processing volumes.

Ukraine contributed 25% to the Group's revenue in Q1 2018 (+1pp y-o-y). Segment revenue decreased by 16% to c. EUR 7.5 million, again mainly due to selling volumes contraction triggered by lower processing volumes.

Poland contributed 8% to the Group's revenue in Q1 2018 (flat y-o-y), the segment's revenue decreased by 14% y-o-y to EUR 2.4 million.

Group's Sales in Q1 2018 by business segments

Whole-milk dairy was the largest segment in terms of revenue and business segments EBITDA¹ providing for c. 60% of revenue (59% in Q1 2017) and being the largest EBITDA contributor in Q1 2018. The segment's revenue declined by 16% y-o-y in Q1 2018 to EUR 18.2 million on a back of lower sales volumes, while its EBITDA declined by 7% to c. EUR 1.3 million, reflecting a decrease in volume sales partly offset by better profitability of the Russian division due to higher finished goods prices and development of high value-added dairy sales. The segment's Q1 2018 EBITDA margin stood at 7%, the same as in Q1 2017.

Cheese & butter segment contributed approximately 27% to the Group's total revenue (26% in Q1 2017) in Q1 2018. Segment's revenue decreased by 14% to EUR 8.2 million due to sales volumes contraction on the back of limited volumes of the Group's cheese sales markets, when the former main market for Milkiland's cheese in Russia remained closed. Segment's EBITDA increased by 7% to c. EUR 0.44 million, implying Q1 2018 segment's EBITDA margin of 5% vs 4% in Q1 2017.

In *Ingredients segment*, revenue declined 36% y-o-y to EUR 3.7 million depressed by unfavorable international global market conjuncture. It contributed c. 12% to the Group's total revenue versus 15% in Q1 2017. At the same time, the segment's EBITDA turned to negative c. EUR 0.2 million compared to positive EBITDA of c. 0.6 million in Q1 2017, with negative EBITDA margin of 5% in Q1 2018.

Financial results

- Milkiland's revenue in Q1 2018 declined 19% y-o-y to EUR 30.1 million on the back of the decrease of the Group's output (-39% y-o-y) based on the efforts on support of the profitability of the Group's business.
- Cost of sales declined by 18% to EUR 24.8 million. The cost optimization in Ukraine and raw milk price decline in Russia contributed to a drop in the cost of sales, despite a rise in the raw milk prices in Ukraine (by 15%) in Q1 2018. This led to the decline of the Group's Gross profit by 23% to c. EUR 5.3 million. The Gross margin of Milkiland then declined by 1.0 pp y-o-y to 17.5% in Q1 2018.

¹ Business segments EBITDA is calculated net of other segments EBITDA, namely EBITDA contribution of Milkiland N.V., the holding company of the Group.

- Lower gross profit to operating loss of EUR 0.7 million reported by the Group in Q1 2018. This resulted in the decrease of EBITDA by 26% to c. EUR 1.7 million. At the same time, EBITDA margin lost by 0.6 pp y-o-y to 5.5%.
- In the first quarter of 2018, financial expense related to bank borrowings declined 30% thanks to currency translation effects. The non-cash foreign exchange gains totaled EUR 4.6 million (compared to zero in Q1 2017). As a result of the considerable foreign exchange gain, the Group recognized income before tax of EUR 1.8 million, up 62% y-o-y.
- Net profit for the three months of 2018 accounted for EUR 2.4 million compared to net profit of EUR 1.1 million in Q1 2017.
- In the year 2017 and in Q1 2018, the Group continued efforts, aimed at the stabilization of the debt position of Milkiland. By signing of the long-term restructuring agreements with several banks-creditors of the Group, as well as partial repayment of the indebtedness. As the result of these efforts, the Groups total debt portfolio decreased from c. EUR 99.1 million as of 31 March 2017 to EUR 84.7 million as of 31 March 2018, or by 14.5%.
- At the same time, Milkiland is continuing the negotiations with the Group's main Creditor, Syndicate of international banks, namely, UniCredit Bank Austria AG and ZAO Raiffeisenbank, with the involvement of the independent adviser Alvarez&Marshall, and expecting to finish them by finding a mutually accepted way of settlement of this indebtedness in the foreseeable future.

REPRESENTATION

of the Board of Directors

of Milkiland N.V.

on compliance of the condensed consolidated interim financial statements

The Board of Directors of Milkiland N.V. hereby represent that to the best of their knowledge the condensed consolidated interim financial statements of Milkiland N.V. for the period ended 31 March 2018 and the comparable information are prepared in accordance with the applicable accounting standards and that they give a true, fair and clear view of the assets, financial standing and financial results of Milkiland N.V., and that the interim statement for the three months ended 31 March 2018 gives a true view of the developments, achievements and situation of the Company, including a description of the key risks and threats.

Board of Directors of Milkiland N.V.

Amsterdam, 15 May 2018

A. Yurkevych

O. Yurkevich

O. Rozhko

V. Rekov

W.S. van Walt Meijer

G.C. Logusch

P. Sheremeta



Milkiland N.V.

Condensed Consolidated Interim Financial Statements

For the three months ended 31 March 2018

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MILKILAND N.V.
Condensed consolidated interim statement of financial position
For the three months ended 31 March 2018
(All amounts in euro thousands unless otherwise stated)

	Notes	31 March 2018 (unaudited)	31 December 2017 (audited)	31 March 2017 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	6	1,070	1,416	771
Trade and other receivables	7	20,271	19,406	21,380
Inventories	8	10,080	8,713	13,635
Current biological assets	12	1,401	1,302	1,194
Current income tax assets		706	783	467
Other taxes receivable	9	5,116	5,194	8,196
		38,644	36,814	45,643
Non-Current Assets				
Goodwill	10	1,474	1,474	1,687
Property, plant and equipment		98,153	99,679	97,252
Investment property		17,102	16,732	19,849
Non-current biological assets	12	1,388	1,251	1,199
Other intangible assets		1,815	1,993	2,345
Deferred income tax assets		2,552	2,472	2,620
		122,485	123,601	124,952
TOTAL ASSETS		161,129	160,415	170,595
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	43,982	40,778	47,127
Current income tax liabilities		850	807	137
Other taxes payable	14	5,030	5,474	6,499
Short-term loans and borrowings		74,294	75,800	83,663
		124,156	122,859	137,246
Non-Current Liabilities				
Loans and borrowings	15	10,434	10,756	15,466
Deferred income tax liabilities		13,973	13,760	12,172
Other non-current liabilities		121	118	138
		24,528	24,634	27,776
Total liabilities		148,684	147,493	165,202
Equity attributable to owners of the Company				
Share capital	16	3,125	3,125	3,125
Share premium		48,687	48,687	48,687
Revaluation reserve		77,820	79,403	61,986
Currency translation reserve		(40,905)	(38,042)	(34,104)
Retained earnings		(77,554)	(81,481)	(75,415)
		11,173	11,692	4,279
Non-controlling interests		1,272	1,230	1,114
Total equity		12,445	12,922	5,393
TOTAL LIABILITIES AND EQUITY		161,129	160,415	170,595

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the three months ended 31 March 2018
(All amounts in euro thousands unless otherwise stated)

	Notes	2018 (unaudited)	2017 (unaudited)
Revenue	17	30,087	36,915
Change in fair value of biological assets		2	1
Cost of sales	18	(24,814)	(30,098)
Gross Profit		5,275	6,818
Selling and distribution expenses	19	(2,298)	(3,228)
Administrative expenses	20	(2,645)	(3,180)
Other income/(expenses), net	21	(406)	3,203
Operating profit/(loss)		(74)	3,613
Finance income	22	4,615	-
Finance expenses	23	(1,905)	(2,496)
Profit/(loss) before income tax		2,636	1,117
Income tax	24	(257)	(3)
Net profit/(loss) for the year		2,379	1,114
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translating to presentation currency		(2,856)	(2,635)
Total comprehensive income/(loss)		(477)	(1,521)
Profit/(loss) attributable to:			
Owners of the Company		2,370	1,183
Non-controlling interests		9	(69)
		2,379	1,114
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(519)	(1,526)
Non-controlling interests		42	5
		(477)	(1,521)
Earnings per share (EURO cent)		7.58	3.79

MILKILAND N.V.**Condensed consolidated interim statement of cash flows****For the three months ended 31 March 2018**

(All amounts in euro thousands unless otherwise stated)

	Note	2018 (unaudited)	2017 (unaudited)
Cash flows from operating activities:			
Gain/(Loss) before income tax		2,636	1,117
<i>Adjustments for:</i>			
Depreciation and amortization	21	2,160	2,093
(Gain)/Loss from disposal and write off of inventories	21	257	830
Change in provision and write off of trade and other accounts receivable	21	(205)	(78)
Change in provision and write off of unrealised VAT	21	44	60
(Gain)/loss from write off, revaluation and disposal of non-current assets	21	(431)	(3,513)
Change in fair value of biological assets		(2)	5
Operational foreign exchange results, net	21	(77)	(1)
Finance income	22	(4,615)	55
Finance expenses	23	1,905	1,649
Write off of accounts payable	21	-	-
Operating cash flow before movements in working capital		1,672	2,217
(Increase)/ Decrease in trade and other accounts receivable		2,822	1,208
Decrease/(Increase) in inventories		(1,653)	(1,501)
(Increase)/ Decrease in biological assets		(160)	72
Increase/ (Decrease) Increase in trade and other payables		(1,769)	2,418
Decrease/(Increase) in other taxes receivable		(12)	(8)
Increase/ (Decrease) in other taxes payable		(272)	677
Net cash provided by/(used in) operations:		628	5,083
Income taxes paid		(288)	(2)
Interest received		-	-
Interest paid		(163)	(674)
Net cash provided by/(used in) operating activities		177	4,407
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(196)	-
Proceeds from sale of property, plant and equipment	11	15	-
Acquisition of subsidiaries, net of cash acquired		6	(598)
Net cash used in investing activities		(175)	(598)
Cash flows from financing activities			
Proceeds from borrowings	15	96	271
Repayment of borrowings	15	(434)	(4,319)
Commission paid and fair value adjustment		-	-
Net cash (used in)/provided by financing activities		(338)	(4,048)
Net increase in cash and equivalents		(336)	(239)
Cash and equivalents, beginning of the period	6	1,416	1,044
Effect of foreign exchange rates on cash and cash equivalents		(10)	(34)
Cash and equivalents, end of the period	6	1,070	771

MILKILAND N.V.**Condensed consolidated interim statement of changes in equity****For the three months ended 31 March 2018**

(All amounts in euro thousands unless otherwise stated)

	Attributable to equity holders of the company							
	Share capital (unaudited)	Share premium (unaudited)	Foreign currency translation reserve (unaudited)	Revaluation reserve (unaudited)	Retained earnings (unaudited)	Total stockholders' equity (unaudited)	Non- controlling interests (unaudited)	Total equity (unaudited)
Balance at 1 January 2017	3,125	48,687	(34,297)	69,208	(80,918)	5,805	1,109	6,914
Profit/(Loss) for the period	-	-	-	-	1,183	1,183	(69)	1,114
Other comprehensive gain/(loss), net of tax effect	-	-	193	(2,902)	-	(2,709)	74	(2,635)
Total comprehensive loss for the period	-	-	193	(2,902)	1,183	(1,526)	5	(1,521)
Realised revaluation reserve, net of income tax	-	-	-	(4,320)	4,320	-	-	-
Balance at 31 March 2017	3,125	48,687	(34,104)	61,986	(75,415)	4,279	1,114	5,393
Balance at 1 January 2018	3,125	48,687	(38,042)	79,403	(81,481)	11,692	1,230	12,922
Profit/Loss for the period	-	-	-	-	2,370	2,370	9	2,379
Other comprehensive gain/(loss), net of tax effect	-	-	(2,863)	(26)	-	(2,889)	33	(2,856)
Total comprehensive loss for the period	-	-	(2,863)	(26)	2,370	(519)	42	(477)
Realised revaluation reserve, net of income tax	-	-	-	(1,557)	1,557	-	-	-
Balance at 31 March 2018	3,125	48,687	(40,905)	77,820	(77,554)	11,173	1,272	12,445

MILKILAND N.V.**Condensed consolidated interim statement of comprehensive income****For the three months ended 31 March 2018**

(All amounts in euro thousands unless otherwise stated)

1 The Group and its operations

These condensed consolidated interim financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union for the three months ended 31 March 2018 for Milkiland N.V. (the “Company”) and its subsidiaries (together referred to as the “Group” or “Milkiland”).

The financial statements were approved by the Board of Directors on 15 May 2018.

The Company was incorporated on 13 July 2007 under Dutch law as a private limited liability company (B.V.). On May 23, 2009 the Company was converted into a public limited liability company (N.V.). The address of its registered office is De Ceserstraat 93, Amsterdam, the Netherlands and the principal place of business is 9 Boryspilska Str., 02090, Kyiv, Ukraine.

As at 31 March 2018 the Company is controlled by 1, Inc. Cooperatief (holding 73.52% of shares). The Company is ultimately controlled by Anatoliy Yurkevych and Olga Yurkevych. Commencing from 6 December 2010, the Company became listed on the Warsaw Stock Exchange having placed 20% of newly issued and 2.4% of existing shares to investors.

The Company mainly acts as a holding company and exercises control over the operations of its subsidiaries.

Milkiland is a diversified dairy processing Group, producing and distributing dairy products in Europe and worldwide. The production facilities of the Group are located in Ukraine, in Russia and in Poland, able to process up to 1,330 thousand tons of milk per year. The plants purchase milk from local farmers and produce cheese, butter, whole-milk products, powdered milk, casein and other products.

As at 31 March 2018, the Group employed 3,223 people.

MILKILAND N.V.**Condensed consolidated interim statement of comprehensive income****For the three months ended 31 March 2018**

(All amounts in euro thousands unless otherwise stated)

1 The Group and its operations (continued)

Subsidiaries of the Company are presented below:

Name	Country of incorporation	Principal activity	Effective share of ownership		
			31 March 2018	31 December 2017	31 March 2017
MLK Finance Limited	Cyprus	Trade	100.0%	100.0%	100.0%
Milkiland Intermarket (CY) LLC	Cyprus	Trade	100.0%	100.0%	100.0%
Milkiland-Kazakhstan	Kazakhstan	Trade	100.0%	100.0%	100.0%
Milkiland EU sp. z.o.o.	Poland	Managing/Trade	100.0%	100.0%	100.0%
Ostrowia sp. z.o.o.	Poland	Production entity	100.0%	100.0%	100.0%
UA TRADE Sp. z o.o.	Poland	Trade	100.0%	100.0%	100.0%
JSC Ostankino Dairy	Russia	Production entity	100.0%	100.0%	100.0%
LLC Ostankino Dairy	Russia	Production entity	100.0%	100.0%	100.0%
LLC Milkiland RU	Russia	Managing/Trade	100.0%	100.0%	100.0%
LLC Moloko-Kursk	Russia	Production entity	100.0%	100.0%	100.0%
LLC Novomoskovsk Dairy	Russia	Production entity	100.0%	100.0%	100.0%
DE Aromat	Ukraine	Production entity	100.0%	100.0%	100.0%
PE Prometey	Ukraine	Production entity	100.0%	100.0%	100.0%
PE Ros	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Malka-trans	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Mirgorodsky Cheese	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Kyiv Milk Plant #1	Ukraine	Trade	100.0%	100.0%	100.0%
JSC Chernigiv Milk Plant	Ukraine	Production entity	76.0%	76.0%	76.0%
PrJSC Gorodnia Milk Plant	Ukraine	Production entity	95.2%	95.2%	95.2%
LLC Agrosvit	Ukraine	Agricultural	100.0%	100.0%	100.0%
DE Milkiland Ukraine	Ukraine	Managing	-	-	100.0%
LLC Milkiland Ukraine	Ukraine	Managing	100.0%	100.0%	100.0%
DE Borznyiyskiy Milk Plant	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Moloko-Kraina	Ukraine	Production	100.0%	100.0%	100.0%
LLC Torgovyi dim Milkiland	Ukraine	Trade	100.0%	100.0%	100.0%
LLC Ukrainian Milk House	Ukraine	Trade	100.0%	100.0%	100.0%
LLC Milkiland Intermarket	Ukraine	Trade	100.0%	100.0%	100.0%
LLC Milkiland N.V	Ukraine	Managing	100.0%	100.0%	100.0%
PrJSC Transportnyk	Ukraine	Service provider	70.3%	70.3%	70.3%
LLC Milkiland Agro	Ukraine	Agricultural	100.0%	100.0%	100.0%
DE Agrolight	Ukraine	Production entity	100.0%	100.0%	100.0%
DE Krasnosilsky Milk	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Bahmachregionpostach	Ukraine	Grain elevator	100.0%	100.0%	100.0%
ALLC Nadiya	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Uspih-Mena-Plus	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Agro-Mena	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Lendinvest 3000	Ukraine	Investment	100.0%	100.0%	100.0%
LLC Agrolendinvest	Ukraine	Investment	100.0%	100.0%	100.0%
LLC Phobostrade	Ukraine	Investment	100.0%	100.0%	100.0%
LLC Kilchensky Berig	Ukraine	Investment	100.0%	100.0%	100.0%
PrJSC Iskra Plus	Ukraine	Agricultural	98.1%	98.1%	98.1%
LLC Kholod Property	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Synchrony Mayster	Ukraine	Production entity	100.0%	100.0%	100.0%
Milkiland Corporation	Panama	Trade	100.0%	100.0%	100.0%
Newholm Systems S.A.	Panama	Trade	100.0%	100.0%	100.0%
Agrointer Corporation	Panama	Trade	100.0%	100.0%	100.0%
LLC Cross Value	Marshall Isl.	Trade	100.0%	100.0%	100.0%
Dominic Supreme LP	Scotland	Trade	100.0%	100.0%	-

2 Summary of significant accounting policies

Basis of preparation and statement of compliance. This condensed consolidated interim financial information for the three months ended 31 March 2018 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS.

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2017.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Adoption of new or revised standards and interpretations.

On the whole, the accounting policies adopted are consistent with those of the previous financial year. Certain new IFRSs and Interpretations became effective from 1 January 2018. Listed below are those new or amended standards or interpretations which could be relevant to the Company:

Amendments to IAS 7 Disclosure Initiative, IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses and Disclosure of Interests in Other Entities The amendments are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

IFRS 12 Disclosure of Interests in Other Entities.

Amendments have been made to clarify the scope of IFRS 12 in respect of interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Specifically it clarifies that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations.

The standard as amended therefore makes it clear that it is only the disclosure requirements set out in paragraphs B10 - 16 that do not need to be provided for entities within the scope of IFRS 5.

Adoption of these improvements did not have any impact on the Company's financial statements.

IFRS and IFRIC interpretations.

The Company applied the following IFRSs and Interpretations to IFRS and IAS that have been issued and are effective for periods beginning on or after 1 January 2018:

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IFRS 9 Financial Instruments. In July 2014, the IASB issued the final version of IFRS 9 which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. As the main financial assets used by the Company are limited to trade and other receivables, the adoption of IFRS 9 will not have a significant effect on the classification, valuation and measurement of the Company's financial assets. The company does not use hedging or derivatives accounting of which could be impacted by the new standard. The adoption of IFRS 9 will have no impact on the classification and measurement of the Company's financial liabilities.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

Company mainly recognizes the revenue at the point of time, when it transfers control over the products or services to a clients. Given the fact, that crucial part of the trading of the Company is made through sales of finished goods without any compound performance obligations, warranty period or any other services for its products, franchise, licenses, bundled offers etc., - the Company does not anticipate significant changes in the Financial Statement, as the result of the new standard implementation, except of non-significant changes, including in accounting of wholesalers loyalty programs (retro-bonuses). These bonuses dropped significantly due to the changes of legislation in the countries of the Group's operations.

IFRS 16 Leases. IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The management of the company expects the amount of payments under leasing contracts at the level of about EUR 560 thousands at the year ended 31 December 2018.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using

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either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 17 Insurance Contracts. IFRS 17 is the new financial reporting standard for insurance contracts that addresses the recognition and measurement, presentation and disclosure of information. IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (life insurance and insurance other than life insurance, direct insurance and reinsurance), regardless of the type of an entity that issues them, as well as certain guarantees and financial instruments with discretionary participation conditions. There are several exceptions from the scope of application.

IFRS 17 becomes effective for reporting periods beginning on or after 1 January 2021, and comparative information is required. Earlier application is permitted provided that the entity also applies IFRS 9 and IAS 15 on or before the date of the first application of IAS 17. This standard is not applicable to the Company.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 10, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however is recognized only to the extent of unrelated investors' interest in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

Amendments to IAS 40 Investment property. The IASB has amended IAS 40 on transfers of property assets to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer. The revised examples of evidence of a change in use included in the amended version of IAS 40 are not exhaustive - i.e. other forms of evidence may support a transfer.

Amendments are effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

2 Summary of significant accounting policies (continued)

Foreign currency. Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in euro, which is the Company's functional and the Group's presentation currency.

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at exchange rates at the balance sheet date. Income and expenses of foreign operations are translated to euro at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Foreign currency differences are recognised in other comprehensive income and are presented within equity in the translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the income statement.

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

	USD	UAH	RUB	PLN
As at 31 March 2018	1.2321	32.7042	70.5618	4.2085
Average for three months ended 31 March 2018	1.2293	33.5802	69.8727	4.1811
As at 31 December 2017	1.1993	33.6610	68.8668	4.1709
As at 31 March 2017	1.0691	28.8401	60.5950	4.2198
Average for three months ended 31 March 2017	1.0650	28.8193	62.6474	4.3246

3 Critical accounting estimates and judgments

The preparation of the financial statements requires the management to make various estimations and assumptions that affect reporting values of the assets and liabilities as well as disclosure of information on contingent assets and liabilities at the statement of financial position date. Actual results might differ from the current estimations. The estimations are periodically reviewed. Should the adjustments be needed they are reported in the financial results of the period when they became aware.

Below are the main assumptions as to future events and other sources of uncertainties of estimates at the reporting dates that are of a great risk of the necessity to make significant adjustments to the carrying amount of assets and liabilities during the next reporting year:

Impairment of property, plant and equipment. Detection of impairment indications of property, plant and equipment provides for use of estimates that include, in particular, reasons, terms and amounts of the impairment. Impairment is based upon the analysis of many factors, such as: changes in current competitive conditions, expectations of an industry recovery, capital appreciation, changes in possibilities of future financing attraction, technological obsolescence, servicing suspension, current replacement cost and other changes in circumstances that indicate the impairment.

Management's estimates are required in order to determine the compensation amount for a cash generating unit. The value in use estimation includes methods based on the estimation of expected future discounted cash flows. This requires the Group to evaluate these cash flows for cash generating units and choose a grounded discount rate to calculate a present value of cash flows.

The estimations including the applied methodology may have significant effect on the fair value and impairment amount of property, plant and equipment.

Biological assets. Due to the absence of an active market, the fair value of biological assets is estimated by present valuing the net cash flows, estimated future cash flows are based on management's best estimates using a discount rate representing a market rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date.

Provision for doubtful accounts receivable. Provision for doubtful debts is charged based on factual data about accounts receivable payment and the solvency analysis of the most significant debtors. In case of worsening the clients' financial position, a factual losses volume may exceed an estimated one. Additional information is disclosed in note 7.

Legal actions. The Group's management applies significant judgments during the estimation and recognition of provisions and risks of contingent liabilities associated with existing legal actions and other unsettled claims that should be settled by way of negotiations, mediation, arbitration or state interference as well as other contingent liabilities. The management's judgment is essential during the possibility of a claim settling as regards the Group or material obligations and during the determination of a possible amount of final settlement. Due to the uncertainty inherent to the estimation process, actual expenses may differ from the initial estimation of provision. These previous estimations may vary as new information becomes available, mainly, from the Group's specialists, if any, or from outside consultants, such as actuaries or lawyers. A review of these estimations may have a substantial impact on future operating results.

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Seasonality of operations. The Group's sales volumes and revenue are impacted by seasonal fluctuations in demand for its products. Demand for the Group's cheese products and butter typically peaks during late autumn and winter due to increases in demand for higher-fat products during colder months.

The availability and price of raw materials required by the Group are also subject to seasonal fluctuation. As a result of the lifecycle of herds of cows and seasonal temperature changes, raw milk production in Ukraine and peaks during the summer months, typically creating a raw milk surplus and resulting in lower prices, and then falls during the autumn. In a summer the Group purchases all raw milk when there is a surplus so as to enhance its working relationship with its suppliers. The Group manages this surplus by drying milk in a summer and uses or sells it in the winter periods.

Management believes that the raw milk prices in Russia are affected by seasonality to a lesser extent than in Ukraine due to the differences in structure of raw milk supplies. The Group sources approximately 30% of its raw milk requirements in Ukraine from individual household producers, while in Russia the Group sources its raw milk primarily from the farms, which are less susceptible to seasonal variations. However, due to Russia being a net importer of dairy products, prices for such products in Russia are more dependent on the world prices for dry milk, which are also subject to cyclical and seasonal variations.

To supplement its supplies of raw milk from internal sources, the Group operates its own dairy farms to produce raw milk. During the three months ended 31 March 2018 the in-house milk production covered c.9% of milk intake in Ukraine.

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4 Segment information

The management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of business in Ukraine, Russia, Poland and Netherlands. The Netherlands segment does not meet the quantitative threshold required by IFRS 8 and is not reported.

Ukraine, Russian and Poland segments are further segregated in the following main reportable segments:

- Cheese & butter - this segment is involved in production and distribution of cheese and butter products;
- Whole-milk - this segment is involved in production and distribution of whole-milk products;
- Ingredients - include production and distribution of dry milk, agricultural products, and other products, which - although contributing a relatively small amount of revenue to the Group, are monitored by the Board of Directors as well.

The Board of Directors assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses, non-current assets impairments and other income and expenses resulted from an isolated, non-recurring event.

As information on segment assets are not reported to the Board of Directors, this is not disclosed in these financial statements.

Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior period.

The segment information by country for the three months ended 31 March is as follows:

	2018				2017			
	Russia	Ukraine	Poland	Total	Russia	Ukraine	Poland	Total
Total segment revenue	20,192	7,472	2,477	30,141	25,175	8,914	2,855	36,944
Inter-segment revenue	-	-	(54)	(54)	-	-	(29)	(29)
Revenue from external customers	20,192	7,472	2,423	30,087	25,175	8,914	2,826	36,915
EBITDA	1,742	78	(242)	1,578	1,781	454	188	2,423
EBITDA margin	9%	1%	-10%	5%	7%	5%	7%	7%
Depreciation and amortisation	445	1,254	461	2,160	778	845	470	2,093

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4 Segment information (continued)

Inter-segment revenue is related to inter-group sales of dairy goods to third party customers.

The segment information by product for the three months ended 31 March is as follows:

	2018				2017			
	Cheese & butter	Whole-milk products	Ingredients	Total	Cheese & butter	Whole-milk products	Ingredients	Total
Total segment revenue	8,218	18,193	3,730	30,141	9,550	21,665	5,729	36,944
Inter-segment revenue	-	-	(54)	(54)	(1)	-	(28)	(29)
Revenue from external customers	8,218	18,193	3,676	30,087	9,549	21,665	5,701	36,915
EBITDA	441	1,334	(197)	1,578	412	1,435	576	2,423
EBITDA margin	5%	7%	-5%	5%	4%	7%	10%	7%
Depreciation and amortisation	885	790	485	2,160	974	1,065	54	2,093

A reconciliation of EBITDA to profit before tax for the three months ended 31 March is as follows:

	2018	2017
EBITDA	1,578	2,423
Other segments EBITDA	77	(183)
Total segments	1,655	2,240
Depreciation and amortisation	(2,160)	(2,093)
Loss from disposal and impairment of non-current assets	(431)	3,466
Finance expenses	(1,905)	(2,436)
Finance income	4,615	(60)
Profit/(loss) before tax	2,636	1,117

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5 Balances and transactions with related parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. During the reporting period the company had related party transactions with ultimate shareholder, key management and companies under common control.

The outstanding balances due from related parties were as follows:

	31 March 2018	31 December 2017	31 March 2017
<i>Entities under common control:</i>			
Trade accounts receivables	9	-	281
Other financial assets	780	555	3,446
Other accounts receivables	62	53	65
Total trade and other receivables	851	608	3,792
Other accounts payables	800	842	1,192
Total trade and other payables	800	842	1,192

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the three months ended 31 March 2018 paid or payable to key management for employee services is EUR 53 thousand (2017: EUR 36 thousand).

6 Cash and cash equivalents

Cash in bank is available for demand and earns interest at floating rates based on daily bank deposit rates.

	31 March 2018	31 December 2017	31 March 2017
Short term deposits	-	436	-
Cash in bank and cash on hand	1,070	980	771
Total cash and cash equivalents	1,070	1,416	771

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7 Trade and other receivables	31 March 2018	31 December 2017	31 March 2017
Trade accounts receivable	8,957	9,757	13,084
Other financial assets	9,811	8,247	10,665
Allowance for doubtful debts	(9,168)	(8,960)	(9,688)
<i>Total financial assets within trade and other receivables</i>	9,600	9,044	14,061
Advances issued	3,340	1,945	3,416
Other receivables	7,895	9,035	4,614
Allowance for doubtful debts	(596)	(618)	(711)
Total trade and other accounts receivable	20,271	19,406	21,380

The carrying amounts of the Group's trade and other receivables approximate their fair value. Maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

8 Inventories

	31 March 2018	31 December 2017	31 March 2017
Raw and other materials	4,727	4,970	4,255
Finished goods and work in progress	5,152	3,516	8,852
Agriculture produce	201	227	528
Total inventories	10,080	8,713	13,635

9 Other taxes receivable

	31 March 2018	31 December 2017	31 March 2017
VAT recoverable	4,834	4,907	7,900
Payroll related taxes	94	92	67
Other prepaid taxes	188	195	229
Total other taxes receivable	5,116	5,194	8,196

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10 Goodwill

	2018	2017
Balance at 1 January	1,474	1,726
Foreign currency translation	-	(39)
Balance at 31 March	1,474	1,687

Goodwill is initially recognized as an asset during the primary evaluation. As the goodwill relates to foreign subsidiaries, it is translated each year as part of the translation of the foreign operation.

11 Property, plant and equipment and intangible assets

During three months ended 31 March 2018 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 196 thousand (2017: EUR 89 thousand), which comprised mainly modernisation of milk processing capacities.

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12 Biological assets

The Group is engaged in agricultural activities mainly for the following purposes:

- Development of livestock in order to create own base for raw milk supply.
- Grow of maize, wheat and barley with the main purpose to sale to the external customers.

Non-current cattle are represented by dairy livestock with an average yearly lactation period of nine months. Current cattle comprise immature cattle and cattle intended for sale. Other biological assets mainly represent pigs and horses.

To estimate the fair value of biological assets, a valuation, which conforms to International Valuation Standards, was performed by the Group, fair value is estimated as the present value of the net cash flows expected to be generated from biological assets discounted at a current market discount rate.

As at 31 March 2018 and 2017 biological assets comprise the following groups:

	31 March 2018		31 March 2017	
	Units	Amount	Units	Amount
Current biological assets of animal breeding				
Cattle	2,666	1,192	2,857	1,005
Other livestock		1	-	-
Total biological assets of animal breeding	2,666	1,193	2,857	1,005
Current biological assets of plant growing				
Other	-	208	-	189
Total biological assets of plant growing	-	208	-	189
Total current biological assets	-	1,401	-	1,194
Non-current biological assets				
Cattle	1,748	1,388	1,688	1,199
Other livestock	-	-	-	-
Total non-current biological assets	1,748	1,388	1,688	1,199

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13 Trade and other payables

	<u>31 March 2018</u>	<u>31 December 2017</u>	<u>31 March 2017</u>
Trade payables	15,993	14,872	18,335
Accounts payable for fixed assets	2	23	-
Interest payable	15,143	14,340	12,819
Other financial payables	-	-	357
Total financial liabilities within trade and other payable	<u>31,138</u>	<u>29,235</u>	<u>31,511</u>
Wages and salaries payable	1,710	1,445	2,050
Advances received	2,112	1,048	8,495
Other accounts payable	7,907	8,176	3,948
Accruals for employees' unused vacations	1,115	874	1,123
Total trade and other payables	<u>43,982</u>	<u>40,778</u>	<u>47,127</u>

Financial liabilities are normally settled within 60-days period.

The fair values of trade and other accounts payable approximate their carrying amounts.

14 Other taxes payable

	<u>31 March 2018</u>	<u>31 December 2017</u>	<u>31 March 2017</u>
VAT payable	633	1,102	3,017
Payroll related taxes	3,013	3,137	2,629
Other taxes payable	1,384	1,235	853
Total other taxes payable	<u>5,030</u>	<u>5,474</u>	<u>6,499</u>

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15 Loans and borrowings	31 March 2018	31 December 2017	31 March 2017
Current			
Interest bearing loans due to banks	72,562	74,012	82,031
Loans from non-financial institutions	1	1	-
Bank overdrafts	10	9	217
Finance leases	1,721	1,778	1,415
Total current borrowings	74,294	75,800	83,663
Non-current			
Interest bearing loans due to banks	10,354	10,632	15,390
Finance leases	80	124	76
Total non-current borrowings	10,434	10,756	15,466
Total borrowings	84,728	86,556	99,129

Movement in loans and borrowings during the three months ended 31 March was as follows:

	2018	2017
Balance at 1 January	86,556	102,286
Obtained new loans and borrowings	96	271
Repaid loans and borrowings	(434)	(4,319)
Discounting of borrowings	233	-
Foreign exchange (gain)/loss	(1,723)	891
Balance at 31 March	84,728	99,129

As at 31 March 2018 the Group has not met requirement in respect of Borrowings to EBITDA ratio and EBITDA to interest expenses ratio.

16 Share capital

Share capital as at 31 March 2018 and 2017 is as follows:

	2018		2017	
	Number of shares	EUR 000	Number of shares	EUR 000
Authorised				
Ordinary shares of 10c each	50,000,000	5,000	50,000,000	5,000
Issued and fully paid up				
<i>Ordinary shares of 10c each</i>				
At 1 January	31,250,000	3,125	31,250,000	3,125
At 31 March	31,250,000	3,125	31,250,000	3,125

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17 Revenue

Sales by product during the three months ended 31 March was as follows:

	<u>2018</u>	<u>2017</u>
Cheese & Butter	8,218	9,549
Whole-milk products	18,193	21,665
Ingredients	<u>3,676</u>	<u>5,701</u>
Total revenue	<u>30,087</u>	<u>36,915</u>

Regional sales during the three months ended 31 March was as follows:

	<u>2018</u>	<u>2017</u>
Russia	20,122	25,101
Ukraine	6,884	6,111
Poland	2,264	1,841
Other	<u>817</u>	<u>3,862</u>
Total revenue	<u>30,087</u>	<u>36,915</u>

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18 Cost of sales	2018	2017
Raw and other materials	19,119	23,463
Depreciation	1,697	1,772
Wages and salaries	1,476	1,237
Gas	908	792
Electricity	712	668
Transportation costs	572	349
Social insurance contributions	298	281
Repairs of property, plant and equipment	164	88
Water	30	23
Changes in finished goods and work in progress	(487)	1,064
Other	325	388
Total cost of sales	24,814	30,098

19 Selling and distribution expenses

	2018	2017
Transportation costs	793	1,664
Wages and salaries	723	732
Marketing and advertising	274	10
Social insurance contributions	138	182
Security and other services	61	48
Depreciation and amortisation	54	178
Rental costs	33	38
Licence fees	5	4
Other	217	372
Total selling expenses	2,298	3,228

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20	Administrative expenses	2018	2017
	Wages and salaries	1,261	1,372
	Taxes and other charges	290	495
	Social insurance contributions	214	248
	Consulting fees	203	152
	Depreciation and amortisation	122	173
	Security and other services	104	114
	Transportation costs	80	83
	Rental costs	75	31
	Repairs and maintenance	49	39
	Other utilities	38	47
	Communication	28	30
	Bank charges	27	45
	Representative charges	15	86
	Property insurance	5	7
	Office supplies	5	6
	Other	129	252
	Total administrative expenses	2,645	3,180
21	Other income/(expenses), net	2018	2017
	Gain/(loss) from disposal of non-current assets	431	3,510
	Change in provision and write off of trade and other accounts receivable	205	78
	Rental income	119	-
	Operational foreign exchange results, net	77	787
	Gain from write off of accounts payable	-	25
	Government grants recognised as income	-	11
	Change in provision and write off of VAT receivable	(44)	(60)
	Penalties	(151)	(111)
	Gain/(loss) from disposal and write off of inventories	(257)	(832)
	Depreciation and amortisation	(288)	29
	Other income/(expenses), net	(498)	(234)
	Total other (expenses)/income, net	(406)	3,203
22	Finance income	2018	2017
	Finance foreign exchange gain	4,574	-
	Bank deposits	6	-
	Other fin income	35	55
	Total finance income	4,615	55

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23 Finance expenses	2018	2017
Bank borrowings	1,514	2,151
Discounting of loans	233	-
Finance foreign exchange loss	123	181
Other borrowings	27	87
Finance leases	8	17
Other finance expense	-	-
Total finance expenses	1,905	2,436

24 Income tax

	2018	2017
Current income tax expense	(438)	(38)
Deferred income tax benefit	181	35
Total income tax expense	(257)	(3)

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2018 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2017: 18%), Russian profit tax was levied at the rate of 20% (2017: 20%), Poland profit tax was levied at the rate of 19% (2017: 19%). In 2018 the tax rate for Panama operations was 0% (2017: 0%) on worldwide income.

25 Contingent and deferred liabilities

Litigation

The Group from time to time participates in legal proceedings. However, none of the legal proceedings either separately or in aggregate had significant negative material effect on the Group.

Taxation

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretations by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the power to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation and it is possible that transactions and activities that have not been challenged in the past may be disputed.

Insurance policies

The Group applies reasonable approach to risk management and assets safeguarding and mitigate key risks with insurance services.

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One of significant insurance contract covers Directors and Officers liability insurance for reimbursement for losses or advancement of defense costs in the event an insured suffers losses as a result of a legal action brought for alleged wrongful acts by Directors and Officers. The insurance contract signed with Allianz Global Corporate & Specialty SE with limit liability of EUR 25 million.

The Company also engaged in the other types of insurance contracts, including property, cargo and civil liability insurance.

The choice of the insurance services providers is usually made based at their high business reputation and rates.

26 Capital management policy

Main objectives of the Group's capital management policy are as follows: management of accounts receivable and payable, raw materials and finished goods stocks, as well as healthy capital structure.

The Group has external requirements to the capital in respect of Loan facility to the Syndicate and other loans received by the Company.

According to the most significant Facilities agreement with the Syndicate the following covenants are applied:

- Tangible net worth should not at any time be less than EUR 105,000 thousand;
- the ratio of borrowing to EBITDA in respect of any relevant period will not exceed 3.5 to 1;
- the ratio of EBITDA to interest expenses in respect of any relevant period will not be less than 3.25 to 1.

Borrowing, EBITDA, interest expenses and tangible net worth shall be calculated and interpreted on a consolidation basis in accordance with the IFRS and shall be expressed in EUR.

27 Subsequent events

Fulfilment of the Group's debt restructuring obligations in Poland

In Q1 2018 Milkiland repaid the principle in the amount of c. PLN 357 thousand (c. EUR 85 thousand) and the regular interest in the amount of c. PLN 39.8 thousand (EUR 9.5 thousand) to Pekao Bank S.A. to fulfil the obligations on restructuring of the Revolving Credit Facility from this Bank. The Company also paid leasing fees to Pekao Leasing in the amount of PLN 200 thousand (c. EUR 47.5 thousand) in line with the restructured indebtedness schedule.

Milkiland EU started the negotiations with Pekao Leasing regarding further restructuring of the indebtedness and expects to sign the new restructuring agreement by July 2018.

Entering to the new markets

In 2018 Milkiland Ukraine with the support of Milkiland Intermarket, both the subsidiaries of Milkiland Group, has continuing the efforts aimed at searching of new export markets for Milkiland's products. In Q1 2018 the Group has started the supply of butter to China and the cheese-like products to Moldova, Kyrgyzstan and Uzbekistan. These products were also promoted in the markets of Israel and Arabian countries.