Interim Statement

Results of the first quarter 2015

Milkiland N.V. hereby publishes the Group's results of the first three months of 2015.

Highlights of the 1st quarter 2015

Operational results

- In first quarter of 2015 Russian market remains closed for Ukrainian and the EU dairy producers thus putting additional pressure on the global dairy market. During this period the Group has followed its strategy of growing local competence. In particular, our largest, Ukrainian division concentrated on gaining a new market share in the traditional cheese and whole-milk products segments
- In the first quarter of 2015, cheese sales in Ukraine and Poland grew 21% and 17% in volume terms. Milkiland Ukraine increased its share in the local cheese market to 8% vs. 6.6% in the first quarter of 2014
- After the implementation of import restrictions against Ukrainian and the EU dairy producers by Russian authorities, possibilities of import substitution appeared in the Russian market. Ostankino Milk Combine capitalized on the higher demand for value-added fresh dairy products to substitute imported EU and Ukrainian dairy
- Milkiland EU and Milkiland Intermarket expanded their dry milk products sales to third countries by c. 70% in volume terms, as Ukrainian hryvnia devaluation contributed to lower costs in the euro terms

Financial results

- A significant decline in cheese exports from Ukraine and Poland, tighter competition on the global dairy market, as well as further deep Ukrainian hryvnia devaluation resulted in a 40% drop in the consolidated revenues in euro terms to EUR 46.7 million
- While the reduction in costs was less significant, gross profit almost halved to EUR 7.3 million, gross margin declined from 18.7% in Q1 2014 to 15.7% in Q1 2015
- Despite a significant cut in the S&D and administrative expenses, EBITDA declined to EUR 1.9 million on the back of lower gross profit
- Non-cash foreign exchange loss of EUR 33.6 million due to a sharp Ukrainian hryvnia devaluation was the key contributor to a net loss of EUR 35.2 million
- A further sharp Ukrainian hryvnia devaluation contributed to a 14% decrease in the balance value of PPE in the euro terms

Overview of the Group's Sales in Q1 2015

Lower global demand for dairy products fuelled by the Russian ban on food imports from the EU, Ukraine and several other major producers resulted in a margin squeeze for global dairy producers. While the highly profitable Russian market remained closed for the Ukrainian cheese makers, the Ukrainian dairy market faced tightening competition. Dairy prices were the least performing on the food market gaining about 20% by March 2015 on y-o-y basis (vs. over 53% for the total food and beverages sector).

On the positive side, devaluation of the Ukrainian national currency and the closure of the Russian market for imports resulted in an increased demand for a high-quality substitution of previously imported products. In Ukraine, the Group expanded its presence and increased cheese sales by 21% in volume terms. In Russia, sales by Ostankino Milk Combine were stable in terms of volume but the reorientation towards higher value-added products and cheese produced by Rylsk contributed to an almost 30% EBITDA increase.

Devaluation of the key operational currencies together with the limitations on food imports introduced by the Russian authorities in mid-2014 were the key drivers for the consolidated revenue drop in euro terms.

Overview of Financial Results in Q1 2015

Segment revenue and performance

Whole-milk dairy was the largest segment in terms of revenue and business segments EBITDA[1] providing for 59% of revenue (49% in Q1 2014) and being the only EBITDA-generating segment in Q1 2015. The segment revenue declined 27% to EUR 27.6 million on a back operational currencies devaluation, while segment EBITDA grew 28.7% from EUR 2.1 million to EUR 2.7 million, reflecting improving profitability of the Russian division.

Cheese & butter segment contributed approximately 31% to the Group's total revenue (40% in Q1 2014). Segment revenue decreased by 53% to EUR 14.3 million due to both volume contraction and operational currencies devaluation. Segment generated a negative EBITDA due to the closure of the Russian market and tightening competition in Ukraine.

In *Ingredients and other products segment*, revenue decreased by 45% to EUR 4.8 million on the back of lower prices.

Cost of sales and gross profit

Cost of sales decreased by EUR 23.3 million (37% y-o-y) to EUR 39.5 million, due to lower raw milk prices in Poland and currency devaluation in Ukraine and Russia.

As a result of the revenue decline, the Group's gross profit was 49% lower and constituted EUR 7.3 million. The gross margin declined from 19% to 16%.

Operating result and EBITDA

In line with Ukrainian hryvnia and Russian rouble devaluation, selling and distribution expenses decreased 29% compared to Q1 2014, to EUR 4.5 million. In order to expand sales on the local markets, the Group increased marketing expenses by 1.7 times to EUR 0.9 million.

The Group's administrative expenses significantly decreased by 45% on y-o-y basis to EUR 3.9 million reflecting lower consulting and bank fees, as well as lower labor costs due to Ukrainian Hryvnia depreciation.

Decline in the gross profit, as well as increased marketing costs and change in provision and write off of trade and other accounts receivable contributed to the operating loss of EUR 1.0 million and a decrease in EBITDA to EUR 1.9 million (-63%).

Loss before tax and net loss

A sharp depreciation of Ukrainian Hryvnia and Russian Ruble led to a one-off non-cash financial currency translation loss of EUR 33.6 million. The above factors contributed to a loss before tax of c. EUR 36.1 million. Net loss was c. EUR 35.2 million.

[1] Business segments EBITDA is calculated net of other segments EBITDA, namely EBITDA contribution of Milkiland N.V., the holding company of the Group.

Property, plant and equipment
The same depreciation of the Ukrainian hryvnia in the first quarter 2015 led to a 14% decrease in PPE, since the major part of the Group's assets are located in Ukraine.

REPRESENTATION

of the Board of Directors

of Milkiland N.V.

on compliance of the condensed consolidated interim financial statements

The Board of Directors of Milkiland N.V. hereby represent that to the best of their knowledge the condensed consolidated interim financial statements of Milkiland N.V. for the period ended 31 March 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 three months ended 31 March 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, 15 May 2015

A. Yurkevych O. Yurkevich O. Rozhko

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

Milkiland N.V.

Condensed Consolidated Interim Financial Statements

For the three months ended 31 March 2015

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Condensed Consolidated Interim Financial Statements

MILKILAND N.V.
Condensed consolidated interim statement of financial position
For the three months ended 31 March 2015
(All amounts in euro thousands unless otherwise stated)

	Notes	31 March 2015 (unaudited)	31 December 2014 (audited)	31 March 2014 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	6	10,151	10,431	13,006
Trade and other receivables	7	50,227	50,615	62,456
Inventories	8	14,746	17,779	23,593
Current biological assets	12	1,741	1,901	5,213
Current income tax assets		376	367	769
Other taxes receivable	9	8,052	10,541	14,613
		85,293	**91,634**	**119,650**
Non-Current Assets				
Goodwill	10	2,074	2,147	2,895
Property, plant and equipment	11	116,072	135,401	146,285
Non-current biological assets	12	1,611	2,017	3,012
Other intangible assets	11	2,033	2,286	2,914
Deferred income tax assets		5,167	6,366	6,240
		126,957	**148,217**	**161,346**
TOTAL ASSETS		**212,250**	**239,851**	**280,996**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	24,523	22,535	22,705
Current income tax liabilities		142	384	344
Other taxes payable	14	2,466	2,063	1,998
Short-term loans and borrowings		105,451	96,389	103,410
		132,582	**121,371**	**128,457**
Non-Current Liabilities				
Loans and borrowings	15	5,312	5,531	6,574
Deferred income tax liability		14,995	18,005	16,881
Other non-current liabilities		287	351	439
		20,594	**23,887**	**23,894**
Total liabilities		**153,176**	**145,258**	**152,351**
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		67,158	68,502	47,572
Currency translation reserve		(45,579)	(45,845)	(39,069)
Retained earnings		(15,838)	17,676	64,774
		57,553	**92,145**	**125,089**
Non-controlling interests		**1,521**	2,448	**3,556**
Total equity		**59,074**	**94,593**	**128,645**
TOTAL LIABILITIES AND EQUITY		**212,250**	**239,851**	**280,996**

(All amounts in euro thousands unless otherwise stated)

	Notes	2015 (unaudited)	2014 (unaudited)
Revenue	17	46,687	77,292
Change in fair value of biological assets		170	(5)
Cost of sales	18	(39,530)	(62,849)
Gross Profit		**7,327**	**14,438**
Selling and distribution expenses	19	(4,451)	(6,226)
Administrative expenses	20	(3,886)	(7,117)
Other income, net	21	48	560
Operating loss/(profit)		**(962)**	**1,655**
Finance income	22	1,221	741
Finance expenses	23	(36,337)	(30,458)
Loss before tax		**(36,078)**	**(28,062)**
Income tax	24	908	3,413
Net loss for the year		**(35,170)**	**(24,649)**
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating to presentation currency		(349)	(22,142)
Total comprehensive loss		**(35,519)**	**(46,791)**
Loss attributable to:			
Owners of the Company		(34,858)	(24,456)
Non-controlling interests		(312)	(193)
		(35,170)	**(24,649)**
Total comprehensive loss attributable to:			
Owners of the Company		(34,592)	(45,248)
Non-controlling interests		(927)	(1,543)
		(35,519)	**(46,791)**
Earnings per share		(111.755)	(78.26)

MILKILAND N.V.
Condensed consolidated interim statement of cash flows
For the three months ended 31 March 2015
(All amounts in euro thousands unless otherwise stated)

	Note	2015 (unaudited)	2014 (unaudited)
Cash flows from operating activities:			
Loss before income tax		**(36,078)**	**(28,063)**
Adjustments for:			
Depreciation and amortization	11	2,949	3,453
Loss from disposal and write off of inventories	21	4	47
Change in provision and write off of trade and other accounts receivable	21	319	141
Change in provision and write off of unrealised VAT	21	(25)	426
Loss from write off, revaluation and disposal of non-current assets	21	66	79
Change in fair value of biological assets		(170)	5
Operational foreign exchange results, net	21	(203)	(1,090)
Finance income	22	(1,221)	(741)
Finance expenses	23	36,337	30,458
Write off of accounts payable	21	(1)	(6)
Operating cash flow before movements in working capital		**1,977**	**4,709**
Increase in trade and other accounts receivable		(1,433)	(4,570)
Decrease in inventories		1,397	501
(Increase)/decrease in biological assets		(208)	265
Increase/(decrease) in trade and other payables		2,333	(2,441)
Decrease/(increase) in other taxes receivable		531	(2,089)
Increase/(decrease) in other taxes payable		403	(273)
Net cash provided by/(used in) operations:		**5,000**	**(3,898)**
Income taxes paid		(681)	(1,287)
Interest received		255	408
Interest paid		(1,523)	(2,688)
Net cash provided by/(used in) operating activities		**3,051**	**(7,465)**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(683)	(969)
Proceeds from sale of property, plant and equipment	11	-	1
Net cash used in investing activities		**(683)**	**(968)**
Cash flows from financing activities			
Proceeds from borrowings	15	6,487	38,501
Repayment of borrowings	15	(8,435)	(28,943)
Net cash (used in)/provided by financing activities		**(1,948)**	**9,558**
Net decrease in cash and equivalents		**420**	**1,125**
Cash and equivalents, beginning of the period	6	**10,431**	**13,056**
Effect of foreign exchange rates on cash and cash equivalents		(700)	(1,175)
Cash and equivalents, end of the period	6	**10,151**	**13,006**

MILKILAND N.V.
Condensed consolidated interim statement of changes in equity
For the three months ended 31 March 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	-	-	-	-	(24,456)	**(24,456)**	(193)	**(24,649)**
Other comprehensive loss, net of tax effect	-	-	(20,792)	-	-	**(20,792)**	(1,350)	**(22,142)**
Total comprehensive loss for the period	**-**	**-**	**(20,792)**	**-**	**(24,456)**	**(45,248)**	**(1,543)**	**(46,791)**
Realised revaluation reserve, net of income tax	-	-	-	(1,180)	1,180	**-**	-	**-**
Balance at 31 March 2014	**3,125**	**48,687**	**(39,069)**	**47,572**	**64,774**	**125,089**	**3,556**	**128,645**
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	-	-	-	-	(34,858)	**(34,858)**	(312)	**(35,170)**
Other comprehensive loss, net of tax effect	-	-	266	-	-	**266**	(615)	**(349)**
Total comprehensive loss for the period	**-**	**-**	**266**	**-**	**(34,858)**	**(34,592)**	**(927)**	**(35,519)**
Realised revaluation reserve, net of income tax	-	-	-	(1,344)	1,344	**-**	-	**-**
Balance at 31 March 2015	**3,125**	**48,687**	**(45,579)**	**67,158**	**(15,838)**	**57,553**	**1,521**	**59,074**

1 The Group and its operations

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union for the three months ended 31 March 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 15 May 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 Str., 02090, Kyiv, Ukraine.

As at 31 March 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, in Russia and in Poland, able to process up to 1,330 thousand tons of milk per year. The plants purchase milk from local farmers and produce cheese, butter, whole-milk products, powdered milk, casein and other products.

As at 31 March 2015, the Group employed 6,378 people.

(All amounts in euro thousands unless otherwise stated)

1 The Group and its operations (continued)

Subsidiaries of the Company are presented below:

Name	Country of incorporation	Effective share of ownership 31 March 2015	31 December 2014	31 March 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	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	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%
AF Konotopska	Ukraine	100.0%	100.0%	100.0%
ALLC Nadiya	Ukraine	100.0%	100.0%	100.0%
LLC Feskivske	Ukraine	100.0%	100.0%	100.0%
JSC Sosnitsky Rajagrohim	Ukraine	97.5%	97.5%	97.5%
LLC Agro-Mena	Ukraine	100%	100%	-
LLC Iskra-Sloboda	Ukraine	100%	100%	-

2 Summary of significant accounting policies

Basis of preparation and statement of compliance. This condensed consolidated interim financial information for the three months ended 31 March 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 three months ended 31 March 2015 the in-house milk production covered c.8% 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 31 March 2015	1.0759	25.2219	63.3695	4.0890
Average for three months ended 31 March 2015	1.1273	23.7189	70.4340	4.1956
As at 31 December 2014	1.2141	19.1446	68.3681	4.2623
As at 31 March 2014	1.3788	15.1042	49.0519	4.1713
Average for three months ended 31 March 2014	1.3699	12.1485	47.9460	4.1846

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.

(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 three months ended 31 March is as follows:

	2015				2014			
	Russia	Ukraine	Poland	Total	Russia	Ukraine	Poland	Total
Total segment revenue	28,249	13,655	5,086	46,990	41,238	37,692	7,222	86,152
Inter-segment revenue	-	-	(303)	(303)	-	(6,925)	(1,935)	(8,860)
Revenue from external customers	28,249	13,655	4,783	46,687	41,238	30,767	5,287	77,292
EBITDA	**2,848**	**(77)**	**(354)**	**2,417**	**2,633**	**3,252**	**(56)**	**5,829**
EBITDA margin	10%	(1%)	(7%)	5%	6%	11%	(1%)	8%
Depreciation and amortisation	667	1,839	443	2,949	734	2,240	479	3,453

(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 three months ended 31 March is as follows:

	2015				2014			
	Cheese & butter	Whole-milk products	Ingredients	Total	Cheese & butter	Whole-milk products	Ingredients	Total
Total segment revenue	14,620	27,555	4,815	46,990	39,507	37,866	8,779	86,152
Inter-segment revenue	(298)	-	(5)	(303)	(8,860)	-	-	(8,860)
Revenue from external customers	14,322	27,555	4,810	46,687	30,647	37,866	8,779	77,292
EBITDA	**(117)**	**2,704**	**(170)**	**2,417**	**3,312**	**2,101**	**416**	**5,829**
EBITDA margin	(1%)	10%	(4%)	5%	11%	6%	5%	8%
Depreciation and amortisation	1,534	1,272	143	2,949	1,555	1,378	520	3,453

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

	2015	2014
EBITDA	2,417	5,829
Other segments EBITDA	(510)	(642)
Total segments	**1,907**	**5,187**
Depreciation and amortisation	(2,949)	(3,453)
Loss from disposal and impairment of non-current assets	80	(79)
Finance expenses	(36,337)	(30,458)
Finance income	1,221	741
Loss before tax	**(36,078)**	**(28,062)**

(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 three months ended 31 March were as follows:

Entities under common control:	**2015**	**2014**
Revenue	159	4,399

The outstanding balances due from related parties were as follows:

Entities under common control:	**31 March 2015**	**31 December 2014**	**31 March 2014**
Trade accounts receivable	4,659	5,708	4,686
Other financial assets	20,013	17,733	15,382
Other accounts receivable	276	261	416

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the three months ended 31 March 2015 paid or payable to key management for employee services is EUR 172 thousand (2014: EUR 191 thousand).

6 Cash and cash equivalents

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

	31 March 2015	**31 December 2014**	**31 March 2014**
Short term deposits	8,321	9,000	10,022
Cash in bank and cash on hand	1,830	1,431	2,984
Total cash and cash equivalents	**10,151**	**10,431**	**13,006**

(All amounts in euro thousands unless otherwise stated)

7 Trade and other receivables

	31 March 2015	31 December 2014	31 March 2014
Trade accounts receivable	21,923	24,163	32,365
Other financial assets	20,013	17,910	15,996
Allowance for doubtful debts	(2,838)	(2,439)	(936)
Total financial assets within trade and other receivables	**39,098**	**39,634**	**47,425**
Advances issued	9,304	9,097	12,249
Other receivables	2,312	2,507	3,972
Allowance for doubtful debts	(487)	(623)	(1,190)
Total trade and other accounts receivable	**50,227**	**50,615**	**62,456**

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

	31 March 2015	31 December 2014	31 March 2014
Raw and other materials	5,973	8,296	8,188
Finished goods and work in progress	8,440	8,880	14,567
Agriculture produce	333	603	838
Total inventories	**14,746**	**17,779**	**23,593**

9 Other taxes receivable

	31 March 2015	31 December 2014	31 March 2014
VAT recoverable	7,946	10,429	13,507
Payroll related taxes	95	102	98
Other prepaid taxes	11	10	1,008
Total other taxes receivable	**8,052**	**10,541**	**14,613**

VAT receivable as at 31 March 2015 is shown net of provision at the amount of EUR 519 thousand (31 December 2014: EUR 667 thousand; 31 March 2014: EUR 1,101 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%; 31 March 2014: 35%) 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	(73)	(531)
Balance at 31 March	**2,074**	**2,895**

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

11 Property, plant and equipment and intangible assets

During three months ended 31 March 2015 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 683 thousand (2014: EUR 969 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 31 March 2015, 2014 and 31 December 2014 biological assets comprise the following groups:

	31 March 2015		31 December 2014		31 March 2014	
Current biological assets of animal breading	Units	Amount	Units	Amount	Units	Amount
Cattle	4,829	1,709	4,633	1,797	3,703	2,385
Other livestock	-	2	-	9	-	864
Total biological assets of animal breading	**4,829**	**1,711**	**4,633**	**1,806**	**3,703**	**3,249**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount	Hectares	Amount
Wheat	-	-	-	-	3,929	1,536
Other	-	30	-	95	-	428
Total biological assets of plant growing	**-**	**30**	**-**	**95**	**3,929**	**1,964**
Total current biological assets		**1,741**		**1,901**		**5,213**
Non-current biological assets	Units	Amount	Units	Amount	Units	Amount
Cattle	2,777	1,609	2,718	2,011	3,386	3,012
Other livestock	-	2	-	6	-	-
Total non-current biological assets	**2,777**	**1,611**	**2,718**	**2,017**	**3,386**	**3,012**

(All amounts in euro thousands unless otherwise stated)

13 Trade and other payables

	31 March 2015	31 December 2014	31 March 2014
Trade payables	16,969	16,456	16,716
Accounts payable for fixed assets	61	120	170
Interest payable	1,371	1,010	133
Other financial payables	(605)	158	129
Total financial liabilities within trade and other payable	**17,796**	**17,744**	**17,148**
Wages and salaries payable	1,960	1,980	2,328
Advances received	1,897	668	525
Other accounts payable	1,279	588	637
Accruals for employees' unused vacations	1,591	1,555	2,067
Total trade and other payables	**24,523**	**22,535**	**22,705**

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

	31 March 2015	31 December 2014	31 March 2014
VAT payable	1,313	1,011	686
Payroll related taxes	958	922	1,169
Other taxes payable	195	130	143
Total other taxes payable	**2,466**	**2,063**	**1,998**

(All amounts in euro thousands unless otherwise stated)

15 Loans and borrowings

	31 March 2015	31 December 2014	31 March 2014
Current			
Interest bearing loans due to banks	104,240	95,206	102,403
Loans from non-financial institutions	17	14	-
Bank overdrafts	413	469	474
Finance leases	781	700	533
Total current borrowings	**105,451**	**96,389**	**103,410**
Non-current			
Interest bearing loans due to banks	3,737	4,028	4,640
Finance leases	1,575	1,503	1,934
Total non-current borrowings	**5,312**	**5,531**	**6,574**
Total borrowings	**110,763**	**101,920**	**109,984**

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

	2015	2014
Balance at 1 January	**101,906**	**103,759**
Obtained new loans and borrowings	6,486	38,469
Repaid loans and borrowings	(8,434)	(28,911)
Discounting of borrowings	-	248
Foreign exchange loss/(gain)	10,805	(3,581)
Balance at 31 March	**110,763**	**109,984**

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

	31 March 2015					31 December 2014				
	USD	UAH	RUR	PLN	Total	USD	UAH	RUR	PLN	Total
12 months or less										
Outstanding balance, thousand EUR	83,071	1,675	17,152	3,553	**105,451**	72,900	2,210	17,813	3,466	**96,389**
Average interest rate, %	9.77	22.97	9.35	4.51	**9.73**	11.11	22.98	9.91	4.50	**10.92**
1-5 years										
Outstanding balance, thousand EUR	3,737	2	45	1,528	**5,312**	4,028	4	30	1,469	**5,531**
Average interest rate, %	8.25	24.00	3.27	5.61	**7.46**	8.25	24.00	2.56	5.61	**7.53**

15 Loans and borrowings (continued)

As at 31 March 2015 the Group has not met requirement in respect of covenants to syndicate loan stated in note 26. Management is in process of loan restructuring negotiation with lenders as at the date of these financial statements approval. The total sum of the Group's indebtedness to syndicate as at 31 March 2015 stood at USD 58,580 thousand (equivalent EUR 54,448 thousand), including an overdue amount of USD 33,180 thousand (equivalent EUR 30,839 thousand), is classified as current interest bearing loans due to banks.

As at 31 March 2015 the Group has overdue amounts of UAH 30,000 thousand (equivalent EUR 1,189 thousand) to PJSC "Ukrsotsbank" and USD 2,404 thousand (equivalent EUR 2,234 thousand) to PJSC "Forum" (note 25).

16 Share capital

Share capital as at 31 March 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 31 March	**31,250,000**	**3,125**	**31,250,000**	**3,125**

17 Revenue

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

	2015	**2014**
Cheese & Butter	14,322	30,647
Whole-milk products	27,555	37,866
Ingredients	4,810	8,779
Total revenue	**46,687**	**77,292**

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

	2014	**2014**
Russia	28,249	47,606
Ukraine	11,815	22,085
Poland	4,783	5,287
Other	1,840	2,314
Total revenue	**46,687**	**77,292**

(All amounts in euro thousands unless otherwise stated)

18 Cost of sales

	2015	2014
Raw and other materials	29,798	47,969
Wages and salaries	1,878	3,063
Depreciation	2,528	2,839
Transportation costs	765	1,723
Gas	1,275	1,901
Electricity	949	1,536
Social insurance contributions	596	1,009
Repairs of property, plant and equipment	401	1,035
Water	76	237
Other	798	1,146
Changes in finished goods and work in progress	466	391
Total cost of sales	**39,530**	**62,849**

19 Selling and distribution expenses

	2015	2014
Transportation costs	1,695	2,430
Security and other services	396	889
Marketing and advertising	970	364
Wages and salaries	939	1,514
Social insurance contributions	293	446
Licence fees	12	150
Rental costs	64	111
Depreciation and amortisation	47	90
Other	35	232
Total selling expenses	**4,451**	**6,226**

(All amounts in euro thousands unless otherwise stated)

20 Administrative expenses

	2015	2014
Wages and salaries	1,699	3,004
Social insurance contributions	376	726
Taxes and other charges	340	366
Representative charges	50	233
Other utilities	43	63
Bank charges	82	535
Repairs and maintenance	75	123
Depreciation and amortisation	355	463
Consulting fees	207	773
Security and other services	110	149
Transportation costs	93	107
Property insurance	9	131
Rental costs	70	121
Communication	48	87
Office supplies	13	31
Other	316	205
Total administrative expenses	**3,886**	**7,117**

21 Other income, net

	2015	2014
Government grants recognised as income	61	216
Gain from write off of accounts payable	1	6
Change in provision and write off of trade and other accounts receivable	(319)	(141)
Depreciation and amortisation	(19)	(61)
Other income, net	221	106
Loss from disposal of non-current assets	(66)	(79)
Loss from disposal and write off of inventories	(4)	(47)
Penalties	(55)	(104)
Operational foreign exchange results, net	203	1,090
Change in provision and write off of VAT receivable	25	(426)
Total other income/(expenses), net	**48**	**560**

22 Finance income

	2015	2014
Finance foreign exchange gain	1,023	510
Bank deposits	198	228
Other finance income	-	3
Total finance income	**1,221**	**741**

(All amounts in euro thousands unless otherwise stated)

23 Finance expenses

	2015	2014
Bank borrowings	2,701	2,628
Other borrowings	29	11
Finance leases	31	43
Discounting of loans	-	248
Finance foreign exchange loss	33,576	27,528
Total finance expenses	**36,337**	**30,458**

24 Income tax

	2015	2014
Current income tax	481	684
Deferred income tax	(1,389)	(4,097)
Total income tax	**(908)**	**(3,413)**

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 except one mentioned below 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 2,234 thousand as at 31 March 2015 (note 15). 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 3,460 thousand as at 31 March 2015.

As at 31 March 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 28 October 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 31 March 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 31 March 2014 and 31 March 2013, 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 three months ended 31 March 2014 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 31 March 2015 in amount EUR 54,447 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.

26 Contingent and deferred liabilities (continued)

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

As at 31 March 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 31 March 2015, the full value of loan in amount EUR 54,447 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	**(34,858)**	**(24,456)**
Denominator, in thousand		
Weighted average number of shares used in basic and diluted EPS	**31,250**	**31,250**

28 Subsequent events

Since the beginning of 2nd quarter 2015 the Group has been continuing the negotiations with a syndicate of international banks in order to sign a Stand-still agreement with the banks representing the syndicate. Management expect to sign the Stand-still agreement by the end of June 2015 with following negotiation and signing of long-term restructuring agreement.

Also since the beginning of 2nd quarter 2015 the Group has being in negotiations with several other lenders with aim to agree restructure of Group borrowings.