Interim Statement

Results of the first quarter 2014

Milkiland N.V. hereby publishes the Group's results of the first three months of 2014.

Highlights of the 1st quarter 2014

Operational results

- Political instability in Ukraine, coupled with deterioration of Ukraine-Russia relations, were the key factors affecting the Group's performance in Q1 2014. The key challenge for the Group were restrictions imposed by Russia on imports from Ukraine
- The Group's revenue increased by 9% compared to Q1 2013. Depreciation of local currencies in Ukraine (by 37%) and Russia (by 9%) adversely affected the Group's revenue growth in EUR. On the other hand, Milkiland's Ukrainian division gained fundamental cost advantage for exports, to be materialized in the next periods
- In cheese segment revenue growth was 3%, with Polish-based Ostrowia partly compensating for lower than expected results of Ukrainian division due to restricted exports to Russia. Despite 10% decrease in cheese exports, Milkiland remains the largest cheese exporter providing almost 40% of the total Ukrainian exports
- In WMP segments, the Group displayed 8% growth, with Ostankino on surge, capitalizing on its operational advances of 2013
- 44% rise in the Ingredients segment was driven by increase in Ostrowia sales of dry milk products, as well as better sales of agricultural produce in Ukraine
- Raw materials prices continue to be the issue for the Group, creating pressure on margins. On the positive side, raw milk prices in Ukraine in Q1 showed declining pattern, to be developed in the next periods. They started to decline in March, however ending up 20% higher than in Q1 2013. In Russia, raw milk prices in Q1 2014 still were 31% higher than in Q1 2013

Financial results

- Revenues grew by c. 9% to EUR 77.3 million, on account of Russian and Polish division, while Ukrainian segment posted some decline
- Gross profit remained stable in absolute terms, while gross margin declined from 20% to 19%, due to some remaining raw materials pressure
- EBITDA decreased from EUR 6.6 million to EUR 5.2 million, as a result of significant decrease in other operating income (mainly government grants) from EUR 3.7 million to EUR 0.6 million
- Non-cash foreign exchange loss of EUR 27.5 million due to a sharp Ukrainian Hryvnia depreciation in March resulted in a net loss of EUR 24.6 million
- Due to a sharp depreciation of the Ukrainian Hryvnia and Russian Ruble the balance value of PPE decreased by 22% in EUR terms

Overview of Operations in Q1 2014

Sales revenues

Milkiland maintained positive momentum gained in 2013 in WMP segment by Ostankino and advanced by 8% in fresh dairy compared to Q1 2013. In Ukraine, the WMP market was stagnating thus limiting the Group's sales growth. Cheese sales slightly grew by 3%, while decrease of Ukrainian segment was compensated by more than double advance in Ostrowia cheese sales. Ingredients sales were up 44% reflecting increasing milk and whey powder production at Ostrowia.

Milk sourcing

In line with its strategy to build up an integrated supply system, Milkiland put further efforts to support milk cooperatives and develop in-house milk production. Despite the interruptions connected with movement and adaptation of cows to the new dairy farm, the average milk yield improved by 13% fueling the growth of in-house milk production by 6.5%.

The crisis in relations with Russian Federation and its impact on business activity of Milkiland

Since the beginning of 2014, political and trade relations between Ukraine and Russian Federation have been deteriorating. This situation resulted in obstacles to Milkiland cheese exports to Russia and negatively influenced on the Group's business and financial results in Q1 2014.

By the end of January 2014, Federal Customs Service of Russian Federation imposed tightened customs clearance procedures of the Ukrainian goods at the Russian border adding an additional bureaucracy and timing to the process of the Group's cheese supplies to Russian market.

On April 7, 2014, Federal Service for Supervision of Consumer Rights Protection and Human Well-being of the Russian Federation (Rospotrebnadzor) suspended the import of dairy goods produced by number Ukrainian producers, including Milkiland's Okhtyrka cheese combine.

Rospotrebnadzor restricted import of Okhtyrka-made cheese due to alleged failure to meet the requirements of Russian technical regulations for milk and milk products. At the moment, Russian authorities are not willing to discuss the issue with Ukrainian producers. Milkiland announced that in the same situation in early 2012 high quality of the Group's dairy products their compliance with the requirements of technical regulations of Russian Federation were confirmed by both independent laboratories and Rospotrebnadzor commissions. Since that time, Milkiland, including its Okhtyrka plant, followed all of the requirements of Russian Federation and Customs Union.

As the result of above restrictions, Milkiland's cheese sales to Russia decreased by c. 10% already in Q1 2014 (the respective revenues remain flat y-o-y because of the better pricing). While, Okhtyrka cheese combine holds c. 19% of the total cheese production capacities of the Group, its suspension for Russian export could trigger further decline in Russian export sales. Milkiland considers several undertakings and scenarios in order to mitigate the respective risks:

1. Shifting to production of dry milk products (DMP, SMP) in order to replace decreasing volumes of cheese. After significant devaluation of Ukrainian Hryvna Milkiland's dry products will become competitive globally
2. Correction of domestic raw milk prices in Ukraine triggered by limited demand from Ukrainian exporters could lead to some additional expansion of margins of Ukrainian division. In particular, raw milk prices corrected by c.12-13% already in April, the declining trend continued in May, 2014. The same pattern was observed in 2012 during the same limitations from Russia
3. The Group plans to enjoy its diversified business model by increase of cheese export from its Polish subsidiary "Ostrowia" to EU, CU and third countries markets as well.
4. The additional efforts will be put for expansion of the Group's geographical footprint, including MENA countries and global dairy trade

Overview of Financial Results in Q1 2014

Segment revenue and performance

Whole-milk dairy was the largest segment in terms of revenue and business segments EBITDA[1] providing for 49% and 36% respectively (49% and 43% in Q1 2013). The segment revenue grew 8% to EUR 37.9 million on a back of better volume sales in Russia, while segment EBITDA decreased 33% from EUR 3.1 million to EUR 2.1 million, reflecting higher input costs and lower subsidies.

Cheese & butter segment contributed approximately 40% to the Group's total revenue and 57% to business segments EBITDA (42% and 52% respectively in Q1 2013). Segment revenue increased by 3% to EUR 30.6 million as Ostrowia boosted sales both in Poland and Ukraine. Segment EBITDA declined by 13% resulting from higher input costs.

In *Ingredients and other products segment*, revenue increased by 44% to EUR 8.8 million, while segment's EBITDA grew 15% to EUR 0.4 million reflecting better sales of dry milk products by Ostrowia and better prices.

Cost of sales and gross profit

Cost of sales grew by EUR 6.2 million (11% y-o-y) to EUR 62.8 million, due to higher raw milk prices. According to official statistics, raw milk prices were 20% and 31% y-o-y higher in Ukraine and Russia respectively.

As a result, the Group's gross profit was stable and constituted EUR 14.4 million. The gross margin declined from 20% to 19%.

Operating profit and EBITDA

As a result of lower volume sales by Milkiland Ukraine and Ukrainian Hryvnia depreciation in March, selling and distribution expenses decreased 10% compared to Q1 2013, to EUR 6.2 million.

The Group's administrative expenses decreased by 16% on y-o-y basis, to EUR 7.1 million reflecting lower consulting and bank fees, as well as lower labor costs due to Ukrainian Hryvnia depreciation.

Decline in the government grants recognized as income contributed to a decrease in the operating profit and EBITDA to, respectively, EUR 1.7 million (-39%) and EUR 5.2 million (-22%).

Profit before tax and net profit

A sharp depreciation of Ukrainian Hryvnia and Russian Ruble led to a one-off non-cash financial currency translation loss of EUR 27.5 million. The above factors contributed to a loss before tax of c. EUR 28.1 million. Net loss was c. EUR 24.6 million.

Property, plant and equipment

The same depreciation of the Ukrainian and Russian currencies led to a 22% decrease in PPE, since the major part of the Group's assets are located in these countries.

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

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 2014 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 2014 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, 9 May 2014

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 2014

Contents

MILKILAND N.V.
Condensed consolidated interim statement of financial position
For the three months ended 31 March 2014
(All amounts in euro thousands unless otherwise stated)

	Notes	31 March 2014 (unaudited)	31 December 2013 (audited)	31 March 2013 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	6	13,006	13,056	18,099
Trade and other receivables	7	62,456	62,088	51,409
Inventories	8	23,593	29,763	25,622
Current biological assets	12	5,213	7,538	6,116
Current income tax assets		769	19	193
Other taxes receivable	9	14,613	16,781	13,493
		119,650	**129,245**	**114,932**
Non-Current Assets				
Goodwill	10	2,895	3,426	3,526
Property, plant and equipment	11	146,285	187,974	198,221
Non-current biological assets	12	3,012	4,102	3,859
Other intangible assets	11	2,914	3,335	3,875
Deferred income tax assets		6,240	8,405	10,050
		161,346	**207,242**	**219,531**
TOTAL ASSETS		**280,996**	**336,487**	**334,463**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	22,705	26,948	17,750
Current income tax liabilities		344	239	67
Other taxes payable	14	1,998	2,271	2,337
Short-term loans and borrowings		103,410	79,284	57,636
		128,457	**108,742**	**77,790**
Non-Current Liabilities				
Loans and borrowings	15	6,574	24,475	41,996
Deferred income tax liability		16,881	27,177	30,802
Other non-current liabilities		439	657	844
		23,894	**52,309**	**73,642**
Total liabilities		**152,351**	**161,051**	**151,432**
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		47,572	48,752	53,516
Currency translation reserve		(39,069)	(18,277)	(5,896)
Retained earnings		64,774	88,050	76,799
		125,089	**170,337**	**176,231**
Non-controlling interests		**3,556**	**5,099**	**6,800**
Total equity		**128,645**	**175,436**	**183,031**
TOTAL LIABILITIES AND EQUITY		**280,996**	**336,487**	**334,463**

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the three months ended 31 March 2014
(All amounts in euro thousands unless otherwise stated)

	Notes	2014 (unaudited)	2013 (unaudited)
Revenue	17	77,292	71,073
Change in fair value of biological assets		(5)	120
Cost of sales	18	(62,849)	(56,697)
Gross Profit		**14,438**	**14,496**
Selling and distribution expenses	19	(6,226)	(6,938)
Administrative expenses	20	(7,117)	(8,492)
Other income/(expenses), net	21	560	3,651
Operating Profit		**1,655**	**2,717**
Finance income	22	741	1,165
Finance expenses	23	(30,458)	(2,634)
(Loss)/profit before tax		**(28,062)**	**1,248**
Income tax	24	3,413	(268)
Net (loss)/profit for the year		**(24,649)**	**980**
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating to presentation currency		(22,142)	3,366
Total comprehensive (loss)/income		**(46,791)**	**4,346**
(Loss)/profit attributable to:			
Owners of the Company		(24,456)	719
Non-controlling interests		(193)	261
		(24,649)	**980**
Total comprehensive (loss)/income:			
Owners of the Company		(45,248)	3,930
Non-controlling interests		(1,543)	416
		(46,791)	**4,346**
Earnings per share		(78.26)	2.30

MILKILAND N.V.
Condensed consolidated interim statement of cash flows
For the three months ended 31 March 2014
(All amounts in euro thousands unless otherwise stated)

	Note	2014 (unaudited)	2013 (unaudited)
Cash flows from operating activities:			
Loss/profit before income tax		**(28,063)**	**1,248**
Adjustments for:			
Depreciation and amortization	11	3,453	3,590
Loss from disposal and write off of inventories	21	47	105
Change in provision and write off of trade and other accounts receivable	21	141	(1,363)
Change in provision and write off of unrealised VAT	21	426	242
Loss from write off, revaluation and disposal of non-current assets	21	79	180
Change in fair value of biological assets		5	(120)
Operational foreign exchange results, net	21	(1,090)	(648)
Finance income	22	(741)	(1,165)
Finance expenses	23	30,458	2,634
Write off of accounts payable	21	(6)	(20)
Operating cash flow before movements in working capital		**4,709**	**4,683**
Increase in trade and other accounts receivable		(4,570)	(1,045)
Decrease in inventories		501	495
Decrease/(Increase) in biological assets		265	(873)
(Decrease)/Increase in trade and other payables		(2,441)	2,623
Increase in other taxes receivable		(2,089)	(2,704)
(Decrease)/increase in other taxes payable		(273)	767
Net cash (used in)/provided by operations:		**(3,898)**	**3,946**
Income taxes paid		(1,287)	(1,396)
Interest received		408	1,165
Interest paid		(2,688)	(2,241)
Net cash (used in)/provided by operating activities		**(7,465)**	**1,474**
Cash flows from investing activities:			
Acquisition of property, plant and equipment	11	(969)	(7,755)
Proceeds from sale of property, plant and equipment	11	1	28
Net cash used in investing activities		**(968)**	**(7,727)**
Cash flows from financing activities			
Proceeds from borrowings	15	38,501	10,334
Repayment of borrowings	15	(28,943)	(10,541)
Net cash provided by/(used in) financing activities		**9,558**	**(207)**
Net increase/(decrease) in cash and equivalents		**1,125**	**(6,460)**
Cash and equivalents, beginning of the period	6	**13,056**	**23,850**
Effect of foreign exchange rates on cash and cash equivalents		(1,175)	709
Cash and equivalents, end of the period	6	**13,006**	**18,099**

(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 2013	**3,125**	**48,687**	**(7,441)**	**53,228**	**74,702**	**172,301**	**6,384**	**178,685**
Profit for the period	-	-	-	-	719	**719**	261	**980**
Other comprehensive income, net of tax effect	-	-	1,545	1,666	-	**3,211**	155	**3,366**
Total comprehensive income for the period	**-**	**-**	**1,545**	**1,666**	**719**	**3,930**	**416**	**4,346**
Realised revaluation reserve, net of income tax	-	-	-	(1,378)	1,378	**-**	-	**-**
Balance at 31 March 2013	**3,125**	**48,687**	**(5,896)**	**53,516**	**76,799**	**176,231**	**6,800**	**183,031**
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**

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 2014 for Milkiland N.V. (the "Company") and its subsidiaries (together referred to as the "Group" or "Milkiland").

The financial statements were approved by the Board of Directors on 12 May 2014.

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 31 December 2013 the Company is controlled by 1, Inc. Cooperatief (holding 73.52% of shares). The Company is ultimately controlled by Anatoliy Yurkevych and Olga Yurkevych. Commencing from 6 December 2010, the Company became listed on the Warsaw Stock Exchange having placed 20% of newly issued and 2.4% of existing shares to investors.

The Company mainly acts as a holding company and exercises control over the operations of its subsidiaries.

Milkiland is a diversified dairy processing Group, producing and distributing dairy products in Europe and worldwide with the major focus on Russia and other CIS countries. The production facilities of the Group are located in Ukraine Russia and Poland, able to process up to 1,300 thousand tonnes of milk per year. The plants purchase milk from local farmers and produce cheese, butter, whole-milk products, powdered milk, casein and other products.

(All amounts in euro thousands unless otherwise stated)

1 The Group and its operations (continued)

Subsidiaries of the Company are presented below:

Name	Country of incorporation	Effective share of ownership 31 March 2014	31 December 2013	31 March 2013
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%	-
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%	95,9%
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%
LLC Moloko Polissia	Ukraine	-	-	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%	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%
PE Agro PersheTravnya	Ukraine	-	-	100.0%
ALLC Nadiya	Ukraine	100.0%	100.0%	100.0%
LLC Zemledar 2020	Ukraine	-	-	100.0%
PAE Dovzhenka	Ukraine	-	-	100.0%
LLC Feskivske	Ukraine	100.0%	100.0%	100.0%
JSC Sosnitsky Rajagrohim	Ukraine	97.0%	97.0%	-

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 2014 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 2013, 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 2013.

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 2014 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 2014, 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 2014 the in-house milk production covered c.4% 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 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
As at 31 December 2013	1.3791	11.0231	44.9699	4.1472
As at 31 March 2013	1.2805	10.2350	39.8023	4.1774
Average for three months ended 31 March 2013	1.3198	10.5495	40.1908	4.1556

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:

	2014				2013			
	Russia	**Ukraine**	**Poland**	**Total**	**Russia**	**Ukraine**	**Poland**	**Total**
Total segment revenue	41,238	37,692	7,222	86,152	32,487	39,550	2,022	74,059
Inter-segment revenue	-	(6,925)	(1,935)	(8,860)	-	(2,986)	-	(2,986)
Revenue from external customers	41,238	30,767	5,287	77,292	32,487	36,564	2,022	71,073
EBITDA	**2,633**	**3,252**	**(56)**	**5,829**	**1,990**	**5,597**	**(264)**	**7,323**
EBITDA margin	6%	11%	(1%)	8%	6%	15%	(13%)	10%
Depreciation and amortisation	734	2,240	479	3,453	821	2,249	517	3,587

(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:

	2014				**2013**			
	Cheese & butter	**Whole-milk products**	**Ingredients**	**Total**	**Cheese & butter**	**Whole-milk products**	**Ingredients**	**Total**
Total segment revenue	39,507	37,866	8,779	86,152	32,815	35,163	6,081	74,059
Inter-segment revenue	(8,860)	-	-	(8,860)	(2,986)	-	-	(2,986)
Revenue from external customers	30,647	37,866	8,779	77,292	29,829	35,163	6,081	71,073
EBITDA	**3,312**	**2,101**	**416**	**5,829**	**3,821**	**3,140**	**362**	**7,323**
EBITDA margin	11%	6%	5%	8%	11%	9%	6%	10%
Depreciation and amortisation	1,555	1,378	520	3,453	1,413	1,470	704	3,587

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

	2014	**2013**
EBITDA	5,829	7,323
Other segments EBITDA	(642)	(682)
Total segments	**5,187**	**6,641**
Depreciation and amortisation	(3,453)	(3,590)
Non-recurring items	-	(154)
Loss from disposal and impairment of non-current assets	(79)	(180)
Finance expenses	(30,458)	(2,634)
Finance income	741	1,165
(Loss)/Profit before tax	**(28,062)**	**1,248**

(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:	**2014**	**2013**
Revenue	4,399	4,982

The outstanding balances due from related parties were as follows:

Entities under common control:	**31 March 2014**	**31 December 2013**	**31 March 2013**
Trade accounts receivable	4,686	1,645	7,913
Other financial assets	15,382	17,144	2,774
Other accounts receivable	416	160	-

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the three months ended 31 March 2014 paid or payable to key management for employee services is EUR 191 thousand (2013: EUR 353 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 2014	**31 December 2013**	**31 March 2013**
Short term deposits	10,022	6,880	7,420
Cash in bank and cash on hand	2,984	6,176	10,679
Total cash and cash equivalents	**13,006**	**13,056**	**18,099**

(All amounts in euro thousands unless otherwise stated)

7 Trade and other receivables

	31 March 2014	31 December 2013	31 March 2013
Trade accounts receivable	32,365	30,358	35,272
Other financial assets	15,996	17,847	2,849
Allowance for doubtful debts	(936)	(1,086)	(1,732)
Total financial assets within trade and other receivables	***47,425***	***47,119***	***36,389***
Advances issued	12,249	12,684	13,989
Other receivables	3,972	3,900	2,671
Allowance for doubtful debts	(1,190)	(1,615)	(1,640)
Total trade and other accounts receivable	**62,456**	**62,088**	**51,409**

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 2014	31 December 2013	31 March 2013
Raw and other materials	8,188	12,267	8,880
Finished goods and work in progress	14,567	15,604	14,781
Agriculture produce	838	1,892	1,961
Total inventories	**23,593**	**29,763**	**25,622**

9 Other taxes receivable

	31 March 2014	31 December 2013	31 March 2013
VAT recoverable	13,507	16,428	12,884
Payroll related taxes	98	117	514
Other prepaid taxes	1,008	236	95
Total other taxes receivable	**14,613**	**16,781**	**13,493**

VAT receivable as at 31 March 2014 is shown net of provision at the amount of EUR 1,101 thousand (31 December 2013: EUR 1,736 thousand; 31 March 2013: EUR 1,843 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 2013: 25%; 31 March 2013: 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

	2014	**2013**
Balance at 1 January	3,426	3,485
Foreign currency translation	(531)	41
Balance at 31 March	**2,895**	**3,526**

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 2014 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 969 thousand (2013: EUR 7,755 thousand), which comprised mainly modernisation of milk processing capacities (2013: investments to agricultural business of the Group in Ukraine and production assets of JSC “Syrodel” in Rylsk city of Kursk region (Russian Federation)).

(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 2014, 2013 and 31 December 2013 biological assets comprise the following groups:

	31 March 2014		31 December 2013		31 March 2013	
Current biological assets of animal breading	Units	Amount	Units	Amount	Units	Amount
Cattle	3,703	2,385	4,253	4,211	4,383	3,591
Other livestock	-	864	-	863	-	500
Total biological assets of animal breading	**3,703**	**3,249**	**4,253**	**5,074**	**4,383**	**4,091**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount	Hectares	Amount
Wheat	3,929	1,536	3,929	1,018	3,218	892
Maize	-	-	1,372	768	-	-
Barley	-	-	-	-	1,259	138
Other	-	428	-	678	-	995
Total biological assets of plant growing	**3,929**	**1,964**	**5,301**	**2,464**	**4,477**	**2,025**
Total current biological assets		**5,213**		**7,538**		**6,116**
Non-current biological assets	Units	Amount	Units	Amount	Units	Amount
Cattle	3,386	3,012	3,286	4,102	3,778	3,859
Total non-current biological assets	**3,386**	**3,012**	**3,286**	**4,102**	**3,778**	**3,859**

(All amounts in euro thousands unless otherwise stated)

13 Trade and other payables

	31 March 2014	31 December 2013	31 March 2013
Trade payables	16,716	20,930	11,139
Accounts payable for fixed assets	170	347	93
Interest payable	133	163	211
Other financial payables	129	86	373
Total financial liabilities within trade and other payable	**17,148**	**21,526**	**11,816**
Wages and salaries payable	2,328	2,121	1,991
Accruals for bonuses	-	-	41
Advances received	525	482	1,622
Other accounts payable	637	434	464
Accruals for employees' unused vacations	2,067	2,385	1,816
Total trade and other payables	**22,705**	**26,948**	**17,750**

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 2014	31 December 2013	31 March 2013
VAT payable	686	881	806
Payroll related taxes	1,169	1,217	1,060
Other taxes payable	143	173	471
Total other taxes payable	**1,998**	**2,271**	**2,337**

(All amounts in euro thousands unless otherwise stated)

15 Loans and borrowings

	31 March 2014	31 December 2013	31 March 2013
Current			
Interest bearing loans due to banks	102,403	76,561	57,380
Bank overdrafts	474	2,033	-
Finance leases	533	690	256
Total current borrowings	**103,410**	**79,284**	**57,636**
Non-current			
Interest bearing loans due to banks	4,640	22,437	41,902
Finance leases	1,934	2,038	94
Total non-current borrowings	**6,574**	**24,475**	**41,996**
Total borrowings	**109,984**	**103,759**	**99,632**

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

	2014	2013
Balance at 1 January	**103,759**	**96,953**
Obtained new loans and borrowings	38,469	10,334
Repaid loans and borrowings	(28,911)	(10,541)
Discounting of borrowings	248	395
Foreign exchange (gain)/loss	(3,581)	2,491
Balance at 31 March	**109,984**	**99,632**

Principal terms and the debt repayment schedule of the Group's loans and borrowings as at 31 March 2014 and 31 December 2013 were as follows:

	31 March 2014					31 December 2013				
	USD	UAH	RUR	PLN	Total	USD	UAH	RUR	PLN	Total
12 months or less										
Outstanding balance, thousand EUR	69,217	4,202	26,661	3,330	**103,410**	49,970	4,455	21,459	3,400	**79,284**
Average interest rate, %	10.31	20.31	9.19	4.43	**10.24**	10.27	17.87	9.90	4.46	**10.35**
1-5 years										
Outstanding balance, thousand EUR	4,640	8	-	1,926	**6,574**	22,437	12	-	2,026	**24,475**
Average interest rate, %	8.59	24.00	-	5.61	**7.74**	11.00	24.00	-	5.61	**10.56**

15 Loans and borrowings (Continued)

As at 31 March 2014 the Group has not met requirement in respect of EBITDA to interest expenses ratio. A waiver of breach of covenant being issued in May 2014 and Management are in process of negotiation with lenders as at the date of these financial statements approval. Non-current interest bearing loans due to banks in the amount EUR 26,752 thousand were classified as current Interest bearing loans due to banks (note 26).

16 Share capital

Share capital as at 31 March 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 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:

	2014	2013
Cheese & Butter	30,647	29,829
Whole-milk products	37,866	35,163
Ingredients	8,779	6,081
Total revenue	**77,292**	**71,073**

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

	2014	2013
Russia	47,606	44,145
Ukraine	22,085	23,730
Poland	5,287	2,022
Other	2,314	1,176
Total revenue	**77,292**	**71,073**

(All amounts in euro thousands unless otherwise stated)

18 Cost of sales

	2014	2013
Raw and other materials	47,969	41,836
Wages and salaries	3,063	3,314
Depreciation	2,839	2,958
Transportation costs	1,723	2,307
Gas	1,901	2,196
Electricity	1,536	1,520
Social insurance contributions	1,009	1,140
Repairs of property, plant and equipment	1,035	847
Water	237	228
Other	1,146	1,010
Changes in finished goods and work in progress	391	(659)
Total cost of sales	**62,849**	**56,697**

19 Selling and distribution expenses

	2014	2013
Transportation costs	2,430	2,593
Security and other services	889	1,390
Marketing and advertising	364	490
Wages and salaries	1,514	1,543
Social insurance contributions	446	512
Licence fees	150	71
Rental costs	111	80
Depreciation and amortisation	90	58
Other	232	201
Total selling expenses	**6,226**	**6,938**

(All amounts in euro thousands unless otherwise stated)

20 Administrative expenses

	2014	2013
Wages and salaries	3,004	3,358
Social insurance contributions	726	724
Taxes and other charges	366	450
Representative charges	233	94
Other utilities	63	186
Bank charges	535	870
Repairs and maintenance	123	237
Depreciation and amortisation	463	522
Consulting fees	773	1,065
Security and other services	149	135
Transportation costs	107	146
Property insurance	131	166
Rental costs	121	113
Communication	87	91
Office supplies	31	43
Other	205	292
Total administrative expenses	**7,117**	**8,492**

21 Other income/(expenses), net

	2014	2013
Government grants recognised as income	216	2,035
Gain from write off of accounts payable	6	20
Change in provision and write off of trade and other accounts receivable	(141)	1,363
Depreciation and amortisation	(61)	(51)
Other income, net	106	188
Loss from disposal of non-current assets	(79)	(180)
Loss from disposal and write off of inventories	(47)	(105)
Penalties	(104)	(25)
Operational foreign exchange results, net	1,090	648
Change in provision and write off of VAT receivable	(426)	(242)
Total other income/(expenses), net	**560**	**3,651**

(All amounts in euro thousands unless otherwise stated)

22 Finance income

	2014	2013
Other fin income	3	920
Finance foreign exchange gain, net	510	-
Bank deposits	228	245
Total finance income	**741**	**1,165**

23 Finance expenses

	2014	2013
Bank borrowings	2,628	1,968
Other borrowings	11	24
Finance leases	43	14
Discounting of loans	248	395
Finance foreign exchange loss, net	27,528	233
Total finance expenses	**30,458**	**2,634**

24 Income tax

	2014	2013
Current income tax	684	928
Deferred income tax	(4,097)	(660)
Total income tax	**(3,413)**	**268**

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2014 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2013: 19%), Russian profit tax was levied at the rate of 20% (2013: 20%), Poland profit tax was levied at the rate of 19% (2013: 19%). In 2014 the tax rate for Panama operations was 0% (2013: 0%) on worldwide income.

25 Change in presentation

In the course of preparation of financial statements for the financial year ended 31 December 2013 management has revised accounting for recognition of exchange differences on monetary items. Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within “finance income” or “finance expenses” on net basis. All other foreign exchange gains and losses are presented in the statement of comprehensive income within “Other income/(expenses), net”.

Effects of reclassifications on the statement of comprehensive income for the three months ended 31 March 2013 are summarized in the table below:

(All amounts in euro thousands unless otherwise stated)

25 Change in presentation (Continued)

	As previously reported	Reclassifications	As reclassified
Statement of Comprehensive Income			
Other income/(expenses), net	3,003	648	(3,651)
Operating Profit	2,069	648	2,717
Finance expenses	(2,401)	(233)	(2,634)
Foreign exchange gain/(loss), net	415	(415)	-
EBITDA	5,993	648	6,641

26 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 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.

Compliance with covenants

The Group is subject to certain covenants related to part of its borrowings as follow:

- 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.

The Borrowing, EBITDA, interest expenses and tangible net worth shall be calculated and interpreted on a consolidation basis and shall be expresses in EUR.

As at 31 March 2014 the Group has not met requirement in respect of EBITDA to interest expenses ratio. A waiver of breach of covenant being issued in May 2014 and Management are in process of negotiation with lenders as at the date of these financial statements approval. Non-current interest bearing loans due to banks in the amount EUR 26,752 thousand were classified as current interest bearing loans due to banks (note 15).

27 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 and 2013 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.

28 Earnings per share

	2014	2013
Numerator		
Earnings used in basic and diluted EPS	**(24,456)**	**719**
Denominator, in thousand		
Weighted average number of shares used in basic and diluted EPS	**31,250**	**31,250**