Interim Statement

Results of the nine months of 2020

Milkiland Public Company Limited hereby publishes the Group's results of the nine months of 2020:

Macroeconomic environment

- Macroeconomic environment in 9M 2020 in a global level, as well as in the key countries of Milkiland's operations, was hit by the COVID-19 outbreak and the economic implications of the pandemy triggered by the social limitations imposed by the respective Government authorities.
- According to Federal Statistics Service (Rosstat), the GDP of Russia in Q2 2020 declined by 8% on y-o-y basis, mainly provoked by relatively strict quarantine measures implemented by the Russian Government since spring of the current year.
- The declining trend of the national economy pushed the dynamics of real dispodal income of the Russian population to the negative territory. In the reporting period it contracted by 4.3% on y-o-y basis.
- Contrary to this trend, Russia's CPI in 9M 2020 stood at relatively low 3.0% in comparison with the same period of 2019.
- On the back of the same global crisis, the real GDP of Ukraine decreased by 11.8% in Q2 2020 in comparison with the same period of 2019.
- Ukraine's consumer prices in 9 months 2020 grew by low 1.2% in comparison with December 2019, while the real dispodal income of Ukrainians decreased in this period by 7.3% on y-o-y basis reflecting the slowdown of the national economy.
- As the result of the above mentioned trends, in 9 months 2020 both Russian and Ukrainian dairy producers faced the stagnating customer demand in their countries.
- The key operational currencies of the Group, namely Russian rouble and Ukrainian hryvnya, in 9M 2020 followed the trend of the depreciation against EUR, the Group's reporting currency. In particular, UAH as the reporting date of 30 September 2020 devalued against EUR by c. 24.5%, RUR – by c. 34.2% in comparison with the beginning of the year 2020.

Operational environment and results

- The main factor implicated the business of Milkiland in the reporting period was the forced contraction of the production operations in Russia. The new owner of the majority of the assets of JSC Ostankino Dairy Combine, which acquired them within the bankryptsy procedure, practically prevented its usage by the Group. The control over LLC "Kursk milk", Milkiland's another production subsidiary in Russia, was lost by the Group on Macrh 6, 2020, when the Arbitrage Court of the Kursk oblast of Russia adopted the decision of the insolvency of this company and impelemented the arbitrage management procedure of its business.
- Thus, in 9M 2020 Milkiland's sales in Russian market declined dramatically and stood at c. 27% in volume terms and 36% on value terms of their levels in the same period of 2019.
- The contraction of the operations of the Russian segment of the Group's business was the main reason behind the decrease of the overall sales of the Group by c 60% in volume terms and c. 48% in value terms in the reporting period on y-o-y basis.

- In order partly to offset this unfavourable trend and support the continuity of its business in Russia, Milkiland implemented a model of placing an orders for production of dairy under the Group's TM's well-known in the local market at the third-parties dairy producers facilities. The technology of the production, as well as the quality of the dairy produce, are controlled by Milkiland's specialists on a contemporary basis.
- As the result of the above mentioned factors, the revenues of the Russian segment of Milkiland's business in 9M 2020 declined by 3 times to c. EUR 18 million in comparison with c. EUR 54.8 million in the respective period of 2019.
- The prices for raw milk in Ukraine and Russia in 9 months 2020 were by c. 7.8% and by c. 5.0% higher on average on y-o-y basis, respectively, thus supporting a pressure at the Group's costs. Those unfavourable trends were partly offset by the depreciation of UAH and RUR against EUR in the reporting period.
- In 9M 2020 Milkiland Ukraine focused on the development of sales of high value-added products, including innovative lactose-free cheese and whole milk products under "Latter" brand. The Group tried to transfer the higher input costs to the prices of the finished goods in line with the general market trends in the country, sometimes facing the opposition from the key accounts clients. As the result, this subsidiary of Milkiland managed almost to preserve its sales both in volume and value terms (at 90% and 101% on y-o-y basis. Its EBITDA stood at positive c. EUR 1.6 million in comparison with c. EUR 0.8 million in 9M 2019, while the EBITDA margin was c. 6% vs c. 2% in the respective period of 2019.
- In Poland the Group has been continueing the collaboration with the external partner, namely CREMA VITA Sp. z.o.o., based at the Investment agreement. As the minority shareholder of Ostrowia Sp. z.o.o. (with the 20% stake), Milkiland in 9M 2020 penciled at the BS the investments in assotiates in the amount of c. EUR 11.9 million and consolidated the respective part of the financial result of this company in the amount of EUR 0.14 million.
- In the reporting period Milkiland put additional efforts aimed at the entering to new and development of the sales at the existing export markets. In line with these efforts, Milkiland Intermarket continued the sales of the Group's dry milk products, namely, dry whey in China and Kosher goods sales in Israel. At the same time, growing input costs due to the higher domestic raw milk prices in Ukraine, which was not fully offset by the devaluation of the Ukranian currency against EUR and USD, as well as lower sales in the traditional markets of Central Asia conuntries, led to general decline of export sales.

Group's Sales in 9M 2020 by geographical segments

Ukraine was the largest geographical segment for Milkiland's business in 9M 2020, providing for c. 59% of the Group's revenue (significant growth by 19pp compared to 9M 2019). The segment's revenue was down by c. 33%% y-o-y and stood at c. EUR 26 million, mainly due to decline in selling volumes of the Ukrainian subsidiaries of the Group and lower export volumes.

Russia contributed c. 41% to the Group's revenue in 9M 2020 vs c. 57% in the respective period of the last year. Segment's revenue decreased dramatically by 3 times to c. EUR 18 million, mainly on the back of drop of the selling volumes of Russian subsidiaries of the Group.

Poland stopped to make a contribution to the Group's sales in 9M 2020 due to the change in the nature of Milkilad's operations in this country.

Group's Sales in 9M 2020 by the business segments

Whole-milk dairy was the largest segment in terms of revenue providing for c. 39% of revenue (by 9pp lower on y-o-y basis) and being the negative EBITDA-generating segment in 9M 2020. The segment's revenue declined by 2.7 times 9M 2020 to c. EUR 17 million on a back of lower sales volumes in Russia and Ukraine partly offset by the main operational currencies appreciation against EUR. The EBITDA of the segment dropped from EUR 0.13 million to negative EUR 1.7 million, also depressed by increased input costs in Russia.

Cheese & butter segment contributed c. 32% to the Group's total revenue in 9M 2020 (c.31% in 9M 2019). Segment's revenue decreased by c. 53% to c. EUR 14 million thanks to lower sales volumes in all of the Group's country divisions. Segment's EBITDA stood at positive c. EUR 1.3 million, which is almost twice higher than in the respective period of 2019, implying 9M 2020 segment's EBITDA margin of c. 9% (up 7 pp y-o-y).

In *Ingredients segment*, revenue decreased by c.37% y-o-y to c. EUR 13 million mostly fueled lower export sales volumes of Ukrainian made dry milk products. It contributed c. 29% to the Group's total revenue versus 21% in 9M 2019. At the same time, the segment's EBITDA turned in positive c. EUR 0.15 million versus negative EUR 0.5 million in the same period of the last year.

Financial results

- Milkiland's revenue in 9M 2020 declined by 2.2 times to c. EUR 44 million, as a result of the noticiable drop of the Russian segment of the Groups business.
- Cost of sales was also more than two times lower in the reporting period on y-o-y basis. That was resulted by the significant contration of the operations in Russia and lower production volumes in Ukraine, partly offset by the the devaluation of Russian rouble and Ukranian hryvnya against EUR (by 8.9% and 0.7% y-o-y). The Gross profit of the Group's declined by c.52% to c. EUR 6.3 million. The Gross margin of Milkiland then increased by 1.8 pp. to 15% vs 13.2% in 9M 2019.
- Significant contraction of the operating loss of Milkiland by 2 times from c. EUR 18.9 million to c, EUR 9.5 million caused by the lower selling and distribution expenses due to the contraction of the Group's operations, as well as lower losses from sales of the investment property of the Group at the price lower that the book value of the assets sold (c. EUR 5.0 miilion vs c. EUR 12.4 million in 9M 2019).
- In the nine months of 2020, financial expense related to bank borrowings was penciled thanks to currency translation effects. The depreciation of Ukrainian hryvnia and Russian rouble against EUR and US dollar resulted in a non-cash foreign exchange loss in the amount of c. EUR 15.4 million (compared to c. EUR 4.5 million in 9M 2019). As the result of this factor, the Group recognized loss before tax of c. EUR 29 million compared to loss of c. EUR 11.4 million in 9M 2019.
- Net loss for the nine months of 2020 accounted for EUR c. 29 million versus to net loss of EUR 11.4 million in 9M 2019.
- The total equity of the Group due to loss-making operations in the last several reporting periods as of 30 September 2020 stood at negative c. EUR 21.9 million in comparison with negative c. EUR 19.8 million as of the same date of 2019.
- The debt portfolio of the Group as of 30 September 2020 amounted c. EUR 69.7 million, down from c. EUR 77.2 million as end-2019 and c. EUR 82.1 million as of the same date of 2019, mainly thanks to the foreign exchange loss penciled at the Group's BS.

Material events

- On April 22, 2020, the Board of Directors of Milkiland N.V. adopted a resolution and the plan of cross-border migration and transfer of the Company's seat from the Netherlands to Cyprus. On 26 June 2020 the General Shareholders Meeting of Milkiland N.V. approved a resolutions, including of cross-border migration and transfer of the Milkiland N.V.'s seat from the Netherlands to the Republic of Cyprus; as well as the change of Company's name from Milikalnd N.V. to Milkiland Public Company Limited.
- In line with the implementation of these decision, on 23 September 2020 Milkiland Public Company Limited was registered in the Registar of Companies of the Republic of Cyprus. On 12 October 2020 Business Registar of the Netherlands Chamber of Commerce included a record on relocation on the registered office of Milkiland N.V. to Cyprus as of 23

September 2020, where the entity was filed under the non-resident number 413091 in the name of Milkiland Public Company Limited, having its registered office in Nicosia.

REPRESENTATION

of the Board of Directors

of Milkiland Public Company Limited

on compliance of the condensed consolidated interim financial statements

The Board of Directors of Milkiland Public Company Limited hereby represent that to the best of their knowledge the condensed consolidated interim financial statements of Milkiland Public Company Limited for the period ended 30 September 2020 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 Public Company Limited, and that the interim statement for the nine months ended 30 September 2020 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 Public Company Limited

Nicosia, 12 November 2020

A. Yurkevych O. Yurkevich O. Rozhko

V. Rekov W.S. van Walt Meijer

Milkiland Public Company Limited

Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 2020

Contents

Condensed Consolidated Interim Financial Statements

Milkiland Public Company Limited

Condensed consolidated interim statement of financial position for the nine months ended 30 September 2020. (All amounts in euro thousands unless otherwise stated)

	Notes	30 September 2020 (unaudited)	31 December 2019 (unaudited)	30 September 2019 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	6	1,059	2,355	3,064
Trade and other receivables	7	49 ,615	53,990	42,861
Inventories	8	8,470	11,696	10,858
Current biological assets	12	3,536	2,601	2,284
Current income tax assets		44	166	221
Other taxes receivable	9	4,141	6,900	8,019
		66,865	77,708	**67,307**
Non-Current Assets				
Goodwill	10	1,114	1,550	1,528
Property, plant and equipment		54,970	81,715	83,779
Investment property		11,130	13,740	14,932
Non-current biological assets	12	1,440	1,526	2,271
Other intangible assets		608	1,569	1,433
Deferred income tax assets		-	-	(214)
Investments in associates		11,941		-
		81,203	**100,100**	**103,729**
TOTAL ASSETS		**148,068**	**177,808**	**171,036**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	84,294	98,584	85,984
Current income tax liabilities		477	229	284
Other taxes payable	14	4,313	8,787	7,389
Short-term loans and borrowings		69,655	77,208	82,092
		158,739	**184,808**	**175,749**
Non-Current Liabilities				
Loans and borrowings	15	1,309	1 857	2,198
Deferred income tax liabilities		7,812	11 033	12,002
Other non-current liabilities		2,089	2,619	865
		11,210	**15,509**	**15,065**
Total liabilities		**169,949**	**200,317**	**190,394**
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		72,154	70,278	67,779
Currency translation reserve		(38,394)	(45,705)	(40,653)
Retained earnings		(108,494)	(100,263)	(100,147)
		(22,922)	**(23,878)**	**(21,209)**
Non-controlling interests		**1,041**	**1,369**	**1,431**
Total equity		**(21,881)**	**(22,509)**	**(19,778)**
TOTAL LIABILITIES AND EQUITY		**148,068**	**177,808**	**171,036**

Milkiland Public Company Limited
Condensed consolidated interim statement of comprehensive income
For the nine months ended 30 September 2020
(All amounts in euro thousands unless otherwise stated)

	Notes	2020 (unaudited)	2019 (unaudited)
Revenue	17	43,976	96,567
Change in fair value of biological assets		(1)	1
Cost of sales	18	(37,650)	(83,497)
Gross Profit		**6,325**	**13,071**
Selling and distribution expenses	19	(2,916)	(7,832)
Administrative expenses	20	(5,993)	(9,587)
Other income/(expenses), net	21	(6,877)	(14,544)
Operating profit/(loss)		**(9,461)**	**(18,892)**
Finance income	22	563	15,183
Finance expenses	23	(20,233)	(7,716)
Investment income		143	
Profit/(loss) before income tax		**(28,988)**	**(11,425)**
Income tax	24	(43)	32
Net profit/(loss) for the year		**(29,031)**	**(11,393)**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating to presentation currency		15,133	(3,182)
Other movements in retained earnings		14,526	
Total comprehensive income/(loss)		**29,659**	**(14,575)**
Profit/(loss) attributable to:			
Owners of the Company		(28,765)	(11,329)
Non-controlling interests		(266)	(63)
		(29,031)	**(11,393)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		956	(14,758)
Non-controlling interests		(328)	183
		628	**(14,575)**
Earnings per share (EURO cent)		(92.05)	(36.25)

(All amounts in euro thousands unless otherwise stated)

	Note	2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities:			
Gain/(Loss) before income tax		**(31,146)**	**(11,425)**
Adjustments for:			
Depreciation and amortization	21	3,036	5,943
(Gain)/Loss from disposal and write off of inventories	21	(71)	(30)
Change in provision and write off of trade and other accounts receivable	21	(1,789)	37
Change in provision and write off of unrealised VAT	21	35	(62)
(Gain)/loss from write off, revaluation and disposal of non-current assets	21	6,125	13,612
Change in fair value of biological assets		1	(1)
Operational foreign exchange results, net	21	230	(87)
Finance income	22	(563)	(15,183)
Finance expenses	23	20,233	7,716
Write off of accounts payable	21	362	(37)
Operating cash flow before movements in working capital		**(3,717)**	**483**
(Increase)/ Decrease in trade and other accounts receivable		(3,676)	(1,035)
Decrease/(Increase) in inventories		2,531	896
(Increase)/ Decrease in biological assets		297	(587)
Increase/ (Decrease) Increase in trade and other payables		(33)	12,409
Decrease/(Increase) in other taxes receivable		37	(25)
Increase/ (Decrease) in other taxes payable		4,822	1,175
Net cash provided by/(used in) operations:		**261**	**13,316**
Income taxes paid		(50)	(1,507)
Interest received		413	21
Interest paid		(1,644)	(193)
Net cash provided by/(used in) operating activities		**(1,020)**	**11,637**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		238	(1,000)
Proceeds from sale of property, plant and equipment	11	(364)	18
Acquisition of subsidiaries, net of cash acquired		-	
Net cash used in investing activities		**(126)**	**(982)**
Cash flows from financing activities			
Proceeds from borrowings	15	-	281
Repayment of borrowings	15	(125)	(8,227)
Commission paid and fair value adjustment		-	
Net cash (used in)/provided by financing activities		**(125)**	**(7,946)**
Net increase in cash and equivalents		**(1,271)**	**2,709**

Cash and equivalents, beginning of the period	6	**2,355**	**334**
Effect of foreign exchange rates on cash and cash equivalents		(25)	21
Cash and equivalents, end of the period	6	**1,059**	**3,064**

Milkiland Public Company Limited
Condensed consolidated interim statement of changes in equity
For the nine months ended 30 September 2020
(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 2019	**3,125**	**48,687**	**(36,126)**	**75,220**	**(97,358)**	**(6,452)**	**1,248**	**(5,204)**
Profit/Loss for the period	-	-	-	-	(11,329)	**(11,329)**	(63)	**(11,392)**
Other comprehensive gain/(loss), net of tax effect	-	-	(4,527)	1,112	(13)	**(3,428)**	246	**(3,182)**
Total comprehensive loss for the period	**-**	**-**	**(4,527)**	**1,112**	**(11,342)**	**(14,757)**	**183**	**(14,574)**
Realised revaluation reserve, net of income tax	-	-	-	(8,553)	8,553	-	-	-
Balance at 30 September 2019	**3,125**	**48,687**	**(40,653)**	**67,779**	**(100,147)**	**(21,209)**	**1,431**	**(19,778)**
Balance at 1 January 2020	**3,125**	**48,687**	**(45,705)**	**70,278**	**(100,263)**	**(23,878)**	**1,369**	**(22,509)**
Profit/Loss for the period	-	-	-	-	(28 ,65)	**(28,765)**	(266)	**(29,031)**
Other comprehensive gain/(loss), net of tax effect	-	-	7,311	7,890	14,520	**29,721**	(62)	**29,659**
Total comprehensive loss for the period	**-**	**-**	**7,311**	**7,890**	**(14,245)**	**956**	**(328)**	**628**
Realised revaluation reserve, net of income tax	-	-	-	(6,014)	6,014	-	-	-
Balance at 30 September 2020	**3,125**	**48,687**	**(38,394)**	**72,154**	**(108,494)**	**(22,922)**	**1,041**	**(21,881)**

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 2020 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 12 November 2020.

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.). In April-September 2020 the Company adopted and fulfilled the cross-border migration and transfer of the Company’s seat from the Netherlands to Cyprus. On 23 September 2020 Milkiland Public Company Limited was registered in the Registar of Companies of the Republic of Cyprus.

The address of its registered office is: Strovolou, 77 STROVOLOS CENTER, 3rd floor, Strovolos, 2018, Nicosia, Cyprus, Nicosia, the Republic of Cyprus, and the principal place of business is 9 Boryspilska Str., 02090, Kyiv, Ukraine.

As at 30 September 2020 the Company is controlled by 1, Inc. Cooperatief (holding 73.52% of shares). The Company is ultimately controlled by Olga Yurkevych and Anatoliy 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 and Russia, able to process up to 1,330 thousand tons of milk per year. The plants purchase milk from local farmers and produce cheese, butter, whole-milk products, powdered milk, casein and other products.

As at 30 September 2020, the Group employed 1,997 people.

1 The Group and its operations (continued)

Subsidiaries of the Company are presented below:

Name	Country of incorporation	Principal activity	Effective share of ownership 30 September 2020	31 December 2019	30 Septembe r 2019
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	20.0%	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 Kursk-Moloko	Russia	Production entity	99.0%	99.0%	99.0%
LLC Novomoskovsk Dairy	Russia	Production entity	100.0%	100.0%	100.0%
LLC Ostankinskoie	Russia	Production entity	99.9%	-	-
LLC Rylskyi Syrodel	Russia	Production entity	99.9%	-	-
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	76.0%	76.0%	76.0%
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	39.3%	39.3%	39.3%
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 assets	100.0%	100.0%	100.0%
LLC Agrolendinvest	Ukraine	Investment assets	100.0%	100.0%	100.0%
LLC Phobostrade	Ukraine	Investment assets	100.0%	100.0%	100.0%
LLC Kilchensky Berig	Ukraine	Investment assets	100.0%	100.0%	100.0%
PrJSC Iskra Plus	Ukraine	Agricultural	98.1%	98.1%	98.1%
LLC Syrnyy Mayster	Ukraine	Production entity	100.0%	100.0%	100.0%
Milkiland Corporation	Panama	Trade	100.0%	100.0%	100.0%
Newholm Systems S.A.	Panama	Trade	100.0%	100.0%	100.0%
Agrointer Corporation	Panama	Trade	100.0%	100.0%	100.0%
Dominic Supreme LP	Scotland	Trade	100.0%	100.0%	100.0%
LLC Okhtyrskyi Cheese Plant	Ukraine	Agricultural	100.0%	-	-
LLC Romny Milk Plant	Ukraine	Agricultural	100.0%	-	-

LLC Mena Cheese	Ukraine	Agricultural	100.0%	-	-
LLC MLK Slavuta	Ukraine	Agricultural	100.0%	-	-
LLC MLK Sumy	Ukraine	Agricultural	100.0%	-	-
LLC MLK Bakhmach	Ukraine	Agricultural	100.0%	-	-
LLC Polonne Plus	Ukraine	Agricultural	100.0%	-	-
LLC Nizhynskyi Milk PLant	Ukraine	Agricultural	100.0%	-	-
LLC Sumskyi Milk PLant	Ukraine	Agricultural	100.0%	-	-
LLC MLK Agro	Ukraine	Agricultural	100.0%	-	-

2 Summary of significant accounting policies

Basis of preparation and statement of compliance. This condensed consolidated interim financial information for the nine months ended 30 September 2020 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 2019, 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 2019.

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 2020. 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.

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

IFRS 17 Insurance Contracts. IAFR 17 is the new financial reporting standard for insurance contracts that addresses the recognition and measurement, presentation and disclosure of information. IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (life insurance and insurance other than life insurance, direct insurance and reinsurance), regardless of the type of an entity that issues them, as well as certain guarantees and financial instruments with discretionary participation conditions. There are several exceptions from the scope of application.

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

IFRIC 23 *Uncertainty over Income Tax Treatments*

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

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

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

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

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

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

Amendments to IFRS 3 *Business Combinations*

The amendments clarify the key definition of business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

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

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

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

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

	USD	UAH	RUB	PLN
As at 30 September 2020	1.1708	33.1324	93.0237	4.5268
Average for nine months ended 30 September 2020	1.1240	29.8371	79.6400	4.4239
As at 31 December 2019	1.1234	26.6091	69.3406	4.2585
As at 30 September 2019	1.0889	26.2238	70.3161	4.3736
Average for nine months ended 30 September 2019	1.1236	29.6390	73.1629	4.3019

3 Critical accounting estimates and judgments

The preparation of the financial statements requires the management to make various estimations and assumptions that affect reporting values of the assets and liabilities as well as disclosure of information on contingent assets and liabilities at the statement of financial position date. Actual results might differ from the current estimations. The estimations are periodically reviewed. Should the adjustments be needed they are reported in the financial results of the period when they became aware.

Below are the main assumptions as to future events and other sources of uncertainties of estimates at the reporting dates that are of a great risk of the necessity to make significant adjustments to the carrying amount of assets and liabilities during the next reporting year:

Impairment of property, plant and equipment. Detection of impairment indications of property, plant and equipment provides for use of estimates that include, in particular, reasons, terms and amounts of the impairment. Impairment is based upon the analysis of many factors, such as: changes in current competitive conditions, expectations of an industry recovery, capital appreciation, changes in possibilities of future financing attraction, technological obsolescence, servicing suspension, current replacement cost and other changes in circumstances that indicate the impairment.

Management's estimates are required in order to determine the compensation amount for a cash generating unit. The value in use estimation includes methods based on the estimation of expected future discounted cash flows. This requires the Group to evaluate these cash flows for cash generating units and choose a grounded discount rate to calculate a present value of cash flows.

The estimations including the applied methodology may have significant effect on the fair value and impairment amount of property, plant and equipment.

Biological assets. Due to the absence of an active market, the fair value of biological assets is estimated by present valuing the net cash flows, estimated future cash flows are based on management's best estimates using a discount rate representing a market rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date.

Provision for doubtful accounts receivable. Provision for doubtful debts is charged based on factual data about accounts receivable payment and the solvency analysis of the most significant debtors. In case of worsening the clients' financial position, a factual losses volume may exceed an estimated one. Additional information is disclosed in note **7**.

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

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

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

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 2020 the in-house milk production covered c.20% of raw milk procurement in Ukraine.

4 Segment information

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

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

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

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

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

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

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

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

	2020				**2019**			
	Russia	**Ukraine**	**Poland**	**Total**	**Russia**	**Ukraine**	**Poland**	**Total**
Total segment revenue	18,126	26,004	0	44,130	54,808	38,595	3,184	96,587
Inter-segment revenue	(154)	-	-	(154)	-	(6)	(14)	(20)
Revenue from external customers	17,972	26,004	0	43,976	54,808	38,589	3,170	96,567
EBITDA	**(1,731)**	**1,577**	**-**	**(154)**	**551**	**827**	**(1,152)**	**226**
EBITDA margin	-10%	6%	-	0%	1%	2%	-36%	0%
Depreciation and amortisation	232	2,804	-	3,036	673	4,143	1,127	5,943

4 Segment information (continued)

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

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

	2020				2019			
	Cheese & butter	**Whole-milk products**	**Ingredients**	**Total**	**Cheese & butter**	**Whole-milk products**	**Ingredients**	**Total**
Total segment revenue	14,122	17,040	12,968	44,130	29,549	46,449	20,589	96,587
Inter-segment revenue	(154)	-		(154)	-	-	(20)	(20)
Revenue from external customers	13,968	17,040	12,969	43,976	29,549	46,449	20,569	96,567
EBITDA	**1,252**	**(1,557)**	**145**	**(154)**	**635**	**127**	**(536)**	**226**
EBITDA margin	9%	-9%	1%	-0%	2%	0%	-3%	0%
Depreciation and amortisation	1,169	812	1,055	3,036	2,436	1,272	2,235	5,943

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

	2020	**2019**
EBITDA	(154)	226
Other segments EBITDA	(176)	437
Total segments	**(330)**	**663**
Depreciation and amortisation	(3,036)	(5,943)
Loss from disposal and impairment of non-current assets	(6,095)	(13,612)
Finance expenses	(20,233)	(7,716)
Finance income	563	15,183
Investment in associates gain	**143**	**-**
Profit/(loss) before tax	**(28,988)**	**(11,425)**

5 Balances and transactions with related parties

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

The outstanding balances due from related parties were as follows:

Entities under common control:	30 September 2020	31 December 2019	30 September 2019
Trade accounts receivable	-	50	52
Other financial assets	1	-	2
Other accounts receivable	411	1,700	1,725
Total trade and other receivables	**412**	1,750	**1,779**
Trade payables	1	-	-
Other accounts payable	817	180	180
Total trade and other payables	**818**	**180**	**180**

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the nine months ended 30 September 2020 paid or payable to key management for employee services is EUR 124 thousand (2019: EUR128 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 2020	31 December 2019	30 September 2019
Short term deposits	-	-	-
Cash in bank and cash on hand	1,059	**2,355**	3,064
Total cash and cash equivalents	**1,059**	**2,355**	**3,064**

7 Trade and other receivables

	30 September 2020	31 December 2019	30 September 2019
Trade accounts receivable	15,308	**15,311**	12,566
Other financial assets	8,967	**11,841**	11,613
Allowance for doubtful debts	(10,181)	**(10,918)**	(9,209)
Total financial assets within trade and other receivables	**14,094**	**16,234**	**14,970**
Advances issued	1,511	**1,950**	3,867
Other receivables	34,802	**36,487**	24,963
Allowance for doubtful debts	(792)	**(681)**	(939)
Total trade and other accounts receivable	**49,615**	**53,990**	**42,861**

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 2020	31 December 2019	30 September 2019
Raw and other materials	2,169	**4,121**	4,006
Finished goods and work in progress	5,837	**7,208**	6,335
Agriculture produce	464	**367**	517
Total inventories	**8,470**	**11,696**	**10,858**

9 Other taxes receivable

	30 September 2020	31 December 2019	30 September 2019
VAT recoverable	4,024	**6,796**	7,825
Payroll related taxes	95	**106**	117
Other prepaid taxes	22	**(2)**	77
Total other taxes receivable	**4,141**	**6,900**	**8,019**

10 Goodwill

	2020	2019
Balance at 1 January	1,550	1,300
Foreign currency translation	(436)	228
Balance at 30 September	**1,114**	**1,528**

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

11 Property, plant and equipment and intangible assets

During nine months ended 30 September 2020 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 238 thousand (2019: EUR 853 thousand), which comprised mainly modernisation of milk processing capacities.

For the additional details please refer the section *Material Factors and Events after the Reporting Date*.

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 2020 and 2019 biological assets comprise the following groups:

	30 September 2020		30 September 2019	
Current biological assets of animal breading	Units	Amount	Units	Amount
Cattle	2,077	981	2,312	1,402
Other livestock	-	-	-	-
Total biological assets of animal breading	**2,077**	**981**	**2,312**	**1,402**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount
Other	-	2,555		882
Total biological assets of plant growing	**-**	**2,555**		**882**
Total current biological assets	**-**	**3,536**		**2,284**
Non-current biological assets	Units	Amount	Units	Amount
Cattle	1,805	1,440	1,796	2,271
Other livestock	-	-	-	-
Total non-current biological assets	**1,805**	**1,440**	**1,796**	**2,271**

13 Trade and other payables

	30 September 2020	31 December 2019	30 September 2019
Trade payables	21,903	**25,081**	20,047
Accounts payable for fixed assets	10	**16**	17
Interest payable	28,815	**26,718**	26,035
Other financial payables	5	**81**	83
Total financial liabilities within trade and other payable	**50,733**	**51,896**	**46,182**
Wages and salaries payable	2,300	**2,469**	2,819
Advances received	9,723	**11,066**	10,346
Other accounts payable	20,992	**32,203**	24,994
Accruals for employees' unused vacations	546	**950**	1,643
Total trade and other payables	**84,294**	**98,584**	**85,984**

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 2020	31 December 2019	30 September 2019
VAT payable	1,628	**1,742**	1,137
Payroll related taxes	2,145	**3,904**	3,701
Other taxes payable	540	**3,141**	2,551
Total other taxes payable	**4,313**	**8,787**	**7,389**

15 Loans and borrowings

	30 September 2020	31 December 2019	30 September 2019
Current			
Interest bearing loans due to banks	69,432	**75,593**	80,546
Loans from non-financial institutions	-	**-**	112
Bank overdrafts	12	**-**	14
Finance leases	211	**1,615**	1,420
Total current borrowings	**69,655**	**77,208**	**82,092**
Non-current			
Interest bearing loans due to banks	1,309	**1,850**	2,072
Finance leases	-	**8**	126
Total non-current borrowings	**1,309**	**1,858**	**2,198**
Total borrowings	**70,964**	**79,066**	**84,290**

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

	2020	2019
Balance at 1 January	**79,066**	**85,955**
Obtained new loans and borrowings	-	281
Repaid loans and borrowings	(125)	(8,227)
Discounting of borrowings	-	46
Outcome of subsidiaries	(1,954)	6,235
Foreign exchange (gain)/loss	(6,023)	**84,290**
Balance at 30 September	**70,964**	**85,955**

As at 30 September 2020 the Group has not met requirement in respect of Borrowings to EBITDA ratio and EBITDA to interest expenses ratio.

16 Share capital

Share capital as at 30 September 2020 and 2019 is as follows:

	2020		2019	
	Number of shares	EUR 000	Number of shares	EUR 000
Authorised				
Ordinary shares of 10c each	50,000,000	5,000	50,000,000	5,000
Issued and fully paid up				
Ordinary shares of 10c each				
At 1 January	31,250,000	3,125	31,250,000	3,125
At 30 September	**31,250,000**	**3,125**	**31,250,000**	**3,125**

17 Revenue

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

	2020	2019
Cheese & Butter	13,968	29,549
Whole-milk products	17,040	46,449
Ingredients	12,968	20,569
Total revenue	43,976	96,567

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

	2020	2019
Russia	18,126	54,808
Ukraine	25,190	38,346
Poland	-	3,181
Other	660	232
Total revenue	**43,976**	96,567

18 Cost of sales

	2020	2019
Raw and other materials	23,029	58,205
Wages and salaries	2,854	5,691
Depreciation	2,438	4,941
Electricity	1,248	2,985
Transportation costs	1,724	2,663
Gas	903	2,116
Changes in finished goods and work in progress	668	1,258
Social insurance contributions	595	1,234
Repairs of property, plant and equipment	331	718
Water	126	162
Other	3,734	3,524
Total cost of sales	**37,650**	**83,497**

19 Selling and distribution expenses

	2020	2019
Transportation costs	1,021	3,156
Wages and salaries	1,044	2,234
Marketing and advertising	352	575
Social insurance contributions	264	512
Security and other services	155	302
Rental costs	21	200
Licence fees	20	121
Depreciation and amortisation	30	116
Other	9	616
Total selling expenses	**2,916**	**7,832**

20 Administrative expenses

	2020	2019
Wages and salaries	2,664	4,253
Taxes and other charges	502	1,009
Consulting fees	398	735
Social insurance contributions	340	721
Depreciation and amortisation	416	555
Security and other services	185	366
Transportation costs	111	271
Rental costs	98	270
Management fees to parent company	40	230
Bank charges	55	179
Representative charges	25	164
Repairs and maintenance	62	147
Other utilities	118	122
Communication	64	111
Property insurance	12	19
Office supplies	10	17
Other	893	418
Total administrative expenses	**5,993**	**9,587**

21 Other income/(expenses), net

	2020	2019
Operational foreign exchange results, net	(230)	87
Gain from write off of accounts payable	-	37
Gain/(loss) from disposal and write off of inventories	71	30
Rental income	-	-
Change in provision and write off of VAT receivable	(35)	6
Change in provision and write off of trade and other accounts receivable	1,427	(37)
Depreciation and amortisation	(125)	(330)
Penalties	(302)	(511)
Loss from revaluation of non-current assets	(1,123)	(1,196)
Gain/(loss) from disposal of non-current assets	(5,002)	(12,416)
Other income/(expenses), net	(1,557)	(270)
Total other (expenses)/income, net	**(6,877)**	**(14,544)**

22 Finance income

	2020	2019
Finance foreign exchange gain	-	14,978
Other fin income	563	205
Bank deposits		-
Total finance income	**563**	**15,183**

23 Finance expenses

	2020	2019
Bank borrowings	3,429	4,508
Other borrowings	-	443
Discounting of loans	-	363
Finance foreign exchange loss	15,427	4,507
Finance leases	-	27
Other finance expense	1,377	-
Total finance expenses	**20,233**	**9,848**

24 Income tax

	2020	2019
Current income tax expense	43	(586)
Deferred income tax benefit	-	268
Total income tax expense	**43**	**(318)**

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2020 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2019: 18%), Russian profit tax was levied at the rate of 20% (2019: 20%), Poland profit tax was levied at the rate of 19% (2019: 19%). In 2020 the tax rate for Panama operations was 0% (2019: 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 Company now is in the negotiations of the new contract covering these risks due to finished migration of its corporate seat to Cyprus.

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 Creditors 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

Cross-border migration and transfer of corporate seat of Milkiland

On April 22, 2020, the Board of Directors of Milkiland N.V. adopted a resolution and the plan of cross-border migration and transfer of the Company's seat from the Netherlands to Cyprus. On 26 June 2020 the General Shareholders Meeting of Milkiland N.V. approved a resolutions, including of cross-border migration and transfer of the Milkiland N.V.'s seat from the Netherlands to the Republic of Cyprus; as well as the change of Company's name from Milikalnd N.V. to Milkiland Public Company Limited.

In line with the implementation of these decision, on 23 September 2020 Milkiland Public Company Limited was registered in the Registar of Companies of the Republic of Cyprus. On 12 October 2020 Business Registar of the Netherlands Chamber of Commerce included a record on relocation on the registered office of Milkiland N.V. to Cyprus as of 23 September 2020, where the entity was filed under the non-resident number 413091 in the name of Milkiland Public Company Limited, having its registered office in Nicosia.