Interim Statement

Results of the nine months of 2018

Milkiland N.V. hereby publishes the Group's results of the nine months of 2018

Macroeconomic environment

- In Q3 2018, consumer price inflation in Ukraine gradually decelerated (to 8.9% y-o-y in September), closely approaching the upper bound of the target range set by the Monetary Policy Guidelines for 2018 and the Medium Term (6.5% ± 2 pp as of the end of Q3 2018). Headline inflation slowdown was driven by weaker growth in food prices amid more ample supply of domestic and imported foods and a decline in global food prices. However, the underlying inflationary pressure remained significant, while growth in administered and fuel prices accelerated. The NBU revised its 2018 inflation forecast upwards to 10.1% (from previous 8.9% projected in July). This resulted from higher than projected global energy and wheat prices and stronger growth in wages in Ukraine.
- Consumer demand and a further rise in production costs, including those of labor and energy, continued to exert upward pressure on prices in Q3 2018. Thus, household income in Ukraine grew rapidly, outpacing GDP growth by a wide margin. In August, for instance, the average monthly wages in nominal terms in Ukraine were 26% higher than last year. The growth in household income was additionally driven by an increase in social benefits (higher pensions for military pensioners, and the continued effects of modernization of pensions at the end of 2017).
- The surge in global oil prices and the weakening of the hryvnia in recent months drove up domestic fuel prices, which were passed through to costs of other goods and services. Specifically, growth in administered prices accelerated, driven by higher fuel and labor costs, even as the government delayed raising household gas prices.
- The hryvnia weakening against the US dollar in July - August affected the prices of certain goods, primarily imported ones. The FX market experienced heightened turbulence in Q3 2018 amid higher demand from energy importers, a typical development ahead of the fall months. In addition, market sentiments deteriorated after the IMF postponed the disbursement of financial assistance and global markets conditions worsened.
- In Q2 2018, real GDP growth of Ukraine accelerated to 3.8% y-o-y. The higher-than-expected GDP growth rates can be attributed to the early start to the harvesting campaign this year, which was reflected in the sharp rise in the gross value added of agriculture.
- As expected, domestic demand, mainly consumer, continued to be the main driver of real GDP growth in Q2 2018, fueled by higher household income and improved consumer sentiment. This in turn, led to gross value added growth in the transportation, trade and services sectors. An additional factor in Q2 was a noticeable acceleration in the growth in public spending, in particular on utility subsidies. Investment growth remained strong amid high business expectations.
- Ukraine's economic growth slowed somewhat in Q3 2018, to 3.1% y-o-y, according to the NBU's estimates, amid weaker performance in most key economic sectors. In particular, lower yields of early grain crops adversely affected the agricultural performance.
- The NBU expects economic growth to accelerate in 2018, to 3.4%. The growth will continue to be bolstered mainly by private consumption, as household income will rise

further, driven by strong growth in wages, pension payments, and remittances from abroad. Companies will also continue to invest actively.

- According to the Federal Statistics Service (Rosstat), in the first half of the year, Russia's GDP grew by 1.7% (against the previous estimate of 1.6%), in the second quarter it grew by 1.9% (against the previous estimate of 1.8%). Russia's Economic Development Ministry forecasts GDP growth in the third and fourth quarters of 2018 will not exceed 1.9%.
- Russia's annual inflation rate rose to 3.4% in September of 2018 from 3.1% in the previous month, slightly above market expectations of 3.3%. It was the highest inflation rate since July of 2017, mainly due to food prices.
- Russia's real disposable income decreased by 1.5% y-o-y in September 2018, following a 0.9% drop in the previous month. The dynamics of real income accumulated over the year remains positive (+1.7% in January-September), although it is decelerating rapidly month on month.
- The key operational currencies of the Group, both RUR and UAH, in 9M 2018 devalued against euro, in particular Russian rouble devalued against EUR by 12.9% (average rate y-o-y), while Ukrainian hryvnia exchange rate against European currency devalued by 9.3% (average rate y-o-y).

Operational environment and results

- In the nine months of 2018, Milkiland increased its overall sales volumes by c. 26% y-o-y on the back of significantly higher sales of cheese mix products, including cheese-like products.
- In 9M 2018, Russian segment of the Group's business enjoyed a situation of lower production costs triggered by declined prices for raw milk (raw milk prices were by c. 6% on average lower in 9M 2018 on y-o-y basis). The milk price correction in the domestic market was triggered by growing volumes of raw milk production in the country (by 3.6% in 9M 2018 on y-o-y basis).
- This trend, meanwhile, was offset by weak consumer demand and growing competition in the Russian dairy market, first of all, in the market of the City of Moscow. Striving to preserve its market share in this key regional market, Ostankino concentrated on increase of the sales volumes, which grew in 9M 2018 by 5% on y-o-y basis. At the same time, the Company penciled some decline of average sales prices, which led to decrease of the profitability of Ostankino business on EBITDA level by 2 pp. to 5% in 9M 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. The sales volumes by cheese mix products in 9M 2018 increased almost by half on y-o-y basis. The company also managed to achieve stable raw milk supplies with the lower price. Starting from Q3 2018, Milkiland RU implemented several increases of the prices for finished goods in line with the seasonally growing prices for raw milk. The production of new higher marginal goods, including high quality cheeses under "Blagodar" brand, was also implemented. These factors led to increase of the EBITDA margin of the company's business, which grew by 3 pp. from 5% in 9M 2017 to 8% in 9M 2018.
- Russia remains the best performing geographical segment of the Group's business in 9M 2018, which generated c. 60% of the Group's revenue and c. 79% of EBITDA. The revenue of this segment in the reporting period declined 9.5% on y-o-y basis, while the segments EBITDA declined by c. 23% implying EBITDA margin of 6%, which was 1 pp. lower than in 9M 2017.
- The situation of moderate devaluation of the local currencies against EUR was also observed in the markets of Russia and Ukraine in 9M 2018. In particular, UAH devalued against EUR on average by 9.3%, while the respective devaluation of RUB stood at 12.9%.
- In 9M 2018 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. The Company also paid an attention to production and export sales of Kosher dry milk products and butter under the contract with key client from

Israel. At the same time, tight competition in the local Ukrainian market, limited ability of the Company to increase the prices for finished goods in the situation of increased prices for raw milk (grew by c.7% in 9M 2018 y-o-y), led to deterioration of Milkiland Ukraine margins. The timetable of the shipments of the kosher products under the above mentioned contract, envisaging the peak shipments of previously produced dairy goods in Q4 2018, also influenced on the results of the Company. In particular, EBITDA margin of Milkiland Ukraine declined to c. 2% in 9M 2018 in comparison with c. 10% in the same period of the last year.

- Milkiland EU in 9M 2018 leapt forward in production and sales of cheese-mix products. Several types of cheese and cheese-like products, including Maasdam type, were produced and sold in different EU countries. The Company also continued its traditional business of production and selling of dry milk products, including WPC and permeate, in the global dairy market. At the same time, non-favorable situation with the prices for dry-milk products in the Polish, as well as in the global market, led to some deterioration of Milkiland's EU financial standing in this period. EBITDA margin of the Company in the reporting period stood at NIL in comparison with c. 3% in 9M 2017.
- In 9M 2018 Milkiland put additional efforts aimed at the entering to new and development of the sales at the existing export markets. In line with these efforts, Milkiland Intermarket continued a development of the distribution network of the Group's dry milk products and butter in China. Additional volumes of cheese-like products were sold to the traditional market of the Group in Kazakhstan, as well as other Central-Asian countries. The Company also continued a fulfillment of the Kosher goods supply contract with the key client in Israel.

Group's Sales in 9M 2018 by geographical segments

Russia was the largest geographical segment for Milkiland's business in 9M 2018, providing for 60% of the Group's revenue (down 2pp compared to 9M2017). The segment's revenue was down by 10% y-o-y and stood at c. EUR 60 million, mainly due to depreciation of UAH and RUR against EUR – the Group's reporting currency, while selling volumes were almost flat y-o-y over the reporting period.

Ukraine contributed 29% to the Group's revenue in 9M 2018 (flat y-o-y). Segment's revenue decreased by 7% to c. EUR 29 million, mainly due to selling volumes contraction triggered by lower processing volumes.

Poland contributed 10% to the Group's revenue in 9M 2018 (+2pp y-o-y), the segment's revenue increased by 16% y-o-y to EUR 10 million.

Group's Sales in 9M 2018 by business segments

Whole-milk dairy was the largest segment in terms of revenue and business segments EBITDA[1] providing for c. 48% of revenue (52% in Q1 2017) and being the second largest EBITDA-generating segment in 9M 2018. The segment's revenue declined by 14% y-o-y in 9M 2018 to EUR 47.3 million on a back of slightly lower sales volumes and operational currencies depreciation against EUR, while its EBITDA dropped by 53% to EUR 1.8 million, reflecting a decline of profitability of the Russian division due to lower finished goods prices in euro terms. The segment's 9M 2018 EBITDA margin reached 3.9%, down 3.2 pp y-o-y.

Cheese & butter segment contributed approximately 38% to the Group's total revenue (30% in Q1 2017). Segment's revenue increased by 19% to EUR 37.3 million thanks to sales volumes boost from Russian Rylsk subsidiary and Milkiland's Intermarket. Segment's EBITDA

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

declined by c. 3% to EUR 2.4 million, implying 9M 2018 segment's EBITDA margin of 6.4% (down 1.4pp y-o-y).

In *Ingredients segment*, revenue declined 28% y-o-y to EUR 14.1 million caused by less favorable international global market conjuncture. It contributed c. 14% to the Group's total revenue versus 18% in Q1 2017. At the same time, the segment's EBITDA surged to c. EUR 0.2 million (down 89% y-o-y), with EBITDA margin of 1.2% in 9M 2018.

Financial results

- Milkiland's revenue in 9M 2018 declined 7% y-o-y to EUR 98.8 million on the back of currencies devaluation on both main operating markets of the Group in Russia and Ukraine.
- Cost of sales declined by 2% to EUR 82.9 million. The cost optimization in Ukraine contributed to a drop in the cost of sales, despite a rise in the raw milk prices in Ukraine (by 7%) in 9M 2018. This led to the decline of the Group's Gross profit by 24% to c. EUR 15.9 million. The Gross margin of Milkiland then dropped by 3.8 pp. to 16.1%.
- Operating loss of EUR 3.4 million in 9M 2018 resulted in the decrease of EBITDA by 45% to c. EUR 4.5 million. At the same time, EBITDA margin declined by 3.1 pp. to 4.6%.
- In the nine months of 2018, financial expense related to bank borrowings declined 15% thanks to currency translation effects. The devaluation of Ukrainian hryvnia and Russian rouble against euro and US dollar resulted in a non-cash foreign exchange loss of EUR 4.5 million (compared to zero in 9M 2017). As a result of the considerable foreign exchange loss, the Group recognized loss before tax of EUR 13.1 million compared to income of EUR 5.0 million in 9M 2017.
- Net loss for the nine months of 2018 accounted for EUR 13.4 million contrary to net income of EUR 4.6 million in 9M 2017.
- The debt portfolio of the Group amounted c. EUR 86.2 million as of 30 September 2018, down from EUR 86.6 million as end-2017, mainly thanks to repayment of the indebtedness under the restructuring agreements with Ukrainian and Polish banks. Net debt of the Group declined by 1% to EUR 85.7 million as of 30 September 2018 with Net Debt to EBITDA ratio stood at 19.0x as of end-9M 2018 compared to 10.4x as of end-9M 2017.

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 30 September 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 nine months ended 30 September 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, 14 November 2018

A. Yurkevych	O. Yurkevich	O. Rozhko
/signed/	/signed/	/signed/
V. Rekov	W.S. van Walt Meijer	G.C. Logush
/signed/	/signed/	/signed/
P. Sheremeta		
/signed/		

Milkiland N.V.

Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 2018

Contents

MILKILAND N.V.
Condensed consolidated interim statement of financial position
For the nine months ended 30 September 2018
(All amounts in euro thousands unless otherwise stated)

	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)	30 September 2017 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	6	527	1,416	1,122
Trade and other receivables	7	23,900	19,406	20,044
Inventories	8	10,229	8,713	10,591
Current biological assets	12	1,659	1,302	965
Current income tax assets		719	783	275
Other taxes receivable	9	6,596	5,194	9,022
		43,630	**36,814**	**42,019**
Non-Current Assets				
Goodwill	10	1,340	1,474	1,502
Property, plant and equipment		92,333	99,679	85,771
Investment property		16,867	16,732	17,536
Non-current biological assets	12	1,681	1,251	1,824
Other intangible assets		1,613	1,993	2,091
Deferred income tax assets		2,561	2,472	2,725
		116,395	**123,601**	**111,449**
TOTAL ASSETS		**160,025**	**160,415**	**153,468**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	52,067	40,778	45,321
Current income tax liabilities		579	807	486
Other taxes payable	14	5,374	5,474	7,302
Short-term loans and borrowings		82,660	75,800	77,231
		140,680	**122,859**	**130,340**
Non-Current Liabilities				
Loans and borrowings	15	3,528	10,756	10,303
Deferred income tax liabilities		13,597	13,760	11,081
Other non-current liabilities		119	118	126
		17,244	**24,634**	**21,510**
Total liabilities		**157,924**	**147,493**	**151,850**
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		76,312	79,403	65,976
Currency translation reserve		(35,450)	(38,042)	(44,027)
Retained earnings		(91,789)	(81,481)	(73,125)
		885	**11,692**	**5,383**
Non-controlling interests		**1,216**	**1,230**	**982**
Total equity		**2,101**	**12,922**	**1,618**
TOTAL LIABILITIES AND EQUITY		**160,025**	**160,415**	**153,468**

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the nine months ended 30 September 2018
(All amounts in euro thousands unless otherwise stated)

	Notes	2018 (unaudited)	2017 (unaudited)
Revenue	17	98,795	105,730
Change in fair value of biological assets		13	(260)
Cost of sales	18	(82,888)	(84,417)
Gross Profit		**15,920**	**21,053**
Selling and distribution expenses	19	(7,818)	(8,323)
Administrative expenses	20	(8,112)	(9,695)
Other income/(expenses), net	21	(3,402)	(22)
Operating profit/(loss)		**(3,412)**	**3,013**
Finance income	22	160	9,012
Finance expenses	23	(9,848)	(7,053)
Profit/(loss) before income tax		**(13,100)**	**4,972**
Income tax	24	(318)	(419)
Net profit/(loss) for the year		**(13,418)**	**4,553**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating to presentation currency		2,597	(9,849)
Total comprehensive income/(loss)		**(10,821)**	**(5,296)**
Profit/(loss) attributable to:			
Owners of the Company		(13,374)	4,512
Non-controlling interests		(44)	41
		(13,418)	**4,553**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(10,807)	(5,169)
Non-controlling interests		(14)	(127)
		(10,821)	**(5,296)**
Earnings per share (EURO cent)		(42.80)	14.44

MILKILAND N.V.
Condensed consolidated interim statement of cash flows
For the nine months ended 30 September 2018
(All amounts in euro thousands unless otherwise stated)

	Note	2018 (unaudited)	2017 (unaudited)
Cash flows from operating activities:			
Gain/(Loss) before income tax		**(13,100)**	**4,972**
Adjustments for:			
Depreciation and amortization	21	6,908	6,159
(Gain)/Loss from disposal and write off of inventories	21	348	647
Change in provision and write off of trade and other accounts receivable	21	382	(42)
Change in provision and write off of unrealised VAT	21	(6)	142
(Gain)/loss from write off, revaluation and disposal of non-current assets	21	1,020	(1,178)
Change in fair value of biological assets		(13)	260
Operational foreign exchange results, net	21	21	(1,151)
Finance income	22	(160)	(9,012)
Finance expenses	23	9,848	7,053
Write off of accounts payable	21	(1)	(1)
Operating cash flow before movements in working capital		**5,247**	**8,017**
(Increase)/ Decrease in trade and other accounts receivable		(870)	1,832
Decrease/(Increase) in inventories		(2,233)	1,048
(Increase)/ Decrease in biological assets		(705)	(663)
Increase/ (Decrease) Increase in trade and other payables		2,894	456
Decrease/(Increase) in other taxes receivable		(8)	25
Increase/ (Decrease) in other taxes payable		(1,334)	505
Net cash provided by/(used in) operations:		**2,991**	**8,387**
Income taxes paid		(728)	(139)
Interest received		42	2
Interest paid		(587)	(1,207)
Net cash provided by/(used in) operating activities		**1,718**	**7,043**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(853)	(1,530)
Proceeds from sale of property, plant and equipment	11	20	(228)
Acquisition of subsidiaries, net of cash acquired		-	91
Net cash used in investing activities		**(833)**	**(1,667)**
Cash flows from financing activities			
Proceeds from borrowings	15	140	1,880
Repayment of borrowings	15	(1,871)	(7,146)
Commission paid and fair value adjustment		-	
Net cash (used in)/provided by financing activities		**(1,731)**	**(5,266)**
Net increase in cash and equivalents		**(846)**	**109**
Cash and equivalents, beginning of the period	6	**1,416**	**1,044**
Effect of foreign exchange rates on cash and cash equivalents		(43)	**(31)**
Cash and equivalents, end of the period	6	**527**	**1,122**

MILKILAND N.V.
Condensed consolidated interim statement of changes in equity
For the nine months ended 30 September 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	-	-	-	-	4,512	**4,512**	41	**4,553**
Other comprehensive gain/(loss), net of tax effect	-	-	(9,730)	49	(9,681)	**(4,934)**	(8,849)	**(5,102)**
Total comprehensive loss for the period	**-**	**-**	**(9,730)**	**49**	**(5,169)**	**(422)**	**(5,296)**	**(549)**
Realised revaluation reserve, net of income tax	-	-	-	(3,281)	3,281	-	-	-
Balance at 30 September 2017	**3,125**	**48,687**	**(44,027)**	**65,976**	**636**	**5,383**	**1,618**	**6,365**
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	-	-	-	-	(13,374)	**(13,374)**	(44)	**(13,418)**
Other comprehensive gain/(loss), net of tax effect	-	-	2,592	(109)	84	**2,567**	30	**2,597**
Total comprehensive loss for the period	**-**	**-**	**2,592**	**(109)**	**(13,290)**	**(10,807)**	**(14)**	**(10,821)**
Realised revaluation reserve, net of income tax	-	-	-	(2,982)	2,982	**-**	-	**-**
Balance at 30 September 2018	**3,125**	**48,687**	**(35,450)**	**76,312**	**(91,789)**	**885**	**1,216**	**2,101**

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 nine months ended 30 September 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 14 November 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 30 September 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 30 September 2018, the Group employed 3,367 people.

1 The Group and its operations (continued)

Subsidiaries of the Company are presented below:

Name	Country of incorporation	Principal activity	Effective share of ownership 30 September 2018	31 December 2017	30 September 2017
MLK Finance Limited	Cyprus	Trade	100.0%	100.0%	100.0%
Milkiland Intermarket (CY)	Cyprus	Trade	100.0%	100.0%	100.0%
LLC Milkiland-Kazakhstan	Kazakhstan	Trade	100.0%	100.0%	100.0%
Milkiland EU sp. z.o.o.	Poland	Managing/Tra	100.0%	100.0%	100.0%
Ostrowia sp. z.o.o	Poland	Production	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	100.0%	100.0%	100.0%
LLC Ostankino Dairy	Russia	Production	100.0%	100.0%	100.0%
LLC Milkiland RU	Russia	Managing/Tra	100.0%	100.0%	100.0%
LLC Moloko-Kursk	Russia	Production	100.0%	100.0%	100.0%
LLC Novomoskovsk Dairy	Russia	Production	100.0%	100.0%	100.0%
DE Aromat	Ukraine	Production	100.0%	100.0%	100.0%
PE Prometey	Ukraine	Production	100.0%	100.0%	100.0%
PE Ros	Ukraine	Production	100.0%	100.0%	100.0%
LLC Malka-trans	Ukraine	Production	100.0%	100.0%	100.0%
LLC Mirgorodsky Cheese	Ukraine	Production	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	76.0%	76.0%	76.0%
PrJSC Gorodnia Milk Plant	Ukraine	Production	95.2%	95.2%	95.2%
LLC Agrosvit	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Milkiland Ukraine	Ukraine	Managing	100.0%	100.0%	100.0%
DE Borznyanskiy Milk Plant	Ukraine	Production	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	70.3%	70.3%	70.3%
LLC Milkiland Agro	Ukraine	Agricultural	100.0%	100.0%	100.0%
DE Agrolight	Ukraine	Production	100.0%	100.0%	100.0%
DE Krasnosilsky Milk	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Bahmachregionpostach	Ukraine	Grain	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	100.0%	100.0%	100.0%
LLC Syrnyy Mayster	Ukraine	Production	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%	100.0%

2 Summary of significant accounting policies

Basis of preparation and statement of compliance. This condensed consolidated interim financial information for the nine months ended 30 September 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:

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

IFRS 17 Insurance Contracts. IAFR 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.

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

	USD	UAH	RUB	PLN
As at 30 September 2018	1.1576	32.7581	76.2294	4.2714
Average for nine months ended 30 September 2018	1.1944	32.1875	73.2921	4.2497
As at 31 December 2017	1.1993	33.6610	68.8668	4.1709
As at 30 September 2017	1.1806	31.3108	68.4483	4.3091
Average for nine months ended 30 September 2017	1.1135	29.4508	64.9319	4.2661

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.

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 cyclicality 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 nine months ended 30 September 2018 the in-house milk production covered c.6% of milk intake in Ukraine.

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 nine months ended 30 September is as follows:

	2018				**2017**			
	Russia	**Ukraine**	**Poland**	**Total**	**Russia**	**Ukraine**	**Poland**	**Total**
Total segment revenue	59,529	28,933	10,471	98,933	65,832	30,997	8,961	105,790
Inter-segment revenue	-	-	(138)	(138)	-	-	(60)	(60)
Revenue from external customers	59,529	28,933	10,333	98,795	65,832	30,997	8,901	105,730
EBITDA	**3,569**	**856**	**(50)**	**4,375**	**4,636**	**2,956**	**310**	**7,902**
EBITDA margin	6%	3%	0%	4%	7%	10%	3%	7%
Depreciation and amortisation	1,189	4,439	1,280	6,908	1,559	3,575	1,024	6,158

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 nine months ended 30 September is as follows:

	2018				2017			
	Cheese & butter	**Whole-milk products**	**Ingredients**	**Total**	**Cheese & butter**	**Whole-milk products**	**Ingredients**	**Total**
Total segment revenue	37,343	47,331	14,259	98,933	31,453	54,787	19,550	105,790
Inter-segment revenue	-	-	(138)	(138)	-	-	(60)	(60)
Revenue from external customers	37,343	47,331	14,121	98,795	31,453	54,787	19,490	105,730
EBITDA	**2,384**	**1,827**	**164**	**4,375**	**2,468**	**3,918**	**1,516**	**7,902**
EBITDA margin	6%	4%	1%	4%	8%	7%	8%	7%
Depreciation and amortisation	2,938	1,773	2,197	6,908	2,364	2,006	1,788	6,158

A reconciliation of EBITDA to profit before tax for the nine months ended 30 September is as follows:

	2018	**2017**
EBITDA	**4,375**	**7,902**
Other segments EBITDA	141	259
Total segments	**4,516**	**8,161**
Depreciation and amortisation	(6,908)	(6,158)
Loss from disposal and impairment of non-current assets	(1,020)	3,843
Finance expenses	(9,848)	(7,053)
Finance income	160	6,179
Profit/(loss) before tax	**(13,100)**	**4,972**

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:

Entities under common control:	30 September 2018	31 December 2017	30 September 2017
Trade accounts receivable	48	-	-
Other financial assets	1,381	555	1,896
Other accounts receivable	240	53	86
Total trade and other receivables	**1,669**	**608**	**1,982**
Trade payables	1	-	1
Other accounts payable	604	842	287
Total trade and other payables	**605**	**842**	**288**

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the nine months ended 30 September 2018 paid or payable to key management for employee services is EUR 158 thousand (2017: EUR 137 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.

	30 September 2018	31 December 2017	30 September 2017
Short term deposits	-	436	-
Cash in bank and cash on hand	527	980	1,122
Total cash and cash equivalents	**527**	**1,416**	**1,122**

7 Trade and other receivables

	30 September 2018	31 December 2017	30 September 2017
Trade accounts receivable	11,835	9,757	14,785
Other financial assets	10,351	8,247	9,627
Allowance for doubtful debts	(9,545)	(8,960)	(11,091)
Total financial assets within trade and other receivables	**12,641**	**9,044**	**13,321**
Advances issued	5,165	1,945	2,253
Other receivables	6,895	9,035	5,086
Allowance for doubtful debts	(801)	(618)	(616)
Total trade and other accounts receivable	**23,900**	**19,406**	**20,044**

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

	30 September 2018	31 December 2017	30 September 2017
Raw and other materials	4,457	4,970	4,175
Finished goods and work in progress	5,517	3,516	6,310
Agriculture produce	255	227	106
Total inventories	**10,229**	**8,713**	**10,591**

9 Other taxes receivable

	30 September 2018	31 December 2017	30 September 2017
VAT recoverable	6,249	4,907	8,790
Payroll related taxes	94	92	(75)
Other prepaid taxes	253	195	307
Total other taxes receivable	**6,596**	**5,194**	**9,022**

10 Goodwill

	2018	2017
Balance at 1 January	1,474	1,558
Foreign currency translation	(134)	(56)
Balance at 30 September	**1,340**	**1,502**

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 nine months ended 30 September 2018 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 853 thousand (2017: EUR 1,530 thousand), which comprised mainly modernisation of milk processing capacities.

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 30 September 2018 and 2017 biological assets comprise the following groups:

	30 September 2018		30 September 2017	
Current biological assets of animal breading	Units	Amount	Units	Amount
Cattle	2,960	1,192	2,666	958
Other livestock	-	-	-	-
Total biological assets of animal breading	**2,960**	**1,192**	**2,666**	**958**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount
Other	-	467	-	368
Total biological assets of plant growing	**-**	**467**	**-**	**368**
Total current biological assets	**2,960**	**1,659**	**2,666**	**1,326**
Non-current biological assets	Units	Amount	Units	Amount
Cattle	1,873	1,681	1,629	1,201
Other livestock	-	-	-	-
Total non-current biological assets	**1,873**	**1,681**	**1,629**	**1,201**

13 Trade and other payables

	30 September 2018	31 December 2017	30 September 2017
Trade payables	18,202	14,872	17,024
Accounts payable for fixed assets	12	23	-
Interest payable	18,536	14,340	13,468
Other financial payables	-	-	-
Total financial liabilities within trade and other payable	**36,750**	**29,235**	**30,492**
Wages and salaries payable	1,620	1,445	1,402
Advances received	4,031	1,048	5,007
Other accounts payable	8,194	8,176	7,200
Accruals for employees' unused vacations	1,472	874	1,220
Total trade and other payables	**52,067**	**40,778**	**45,321**

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

	30 September 2018	31 December 2017	30 September 2017
VAT payable	622	1,102	3,777
Payroll related taxes	3,311	3,137	2,621
Other taxes payable	1,441	1,235	904
Total other taxes payable	**5,374**	**5,474**	**7,302**

15 Loans and borrowings

	30 September 2018	31 December 2017	30 September 2017
Current			
Interest bearing loans due to banks	80,980	74,012	75,891
Loans from non-financial institutions	1	1	-
Bank overdrafts	12	9	1
Finance leases	1,667	1,778	1,339
Total current borrowings	**82,660**	**75,800**	**77,231**
Non-current			
Interest bearing loans due to banks	3,453	10,632	10,193
Finance leases	75	124	110
Total non-current borrowings	**3,528**	**10,756**	**10,303**
Total borrowings	**86,188**	**86,556**	**87,534**

Movement in loans and borrowings during the nine months ended 30 September was as follows:

	2018	2017
Balance at 1 January	**86,556**	**102,286**
Obtained new loans and borrowings	(140)	1,880
Repaid loans and borrowings	(1,871)	(7,146)
Discounting of borrowings	363	1,485
Foreign exchange (gain)/loss	1,280	(10,971)
Balance at 30 September	**86,188**	**87,534**

As at 30 September 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 30 September 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				
Ordinary shares of 10c each				
At 1 January	31,250,000	3,125	31,250,000	3,125
At 30 September	**31,250,000**	**3,125**	**31,250,000**	**3,125**

17 Revenue

Sales by product during the nine months ended 30 September was as follows:

	2018	2017
Cheese & Butter	37,343	31,453
Whole-milk products	47,331	54,787
Ingredients	14,121	19,490
Total revenue	**98,795**	**105,730**

Regional sales during the nine months ended 30 September was as follows:

	2018	2017
Russia	59,529	65,761
Ukraine	28,344	28,062
Poland	8,812	7,942
Other	2,110	3,965
Total revenue	98,795	**105,730**

18 Cost of sales

	9m 2018	9m 2017
Raw and other materials	60,136	66,938
Wages and salaries	5,575	4,739
Depreciation	5,316	5,554
Gas	2,733	2,103
Electricity	2,454	2,223
Transportation costs	2,079	1,561
Social insurance contributions	1,260	977
Changes in finished goods and work in progress	724	(3,192)
Repairs of property, plant and equipment	576	491
Water	121	156
Other	1,914	2,867
Total cost of sales	**82,888**	**84,417**

19 Selling and distribution expenses

	9m 2018	9m 2017
Transportation costs	3,896	4,541
Wages and salaries	2,136	2,146
Social insurance contributions	408	540
Security and other services	351	317
Rental costs	175	91
Depreciation and amortisation	147	161
Marketing and advertising	135	32
Licence fees	15	18
Other	555	477
Total selling expenses	**7,818**	**8,323**

20 Administrative expenses

	9m 2018	9m 2017
Wages and salaries	3,892	3,964
Taxes and other charges	951	740
Social insurance contributions	655	732
Depreciation and amortisation	510	444
Transportation costs	318	330
Security and other services	311	430
Rental costs	258	142
Repairs and maintenance	206	151
Consulting fees	155	683
Other utilities	135	113
Bank charges	111	114
Communication	82	101
Representative charges	60	187
Property insurance	19	24
Office supplies	14	18
Other	435	657
Total administrative expenses	**8,112**	**9,695**

21 Other income/(expenses), net

	9m 2018	9m 2017
Rental income	1,175	-
Gain/(loss) from disposal of non-current assets	329	1,010
Change in provision and write off of VAT receivable	6	(142)
Gain from write off of accounts payable	1	1
Government grants recognised as income	-	23
Operational foreign exchange results, net	(21)	1,151
Gain/(loss) from disposal and write off of inventories	(348)	(646)
Penalties	(378)	(407)
Change in provision and write off of trade and other accounts receivable	(382)	42
Depreciation and amortisation	(935)	-
Loss from revaluation of non-current assets	(1,349)	-
Other income/(expenses), net	(1,500)	(1,054)
Total other (expenses)/income, net	**(3,402)**	**(22)**

22 Finance income

	9m 2018	9m 2017
Finance foreign exchange gain	-	6,159
Other fin income	133	2,853
Bank deposits	27	-
Total finance income	**160**	**9,012**

23 Finance expenses

	9m 2018	9m 2017
Bank borrowings	4,508	5,324
Finance foreign exchange loss	4,507	9
Other borrowings	443	135
Discounting of loans	363	1,485
Finance leases	27	40
Other finance expense	-	60
Total finance expenses	**9,848**	**7,053**

24 Income tax

	9m 2018	9m 2017
Current income tax expense	(586)	(667)
Deferred income tax benefit	268	248
Total income tax expense	**(318)**	**(419)**

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.

One of significant insurance contract covers Directors and Officers liability insurance for reimbursement for losses or advancement of defence 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 total 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

Restructuring of the Group's indebtedness

The Amendment agreement to Revolving Credit Facility agreement and Overdraft Credit Facility agreement between Pekao Bank S.A. and Ostrowia sp. z.o.o., Milkiland EU, UA Trade and Milkiland NV on restructuring of the indebtedness was signed on 29 August 2018. Current interest rate was agreed at WIBOR+2.5%. The loan and the overdraft was prolonged until 31.07.2019. Monthly repayment of the loan was agreed at the amount of PLN 100,000 (EUR 22,927) plus current interest. The Amendment agreement also included a condition of the suspension of the court process against Milkiland N.V., as a guarantor. Accrued penalty interest payment in the amount of PLN 609,929.51 (EUR 139,841) was postponed until 31.07.2019. The updated restructuring agreement was signed 28.08.2018. The leasing term was prolonged until 31.12.2019.