



## Interim Statement

### Results of the first quarter of 2019

Milkiland N.V. hereby publishes the Group's results of the first quarter of 2019

#### *Macroeconomic environment*

- In first quarter of 2019, the national economies of Russia and Ukraine, the key markets of the Group, faced a slowdown of the growth trends achieved in the year 2018. In particular, according to Ministry of Economic Development, Russian economy in Q1 2019 delivered only minor 0.8% growth of GDP, which is significantly less in comparison with 2.7% increase of GDP in Q4 2018 and still lower on y-o-y basis (+1.1% increase of GDP in Q1 2018). This growth mainly relied to increased adding value in industrial production, transportation & logistics sectors. At the same time, in Ukraine real GDP increased by c. 1.0% in Q1 2019 according to preliminary experts estimates on y-o-y basis. Domestic consumer demand was the main growth driver.
- In April 2019 IMF published its World Economic Outlook survey, which predicts the slowdown of Ukraine's GDP real growth rate from 3.3% in 2018 to 2.7% in 2019 with further acceleration of the growth to 3.0% in 2020. These predictions are close to the National Bank of Ukraine (NBU's) estimates of 2.5% increase of real GDP of the country in 2019 and 2.9% of growth in 2020. The World Bank also forecasted Ukraine's GDP growth at 2.7% in 2019 and at 3.4% in 2020.
- In a view of Russian GDP dynamics forecasts, IMF predicts 1.6% increase of the real GDP in 2019 on y-o-y basis, while in the year 2020 this index should further grow by 1.5% in comparison with the previous year. Russian Ministry of Economic Development was less optimistic by releasing in April 2019 the forecast, which estimated the GDP growth of the country in the current year by 1.3% on y-o-y basis.
- In comparison with the respective period of 2018, in Q1 2019 the situation with the national currencies of both countries was more favorable. The revaluation of Ukrainian hryvnya against EUR by 7.6% (average rate y-o-y), as well as the modest depreciation of exchange rate of Russian rouble against European currency by the same 7.6% (average rate y-o-y), positively affected the Group's euro denominated financials in Q1 2019.
- As regards to the inflation rate, in Q1 2019 Russian economy posted 5.3% of CPI increase in comparison with 2.4% of growth of this index in the same period of 2018. Despite this partial acceleration, IMF and Russian Central Bank expect moderate 5.0% inflation rate on average in the current year.
- Contrary to Russian situation, inflation in Ukraine is expected to decelerate from 10.9% in 2018 to single-digit 8.0% in 2019 and further to 5.9% in 2020. In particular, headline inflation slowed down to 2.4% y-o-y in March 2019, mainly on the back of Ukrainian hryvnya appreciation against EUR and USD, which led to restrained prices for imported goods.
- The advance in the FMCG consumption in Ukraine in 2019 should be supported due to the positive dynamics of the income of the population. The growth trend of the real wages, which increased by 12.5% in 2018 on y-o-y basis, continued in Q1 2019, when the respective index grew by 10.9% in comparison with the same period of 2018. According to experts, double digit growth of the real income of Ukrainians forecasted in the current year.

- At the same time, Russian situation with the real income of population remains stagnating, when in Q1 2019 the decrease of this index by 2.3% was penciled on y-o-y basis. It's expected that Russians will earn by 1.0% only in real terms in 2019 according to Russian Ministry of Economic Development.

### ***Operational environment and results***

- In the first quarter of 2019, Milkiland decreased its overall sales volumes by c.10% 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. Lower volume sales of whole-milk products were offset by noticeable increase of sales volumes of cheese and butter.
- The Group's main Russian subsidiary - Ostankino concentrated on development of sales primarily through the key accounts channel, better servicing of the key clients in order to increase the presence of the Group's products at their shelves in focus regions. But the lower volume sales due to the higher competition in the main Moscow diary market contributed to y-o-y decline in its revenues, as well as in EBITDA in Q1 2019.
- 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.
- 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. As the result, in the reported period Milkiland Ukraine managed to increase EBITDA by 2.4 times to c. EUR 0.2 million on y-o-y basis. Moderate increase of raw milk price in Ukraine in Q1 2019 by 3% on average in comparison with the same period on 2018 in UAH terms was fully offset by the appreciation of Ukrainian hryvnya against EUR. This triggered the decline of the raw milk price in EUR terms and also contributed to this growth of profitability.
- Milkiland EU in Q1 2018 reported negative profitability on EBITDA level of c. EUR 0.4 million due to unfavorable pricing environment for dry milk products in EU and globally and lower sales volumes of cheese and dry milk products.
- In Q1 2019 Milkiland continued efforts aimed at the entering of new export markets and catching the opportunities of profitable international trade in the global dairy market. In particular, Milkiland Intermarket continued a supplies of Kosher dry milk products and butter to Israel market, made a new steps on development of the distribution network for the Chinese market. As the result, the volume sales of cheese&butter, as well as dry milk products in the new markets rose significantly.

### ***Group's Sales in Q1 2019 by geographical segments***

*Russia* was the largest geographical segment in terms of revenue generation for Milkiland in Q1 2019 providing for 57% (down 10pp compared to Q1 2018). The segment's revenue was down by 16% y-o-y and stood at c. EUR 16.9 million, mainly due to selling volumes contraction triggered by lower processing volumes.

*Ukraine* contributed 36% to the Group's revenue in Q1 2019 (+12pp y-o-y). Segment revenue increased by 46% to c. EUR 10.6 million, again mainly due to increased selling prices for finished goods in line with general markets trends, as well as selling of higher value-added goods. Ukraine was the best performing geographical segment of the Group's business in Q1 2019 in terms of EBITDA. It generated almost full amount of the Group's EBITDA in the reporting period.

*Poland* contributed 7% to the Group's revenue in Q1 2019 (-1 pp y-o-y), the segment's revenue decreased by 18% y-o-y to c. EUR 2.0 million on the back of lower sales volumes.

## **Group's Sales in Q1 2019 by business segments**

*Whole-milk dairy* was the largest segment in term of revenue providing for c. 51% of revenue (60% in Q1 2019). The segment's revenue declined by 17% y-o-y in Q1 2019 to EUR 15.1 million on a back of lower sales volumes, while its EBITDA turned from positive EUR 1.3 million in Q1 2018 to negative EUR 0.02 million in the reporting period. This result was mainly triggered by the lower volume sales in Russia and Ukraine partly offset by better profitability of the Ukrainian division due to higher finished goods prices. The segment's Q1 2019 EBITDA margin stood at 0%, in comparison with 7% in Q1 2018.

*Cheese & butter segment* contributed approximately 35% to the Group's total revenue (27% in Q1 2018) and was the only contributor of the Group's EBITDA in Q1 2019. Segment's revenue increased by 25% to EUR 10.3 million due to higher sales volumes in Russian, as well as new export markets. Segment's EBITDA decreased to c. EUR 0.1 million, implying Q1 2019 segment's EBITDA margin of 1% vs 5% in Q1 2018.

In *Ingredients segment*, revenue grew by c.12% y-o-y to EUR 4.1 million on the back of increased sales volumes. It contributed c. 14% to the Group's total revenue versus 12% in Q1 2018. At the same time, the segment's EBITDA remained negative c. EUR 0.3 million compared to negative EBITDA of c. 0.2 million in Q1 2018, with negative EBITDA margin of c. 7% in Q1 2019.

### **Financial results**

- Milkiland's revenue in Q1 2019 declined c. 2% y-o-y to EUR 29.5 million on the back of the decrease of the Group's output (-10% y-o-y) partly offset by the higher prices for finished goods in the markets of the Group's operations, as well as higher export prices.
- Cost of sales increased by 4.3% to EUR 25.9 million. The wages and salaries, as well as changes in finished goods and works in progress triggered by fulfillment of the export contracts of the Group, partly offset by raw milk price decline in Russia and Ukraine in EUR-terms contributed to an increase in the cost of sales.
- This led to the decline of the Group's Gross profit by 31% to c. EUR 3.6 million. The Gross margin of Milkiland then declined by 5.3 pp y-o-y to 12.2% in Q1 2019.
- Lower gross profit mainly led to operating loss of EUR 1.8 million reported by the Group in Q1 2019. This resulted in the drop of EBITDA to c. EUR 0.1 million in comparison with c. EUR 1.7 million in Q1 2018.
- In the first quarter of 2018, the Group gained non-cash foreign exchange gain totaled EUR 4.6 million (compared to minor c. EUR 0.1 in Q1 2019). As a result, the Group's finance income in the reporting period declined considerably, by 97% on y-o-y basis.
- This fact, together with operating loss led to net loss of Milkiland for the three months of 2019 accounted for EUR 3.7 million compared to net profit of EUR 2.4 million in Q1 2018.

## REPRESENTATION

of the Board of Directors

of Milkiland N.V.

on compliance of the condensed consolidated interim financial statements

The Board of Directors of Milkiland N.V. hereby represent that to the best of their knowledge the condensed consolidated interim financial statements of Milkiland N.V. for the period ended 31 March 2019 and the comparable information are prepared in accordance with the applicable accounting standards and that they give a true, fair and clear view of the assets, financial standing and financial results of Milkiland N.V., and that the interim statement for the three months ended 31 March 2019 gives a true view of the developments, achievements and situation of the Company, including a description of the key risks and threats.

Board of Directors of Milkiland N.V.

Amsterdam, 15 May 2019

A. Yurkevych

O. Yurkevich

O. Rozhko

V. Rekov

W.S. van Walt Meijer

G.C. Logusch

P. Sheremeta



**Milkiland N.V.**

**Condensed Consolidated Interim Financial Statements**

For the three months ended 31 March 2019

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**MILKILAND N.V.**  
**Condensed consolidated interim statement of financial position**  
**For the three months ended 31 March 2019**  
(All amounts in euro thousands unless otherwise stated)

	Notes	31 March 2019 (unaudited)	31 December 2018 (audited)	31 March 2018 (unaudited)
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	6	2,954	334	1,070
Trade and other receivables	0	22,356	19,172	20,271
Inventories	8	9,344	10,078	10,080
Current biological assets	12	1,863	1,343	1,401
Current income tax assets		965	822	706
Other taxes receivable	9	8,634	6,117	5,116
		<b>46,116</b>	<b>37,866</b>	<b>38,644</b>
<b>Non-Current Assets</b>				
Goodwill	0	1,419	1,300	1,474
Property, plant and equipment		91,082	90,773	98,153
Investment property		19,121	18,070	17,102
Non-current biological assets	12	2,011	1,938	1,388
Other intangible assets		1,514	1,530	1,815
Deferred income tax assets		85	70	2,552
Other Non-current assets		-	362	-
		<b>115,232</b>	<b>114,043</b>	<b>122,485</b>
<b>TOTAL ASSETS</b>		<b>161,348</b>	<b>151,909</b>	<b>161,129</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables	0	60,005	53,971	43,982
Current income tax liabilities		371	346	850
Other taxes payable	14	7,577	5,071	5,030
Short-term loans and borrowings		85,120	83,425	74,294
		<b>153,073</b>	<b>142,813</b>	<b>124,156</b>
<b>Non-Current Liabilities</b>				
Loans and borrowings	0	3,027	2,530	10,434
Deferred income tax liabilities		11,163	11,054	13,973
Other non-current liabilities		743	716	121
		<b>14,933</b>	<b>14,300</b>	<b>24,528</b>
<b>Total liabilities</b>		<b>168,006</b>	<b>157,113</b>	<b>148,684</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	16	3,125	3,125	3,125
Share premium		48,687	48,687	48,687
Revaluation reserve		72,572	75,220	77,820
Currency translation reserve		(33,266)	(36,126)	(40,905)
Retained earnings		(99,064)	(97,358)	(77,554)
		<b>(7,946)</b>	<b>(6,452)</b>	<b>11,173</b>
<b>Non-controlling interests</b>		<b>1,288</b>	<b>1,248</b>	<b>1,272</b>
<b>Total equity</b>		<b>(6,658)</b>	<b>(5,204)</b>	<b>12,445</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>161,348</b>	<b>151,909</b>	<b>161,129</b>

**MILKILAND N.V.**  
**Condensed consolidated interim statement of comprehensive income**  
**For the three months ended 31 March 2019**  
(All amounts in euro thousands unless otherwise stated)

	Notes	2019 (unaudited)	2018 (unaudited)
Revenue	0	29,514	30,087
Change in fair value of biological assets		(1)	2
Cost of sales	18	(25,886)	(24,814)
<b>Gross Profit</b>		<b>3,627</b>	<b>5,275</b>
Selling and distribution expenses	19	(2,661)	(2,298)
Administrative expenses	0	(2,654)	(2,645)
Other income/(expenses), net	21	(101)	(406)
<b>Operating profit/(loss)</b>		<b>(1,789)</b>	<b>(74)</b>
Finance income	22	133	4,615
Finance expenses	23	(2,226)	(1,905)
<b>Profit/(loss) before income tax</b>		<b>(3,882)</b>	<b>2,636</b>
Income tax	24	183	(257)
<b>Net profit/(loss) for the year</b>		<b>(3,699)</b>	<b>2,379</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translating to presentation currency		2,245	(2,856)
<b>Total comprehensive income/(loss)</b>		<b>(1,454)</b>	<b>(477)</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		(3,691)	2,370
Non-controlling interests		(8)	9
		<b>(3,699)</b>	<b>2,379</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		(1,494)	(519)
Non-controlling interests		40	42
		<b>(1,454)</b>	<b>(477)</b>
<b>Earnings per share (EURO cent)</b>		<b>(11.81)</b>	<b>7.58</b>



**MILKILAND N.V.****Condensed consolidated interim statement of cash flows****For the three months ended 31 March 2019**

(All amounts in euro thousands unless otherwise stated)

	Note	2019 (unaudited)	2018 (unaudited)
<b>Cash flows from operating activities:</b>			
Gain/(Loss) before income tax		(3,882)	2,636
<b>Adjustments for:</b>			
Depreciation and amortization	21	2,217	2,160
(Gain)/Loss from disposal and write off of inventories	21	(100)	257
Change in provision and write off of trade and other accounts receivable	21	(214)	(205)
Change in provision and write off of unrealised VAT	21	49	44
(Gain)/loss from write off, revaluation and disposal of non-current assets	21	(283)	(431)
Change in fair value of biological assets		1	(2)
Operational foreign exchange results, net	21	(69)	(77)
Finance income	22	(133)	(4,615)
Finance expenses	23	2,226	1,905
Write off of accounts payable	21	(31)	-
<b>Operating cash flow before movements in working capital</b>		<b>(219)</b>	<b>1,672</b>
(Increase)/ Decrease in trade and other accounts receivable		(3,184)	2,822
Decrease/(Increase) in inventories		734	(1,653)
(Increase)/ Decrease in biological assets		(520)	(160)
Increase/ (Decrease) Increase in trade and other payables		5,784	(1,769)
Decrease/(Increase) in other taxes receivable		(898)	(12)
Increase/ (Decrease) in other taxes payable		2,137	(272)
<b>Net cash provided by/(used in) operations:</b>		<b>3,834</b>	<b>628</b>
Income taxes paid		(91)	(288)
Interest received		10	-
Interest paid		(90)	(163)
<b>Net cash provided by/(used in) operating activities</b>		<b>3,663</b>	<b>177</b>
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment		(535)	(196)
Proceeds from sale of property, plant and equipment	11	5	15
Acquisition of subsidiaries, net of cash acquired		-	6
<b>Net cash used in investing activities</b>		<b>(530)</b>	<b>(175)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	0	-	96
Repayment of borrowings	0	(589)	(434)
Commission paid and fair value adjustment		-	-
<b>Net cash (used in)/provided by financing activities</b>		<b>(589)</b>	<b>(338)</b>
<b>Net increase in cash and equivalents</b>		<b>2,544</b>	<b>(336)</b>
<b>Cash and equivalents, beginning of the period</b>	<b>6</b>	<b>334</b>	<b>1,416</b>
Effect of foreign exchange rates on cash and cash equivalents		76	(10)
<b>Cash and equivalents, end of the period</b>	<b>6</b>	<b>2,954</b>	<b>1,070</b>

**MILKILAND N.V.****Condensed consolidated interim statement of changes in equity****For the three months ended 31 March 2019**

(All amounts in euro thousands unless otherwise stated)

	Attributable to equity holders of the company							
	Share capital (unaudited)	Share premium (unaudited)	Foreign currency translation reserve (unaudited)	Revaluation reserve (unaudited)	Retained earnings (unaudited)	Total stockholders' equity (unaudited)	Non-controlling interests (unaudited)	Total equity (unaudited)
<b>Balance at 1 January 2018</b>	<b>3,125</b>	<b>48,687</b>	<b>(38,042)</b>	<b>79,403</b>	<b>(81,481)</b>	<b>11,692</b>	<b>1,230</b>	<b>12,922</b>
Profit/Loss for the period	-	-	-	-	2,370	2,370	9	2,379
Other comprehensive gain/(loss), net of tax effect	-	-	(2,863)	(26)	-	(2,889)	33	(2,856)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(2,863)</b>	<b>(26)</b>	<b>2,370</b>	<b>(519)</b>	<b>42</b>	<b>(477)</b>
Realised revaluation reserve, net of income tax	-	-	-	(1,557)	1,557	-	-	-
<b>Balance at 31 March 2018</b>	<b>3,125</b>	<b>48,687</b>	<b>(40,905)</b>	<b>77,820</b>	<b>(77,554)</b>	<b>11,173</b>	<b>1,272</b>	<b>12,445</b>
<b>Balance at 1 January 2019</b>	<b>3,125</b>	<b>48,687</b>	<b>(36,126)</b>	<b>75,220</b>	<b>(97,358)</b>	<b>(6,452)</b>	<b>1,248</b>	<b>(5,204)</b>
Profit/Loss for the period	-	-	-	-	(3,691)	(3,691)	(8)	(3,699)
Other comprehensive gain/(loss), net of tax effect	-	-	2,860	(650)	(13)	2,197	48	2,245
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>2,860</b>	<b>(650)</b>	<b>(3,704)</b>	<b>(1,494)</b>	<b>40</b>	<b>(1,454)</b>
Realised revaluation reserve, net of income tax	-	-	-	(1,998)	1,998	-	-	-
<b>Balance at 31 March 2019</b>	<b>3,125</b>	<b>48,687</b>	<b>(33,266)</b>	<b>72,572</b>	<b>(99,064)</b>	<b>(7,946)</b>	<b>1,288</b>	<b>(6,658)</b>

## **1 The Group and its operations**

These condensed consolidated interim financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union for the three months ended 31 March 2019 for Milkiland N.V. (the “Company”) and its subsidiaries (together referred to as the “Group” or “Milkiland”).

The financial statements were approved by the Board of Directors on 15 May 2019.

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

As at 31 March 2019 the Company is controlled by 1, Inc. Cooperatief (holding 73.52% of shares). The Company is ultimately controlled by Anatoliy Yurkevych and Olga Yurkevych. Commencing from 6 December 2010, the Company became listed on the Warsaw Stock Exchange having placed 20% of newly issued and 2.4% of existing shares to investors.

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

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

As at 31 March 2019, the Group employed 3,151 people.

**MILKILAND N.V.****Condensed consolidated interim statement of comprehensive income****For the three months ended 31 March 2019**

(All amounts in euro thousands unless otherwise stated)

**1 The Group and its operations (continued)**

Subsidiaries of the Company are presented below:

Name	Country of incorporation	Principal activity	Effective share of ownership		
			31 March 2019	31 December 2018	31 March 2018
MLK Finance Limited	Cyprus	Trade	100.0%	100.0%	100.0%
Milkiland Intermarket (CY)	Cyprus	Trade	100.0%	100.0%	100.0%
LLC Milkiland-Kazakhstan	Kazakhstan	Trade	100.0%	100.0%	100.0%
Milkiland EU sp. z.o.o.	Poland	Managing/Trade	100.0%	100.0%	100.0%
Ostrowia sp. z.o.o	Poland	Production entity	100.0%	100.0%	100.0%
UA TRADE Sp. z o.o.	Poland	Trade	100.0%	100.0%	100.0%
JSC Ostankino Dairy	Russia	Production entity	100.0%	100.0%	100.0%
LLC Ostankino Dairy	Russia	Production entity	100.0%	100.0%	100.0%
LLC Milkiland RU	Russia	Managing/Trade	100.0%	100.0%	100.0%
LLC Moloko-Kursk	Russia	Production entity	100.0%	100.0%	100.0%
LLC Novomoskovsk Dairy	Russia	Production entity	100.0%	100.0%	100.0%
DE Aromat	Ukraine	Production entity	100.0%	100.0%	100.0%
PE Prometey	Ukraine	Production entity	100.0%	100.0%	100.0%
PE Ros	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Malka-trans	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Mirgorodsky Cheese	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Kyiv Milk Plant #1	Ukraine	Trade	100.0%	100.0%	100.0%
JSC Chernigiv Milk Plant	Ukraine	Production entity	76.0%	76.0%	76.0%
PrJSC Gorodnia Milk Plant	Ukraine	Production entity	95.2%	95.2%	95.2%
LLC Agrosvit	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Milkiland Ukraine	Ukraine	Managing	100.0%	100.0%	100.0%
DE Borznyanskiy Milk Plant	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Moloko-Kraina	Ukraine	Production	100.0%	100.0%	100.0%
LLC Torgovyi dim Milkiland	Ukraine	Trade	100.0%	100.0%	100.0%
LLC Ukrainian Milk House	Ukraine	Trade	100.0%	100.0%	100.0%
LLC Milkiland Intermarket	Ukraine	Trade	100.0%	100.0%	100.0%
LLC Milkiland N.V	Ukraine	Managing	100.0%	100.0%	100.0%
PrJSC Transportnyk	Ukraine	Service provider	70.3%	70.3%	70.3%
LLC Milkiland Agro	Ukraine	Agricultural	100.0%	100.0%	100.0%
DE Agrolight	Ukraine	Production entity	100.0%	100.0%	100.0%
DE Krasnosilsky Milk	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Bahmachregionpostach	Ukraine	Grain elevator	100.0%	100.0%	100.0%
ALLC Nadiya	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Uspih-Mena-Plus	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Agro-Mena	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Lendinvest 3000	Ukraine	Investment	100.0%	100.0%	100.0%
LLC Agrolendinvest	Ukraine	Investment	100.0%	100.0%	100.0%
LLC Phobostrade	Ukraine	Investment	100.0%	100.0%	100.0%
LLC Kilchensky Berig	Ukraine	Investment	100.0%	100.0%	100.0%
PrJSC Iskra Plus	Ukraine	Agricultural	98.1%	98.1%	98.1%
LLC Kholod Property	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Syrnyy Mayster	Ukraine	Production entity	100.0%	100.0%	100.0%
Milkiland Corporation	Panama	Trade	100.0%	100.0%	100.0%
Newholm Systems S.A.	Panama	Trade	100.0%	100.0%	100.0%
Agointer Corporation	Panama	Trade	100.0%	100.0%	100.0%
LLC Cross Value	Marshall Isl.	Trade	100.0%	100.0%	100.0%
Dominic Supreme LP	Scotland	Trade	100.0%	100.0%	100.0%

## **2 Summary of significant accounting policies**

**Basis of preparation and statement of compliance.** This condensed consolidated interim financial information for the three months ended 31 March 2019 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS.

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2018.

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

### **Adoption of new or revised standards and interpretations.**

On the whole, the accounting policies adopted are consistent with those of the previous financial year. Certain new IFRSs and Interpretations became effective from 1 January 2019. Listed below are those new or amended standards or interpretations which could be relevant to the Company:

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

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

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

The management of the company expects the amount of payments under leasing contracts at the level of about EUR 361 thousands at the year ended 31 December 2019.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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instruments with discretionary participation conditions. There are several exceptions from the scope of application.

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

#### *IFRIC 23 Uncertainty over Income Tax Treatments*

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

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

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

- the most likely amount, or
- the expected value.

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

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

#### *Amendments to IFRS 3 Business Combinations*

The amendments clarify the key definition of business.

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

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

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

#### *Amendments to IFRS 9 - Prepayment Features with Negative Compensation*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**2 Summary of significant accounting policies (continued)**

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

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

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

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

	USD	UAH	RUB	PLN
As at 31 March 2019	1.1235	30.6140	72.7230	4.3013
Average for three months ended 31 March 2019	1.1356	31.0118	75.1715	4.3032
As at 31 December 2018	1.1450	31.7031	79.4605	4.3000
As at 31 March 2018	1.2321	32.7042	70.5618	4.2085
Average for three months ended 31 March 2018	1.2293	33.5802	69.8727	4.1811

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### **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 0.

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

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

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

Management believes that the raw milk prices in Russia are affected by seasonality to a lesser extent than in Ukraine due to the differences in structure of raw milk supplies. The Group sources approximately 5% of its raw milk requirements in Ukraine from individual household producers, while in Russia the Group sources its raw milk primarily from the farms, which are less susceptible to seasonal variations. However, due to Russia being a net importer of dairy products, prices for such products in Russia are more dependent on the world prices for dry milk, which are also subject to cyclical and seasonal variations.

To supplement its supplies of raw milk from internal sources, the Group operates its own dairy farms to produce raw milk. During the three months ended 31 March 2019 the in-house milk production covered c.18% of milk intake in Ukraine.

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**4 Segment information**

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

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

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

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

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

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

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

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

	2019				2018			
	Russia	Ukraine	Poland	Total	Russia	Ukraine	Poland	Total
Total segment revenue	16,920	10,608	1,992	29,520	20,192	7,472	2,477	30,141
Inter-segment revenue	-	-	(6)	(6)	-	-	(54)	(54)
Revenue from external customers	16,920	10,608	1,986	29,514	20,192	7,472	2,423	30,087
<b>EBITDA</b>	<b>1</b>	<b>185</b>	<b>(408)</b>	<b>(222)</b>	<b>1,742</b>	<b>78</b>	<b>(242)</b>	<b>1,578</b>
EBITDA margin	0%	2%	(21%)	(1%)	9%	1%	(10%)	5%
Depreciation and amortisation	327	1,449	441	2,217	445	1,254	461	2,160

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**4 Segment information (continued)**

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

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

	2019				2018			
	Cheese & butter	Whole-milk products	Ingredients	Total	Cheese & butter	Whole-milk products	Ingredients	Total
Total segment revenue	10,311	15,084	4,125	29,520	8,218	18,193	3,730	30,141
Inter-segment revenue	-	-	(6)	(6)	-	-	(54)	(54)
Revenue from external customers	10,311	15,084	4,119	29,514	8,218	18,193	3,676	30,087
<b>EBITDA</b>	<b>95</b>	<b>(20)</b>	<b>(297)</b>	<b>(222)</b>	<b>441</b>	<b>1,334</b>	<b>(197)</b>	<b>1,578</b>
EBITDA margin	1%	0%	(7%)	(1%)	5%	7%	(5%)	5%
Depreciation and amortisation	1,134	640	443	2,217	885	790	485	2,160

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

	2019	2018
<b>EBITDA</b>	<b>(222)</b>	<b>1,578</b>
Other segments EBITDA	354	77
<b>Total segments</b>	<b>132</b>	<b>1,655</b>
Depreciation and amortisation	(2,217)	(2,160)
Loss from disposal and impairment of non-current assets	296	(431)
Finance expenses	(2,226)	(1,905)
Finance income	133	4,615
<b>Profit/(loss) before tax</b>	<b>(3,882)</b>	<b>2,636</b>

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**5 Balances and transactions with related parties**

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

The outstanding balances due from related parties were as follows:

	31 March 2019	31 December 2018	31 March 2018
<i>Entities under common control:</i>			
Trade accounts receivables	51	50	9
Other financial assets	258	249	780
Other accounts receivables	1,477	1,427	62
<b>Total trade and other receivables</b>	<b>1,786</b>	<b>1,726</b>	<b>851</b>
Trade payables	1	-	-
Other accounts payable	401	569	800
<b>Total trade and other payables</b>	<b>402</b>	<b>569</b>	<b>800</b>

**Key management compensation**

Key management includes members of the Board of directors. The short-term employee benefits for the three months ended 31 March 2019 paid or payable to key management for employee services is EUR 43 thousand (2018: EUR 53 thousand).

**6 Cash and cash equivalents**

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

	31 March 2019	31 December 2018	31 March 2018
Short term deposits	-	-	-
Cash in bank and cash on hand	2,954	334	1,070
<b>Total cash and cash equivalents</b>	<b>2,954</b>	<b>334</b>	<b>1,070</b>

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**7 Trade and other receivables**

	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2018</b>
Trade accounts receivable	12,805	10,325	8,957
Other financial assets	11,112	10,512	9,811
Allowance for doubtful debts	(10,662)	(10,300)	(9,168)
<b><i>Total financial assets within trade and other receivables</i></b>	<b>13,255</b>	<b>10,537</b>	<b>9,600</b>
Advances issued	2,319	2,040	3,340
Other receivables	7,586	7,464	7,895
Allowance for doubtful debts	(804)	(869)	(596)
<b>Total trade and other accounts receivable</b>	<b>22,356</b>	<b>19,172</b>	<b>20,271</b>

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**

	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2018</b>
Raw and other materials	4,481	4,744	4,727
Finished goods and work in progress	4,678	4,919	5,152
Agriculture produce	185	415	201
<b>Total inventories</b>	<b>9,344</b>	<b>10,078</b>	<b>10,080</b>

**9 Other taxes receivable**

	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2018</b>
VAT recoverable	8,430	5,932	4,834
Payroll related taxes	81	80	94
Other prepaid taxes	123	105	188
<b>Total other taxes receivable</b>	<b>8,634</b>	<b>6,117</b>	<b>5,116</b>

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**10 Goodwill**

	<u>2019</u>	<u>2018</u>
Balance at 1 January	1,300	1,474
Foreign currency translation	119	-
<b>Balance at 31 March</b>	<b><u>1,419</u></b>	<b><u>1,474</u></b>

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

**11 Property, plant and equipment and intangible assets**

During three months ended 31 March 2019 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 535 thousand (2018: EUR 196 thousand), which comprised mainly modernisation of milk processing capacities.

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**12 Biological assets**

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

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

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

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

As at 31 March 2019 and 2018 biological assets comprise the following groups:

	31 March 2019		31 March 2018	
	Units	Amount	Units	Amount
<b>Current biological assets of animal breeding</b>				
Cattle	2,832	1,636	2,666	1,192
Other livestock	-	1	-	1
<b>Total biological assets of animal breeding</b>	<b>2,832</b>	<b>1,637</b>	<b>2,666</b>	<b>1,193</b>
<b>Current biological assets of plant growing</b>				
Other	-	226	-	208
<b>Total biological assets of plant growing</b>	<b>-</b>	<b>226</b>	<b>-</b>	<b>208</b>
<b>Total current biological assets</b>	<b>-</b>	<b>1,863</b>	<b>-</b>	<b>1,401</b>
<b>Non-current biological assets</b>				
Cattle	1,870	2,011	1,748	1,388
Other livestock	-	-	-	-
<b>Total non-current biological assets</b>	<b>1,870</b>	<b>2,011</b>	<b>1,748</b>	<b>1,388</b>



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**13 Trade and other payables**

	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2018</b>
Trade payables	19,674	17,129	15,993
Accounts payable for fixed assets	83	42	2
Interest payable	22,070	20,301	15,143
Other financial payables	213	-	-
<b>Total financial liabilities within trade and other payable</b>	<b>42,040</b>	<b>37,472</b>	<b>31,138</b>
Wages and salaries payable	1,981	1,824	1,710
Advances received	4,443	3,858	2,112
Other accounts payable	10,236	9,865	7,907
Accruals for employees' unused vacations	1,305	952	1,115
<b>Total trade and other payables</b>	<b>60,005</b>	<b>53,971</b>	<b>43,982</b>

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**

	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2018</b>
VAT payable	2,083	130	633
Payroll related taxes	3,191	3,414	3,013
Other taxes payable	2,303	1,527	1,384
<b>Total other taxes payable</b>	<b>7,577</b>	<b>5,071</b>	<b>5,030</b>

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**15 Loans and borrowings**

	31 March 2019	31 December 2018	31 March 2018
<b>Current</b>			
Interest bearing loans due to banks	83,597	81,843	72,562
Loans from non-financial institutions	-	-	1
Bank overdrafts	12	12	10
Finance leases	1,511	1,570	1,721
<b>Total current borrowings</b>	<b>85,120</b>	<b>83,425</b>	<b>74,294</b>
<b>Non-current</b>			
Interest bearing loans due to banks	3,006	2,497	10,354
Finance leases	21	33	80
<b>Total non-current borrowings</b>	<b>3,027</b>	<b>2,530</b>	<b>10,434</b>
<b>Total borrowings</b>	<b>88,147</b>	<b>85,955</b>	<b>84,728</b>

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

	2019	2018
<b>Balance at 1 January</b>	<b>85,955</b>	<b>86,556</b>
Obtained new loans and borrowings	-	96
Repaid loans and borrowings	(589)	(434)
Discounting of borrowings	46	233
Foreign exchange (gain)/loss	2,735	(1,723)
<b>Balance at 31 March</b>	<b>88,147</b>	<b>84,728</b>

As at 31 March 2019 the Group has not met requirement in respect of Borrowings to EBITDA ratio and EBITDA to interest expenses ratio.

**16 Share capital**

Share capital as at 31 March 2019 and 2018 is as follows:

	2019		2018	
	Number of shares	EUR 000	Number of shares	EUR 000
<b>Authorised</b>				
Ordinary shares of 10c each	50,000,000	5,000	50,000,000	5,000
<b>Issued and fully paid up</b>				
<i>Ordinary shares of 10c each</i>				
At 1 January	31,250,000	3,125	31,250,000	3,125
<b>At 31 March</b>	<b>31,250,000</b>	<b>3,125</b>	<b>31,250,000</b>	<b>3,125</b>

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**17 Revenue**

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

	<u>2019</u>	<u>2018</u>
Cheese & Butter	10,311	8,218
Whole-milk products	15,084	18,193
Ingredients	4,119	3,676
<b>Total revenue</b>	<u>29,514</u>	<u>30,087</u>

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

	<u>2019</u>	<u>2018</u>
Russia	16,920	20,122
Ukraine	10,470	6,884
Poland	1,990	2,264
Other	134	817
<b>Total revenue</b>	<u>29,514</u>	<u>30,087</u>

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<b>18 Cost of sales</b>	<b>2019</b>	<b>2018</b>
Raw and other materials	16,196	19,119
Wages and salaries	2,227	1,476
Changes in finished goods and work in progress	2,139	(487)
Depreciation	1,715	1,697
Gas	860	908
Electricity	857	712
Transportation costs	635	572
Social insurance contributions	377	298
Repairs of property, plant and equipment	182	164
Water	48	30
Other	650	325
<b>Total cost of sales</b>	<b>25,886</b>	<b>24,814</b>

**19 Selling and distribution expenses**

	<b>2019</b>	<b>2018</b>
Transportation costs	1,235	793
Wages and salaries	721	723
Social insurance contributions	168	138
Rental costs	96	33
Security and other services	90	61
Marketing and advertising	57	274
Depreciation and amortisation	41	54
Licence fees	4	5
Other	249	217
<b>Total selling expenses</b>	<b>2,661</b>	<b>2,298</b>

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**20 Administrative expenses**

	<u>2019</u>	<u>2018</u>
Wages and salaries	1,274	1,261
Taxes and other charges	376	290
Social insurance contributions	244	214
Depreciation and amortisation	175	122
Representative charges	112	15
Security and other services	108	104
Rental costs	87	75
Transportation costs	78	80
Other utilities	58	38
Repairs and maintenance	48	49
Bank charges	46	27
Communication	29	28
Property insurance	6	5
Office supplies	6	5
Consulting fees	-	203
Other	7	129
<b>Total administrative expenses</b>	<u><b>2,654</b></u>	<u><b>2,645</b></u>

**21 Other income/(expenses), net**

	<u>2019</u>	<u>2018</u>
Gain/(loss) from disposal of non-current assets	697	431
Change in provision and write off of trade and other accounts receivable	214	205
Gain/(loss) from disposal and write off of inventories	100	(257)
Operational foreign exchange results, net	69	77
Gain from write off of accounts payable	31	-
Rental income	23	119
Change in provision and write off of VAT receivable	(49)	(44)
Penalties	(107)	(151)
Depreciation and amortisation	(285)	(288)
Loss from revaluation of non-current assets	(414)	-
Other income/(expenses), net	(380)	(498)
<b>Total other (expenses)/income, net</b>	<u><b>(101)</b></u>	<u><b>(406)</b></u>

**22 Finance income**

	<u>2019</u>	<u>2018</u>
Finance foreign exchange gain	78	4,574
Bank deposits	-	6
Other fin income	55	35
<b>Total finance income</b>	<u><b>133</b></u>	<u><b>4,615</b></u>

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**23 Finance expenses**

	<u>2019</u>	<u>2018</u>
Bank borrowings	1,548	1,514
Finance foreign exchange loss	415	123
Other borrowings	213	27
Discounting of loans	46	233
Finance leases	5	8
Other finance expense	-	-
<b>Total finance expenses</b>	<u><b>2,226</b></u>	<u><b>1,905</b></u>

**24 Income tax**

	<u>2019</u>	<u>2018</u>
Current income tax expense	(12)	(438)
Deferred income tax benefit	195	181
<b>Total income tax expense</b>	<u><b>183</b></u>	<u><b>(257)</b></u>

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

**25 Contingent and deferred liabilities**

***Litigation***

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

***Taxation***

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

### ***Insurance policies***

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

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

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

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

## **26 Capital management policy**

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

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

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

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

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

## **27 Subsequent events**

### ***Restructuring of the Group's indebtedness***

In March 2019 Milkiland has published the official information regarding the assignment of the indebtedness in the sum of USD 29.29 million under Facility Agreement to a New Lender, namely Swestal Holding Ltd.

The New Lender also undertakes the Existing Lender Commitment comprising as of the date of Assignment agreement USD 29,290,000 of principal under tranche A and all of the Existing Lenders rights, interest and liabilities under the Facility agreement and the related Finance Documents under this agreement. This amount corresponds to the half of the total sum of the Company's principle indebtedness under the Facility Agreement.

The Group's management plans to continue the negotiations on the restructuring of the indebtedness with the New Lender and hopes to achieve the progress on this issue in the near future. According to the Assignment agreement, the Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Facility Agreement.