Interim Statement

Results of the nine months of 2013

Key facts and issues

In 9 months 2013 Milkiland maintained a positive momentum of double-digit growth of revenues (+19% y-o-y) started in H1 2013 and fueled by the growing sales in Whole-milk products and Ingredients segments.

In particular, sales in WMP segment were more than 20% higher compared to the same period of 2012, a merit of both Russian (+22%) and Ukrainian (+18%) divisions. Redesigning of the Group's fresh dairy brands and improvements of the distribution system stood behind this growth.

Cheese and butter segment revenues grew by 8.4% on y-o-y basis on the back of higher sales both in volume and value terms. Because of the restoration of cheese export volumes to Russia, Milkiland in 9m 2013 secured a position of No. 2 Ukrainian cheese exporter.

The 62% breakthrough in revenues in Ingredients segment was supported by the sales of higher value products (WPC-80, permeate) by the Group's Polish asset Ostrowia, as well as by favorable global prices for commodity dairy products.

On the negative side, SMP prices rally in 9m 2013 caused by unprecedented spike in global milk prices and combined with scarce raw milk supply in Ukraine and Russia, pushed raw materials prices upward. In particular, average raw milk prices in Ukraine and Russia in 9m 2013 were up by, respectively, 24% and 11% y-o-y.

This trend led to significant pressure on the operating margins of the dairy processors in both countries. In case of Milkiland, the costs of sales of the Group grew by 26% y-o-y, the gross profit was flat and EBITDA contracted by 15% y-o-y respectively.

In order to partially offset the rising costs and support the profitability of the business, starting from June 2013, the Group put efforts to increase selling prices in Ukrainian and Russian markets. This increase was made in line with the general market trends in both countries.

Milkiland also continued its efforts aimed at the development of own milk supply base by the development of in-house milk production and support of milk cooperative. The first section of new dairy farm with a total capacity of 6,800 milking cows was put in operation. In-house production and partner cooperatives contributed, respectively, c. 4% and 23% of Ukrainian needs.

The Group also continued a development of its Polish operations in Ostrowia as one of the important factors to mitigate strategic raw materials base challenges set by stagnating milk production in Ukraine and Russia. In 9m 2013, Milkiland invested ca. EUR 4.3 million to modernize Ostrowia in order to bring it in full compliance with the Ukrainian and Russian veterinary authorities requirements and resume full scale production. The plant started production of dry milk products and curd cheese in February, hard cheese – in May 2013.

As the result, Ostrowia entered the domestic Polish market by selling curd and hard cheese, export markets in EU, including Germany and Holland, by selling dry milk products. On July, 30, the plant obtained the export permission to Ukraine and stared exports to Ukrainian market. The Group's management expects to obtain the same permission to Russia until the end of the year 2013.

Targeting the export markets of Russia and Ukraine by Ostrowia-made cheese, Milkiland expects to "catch the wave" of the success of Polish cheese makers, who managed to increase their exports to these countries in 8 months of 2013 by 61% and 39% respectively. Many years of experience of doing business in Russia together with the existing distribution network in this country will have to contribute to the promotion of those new export products of Milkiland. The Group also intends to use its new international brand "Milkiland" as an umbrella brand for sales of Ostrowia products in Russia and other CIS and third countries.

In line with its strategy of considering an acquisition of the attractive assets in its key markets, the Group finished acquisition of production assets of JSC "Syrodel" located in Rylsk city of Kursk region of Russia in February 2013. The plant is designed to produce cheese (up to 3.5 kt/ year), whole milk products and butter. Milkiland plans to use Syrodel to produce hard and specialty cheeses for Russian market and serve as supplier of butter, cream and other products for the Group's Ostankino Dairy Combine based in Moscow. In the current year Milkiland is aiming on increase of capacity utilization of Syrodel, focusing on cheese and whole milk products.

Paying traditional attention to the maintaining the best EU corporate governance standards, the Group renewed a Board of Directors by appointment a two new Non-executive Directors and hired some new top-managers, including a new Director of the Ukrainian holding company of the Group Milkiland Ukraine. Those changes are aimed at the brining new international expertize on the different levels of the Group's structure.

DCFTA with the EU: new opportunities for business and rising competition

In a view of incoming signing of the Association agreement between EU and Ukraine planned on 27-28 November 2013 during Vilnius Eastern Partnership Summit, a lot of issues of possible influence of the Agreement on different branches of the Ukrainian economy are being discussed. In case of Ukrainian dairy sector, the Agreement envisages the different concessions to Ukraine and the EU.

Concessions from the EU to Ukraine:

- Free access for cheese (no quotas or tariff limitations implied since the signing of the Agreement);
- Increasing import quotas (over 5 years) for:
    - Milk and WMP: from 8,000 to 10,000 tons;
    - Dry milk: from 1,500 to 5,000 tons;
    - Butter: from 1,500 to 3,000 tons.

Concessions from Ukraine to the EU:

- Free access, in 5 years, for most types of cheeses (no quotas are implied since the signing of the Agreement, except 50% duty for processed cheese, from 3 to 7 years of the transition period until the lifting of tariffs depending from type of the cheese);
- Gradual liberalization (the decrease of current 10% import tariff by 20-30% in 5 years, its total lifting in 7 years) and no import quotas for: milk and WMP, dry milk, butter, processed milk.

According to the experts of Dragon Capital, minor defined EU import quotas for fresh and dry milk, WMP and butter will not open additional material selling opportunities for Ukrainian exporters. At the same time, the country today imports substantial volumes of dairy: the total imported volume in 2012 stood at 30.8 kt, including 6.8 kt from EU. The liberalization of trade in this segment with absence of quotation for EU dairy producers, will give them an opportunity to increase an export of dairy produce to Ukrainian market, thus intensifying local completion.

No quotation and immediate lifting of import tariffs for cheese is beneficial for the Ukrainian cheese producers. Milkiland consider the possibility of launching the export of Ukrainian made cheese to EU dairy market, the biggest in the world, as one of the important strategic perspectives for the Group's business. Our efforts in this regard will be targeted at gaining a loyalty of EU customers and meeting all of the EU food safety requirements. Our experience of doing a dairy business in Poland will give to the Group an additional competitive advantage on this way to European market.

It's important to add, that the admission of the Ukrainian milk processors to EU dairy market is also depends from the efforts of the Ukrainian Government to bring the state food safety control system in Ukraine in compliance with the EU standards, which, *inter alia,* requires an adoption of the necessary legislation by the Ukrainian Parliament.

At the same time, Ukraine today imports increasing volumes of cheese. The total volume of imported cheese in 2012 amounted to 17.1 kt, including 11.0 kt or 64% supplied from the EU countries (mainly Poland, Germany and France). Taking into the account the substantial share of the EU producers in the Ukrainian cheese import, already existing loyalty for their products of the Ukrainian customers, they will probably be able to increase the cheese sales in the country. This will lead to the intensified competition in the domestic cheese market.

In addition to the new export possibilities in the EU market, Milkiland also intends to capitalize on supplying additional volumes of cheese to Ukraine from its Polish asset Ostrowia. In order to be successful under the conditions of increased completion in the domestic market, the Group has been continuously implementing the best EU and international standards of quality and food safety in our production assets.

Overview of Financial Results in 9 months 2013

Financial results

- Revenues grew by c. 19% to EUR 245.2 million driven by better sales in the WMP and ingredients segments both in Ukraine and Russia
- Gross profit stable at c. EUR 56.4 million due to higher affective raw milk prices in both countries
- EBITDA decreased by c.15% to EUR 23.1 million, mainly driven by higher cost of sales and operating expenses
- Net profit decreased by c.9% to EUR 11.1 million

Segment revenue and performance

Cheese & butter segment contributed approximately 47% to the Group's total revenue and 52% to the EBITDA (c.51% and 60% respectively in 9 months 2012).

The segment revenue grew by c.8% to EUR 114.4 million on a back of higher sales both in volume and value terms. While cheese sales to Russia restored to the 2012 levels, sales in Ukraine grew double digit. Better butter volume sales and favorable pricing situation also contributed to the segment growth.

Whole-milk dairy is the second largest segment in terms of revenue and EBITDA providing for 41% and 35% respectively (40% and 32% in 9 months 2012).

The segment revenue grew by more than 20% to EUR 100.7 million, the growth coming from both Russia (22% y-o-y) and Ukraine (18% y-o-y). Such revenue advance was underpinned by dynamic development in several product categories, such as UHT milk (+41% y-o-y). The segment's EBITDA decreased by about 5%, from EUR 9.2 million to EUR 8.8 million on the back of higher raw milk prices.

In *Ingredients and other products segment*, revenue increased by c.62% to EUR 30.2 million, while segment's EBITDA grew c. 49% to EUR 3.2 million mainly due to higher sales of dry milk products supported by favorable global prices.

Cost of sales and gross profit

Cost of sales grew 26% in 9 months of 2013 compared to the same period of 2012 and stood at EUR 189.7 million. The growth of the cost of sales was faster than the revenue increase mainly due to fast growth in raw milk prices that were not immediately followed by respective increase in selling prices. A noticeable increase in the cost of raw and other materials by 42% or by EUR 42.5 million was partially offset by an increase in changes in finished goods and work in progress, which represented an increase in the Group's inventories. Two factors contributed to this increase: first, the launch of hard cheese production at Ostrowia in May 2013; second, the restoration of inventories level by other Group's production units after the low levels of end-2012.

A 22% increase in electricity costs represents a rise in the Group's production and sales volumes.

As a result, the Group's gross profit was flat in 9 months 2013 (EUR 56.4 million). The gross margin declined to 23.0% from 27.4%.

Operating profit and EBITDA

Selling and distribution expenses increased by 21% (to EUR 22.5 million) in 9 months of 2013, in line with the first half of the year. Selling and distribution expenses grew faster than sales due to some changes in the Group's course of business and further expansion efforts.

After a temporary ban of Ukrainian cheese exports to Russia 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 are reported for as security and other services that grew 64% y-o-y to EUR 4.8 million.

Marketing and advertising expenses associated with further Group's expansion almost doubled to c. EUR 1.6 million. These expenses include rebranding of Ostankino and re-introduction of "Ostrowia" brands to the Polish market.

A rise in selling and distribution expenses was somewhat offset by stabilization in transportation costs, despite a sharp rise in sales volumes. Transportation costs grew slower than sales due to a change in the terms of delivery for a number of Group's clients towards FCA instead of DDU.

Administrative expenses grew 21% to EUR 22.7 million. Labor costs grew by 24% y-o-y as a result of acquisitions of Ostrowia in August 2012 and Rylsk in February 2013. Bank charges associated with the expansion of the Group's operations grew by 69% y-o-y to EUR 1.9 million.

In the reporting period, the Group posted other income of c. EUR 1.6 million compared with expense of EUR 3.5 million in 9 months of 2012, mainly due to a significant decrease in other operating expenses such as change in provisions and write offs in VAT receivable.

In July 2012, the Group acquired 100% of the share capital of Emir sp.z.o.o. (subsequently renamed to "Ostrowia sp. z.o.o.", the owner of Polish cheese maker Ostrowia), for the total consideration EUR 12 million.

As at December 31, 2012, the excess of Ostrowia sp.z.o.o. net assets acquired over the consideration paid in the amount of EUR 1,325 thousand was recognized in the consolidated statement of comprehensive income as gain on subsidiary acquisition. Subsequently, this amount is recognized in the current financial statement as gain on subsidiary acquisition for nine months of 2012.

Decreased gross profit combined with rising operating costs led to a decline in operating profit to EUR 12.9 million. As a result, the Group's EBITDA declined by c. 15% to EUR 23.1 million. In 9 months 2013, the Group's EBITDA margin of 9.4% was lower than in 9 months 2012 when it stood at 13.2%.

Profit before tax and net profit

Lower operating profit contributed to a decrease in the profit before tax from EUR 14.1 million to c. EUR 12.0 million. Net profit declined to EUR 11.0 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 2013 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 2013 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, 8 November 2013

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

Milkiland N.V.

Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 2013

Contents

Condensed Consolidated Interim Financial Statements

(All amounts in euro thousands unless otherwise stated)

	Notes	30 September 2013 (unaudited)	31 December 2012 (audited)	30 September 2012 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	7	18,863	23,850	26,169
Trade and other receivables	8	57,936	48,236	51,583
Inventories	9	34,727	25,487	33,712
Current biological assets	13	9,605	5,420	6,140
Current income tax assets		125	204	367
Other taxes receivable	10	15,462	10,750	11,316
		136,718	**113,947**	**129,287**
Non-Current Assets				
Goodwill	11	3,453	3,485	3,617
Property, plant and equipment	12	189,188	189,129	184,907
Non-current biological assets	13	3,685	3,296	2,880
Other intangible assets	12	4,031	3,824	2,707
Deferred income tax assets		9,527	9,754	21,087
Other Non-current assets		-	1,006	-
		209,884	**210,494**	**215,198**
TOTAL ASSETS		**346,602**	**324,441**	**344,485**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	14	25,265	15,120	18,193
Current income tax liabilities		9	534	324
Other taxes payable	15	1,893	1,570	2,101
Short-term loans and borrowings	16	80,021	50,526	46,353
		107,188	**67,750**	**66,971**
Non-Current Liabilities				
Loans and borrowings	16	32,144	46,427	53,258
Deferred income tax liability		28,715	30,715	44,114
Other non-current liabilities		697	864	739
		61,556	**78,006**	**98,111**
Total liabilities		**168,744**	**145,756**	**165,082**
Equity attributable to owners of the Company				
Share capital	17	3,125	3,125	3,125
Share premium		48,687	48,687	48,687
Revaluation reserve		48,073	53,228	54,060
Currency translation reserve		(13,428)	(7,441)	(6,687)
Retained earnings		86,338	74,702	73,499
		172,795	**172,301**	**172,684**
Non-controlling interests		**5,063**	**6,384**	**6,719**
Total equity		**177,858**	**178,685**	**179,403**
TOTAL LIABILITIES AND EQUITY		**346,602**	**324,441**	**344,485**

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the nine months ended 30 September 2013
(All amounts in euro thousands unless otherwise stated)

	Notes	2013 (unaudited)	2012 (unaudited)
Revenue	18	245,244	206,594
Change in fair value of biological assets		891	60
Cost of sales	19	(189,690)	(150,049)
Gross Profit		**56,445**	**56,605**
Selling and distribution expenses	20	(22,458)	(18,522)
General and administrative expenses	21	(22,702)	(18,767)
Other income/(expenses), net	22	1,599	(3,462)
Gain on subsidiary acquisition	4	34	1,325
Operating Profit		**12,918**	**17,179**
Finance income		3,376	2,326
Finance expenses		(6,765)	(6,318)
Foreign exchange gain, net		2,512	954
Profit before tax		**12,041**	**14,141**
Income tax	23	(1,029)	(2,087)
Net profit		**11,012**	**12,054**
Other comprehensive income			
Exchange differences on translating to presentation currency		(7,916)	1,535
Total comprehensive income		**3,096**	**13,589**
Profit attributable to:			
Owners of the Company		10,310	11,373
Non-controlling interests		702	681
		11,012	**12,054**
Total comprehensive income attributable to:			
Owners of the Company		2,728	12,825
Non-controlling interests		368	764
		3,096	**13,589**
Earnings per share		32,99	36,39

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the three months ended 30 September 2013
(All amounts in euro thousands unless otherwise stated)

	2013 (unaudited)	**2012 (unaudited)**
Revenue	94,099	72,494
Change in fair value of biological assets	(50)	1
Cost of sales	(71,638)	(50,563)
Gross Profit	**22,411**	**21,932**
Selling and distribution expenses	(8,159)	(6,906)
General and administrative expenses	(7,951)	(6,311)
Other income/(expenses), net	(263)	(2,420)
Gain on subsidiary acquisition	-	1,325
Operating Profit	**6,038**	**7,620**
Finance income	1,091	796
Finance expenses	(1,996)	(1,976)
Foreign exchange gain, net	751	357
Profit before tax	**5,884**	**6,797**
Income tax	(414)	(1,001)
Net profit	**5,470**	**5,796**
Other comprehensive income		
Exchange differences on translating to presentation currency	(5,104)	(1,789)
Total comprehensive income	**366**	**4,007**
Profit attributable to:		
Owners of the Company	5,331	5,745
Non-controlling interests	139	51
	5,470	**5,796**
Total comprehensive income attributable to:		
Owners of the Company	387	4,015
Non-controlling interests	(21)	(8)
	366	**4,007**
Earnings per share	17.06	18.38

MILKILAND N.V.
Condensed consolidated interim statement of cash flows
For the nine months ended 30 September 2013
(All amounts in euro thousands unless otherwise stated)

	2013 (unaudited)	2012 (unaudited)
Cash flows from operating activities:		
Profit before income tax	**12,041**	**14,141**
Adjustments for:		
Depreciation and amortization	10,027	9,407
Change in provision and write off inventories	(537)	473
Change in provision and write off of trade and other accounts receivable	(1,036)	516
Change in provision and write off of unrealised VAT	2,807	4,713
Loss from write off, revaluation and disposal of non-current assets	54	391
Loss on sales of other inventories	430	476
Change in fair value of biological assets	(891)	(60)
Foreign exchange gain	(2,512)	(954)
Finance income	(3,376)	(2,326)
Gain realised from acquisitions	(34)	(1,325)
Finance expenses	6,765	6,318
Write off of accounts payable	(25)	(41)
Operating cash flow before movements in working capital	**23,713**	**31,729**
Increase in trade and other accounts receivable	(10,967)	(24,824)
(Increase)/decrease in inventories	(9,923)	1,052
Increase in biological assets	(3,883)	(2,411)
Increase in trade and other payables	10,091	845
(Increase)/decrease in other taxes receivable	(7,684)	6,703
Increase in other taxes payable	323	240
Net cash provided by operations:	**1,670**	**13,334**
Income taxes paid	(2,369)	(2,939)
Interest received	3,376	2,326
Interest paid	(7,904)	(7,157)
Net cash (used in)/provided by operating activities	**(5,227)**	**5,564**
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(15,068)	(22,499)
Proceeds from sale of property, plant and equipment	68	117
Acquisition of subsidiaries, net of cash acquired	(489)	(14,253)
Net cash used in investing activities	**(15,489)**	**(36,635)**
Cash flows from financing activities		
Proceeds from borrowings	57,194	83,046
Repayment of borrowings	(39,445)	(79,574)
Acquisition of non-controlling interest	(1,423)	-
Net cash provided by financing activities	**16,326**	**3,472**
Net decrease in cash and equivalents	**(4,390)**	**(27,599)**
Cash and equivalents, beginning of period	**23,850**	**53,410**
Effect of foreign exchange rates on cash and cash equivalents	(597)	358
Cash and equivalents, end of period	**18,863**	**26,169**

MILKILAND N.V.
Condensed consolidated interim statement of changes in equity
For the nine months ended 30 September 2013
(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 2012	**3,125**	**48,687**	**(8,134)**	**58,320**	**57,861**	**159,859**	**5,955**	**165,815**
Profit for the period	-	-	-	-	11,373	11,373	681	12,054
Other comprehensive income, net of tax effect	-		1,447	5	-	1,452	83	1,535
Total comprehensive income for the period	**-**	**-**	**1,447**	**5**	**11,373**	**12,825**	**764**	**13,589**
Realised revaluation reserve, net of income tax	-	-	-	(4,265)	4,265	-	-	-
Balance at 30 September 2012	**3,125**	**48,687**	**(6,687)**	**54,060**	**73,499**	**172,684**	**6,719**	**179,403**
Balance at 1 January 2013	**3,125**	**48,687**	**(7,441)**	**53,228**	**74,702**	**172,301**	**6,384**	**178,685**
Profit for the period	-	-	-	-	10,310	10,310	702	11,012
Other comprehensive income, net of tax effect	-	-	(5,836)	(1,746)	-	(7,582)	(334)	(7,916)
Total comprehensive income for the year	**-**	**-**	**(5,836)**	**(1,746)**	**10,310**	**2,728**	**368**	**3,096**
Acquisition of non-controlling interests	-	-	(151)	234	183	266	(1,689)	(1,423)
Declaration of Dividends	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Realised revaluation reserve, net of income tax	-	-	-	(3,643)	3,643	-	-	-
Balance at 30 September 2013	**3,125**	**48,687**	**(13,428)**	**48,073**	**86,338**	**172,795**	**5,063**	**177,858**

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 2013 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 8 November 2013.

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 2013, the Company is owned 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 1,300 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 2013	31 December 2012	30 September 2012
MLK Finance Limited	Cyprus	100.0%	100.0%	100.0%
Milkiland Intermarket (CY) LTD	Cyprus	100.0%	100.0%	-
Milkiland EU sp. z.o.o.	Poland	100.0%	100.0%	100.0%
Ostrowia sp. z.o.o	Poland	100.0%	100.0%	100.0%
JSC Ostankino Dairy Combine	Russia	100.0%	95,9%	95,3%
LLC Milkiland RU	Russia	100.0%	100.0%	-
LLC Kursk-Moloko	Russia	100.0%	-	-
DE Milkiland Ukraine	Ukraine	100.0%	100.0%	100.0%
Milkiland Corporation	Panama	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%
LLC Moloko Polissia	Ukraine	100.0%	100.0%	100.0%
PrJSC Transportnyk	Ukraine	70,3%	70,3%	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	68,1%	68,1%	68,1%
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%
AF Konotopska	Ukraine	100.0%	100.0%	100.0%
LLC Batkivschyna	Ukraine	100.0%	100.0%	100.0%
PE Agro PersheTravnya	Ukraine	100.0%	100.0%	100.0%
ALLC Nadiya	Ukraine	100.0%	100.0%	100.0%
LLC Zemledar 2020	Ukraine	100.0%	100.0%	100.0%
PAE Dovzhenka	Ukraine	100.0%	100.0%	100.0%
LLC Feskivske	Ukraine	100.0%	100.0%	100.0%
JSC Sosnitsky Rajagrohim	Ukraine	96,4%	-	-

1 The Group and its operations (continued)

During nine months ended 30 September 2013, the Group finalized registration of new subsidiary LLC Kursk-Moloko in Russia. During nine months ended 30 September 2013, the Group finalized acquisition of JSC Sosnitsky Rajagrohim.

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 2013 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 2012, which have been prepared in accordance with IFRSs.

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2012.

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 2013 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 2013, 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. In 9m 2013 the in-house milk production covered c.4% of milk intake in Ukraine.

(All amounts in euro thousands unless otherwise stated)

1 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 2013	1.3505	10.7945	43.6497	4.2163
Average for nine months ended 30 September 2013	1.3168	10.5254	41.6507	4.2017
As at 31 December 2012	1.3194	10.5460	40.2286	4.0882
As at 30 September 2012	1.2930	10.3349	39.9786	4.1138
Average for nine months ended 30 September 2012	1.2819	10.2426	39.8399	4.2103

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 balance sheet 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:

3 Critical accounting estimates and judgments (continued)

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.

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.

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.

4 Business combinations

The Group acquired ALLC Nadiya and PE Agro Pershe Travnya in the end of 2011 and PAE Dovzhenka, LLC Feskivske and Ostrowia sp.z.o.o. during the nine months ended 30 September 2012. The fair value of the net assets obtained has not been determined as at 31 December 2011 and 30 September 2012 due to the short time period before the period-end close. As a result provisional goodwill at the amount of EUR 2,181 thousand was recognized and disclosed in the financial statement prepared as of 31 December 2011 and EUR 5,747 thousand as of 30 September 2012. Consequently, the fair value of net assets as at the day of acquisition was subsequently determined in 2012 by the independent appraisal agency and respective comparative amounts were revised for the year ended 31 December 2011 and nine months ended 30 September 2012. As a result the goodwill as of 31 December 2011 was decreased by EUR 1,369 thousand to EUR 3,092 thousand, and as of 30 September 2012 by EUR 4,416 thousand to EUR 3,617 thousand predominantly due to revaluation of property, plant and equipment and intangible assets. Additionally gain on subsidiary acquisition amounted EUR 1,325 thousand was recognized in the condensed consolidated interim statement of comprehensive income. As a result net profit for the nine months 2012 was increased to EUR 12,054 thousand. For more information, refer to note 11.

(All amounts in euro thousands unless otherwise stated)

4 Business combination (continued)

Acquisitions of non-controlling interests

In June 2013 the Group finalized acquisition 4.15% of non-controlling interest in JSC Ostankino Dairy Combine from minority shareholders having paid EUR 1,423 thousand. As a result, the Group's equity interest in these entities increased to 100%.

Net assets of Ostankino Dairy Combine as at 30 June 2013	40,692
Share in net assets acquired (4.15%)	1,689
Consideration paid	(1,423)
Excess of share in net assets acquired over consideration paid	**266**

Acquisition of subsidiaries

In 2013 the Group focused on the development of raw milk supply system and acquired 96.4% shares in JSC Sosnitsky Rajagrohim. These companies are expected to contribute to the development of the stable and cost-efficient supply of raw milk. The management believes that the Group will benefit from this supply base becoming less dependent on the price fluctuations of the main raw materials needed for production, which explains the goodwill.

	JSC Sosnitsky Rajagrohim
Accounts receivable	55
Taxes receivable	19
Inventories	176
PPE	58
Accounts payable	(217)
Taxes payable	(4)
Other intangible assets	437
Total net identifiable assets	**524**
Cash paid	490
Fair value of identifiable assets	524
Gain on subsidiary acquisition	**(34)**

The excess of JSC Sosnitsky Rajagrohim net assets acquired over the consideration paid in the amount of EUR 34 thousand is recognized in the consolidated statement of comprehensive Income as gain on subsidiary acquisition. This gain arises because the fair value of the acquired nonmonetary assets exceeds the amount paid for those assets. This situation is due to the significant risks involved in agricultural business in Ukraine, the lack of financial resources in the acquired companies which prevents them from efficient use of their assets, and a lack of interested buyers.

(All amounts in euro thousands unless otherwise stated)

5 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.

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* – comprising the production and distribution of dry milk, agricultural and other products.

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:

	2013				2012		
	Russia	Ukraine	Poland	Total	Russia	Ukraine	Total
Total segment revenue	98,589	156,887	9,532	265,008	83,765	149,335	233,100
Inter-segment revenue	-	(19,764)	-	(19,764)	-	(26,506)	(26,506)
Revenue from external customers	98,589	137,123	9,532	245,244	83,765	122,829	206,594
EBITDA	**4,057**	**21,990**	**(1,194)**	**24,853**	**5,415**	**23,228**	**28,643**
EBITDA margin	4%	16%	-13%	10%	6%	19%	14%
Depreciation and amortisation	2,538	6,403	1,075	10,016	2,572	6,723	9,295

(All amounts in euro thousands unless otherwise stated)

5 Segment information (continued)

Inter-segment revenue is related to inter-group sales of dairy goods, mainly cheese, produced in Ukraine 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:

	2013				**2012**			
	Cheese & butter	**Whole-milk products**	**Ingredients**	**Total**	**Cheese & butter**	**Whole-milk products**	**Ingredients**	**Total**
Total segment revenue	129,594	100,723	34,691	265,008	121,201	82,490	29,409	233,100
Inter-segment revenue	(15,240)	-	(4,524)	(19,764)	(15,721)	-	(10,785)	(26,506)
Revenue from external customers	114,354	100,723	30,167	245,244	105,480	82,490	18,624	206,594
EBITDA	**12,878**	**8,757**	**3,218**	**24,853**	**17,257**	**9,219**	**2,167**	**28,643**
EBITDA margin	11%	9%	11%	10%	16%	11%	12%	14%
Depreciation and amortisation	3,950	4,395	1,671	10,016	4,540	3,831	924	9,295

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

	2013	**2012**
EBITDA	24,853	28,643
Other segments EBITDA	(1,770)	(1,336)
Total segments	**23,083**	**27,307**
Depreciation and amortisation	(10,027)	(9,407)
Acquisition related cost	-	(1,062)
Non-recurring items	(117)	(593)
Loss from disposal and impairment of non-current assets	(55)	(391)
Finance expenses	(6,765)	(6,318)
Finance income	3,376	2,326
Foreign exchange gain, net	2,512	954
Gain on subsidiary acquisition	34	1,325
Profit before tax	**12,041**	**14,141**

(All amounts in euro thousands unless otherwise stated)

6 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:	**2013**	**2012**
Revenue	1,966	2,183

The outstanding balances due from related parties were as follows:

Entities under common control:	**30 September 2013**	**31 December 2012**	**30 September 2012**
Trade accounts receivable	6,940	6,557	2,868
Other financial assets	2,630	1,694	-

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the nine months ended 30 September 2013 paid or payable to key management for employee services is EUR 617 thousand (2012: EUR 743 thousand).

7 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 2013	**31 December 2012**	**30 September 2012**
Short term deposits	14,891	8,888	12,290
Cash in bank and cash on hand	3,972	14,962	13,879
Total cash and cash equivalents	**18,863**	**23,850**	**26,169**

(All amounts in euro thousands unless otherwise stated)

8 Trade and other receivables

	30 September 2013	31 December 2012	30 September 2012
Trade accounts receivable	38,112	36,919	33,759
Other financial assets	11,804	2,785	3,095
Allowance for doubtful debts	(1,640)	(2,757)	(2,389)
Total financial assets within trade and other receivables	***48,276***	***36,947***	***34,465***
Advances issued	6,990	10,346	15,943
Other receivables	4,221	2,827	3,093
Allowance for doubtful debts	(1,551)	(1,884)	(1,918)
Total trade and other accounts receivable	**57,936**	**48,236**	**51,583**

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.

9 Inventories

	30 September 2013	31 December 2012	30 September 2012
Raw and other materials	11,745	8,527	9,818
Finished goods and work in progress	20,790	13,383	21,709
Agriculture produce	2,192	3,577	2,185
Total inventories	**34,727**	**25,487**	**33,712**

10 Other taxes receivable

	30 September 2013	31 December 2012	30 September 2012
VAT recoverable	15,018	10,560	11,143
Payroll related taxes	174	154	76
Other prepaid taxes	270	36	97
Total other taxes receivable	**15,462**	**10,750**	**11,316**

VAT receivable as at 30 September 2013 is shown net of provision at the amount of EUR 1,043 thousand (31 December 2012: EUR 2,018 thousand; 30 September 2012: EUR 1,853 thousand). The provision for VAT is created by several subsidiaries of the Company due to complexity of reimbursement of VAT in Ukraine and is estimated at 25% (31 December 2012: 35%; 30 September 2012: 25%) of VAT refund claimed from the Ukrainian Government based on previous statistics of VAT recoverability.

(All amounts in euro thousands unless otherwise stated)

11 Goodwill

	2013	2012
Balance at 1 January	3,485	3,092
Acquisitions	-	518
Foreign currency translation	(32)	7
Balance at 30 September	**3,453**	**3,617**

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.

As the Group performed reassessment of the Goodwill of the purchased entities, comparative amount of Goodwill as at 1 January 2012 and 30 September 2012 were decreased on EUR 1,369 and EUR 4,416 respectively. For more information, refer to note 4 for details.

12 Property, plant and equipment and intangible assets

During nine months ended 30 September 2013 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 15,068 thousand (2012: EUR 22,499 thousand), which comprised mainly investments to agricultural business of the Group in Ukraine and production assets of JSC “Syrodel” in Rylsk city of Kursk region of Russian Federation, and reconstruction of plant in Ostrowia, Poland.

(All amounts in euro thousands unless otherwise stated)

13 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 2013, 2012 and 31 December 2012 biological assets comprise the following groups:

	30 September 2013		**31 December 2012**		**30 September 2012**	
Current biological assets of animal breeding	Units	Amount	Units	Amount	Units	Amount
Cattle	4,210	3,101	4,334	3,455	4,818	2,177
Other livestock	-	1,267	-	485	-	434
Total biological assets of animal breeding		**4,368**	**4,334**	**3,940**	**4,818**	**2,611**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount	Hectares	Amount
Maize	7,281	4,496	-	-	3,030	2,060
Wheat	-	-	3,115	777	3,096	501
Barley	-	-	1,259	112	221	35
Other	-	741	-	591	-	933
Total biological assets of plant growing		**5,237**		**1,480**		**3,529**
Total current biological assets		**9,605**		**5,420**		**6,140**
Non-current biological assets	Units	Amount	Units	Amount	Units	Amount
Cattle	3,402	3,685	3,354	3,296	3,530	2,880
Total non-current biological assets	**3,402**	**3,685**	**3,354**	**3,296**	**3,530**	**2,880**

(All amounts in euro thousands unless otherwise stated)

14 Trade and other payables

	30 September 2013	31 December 2012	30 September 2012
Trade payables	16,387	8,693	10,593
Accounts payable for fixed assets	281	32	517
Interest payable	175	188	77
Other financial payables	-	393	891
Total financial liabilities within trade and other payable	**16,843**	**9,306**	**12,078**
Wages and salaries payable	2,775	1,622	1,882
Accruals for bonuses	-	39	186
Advances received	898	1,223	1,058
Dividends payable	2,500	-	-
Other accounts payable	749	1,065	1,529
Accruals for employees' unused vacations	1,500	1,865	1,460
Total trade and other payables	**25,265**	**15,120**	**18,193**

Financial liabilities are normally settled within 60-days period.

The fair values of trade and other accounts payable approximate their carrying amounts.

15 Other taxes payable

	30 September 2013	31 December 2012	30 September 2012
VAT payable	455	615	1,109
Payroll related taxes	1,271	694	790
Other taxes payable	167	261	202
Total other taxes payable	**1,893**	**1,570**	**2,101**

(All amounts in euro thousands unless otherwise stated)

16 Loans and borrowings

	30 September 2013	31 December 2012	30 September 2012
Current			
Interest bearing loans due to banks	78,850	50,232	46,102
Bank overdrafts	349	-	-
Finance leases	822	294	251
Total current borrowings	**80,021**	**50,526**	**46,353**
Non-current			
Interest bearing loans due to banks	29,535	46,282	52,961
Finance leases	2,609	145	297
Total non-current borrowings	**32,144**	**46,427**	**53,258**
Total borrowings	**112,165**	**96,953**	**99,611**

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

	2013	2012
Balance at 1 January	**96,953**	**95,321**
Obtained new loans and borrowings, net of commission paid	57,394	80,179
Repaid loans and borrowings	(39,645)	(76,705)
Foreign exchange gain	(2,537)	816
Balance at 30 September	**112,165**	**99,611**

Principal terms and the debt repayment schedule of the Group's loans and borrowings as at 30 September 2013 and 31 December 2012 were as follows:

	30 September 2013					31 December 2012			
	USD	UAH	RUR	PLN	Total	USD	UAH	RUR	Total
12 months or less									
Outstanding balance, thousand EUR	43,789	4,804	29,374	2,054	**80,021**	26,121	294	24,111	**50,526**
Average interest rate, %	10.97	18.76	10.21	4.32	**10.99**	10.83	12.30	10.23	**10.55**
1-5 years									
Outstanding balance, thousand EUR	28,946	15	602	2,581	**32,144**	46,287	140	-	**46,427**
Average interest rate, %	11.04	12.40	12.00	4.59	**10.54**	10.83	12.30	-	**10.83**

17 Share capital

Share capital as at 30 September is as follows:

	2013		2012	
	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**

18 Revenue

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

	2013	2012
Cheese & Butter	114, 354	105,480
Whole-milk products	100,723	82,490
Ingredients	30,167	18,624
Total revenue	**245,244**	**206,594**

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

	2013	2012
Russia	152,420	132,544
Ukraine	76,301	66,470
Poland	9,532	-
Other	6,991	7,580
Total revenue	**245,244**	**206,594**

(All amounts in euro thousands unless otherwise stated)

19 Cost of sales

	2013	2012
Raw and other materials	142,816	100,274
Wages and salaries	12,247	11,869
Depreciation	8,171	7,862
Transportation costs	8,804	8,835
Gas	7,649	7,309
Electricity	5,521	4,542
Social insurance contributions	4,061	4,144
Repairs of property, plant and equipment	2,374	2,486
Water	796	668
Other	4,034	2,476
Changes in finished goods and work in progress	(6,783)	(416)
Total cost of sales	**189,690**	**150,049**

20 Selling and distribution expenses

	2013	2012
Transportation costs	8,051	8,055
Security and other services	4,814	2,935
Marketing and advertising	1,554	994
Wages and salaries	4,949	4,278
Social insurance contributions	1,579	1,327
Licence fees	210	248
Rental costs	420	101
Depreciation and amortisation	213	101
Other	668	483
Total selling expenses	**22,458**	**18,522**

(All amounts in euro thousands unless otherwise stated)

21 General and administrative expenses

	2013	2012
Wages and salaries	9,409	7,569
Social insurance contributions	2,179	1,892
Taxes and other charges	1,298	858
Representative charges	860	1,647
Other utilities	208	345
Bank charges	1,910	1,131
Repairs and maintenance	527	320
Depreciation and amortisation	1,493	1,310
Consulting fees	1,887	1,457
Security and other services	488	466
Transportation costs	486	285
Property insurance	513	510
Rental costs	386	173
Communication	278	238
Office supplies	71	147
Other	709	419
Total administrative expenses	**22,702**	**18,767**

22 Other income/(expenses), net

	2013	2012
Government grants recognised as income	3,372	4,875
Gain from write off of accounts payable	25	41
Change in provision and write off of trade and other accounts receivable	1,036	(516)
Depreciation and amortisation	(150)	(134)
Other income, net	152	221
Loss from disposal of non-current assets	(54)	(391)
Loss from disposal of inventories	(430)	(476)
Penalties	(82)	(834)
Loss from write off of inventories	537	(473)
Acquisition-related costs	-	(1,062)
Change in provision and write off of VAT receivable	(2,807)	(4,713)
Total other expenses, net	**1,599**	**(3,462)**

(All amounts in euro thousands unless otherwise stated)

23 Income tax

	2013	2012
Current income tax	1,957	2,894
Deferred income tax	(928)	(807)
Total income tax	**1,029**	**2,087**

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2013 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 19% (2012: 21%), Russian profit tax was levied at the rate of 20% (2012: 20%), Poland profit tax was levied at the rate of 19% (2012: 19%). In 2013 the tax rate for Panama operations was 0% (2012: 0%) on worldwide income.

24 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.

Insurance policies
The Group insures all significant property. As at 30 September 2013 and 30 September 2012, 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.

Compliance with covenants
The Group is subject to certain covenants related to its borrowing. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants as at 30 September 2013 and 30 September 2012.

25 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 2013 and 2012 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:

- 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 expresses in EUR.

The Group has met external capital disclosures per 30 September 2013.

26 Earnings per share

	2013	2012
Numerator		
Earnings used in basic and diluted EPS	**10,310**	**11,373**
Denominator, in thousand		
Weighted average number of shares used in basic and diluted EPS	**31,250**	**31,250**