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Report of the Board of Directors on operations in the first half of 2013

Contents

Overview of Operations in H1 2013 and Outlook for the Year 2013

Strategy and Operations

First half of 2013 for Milkiland was marked by double-digit breakthrough in revenues growth, combined with intensive cost pressure due to unprecedented spike in global milk prices. As a result, the Group recorded a revenue of EUR 151.1 million (+13% y-o-y) and EBITDA of EUR 13.7 million (-16% y-o-y).

In H1 2013 Milkiland has further developed positive momentum gained in late 2012 in WMP segment, and advanced by 23% in fresh dairy sales both in Russia (c. 23% y-o-y) and Ukraine (c. 21% y-o-y) compared with the H1 2012. The factors behind this growth were redesign and revitalizing of the Group's fresh dairy brands, coupled with improvements in distribution system. For more information on the above changes, please refer to section Milkiland's Financial Performance and Financial Position.

Cheese and butter revenues were the biggest issue for Milkiland in H1 2013 – mainly, due to restricted volumes of affordable milk, when the Group decided to sacrifice some volume of cheese in favor of fresh dairy. As a result, the overall cheese segment's sales increased by 1% on y-o-y basis. Given the limitations, Milkiland balanced its sales between Russian and Ukrainian markets, and secured the Group's positions as No. 3 player in the Ukrainian cheese market and No. 2 Ukrainian exporter. For more information, please refer to section Milkiland's Financial Performance and Financial Position.

Milkiland's Ingredients segment performed well and achieved revenue increase of 30% compared to 2012, mainly due to: (a) start of higher value products sales by Milkiland EU (WPC-80, permeat); (b) generally higher international prices for dairy commodity products.

The key global challenge for milk processors in H1 2013 was significant increase in raw materials prices, as a result of growing demand from developing markets (Middle East, China etc.) and insufficient supply from key production regions. Global SMP prices by the end of June 2013 leaped by c. 55-60% y-o-y, triggering spike in raw milk prices across the globe. This factor combined with stagnating raw milk production in Russia and Ukraine, caused serious challenge to operating margins of CIS dairy companies. For more information on the above changes, please refer to section Dairy Markets.

In order to offset such pressure, Milkiland continued its efforts aimed at the development of own milk supply base and support of milk cooperatives. In H1 2013, milk supply from cooperatives and own farms comprised, respectively, c. 23% and 4% of the total milk intake in Ukraine. The first 1,300 stalls section of new dairy milk farm (total capacity of 6,800 milking cows stalls) was constructed and put in trial operations. Also, significant aide in mitigating strategic risks of raw milk costs will be expanding of Ostrowia. Polish raw milk base is well developed and less sensitive to global fluctuations compared to Ukraine and Russia. In 2013, however, factor of Ostrowia will not be substantial, since the plant is in the beginning stage of its operations.

In order to tactically support the profitability of the business, Milkiland put efforts to increase selling prices and partially offset rising costs. By end of June 2013, revision of price lists was not yet completed; the main effect of these measures is expected in H2 2013, since the main price rise was implemented in July and August. Also, the Group scheduled cost saving programs for H2 2012.

According to Rabobank forecast, global dairy prices will start drifting downwards in the second half of 2013, thus contributing to dairy processors' margins expansion. Based on its tactical initiatives and expected raw milk prices, Milkiland anticipates to improve its profitability and catch up H1 2013 margin losses in the forthcoming quarters of 2013.

In H1 2013, the Group fulfilled its strategic initiative to modernize Ostrowia in order to bring it in full compliance with Russian and Ukrainian veterinary requirements and resume full scale production. The investments to finish this modernization comprised ca. EUR 3.5 million. The plant has already started production of dry milk products and curd cheese (February 2013), and hard cheese (May 2013). As the result, Milkiland entered the EU market by selling the curd cheese in Poland market and dry milk products in several European countries, including Germany and the Netherlands.

The Group is yet to enjoy positive financial effect from its Polish operations, as in H1 2013 EBITDA of Milkiland EU was negative of EUR 0.5 million. At the same time, Ostrowia has already received dairy import permission to Ukraine (July 30, 2013) and expected to obtain the same permissions to Russia in H2 2013. This will lead to positive overall EBITDA of Milkiland EU in 2013.

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. The deal was initiated in 2012 and finalized 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.

Dairy Markets

In the first half of 2013, Russian dairy industry faced a major challenge of falling raw milk production. According to official statistics, milk production decreased by 4.2% in total, while industrial milk production by agricultural companies dropped by 6%. This situation resulted in a rise in raw milk prices by 14% y-o-y by the end of June, thus challenging processors margins. The Group's management believes that this lag will be overcome in the second half of the year when high input costs push the consumer prices up.

On the demand side, a lack of industrial raw milk available for processing led to a recovery in consumer demand for imported dairy, mainly cheese. Russian Federal Customs Service reported that cheese imports grew by almost 11%. Milkiland used this situation to increase its share in cheese exports to Russia, especially in Q2 2013, and to become a No. 2 Ukrainian cheese exporter in H1 2013 (in volume terms).

Revived demand for fresh dairy in Ukraine led to a 4% rise in fresh dairy consumption in 2012 and to a further 7% growth in the first half of 2013 (source: Infoagro). The growing demand for fresh dairy in Ukraine and for exported cheese somewhat slowed the seasonal slope in raw milk prices. The seasonal increased milk supply in late spring and early summer led to a moderate downward correction in raw milk prices, still ending up 20% higher y-o-y by the end of H1 2013. Domestic consumer prices for most dairy products grew moderately to somewhat compensate for the high input prices.

In order to capitalize on the growing consumer demand, Milkiland increased its fresh dairy and cheese sales in Ukraine by 22% and 23%, respectively, in volume terms.

In the EU, global dairy trends also entailed high farm-gate milk prices. The shortening milk supply is expected to ease in the second half of the year. Before that, both EU domestic and international prices have to adjust to the cyclical decline in dairy supply caused by poor feed base from 2012 and by a delayed spring.

In Poland, according to the Polish Central Statistical Office, raw milk prices in Poland were 3% higher in H1 2013 than in the first half of 2012, while consumer prices for dairy stagnated. Despite this gap, short milk supply and high prices in neighboring countries supported growing demand for dairy and opened new export opportunities to Polish dairy producers. The cheese export from Poland rose by 13% in 2012 and expected to further increase by c.9% in the current year. In contrast to the year 2012 when the majority of Polish cheese export came to Czech Republic, in the first half of the current year the Polish cheese makers shifted their main target market to Russia.

In order to capitalize on this trend and in line of the Group's strategy of the expansion in the Russian market Milkiland's management expects to obtain the import permission to Russia from the respective Russian authorities and open the export to this country from Ostrowia in H2 2013.

Milkiland's Financial Performance and Financial Position

The Table below provides selected financial data as of and for the six months ended 30 June 2013 and 2012 in thousands Euro.

Selected financial data

	6m2013	6m2012
I. Revenues	151,145	134,100
II. EBITDA	13,701	16,215
III. Operating profit	6,880	9,559
IV. Profit (loss) before tax	6,157	7,344
V. Net profit (loss)	5,542	6,258
VI. Cash flows provided by (used in) operating activities	(4,010)	6,442
VII. Cash flows used in investing activities	(14,478)	(16,590)
VIII. Cash flows (used in) provided by financing activities	8,300	(11,316)
IX. Total net cash flow	(10,188)	(21,464)
X. Total assets	344,318	327,716
XI. Current liabilities	97,750	46,149
XII. Non-current liabilities	69,076	106,171
XIII. Share capital	3,125	3,125
XIV. Total equity	177,492	175,396
XV. Weighted average number of shares	31,250,000	31,250,000
XVI. Profit (loss) per ordinary share, EUR cents	15.93	18.01

Financial Performance

Summary statement of comprehensive income, '000 EUR

EUR ths	**6m 2013**	**6m 2012**
Revenue	151,145	134,100
Change in fair value of biological assets	941	59
Cost of sales	(118,052)	(99,486)
Gross profit	**34,034**	**34,673**
Operating income (expense), net	(27,154)	(25,114)
Operating profit	**6,880**	**9,559**
Net finance expense and other non-operating income (expense)	(723)	(2,215)
Profit (loss) before tax	**6,157**	**7,344**
Income tax (expense) benefit	(615)	(1,086)
Net profit (loss)	**5,542**	**6,258**
Other comprehensive income (loss)	(2,812)	3,324
Total comprehensive income	**2,730**	**9,582**
Net profit (loss) attributable to equity holders of the parent company	**4,979**	**5,628**
Weighted average common shares outstanding, in thousand	31,250	31,250
Earnings per share, basic and diluted (EUR)	**15.93**	**18.01**

Revenue

In the first half of 2013, the Group's revenue grew c. 13% y-o-y to EUR 151.1 million, mainly on the back of better volume sales in WMP segment, as well as a sharp rise in dry products sales.

A decline in cheese sales in the first quarter 2013 limited segment performance for the first six months of the year. Despite of that, in the second quarter 2013, the Group managed to restore cheese sales to Russia after this drop. In Ukraine, cheese sales grew double-digit both in volume and value terms. However weaker prices limited the segment's performance. As a result, cheese&butter segment revenue grew insignificantly from EUR 68.1 million to EUR 69.0 million.

WMP segment demonstrated a double-digit, namely 23% rise in revenue on the back of an almost 40% increase in Ostankino volume sales and improved sales in Ukraine. Ostrowia sales of dry milk products mainly contributed to a 30% increase of revenues in the Ingredients segment. For more information on the above changes, please refer to section *Overview of Operations in H1 2013 and Outlook for the Year 2013*.

Breakdown of the Group's consolidated revenue by product in H1 2013 and H1 2012

	2013		**2012**		**2013 vs. 2012**	
	Revenue ('000 EUR)	Share in total (%)	Revenue ('000 EUR)	Share in total (%)	'000 EUR	%
Cheese & butter	68,980	46%	68,085	51%	895	1%
Whole milk products	68,076	45%	55,147	41%	12,929	23%
Ingredients and other	14,089	9%	10,868	8%	3,221	30%
Total	**151,145**	**100%**	**134,100**	**100%**	**17,045**	**13%**

In the total revenue, cheese and butter sales accounted for 46%, whole milk products for 45% (51% and 41% respectively in the first half of 2012).

Cost of sales and Gross profit

Cost of sales reached EUR 118.1 million (EUR 99.5 million in H1 2012). 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.

The increase in the average raw milk prices both in Russia and Ukraine, especially in the second quarter of 2013, as well as an increase in the sales volume, led to a 42% y-o-y rise in the cost of raw and other materials, mainly milk. As a result, the share of raw and other materials in the total consolidated revenue increased from 67% in H1 2012 to 80% in H1 2013. For more information on the raw milk prices and supply, refer to section *Dairy Markets*.

Decrease in transportation costs (21%) was due to change in Ukrainian cooperatives' raw milk delivery basis (CPT instead of farm-gate); overall, there was no effect to Milkiland, since raw milk costs had increased respectively. Rise in electricity and repairs costs was associated with the launch of production at Ostrowia in February 2013. Other costs grew in line with the revenues.

Considerable decrease in other costs 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. Cheese sales from Ostrowia did not start until the 3rd quarter 2013.

Breakdown of the Group's cost of sales in H1 2013-2012, '000 EUR and %

	2013		2012	
	Amount ('000 EUR)	Share in consolidated revenue, %	Amount ('000 EUR)	Share in consolidated revenue, %
Raw and other materials	94,183	80%	66,488	67%
Wages and salaries	8,035	7%	7,395	7%
Depreciation	5,397	4%	5,036	5%
Transportation costs	4,316	4%	5,497	6%
Gas	4,960	4%	4,868	5%
Other	1,161	1%	10,202	10%
Total	**118,052**	**100%**	**99,486**	**100%**

The Group's gross profit decreased by 2% to EUR 34.0 million, with the gross margin of 23% against 26% in the first half of 2012.

Profit from operations and EBITDA

A pressure put by high cost of sales on the gross margin in the first half of 2013, as well as an increase in operating expenses resulted in a decrease in the Group's EBITDA by 16% to EUR 13.7 million, EBITDA margin constituted 9.1% in H1 2013 vs. 12.1% in H1 2012. 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 43% y-o-y to EUR 2.4 million.

Marketing and advertising expenses associated with further Group's expansion almost doubled to c. EUR 1.0 million. These expenses include rebranding of Ostankino and re-introduction of "Ostrowia" brands to the Polish market.

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 DDU. A 20% rise in labor costs for selling and distribution personnel is associated with the start of Ostrowia operations and a new system for sales personnel motivation. As a result, selling and distribution expense grew 23% to EUR 14.3 million (EUR 11.6 million in H1 2012).

Administrative expenses grew 18% to EUR 14.8 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 65% y-o-y to EUR 1.3 million. A 25% growth in consulting fees represents services related to the Group's management optimization.

Other operation income was EUR 1.9 million in H1 2013 in comparison with an operation expense of EUR 1.0 million in H1 2012, mainly due to a significant increase in government grants recognizes as income representing a growth in agricultural operations in Ukraine. Change in provision and write off of trade and other accounts receivable of EUR 1.0 million represents the improved collection of trade receivables.

Profit before tax and Net profit

In the first half of 2013, financial expense grew 10% as a result of a loan portfolio increase, while financial income grew 49% due to a significant other financial income received by the Group. The Group also recognized a foreign exchange gain of EUR 1.8 million vs. EUR 0.6 million a year before.

As a result of the decrease in operating profit, profit before tax decreased 16% y-o-y to EUR 6.2 million. Due to a 43% decrease in the income tax expense, net profit fell less significantly to EUR 5.5 million. Low net profit for the first quarter of 2013 contributed to a fell in net margin for the first half of the year. Net margin constituted 3.7% vs. 4.7% in the first half of 2012.

Financial Position

Summary balance sheet, '000 EUR

EUR ths	June 30, 2013	December 31, 2012	June 30, 2012
Cash and cash equivalents	13,783	23,850	32,437
Trade and other receivables	50,981	48,236	45,614
Inventories	35,181	25,487	30,884
Other current assets	27,099	16,374	19,047
Total current assets	**127,044**	**113,947**	**127,982**
PPE	195,817	189,129	167,536
Deferred income tax assets	9,832	9,754	22,696
Other non-current assets	11,625	11,611	9,502
Total non-current assets	**217,274**	**210,494**	**199,734**
Total assets	**344,318**	**324,441**	**327,716**
Trade and other payables	27,302	15,120	17,626
Short-term loans and borrowings	67,908	50,526	25,606
Other current liabilities	2,540	2,104	2,917
Total current liabilities	**97,750**	**67,750**	**46,149**
Loans and borrowings	38,642	46,427	60,416
Deferred income tax liability	29,757	30,715	44,949
Other non-current liabilities	677	864	806
Total non-current liabilities	**69,076**	**78,006**	**106,171**
Total liabilities	**166,826**	**145,756**	**152,320**
Share capital	3,125	3,125	3,125
Revaluation and other reserves	89,420	94,474	99,224
Retained earnings	79,863	74,702	66,320
Total equity attributable to equity holders of the parent company	**172,408**	**172,301**	**168,669**
Non-controlling interests	5,084	6,384	6,727
Total equity	**177,492**	**178,685**	**175,396**
Total liabilities and equity	**344,318**	**324,441**	**327,716**

Assets

Current assets grew by 11% from EUR 113.9 as of December 31, 2012 to EUR 127.0 million as of June 30, 2013, mainly due to a rise inventories and current biological assets.

As of December 31, 2012, inventories were at a low level, and the Group used summer availability of surplus milk to recover the inventories. Start of hard cheese production at Ostrowia also contributed to a rise in inventories. An increase in current and non-current biological assets resulted from a seasonal increase in the Group's agricultural operations.

An increase in other taxes receivable by 56% represent an increase in VAT recoverable due to a rise in the Group's exports from Ukraine and the delays of VAT refunds by the Ukrainian government.

Acquisition of Rylsk in February 2013 contributed to a 4% increase in the property, plant and equipment. Due to this increase in the property, plant and equipment, the total non-current assets grew by c. 4%. Total assets grew 6% on the back of the above developments.

Liabilities and equity

Total liabilities grew by 16% resulting from a substantial rise in the trade and other payables, as well as a 35% increase in short-term loans and borrowings and the current portion of long-term borrowings. More than doubled trade payables resulted from the recovery of the Group's inventories and growing production, including launch of hard cheese production at Polish-based Ostrowia.

In the first half of 2013, current portion of the Group's long-term loans received by the Group as a part of the syndicated loan in early 2012 was reclassified as short-term loans. Additionally, the Group's loan portfolio grew as a result of additional borrowing of EUR 24.7 million by the Group's subsidiaries. During the first half of 2013, the Group repaid EUR 14.5 million of loans.

As a result of the above movements, net debt of the Group grew 56% and stood at EUR 96.8 million as of June 30, 2013. Total Debt Ratio constituted 0.49 vs. 0.46 in 2012.

The Group's total equity decreased on 1% to EUR 177.5 million on the back of a 5% decrease in the revaluation reserve and a 20% decrease in the non-controlling interest. Net debt/equity ratio was 0.57 as of June 30, 2013 vs. 0.32 as of June 30, 2012.

Basis of Preparation

The condensed consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

Material Factors and Events

Material Factors and Events during the Reporting Period

Acquisition of Syrodel

On February 15, 2013, LLC "Kursk Moloko", a 100% Russian subsidiary of Milkiland Group, has acquired production assets of JSC "Syrodel" ("Syrodel") in Rylsk city of Kursk region (Russian Federation). The acquisition price and associated costs comprised RUB 85 million (c. EUR 2.1 million). Initial investments and repairs are estimated at EUR 1 million.

The plant is designed to produce cheese (up to 3.5 kt/ year), whole milk products and butter. Currently, it operates at about 10% of its capacity. The products of Syrodel are mainly sold in in Kursk, Voronezh and Lipetsk regions of Russia.

Changes in the Board of Directors and the Group's management

On 21 June, 2013, the Annual General Meeting of Shareholders of the Company appointed Vitaliy Strukov and George Logush as non-executive members of the Board of Directors for a period ending at the close of the Annual General Meeting of Shareholders to be held in 2015. The General Meeting of Shareholders approved the step-down of Mr. Fredrick Aherne and Mr. Gerard Heerink from the Board of Directors due to the end of their tenure.

Profiles of the Board members and management team are available at the Company's web-site: http://www.milkiland.com/en/O_kompanii/Board_of_directors

Changes in shareholding of Milkiland N.V.

1, Inc. Cooperatief U.A., an entity closely associated with the Group's CEO, Mr. Anatoliy Yurkevych, with its registered office in Amsterdam, the Netherlands, purchased 223,413 shares in the Company. Purchase transactions were made on 20-28 February 2013. Price of 1 share was PLN 15.35. After the transactions, the Cooperatief holds 22,973,588 (twenty two million nine hundred seventy three thousand five hundred) eighty eight shares of the Company that constitutes 73.52% of the Company's share capital and correspond to 22,973,588 (twenty two million nine hundred seventy three thousand five hundred) votes or 73.52% of the voting rights on the General Meeting of Shareholders.

R-Assets Cooperatief U.A., an entity closely associated with Mr. Vyacheslav Rekov, a member of the Company's Board of Directors, with its registered office in Amsterdam, the Netherlands, purchased 62,800 shares of the Company. Purchase transactions were made on 17-18 June 2013. Price of 1 share was PLN 12.20. Due to the purchase transactions made on 17-18 June, 2013 the total number of the Company's shares owned by the Cooperatief had increased and the threshold of 5% of total number of votes in Company had been exceeded. After the transactions, the Cooperatief holds 1,562,800 (one million five hundred sixty two thousand eight hundred) shares of the Company that constitutes 5.001% of the Company's share capital and correspond to 1,562,800 (one million five hundred sixty-two thousand eight hundred) votes or 5.001% of the voting rights on the General Meeting of Shareholders.

Financing arrangements

Moscow Industrial Bank facilities

- On February 12, 2013 Ostankino and Joint Stock Moscow Industrial Bank entered into the one-year loan agreement with the indication of the amount of credit line therein up to the limit of RUR 150 million (EUR 3.4 million). The loan was secured by a mortgage of real estate.

Garanti Bank facilities

- On March 15, 2013 Ostankino and CJSC "Garanti Bank – Moscow" entered into one-year blank loan agreement on the opening of credit line with maximum limit of RUB 150 million (EUR 3.4 million).

Bank of Moscow facilities

- On March 22, 2013 Ostankino and Bank of Moscow entered into the the one-year loan agreement on the opening of credit line with maximum limit of RUB 150 million (EUR 3.4 million). The loan is secured by a mortgage on a real estate.

Credit Europe Bank facilities

- On May 20, 2013 Ostankino and Closed Joint Stock Credit Europe Bank entered into a short-term blank loan agreement with the indication of the amount of credit line therein up to the limit of RUR 120 million (EUR 3 million). The maturity date was July 20, 2013.
- On June 4, 2013 Ostankino and Closed Joint Stock Credit Europe Bank entered into a mid-term loan agreement with the indication of the amount of credit line therein up to the limit of RUR 100 million (EUR 2.5 million). The maturity date was 04.06.2016 June 2015.

Bank Forum facilities

- On 26 April 2013 DE “Milkiland Ukraine” and PJSC “Forum” entered into a loan agreement with the indication of the amount of credit line therein up to the limit of USD 5 million (EUR 3.8 million). The maturity date was 31 March 2015. The loan is secured by a mortgage of the real estate of DE “Aromat”.

PUMB facilities

- On 14 June 2013 DE “Milkiland Ukraine” and PJSC “PUMB” entered into a loan agreement with the indication of the amount of credit line therein up to the limit of USD 9 million (EUR 6.9 million). The maturity date was 24 July 2015. The loan is secured by a mortgage of the real estate of DE “Krasnosilske moloko”, LLC “Bachmachregionpostach” and finished goods of PE CF “Prometey”.

Ukrsotsbank facilities

- On 18 June 2013 DE “Aromat” and PJSC “Ukrsotsbank” entered into a loan agreement with the indication of the amount of credit line therein up to the limit of UAH 30 million (EUR 2.9 million). The maturity date was 18 June 2014. The loan is secured by a mortgage of the finished goods of PE ”Ros”.

Bank Pekao and Pekao Leasing facilities

- On 19 and 27 June of 2013 Milkiland EU and Pekao leasing entered into an operational leasing agreement with the total sum of a financing of PLN 14.2 million (EUR 3.3 million) to supply of the hard cheese and other dairy production technological equipment for Ostrowia. The term of the financing was 60 months.

Mandatory purchase of OJSC “Ostankino Dairy Combine” shares

On 25 March 2013 Milkiland N.V. has submitted the mandatory offer to minority shareholders of OJSC “Ostankino Dairy Combine”, owning 4.15% of Ostankino’s share capital (112,765 shares). The proposed mandatory transaction price of 1 share was RUB 540.44 (EUR 13.51). Upon completion of the transaction on 10 June 2013, Milkiland N.V. consolidated 2,720,000 (two million seven hundred twenty thousand) of shares of Ostankino constituting 100% of the Combine’s share capital. The total value of the deal was RUB 60.94 million (EUR 1.42 million).

Material Factors and Events after the Reporting Date

Acquisition of a significant block of shares

On July 25, 2013 Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK ("Aviva OFE"), with its registered seat in Warsaw, Poland, notified the Company on holding of shares constituting more than 5% of the total number of votes at the general meeting of the Company. Due to the purchase transactions made on 24 July, 2013 the total number of the Company's shares owned by the Aviva OFE had increased and the threshold of 5% of total number of votes in Company had been exceeded. After the transactions, Aviva OFE holds 1,793,479 (one million seven hundred ninety-three thousand four hundred and seventy-nine) shares of the Company that constitutes 5.74% of the Company's share capital and correspond to 1,793,479 (one million seven hundred ninety-three thousand four hundred and seventy-nine) votes or 5.74% of the voting rights on the General Meeting of Shareholders.

Start of "Ostrowia" hard cheese import to Ukraine

On July 30, 2013 State Veterinary and Phytosanitary Service of Ukraine issued permission for import of cheese and dry milk products produced by cheese-making plant Ostrowia, a Polish-based subsidiary of Milkiland Group.

The first shipment of Ostrowia produce to Ukraine after the launch of hard cheese production at this plant at the end of May" was made in the beginning of August 2013.

Milkiland management believes that widening the product portfolio of the Group's cheese by supplying high quality European hard cheese of Gauda, Edam, and Maasdam types from Ostrowia to Ukraine will strengthen the position of the Group as one of the leaders of the Ukrainian cheese market.

For more information on the above changes, please refer to section *Overview of Operations in H1 2013 and Outlook for the Year 2013*.

The imposture of the strict customs clearance procedures for the Ukrainian goods by Federal Customs Service of Russian Federation

In mid-August 2013, Milkiland along with other Ukrainian exporters faced unpredictable difficulties with customs clearance of its products supplied to Russian Federation. This was result of the decision of Federal Customs Service of Russia to impose strict customs procedures in respect of all goods imported from Ukraine.

While this is not an import ban, however, if implemented and continued, such difficulties could result in interruption in cheese supplies and increase in working capital of Milkiland.

Strategic Plans and Initiatives for H2 2013

In the second half of 2013, the Group's management intends to further implement some strategic plans and initiatives aimed at international scaling of the Group's business by developing at the EU market and seeking new markets for the Group, strengthening Milkiland's position in the key markets of Russia and Ukraine, improvement of the efficiency of its business. It includes, *inter alia*, the following:

Production:

- Modernize Ostankino including through installation of new packaging and slicing lines for hard cheese supplied from Ukraine and in the nearest future from Poland.

Raw materials:

- Launch the operations of the first modern dairy milk farm in Chernigov region of Ukraine.
- Continue supporting partner dairy cooperatives in order to increase the number of members, milking cows in lease, develop a services for the members of cooperative and secure a higher volumes of raw milk supplied to Milkiland processing plants. To increase a share of the cooperative milk volumes in the total supply of Milkiland in Ukraine to c.25% in 2013.

Sales and marketing:

- Develop the Group's international brand "Milkiland", which will be used for dairy exported by Ostrowia to Ukraine, Russia, and other markets;
- Obtain import permission to Russian market for Ostrowia products, including hard cheese and dry milk products;
- Promote the sales of Ostrowia products, including hard and curd cheese, in the Polish market under the same name brand;
- Develop the distribution network in Kazakhstan, by search for a new distributors and partners;
- Continue streamlining the product mix and focus on higher value-added products.

Acquisitions: Continue seeking of attractive acquisition targets in Ukraine, Russia, Poland and other CEE countries.

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 June 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 six months ended 30 June 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, 23 August 2013

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

Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

Contents

MILKILAND N.V.
Condensed consolidated interim statement of financial position
For the six months ended 30 June 2013
(All amounts in euro thousands unless otherwise stated)

	Notes	30 June 2013 (unaudited)	31 December 2012 (audited)	30 June 2012 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	7	13,783	23,850	32,437
Trade and other receivables	8	50,981	48,236	45,614
Inventories	9	35,181	25,487	30,884
Current biological assets	13	11,520	5,420	7,354
Current income tax assets		137	204	508
Other taxes receivable	10	15,442	10,750	11,185
		127,044	**113,947**	**127,982**
Non-Current Assets				
Goodwill	0	3,586	3,485	3,392
Property, plant and equipment	12	195,817	189,129	168,834
Non-current biological assets	13	3,853	3,296	2,569
Other intangible assets	12	4,186	3,824	390
Deferred income tax assets		9,832	9,754	22,696
Other Non-current assets		-	1,006	1,853
		217,274	**210,494**	**199,734**
TOTAL ASSETS		**344,318**	**324,441**	**327,716**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	14	27,302	15,120	17,626
Current income tax liabilities		1	534	890
Other taxes payable	15	2,539	1,570	2,027
Short-term loans and borrowings	16	67,908	50,526	25,606
		97,750	**67,750**	**46,149**
Non-Current Liabilities				
Loans and borrowings	16	38,642	46,427	60,416
Deferred income tax liability		29,757	30,715	44,949
Other non-current liabilities		677	864	806
		69,076	**78,006**	**106,171**
Total liabilities		**166,826**	**145,756**	**152,320**
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		51,077	53,228	55,489
Currency translation reserve		(10,344)	(7,441)	(4,952)
Retained earnings		79,863	74,702	66,320
		172,408	**172,301**	**168,669**
Non-controlling interests		**5,084**	**6,384**	**6,727**
Total equity		**177,492**	**178,685**	**175,396**
TOTAL LIABILITIES AND EQUITY		**344,318**	**324,441**	**327,716**

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

	Notes	2013 (unaudited)	2012 (unaudited)
Revenue	18	151,145	134,100
Change in fair value of biological assets		941	59
Cost of sales	19	(118,052)	(99,486)
Gross Profit		**34,034**	**34,673**
Selling and distribution expenses	20	(14,299)	(11,616)
Administration expenses	21	(14,751)	(12,456)
Other income/(expenses), net	22	1,862	(1,042)
Gain on subsidiary acquisition	4	34	-
Operating Profit		**6,880**	**9,559**
Finance income		2,285	1,530
Finance expenses		(4,769)	(4,342)
Foreign exchange gain, net		1,761	597
Profit before tax		**6,157**	**7,344**
Income tax	23	(615)	(1,086)
Net profit for the year		**5,542**	**6,258**
Other comprehensive income			
Exchange differences on translating to presentation currency		(2,812)	3,324
Total comprehensive income		**2,730**	**9,582**
Profit attributable to:			
Owners of the Company		4,979	5,628
Non-controlling interests		563	630
		5,542	**6,258**
Total comprehensive income attributable to:			
Owners of the Company		2,341	8,810
Non-controlling interests		389	772
		2,730	**9,582**
Earnings per share		15.93	18.01

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

	2013 (unaudited)	2012 (unaudited)
Cash flows from operating activities:		
Profit before income tax	**6,157**	**7,344**
Adjustments for:		
Depreciation and amortization	6,704	6,012
Change in provision and write off inventories	102	340
Change in provision and write off of trade and other accounts receivable	(997)	(325)
Change in provision and write off of unrealised VAT	2,663	2,959
Loss from write off, revaluation and disposal of non-current assets	33	202
Loss on sales of other inventories	260	344
Change in fair value of biological assets	(941)	(59)
Foreign exchange gain	(1,761)	(597)
Finance income	(2,285)	(1,530)
Gain realised from subsidiary acquisitions	(34)	-
Finance expenses	4,769	4,342
Write off of accounts payable	(23)	(37)
Operating cash flow before movements in working capital	**14,647**	**18,995**
Increase in trade and other accounts receivable	(3,645)	(10,948)
(Increase)/decrease/in inventories	(10,263)	3,975
Increase in biological assets	(5,639)	(3,592)
Increase/(decrease) in trade and other payables	12,068	(6,195)
(Decrease)/increase in other taxes receivable	(7,233)	8,675
Increase in other taxes payable	969	166
Net cash provided by operations:	**904**	**11,076**
Income taxes paid	(1,800)	(1,781)
Interest received	2,285	1,530
Interest paid	(5,399)	(4,383)
Net cash used in/(provided by) operating activities	**(4,010)**	**6,442**
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(14,040)	(14,430)
Proceeds from sale of property, plant and equipment	51	55
Acquisition of subsidiaries, net of cash acquired	(489)	(418)
Investments in associates	-	(1,797)
Net cash used in investing activities	**(14,478)**	**(16,590)**
Cash flows from financing activities:		
Proceeds from borrowings	34,546	53,981
Repayment of borrowings	(24,712)	(63,099)
Commission paid and fair value adjustment	(111)	(2,198)
Acquisition of non-controlling interest	(1,423)	-
Net cash provided by/(used in) financing activities	**8,300**	**(11,316)**
Net decrease in cash and equivalents	**(10,188)**	**(21,464)**
Cash and equivalents, beginning of the period	**23,850**	**53,410**
Effect of foreign exchange rates on cash and cash equivalents	121	491
Cash and equivalents, end of the period	**13,783**	**32,437**

(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**	**165,814**
Profit for the period	-	-	-	-	5,628	5,628	630	6,258
Other comprehensive income, net of tax effect	-		3,182	-	-	3,182	142	3,324
Total comprehensive income for the period	**-**	**-**	**3,182**	**-**	**5,628**	**8,810**	**772**	**9,582**
Realised revaluation reserve, net of income tax	-	-	-	(2,831)	2,831	-	-	-
Balance at 30 June 2012	**3,125**	**48,687**	**(4,952)**	**55,489**	**66,320**	**168,669**	**6,727**	**175,396**
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	-	-	-	-	4,979	4,979	563	5,542
Other comprehensive income, net of tax effect	-	-	(2,752)	114	-	(2,638)	(174)	(2,812)
Total comprehensive income for the year	**-**	**-**	**(2,752)**	**114**	**4,979**	**2,341**	**389**	**2,730**
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	-	-	-	(2,499)	2,499	-	-	-
Balance at 30 June 2013	**3,125**	**48,687**	**(10,344)**	**51,077**	**79,863**	**172,408**	**5,084**	**177,492**

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 six months ended 30 June 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 23 August 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 June 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:

		Effective share of ownership		
Name	**Country of incorporation**	**30 June 2013**	**31 December 2012**	**30 June 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%	-
Ostrowia 10 sp. z.o.o	Poland	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%	-
JSC Sosnitsky Rajagrohim	Ukraine	96,4%	-	-

1 The Group and its operations (continued)

During six months ended 30 June 2013, the Group finalized registration of new subsidiary LLC Kursk-Moloko in Russia. During six months ended 30 June 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 six months ended 30 June 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.

(All amounts in euro thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

To supplement its supplies of raw milk from internal sources, the Group operates its own dairy farms to produce raw milk. In H1 2013 the in-house milk production covered c.4% of milk intake in Ukraine.

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 June 2013	1.3080	10.4548	42.7180	4.3292
Average for six months ended 30 June 2013	1.3130	10.4944	40.7444	4.1783
As at 31 December 2012	1.3194	10.5460	40.2286	4.0882
As at 30 June 2012	1.2590	10.0626	41.3230	4.2613
Average for six months ended 30 June 2012	1.2970	10.3615	39.7436	4.2457

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 during the six months ended 30 June 2012. The fair value of the net assets obtained has not been determined as at 31 December 2011 and 30 June 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 2,337 as of 30 June 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 six months ended 30 June 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 June 2012 by EUR 1,298 to EUR 3,245 predominantly due to revaluation of property, plant and equipment. For more information, refer to note 0.

(All amounts in euro thousands unless otherwise stated)

4 Business combination (continued)

Acquisitions of non-controlling interests

During 6 months 2013 the Group acquired 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 six months ended 30 June is as follows:

	2013				2012		
	Russia	**Ukraine**	**Poland**	**Total**	**Russia**	**Ukraine**	**Total**
Total segment revenue	63,590	91,511	5,918	161,019	56,145	94,627	150,772
Inter-segment revenue	-	(9,874)	-	(9,874)	-	(16,672)	(16,672)
Revenue from external customers	63,590	81,637	5,918	151,145	56,145	77,955	134,100
EBITDA	**2,797**	**12,793**	**(536)**	**15,054**	**3,919**	**13,030**	**16,949**
EBITDA margin	4%	16%	-9%	10%	7%	17%	13%
Depreciation and amortisation	1,661	4,373	664	6,698	1,703	4,309	6,012

(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 six months ended 30 June is as follows:

	2013				2012			
	Cheese & butter	Whole-milk products	Ingredients	Total	Cheese & butter	Whole-milk products	Ingredients	Total
Total segment revenue	75,896	68,076	17,047	161,019	77,832	55,147	17,793	150,772
Inter-segment revenue	(6,916)	-	(2,958)	(9,874)	(9,747)	-	(6,925)	(16,672)
Revenue from external customers	68,980	68,076	14,089	151,145	68,085	55,147	10,868	134,100
EBITDA	**7,052**	**5,939**	**2,063**	**15,054**	**9,962**	**5,949**	**1,038**	**16,949**
EBITDA margin	10%	9%	15%	10%	15%	11%	10%	13%
Depreciation and amortisation	2,704	2,907	1,087	6,698	2,928	2,489	595	6,012

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

	2013	2012
EBITDA	15,054	16,949
Other segments EBITDA	(1,353)	(734)
Total segments	**13,701**	**16,215**
Depreciation and amortisation	(6,704)	(6,012)
Non-recurring items	(117)	(442)
Loss from disposal and impairment of non-current assets	(34)	(202)
Finance expenses	(4,769)	(4,342)
Finance income	2,285	1,530
Foreign exchange gain, net	1,761	597
Gain on subsidiary acquisition	34	-
Profit before tax	**6,157**	**7,344**

(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 six months ended 30 June were as follows:

Entities under common control:	**2013**	**2012**
Revenue	1,345	1,819

The outstanding balances due from related parties were as follows:

Entities under common control:	**30 June 2013**	**31 December 2012**	**30 June 2012**
Trade accounts receivable	5,642	6,557	997
Other financial assets	2,716	1,694	882
Other accounts receivable	-	-	2,694

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the six months ended 30 June 2013 paid or payable to key management for employee services is EUR 598 thousand (2012: EUR 495 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 June 2013	**31 December 2012**	**30 June 2012**
Short term deposits	10,841	8,888	12,381
Cash in bank and cash on hand	2,942	14,962	20,056
Total cash and cash equivalents	**13,783**	**23,850**	**32,437**

(All amounts in euro thousands unless otherwise stated)

8 Trade and other receivables

	30 June 2013	31 December 2012	30 June 2012
Trade accounts receivable	37,648	36,919	26,414
Other financial assets	2,764	2,785	3,375
Allowance for doubtful debts	(2,061)	(2,757)	(2,009)
Total financial assets within trade and other receivables	***38,351***	***36,947***	***27,780***
Advances issued	11,585	10,346	13,319
Other receivables	2,634	2,827	8,079
Allowance for doubtful debts	(1,589)	(1,884)	(3,564)
Total trade and other accounts receivable	**50,981**	**48,236**	**45,614**

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 June 2013	31 December 2012	30 June 2012
Raw and other materials	10,577	8,527	8,644
Finished goods and work in progress	23,448	13,383	20,944
Agriculture produce	1,156	3,577	1,296
Total inventories	**35,181**	**25,487**	**30,884**

10 Other taxes receivable

	30 June 2013	31 December 2012	30 June 2012
VAT recoverable	15,086	10,560	11,063
Payroll related taxes	144	154	81
Other prepaid taxes	212	36	41
Total other taxes receivable	**15,442**	**10,750**	**11,185**

VAT receivable as at 30 June 2013 is shown net of provision at the amount of EUR 2,334 thousand (31 December 2012: EUR 2,018 thousand; 30 June 2012: EUR 2,294 thousand). The provision for VAT is created due to complexity of reimbursement of VAT in Ukraine and is estimated at 35% (31 December 2012: 35%; 30 June 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	-	227
Foreign currency translation	101	73
Balance at 30 June	**3,586**	**3,392**

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 June 2012 were decreased on EUR 1,369 and EUR 1,298 respectively. For more information, refer to note 4 for details.

12 Property, plant and equipment and intangible assets

During six months ended 30 June 2013 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 14,040 thousand (2012: EUR 14,430 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.

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

	30 June 2013		**31 December 2012**		**30 June 2012**	
Current biological assets of animal breading	Units	Amount	Units	Amount	Units	Amount
Cattle	4,470	3,662	4,334	3,455	3,646	2,097
Other livestock		1,075		485		446
Total biological assets of animal breading	**4,470**	**4,737**	**4,334**	**3,940**	**3,646**	**2,543**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount	Hectares	Amount
Maize	7,440	4,237	-	-	3,733	2,341
Wheat	3,526	1,038	3,115	777	3,274	1,194
Barley	2,140	653	1,259	112	1,192	288
Other		855		591		988
Total biological assets of plant growing		**6,783**		**1,480**		**4,811**
Total current biological assets		**11,520**		**5,420**		**7,354**
Non-current biological assets	Units	Amount	Units	Amount	Units	Amount
Cattle	3,638	3,853	3,354	3,296	3,242	2,569
Total non-current biological assets	**3,638**	**3,853**	**3,354**	**3,296**	**3,242**	**2,569**

(All amounts in euro thousands unless otherwise stated)

14 Trade and other payables

	30 June 2013	31 December 2012	30 June 2012
Trade payables	18,205	8,693	9,531
Accounts payable for fixed assets	343	32	549
Interest payable	178	188	176
Other financial payables	14	393	-
Total financial liabilities within trade and other payable	**18,740**	**9,306**	**10,256**
Wages and salaries payable	2,410	1,622	1,710
Accruals for bonuses	-	39	191
Advances received	863	1,223	1,054
Dividends payable	2,500	-	-
Other accounts payable	1,255	1,065	2,949
Accruals for employees’ unused vacations	1,534	1,865	1,466
Total trade and other payables	**27,302**	**15,120**	**17,626**

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 June 2013	31 December 2012	30 June 2012
VAT payable	1,080	615	1,048
Payroll related taxes	1,082	694	799
Other taxes payable	377	261	180
Total other taxes payable	**2,539**	**1,570**	**2,027**

(All amounts in euro thousands unless otherwise stated)

16 Loans and borrowings

	30 June 2013	31 December 2012	30 June 2012
Current			
Interest bearing loans due to banks	67,508	50,232	25,235
Finance leases	400	294	371
Total current borrowings	**67,908**	**50,526**	**25,606**
Non-current			
Interest bearing loans due to banks	37,960	46,282	60,139
Finance leases	682	145	277
Total non-current borrowings	**38,642**	**46,427**	**60,416**
Total borrowings	**106,550**	**96,953**	**86,022**

Movement in loans and borrowings during the six months ended 30 June was as follows:

	2013	2012
Balance at 1 January	**96,953**	**95,321**
Obtained new loans and borrowings, net of commission paid	34,435	51,783
Repaid loans and borrowings	(24,712)	(63,099)
Foreign exchange gain	(126)	2,017
Balance at 30 June	**106,550**	**86,022**

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

	30 June 2013					31 December 2012			
	USD	UAH	RUR	PLN	Total	USD	UAH	RUR	Total
12 months or less									
Outstanding balance, thousand EUR	32,870	5,571	29,303	164	**67,908**	26,121	294	24,111	**50,526**
Average interest rate, %	11.09	18.52	10.27	4.73	**11.33**	10.83	12.30	10.23	**10.55**
1-5 years									
Outstanding balance, thousand EUR	37,458	25	502	657	**38,642**	46,287	140	-	**46,427**
Average interest rate, %	11.00	12.40	12.00	4.73	**10.91**	10.83	12.30	-	**10.83**

17 Share capital

Share capital as at 30 June 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 June	**31,250,000**	**3,125**	**31,250,000**	**3,125**

18 Revenue

Sales by product during the six months ended 30 June were as follows:

	2013	2012
Cheese & Butter	68,980	68,085
Whole-milk products	68,076	55,147
Ingredients	14,089	10,868
Total revenue	**151,145**	**134,100**

Regional sales during the six months ended 30 June were as follows:

	2013	2012
Russia	93,983	86,789
Ukraine	47,441	43,331
Poland	5,918	-
Other	3,803	3,980
Total revenue	**151,145**	**134,100**

(All amounts in euro thousands unless otherwise stated)

19 Cost of sales

	2013	**2012**
Raw and other materials	94,183	66 488
Wages and salaries	8,035	7 395
Depreciation	5,397	5 036
Transportation costs	4,316	5 497
Gas	4,960	4 868
Electricity	3,369	2 764
Social insurance contributions	2,706	2 587
Repairs of property, plant and equipment	1,703	1 299
Water	466	429
Other	1,122	1 196
Changes in finished goods and work in progress	(8,205)	1 927
Total cost of sales	**118,052**	**99,486**

20 Selling and distribution expenses

	2013	**2012**
Transportation costs	5,418	5,167
Security and other services	2,384	1,668
Marketing and advertising	978	518
Wages and salaries	3,322	2,763
Social insurance contributions	1,062	868
Licence fees	134	156
Rental costs	223	96
Depreciation and amortisation	289	62
Other	489	318
Total selling expenses	**14,299**	**11,616**

(All amounts in euro thousands unless otherwise stated)

21 General and administrative expenses

	2013	2012
Wages and salaries	6,197	4,997
Social insurance contributions	1,442	1,267
Taxes and other charges	856	751
Representative charges	450	1,048
Other utilities	155	268
Bank charges	1,341	812
Repairs and maintenance	190	198
Depreciation and amortisation	917	826
Consulting fees	1,121	896
Security and other services	282	311
Transportation costs	265	109
Property insurance	334	334
Rental costs	238	102
Communication	185	151
Office supplies	93	76
Other	685	310
Total administrative expenses	**14,751**	**12,456**

22 Other income/(expenses), net

	2013	2012
Government grants recognised as income	3,934	2,658
Gain from write off of accounts payable	23	37
Change in provision and write off of trade and other accounts receivable	997	325
Depreciation and amortisation	(100)	-
Loss from disposal of non-current assets	(33)	(202)
Loss from disposal of inventories	(260)	(344)
Penalties	(57)	(235)
Loss from write off of inventories	(102)	(340)
Change in provision and write off of VAT receivable	(2,663)	(2,959)
Other income, net	123	18
Total other income/(expenses), net	**1,862**	**(1,042)**

(All amounts in euro thousands unless otherwise stated)

23 Income tax

	2013	**2012**
Current income tax	1,334	2,128
Deferred income tax	(719)	(1,042)
Total income tax	**615**	**1,086**

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 June 2013 and 30 June 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 June 2013 and 30 June 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 six months ended 30 June 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 June 2013.

26 Earnings per share

	2013	**2012**
Numerator		
Earnings used in basic and diluted EPS	**4,979**	**5,628**
Denominator, in thousand		
Weighted average number of shares used in basic and diluted EPS	**31,250**	**31,250**

Results of the first half of 2013

Press Release

Kyiv, August 27, 2013 - *Milkiland N.V. has published the Group's consolidated results of the first half of 2012*

Highlights of the 1st half of 2013

Operational highlights

- A decline in cheese sales in the first quarter 2013 limited segment performance for the first six months of the year. Despite of that, in the second quarter 2013, the Group managed to restore cheese sales to Russia after this drop.
- In Ukraine, cheese sales grew double-digit both in volume and value terms.
- WMP segment demonstrated a double-digit, namely 23% rise in revenue on the back of an almost 40% increase in Ostankino volume sales and improved sales in Ukraine.
- Ostrowia sales of dry milk products mainly contributed to a 30% increase of revenues in the Ingredients segment.
- In H1 2013, the Group modernized Ostrowia in order to bring it in full compliance with Russian and Ukrainian veterinary requirements and resume full scale production. The investments to finish this modernization comprised ca. EUR 3.5 million.
- Ostrowia has already received dairy import permission to Ukraine (July 30, 2013) and expects to obtain the same permissions to Russia in H2 2013.
- Ostrowia started production of dry milk products and curd cheese (February 2013), and hard cheese (May 2013). As the result, Milkiland entered the EU market by selling curd cheese in Poland market and dry milk products in several European countries, including Germany and the Netherlands.
- The Group finished acquisition of production assets of JSC "Syrodel" located in Rylsk city of Kursk region of Russia. 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.
- Milkiland continued its efforts aimed at the development of own milk supply base and support of milk cooperatives. In H1 2013, milk supply from cooperatives and own farms comprised, respectively, c. 23% and 4% of the total milk intake in Ukraine.
- The first 1,300 stalls section of new dairy milk farm (total capacity of 6,800 milking cows stalls) was constructed and put in trial operations.

Financial highlights

- In the first half of 2013, the Group's revenue grew c. 13% y-o-y to EUR 151.1 million, on the back of better volume sales in WMP segment, as well as a sharp rise in dry products sales.
- Gross profit decreased by 2% to EUR 34.0 million, with the gross margin of 23% against 26% in the first half of 2012.
- EBITDA decreased by 16% to EUR 13.7 million, while EBITDA margin declined from 12.1% in H1 2012 to 9.1%, mainly due to a pressure put by high cost of sales on the gross margin in the first half of 2013, as well as an increase in operating expenses.
- Net profit fell to EUR 5.5 million, mainly due to an increase in operating expense. Net margin constituted 3.7% vs. 4.7% in the first half of 2012.
- Net debt grew 56% and stood at EUR 96.8 million as of June 30, 2013. Total Debt Ratio constituted 0.49 vs. 0.46 in 2012.

Strategy and Operations

Comment by Sergey Trifonov, IRO of Milkiland N.V.:

"The key global challenge for milk processors in H1 2013 was significant increase in raw materials prices. In order to offset such pressure, Milkiland continued its efforts aimed at the development of own milk supply base and support of milk cooperatives. In order to tactically support the profitability of the business, Milkiland put efforts to increase selling prices and partially offset rising costs. By the end of June 2013, revision of price lists was not yet completed; the main effect of these measures is expected in H2 2013, since the main price rise was implemented in July and August. Also, the Group scheduled cost saving programs for H2 2012.

Strategically, in the second half of 2013, we will focus on further international scaling of the Group's business by developing at the EU market and seeking new markets for the Group, strengthening Milkiland's position in the key markets of Russia and Ukraine, and on improvement of the business efficiency."

Financial overview

Revenue

In the first half of 2013, the Group's revenue grew c. 13% y-o-y to EUR 151.1 million, mainly on the back of better volume sales in WMP segment, as well as a sharp rise in dry products sales. In the total revenue, cheese and butter sales accounted for 46%, whole milk products for 45% (51% and 41% respectively in the first half of 2012).

Cost of sales and Gross profit

Cost of sales reached EUR 118.1 million (EUR 99.5 million in H1 2012). 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.

The Group's gross profit declined 2% to EUR 34.0 million, with the gross margin of 23% against 26% in the first half of 2012.

Profit from operations and EBITDA

EBITDA decreased by 16% to EUR 13.7 million, while EBITDA margin declined from 12.1% in H1 2012 to 9.1% due to the pressure put by high cost of sales on the gross margin in the first half of 2013, as well as an increase in operating expenses.

Profit before tax and Net profit

In the first half of 2013, financial expense grew 10% as a result of a loan portfolio increase, while financial income grew 49% due to a significant other financial income received by the Group. The Group also recognized a foreign exchange gain of EUR 1.8 million vs. EUR 0.6 million a year before.

As a result of the decrease in operating profit, profit before tax decreased 16% y-o-y to EUR 6.2 million. Due to a 43% decrease in the income tax expense, net profit fell less significantly to EUR 5.5 million. Low net profit for the first quarter of 2013 contributed to a fell in net margin for the first half of the year. Net margin constituted 3.7% vs. 4.7% in the first half of 2012.

Net debt

Net debt of the Group grew 56% and stood at EUR 96.8 million as of June 30, 2013. Total Debt Ratio constituted 0.49 vs. 0.46 in 2012.

About Milkiland Group

Milkiland is a TOP-5 diversified dairy producer operating in Russia, Ukraine and Poland, offering a wide range of dairy products such as fresh dairy, cheese and butter, to satisfy consumers in their everyday needs for healthy and tasty foods.

In Russia, the Group produces fresh dairy products at Moscow-based OJSC "Ostankino Milk Combine" and sells under Ostankinskaya brand. Also, Ukrainian made cheese under international Dobryana brand is sold in most of Russian regions.

In Ukraine, the Group operates 10 plants and offers wide range of fresh dairy, cheese and butter under Dobryana and Kolyada brands.

In Poland Milkiland controls Ostrowia cheese plant in the city of Ostrów Mazowiecka and sells its products locally under Ostrowia brand and for export, including to Ukraine, under international Milkiland brand.

Milkiland exports dairy products from Ukraine to over 30 countries.

Shares of Milkiland N.V. – the Dutch holding company of the Group has been listed on the Warsaw Stock Exchange since December 6, 2010.

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