Interim Statement

Results of the nine months of 2016

Key developments and operational results

- Macroeconomic situation remained difficult in the Group's key markets of Russia and Ukraine, thus triggering a shrinking consumer demand for dairy goods.
- Import restrictions against Ukrainian and EU producers still prevented their access to Russian market.
- Milkiland concentrated efforts on offsetting the negative effect of Russian ban by expansion in the Group's existing markets and acceleration of local cheese production in Russia as well as by finding new export markets.
- Raw milk prices growth in Russia and Ukraine is still not fully compensated by increased prices for finished dairy, further price increase in line with the general market trends to be implemented by the Group to restore profitability margins.
- Global dairy market, including its dry milk products segment, started a recovery after 18-months-long depression.

The macroeconomic situation in the nine months of 2016 remained tough both in Ukraine and Russia. In Ukraine, the NBU forecasts the real GDP to increase by modest 1.1% y-o-y in 2016 while 1H16 dynamics showed 1.4% y-o-y increase and 9M16 is expected to show the same trend on slight recovery. The country's industrial output rose by 2.0% y-o-y in 9M16. In Russia the real GDP declined by 0.9% y-o-y in 1H16 while Central Bank and MinEcon forecast a 0.3-0.7% y-o-y decline in 2016, expecting close to zero dynamics for 3Q16. Russia's industrial output started modest recovery in Q2 and Q3 2016 and showed 0.3% y-o-y growth in 9M16.

These trends were accompanied by still noticiable inflation (6.4% in Ukraine and 4.1% in Russia as of end-9M16, both since the beginning of the year), significant devaluation of the Ukrainian hryvnia and Russian rouble against euro (by 16% and 13% during this period, respectively). The real disposable income of population showed controversial dynamics in both countries - it grew by 5.6% in Ukraine in Q2 2016 compared to almost 15% decline in Q1 2016 and fell by 5.3% in Russia in 9M16, respectively. Thus, Ukrainian macro environment reports first signs of recovery since 2015 while Russian economy which is key market for Milkiland still stagnates this year.

As a consequence, Milkiland faced a pressure on its operations and revenues triggered by devaluation of the two main operational currencies of the Group aggravated by declining demand in its core markets. In particular, Ukraine's dairy products consumption in the nine month of 2016 in comparison with the same period of 2015 decreased 0.5% y-o-y in volume terms. Russian market is forecasted to show slightly weaker dynamics of 2-3% y-o-y decline in dairy products consumption in 2016.

The trade limitations imposed by the Russian authorities against Ukrainian and EU dairy products in mid-2014 created oversupply in domestic market of Ukraine and triggered continuous decline in the Group's sales in cheese segment for two consecutive years.

To overcome those limitations and improve revenues Milkiland concentrated on expansion at each of the markets of the Group's operations benefiting from geographical diversification of its business. The Group also expanded its presence on new export markets in Q3 2016, such as Israel, Egypt, Morocco, delivering cheese, butter and SMP to those countries.

In addition, USD prices for butter in the world market grew 25% y-o-y in August 2016 following fluctuations in world currency and commodity markets, paving the way for the Group to capitalize on the new markets. Additionally, the Group initiated whey powder delivery to China and the Philippines in Q3 2016.

Russian subsidiary of the Group, Kursk-milk, namely its production subsidiary Rylsk cheese making plant, continued reporting positive production dynamics and increasing cheese output by 10% y-o-y to c.3,780 tons in 9M16, being the only asset increasing volume output in 9M16 in such challenging market environments on key markets of the Group. In order to support a further development of the production capacities of the company, investments were done to start a dry whey products and processed cheese production in Rylsk.

The continuous devaluation of the two major operational currencies of the Group caused a significant decline in the Group's revenue in EUR terms despite several increases of prices for finished dairy goods. The Group initiated the new increase in prices of finished goods in October 2016 which will be reflected in Q4 2016 results, as a natural response to rising raw milk prices both in Ukraine and Russia and in line with increase in international dairy products pricing. For example, by the end of the nine months of 2016, the average price for cheese in Ukraine increased by 23% y-o-y in hryvnia terms and 4% in euro terms.

In the end of September, 2016, major Russian retailers announced that prices on dairy products will grow 5-10% in the near future due "to increase of world commodity prices". There are concerns that the growth of retail prices may result in further decline of consumer demand for high margin products, pressing commodity raw milk prices downward.

On the cost side, the average price of raw milk in Ukraine increased c.20% y-o-y in hryvnia terms as of end-9M16 while increased only slightly 1% y-o-y in euro terms. Local currency depreciation in Ukraine led to a decrease in profitability of raw milk production due to higher operating costs linked to hard currency through prices for fuel, feed, veterinary drugs, etc. To restore profitability raw milk producers were increasing prices y-o-y in 9M16.

It's important to mention the unusual seasonal pattern in raw milk market in Russia in the Q3 2016. Prices for raw milk in Russia have seasonal fluctuations and traditionally drop during the "high milk season" between May and August. The difference between maximum and minimum prices due to seasonality varies between 15-20% depending on the region and the annual specifics. Typically a moderate monthly price growth starts in September and reaches the peak in the first quarter of the year, namely in February or in March; the price then drops to its annual minimum in August.

This year, however, the raw milk prices unexpectedly grew more than 3% m-o-m in August. The increase in prices reflects some shortage of milk fat due to disruptions of exports of dairy products from Belarus after the series of restrictions imposed by Rosselkhoznadzor on multiple dairy plants in Belarus in summer 2016. Overall, Russia's 9M16 raw milk price grew 5.5% y-o-y in ruble terms while was still down by 8% in euro terms for the period.

Thus, the above mentioned devaluation contributed to a drop in the cost of sales and operating expense but this influence was partially limited by rising milk prices in local currencies in Russia and Ukraine. The slower growth of raw milk prices toghether with traditionally higher prices for finished dairy goods in Russia compared to Ukraine led to the highest profitability of the Group's Russian division among all in the nine months of 2016.

In line with its strategy to build up a sustainable supply system, Milkiland continued to support National Dairy Cooperative Moloko Kraina and develop an in-house milk production. Milk production by the Cooperative is to reach 32%, by Milkiland Agro – 12% of the Group's total milk intake in Ukraine, respectively. However, total Group's raw milk procurement decreased by c. 26 y-o-y in 9M16 caused by weaker product.

Overview of Financial Results in the nine months of 2016

Financial results

- Revenues declined by c. 23% to EUR 112.9 million mainly driven by local currencies devaluation in Ukraine and Russia.
- Gross profit decreased by c. 27% to c. EUR 16.7 million due to higher affective raw milk prices, resulting in gross margin of 14.8 %, down 0.8pp y-o-y.
- EBITDA decreased by c.45% to EUR 5.3 million, implying EBITDA margin of 4.7% (down 1.8pp. y-o-y).
- Operatinal loss of the Group of amounted to EUR 2.4 million.
- As a result of the considerable FX loss and noticeable interest payments, the Group recognized a loss before tax of EUR 24.4 million. Net loss for the nine months of 2016 accounted for EUR 24.8 million compared to EUR 38.1 million net loss reported in nine months of 2015.

Segment revenue and performance

Cheese & butter segment contributed approximately 34% to the Group's total revenue and c. 43% to the total segments EBITDA (c.35% and 32% respectively in the nine months of 2015).

The segment revenue dropped by c.26% to EUR 37.9 million jeopardized by the restrictions imposed by the Russian authorities on dairy imports from a number of countries, including Ukraine and the EU. The lost export volumes were still not fully compensated by sales growth in the countries of the Group's operation. However, Milkiland managed to deliver solid volume growth in Ukraine, as well as increased local cheese output and sales in Russia.

Whole-milk dairy remained the largest segment in terms of revenue and EBITDA providing for 55% and 62% respectively (54% and 72% in the nine months of 2015).

The segment revenues declined by 21% to EUR 62.1 million. The segment's EBITDA decreased by about 52%, from EUR 7.8 million to EUR 3.7 million on the back of lower revenues and increased raw materilas costs.

In *Ingredients and other products segment*, revenue decreased by 20% to EUR 12.9 million mainly due to decline in SMP sales by 27% y-o-y. This segment showed negative EBITDA of c. EUR 0.3 million due to unfavorable price environment in the global dairy market.

Cost of sales and gross profit

Cost of sales decreased by 22% in the nine months of 2016 compared to the same period of 2015 and stood at EUR 96.1 million.

The effect of local currencies devaluation was partially offset by rising raw milk prices (by 6% in Russia and by 20% in Ukraine y-o-y, respectively) thus raw and other materials costs decreased slightly slower than revenue. The share of these costs in the total cost of sales rose from 75% to 78%.

As a result, the Group's gross profit was 27% lower than in the nine months of 2015. The gross margin declined from 15.6% to 14.8%.

Operating profit and EBITDA

Selling and distribution expenses decreased by 19% (to EUR 9.9 million) in the nine months of 2016, mainly due to a 15% drop in transportation costs which account for the largest share (47%) of total S&D expenses, a 25% y-o-y decline in labor costs (29% of total) and drop of 43% in security and other services (4% of total).

Marketing and advertising expenses of the Group dropped in euro terms as a result of devaluation. These expenses declined by 28% as compared to nine months of 2015 accounting for 10% of total S&D expenses.

Administrative expenses decreased by 8% to EUR 9.5 million, mainly driven by devaluation and cost cutting measures introduced by the Group's management. Labor costs, the largest item in the Group's overall administrative expenses, decreased by EUR 4.3 million or by 8% y-o-y.

Decrease in S&D, as well as administrative expenses, was not sufficient to compensate the lower gross profit.

Thus, the Group's operating result stood at negative EUR 2.4 million compared to EUR 7.7 million loss reported in the nine months of 2015.

On the back of lower revenues, the Group's EBITDA declined by c. 45% to EUR 5.3 million. In the nine months of 2016, the Group's EBITDA margin stood at 4.7%, down 1.8pp y-o-y. Importantly, the Group's Moscow-based Ostankino plant still reported the highest profitability among other subsidiaries in nine months of 2016, showing EBITDA margin of almost 7%, down 2.4pp y-o-y.

Profit before tax and net profit

In the reporting period, financial expense related to bank borrowings remained almost unchanged (-2% y-o-y). At the same time, losses related to foreign exchange shrank by 42% y-o-y to EUR 12.5 million. This resulted in overall decline the Group's financial expenses by 30% to EUR 22.0 million.

Net financial expenses combined with low operating result of the Group produced a loss before tax of EUR 24.4 million in nine months of 2016 compared to the Group's net loss before tax of EUR 38.7 million reported for the same period of 2015. Net loss for the nine months of 2016 stood at EUR 24.8 million.

Financing arrangements

Restructuring of the Loan Facility by a syndicate of international Banks

Since September, 2014, Milkiland has been continuing the negotiations with a syndicate of international banks to sign a Loan Restructuring Agreement with the banks representing the syndicate, namely, UniCredit Bank Austria AG and AO Raiffeisenbank.

The total sum of the principle amount of the Group's indebtedness to syndicate as of 30 September 2016 stood at USD 58.6 million, full amount is overdue.

The Group expects to finish the negotiations with the creditors and find a mutually acceptable solution on resolving the indebtedness in 2016-beginning of 2017.

Resolving the indebtedness under Loan agreements with Pekao Bank S.A. and Pekao leasing

Pekao bank S.A. in Poland is continuing the legal proceedings under the loan agreements with Milkiland EU claiming the collection from the debtor (Milkiland EU) and guarantor (Milkiland N.V.) of the indebtedness with the total value of PLN 8.5 million (c. EUR 2.1 million).

In the reporting period Milkiland EU repaid to Pekao bank S.A. the amount of c. PLN 4.3 million (c. EUR 1.04 million).

Within the proceedings the Bank is enforcing a write-off of the amounts from current account of Milkiland EU and selling some production equipment which is not used in production process of the company through auctions with the participation of Milkiland EU and third parties to repay the indebtedness of the borrower.

Also, Pekao leasing uses out-of-court enforcement procedures against Milkiland EU to secure the repayment of the loans by the debtor.

In the reporting period Milkiland EU repayed to Pekao leasing the amount of PLN 1.9 million (c. EUR 0.46 million). The ourstanding amount of the respective debt as of 31 October 2016 stood at PLN 10 million (c. EUR 2.4 million).

Milkiland is continuing the negotiations with the creditors to settle the debt repaymet issue in a manner acceptable for all sides.

Litigation with PJSC "Ukrsotsbank"

In the reporting period PJSC "Ukrsotsbank" initiated a legal case against the Group's Ukrainian subsidiaries, namely DE "Aromat", as a borrower, as well as DE "Milkiland Ukraine", as a guarantor, under the loan agreement with this bank, claiming the collection of the indebtedness with the total value of c. UAH 71 million (c. EUR 2.45 million), including accrued interest and penalties.

After several court sessions, the case was taken by Supreme economic court of Ukraine.

Milkiland continues the negotiations with the above mentioned creditor of the Group to settle the indebtedness in a mutually acceptable manner, which could envisage the signing of the respective restructuring agreement by the end of the current year.

Litigation with PJSC “Bank Forum”

In the reporting period PJSC “Bank Forum” continued a legal case against DE “Milkiland-Ukraine”, as a borrower, and Milkiland N.V., as a guarantor, under the loan agreement with this bank, claiming the collection of the indebtedness with the total value of USD 2.4 million (c. EUR 2.17 million).

As of today, the National Bank of Ukraine imposed a liquidation procedure in respect of PJSC “Bank Forum” and put it under the control of the Deposit Guarantee Fund of Ukraine.

This case is currently under consideration of Appellate Court of the City of Kiev, which session is planned for December 26, 2016.

Litigation with PJSC “Sberbank”

In the reporting period PJSC “Sberbank” initiated the legal proceedings under the loan agreement with the Group’s Russian main subsidiary, Ostankino dairy combine, claiming the collection for the debtor of the indebtedness with the total value of RUB 368 million (c. EUR 5.3 million).

Within the proceedings the Bank is enforcing a write-off of the amounts from current account of Ostankino in Sberbank, Moscow Industrial Bank and VTB.

Milkiland is now continuing the negotiations with the creditor to settle the issue of the repayment of the above mentioned indebtedness, including by its possible refinancing by third party creditors.

Signing the agreement on restructuring the loans of PJSC “Credit Agricole”

On 4 July 2016, PJSC Credit Agricole Bank signed the Amendment agreement to the Loan Facility Agreement with DE “Milkiland-Ukraine” and 3 agri-subsidiaries of the Group, namely, ALLC “Nadiya”, LLC “Uspikh-Mena”, PJSC “Iskra”, on restructuring of a loans in the total amount of USD 14.456 million (EUR 13.1 million).

According to the Amendment agreement, the repayment term was extended until 30 June, 2019, lowered interest rates were applied to the borrower’s indebtedness.

The Loan Facility is secured by the pledge of the real estate of agri-subsidiaries of the Group, mortgage of the production equipment, sureties from several subsidiaries of the Group and guarantee of Milkiland N.V.

As of the end of the reporting period, the share of the restructured loan facility in the total credit portfolio of the Group stood at c. 12.5%.

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 2016 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 2016 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 2016

O. Rozhko A. Yurkevych O. Yurkevych

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

V. Strukov

Milkiland N.V.

Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 2016

Contents

Condensed Consolidated Interim Financial Statements

MILKILAND N.V.
Condensed consolidated interim statement of financial position
For the nine months ended 30 September 2016
(All amounts in euro thousands unless otherwise stated)

	Notes	30 September 2016 (unaudited)	31 December 2015 (audited)	30 September 2015 (unaudited)
ASSETS				
Current assets				
Cash and cash equivalents	6	1,122	907	1,641
Trade and other receivables	7	24,475	19,506	52,059
Inventories	8	12,252	12,193	13,852
Current biological assets	12	1,748	1,621	2,253
Current income tax assets		609	947	1,116
Other taxes receivable	9	5,732	5,417	7,062
		45,938	**40,591**	**77,983**
Non-current Assets				
Goodwill	10	1,841	1,746	1,874
Property, plant and equipment	11	108,261	117,787	109,777
Investment property	11	18,165	20,065	-
Non-current biological assets	12	884	1,507	1,672
Other intangible assets	11	2,135	1,695	1,810
Deferred income tax assets		2,963	3,159	5,664
		134,249	**145,959**	**120,797**
TOTAL ASSETS		**180,187**	**186,550**	**198,780**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	39,701	24,659	26,001
Current income tax liabilities		68	351	84
Other taxes payable	14	2,568	2,118	3,169
Short-term loans and borrowings	15	95,491	103,410	100,764
		137,828	**130,538**	**130,018**
Non-current Liabilities				
Loans and borrowings	15	8,407	4,061	4,763
Deferred income tax liability		13,154	14,706	14,329
Other non-current liabilities		194	1,304	260
		21,755	**20,071**	**19,352**
Total liabilities		**159,583**	**150,609**	**149,370**
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		75,735	79,866	64,795
Currency translation reserve		(39,083)	(48,651)	(52,389)
Retained earnings		(68,983)	(48,377)	(16,441)
		19,481	**34,650**	**47,777**
Non-controlling interests		**1,123**	**1,291**	**1,633**
Total equity		**20,604**	**35,941**	**49,410**
TOTAL LIABILITIES AND EQUITY		**180,187**	**186,550**	**198,780**

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the nine months ended 30 September 2016
(All amounts in euro thousands unless otherwise stated)

	Notes	2016 (unaudited)	2015 (unaudited)
Revenue	17	112,938	146,243
Change in fair value of biological assets		(152)	158
Cost of sales	18	(96,121)	(123,542)
Gross profit		**16,665**	**22,859**
Selling and distribution expenses	19	(9,930)	(12,242)
Administrative expenses	20	(9,451)	(10,273)
Other income/(expenses), net	21	309	(8,076)
Operating loss		**(2,407)**	**(7,732)**
Finance income	22	1	425
Finance expenses	23	(21,969)	(31,413)
Loss before tax		**(24,375)**	**(38,720)**
Income tax	24	(435)	627
Net loss for the period		**(24,810)**	**(38,093)**
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating to presentation currency		9,473	(7,090)
Total comprehensive loss		**(15,337)**	**(45,183)**
Loss attributable to:			
Owners of the Company		(24,737)	(37,824)
Non-controlling interests		(73)	(269)
		(24,810)	**(38,093)**
Total comprehensive loss:			
Owners of the Company		(15,169)	(44,368)
Non-controlling interests		(168)	(815)
		(15,337)	**(45,183)**
Earnings per share		(79.16)	(121.04)

MILKILAND N.V.
Condensed consolidated interim statement of cash flows
For the nine months ended 30 September 2016
(All amounts in euro thousands unless otherwise stated)

	Notes	2016 (unaudited)	2015 (unaudited)
Cash flows from operating activities:			
Loss before income tax		**(24,375)**	**(38,720)**
Adjustments for:			
Depreciation and amortization		7,868	8,785
Loss from disposal and write off of inventories	21	283	390
Change in provision and write off of trade and other accounts receivable	21	17	8,866
Change in provision and write off of unrealised VAT	21	213	70
Income from write off and disposal of non-current assets	21	(365)	(148)
Change in fair value of biological assets		152	(158)
Operational foreign exchange results, net	21	(56)	(53)
Finance income	22	(1)	(425)
Finance expenses	23	21,969	31,413
Write off of accounts payable	21	(20)	(2)
Operating cash flow before movements in working capital		**5,685**	**10,018**
Increase in trade and other accounts receivable		(8,851)	(12,041)
(Increase)/decrease in inventories		(430)	1,594
Decrease/(increase) in biological assets		496	(657)
Increase in trade and other payables		12,942	1,484
(Increase)/decrease in other taxes receivable		(893)	1,725
Increase in other taxes payable		450	1,106
Net cash provided by operations:		**9,399**	**3,229**
Income taxes paid		(649)	(1,942)
Interest received		2	318
Interest paid		(4,494)	(6,752)
Net cash (used in)/ provided by operating activities		**4,258**	**(5,147)**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(1,392)	(1,573)
Proceeds from sale of property, plant and equipment		13	38
Net cash used in investing activities		**(1,379)**	**(1,535)**
Cash flows from financing activities			
Proceeds from borrowings	15	27,592	28,502
Repayment of borrowings	15	(30,246)	(29,774)
Commission paid and fair value adjustment		(13)	(21)
Net cash (used in)/ provided by financing activities		**(2,667)**	**(1,293)**
Net (decrease)/increase in cash and equivalents		**212**	**(7,975)**
Cash and equivalents, beginning of the period	6	**907**	**10,431**
Effect of foreign exchange rates on cash and cash equivalents		3	(815)
Cash and equivalents, end of the period	6	**1,122**	**1,641**

(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 2015	**3,125**	**48,687**	**(45,845)**	**68,502**	**17,676**	**92,145**	**2,448**	**94,593**
Loss for the period	-	-	-	-	(37,824)	**(37,824)**	(269)	**(38,093)**
Other comprehensive loss, net of tax effect	-	-	(6,544)	-	-	**(6,544)**	(546)	**(7,090)**
Total comprehensive loss for the period	**-**	**-**	**(6,544)**	**-**	**(37,824)**	**(44,368)**	**(815)**	**(45,183)**
Realised revaluation reserve, net of income tax	-	-	-	(3,707)	3,707	-	-	-
Balance at 30 September 2015	**3,125**	**48,687**	**(52,389)**	**64,795**	**(16,441)**	**47,777**	**1,633**	**49,410**
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**

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 2016 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 2016.

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 Hillegomstraat 12-14,1058LS, Amsterdam, the Netherlands and the principal place of business is 9 Boryspilska St., 02090, Kyiv, Ukraine.

As at 30 September 2016 more than 55% of the Company’s shares is controlled by Kazakh, Polish, other EU and US investors. In particular, Mrs. Olga Yurkevich (Kazakh citizen), a member of the Board of Directors and Chief Operating Officer of the Group, indirectly, through the Dutch intermediary company, 1, Inc. Cooperatief, controls 33.71% of the Company’s shares. Also, 21.48% of the shares of Milkiland N.V. are in the free float at the Warsaw Stock Exchange since 6 December 2010.

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 with the major focus on Russia and other CIS countries. The production facilities of the Group are located in Ukraine, Russia and Poland, able to process up to 1,330 thousand tonnes 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 2016, the Group employed 5436 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 2016	31 December 2015	30 September 2015
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 Milkiland RU	Russia	Managing/Trade	100.0%	100.0%	100.0%
LLC Moloko-Kursk	Russia	Production entity	100.0%	100.0%	100.0%
DE Milkiland Ukraine	Ukraine	Managingcompany	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 Molochni vyroby	Ukraine	Trade	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	Managingcompany	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%
PJSC Iskra	Ukraine	Agricultural	70.8%	70.8%	70.8%
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	Ukraine	Agricultural	100.0%	100.0%	100.0%
JSC Sosnitsky Rajagrohim	Ukraine	Agricultural	97.5%	97.5%	97.5%
LLC Agro-Mena	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Iskra-Sloboda	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Lendinvest 3000	Ukraine	Investment assets	100.0%	100.0%	-
LLC Agrolendinvest	Ukraine	Investment assets	100.0%	100.0%	-
LLC Phobostrade	Ukraine	Investment assets	100.0%	100.0%	-
LLC Kilchensky Berig	Ukraine	Investment assets	100.0%	100.0%	-
LLC Novomoskovsk Dairy	Russia	Production entity	100.0%	100.0%	-
UA TRADE Sp. z o.o.	Poland	Trade	100.0%	-	-
Newholm Systems S.A.	Panama	Trade	100.0%	-	-
Agrointer Corporation	Panama	Trade	100.0%	-	-
Cross Value LTD	Marshall	Trade	100.0%	-	-
LLC Uspih-Mena Plus	Ukraine	Agricultural	100.0%	-	-

During the nine months ended 30 September 2016, the Group finalized registration of two new subsidiaries Cross Value LTD and LLC Uspih-Mena Plus.
During the nine months ended 30 September 2016 LLC Trubizh-Moloko was reorganized by joining to PE Prometey and LLC Stugna-Moloko was reorganized by joining to PE Ros.

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 2016 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 2015, 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 2015.

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 2016 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 2016, 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.

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 2016 the in-house milk production covered c.12% 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 2016	1.1161	28.9202	70.8823	4.3120
Average for the nine months ended 30 September 2016	1.1162	28.3878	76.2805	4.3578
As at 31 December 2015	1.0887	26.1295	79.6972	4.2615
As at 30 September 2015	1.1203	24.1173	74.5825	4.2386
Average for the nine months ended 30 September 2015	1.1149	23.9176	66.2618	4.1574

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. Additional information is disclosed in note 25.

(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 Septemberis as follows:

	2016				2015			
	Russia	Ukraine	Poland	Total	Russia	Ukraine	Poland	Total
Total segment revenue	72,171	32,923	8,723	113,817	86,161	48,883	11,199	146,243
Inter-segment revenue	-	-	(879)	(879)	-	-	-	-
Revenue from external customers	72,171	32,923	7,844	112,938	86,161	48,883	11,199	146,243
EBITDA	**4,954**	**1,072**	**13**	**6,039**	**7,974**	**3,863**	**(962)**	**10,875**
EBITDA margin	7%	3%	0%	5%	9%	8%	(9%)	7%
Depreciation and amortisation	2,290	4,319	1,259	7,868	2,175	5,129	1,481	8,785

(All amounts in euro thousands unless otherwise stated)

4 Segment information (Continued)

Inter-segment revenue is related to inter-group sales of dairy goods, mainly cheese, produced in Ukraine and Poland to be sold in the Russian market to third party customers.

The segment information by product for the nine months ended 30 September is as follows:

	2016				2015			
	Cheese & butter	Whole-milk products	Ingredients	Total	Cheese & butter	Whole-milk products	Ingredients	Total
Total segment revenue	38,331	62,099	13,387	113,817	51,086	78,998	16,159	146,243
Inter-segment revenue	(421)	-	(458)	(879)	-	-	-	-
Revenue from external customers	37,910	62,099	12,929	112,938	51,086	78,998	16,159	146,243
EBITDA	**2,582**	**3,731**	**(274)**	**6,039**	**3,430**	**7,795**	**(350)**	**10,875**
EBITDA margin	7%	6%	(2%)	5%	7%	10%	(2%)	7%
Depreciation and amortisation	2,768	3,076	2,024	7,868	3,463	3,233	2,089	8,785

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

	2016	2015
EBITDA	**6,039**	**10,875**
Other segments EBITDA	(756)	(1,339)
Total segments	**5,283**	**9,536**
Depreciation and amortisation	(7,868)	(8,785)
Non-recurring items	(187)	(8,631)
Gain/(loss) from disposal and impairment of non-current assets	365	148
Finance expenses	(21,969)	(31,413)
Finance income	1	425
Loss before tax	**(24,375)**	**(38,720)**

(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 (revised 2003) "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:	**2016**	**2015**
Revenue	-	385

The outstanding balances due from related parties were as follows:

Entities under common control:	**30 September 2016**	**31 December 2015**	**30 September 2015**
Trade accounts receivable	281	261	4,388
Other financial assets	4,323	2,251	20,718
Other accounts receivable	224	64	292
Advances issued	-	-	628

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the nine months ended 30 September 2016 paid or payable to key management for employee services is EUR 425 thousand (2015: EUR 513 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 2016	**31 December 2015**	**30 September 2015**
Short term deposits	-	39	39
Cash in bank and cash on hand	1,122	868	1,602
Total cash and cash equivalents	**1,122**	**907**	**1,641**

(All amounts in euro thousands unless otherwise stated)

7 Trade and other receivables

	30 September 2016	31 December 2015	30 September 2015
Trade accounts receivable	15,051	14,724	21,560
Other financial assets	12,055	10,463	29,818
Allowance for doubtful debts	(9,507)	(10,324)	(10,955)
Total financial assets within trade and other receivables	**17,599**	**14,863**	**40,423**
Advances issued	3,587	2,197	9,920
Other receivables	4,019	3,124	2,407
Allowance for doubtful debts	(730)	(678)	(691)
Total trade and other accounts receivable	**24,475**	**19,506**	**52,059**

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 2016	31 December 2015	30 September 2015
Raw and other materials	5,066	5,870	5,633
Finished goods and work in progress	6,647	6,191	7,701
Agriculture produce	539	132	518
Total inventories	**12,252**	**12,193**	**13,852**

9 Other taxes receivable

	30 September 2016	31 December 2015	30 September 2015
VAT recoverable	5,266	5,291	6,922
Payroll related taxes	76	81	107
Other prepaid taxes	390	45	33
Total other taxes receivable	**5,732**	**5,417**	**7,062**

10 Goodwill

	2016	2015
Balance at 1 January	1,746	2,147
Foreign currency translation	95	(273)
Balance at 30 September	**1,841**	**1,874**

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.

(All amounts in euro thousands unless otherwise stated)

11 Property, plant and equipment and intangible assets

During nine months ended 30 September 2016 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 1,392 thousand (2015: EUR 1,573 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 2016, 2015 and 31 December 2015 biological assets comprise the following groups:

	30 September 2016		31 December 2015		30 September 2015	
Current biological assets of animal breading	Units	Amount	Units	Amount	Units	Amount
Cattle	3,469	1,087	4,356	1,594	4,650	1,776
Other livestock	-	-	-	6	-	1
Total biological assets of animal breading	**3,469**	**1,087**	**4,356**	**1,600**	**4,650**	**1,777**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount	Hectares	Amount
Maize	1,452	661	-	-	501	267
Barley	-	-	-	-	-	-
Other	-	-	-	21	-	209
Total biological assets of plant growing	**-**	**652**	-	**21**	**-**	**476**
Total current biological assets	**-**	**1,748**	**-**	**1,621**	**-**	**2,253**
Non-current biological assets	Units	Amount	Units	Amount	Units	Amount
Cattle	1,892	882	2,642	1,507	2,706	1,670
Other livestock	-	2	-	-	-	2
Total non-current biological assets	**1,892**	**884**	**2,642**	**1,507**	**2,706**	**1,672**

(All amounts in euro thousands unless otherwise stated)

13 Trade and other payables

	30 September 2016	31 December 2015	30 September 2015
Trade payables	18,340	15,000	16,957
Accounts payable for fixed assets	1	37	23
Interest payable	9,370	4,653	3,942
Other financial payables	-	200	174
Total financial liabilities within trade and other payable	**27,711**	**19,890**	**21,096**
Wages and salaries payable	2,345	1,406	1,651
Advances received	4,381	944	1,159
Other accounts payable	3,682	1,399	886
Accruals for employees' unused vacations	1,582	1,020	1,209
Total trade and other payables	**39,701**	**24,659**	**26,001**

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 2016	31 December 2015	30 September 2015
VAT payable	692	952	2,079
Payroll related taxes	1,756	1,069	946
Other taxes payable	120	97	144
Total other taxes payable	**2,568**	**2,118**	**3,169**

(All amounts in euro thousands unless otherwise stated)

15 Loans and borrowings

	30 September 2016	31 December 2015	30 September 2015
Current			
Interest bearing loans due to banks	92,957	101,862	99,083
Loans from non-financial institutions	-	-	28
Bank overdrafts	429	512	641
Finance leases	2,105	1,036	1,012
Total current borrowings	**95,491**	**103,410**	**100,764**
Non-current			
Interest bearing loans due to banks	8,332	2,894	3,589
Finance leases	75	1,167	1,174
Total non-current borrowings	**8,407**	**4,061**	**4,763**
Total borrowings	**103,898**	**107,471**	**105,527**

Movement in loans and borrowings during the nine months ended 30 September 2016 and 2015 was as follows:

	2016	2015
Balance at 1 January	**107,471**	**101,920**
Obtained new loans and borrowings	27,579	28,481
Repaid loans and borrowings	(30,246)	(29,774)
Foreign exchange loss	(906)	4,900
Balance at 30 September	**103,898**	**105,527**

Principal terms and the debt repayment schedule of the Group's loans and borrowings as at 30 September 2016 and 31 December 2015 were as follows:

	30 September 2016					31 December 2015				
	USD	UAH	RUR	PLN	Total	USD	UAH	RUR	PLN	Total
12 months or less										
Outstanding balance, thousand EUR	62,621	12,645	16,243	3,982	**95,491**	73,706	10,109	15,967	3,628	**103,410**
Average interest rate, %	8.55	18.59	15.19	8.55	**11.03**	8.93	24.59	15.28	13.74	**11.61**
1-5 years										
Outstanding balance, thousand EUR	8,332	-	75	-	**8,407**	2,894	-	49	1,118	**4,061**
Average interest rate, %	3.00	-	4.77	-	**3.02**	8.33	-	5.21	13.00	**14.35**

15 Loans and borrowings (continued)

As at 30 September 2016 the Group has not met requirement in respect of Borrowings to EBITDA ratio and EBITDA to interest expenses ratio. A waiver of breach of covenants being negotiated and Management are in process of negotiation with lenders as at the date of these financial statements approval.

16 Share capital

Share capital as at 30 September is as follows:

	2016		2015	
	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 Septemberwas as follows:

	2016	2015
Cheese & Butter	37,910	51,086
Whole-milk products	62,099	78,998
Ingredients	12,929	16,159
Total revenue	**112,938**	**146,243**

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

	2016	2015
Russia	72,100	86,161
Ukraine	30,041	43,251
Poland	6,902	9,868
Other	3,895	6,963
Total revenue	**112,938**	**146,243**

(All amounts in euro thousands unless otherwise stated)

18 Cost of sales

	2016	**2015**
Raw and other materials	74,661	93,015
Wages and salaries	5,636	5,942
Depreciation	7,071	7,854
Transportation costs	1,904	2,903
Gas	2,518	3,649
Electricity	2,807	3,213
Social insurance contributions	1,305	1,902
Repairs of property, plant and equipment	1,445	1,872
Water	208	244
Other	3,339	3,113
Changes in finished goods and work in progress	(4,773)	(165)
Total cost of sales	**96,121**	**123,542**

19 Selling and distribution expenses

	2016	**2015**
Transportation costs	4,620	5,436
Security and other services	360	635
Marketing and advertising	973	1,355
Wages and salaries	2,306	2,955
Social insurance contributions	570	902
Licence fees	31	39
Rental costs	133	195
Depreciation and amortisation	183	182
Other	754	543
Total selling expenses	**9,930**	**12,242**

(All amounts in euro thousands unless otherwise stated)

20 Administrative expenses

	2016	2015
Wages and salaries	4,306	4,668
Social insurance contributions	686	1,086
Taxes and other charges	928	849
Representative charges	274	228
Other utilities	80	92
Bank charges	292	227
Repairs and maintenance	248	247
Depreciation and amortisation	473	684
Consulting fees	1,114	528
Security and other services	295	356
Transportation costs	224	298
Property insurance	35	34
Rental costs	183	222
Communication	115	147
Office supplies	24	33
Other	174	574
Total administrative expenses	**9,451**	**10,273**

21 Other income/(expenses), net

	2016	2015
Government grants recognised as income	826	302
Rental income	80	183
Gain from write off of accounts payable	20	2
Change in provision and write off of trade and other accounts receivable	(17)	(8,866)
Depreciation and amortisation	(141)	(65)
Other (expenses)/income, net	(51)	771
Gain from disposal of non-current assets	365	148
Loss from disposal and write off of inventories	(283)	(390)
Penalties	(333)	(144)
Operational foreign exchange results, net	56	53
Change in provision and write off of VAT receivable	(213)	(70)
Total other income/(expenses), net	**309**	**(8,076)**

(All amounts in euro thousands unless otherwise stated)

22 Finance income

	2016	**2015**
Other finance income	-	-
Finance foreign exchange gain, net	-	44
Bank deposits	1	381
Total finance income	**1**	**425**

23 Finance expenses

	2016	**2015**
Bank borrowings	9,315	9,492
Other finance expenses	73	139
Finance leases	44	96
Discounting of loans	-	-
Finance foreign exchange loss, net	12,537	21,686
Total finance expenses	**21,969**	**31,413**

24 Income tax

	2016	**2015**
Current income tax	715	1,211
Deferred income tax	(280)	(1,838)
Total income tax	**435**	**(627)**

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2016 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2015: 18%), Russian profit tax was levied at the rate of 20% (2015: 20%), Poland profit tax was levied at the rate of 19% (2015: 19%). In 2016 the tax rate for Panama operations was 0% (2015: 0%) on worldwide income.

25 Contingent and deferred liabilities

Litigation
The Group from time to time participates in legal proceedings, in particular with PJSC “Ukrsotsbank”, PJSC “Bank Forum”, PJSC “Sberbank” (*please refer to the pages 5, 6 of the Interim statement)*.

Milkiland’s management believes that none of them either separately or in aggregate had significant negative effect on the Group.

Insurance policies
The Group insures all significant property. As at 30 September 2016 and 30 September 2015, most of the Group’s property is insured.

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 2016 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.

The Group has external requirements to the capital in respect of syndicate loan received by the Company with outstanding balance as at 30 September 2016 in amount EUR 52,486 thousand:

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

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

As at 30 September 2016 the Group has not met requirement in respect of above mentioned covenants. A waiver of breach of covenants is being negotiated and Management is in process of loan restructuring negotiation with lenders as at the date of these financial statements approval. 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 2015. As at 30 September2016, the full value of loan in amount EUR 52,486 thousand (USD 58,580 thousand in original currency) is classified as current interest bearing loans due to banks (note 15).

27 Earnings per share

	2016	2015
Numerator		
Earnings used in basic and diluted EPS	**(24,737)**	**(37,824)**
Denominator, in thousand		
Weighted average number of shares used in basic and diluted EPS	**31,250**	**31,250**

28 Subsequent events