Interim Statement

Results of the nine months of 2017

Milkiland N.V. hereby publishes the Group's results of the nine months of 2017

Macroeconomic environment

- Nine months of 2017 became a period of improved macroeconomic environment in the key markets of the Group in Russia and Ukraine, when the restoration of the growth trends in the national economies of both countries became evident. In particular, Russian authorities penciled 0.5% increase of GDP in Q1 2017, while in Q2 this growth accelerated to 2.5% and in Q3 Russian GDP growth reached 2.2%, mainly on the back of growing adding value in the processing sectors of the economy. Overall, Russian GDP grew 1.8% in nine months of 2017. At the same time, the real GDP of Ukraine in Q1 2017 grew by 2.5% on y-o-y basis, almost the same positive dynamics of this national account was achieved in Q2 2017 (+2.3%). This growth was mainly based at the improved output of agricultural and construction sectors, as well as growing retail trade turnover.
- In October 2017, the IMF confirmed GDP growth projection for Ukraine at +2% for the year 2017 and +3.2% in 2018, assuming the level of inflation at 10% at the end of 2017 and 7% in 2018. In Russia, the Ministry of Economic Development issued its August 2017 GDP projections at 2.7% for the year 2017 (up from previous estimate of 2.3%), while EBRD in November 2017 expected Russian GDP to grow 1.8% in 2017 and 1.7% in 2018.
- More stable situation with the national currencies of the both countries in 9M 2017, when Russian rouble revalued against EUR by 17.3% (average rate y-o-y), while Ukrainian hryvnia exchange rate against European currency slightly devalued by 3.6% (average rate y-o-y), positively differed from the situation of deep devaluation of these currencies in 2015-2016.
- Also, Russian economy posted historically low inflation rate, in particular, CPI in Russia in 9M 2017 stood at 1.9% (down from 4.5% as of end-9M 2016), while in Ukraine CPI remained double digit at 10.2% compared to 6.3% in the same period of 2016.
- At the same time, the situation with the real income of population in Russia and Ukraine remained stagnating in 2017 providing no or little impact on consumption of FMCG goods. In Ukraine, the real income of population grew 1.7% y-o-y at the end of Q2 2017. In Russia, the real income of population declined by 1.2% y-o-y in 9M 2017.

Operational environment and results

- In the nine months of 2017, Milkiland decreased its overall sales volumes by 22% y-o-y by following its strategy to focus on production and selling of higher value added products to preserve the profitability of the Group's business segments.
- In 9M 2017, Russian segment of the Group's business faced a situation of pressure on the production costs on the back of higher prices for raw milk and revaluation of the national currency (raw milk prices were by 19% on average higher in 9M 2017 on y-o-y basis, while RUB revalued by c. 17% on average in the comparison with 9M 2016). The milk price run in the domestic market was triggered by the dairy import substitution in the conditions of the remaining trade barriers imposed by Russian authorities against EU and Ukrainian dairy producers.

- To offset this pressure, Ostankino effectively managed the milk supply by reshuffling of the suppliers and changing the milk purchase conditions, some volumes of the most expensive milk were rejected. On a revenue side, Ostankino concentrated on selling the high value-added whole milk dairy, primarily through the key accounts channel and better servicing of the key clients. As the result, the profitability of Ostankino business on EBITDA level increased by 1 pp. to 7% in 9M 2017 on y-o-y basis.
- Milkiland RU in line with the Group's strategy of the growing local competence in the markets of its operations continued the localization of cheese production in its subsidiary in Rylsk.
- Declining raw milk production in EU in 9M 2017, when the volume of milk supplied for processing was by 0.3% lower in comparison with the same period of 2016, triggered some deficit of butter and increasing prices trend for this good, as well as for dry milk products, globally. This factor also influenced on the situation in the Ukrainian dairy market, where the aim of the local dairy producers to capitalize on it combined with the declining raw milk production in the country led to galloping raw milk prices. In 9M 2017 they were on average by 36% higher y-o-y, implying c. 32% y-o-y growth in euro terms (Ukrainian hryvnia only slightly devalued by 3.6% to euro on average in 9M 2017). The average producers price for raw milk in Russia grew by c. 19% y-o-y in rouble terms in 9M 2017 and for the first time in the last three years implying a significant increase in euro terms. Higher y-o-y raw milk prices over the reporting period in the Group's key markets held back profitability margins while the Group continued increasing products prices cautiously based on the slow improvement of consumers' demand both in Russia and Ukraine.
- Aiming to support the profitability of the business Milkiland Ukraine focused on the development of sales of high value-added products, including innovative lactose-free cheese and whole milk products, primarily in the key accounts channel, also trying to increase the prices for finished goods in line with the general market trends. It allowed to the Group to improve the EBITDA margin of the Ukrainian segment in 9M 2017 to 9.5% (+5.5 pp. y-o-y).
- Russia remains the best performing geographical segment of the Group's business in 9M 2017, which generated 62% of the Group's revenue and c.60% of EBITDA. The revenue of this segment in the reporting period declined 9% on y-o-y basis, while the segments EBITDA declined by c. 6% implying EBITDA margin remained as high as in 9M 2016.
- Milkiland EU in 9M 2017 managed to improve a profitability of its business, when EBITDA margin of this subsidiary grew by 2.6 pp. to 3.5% in comparison with the same period of 2016. One of the factors behind this was the effective implementation of the tolling contract with the German company B2B Intertrade for production of cheese product. The company also continued its traditional business of production and selling of dry milk products, including WPC and permeate, in the global dairy market based at the improved situation with the global prices for these goods during the first half of the current year. At the same time, this trend practically reversed in Q3 2017, which also led to some deterioration of Milkiland's EU financial standing in this period.
- Being limited in growth opportunities in the core markets of its operations, in 9M 2017 Milkiland put an additional efforts aimed at the entering of new export markets and catching the opportunities of profitable international trade in the global dairy market. One of such opportunities was the growing global demand and prices for butter, triggered by lower milk processing and production volumes of this product in EU in the reporting period. In order to catch this opportunity, Milkiland Intermarket managed to find the new markets for butter in Israel, by selling this product, which passed the kosher treatment, as well as in Netherlands and Denmark. As the result, the butter sales volumes more than doubled in 9M 2017 in comparison with the same period of 2016, the respective revenues leapt by five times.
- In order to capture the opportunities of the international trade in the conditions of restoration of global prices for dry milk products, in 9M 2017 Milkiland Intermarket more than doubled the supplies of these products to the EU and promising markets of several countries, including, Israel, Jordan and China.

Group's Sales in 9M 2017 by geographical segments

Russia was the largest geographical segment in terms of revenue generation for Milkiland in 9M 2017 providing for 62% (down 2pp compared to 9M2016). The segment's revenue was down by 9% y-o-y and stood at c. EUR 66 million.

Ukraine contributed 29% to the Group's revenue in 9M 2017 (flat y-o-y). Segment revenue decreased by 6% to c. EUR 31 million, mainly due to selling volumes contraction triggered by lower processing volumes.

Poland contributed 8% to the Group's revenue in 9M 2017 (+1pp y-o-y), the segment's revenue increased by 13% y-o-y to EUR 9 million.

Other segment (consolidated in described above revenues on three key markets of the Group), which included the sales of the Group's products to the promising new markets of the third-countries, gained its share in the total sales of Milkiland in 9M 2017 of c. 10% (up 5pp y-o-y). The revenue of the segment almost doubled y-o-y to c. EUR 11 million.

Group's Sales in 9M 2017 by business segments

Whole-milk dairy was the largest segment in terms of revenue and business segments EBITDA[1] providing for c. 52% of revenue (55% in Q1 2016) and being the largest EBITDA-generating segment in 9M 2017. The segment's revenue declined by 12% y-o-y in 9M 2017 to EUR 54.8 million on a back of lower sales volumes, while its EBITDA grew by 5% to EUR 3.9 million, reflecting a growth of profitability of the Russian division due to higher finished goods prices and development of high value-added dairy sales. The segment's 9M 2017 EBITDA margin reached 7.2%, up 1.2 pp y-o-y.

Cheese & butter segment contributed approximately 30% to the Group's total revenue (34% in Q1 2016). Segment's revenue decreased by 17% to EUR 31.5 million due to sales volumes contraction on the back of limited volumes of the Group's cheese sales markets, when the former main market for Milkiland's cheese in Russia remained closed. Segment's EBITDA declined by c. 4% to EUR 2.5 million, implying 9M 2017 segment's EBITDA margin of 7.8% (up 1pp y-o-y).

In *Ingredients segment*, revenue boosted 51% y-o-y to EUR 19.5 million fueled by more favorable international global market conjuncture and opening the supplies to the new markets of EU and several counties, including Israel, Jordan and China. It contributed c. 18% to the Group's total revenue versus 11% in Q1 2016. At the same time, the segment's EBITDA surged to c. EUR 1.5 million compared to negative EBITDA of c. 0.3 million in 9M 2016, with EBITDA margin of 7.8% in 9M 2017.

Financial results

- Milkiland's revenue in 9M 2017 declined 6% y-o-y to EUR 105.7 million on the back of the decrease of the Group's output (-22% y-o-y) based on the efforts on support of the profitability of the Group's business.
- Cost of sales declined by 12% to EUR 84.4 million. The revaluation of Russian rouble and cost optimization in Ukraine contributed to a drop in the cost of sales, despite a rise in the raw milk prices in Russia (+19% y-o-y) and Ukraine (by 36%) in 9M 2017. This led to the growth of the Group's Gross profit by 26% to c. EUR 21.1 million. The Gross margin of Milkiland then improved by 5.2 pp. to c.20%.

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

- A positive effect put by higher EUR-denominated revenue and the lower share of raw milk costs in the total revenue on the gross margin in the first half of 2017 resulted in the increase of EBITDA by 54% to c. EUR 8.2 million. At the same time, EBITDA margin improved by 3.0 pp. to 7.7%.
- In the nine months of 2017, financial expense related to bank borrowings declined 43% thanks to currency translation effects. The only slight devaluation of Ukrainian hryvnia and Russian rouble significant revaluation against euro and US dollar resulted in a non-cash foreign exchange gain of EUR 6.2 million (compared to zero in 9M 2016). As a result of the considerable foreign exchange gain, the Group recognized income before tax of EUR 5.0 million compared to loss of EUR 24.4 million in 9M 2016.
- Net profit for the nine months of 2017 accounted for EUR 4.6 million contrary to net loss of EUR 24.8 million in 9M 2016.
- The debt portfolio of the Group amounted c. EUR 87.5 million as of 30 September 2017, down from EUR 102.3 million as end-2016, mainly thanks to repayment of the indebtedness under the restructuring agreements with Ukrainian, Russian and Polish banks, and also revaluation of the debt portion denominated in rouble, which significantly revalued against euro in 9M 2017. Net debt of the Group declined by 15% to EUR 86.4 million as of 30 September 2017 with Net Debt to EBITDA ratio at 10.6x as of end-9M 2017 compared to 19.2x as of end-9M 2016.

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 2017 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 2017 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, 10 November 2017

A. Yurkevych O. Yurkevich O. Rozhko

V. Rekov W.S. van Walt Meijer G.C. Logush

P. Sheremeta

Milkiland N.V.

Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 2017

Contents

(All amounts in euro thousands unless otherwise stated)

	Notes	30 September 2017 (unaudited)	31 December 2016 (audited)	30 September 2016 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	6	1,122	1,044	1,122
Trade and other receivables	7	20,044	20,042	24,475
Inventories	8	10,591	12,878	12,252
Current biological assets	12	965	1,096	1,748
Current income tax assets		275	434	609
Other taxes receivable	9	9,022	6,739	5,732
		42,019	**42,233**	**45,938**
Non-Current Assets				
Goodwill	10	1,502	1,558	1,841
Property, plant and equipment		85,771	98,763	108,261
Investment property		17,536	19,971	18,165
Non-current biological assets	12	1,824	1,383	884
Other intangible assets		2,091	2,325	2,135
Deferred income tax assets		2,725	2,223	2,963
		111,449	**126,223**	**134,249**
TOTAL ASSETS		**153,468**	**168,456**	**180,187**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	45,321	43,054	39,701
Current income tax liabilities		486	71	68
Other taxes payable	14	7,302	4,130	2,568
Short-term loans and borrowings		77,231	87,293	95,491
		130,340	**134,548**	**137,828**
Non-Current Liabilities				
Loans and borrowings	15	10,303	14,993	8,407
Deferred income tax liability		11,081	11,771	13,154
Other non-current liabilities		126	230	194
		21,510	**26,994**	**21,755**
Total liabilities		**151,850**	**161,542**	**159,583**
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		65,976	69,208	75,735
Currency translation reserve		(44,027)	(34,297)	(39,083)
Retained earnings		(73,125)	(80,918)	(68,983)
		5,383	**5,805**	**19,481**
Non-controlling interests		**982**	**1,109**	**1,123**
Total equity		**1,618**	**6,914**	**20,604**
TOTAL LIABILITIES AND EQUITY		**153,468**	**168,456**	**180,187**

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the nine months ended 30 September 2017
(All amounts in euro thousands unless otherwise stated)

	Notes	2017 (unaudited)	2016 (unaudited)
Revenue	17	105,730	112,938
Change in fair value of biological assets		(260)	(152)
Cost of sales	18	(84,417)	(96,121)
Gross Profit		**21,053**	**16,665**
Selling and distribution expenses	19	(8,323)	(9,930)
Administrative expenses	20	(9,695)	(9,451)
Other expenses, net	21	(22)	309
Operating profit/(loss)		**3,013**	**(2,407)**
Finance income	22	9,012	1
Finance expenses	23	(7,053)	(21,969)
Profit/(loss) before tax		**4,972**	**(24,375)**
Income tax	24	(419)	(435)
Net profit/(loss) for the year		**4,553**	**(24,810)**
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
3333333Exchange differences on translating to presentation currency		(9,849)	9,473
Total comprehensive loss		**(5,296)**	**(15,337)**
Profit/loss attributable to:			
Owners of the Company		4,512	(24,737)
Non-controlling interests		41	(73)
		4,553	**(24,810)**
Total comprehensive loss attributable to:			
Owners of the Company		(5,169)	(15,169)
Non-controlling interests		(127)	(168)
		(5,296)	**(15,337)**
Earnings per share (EURO cent)		14.44	(79.16)

MILKILAND N.V.
Condensed consolidated interim statement of cash flows
For the nine months ended 30 September 2017
(All amounts in euro thousands unless otherwise stated)

	Note	2017 (unaudited)	2016 (unaudited)
Cash flows from operating activities:			
Gain/Loss before income tax		**4,972**	**(24,375)**
Adjustments for:			
Depreciation and amortization	21	6,159	7,868
Loss from disposal and write off of inventories	21	647	283
Change in provision and write off of trade and other accounts receivable	21	(42)	17
Change in provision and write off of unrealised VAT	21	142	213
Gain/(loss) from write off, revaluation and disposal of non-current assets	21	(1,178)	(365)
Change in fair value of biological assets		260	152
Operational foreign exchange results, net	21	(1,151)	(56)
Finance income	22	(9,012)	(1)
Finance expenses	23	7,053	21,969
Write off of accounts payable	21	(1)	(20)
Operating cash flow before movements in working capital		**8,017**	**5,685**
Increase/ Decrease in trade and other accounts receivable		1,832	(8,851)
Decrease/ Increase in inventories		1,048	(430)
Increase/ Decrease in biological assets		(663)	496
Increase in trade and other payables		456	12,942
Decrease/ Increase in other taxes receivable		25	(893)
Decrease in other taxes payable		505	450
Net cash provided by/(used in) operations:		**8,387**	**9,399**
Income taxes paid		(139)	(649)
Interest received		2	2
Interest paid		(1,207)	(4,494)
Net cash provided by/(used in) operating activities		**7,043**	**4,258**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(1,530)	(1,392)
Proceeds from sale of property, plant and equipment	11	(228)	-
Acquisition of subsidiaries, net of cash acquired		91	13
Net cash used in investing activities		**(1,667)**	**(1,379)**
Cash flows from financing activities			
Proceeds from borrowings	15	1,880	27,592
Repayment of borrowings	15	(7,146)	(30,246)
Commission paid and fair value adjustment			(13)
Net cash (used in)/provided by financing activities		**(5,266)**	**(2,667)**
Net increase in cash and equivalents		**109**	**212**
Cash and equivalents, beginning of the period	6	**1,044**	**907**
Effect of foreign exchange rates on cash and cash equivalents		**(31)**	3
Cash and equivalents, end of the period	6	**1,122**	**1,122**

MILKILAND N.V.
Condensed consolidated interim statement of changes in equity
For the nine months ended 30 September 2017
(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 2016	**3,125**	**48 687**	**(48 651)**	**79 866**	**(48 377)**	**34 650**	**1 291**	**35 941**
Loss for the period	-	-	-	-	(24,737)	**(24,737)**	(73)	**(24,810)**
Other comprehensive loss, net of tax effect	-	-	9,568	-	-	**9,568**	(95)	**9,473**
Total comprehensive loss for the period	**-**	**-**	**9,568**	**-**	**(24,737)**	**(15,169)**	**(168)**	**(15,337)**
Realised revaluation reserve, net of income tax	-	-	-	(4,131)	4,131	**-**	-	**-**
Balance at 30 September 2016	**3,125**	**48,687**	**(39,083)**	**75,735**	**(68,983)**	**19,481**	**1,123**	**20,604**
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 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**

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 2017 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 10 November 2017.

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 Cuserstraat 93, 1081CN, Amsterdam, the Netherlands and the principal place of business is 9 Boryspilska Str., 02090, Kyiv, Ukraine.

As at 30 September 2017 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 2017, the Group employed 3522 people.

(All amounts in euro thousands unless otherwise stated)

1 The Group and its operations (continued)

Subsidiaries of the Company are presented below:

Name	Country of incorporation	Principal activity	Effective share of ownership 30 September 2017	31 December 2016	30 September 2016
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 Corporation	Panama	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%
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%
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	72.3%	72.3%	72.3%
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%
PrJSC Iskra Plus	Ukraine	Agricultural	100.0%	100.0%	100.0%
DE Agrolight	Ukraine	Production entity	100.0%	100.0%	100.0%
DE Krasnosilsky Milk	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Bahmachregionpostach	Ukraine	Grain elevator	100.0%	100.0%	100.0%
ALLC Nadiya	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Uspih-Mena-Plus	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Agro-Mena	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Lendinvest 3000	Ukraine	Investment 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%
LLC Novomoskovsk Dairy	Russia	Production entity	100.0%	100.0%	100.0%
UA TRADE Sp. z o.o.	Poland	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 Kholod Property	Ukraine	Production entity	100.0%	-	-
LLC Syrnyy Mayster	Ukraine	Production entity	100.0%	-	-
Dominic Supreme LP	Scotland	Trade	100.0%	-	-
LLC Cross Value	Marshall Isl.	Trade	100.0%	100.0%	100.0%

During the nine months ended 30 September 2017, the Group finalized registration of new subsidiaries LLC Kholod Property, LLC Syrnyy Mayster in Ukraine, LLC Ostankino Dairy in Russia and Dominic Supreme LP in Scotland.

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 2017 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 2016, 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 2016.

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.

New and amended standards adopted by the Group. There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2017 that would be expected to have a material impact on the Group.

New standards and interpretations not yet adopted. A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group.

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 2017 the in-house milk production covered c.9% of milk intake in Ukraine.

(All amounts in euro thousands unless otherwise stated)

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:

	US dollar	UAH	RUR	PLN
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
As at 31 December 2016	1.0541	28.6619	63.8111	4.4240
As at 30 September 2016	1.1161	28.9202	70.8823	4.3120
Average for nine months ended 30 September 2016	1.1162	28.3878	76.2805	4.3578

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.

(All amounts in euro thousands unless otherwise stated)

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:

	2017				**2016**			
	Russia	**Ukraine**	**Poland**	**Total**	**Russia**	**Ukraine**	**Poland**	**Total**
Total segment revenue	65,832	30,997	8,961	105,790	72,171	32,923	8,723	113,817
Inter-segment revenue	-	-	(60)	(60)	-	-	(879)	(879)
Revenue from external customers	65,832	30,997	8,901	105,730	72,171	32,923	7,844	112,938
EBITDA	**4,636**	**2,956**	**310**	**7,902**	**4,954**	**1,072**	**13**	**6,039**
EBITDA margin	7%	10%	3%	7%	7%	3%	0%	5%
Depreciation and amortisation	1,559	3,575	1,024	6,158	2,290	4,319	1,259	7,868

(All amounts in euro thousands unless otherwise stated)

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:

	2017				**2016**			
	Cheese & butter	**Whole-milk products**	**Ingredients**	**Total**	**Cheese & butter**	**Whole-milk products**	**Ingredients**	**Total**
Total segment revenue	31,453	54,787	19,550	105,790	38,331	62,099	13,387	113,817
Inter-segment revenue	-	-	(60)	(60)	(421)	-	(458)	(879)
Revenue from external customers	31,453	54,787	19,490	105,730	37,910	62,099	12,929	112,938
EBITDA	**2,468**	**3,918**	**1,516**	**7,902**	**2,582**	**3,731**	**(274)**	**6,039**
EBITDA margin	8%	7%	8%	7%	7%	6%	(2%)	5%
Depreciation and amortisation	2,364	2,006	1,788	6,158	2,768	3,076	2,024	7,868

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

	2017	**2016**
EBITDA	**7,902**	**6,039**
Other segments EBITDA	259	(756)
Total segments	**8,161**	**5,283**
Depreciation and amortisation	(6,158)	(7,868)
Non-recurring items	-	(187)
Loss from disposal and impairment of non-current assets	3,843	365
Finance expenses	(7,053)	(21,969)
Finance income	6,179	1
Profit/(loss) before tax	**4,972**	**(24,375)**

(All amounts in euro thousands unless otherwise stated)

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.

Group's transactions with its related parties for the nine months ended 30 September were as follows:

Entities under common control:	2017	2016
Revenue		-

The outstanding balances due from related parties were as follows:

Entities under common control:	30 September 2017	31 December 2016	30 September 2016
Trade accounts receivable	-	281	281
Other financial assets	1,896	4,323	4,323
Other accounts receivable	86	224	224

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the nine months ended 30 September 2017 paid or payable to key management for employee services is EUR 137 thousand (2016: EUR 425 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 2017	31 December 2016	30 September 2016
Short term deposits	-	-	-
Cash in bank and cash on hand	1,122	1,044	1,122
Total cash and cash equivalents	**1,122**	**1,044**	**1,122**

(All amounts in euro thousands unless otherwise stated)

7 Trade and other receivables

	30 September 2017	31 December 2016	30 September 2016
Trade accounts receivable	14,785	13,386	15,051
Other financial assets	9,627	10,752	12,055
Allowance for doubtful debts	(11,091)	(9,707)	(9,507)
Total financial assets within trade and other receivables	**13,321**	**14,431**	**17,599**
Advances issued	2,253	1,318	3,587
Other receivables	5,086	4,873	4,019
Allowance for doubtful debts	(616)	(580)	(730)
Total trade and other accounts receivable	**20,044**	**20,042**	**24,475**

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 2017	31 December 2016	30 September 2016
Raw and other materials	4,175	4,902	5,066
Finished goods and work in progress	6,310	7,445	6,647
Agriculture produce	106	531	539
Total inventories	**10,591**	**12,878**	**12,252**

9 Other taxes receivable

	30 September 2017	31 December 2016	30 September 2016
VAT recoverable	8,790	6,286	5,266
Payroll related taxes	(75)	75	76
Other prepaid taxes	307	378	390
Total other taxes receivable	**9,022**	**6,739**	**5,732**

(All amounts in euro thousands unless otherwise stated)

10 Goodwill

	2017	**2016**
Balance at 1 January	1,558	1,746
Foreign currency translation	(56)	95
Balance at 30 September	**1,502**	**1,841**

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 2017 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 1,530 thousand (2016: EUR 1,392 thousand), which comprised mainly modernisation of milk processing capacities.

(All amounts in euro thousands unless otherwise stated)

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 2017 and 2016 biological assets comprise the following groups:

	30 September 2017		**30 September 2016**	
Current biological assets of animal breading	Units	Amount	Units	Amount
Cattle	2,666	958	3,469	1,087
Other livestock	-	-	-	-
Total biological assets of animal breading	**2,666**	**958**	**3,469**	**1,087**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount
Wheat	-	-	-	-
Other		368	1,452	661
Total biological assets of plant growing	**-**	**368**	**-**	**661**
Total current biological assets	**2,666**	**1,326**	**-**	**1,748**
Non-current biological assets	Units	Amount	Units	Amount
Cattle	1,629	1,201	1,892	882
Other livestock	-	-	-	2
Total non-current biological assets	**1,629**	**1,201**	**1,892**	**884**

(All amounts in euro thousands unless otherwise stated)

13 Trade and other payables

	30 September 2017	31 December 2016	30 September 2016
Trade payables	17,024	16,076	18,340
Accounts payable for fixed assets	-	-	1
Interest payable	13,468	11,511	9,370
Other financial payables	-	-	-
Total financial liabilities within trade and other payable	**30,492**	**27,587**	**27,711**
Wages and salaries payable	1,402	1,798	2,345
Advances received	5,007	7,682	4,381
Other accounts payable	7,200	5,088	3,682
Accruals for employees' unused vacations	1,220	899	1,582
Total trade and other payables	**45,321**	**43,054**	**39,701**

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 2017	31 December 2016	30 September 2016
VAT payable	3,777	1,355	692
Payroll related taxes	2,621	2,119	1,756
Other taxes payable	904	656	120
Total other taxes payable	**7,302**	**4,130**	**2,568**

15 Loans and borrowings

	30 September 2017	31 December 2016	30 September 2016
Current			
Interest bearing loans due to banks	75,891	85,448	92,957
Loans from non-financial institutions	-	-	-
Bank overdrafts	1	435	429
Finance leases	1,339	1,410	2,105
Total current borrowings	**77,231**	**87,293**	**95,491**
Non-current			
Interest bearing loans due to banks	10,193	14,919	8,332
Finance leases	110	74	75
Total non-current borrowings	**10,303**	**14,993**	**8,407**
Total borrowings	**87,534**	**102,286**	**103,898**

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

	2017	2016
Balance at 1 January	**102,286**	**107,471**
Obtained new loans and borrowings	1,880	27,579
Repaid loans and borrowings	(7,146)	(30,246)
Discounting of borrowings	1,485	-
Foreign exchange (gain)/loss	(10,971)	(906)
Balance at 30 September	**87,534**	**103,898**

As at 30 September 2017 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 2017 and 2016 is as follows:

	2017		2016	
	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**

(All amounts in euro thousands unless otherwise stated)

17 Revenue

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

	2017	**2016**
Cheese & Butter	31,453	37,910
Whole-milk products	54,787	62,099
Ingredients	19,490	12,929
Total revenue	**105,730**	**112,938**

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

	2017	**2016**
Russia	65,761	72,100
Ukraine	28,062	30,041
Poland	7,942	6,902
Other	3,965	3,895
Total revenue	**105,730**	**112,938**

(All amounts in euro thousands unless otherwise stated)

18 Cost of sales

	2017	**2016**
Raw and other materials	66,938	74,661
Wages and salaries	4,739	5,636
Depreciation	5,554	7,071
Transportation costs	1,561	1,904
Gas	2,103	2,518
Electricity	2,223	2,807
Social insurance contributions	977	1,305
Repairs of property, plant and equipment	491	1,445
Water	156	208
Other	2,867	3,339
Changes in finished goods and work in progress	(3,192)	(4,773)
Total cost of sales	**84,417**	**96,121**

19 Selling and distribution expenses

	2017	**2016**
Transportation costs	4,541	4,620
Security and other services	317	360
Marketing and advertising	32	973
Wages and salaries	2,146	2,306
Social insurance contributions	540	570
Licence fees	18	31
Rental costs	91	133
Depreciation and amortisation	161	183
Other	477	754
Total selling expenses	**8,323**	**9,930**

(All amounts in euro thousands unless otherwise stated)

20 Administrative expenses

	2017	2016
Wages and salaries	3,964	4,306
Social insurance contributions	732	686
Taxes and other charges	740	928
Representative charges	187	274
Other utilities	113	80
Bank charges	114	292
Repairs and maintenance	151	248
Depreciation and amortisation	444	473
Consulting fees	683	1,114
Security and other services	430	295
Transportation costs	330	224
Property insurance	24	35
Rental costs	142	183
Communication	101	115
Office supplies	18	24
Other	657	174
Total administrative expenses	**9,695**	**9,451**

21 Other income, net

	2017	2016
Government grants recognised as income	23	826
Rental income	-	80
Gain from write off of accounts payable	1	20
Change in provision and write off of trade and other accounts receivable	42	(17)
Depreciation and amortisation	-	(141)
Other income, net	(1,054)	(51)
Gain/(loss) from disposal of non-current assets	1,010	365
Gain/(loss) from disposal and write off of inventories	(646)	(283)
Penalties	(407)	(333)
Operational foreign exchange results, net	1,151	56
Change in provision and write off of VAT receivable	(142)	(213)
Total other expenses/(income), net	**(22)**	**309**

22 Finance income

	2017	2016
Finance foreign exchange gain	(6,159)	-
Other financial income	(2,853)	1
Total finance income	**(9,012)**	**1**

(All amounts in euro thousands unless otherwise stated)

23 Finance expenses

	2017	**2016**
Bank borrowings	5,324	9,315
Other borrowings	135	73
Finance leases	40	44
Discounting of loans	1,485	-
Finance foreign exchange loss	9	12,537
Other finance expense	60	-
Total finance expenses	**7,053**	**21,969**

24 Income tax

	2017	**2016**
Current income tax	667	715
Deferred income tax	(248)	(280)
Total income tax	**419**	**435**

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2017 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2016: 18%), Russian profit tax was levied at the rate of 20% (2016: 20%), Poland profit tax was levied at the rate of 19% (2016: 19%). In 2017 the tax rate for Panama operations was 0% (2016: 0%) on worldwide income.

25 Contingent and deferred liabilities

The Group from time to time participates in legal proceedings. None of them either separately or in aggregate had significant negative effect on the Group.

DE Milkiland Ukraine, the subsidiary of the Company, participates in a case for the recovery of debt obligations, acting as a defendant. The subject of the lawsuit is a debt collection under the loan agreement for the total amount EUR 2,208 thousand as at 30 June 2017. In the mentioned case PJSC "Bank Forum" is a plaintiff and DE Milkiland Ukraine and the Company are solidarity defendants. Another group company DE Aromat acts a mortgagor and granted as collateral its property, plant and equipment with value of EUR 4,081 thousand as at 30 June 2017.

Possible additional penalty on this case was calculated in the amount of EUR 407 thousand. But management expects a positive resolution of the case.

Under resolution of the Kiev Court of Appeal dated 28.12.2016 expertise was scheduled, but still didn't conducted.

If the court decision is not in favor of DE Milkiland Ukraine, such a decision may have an effect on the financial condition or results of operations of the Company subsidiaries. There is a potential risk that the lender can foreclose on DE Milkiland Ukraine by reissuing the ownership of the mortgaged property to a new owner without the knowledge DE Milkiland Ukraine. In addition, penalties for a late return of the loan may be charged.

Management believe that in the case of the completion of disputes relating to the powers of the temporary administration Bank PJSC Forum and the decision by a court on the future operations of the Bank, DE Milkiland Ukraine will be able to engage in constructive dialogue with the legitimate administration of the Bank for further restructuring of the company's obligations, as well as the payment of its liabilities and assets deriving from collateral. As at 30 June 2017 no additional obligations except for the direct liabilities under the loan contract were recognized in these financial statements.

The insurance industry in Ukraine is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available.

26 Capital management policy

Main objectives of the Group's capital management policy are the improvement of the financial independence and liquidity coefficient, improvement of accounts receivable structure and capital impairment.
Basic capital structure management methods are profits maximization, investment program management, borrowed capital management, use of borrowing costs of different classes.

The Group manages its capital structure and modifies it in accordance with economic conditions change. Aimed at maintenance or change of the capital structure, the Group may regulate the amount of dividends, return the capital to shareholders or issue new shares. For the nine months ended 30 September 2017 no changes were made in objectives, policies and procedures of the capital management.

The Group controls over its capital using the financial leverage coefficient calculated through division of the net debt by the sum of capital and net indebtedness.

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.

As at 30 September 2017 the Group has not met requirement in respect of above mentioned covenants. According to the original loan terms signed on December 16, 2012, the Company should repay the whole amount of loan denominated in USD till the end of December 2016.

As at 30 September 2017, the value of the principal of the loan in amount USD 58,580 thousand (equivalent EUR 51,332 thousand in original currency) is classified as current interest bearing loans due to banks (note15).

27 Subsequent events

Restructuring of the Group's indebtedness

Since September 2014, Milkiland has been continuing the negotiations with the Creditors under the Loan Facility Agreement with a syndicate of international banks formed by Raiffeisen Bank International AG as facility agent, UniCredit Bank Austria AG and ZAO Raiffeisenbank as lenders of the facility, aimed at signing of long-term Restructuring agreement of the indebtedness to the Creditors.

As of 30 September 2017, the total sum of the respective indebtedness to the Creditors stood at c. EUR 49.6 million.

During the negotiations, Milkiland made several steps and activities in order to reach the mutually acceptable compromise with the Creditors. In particular, in March 2017, Milkiland appointed the independent adviser – Alvarez&Marsal to prepare Independent Business Review of the Group's business and Options paper for consideration of the Creditors.

Alvarez&Marsal issued the Report and presented it to the Lenders by the end of September 2017. On the basis of this report, Milkiland together with Alvarez&Marsal continues the negotiations with the Lenders aimed at the settlement of the indebtedness.

JSC "Ostankino Dairy" bankruptcy procedure

The Company and JSC "Ostankino Dairy" received the information that Public JSC Bank "Vozrogdenie" ("the Creditor") filed the bankruptcy petition against JSC "Ostankino Dairy" to Arbitrage Court of the City of Moscow dated 28 March 2017. This petition claiming the introduction of surveillance procedure and the regime of temporary administration of Ostankino according to the Russian legislation, due to inability of JSC "Ostankino Dairy" to repay the indebtedness to the Creditor in the total amount of RUB 309.2 million (EUR 5.13 million).

On April 3, 2017, Milkiland N.V., as a sole owner of Ostankino, by its decision initiated the procedure of the voluntary liquidation of JSC "Ostankino Dairy" and assigned by the liquidator of JSC "Ostankino Dairy".

Based at the above mentioned petition, Arbitrage Court of the City of Moscow initiated the legal case on bankruptcy of JSC "Ostankino Dairy". The decision to appoint an arbitration administrator was approved by the Arbitrage Court during the hearing of this case held on April 26, 2017.

As of today, UniCredit Bank Austria AG and ZAO Raiffeisenbank filed the petitions to Arbitrage Court of the City of Moscow claiming its inclusion to the list of the creditors of JSC "Ostankino Dairy" under the bankruptcy procedure. The hearing on this claim was appointed to November 16, 2017.

In order to assure a continuity of operations of Ostankino, new company LLC "Ostankino Dairy", a 100% subsidiary of Milkiland Group, was incorporated. This company is currently servicing the contracts with the Group's suppliers and clients in Russia.

Signing of the loan restructuring agreement with PJSC "First Ukrainian International Bank"

The Amendment agreement to Loan facility agreement between PJSC "First Ukrainian International Bank" and the Group's subsidiary LLC "Milkiland Ukraine" (hereinafter "the Borrower"), on restructuring of the loan in the total amount of UAH 301.7 million (EUR 9.7 million), was signed on 29 September 2017.

According to the Amendment agreement, new repayment schedule to the Borrower's indebtedness was applied. It envisages the repayment of c. 10% of the total sum of the debt by monthly instalments in the period of September 2017-August 2018, while the remainder of the indebtedness, including outstanding interest payments were due on the date of signing of the Amendment agreement, will be delayed for repayment until 3 September 2018. The lower interest rate remained applied to the Borrower's indebtedness.