Interim Statement

Results of the nine months of 2019

Milkiland N.V. hereby publishes the Group's results of the nine months of 2019

Macroeconomic environment

- According to Federal Statistics Service (Rosstat), during 9 months 2019 the GDP of Russia grew by 0.7% on y-o-y basis, which, in fact, means the stagnation of the national economy.
- Russia's inflation in this period stood at relatively low 4.8% in comparison with the same period of 2018.
- These trends led to stagnation of the real diposal income of Russian population and retail trade turnover in 9 months 2019, which increased by 0.2% and 1.4% on y-o-y basis, respectively.
- Contrary to the Russian situation, Ukraine's economic growth in the reporting period continued to strengthen. Real GDP growth of the country in Q2 2019 increased to 4.6% in comparison with 3.3% growth in Q1 2019.
- Ukraine's consumer prices in 9 months 2019 grew by moderate 3.4% in comparison with December 2018, while the real wages of Ukrainians increased in this period by 9.5%, real disposal income of population grew by 7.1% on y-o-y basis.
- As the result of the above mentioned trends, in 9 months 2019 the Russian dairy producers sill faced the stagnating customer demand in the country, while in Ukraine the situation was more favourable for dairy producers on the bach of growing demand from Ukrainians for FMCG goods.
- The key operational currencies of the Group, namely Russian rouble and Ukrainian hryvnya, in 9M 2019 followed the same trend of the appreciation against EUR, the Group's reporting currency. In particular, UAH in this period revalued against EUR by 8%, RUR – by 4% on average on y-o-y basis.

Operational environment and results

- In the nine months of 2019 Milkiland decreased its overall sales volumes by c. 29% on the back of significantly lower sales of cheese and butter products, which profitability were undermined by "the costs-prices scissors", when the prices for finished goods lag behind the growing cost of the raw materials, namely, raw milk prices both in Russia and Ukraine.
- The prices for raw milk in Ukraine and Russia in 9 months 2019 were by 9% and by 7.5% higher on average on y-o-y basis, respectively. Those unfavourable trends were aggravated by the the situation with the appreciation on UAH and RUR against EUR in the reporting period.
- Due to the "scissors" effect and the growing completion in the Russian dairy market, first of all, in the market of the City of Moscow, Ostankino decreased the sales volumes of the whole-milk products by c. 9%, which led to decline of profitability of its business on EBITDA level by 6 pp. to practically zero on y-o-y basis.
- Milkiland RU continued the implementation of the Group's strategy of the growing local competence in the markets of its operations by the localization of cheese production in its subsidiary in Rylsk. At the same time, the higher production costs led to elimination of some sources of more expensive raw milk, which resulted the decline of cheese-mix sales

by c. 19% on y-o-y basis and also triggered the decrease of the EBITDA margin of its business in 9 months of 2019 by 2 pp. to 6% in comparison with the same period of 2018.

- 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. As the result, this subsidiary of Milkiland managed to preserve its EBITDA margin almost at the same level of c.3% as in 9 months 2018.
- Milkiland EU in 9M 2019 faced a significant deterioration of the traditional business of the production and selling of dry milk products (WPC, permeate) triggered by non-favorable situation with the prices for these products in the global market, as well as declining sales of the cheese-mix products at the domestic market of Poland. As the result, the Company generated a losses at EBITDA level, which also decreased the overall EBITDA result of the Group.
- In the reporting period 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 increased the sales of the Group's dry milk products in China and Kosher goods sales in Israel. The share of these two countries in the total sales of Milkland Intermarket exceeded 60%. The sales volumes of the dry milk products and butter by this Company increased by c. 25% in 9M 2019 on y-o-y basis. At the same time, growing input costs in Ukraine and revaluation of the Ukranian currency against EUR and USD during the reporting period led to the situation, when the EBITDA margin of this increased sales slid to the negative territory.

Group's Sales in 9M 2018 by geographical segments

Russia was the largest geographical segment for Milkiland's business in 9M 2019, providing for c. 57% of the Group's revenue (down 3pp compared to 9M 2018). The segment's revenue was down by c. 8%% y-o-y and stood at c. EUR 54.8 million, mainly due to decline in selling volumes of the Russian subsidiaries of the Group.

Ukraine contributed c. 40% to the Group's revenue in 9M 2019 vs c. 29% in the respective period of the last year. Segment's revenue increased by one third to c. EUR 38.6 million, mainly on the back of increased export sales.

Poland contributed c. 3% to the Group's revenue in 9M 2019 (-7 pp y-o-y), the segment's revenue dropped by 3.3 times on y-o-y basis to c. EUR 3.2 million.

Group's Sales in 9M 2019 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 (flat at y-o-y basis) and being the second largest EBITDA-generating segment in 9M 2019. The segment's revenue declined by 1.8% y-o-y in 9M 2019 to EUR 46.4 million on a back of lower sales volumes partly offset by the main operational currencies appreciation against EUR, while its EBITDA dropped by 14 times to EUR 0.12 million, depressed by increased input cost in Russia and Ukraine. The segment's 9M 2019 EBITDA margin stood at practically NIL vs c. 4% in 9M 2018.

Cheese & butter segment contributed 30.5% to the Group's total revenue in 9M 2019 (37.8% in 9M 2018). Segment's revenue decreased by c. 21% to EUR 29.5 million thanks to lower sales volumes in all of the Group's country divisions. Segment's EBITDA leapt down by 3.8 times to EUR 0.6 million, implying 9M 2019 segment's EBITDA margin of c. 2% (down 4 pp y-o-y).

In *Ingredients segment*, revenue grew by c.46% y-o-y to EUR 20.6 million mostly fueled by higher sales of dry milk products to Chinese market and Kosher products to the market of Israel.

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

It contributed c. 21% to the Group's total revenue versus 14% in 9M 2018. At the same time, the segment's EBITDA came turned in negative c. EUR 0.5 million versus positive EUR 0.2 million in the same period of the last year.

Financial results

- Milkiland's revenue in 9M 2019 declined 2% y-o-y to EUR 96.6 million on the back of lower sales volumes partly offset by the appreciation of the currencies in both main operating markets of the Group in Russia and Ukraine.
- Cost of sales was almost flat in the reporting period on y-o-y basis. That was resulted by the influence of the opposite factors. From the one side, the lower milk processing volumes. On the another side, the higher raw milk prices in Russia and Ukraine (by c. 9% and c. 7.4% y-o-y) together with the revaluation of Russian rouble and Ukranian hryvnya against EUR (by 4% and 8% y-o-y). The Gross profit of the Group's declined by c.18% to c. EUR 13.1 million. The Gross margin of Milkiland then dropped by 2.5 pp. to 13.5%.
- Significant increase of the operating loss of Milkiland from c. EUR 3.4 million to c, EUR 18.9 million caused by the losses from sales of the investment property of the Group at the price lower than the book value of the asset sold triggered by low prices situation at commercial property market. As the result of this transation, other operating expense in the amount of EUR 14.5 million was penciled by the Group.
- In the nine months of 2019, financial income related to bank borrowings was also penciled thanks to currency translation effects. The appreciation of Ukrainian hryvnia and Russian rouble against EURand US dollar resulted in a non-cash foreign exchange gain of c. EUR 15 million (compared to zero in 9M 2018). As a result of the considerable foreign exchange gain, the Group recognized loss before tax of EUR 11.4 million compared to loss of EUR 13.4 million in 9M 2018.
- Net loss for the nine months of 2019 accounted for EUR c. 11.4 million versus to net loss of EUR 13.4 million in 9M 2018.
- The debt portfolio of the Group amounted c. EUR 84.3 million as of 30 September 2019, down from c. EUR 86 million as end-2018, mainly thanks to repayment of the indebtedness under the restructuring agreements with Ukrainian and Polish banks. Net debt of the Group declined by 5% to EUR 81.2 million as of 30 September 2019.

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 2019 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 2019 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 2019

A. Yurkevych O. Yurkevich O. Rozhko

V. Rekov W.S. van Walt Meijer P. Sheremeta

Milkiland N.V.

Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 2019

Contents

MILKILAND N.V.
Condensed consolidated interim statement of financial position
For the nine months ended 30 September 2019
(All amounts in euro thousands unless otherwise stated)

	Notes	30 September 2019 (unaudited)	31 December 2018 (audited)	30 September 2018 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	6	3,064	334	527
Trade and other receivables	7	42,861	19,172	23,900
Inventories	8	10,858	10,078	10,229
Current biological assets	12	2,284	1,343	1,659
Current income tax assets		221	822	719
Other taxes receivable	9	8,019	6,117	6,596
		67,307	**37,866**	**43,630**
Non-Current Assets				
Goodwill	10	1,528	1,300	1,340
Property, plant and equipment		83,779	90,773	92,333
Investment property		14,932	18,070	16,867
Non-current biological assets	12	2,271	1,938	1,681
Other intangible assets		1,433	1,530	1,613
Deferred income tax assets		(214)	70	2,561
Other Non-current assets		-	362	-
		103,729	**114,043**	**116,395**
TOTAL ASSETS		**171,036**	**151,909**	**160,025**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	85,984	53,971	52,067
Current income tax liabilities		284	346	579
Other taxes payable	14	7,389	5,071	5,374
Short-term loans and borrowings		82,092	83,425	82,660
		175,749	**142,813**	**140,680**
Non-Current Liabilities				
Loans and borrowings	15	2,198	2,530	3,528
Deferred income tax liabilities		12,002	11,054	13,597
Other non-current liabilities		865	716	119
		15,065	**14,300**	**17,244**
Total liabilities		**190,394**	**157,113**	**157,924**
Equity attributable to owners				
Share capital	16	3,125	3,125	3,125
Share premium		48,687	48,687	48,687
Revaluation reserve		67,779	75,220	76,312
Currency translation reserve		(40,653)	(36,126)	(35,450)
Retained earnings		(100,147)	(97,358)	(91,789)
		(21,209)	**(6,452)**	**885**
Non-controlling interests		**1,431**	**1,248**	**1,216**
Total equity		**(19,778)**	**(5,204)**	**2,101**
TOTAL LIABILITIES AND EQUITY		**171,036**	**151,909**	**160,025**

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the nine months ended 30 September 2019
(All amounts in euro thousands unless otherwise stated)

	Notes	2019 (unaudited)	2018 (unaudited)
Revenue	17	96,567	98,795
Change in fair value of biological assets		1	13
Cost of sales	18	(83,497)	(82,888)
Gross Profit		**13,071**	**15,920**
Selling and distribution expenses	19	(7,832)	(7,818)
Administrative expenses	20	(9,587)	(8,112)
Other income/(expenses), net	21	(14,544)	(3,402)
Operating profit/(loss)		**(18,892)**	**(3,412)**
Finance income	22	15,183	160
Finance expenses	23	(7,716)	(9,848)
Profit/(loss) before income tax		**(11,425)**	**(13,100)**
Income tax	24	32	(318)
Net profit/(loss) for the year		**(11,393)**	**(13,418)**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating to presentation currency		(3,182)	2,597
Total comprehensive income/(loss)		**(14,575)**	**(10,821)**
Profit/(loss) attributable to:			
Owners of the Company		(11,329)	(13,374)
Non-controlling interests		(63)	(44)
		(11,393)	**(13,418)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(14,758)	(10,807)
Non-controlling interests		183	(14)
		(14,575)	**(10,821)**
Earnings per share (EURO cent)		(36.25)	(42.80)

MILKILAND N.V.
Condensed consolidated interim statement of cash flows
For the nine months ended 30 September 2019
(All amounts in euro thousands unless otherwise stated)

	Note	2019 (unaudited)	2018 (unaudited)
Cash flows from operating activities:			
Gain/(Loss) before income tax		**(11,425)**	**(13,100)**
Adjustments for:			
Depreciation and amortization	21	5,943	6,908
(Gain)/Loss from disposal and write off of inventories	21	(30)	348
Change in provision and write off of trade and other accounts receivable	21	37	382
Change in provision and write off of unrealised VAT	21	(62)	(6)
(Gain)/loss from write off, revaluation and disposal of non-current assets	21	13,612	1,020
Change in fair value of biological assets		(1)	(13)
Operational foreign exchange results, net	21	(87)	21
Finance income	22	(15,183)	(160)
Finance expenses	23	7,716	9,848
Write off of accounts payable	21	(37)	(1)
Operating cash flow before movements in working capital		**483**	**5,247**
(Increase)/ Decrease in trade and other accounts receivable		(1,035)	(870)
Decrease/(Increase) in inventories		896	(2,233)
(Increase)/ Decrease in biological assets		(587)	(705)
Increase/ (Decrease) Increase in trade and other payables		12,409	2,894
Decrease/(Increase) in other taxes receivable		(25)	(8)
Increase/ (Decrease) in other taxes payable		1,175	(1,334)
Net cash provided by/(used in) operations:		**13,316**	**2,991**
Income taxes paid		(1,507)	(728)
Interest received		21	42
Interest paid		(193)	(587)
Net cash provided by/(used in) operating activities		**11,637**	**1,718**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(1,000)	(853)
Proceeds from sale of property, plant and equipment	11	18	20
Acquisition of subsidiaries, net of cash acquired			-
Net cash used in investing activities		**(982)**	**(833)**
Cash flows from financing activities			
Proceeds from borrowings	15	281	140
Repayment of borrowings	15	(8,227)	(1,871)
Commission paid and fair value adjustment			-
Net cash (used in)/provided by financing activities		**(7,946)**	**(1,731)**
Net increase in cash and equivalents		**2,709**	**(846)**
Cash and equivalents, beginning of the period	6	**334**	**1,416**
Effect of foreign exchange rates on cash and cash equivalents		21	(43)
Cash and equivalents, end of the period	6	**3,064**	**527**

MILKILAND N.V.
Condensed consolidated interim statement of changes in equity
For the nine months ended 30 September 2019
(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 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**
Balance at 1 January 2019	**3,125**	**48,687**	**(36,126)**	**75,220**	**(97,358)**	**(6,452)**	**1,248**	**(5,204)**
Profit/Loss for the period	-	-	-	-	(11,329)	**(11,329)**	(63)	**(11,392)**
Other comprehensive gain/(loss), net of tax effect	-	-	(4,527)	1,112	(13)	**(3,428)**	246	**(3,182)**
Total comprehensive loss for the period	**-**	**-**	**(4,527)**	**1,112**	**(11,342)**	**(14,757)**	**183**	**(14,574)**
Realised revaluation reserve, net of income tax	-	-	-	(8,553)	8,553	-	-	-
Balance at 30 September 2019	**3,125**	**48,687**	**(40,653)**	**67,779**	**(100,147)**	**(21,209)**	**1,431**	**(19,778)**

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 2019 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 2019.

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 2019 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 2019, the Group employed 2,990 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 2019	31 December 2018	30 September 2018
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/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%
LLC Milkiland Ukraine	Ukraine	Managing	100.0%	100.0%	100.0%
DE Borznyanskiy 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	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 assets	100.0%	100.0%	100.0%
LLC Agrolendinvest	Ukraine	Investment assets	100.0%	100.0%	100.0%
LLC Phobostrade	Ukraine	Investment assets	100.0%	100.0%	100.0%
LLC Kilchensky Berig	Ukraine	Investment assets	100.0%	100.0%	100.0%
PrJSC Iskra Plus	Ukraine	Agricultural	98.1%	98.1%	98.1%
LLC MLK Kyiv	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Syrnyy 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%	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 2019 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 2018, 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 2018.

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 2019. Listed below are those new or amended standards or interpretations which could be relevant to the Company:

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 361 thousands at the year ended 31 December 2019.

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.

IFRIC 23 Uncertainty over Income Tax Treatments

Whenever requirements of tax legislation are unclear in relation to a particular operation or to specific circumstances, the main criterion is whether the probability is high that the tax authority will agree with the tax claims interpretation chosen by an entity.

If the answer is positive, the entity shall reflect the same amount in the financial statements and consider the need to disclose the existence of uncertainty. If the answer is negative, the amount reported in the financial statements will differ from the amount in the tax return, because it is estimated taking into account the existing uncertainty.

To reflect this uncertainty, one of the following two estimation methods is used, depending on which one will allow to a high accuracy to predict the outcome of the uncertainty:

- the most likely amount, or

- the expected value.

The Interpretation also requires that judgments and estimates that have been formed by the entity were reviewed in the event of a change in facts and circumstances - for example, due to a tax audit or actions taken by the tax authorities, subsequent changes to the tax rules, or after the expiration of the period during which the tax authority has the right to verify the correctness of the tax calculation.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Amendments to IFRS 3 Business Combinations

The amendments clarify the key definition of business.

In the prior definition, business was defined as a set of activities and assets that can be managed to provide income in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

According to the new definition, a business is an integrated set of processes and assets capable of implementation and management in order to provide goods or services to customers, generation of investment income (such as dividends or interest) or generation of other income from ordinary activities.

The amendments apply to periods beginning on or after 1 January 2020; early application is permitted. The amendment will not affect the Company's financial statements.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at fair value or at fair value through other comprehensive income, provided that the contractual cash flows are “solely payments of the principal and interest on the outstanding principal amount” (SPPI criterion) and the instrument is within the relevant business model allowing such a classification.

The amendments to IFRS 9 clarify that a financial asset meets the SPPI criterion regardless of which event or circumstance leads to early termination of the contract, and also regardless of which party pays or receives a reasonable compensation for early termination of the contract.

These amendments are applied retrospectively and come into force for annual periods beginning from 1 January 2019. Early application is allowed. These amendments will not affect the Company's financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in respect of materiality determination

The IFRS Committee decided to clarify the definition of materiality, making it more consistent and suitable for all standards. The previous definition in IAS 1 emphasized that the omission or incorrect reflection of significant elements affects the economic decisions of users made on the basis of financial statements. In the new definition, information is considered material if its omission, incorrect reflection or hiding in the financial statements may, in accordance with reasonable expectations, influence the decision of the main users of general-purpose financial statements, who make them based on such financial statements that contain information about the specific reporting entity.

The amendments apply to periods beginning on or after 1 January 2020; early application is permitted.

Amendments to IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement

The amendments address the accounting treatment in cases when a plan amendment, curtailment or settlement occurs during the reporting period. The amendments clarify that if a plan amendment, curtailment or settlement occurs during the reporting period, an entity must determine the cost of the services of the current period and the net interest in relation to the rest of the period after the plan amendment, curtailment or settlement based on the actuarial assumptions and discount rates used to reassess the net defined benefit plan liability (asset).

These amendments apply to events that occurred on or after the start of the first annual reporting period beginning on or after 1 January 2019. Early application is allowed. These amendments will apply only to future plan amendment, curtailment or settlement.

Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that does not use the equity method, but which, in fact, form part of the net investment in an associate or joint venture (long-term investments). It is understood that the model of expected credit losses according to IFRS 9 is applied to such long-term investments.

The amendments also explain that when applying IFRS 9, an entity does not take into account losses incurred by an associate or joint venture or loss from impairment of net investments recognized as adjustments to a net investment in an associate or joint venture arising from the application of IFRS 28 Investments in Associates and Joint Ventures.

These amendments are applied retrospectively and are effective for annual periods beginning on or after 1 January 2019. Application is allowed before this date. The amendments will have no impact on the Company's financial statements.

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.

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

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 2019	1.0889	26.2238	70.3161	4.3736
Average for nine months ended 30 September 2019	1.1236	29.6390	73.1629	4.3019
As at 31 December 2018	1.1450	31.7031	79.4605	4.3000
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

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:

	2019				2018			
	Russia	**Ukraine**	**Poland**	**Total**	**Russia**	**Ukraine**	**Poland**	**Total**
Total segment revenue	54,808	38,595	3,184	96,587	59,529	28,933	10,471	98,933
Inter-segment revenue	-	(6)	(14)	(20)	-	-	(138)	(138)
Revenue from external customers	54,808	38,589	3,170	96,567	59,529	28,933	10,333	98,795
EBITDA	**551**	**827**	**(1,152)**	**226**	**3,569**	**856**	**(50)**	**4,375**
EBITDA margin	1%	2%	-36%	0%	6%	3%	0%	4%
Depreciation and amortisation	673	4,143	1,127	5,943	1,189	4,439	1,280	6,908

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:

	2019				2018			
	Cheese & butter	**Whole-milk products**	**Ingredients**	**Total**	**Cheese & butter**	**Whole-milk products**	**Ingredients**	**Total**
Total segment revenue	29,549	46,449	20,589	96,587	37,343	47,331	14,259	98,933
Inter-segment revenue	-	-	(20)	(20)	-	-	(138)	(138)
Revenue from external customers	29,549	46,449	20,569	96,567	37,343	47,331	14,121	98,795
EBITDA	**635**	**127**	**(536)**	**226**	**2,384**	**1,827**	**164**	**4,375**
EBITDA margin	2%	0%	-3%	0%	6%	4%	1%	4%
Depreciation and amortisation	2,436	1,272	2,235	5,943	2,938	1,773	2,197	6,908

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

	2019	**2018**
EBITDA	226	**4,375**
Other segments EBITDA	437	141
Total segments	**663**	**4,516**
Depreciation and amortisation	(5,943)	(6,908)
Loss from disposal and impairment of non-current assets	(13,612)	(1,020)
Finance expenses	(7,716)	(9,848)
Finance income	15,183	160
Profit/(loss) before tax	**(11,425)**	**(13,100)**

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 2019**	**31 December 2018**	**30 September 2018**
Trade accounts receivable	52	50	48
Other financial assets	2	249	1,381
Other accounts receivable	1,725	1,427	240
Total trade and other receivables	**1,779**	**1,726**	**1,669**
Trade payables	-	-	1
Other accounts payable	180	569	604
Total trade and other payables	**180**	**569**	**605**

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the nine months ended 30 September 2019 paid or payable to key management for employee services is EUR 128 thousand (2018: EUR 158 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 2019	**31 December 2018**	**30 September 2018**
Short term deposits	-	-	-
Cash in bank and cash on hand	3,064	334	527
Total cash and cash equivalents	**3,064**	**334**	**527**

7 Trade and other receivables

	30 September 2019	31 December 2018	30 September 2018
Trade accounts receivable	12,566	10,325	11,835
Other financial assets	11,613	10,512	10,351
Allowance for doubtful debts	(9,209)	(10,300)	(9,545)
Total financial assets within trade and other receivables	**14,970**	**10,537**	**12,641**
Advances issued	3,867	2,040	5,165
Other receivables	24,963	7,464	6,895
Allowance for doubtful debts	(939)	(869)	(801)
Total trade and other accounts receivable	**42,861**	**19,172**	**23,900**

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 2019	31 December 2018	30 September 2018
Raw and other materials	4,006	4,744	4,457
Finished goods and work in progress	6,335	4,919	5,517
Agriculture produce	517	415	255
Total inventories	**10,858**	**10,078**	**10,229**

9 Other taxes receivable

	30 September 2019	31 December 2018	30 September 2018
VAT recoverable	7,825	5,932	6,249
Payroll related taxes	117	80	94
Other prepaid taxes	77	105	253
Total other taxes receivable	**8,019**	**6,117**	**6,596**

10 Goodwill

	2019	2018
Balance at 1 January	1,300	1,474
Foreign currency translation	228	(134)
Balance at 30 September	**1,528**	**1,340**

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 2019 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 1,000 thousand (2018: EUR 853 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 2019 and 2018 biological assets comprise the following groups:

	30 September 2019		**30 September 2018**	
Current biological assets of animal breading	Units	Amount	Units	Amount
Cattle	2,312	1,402	2,960	1,192
Other livestock	-	-	-	-
Total biological assets of animal breading	**2,312**	**1,402**	**2,960**	**1,192**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount
Other		882	-	467
Total biological assets of plant growing		**882**	**-**	**467**
Total current biological assets		**2,284**	**2,960**	**1,659**
Non-current biological assets	Units	Amount	Units	Amount
Cattle	1,796	2,271	1,873	1,681
Other livestock	-	-	-	-
Total non-current biological assets	**1,796**	**2,271**	**1,873**	**1,681**

13 Trade and other payables

	30 September 2019	31 December 2018	30 September 2018
Trade payables	20,047	17,129	18,202
Accounts payable for fixed assets	17	42	12
Interest payable	26,035	20,301	18,536
Other financial payables	83	-	-
Total financial liabilities within trade and other payable	**46,182**	**37,472**	**36,750**
Wages and salaries payable	2,819	1,824	1,620
Advances received	10,346	3,858	4,031
Other accounts payable	24,994	9,865	8,194
Accruals for employees' unused vacations	1,643	952	1,472
Total trade and other payables	**85,984**	**53,971**	**52,067**

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 2019	31 December 2018	30 September 2018
VAT payable	1,137	130	622
Payroll related taxes	3,701	3,414	3,311
Other taxes payable	2,551	1,527	1,441
Total other taxes payable	**7,389**	**5,071**	**5,374**

15 Loans and borrowings

	30 September 2019	31 December 2018	30 September 2018
Current			
Interest bearing loans due to banks	80,546	81,843	80,980
Loans from non-financial institutions	112	-	1
Bank overdrafts	14	12	12
Finance leases	1,420	1,570	1,667
Total current borrowings	**82,092**	**83,425**	**82,660**
Non-current			
Interest bearing loans due to banks	2,072	2,497	3,453
Finance leases	126	33	75
Total non-current borrowings	**2,198**	**2,530**	**3,528**
Total borrowings	**84,290**	**85,955**	**86,188**

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

	2019	2018
Balance at 1 January	**85,955**	**86,556**
Obtained new loans and borrowings	281	140
Repaid loans and borrowings	(8,227)	(1,871)
Discounting of borrowings	46	363
Foreign exchange (gain)/loss	6,235	1,000
Balance at 30 September	**84,290**	**86,188**

As at 30 September 2019 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 2019 and 2018 is as follows:

	2019		2018	
	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:

	9 m 2019	9m 2018
Cheese & Butter	29,549	37,343
Whole-milk products	46,449	47,331
Ingredients	20,569	14,121
Total revenue	96,567	**98,795**

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

	9m 2019	9m 2018
Russia	54,808	59,529
Ukraine	38,346	28,344
Poland	3,181	8,812
Other	232	2,110
Total revenue	96,567	**98,795**

18 Cost of sales

	9m 2019	9m 2018
Raw and other materials	58,205	60,136
Wages and salaries	5,691	5,575
Depreciation	4,941	5,316
Electricity	2,985	2,454
ransportation costs	2,663	2,079
Gas	2,116	2,733
Changes in finished goods and work in progress	1,258	724
Social insurance contributions	1,234	1,260
Repairs of property, plant and equipment	718	576
Water	162	121
Other	3,524	1,914
Total cost of sales	**83,497**	**82,888**

19 Selling and distribution expenses

	9m 2019	9m 2018
Transportation costs	3,156	3,896
Wages and salaries	2,234	2,136
Marketing and advertising	575	135
Social insurance contributions	512	408
Security and other services	302	351
Rental costs	200	175
Licence fees	121	15
Depreciation and amortisation	116	147
Other	616	555
Total selling expenses	**7,832**	**7,818**

20 Administrative expenses

	9m 2019	9m 2018
Wages and salaries	4,253	3,892
Taxes and other charges	1,009	951
Consulting fees	735	155
Social insurance contributions	721	655
Depreciation and amortisation	555	510
Security and other services	366	311
Transportation costs	271	318
Rental costs	270	258
Management fees to parent company	230	-
Bank charges	179	111
Representative charges	164	60
Repairs and maintenance	147	206
Other utilities	122	135
Communication	111	82
Property insurance	19	19
Office supplies	17	14
Other	418	435
Total administrative expenses	**9,587**	**8,112**

21 Other income/(expenses), net

	9m 2019	9m 2018
Operational foreign exchange results, net	87	(21)
Gain from write off of accounts payable	37	1
Gain/(loss) from disposal and write off of inventories	30	(348)
Rental income	-	1,175
Change in provision and write off of VAT receivable	6	6
Change in provision and write off of trade and other accounts receivable	(37)	(382)
Depreciation and amortisation	(330)	(935)
Penalties	(511)	(378)
Loss from revaluation of non-current assets	(1,196)	(1,349)
Gain/(loss) from disposal of non-current assets	(12,416)	329
Other income/(expenses), net	(270)	(1,500)
Total other (expenses)/income, net	**(14,544)**	**(3,402)**

22 Finance income

	9m 2019	9m 2018
Bank deposits	-	27
Finance foreign exchange gain	14,978	-
Other fin income	205	133
Total finance income	**15,183**	**160**

23 Finance expenses

	9m 2019	9m 2018
Bank borrowings	4,747	4,508
Finance foreign exchange loss	2,330	4,507
Other borrowings	570	443
Discounting of loans	46	363
Finance leases	13	27
Other finance expense	10	-
Total finance expenses	**7,716**	**9,848**

24 Income tax

	9m 2019	9m 2018
Current income tax expense	(2,063)	(586)
Deferred income tax benefit	2,095	268
Total income tax expense	**32**	**(318)**

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2019 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2018: 18%), Russian profit tax was levied at the rate of 20% (2018: 20%), Poland profit tax was levied at the rate of 19% (2018: 19%). In 2019 the tax rate for Panama operations was 0% (2018: 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

There were no subsequent events in the reporting period.