Interim Statement

Results of the nine months of 2015

Key developments and operational results

- Macroeconomic situation remained difficult in the Group's key markets of Russia and Ukraine, thus triggering a shrinking demand for dairy goods
- Import restrictions against Ukrainian and EU producers still prevented their access to Russian market
- Milkiland concentrated an efforts on offsetting the negative effect of Russian ban by expansion in the Group's existing markets, increase of deliveries to third countries markets and acceleration of local cheese production in Russia
- Raw milk prices growth in Russia and Ukraine have been compensated by increased prices for finished dairy
- Global dairy market, including its dry milk products segment, started a recovery after 18-th months long depression
- The negotiations on restructuring of Milkiland's obligations under the Loan Facility Agreement with a syndicate of international banks is expected to be finished and the restructuring agreement to be signed until the end of 2015

The macroeconomic situation in nine months of 2015 remained tight both in Ukraine and Russia. The most difficult situation was observed in Ukraine, where real GDP fell by 14.6%, on the back of 16.6% drop of industrial output. In Russia the real GDP declined by 3.8%, industrial output – by 3.2%. These trends were accompanied by the galloping inflation (c. 41% in Ukraine and c.16% in Russia) and still significant devaluation of the Ukrainian hryvnia and Russian rouble against euro (by 32% and 33% during this period, respectively).

One of the unfavorable consequences of these trends for dairy producers was the decline of the real income of population, which fell by 34% and by 9% in Q2 2015 in Ukraine and Russia, respectively.

As a consequence, Milkiland faced a pressure on the Group's operations and revenues triggered by devaluation of its two main operational currencies aggravated by declining demand in its core markets. In particular, Ukraine's dairy products consumption decreased 11% y-o-y in volume terms in nine month of 2015.

Ongoing political tensions between Ukraine and Russia resulted in import ban imposed by the Russian authorities for Ukrainian and the EU dairy products since mid-2014. This situation created oversupply in domestic market of Ukraine and triggered continuous decline in the Group's sales in cheese segment.

To overcome trade limits and improve revenues Milkiland concentrated the Group's efforts on developing operations at each of its subsidiaries in the countries of the Group's operations benefiting from geographical diversification of its business.

The most visible results here were achieved by Ostankino – the main Russian subsidiary of the Group. It managed to increase WMP sales by 22% y-o-y in volume terms, thus strengthening the Group's position as a local dairy producer and playing their role in import substitution in the times when dairy products import ban substantially increased demand for local products from Russian consumers.

This positive achievement was behind the 13% growth of the Group's overall WMP sales volumes in nine months of 2015.

In cheese segment, Rylsk Cheese (Rylsk Syrodel, a Group's Russian subsidiary) accelerated its operations by almost tripling milk processing volumes and increasing cheese output to c.3.2 thousand tons annually in comparison with less than 1.0 thousand tons a year before.

This achievement together with increased deliveries to Kazakhstan and other Central Asia countries (by 11% y-o-y) and cheese sales volumes growth on Ukrainian market (by 18% y-o-y) slowed down a decline in cheese sales volumes as of end of the nine months 2015 period to about 90% of the volume for the respective period of the last year.

An another positive development the Group posted in Ukraine where thanks to cheese volume sales increase its market share in the respective market segment grew by 1.8 pp y-o-y to 9% as of end-9M15.

The continuous devaluation of the two major operational currencies of the Group caused significant Group's revenue decline in EUR terms despite several increases of prices for finished dairy goods. For example, as of the end nine months of 2015, the average price of cheese in Ukraine increased 24% y-o-y in hryvnia terms but was still down 16% in euro terms as of end-9M15. In Russia, the average price of cheese grew slightly over 13% y-o-y in ruble terms and decreased about 25% in euro terms as of end-9M15.

On the cost side, the average price of raw milk in Ukraine increased 19% y-o-y in hryvnia terms as of end-9M15 while was still down 13% y-o-y in euro terms. In Russia, the average raw milk price was growing not so rapidly and showed only 6% y-o-y increase in ruble terms as of end-9M15 and surely the decrease in euro terms of 30%.

Thus, the above mentioned devaluation contributed to a drop in the cost of sales and operating expense but this influence was partially limited by rising milk prices in local currencies in Russia and Ukraine. The slower growth of raw milk prices in Russia compared to Ukraine resulted in Group's Russian division performing the highest profitability in nine months of 2015 among all.

In the nine months of 2015, local currency depreciation which is still not fully compensated by raw milk price growth in Ukraine led to decrease in profitability of raw milk production due to still high operating costs for farmers linked to hard currency through prices of forage and fuel, feed, veterinary drugs, etc.

In line with its strategy to build up a sustainable supply system, Milkiland continued to support National Dairy Cooperative Moloko Kraina and develop an in-house milk production. Milk production by the Cooperative to reach 28.5%, by Milkiland Agro – 5.4% of the Group's total milk intake in Ukraine, respectively.

The external pressure to the Group's business resulted by the conflict with Russia and its economic implications impaired the ability of Milkiland to timely fulfil certain obligations under the Loan Facility Agreement with a syndicate of international banks formed by Raiffeisen Bank International AG as facility agent, UniCredit Bank Austria AG and ZAO Raiffeisenbank as lenders of the facility.

In September 2014, the Group initiated negotiations for the loan restructuring.

On August 17, 2015, Milkiland entered into the Professional Services Agreement with "Deloitte & Touche" Ltd., a member firm of Deloitte Touche Tohmatsu Limited. The Agreement envisages the provision by "Deloitte & Touche" Ltd. of Company's Business Review and review of short-term liquidity forecast.

These services will be performed in order to enable Milkiland to consider, negotiate and agree with its main creditors, namely, UniCredit Bank Austria AG and AO Raiffeisenbank, a scheme of the restructuring of debt under Syndicated Loan Facility Agreement provided by these banks.

Milkiland expects those documents to be finalized until end of November 2015, which will bring the conditions for successful finish of negotiations and signing a loan restructuring agreement by the end of current year.

Overview of Financial Results in the nine months of 2015

Financial results

- Revenues declined by c. 35% to EUR 146.2 million mainly driven by local currencies devaluation in Ukraine and Russia
- Gross profit decreased by c. 50% to c. EUR 22.9 million due to higher affective raw milk prices, resulting in gross margin of 15.6 %, down 5.0pp y-o-y
- EBITDA decreased by c.47% to EUR 9.5 million, implying EBITDA margin of 6.5% (down 0.8pp y-o-y)
- Non-reccuring item of change in provision and write off of trade and other accounts receivable in the amount of c. EUR 8.3 million led to operatinal loss of the Group of EUR 7.7 million
- As a result of the considerable FX loss and noticeable interest payments, the Group recognized a loss before tax of EUR 38.7 million. Net loss for the nine months of 2015 accounted for EUR 38.1 million compared to EUR 34.8 million net loss reported in nine months of 2014.

Segment revenue and performance

Cheese & butter segment contributed approximately 35% to the Group's total revenue and c. 32% to the total segments EBITDA (c.36% and 35% respectively in the nine months of 2014).

The segment revenue dropped by c.36% to EUR 51.1 million jeopardized by the restrictions imposed by the Russian authorities on dairy imports from a number of countries, including Ukraine and the EU. The lost export volumes were still not fully compensated by sales growth in the countries of the Group's operation, however showed solid volume growth in Ukraine, increased local cheese output and sales in Russia and acceleration of deliveries to Kazakhstan and other Central Asia countries. As a result, a Group's cheese sales in nine months 2015 amounted 90% of sales for the same period of 2014 in volume terms.

Whole-milk dairy remained the largest segment in terms of revenue and EBITDA providing for 54% and 72% respectively (45% and 40% in the nine months of 2014).

The segment revenues declined as well as the other segments' dynamics but showed the least drop figure among others of 25% to EUR 79.0 million, resulting mainly from solid Ostankino sales. The segment's EBITDA decreased by about 4%, from EUR 8.1 million to EUR 7.8 million on the back of lower revenues.

In *Ingredients and other products segment*, revenue decreased by c.59% to EUR 16.2 million mainly due to decline in SMP sales by 64% y-o-y. This segment showed negative EBITDA of c. EUR 0.4 million due to both quite low profitability in other ingredients sales and negative operating income in SMP business based on unfavorable price environment in the global market.

Cost of sales and gross profit

Cost of sales decreased by 31% in the nine months of 2015 compared to the same period of 2014 and stood at EUR 123.5 million.

While the EUR-linked costs of raw and other materials in Ukraine and Russia (fuel, utilities etc.) remained high, the national currencies devaluation (by 32% and 33% respectively as of end-9M15) sent raw milk prices lower in euro terms (-13% y-o-y in Ukraine and -30% y-o-y in Russia) but the EUR-denominated price decline in finished goods in both markets was bigger than raw materials value economy providing for decline in the Group's gross profit margin from 20.6% last year to 15.6% in nine months of 2015.

As a result, the Group's gross profit was 50% lower than in the nine months of 2014.

Operating profit and EBITDA

Selling and distribution expenses decreased by 30% (to EUR 12.2 million) in the nine months of 2015, mainly due to a 29% drop in transportation costs which account for the largest share (44%) of total S&D expenses, a 28% y-o-y decline in labor costs (24% of total) and the largest drop of 63% in security and other services (5% of total).

When a temporary ban of Ukrainian cheese exports to Russia was enforced in the first half of 2012, Russian authorities introduced new requirements of quality checks of each cheese batch imported. The costs associated with these quality checks were reported for as security and other services. After the closure of the Russian market for Ukrainian dairy in mid-2014, the costs dropped accordingly.

For the same reason, the Group's license fees costs declined drastically by 85% y-o-y in nine months of 2015.

Marketing and advertising expenses of the Group grew in operational currencies as new products were introduced to the markets of Russia and Ukraine. But this growth was offset with devaluation. As the result, these expenses remained at the same level as compared to nine months of 2014 accounting for 11% of total S&D expenses.

Administrative expenses decreased by 44% to EUR 10.3 million, mainly devaluation-driven and cost cutting measures introduced by the Group's management. Labor costs being the largest item in the Group's overall administrative expenses decreased by EUR 2.9 million or by 39% y-o-y. Bank charges declined by 80% y-o-y to EUR 0.2 million.

Decrease in S&D, as well as administrative expenses, was not sufficient to compensate the lower gross profit. In addition, non-reccuring item of change in provision and write off of trade and other accounts receivable in the amount of c. EUR 8.3 million, namely, 100% allowance for doubtful debts previously classified as deposits of the Group in PJSC Ukranian professional bank, being in the liquidation procedure since 28 August 2015, boosted the Other expences of the Group.

Thus, the Group's operating profit declined significantly to negative EUR 7.7 million compared to EUR 8.9 million reported in nine months of 2014.

On the back of lower revenues, the Group's EBITDA declined by c. 47% to EUR 9.5 million. In the nine months of 2015, the Group's EBITDA margin stood at 6.5%, down 0.8pp y-o-y. Importantly, the Group's Moscow-based Ostankino plant reported the highest profitability among other subsidiaries in nine months of 2015, showing EBITDA margin of almost 10%, up 3.0pp y-o-y.

Profit before tax and net profit

In the reporting period, financial expense related to bank borrowings grew 25% as a result of imposture of increased interested rates and fines due to inability of Milkiland timely fulfil certain obligations under the Loan Facility Agreement with a syndicate of international banks. At the same time, losses related to foreign exchange shrank by 48% y-o-y to EUR 21.8 million. This resulted in overall decline the Group's financial expenses by 37% to EUR 31.5 million.

Net financial expenses combined with low operating result of the Group produced a loss before tax of EUR 38.7 million in nine months of 2015 compared to the Group's net loss before tax at EUR 39.4 million reported for the same period of 2014. Net loss for the nine months of 2015 stood at EUR 38.1 million.

REPRESENTATION

of the Board of Directors

of Milkiland N.V.

on compliance of the condensed consolidated interim financial statements

The Board of Directors of Milkiland N.V. hereby represent that to the best of their knowledge the condensed consolidated interim financial statements of Milkiland N.V. for the period ended 30 September 2015 and the comparable information are prepared in accordance with the applicable accounting standards and that they give a true, fair and clear view of the assets, financial standing and financial results of Milkiland N.V., and that the interim statement for the nine months ended 30 September 2015 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, 13 November 2015

O. Rozhko	A. Yurkevych	O. Yurkevych
G. Logush	W. S. van Walt Meijer	V. Rekov
V. Strukov		

Milkiland N.V.

Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 2015

Contents

(All amounts in euro thousands unless otherwise stated)

	Notes	30 September 2015 (unaudited)	31 December 2014 (audited)	30 September 2014 (unaudited)
ASSETS				
Current assets				
Cash and cash equivalents	6	1,641	10,431	11,709
Trade and other receivables	7	52,059	50,615	63,880
Inventories	8	13,852	17,779	23,215
Current biological assets	12	2,253	1,901	2,711
Current income tax assets		1,116	367	630
Other taxes receivable	9	7,062	10,541	13,726
		77,983	**91,634**	**115,871**
Non-current Assets				
Goodwill	10	1,874	2,147	2,791
Property, plant and equipment	11	109,777	135,401	137,669
Non-current biological assets	12	1,672	2,017	2,415
Other intangible assets	11	1,810	2,286	2,610
Deferred income tax assets		5,664	6,366	5,802
		120,797	**148,217**	**151,287**
TOTAL ASSETS		**198,780**	**239,851**	**267,158**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	26,001	22,535	28,631
Current income tax liabilities		84	384	64
Other taxes payable	14	3,169	2,063	2,114
Short-term loans and borrowings	15	100,764	96,389	100,573
		130,018	**121,371**	**131,382**
Non-current Liabilities				
Loans and borrowings	15	4,763	5,531	6,358
Deferred income tax liability		14,329	18,005	12,800
Other non-current liabilities		260	351	450
		19,352	**23,887**	**19,608**
Total liabilities		**149,370**	**145,258**	**150,990**
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		64,795	68,502	45,216
Currency translation reserve		(52,389)	(45,845)	(38,928)
Retained earnings		(16,441)	17,676	54,864
		47,777	**92,145**	**112,964**
Non-controlling interests		**1,633**	**2,448**	**3,204**
Total equity		**49,410**	**94,593**	**116,168**
TOTAL LIABILITIES AND EQUITY		**198,780**	**239,851**	**267,158**

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the nine months ended 30 September 2015
(All amounts in euro thousands unless otherwise stated)

	Notes	2015 (unaudited)	2014 (unaudited)
Revenue	17	146,243	224,048
Change in fair value of biological assets		158	1,293
Cost of sales	18	(123,542)	(179,210)
Gross profit		**22,859**	**46,131**
Selling and distribution expenses	19	(12,242)	(17,602)
Administrative expenses	20	(10,273)	(18,228)
Other expenses, net	21	(8,076)	(1,352)
Operating loss/(profit)		**(7,732)**	**8,949**
Finance income	22	425	1,835
Finance expenses	23	(31,413)	(50,203)
Loss before tax		**(38,720)**	**(39,419)**
Income tax	24	627	4,581
Net loss for the period		**(38,093)**	**(34,838)**
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating to presentation currency		(7,090)	(22,242)
Total comprehensive loss		**(45,183)**	**(57,080)**
Loss attributable to:			
Owners of the Company		(37,824)	(34,534)
Non-controlling interests		(269)	(304)
		(38,093)	**(34,838)**
Total comprehensive loss:			
Owners of the Company		(44,368)	(55,185)
Non-controlling interests		(815)	(1,895)
		(45,183)	**(57,080)**
Earnings per share		(121.04)	(110.51)

MILKILAND N.V.
Condensed consolidated interim statement of cash flows
For the nine months ended 30 September 2015
(All amounts in euro thousands unless otherwise stated)

	Note	2015 (unaudited)	2014 (unaudited)
Cash flows from operating activities:			
Loss before income tax		**(38,720)**	**(39,419)**
Adjustments for:			
Depreciation and amortization		8,785	9,045
Loss from disposal and write off of inventories	21	390	939
Change in provision and write off of trade and other accounts receivable	21	8,866	409
Change in provision and write off of unrealised VAT	21	70	1,619
(Income)/Loss from write off and disposal of non-current assets	21	(148)	122
Change in fair value of biological assets		(158)	(1,293)
Operational foreign exchange results, net	21	(53)	(1,623)
Finance income	22	(425)	(1,835)
Finance expenses	23	31,413	50,203
Write off of accounts payable	21	(2)	(8)
Operating cash flow before movements in working capital		**10,018**	**18,159**
(Increase)/decrease in trade and other accounts receivable		(12,041)	5,577
Decrease/(increase) in inventories		1,594	(1,133)
(Increase)/decrease in biological assets		(657)	4,042
Increase/(decrease) in trade and other payables		1,484	(8,681)
Decrease/(increase) in other taxes receivable		1,725	(3,198)
Increase/(decrease) in other taxes payable		1,106	(157)
Net cash provided by operations:		**3,229**	**14,609**
Income taxes paid		(1,942)	(2,570)
Interest received		318	1,163
Interest paid		(6,752)	(7,856)
Net cash (used in)/ provided by operating activities		**(5,147)**	**5,346**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(1,573)	(5,452)
Proceeds from sale of property, plant and equipment		38	1
Net cash used in investing activities		**(1,535)**	**(5,451)**
Cash flows from financing activities			
Proceeds from borrowings	15	28,502	73,362
Repayment of borrowings	15	(29,774)	(73,123)
Commission paid and fair value adjustment		(21)	(38)
Net cash (used in)/ provided by financing activities		**(1,293)**	**201**
Net (decrease)/increase in cash and equivalents		**(7,975)**	**96**
Cash and equivalents, beginning of the period	6	**10,431**	**13,056**
Effect of foreign exchange rates on cash and cash equivalents		(815)	(1,443)
Cash and equivalents, end of the period	6	**1,641**	**11,709**

MILKILAND N.V.
Condensed consolidated interim statement of changes in equity
For the nine months ended 30 September 2015
(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 2014	**3,125**	**48,687**	**(18,277)**	**48,752**	**88,050**	**170,337**	**5,099**	**175,436**
Loss for the period	-	-	-	-	(34,534)	**(34,534)**	(304)	**(34,838)**
Other comprehensive loss, net of tax effect	-	-	(20,651)	-	-	**(20,651)**	(1,591)	**(22,242)**
Total comprehensive loss for the period	**-**	**-**	**(20,651)**	**-**	**(34,534)**	**(55,185)**	**(1,895)**	**(57,080)**
Realised revaluation reserve, net of income tax	-	-	-	(3,536)	3,536	**-**	-	**-**
Declaration of Dividends	-	-	-	-	(2,188)	(2,188)	-	(2,188)
Balance at 30 September 2014	**3,125**	**48,687**	**(38,928)**	**45,216**	**54,864**	**112,964**	**3,204**	**116,168**
Balance at 1 January 2015	**3,125**	**48,687**	**(45,845)**	**68,502**	**17,676**	**92,145**	**2,448**	**94,593**
Loss for the period	-	-	-	-	(37,824)	**(37,824)**	(269)	**(38,093)**
Other comprehensive loss, net of tax effect	-	-	(6,544)	-	-	**(6,544)**	(546)	**(7,090)**
Total comprehensive loss for the period	**-**	**-**	**(6,544)**	**-**	**(37,824)**	**(44,368)**	**(815)**	**(45,183)**
Realised revaluation reserve, net of income tax	-	-	-	(3,707)	3,707	-	-	-
Balance at 30 September 2015	**3,125**	**48,687**	**(52,389)**	**64,795**	**(16,441)**	**47,777**	**1,633**	**49,410**

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 2015 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 13 November 2015.

The Company was incorporated on 13 July 2007 under Dutch law as a private limited liability company (B.V.). On May 23, 2009 the Company was converted into a public limited liability company (N.V.). The address of its registered office is Hillegomstraat 12-14,1058LS, Amsterdam, the Netherlands and the principal place of business is 9 Boryspilska St., 02090, Kyiv, Ukraine.

As at 30 September 2015 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 with the major focus on Russia and other CIS countries. The production facilities of the Group are located in Ukraine, Russia and Poland, able to process up to 1,330 thousand tonnes of milk per year. The plants purchase milk from local farmers and produce cheese, butter, whole-milk products, powdered milk, casein and other products.

(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	Effective share of ownership 30 September 2015	31 December 2014	30 September 2014
MLK Finance Limited	Cyprus	100.0%	100.0%	100.0%
Milkiland Intermarket (CY) LTD	Cyprus	100.0%	100.0%	100.0%
LLC Milkiland-Kazakhstan	Kazakhstan	100.0%	100.0%	100.0%
Milkiland Corporation	Panama	100.0%	100.0%	100.0%
Milkiland EU sp. z.o.o.	Poland	100.0%	100.0%	100.0%
Ostrowia 10 sp. z.o.o	Poland	100.0%	100.0%	100.0%
JSC Ostankino Dairy Combine	Russia	100.0%	100.0%	100.0%
LLC Milkiland RU	Russia	100.0%	100.0%	100.0%
LLC Kursk-Moloko	Russia	100.0%	100.0%	100.0%
DE Milkiland Ukraine	Ukraine	100.0%	100.0%	100.0%
DE Aromat	Ukraine	100.0%	100.0%	100.0%
PE Prometey	Ukraine	100.0%	100.0%	100.0%
PE Ros	Ukraine	100.0%	100.0%	100.0%
LLC Malka-trans	Ukraine	100.0%	100.0%	100.0%
LLC Mirgorodsky Cheese Plant	Ukraine	100.0%	100.0%	100.0%
LLC Kyiv Milk Plant #1	Ukraine	100.0%	100.0%	100.0%
JSC Chernigiv Milk Plant	Ukraine	76,0%	76,0%	76,0%
PrJSC Gorodnia Milk Plant	Ukraine	72,3%	72,3%	72,3%
LLC Agrosvit	Ukraine	100.0%	100.0%	100.0%
LLC Molochni vyroby	Ukraine	100.0%	100.0%	100.0%
DE Borznyanskiy Milk Plant	Ukraine	100.0%	100.0%	100.0%
LLC Moloko-Kraina	Ukraine	100.0%	100.0%	100.0%
LLC Torgovyi dim Milkiland	Ukraine	100.0%	100.0%	100.0%
LLC Ukrainian Milk House	Ukraine	100.0%	100.0%	100.0%
LLC Milkiland Intermarket	Ukraine	100.0%	100.0%	100.0%
LLC Milkiland N.V	Ukraine	100.0%	100.0%	100.0%
PrJSC Transportnyk	Ukraine	100.0%	100.0%	70,3%
LLC Milkiland Agro	Ukraine	100.0%	100.0%	100.0%
LLC Stugna-Moloko	Ukraine	100.0%	100.0%	100.0%
LLC Trubizh-Moloko	Ukraine	100.0%	100.0%	100.0%
PJSC Iskra	Ukraine	70.8%	70.8%	70.8%
DE Agrolight	Ukraine	100.0%	100.0%	100.0%
DE Krasnosilsky Milk	Ukraine	100.0%	100.0%	100.0%
LLC Bachmachregionpostach	Ukraine	100.0%	100.0%	100.0%
LLC Avtek Rent Service	Ukraine	100.0%	100.0%	100.0%
ALLC Nadiya	Ukraine	100.0%	100.0%	100.0%
LLC Uspih-Mena	Ukraine	100.0%	100.0%	100.0%
JSC Sosnitsky Rajagrohim	Ukraine	97.5%	97.0%	97.0%
LLC Agro-Mena	Ukraine	100.0%	100%	-
LLC Iskra-Sloboda	Ukraine	100.0%	100%	-

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 2015 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 2014, 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 2014.

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

Adoption of new or revised standards and interpretations.

New and amended standards adopted by the Group. There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have a material impact on the Group.

New standards and interpretations not yet adopted. A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group.

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

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

Management believes that the raw milk prices in Russia are affected by seasonality to a lesser extent than in Ukraine due to the differences in structure of raw milk supplies. The Group sources approximately 30% of its raw milk requirements in Ukraine from individual household producers, while in Russia the Group sources its raw milk primarily from the farms, which are less susceptible to seasonal variations. However, due to Russia being a net importer of dairy products, prices for such products in Russia are more dependent on the world prices for dry milk, which are also subject to cyclicality and seasonal variations.

To supplement its supplies of raw milk from internal sources, the Group operates its own dairy farms to produce raw milk. During the nine months ended 30 September 2015 the in-house milk production covered c.5% of milk intake in Ukraine.

(All amounts in euro thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

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

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

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

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

	US dollar	UAH	RUR	PLN
As at 30 September 2015	1.1203	24.1173	74.5825	4.2386
Average for nine months ended 30 September 2015	1.1149	23.9176	66.2618	4.1574
As at 31 December 2014	1.2141	19.1446	68.3427	4.2623
As at 30 September 2014	1.2583	16.2940	49.9540	4.1755
Average for nine months ended 30 September 2014	1.3554	14.9591	47.9894	4.1757

3 Critical accounting estimates and judgments

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

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

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

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

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

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

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

Legal actions. The Group's management applies significant judgments during the estimation and recognition of provisions and risks of contingent liabilities associated with existing legal actions and other unsettled claims that should be settled by way of negotiations, mediation, arbitration or state interference as well as other contingent liabilities. The management's judgment is essential during the possibility of a claim settling as regards the Group or material obligations and during the determination of a possible amount of final settlement. Due to the uncertainty inherent to the estimation process, actual expenses may differ from the initial estimation of provision. These previous estimations may vary as new information becomes available, mainly, from the Group's specialists, if any, or from outside consultants, such as actuaries or lawyers. A review of these estimations may have a substantial impact on future operating results. Additional information is disclosed in note 25.

(All amounts in euro thousands unless otherwise stated)

4 Segment information

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

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

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

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

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

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

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

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

	2015				**2014**			
	Russia	**Ukraine**	**Poland**	**Total**	**Russia**	**Ukraine**	**Poland**	**Total**
Total segment revenue	86,161	48,883	11,199	146,243	117,419	110,526	21,265	249,210
Inter-segment revenue	-	-	-	-	(439)	(18,567)	(6,156)	(25,162)
Revenue from external customers	86,161	48,883	11,199	146,243	116,980	91,959	15,109	224,048
EBITDA	**7,974**	**3,863**	**(962)**	**10,875**	**7,114**	**13,120**	**(371)**	**19,863**
EBITDA margin	9%	8%	(9%)	7%	6%	14%	(2%)	9%
Depreciation and amortisation	2,175	5,129	1,481	8,785	1,977	5,612	1,456	9,045

(All amounts in euro thousands unless otherwise stated)

4 Segment information (Continued)

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

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

	2015				2014			
	Cheese & butter	Whole-milk products	Ingredients	Total	Cheese & butter	Whole-milk products	Ingredients	Total
Total segment revenue	51,086	78,998	16,159	146,243	103,089	105,214	40,907	249,210
Inter-segment revenue	-	-	-	-	(23,231)	-	(1,931)	(25,162)
Revenue from external customers	51,086	78,998	16,159	146,243	79,858	105,214	38,976	224,048
EBITDA	**3,430**	**7,795**	**(350)**	**10,875**	**7,046**	**8,129**	**4,688**	**19,863**
EBITDA margin	7%	10%	(2%)	7%	9%	8%	12%	9%
Depreciation and amortisation	3,463	3,233	2,089	8,785	3,965	3,743	1,337	9,045

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

	2015	2014
EBITDA	**10,875**	**19,863**
Other segments EBITDA	(1,339)	(1,747)
Total segments	**9,536**	**18,116**
Depreciation and amortisation	(8,785)	(9,045)
Non-recurring items	(8,631)	-
Gain/(loss) from disposal and impairment of non-current assets	148	(122)
Finance expenses	(31,413)	(50,203)
Finance income	425	1,835
Loss before tax	(38,720)	(39,419)

(All amounts in euro thousands unless otherwise stated)

5 Balances and transactions with related parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 (revised 2003) "Related Party Disclosures". During the reporting period the company had related party transactions with ultimate shareholder, key management and companies under common control.

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

Entities under common control:	**2015**	**2014**
Revenue	385	1,873

The outstanding balances due from related parties were as follows:

Entities under common control:	**30 September 2015**	**31 December 2014**	**30 September 2014**
Trade accounts receivable	4,388	5,708	5,842
Other financial assets	20,718	17,733	17,533
Other accounts receivable	292	261	1,381
Advances issued	628	-	3

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the nine months ended 30 September 2015 paid or payable to key management for employee services is EUR 513 thousand (2014: EUR 554 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 2015	**31 December 2014**	**30 September 2014**
Short term deposits	39	9,000	9,534
Cash in bank and cash on hand	1,602	1,431	2,175
Total cash and cash equivalents	**1,641**	**10,431**	**11,709**

(All amounts in euro thousands unless otherwise stated)

7 Trade and other receivables

	30 September 2015	31 December 2014	30 September 2014
Trade accounts receivable	21,560	24,163	31,537
Other financial assets	29,818	17,910	17,712
Allowance for doubtful debts	(10,955)	(2,439)	(1,047)
Total financial assets within trade and other receivables	***40,423***	**39,634**	***48,202***
Advances issued	9,920	9,097	11,312
Other receivables	2,407	2,507	5,457
Allowance for doubtful debts	(691)	(623)	(1,091)
Total trade and other accounts receivable	**52,059**	**50,615**	**63,880**

According to the National Bank of Ukraine Resolution dated 28 August 2015 № 562 "On revocation of the banking license and liquidation of PJSC" UKRAINIAN PROFESSIONAL BANK "executive directorate of the Deposit Guarantee made a decision № 158 regarding "The beginning of procedure of liquidation JSC" UKRAINIAN PROFESSIONAL BANK".
As at 30 September 2015 Other financial assets include balances previously classified as Deposits in PJSC UKRAINIAN PROFESSIONAL BANK in the amount of EUR 8,312 thousand for which 100% allowance for doubtful depts was accrued.

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 2015	31 December 2014	30 September 2014
Raw and other materials	5,633	8,296	8,634
Finished goods and work in progress	7,701	8,880	13,568
Agriculture produce	518	603	1,013
Total inventories	**13,852**	**17,779**	**23,215**

9 Other taxes receivable

	30 September 2015	31 December 2014	30 September 2014
VAT recoverable	6,922	10,429	13,515
Payroll related taxes	107	102	126
Other prepaid taxes	33	10	85
Total other taxes receivable	**7,062**	**10,541**	**13,726**

VAT receivable as at 30 September 2015 is shown net of provision at the amount of EUR 457 thousand (31 December 2014: EUR 667 thousand; 30 September 2014: EUR 958 thousand). The provision for VAT is created for part of VAT balances due to complexity of reimbursement of VAT in Ukraine and is estimated at 25% (31 December 2014: 25%; 30 September 2014: 25%) of VAT refund claimed from the Ukrainian Government based on previous statistics of VAT recoverability.

(All amounts in euro thousands unless otherwise stated)

10 Goodwill

	2015	2014
Balance at 1 January	2,147	3,426
Foreign currency translation	(273)	(635)
Balance at 30 September	**1,874**	**2,791**

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 2015 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 1,573 thousand (2014: EUR 5,452 thousand), which comprised mainly modernisation of milk processing capacities.

(All amounts in euro thousands unless otherwise stated)

12 Biological assets

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

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

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

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

As at 30 September 2015, 2014 and 31 December 2014 biological assets comprise the following groups:

	30 September 2015		**31 December 2014**		**30 September 2014**	
Current biological assets of animal breading	Units	Amount	Units	Amount	Units	Amount
Cattle	4,650	1,776	4,633	1,797	3,117	1,703
Other livestock	-	1	-	9		549
Total biological assets of animal breading	**4,650**	**1,777**	**4,633**	**1,806**	**-**	**2,253**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount	Hectares	Amount
Maize	501	237	-	-	200	122
Barley	-	-	-	-	-	336
Other	-	209	-	95	-	-
Total biological assets of plant growing	**-**	**476**	**-**	**95**	**-**	**458**
Total current biological assets	**-**	**2,253**	**-**	**1,901**	**-**	**2,711**
Non-current biological assets	Units	Amount	Units	Amount	Units	Amount
Cattle	2,706	1,670	2,718	2,011	2,857	2,415
Other livestock	-	2	-	6	-	-
Total non-current biological assets	**2,706**	**1,672**	**2,718**	**2,017**	**2,857**	**2,415**

(All amounts in euro thousands unless otherwise stated)

13 Trade and other payables

	30 September 2015	31 December 2014	30 September 2014
Trade payables	16,957	16,456	20,170
Accounts payable for fixed assets	23	120	523
Interest payable	3,942	1,010	145
Other financial payables	174	158	41
Total financial liabilities within trade and other payable	**21,096**	**17,744**	**20,879**
Wages and salaries payable	1,651	1,980	2,300
Advances received	1,159	668	672
Dividends payable	-	-	2,188
Other accounts payable	886	588	857
Accruals for employees' unused vacations	1,209	1,555	1,735
Total trade and other payables	**26,001**	**22,535**	**28,631**

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 2015	31 December 2014	30 September 2014
VAT payable	2,079	1,011	970
Payroll related taxes	946	922	1,007
Other taxes payable	144	130	137
Total other taxes payable	**3,169**	**2,063**	**2,114**

(All amounts in euro thousands unless otherwise stated)

15 Loans and borrowings

	30 September 2015	31 December 2014	30 September 2014
Current			
Interest bearing loans due to banks	99,083	95,206	99,586
Loans from non-financial institutions	28	14	-
Bank overdrafts	641	469	479
Finance leases	1,012	700	508
Total current borrowings	**100,764**	**96,389**	**100,573**
Non-current			
Interest bearing loans due to banks	3,589	4,028	4,729
Finance leases	1,174	1,503	1,629
Total non-current borrowings	**4,763**	**5,531**	**6,358**
Total borrowings	**105,527**	**101,920**	**106,931**

Movement in loans and borrowings during the nine months ended 30 September 2015 and 2014 was as follows:

	2015	2014
Balance at 1 January	**101,920**	**103,759**
Obtained new loans and borrowings	28,481	73,324
Repaid loans and borrowings	(29,774)	(73,123)
Discounting of borrowings	-	595
Foreign exchange loss	4,900	2,376
Balance at 30 September	**105,527**	**106,931**

Principal terms and the debt repayment schedule of the Group's loans and borrowings as at 30 September 2015 and 31 December 2014 were as follows:

	30 September 2015					31 December 2014				
	USD	UAH	RUR	PLN	Total	USD	UAH	RUR	PLN	Total
12 months or less										
Outstanding balance, thousand EUR	75,315	6,201	15,637	3,611	**100,764**	72,900	2,210	17,813	3,466	**96,389**
Average interest rate, %	9.64	24.35	19.29	4.60	**11.86**	11.11	22.98	9.91	4.50	**10.92**
1-5 years										
Outstanding balance, thousand EUR	3,589	1	56	1,117	**4,763**	4,028	4	30	1,469	**5,531**
Average interest rate, %	8.33	24.00	5.44	5.61	**7.66**	8.25	24.00	2.56	5.61	**7.53**

15 Loans and borrowings (continued)

As at 30 September 2015 the Group has not met requirement in respect of Borrowings to EBITDA ratio and EBITDA to interest expenses ratio. A waiver of breach of covenants being negotiated and Management are in process of negotiation with lenders as at the date of these financial statements approval.

16 Share capital

Share capital as at 30 September is as follows:

	2015		2014	
	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:

	2015	2014
Cheese & Butter	51,086	79,858
Whole-milk products	78,998	105,214
Ingredients	16,159	38,976
Total revenue	**146,243**	**224,048**

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

	2015	2014
Russia	86,161	129,250
Ukraine	43,251	64,699
Poland	9,868	14,944
Other	6,963	15,155
Total revenue	**146,243**	**224,048**

(All amounts in euro thousands unless otherwise stated)

18 Cost of sales

	2015	2014
Raw and other materials	93,015	133,669
Wages and salaries	5,942	9,190
Depreciation	7,854	7,416
Transportation costs	2,903	5,784
Gas	3,649	6,187
Electricity	3,213	4,219
Social insurance contributions	1,902	3,103
Repairs of property, plant and equipment	1,872	2,463
Water	244	865
Other	3,113	5,107
Changes in finished goods and work in progress	(165)	1,207
Total cost of sales	**123,542**	**179,210**

19 Selling and distribution expenses

	2015	2014
Transportation costs	5,436	7,661
Security and other services	635	1,710
Marketing and advertising	1,355	1,349
Wages and salaries	2,955	4,078
Social insurance contributions	902	1,208
Licence fees	39	257
Rental costs	195	333
Depreciation and amortisation	182	250
Other	543	756
Total selling expenses	**12,242**	**17,602**

(All amounts in euro thousands unless otherwise stated)

20 Administrative expenses

	2015	2014
Wages and salaries	4,668	7,602
Social insurance contributions	1,086	1,837
Taxes and other charges	849	1,047
Representative charges	228	601
Other utilities	92	139
Bank charges	227	1,140
Repairs and maintenance	247	329
Depreciation and amortisation	684	1,195
Consulting fees	528	2,234
Security and other services	356	406
Transportation costs	298	315
Property insurance	34	58
Rental costs	222	293
Communication	147	216
Office supplies	33	68
Other	574	748
Total administrative expenses	**10,273**	**18,228**

21 Other expenses, net

	2015	2014
Government grants recognised as income	302	438
Gain from write off of accounts payable	2	8
Change in provision and write off of trade and other accounts receivable	(8,866)	(409)
Depreciation and amortisation	(65)	(196)
Other income, net	954	189
Gain/(loss) from disposal of non-current assets	148	(122)
Loss from disposal and write off of inventories	(390)	(939)
Penalties	(144)	(325)
Operational foreign exchange results, net	53	1,623
Change in provision and write off of VAT receivable	(70)	(1,619)
Total other expenses, net	**(8,076)**	**(1,352)**

(All amounts in euro thousands unless otherwise stated)

22 Finance income

	2015	2014
Other finance income	-	3
Finance foreign exchange gain, net	44	1,028
Bank deposits	381	804
Total finance income	**425**	**1,835**

23 Finance expenses

	2015	2014
Bank borrowings	9,492	7,567
Other finance expenses	139	54
Finance leases	96	128
Discounting of loans	-	595
Finance foreign exchange loss, net	21,686	41,859
Total finance expenses	**31,413**	**50,203**

24 Income tax

	2015	2014
Current income tax	1,211	1,868
Deferred income tax	(1,838)	(6,449)
Total income tax	**(627)**	**(4,581)**

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2015 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2014: 18%), Russian profit tax was levied at the rate of 20% (2014: 20%), Poland profit tax was levied at the rate of 19% (2014: 19%). In 2014 the tax rate for Panama operations was 0% (2014: 0%) on worldwide income.

25 Contingent and deferred liabilities

Litigation

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

DE Milkiland Ukraine, the subsidiary of the Company, participates in a case for the recovery of debt obligations, acting as a defendant. The subject of the lawsuit is a debt collection under the loan agreement for the total amount EUR 2,146 thousand as at 30 September 2015. In the mentioned case PJSC "Bank Forum" is a plaintiff and DE Milkiland Ukraine and the Company are solidarity defendants. Another group company DE Aromat acts a mortgagor and granted as collateral its property, plant and equipment with value of EUR 3,470 thousand as at 30 September 2015.

As at 30 September 2015 according to the Court order (in connection with the appeal of the Economic Court of Kiev with letter for legal assistance to the Central Authority of the foreign state (the Netherlands)), the proceedings was postponed to 18 November 2015. This case was created due to the procedure for liquidation of PJSC "Bank Forum" and unwillingness of the Temporary Administration to settle the debt out-of-court.

As at the date of financial statement issue, the shareholders of PJSC Bank Forum challenged in court the legality of the introduction of the temporary administration and the opening of liquidation proceedings.

25 Contingent and deferred liabilities (continued)

According to the ruling of Supreme Court of Ukraine issued in January 2015, all of the previous court rulings and orders regarding the liquidation of the bank were overturned and the case was adjourned to the new hearing which is not yet appointed. In this regard, the credentials of representatives Deposit Guarantee Fund, acting on behalf of the bank in the courts, are controversial.

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

Management believe that in the case of the completion of disputes relating to the powers of the temporary administration Bank PJSC Forum and the decision by a court on the future operations of the Bank, DE Milkiland Ukraine will be able to engage in constructive dialogue with the legitimate administration of the Bank for further restructuring of the company's obligations, as well as the payment of its liabilities and assets deriving from collateral. As at 30 September 2015 no additional obligations except for the direct liabilities under the loan contract were recognized in these financial statements.

Insurance policies
The Group insures all significant property. As at 30 September 2015 and 30 September 2014, most of the Group’s property is insured.

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

26 Capital management policy

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

The Group manages its capital structure and modifies it in accordance with economic conditions change. Aimed at maintenance or change of the capital structure, the Group may regulate the amount of dividends, return the capital to shareholders or issue new shares. For the nine months ended 30 September 2015 no changes were made in objectives, policies and procedures of the capital management.

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

The Group has external requirements to the capital in respect of syndicate loan received by the Company with outstanding balance as at 30 September 2015 in amount EUR 52,290 thousand:

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

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

26 Capital management policy (continued)

As at 30 September 2015 the Group has not met requirement in respect of above mentioned covenants. A waiver of breach of covenants is being negotiated and Management is in process of loan restructuring negotiation with lenders as at the date of these financial statements approval (note 28). According to the original loan terms signed on December 16, 2012, the Company should repay the whole amount of loan denominated in USD till the end of December 2015. As at 30 September 2015, the full value of loan in amount EUR 52,290 thousand (USD 58,580 thousand in original currency) is classified as current interest bearing loans due to banks (note 15).

27 Earnings per share

	2015	2014
Numerator		
Earnings used in basic and diluted EPS	**(37,824)**	**(34,534)**
Denominator, in thousand		
Weighted average number of shares used in basic and diluted EPS	**31,250**	**31,250**

28 Subsequent events

In the 4th quarter 2015 the Group has been in negotiations with a syndicate of international banks and several other lenders with aim to agree restructure of Group borrowings.