Interim Statement

Results of the first quarter of 2020

Milkiland N.V. hereby publishes the Group's results of the first quarter of 2020

Macroeconomic environment

- In the first quarter of 2020, the national economies of Russia and Ukraine, the key markets of the Group, faced a slowdown of the growth trends achieved in the year 2019. The major reason triggered this situation was the global COVID-19 outbreak provoked the imposture of the different quarantine measures by the national Governments of Ukraine and Russia.
- While the GDP growth in Russia in 2019 stood at c. 1.3%, the real GDP of Ukraine in the last year grew by 3.2% on y-o-y basis. There are no data available for the GDP dynamics both in Russia and Ukraine in Q1 2020, as of the date of publication of this Report.
- On a "bright side of the moon" both Russian and Ukrainian economies in Q1 2020 have been developing in low-inflation environment. In particular, CPI in Ukraine in this period stood at 2.6%, in Russia – at 2.4% in comparison with Q1 2019.
- Both countries supported the positive dynamics of the growing real wages, which increased in Q1 2020 by 11.3% in Ukraine and by 6.3% in Russia on y-o-y basis. Fueling by these growth trends, the retail trade turnover in Ukraine increased by 10.6%, in Russia – by 4.3% on y-o-y basis.
- At the same time, especially by the end of Q1 2020 and in Q2 2020, Russian and Ukrainian economies began to absorb the negative effects of the global recession and quarantine measures against COVID-19. Self-isolation of significant amount of people, limitations for civil transport in the cities of Ukraine and Russia led to logical decline of consumption of FMCG goods, including dairy.
- In a view of these negative effects, Ukrainian Government in April 2020 downgraded the macro-forecast for the current year. In particular, real GGP of the country should contract by 4.8% in 2020 on y-o-y basis (vs 3.9% of growth expected before), CPI should increase in 2020 to 11.6% y-o-y e-o-p (vs 8.7% of growth before). Also, real wages of the Ukrainian population is expected to decline in 2020 by 4.5% in 2020, contrary to the growth trend of 2019.
- As an important fact, in Q1 2020 Russian rouble and Ukrainian hryvnya both returned to the devaluation track. In particular, e-o-p UAH exchange rate to EUR declined by 15.5%, RUB exchange rate against European currency – by 23.6% in comparison with the respective rates as of December, 31, 2019.

Operational environment and results

- In the first quarter of 2020, Milkiland decreased its overall sales volumes by c. 40% y-o-y, mainly due to implications of the global COVID-19 crisis in the markets of the Group's operations. Lower volume sales of cheese and butter and whole-milk products were partly offset by increase of sales volumes of ingredients.
- The lion's share of the contraction of sales volumes in Q1 2020 was delivered by the Group's main Russian subsidiary – Ostankino. Fist reason for that is the inability of Ostankino to persuade some key clients, namely local retailers, to increase the shelf prices for the finished goods in line with general Russian dairy market trends. As the result, the collaboration with some key clients was diminished or interrupted in the reporting period. Second reason is that Ostankino faced the most deep negative

implications of the COVID-19 crisis in Russia. Strict quarantine measures imposed by the Russian Government, as well as municipal authorities of the City of Moscow in March 2020, *inter alia*, were included closure of the shopping centers, obligatory self-isolation of the population in their households. The latter requirement provoked the migration of a significant amount of Moscow inhabitants to the rural areas during quarantine period. As an outcome, the local consumption of FMCG goods, including dairy, was undermined. On the back of this situation, Ostankino's sales declined significantly (by more than c. 40% in value terms in Q1 2020 on y-o-y basis), which brought the EBITDA of this subsidiary to the negative territory.

- On March, 6, 2020, the Arbitrage Court of Kursk oblast of Russian Federation adopted a decision of insolvency of LLC "Kursk Milk", subsidiary of Milkiland RU, implemented the arbitrage management of this company and appointed an arbitrage administrator. Since that time, the Group lost the control on operations of LLC "Kursk milk", the financial results of this company was incorporated to the consolidated results of Milkiland Group only partially. This situation led to some difficulties in production and sales of several SKU's in the product portfolio of Milkiland in Russia, including under Dobryana and Latter brands. The management of the Group has been striving for entering into the debt settlement agreement with the creditors of LLC "Kursk Milk".
- Aiming to support the profitability of the business Milkiland Ukraine focused on the development of sales of high value-added products, including innovative lactose-free cheese and whole milk products, primarily in the key accounts channel. But massive import of dairy to Ukraine, primarily from EU, growing competition in the local market together with limited export opportunities on the back of relatively high raw milk farm-gate prices brought the EBITDA of Milkiland Ukraine to negative territory (c. EUR 0.2 million, negative vs c. EUR 0.2 million in the same period of 2019).
- Milkiland EU in Q1 2020 reported tiny positive profitability on EBITDA level of c. EUR 0.014 million due to better pricing environment for sales of dry milk products in EU and globally in comparison with negative EBITDA of c. EUR 0.4 million in Q1 2019.
- In Q1 2020 Milkiland continued to develop its sales in new export markets and catch the opportunities of profitable international trade in the global dairy market. In particular, Milkiland Intermarket managed to increase the sales of dry milk products in Q1 2020 by 20% in volume terms on y-o-y basis due to the restoration of sales of the respective products produced by the Group's Polish subsidiary Milkiland EU in the European market.

Group's Sales in Q1 2020 by geographical segments

Russia was the largest geographical segment in terms of revenue generation for Milkiland in Q1 2020 providing for 57% (down 10pp compared to Q1 2019). The segment's revenue was down by 16% y-o-y and stood at c. EUR 16.9 million, mainly due to selling volumes contraction triggered by lower processing volumes.

Ukraine contributed 36% to the Group's revenue in Q1 2020 (+12pp y-o-y). Segment revenue decreased by 46% to c. EUR 10.6 million, again mainly due to increased selling prices for finished goods in line with general markets trends, as well as selling of higher value-added goods.

Poland contributed 7% to the Group's revenue in Q1 2020 (-1 pp y-o-y), the segment's revenue decreased by 18% y-o-y to c. EUR 2.0 million on the back of lower sales volumes.

Group's Sales in Q1 2020 by business segments

Whole-milk dairy was the largest segment in term of revenue providing for c. 41% of revenue in Q1 2020 (vs 51% in Q1 2019). The segment's revenue declined by 38.4% y-o-y in Q1 2020 to EUR 9.3 million on a back of lower sales volumes, while its EBITDA declined from little negative EUR 0.02 million in Q1 2020 to negative EUR 0.2 million in the reporting period. This result was mainly triggered by the lower volume sales in Russia and Ukraine. The segment's Q1 2020 EBITDA margin stood at -3%, in comparison with 0% in Q1 2019.

Cheese & butter segment contributed approximately 33% to the Group's total revenue in Q1 2020 (35% in Q1 2019). Segment's revenue decreased by 26.4% to EUR 7.6 million due to lower sales volumes in Russian, as well as export markets. Segment's EBITDA decreased to negative c. EUR 0.8 million vs little positive c. EUR 0.01 in Q1 2019, implying Q1 2020 segment's EBITDA margin of -10% vs 1% in Q1 2019.

In *Ingredients segment*, revenue grew by c.41% y-o-y to EUR 5.9 million on the back of increased sales volumes, including at EU market. It contributed c. 26% to the Group's total revenue versus 14% in Q1 2019. The segment's EBITDA remained negative c. EUR 0.2 million compared to negative EBITDA of c. 0.3 million in Q1 2019, with negative EBITDA margin of 3% in Q1 2020.

Financial results

- Milkiland's revenue in Q1 2020 declined c. 23% y-o-y to EUR 22.8 million on the back of the decrease of the Group's sales in volume terms in Russia and Ukraine partly offset by the higher prices for finished goods in the markets of the Group's operations.
- Cost of sales decreased by c. 21% to EUR 20.5 million. The lower raw materials costs due to lower production volumes, decreased wages and salaries due to optimization of the Group's personnel number mainly contributed to this decrease.
- The Group's Gross profit contracted by 37% to c. EUR 2.3 million. The Gross margin of Milkiland then declined by 2.2 pp y-o-y to 10% in Q1 2020.
- Lower gross profit mainly led to operating loss of EUR 2.9 million reported by the Group in Q1 2020 in comparison with operating loss of EUR 1.8 in Q1 2019. In turn, this resulted in the drop of EBITDA to negative c. EUR 1.1 million in comparison with low positive of c. EUR 0.1 million in Q1 2019.
- In the first quarter of 2020, the Group gained non-cash foreign exchange loss totaled EUR 3.5 million (compared to minor loss of c. EUR 0.4 in Q1 2019). As a result, the Group's finance expense in the reporting period grew considerably by 2.3 times to EUR 5.1 million on y-o-y basis.
- This fact, together with operating loss led to net loss of Milkiland for the three months of 2020 accounted for EUR 7.5 million compared to net loss of EUR 3.7 million in Q1 2019.

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 2020 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 2020 gives a true view of the developments, achievements and situation of the Company, including a description of the key risks and threats.

Board of Directors of Milkiland N.V.

Amsterdam, 15 May 2020

A. Yurkevych O. Yurkevich O. Rozhko

V. Rekov W.S. van Walt Meijer

Milkiland N.V.

Condensed Consolidated Interim Financial Statements

For the three months ended 31 March 2020

Contents

MILKILAND N.V.
Condensed consolidated interim statement of financial position
For the three months ended 31 March 2020
(All amounts in euro thousands unless otherwise stated)

	Notes	31 March 2020 (unaudited)	31 December 2019 (unaudited)	31 March 2019 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	6	818	2,355	2,954
Trade and other receivables	0	48,478	53,990	22,356
Inventories	8	10,376	11,696	9,344
Current biological assets	12	3,304	2,601	1,863
Current income tax assets		177	166	965
Other taxes receivable	9	7,225	6,900	8,634
		70,378	77,708	**46,116**
Non-Current Assets				
Goodwill	0	1,292	1,550	1,419
Property, plant and equipment		81,179	81,715	91,082
Investment property		14,088	13,740	19,121
Non-current biological assets	12	928	1,526	2,011
Other intangible assets		1,414	1,569	1,514
Deferred income tax assets		-	-	85
		98,901	**100,100**	**115,232**
TOTAL ASSETS		**169,279**	**177,808**	**161,348**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	0	98,142	**98,584**	**60,005**
Current income tax liabilities		82	**229**	**371**
Other taxes payable	14	8,882	**8,787**	**7,577**
Short-term loans and borrowings		75,729	**77,208**	**85,120**
		182,835	**184,808**	**153,073**
Non-Current Liabilities				
Loans and borrowings	0	1,880	1 857	3,027
Deferred income tax liabilities		12,700	11 033	11,163
Other non-current liabilities		2,632	2,619	743
		17,212	15,509	**14,933**
Total liabilities		**200,047**	200,317	**168,006**
Equity attributable to owners of the Company				
Share capital	16	3,125	3,125	3,125
Share premium		48,687	48,687	48,687
Revaluation reserve		64,818	70,278	72,572
Currency translation reserve		(46,356)	(45,705)	(33,266)
Retained earnings		(102,446)	(100,263)	(99,064)
		(32,172)	**(23,878)**	**(7,946)**
Non-controlling interests		**1,404**	**1,369**	**1,288**
Total equity		**(30,768)**	**(22,509)**	**(6,658)**
TOTAL LIABILITIES AND EQUITY		**169,279**	**177,808**	**161,348**

MILKILAND N.V.
Condensed consolidated interim statement of comprehensive income
For the three months ended 31 March 2020
(All amounts in euro thousands unless otherwise stated)

	Notes	2020 (unaudited)	2019 (unaudited)
Revenue	17	22,789	29,514
Change in fair value of biological assets		1	(1)
Cost of sales	0	(20,504)	(25,886)
Gross Profit		2,286	3,627
Selling and distribution expenses	19	(1,623)	(2,661)
Administrative expenses	0	(2,879)	(2,654)
Other income/(expenses), net	21	(648)	(101)
Operating profit/(loss)		(2,864)	(1,789)
Finance income	22	243	133
Finance expenses	23	(5,090)	(2,226)
Profit/(loss) before income tax		(7,711)	(3,882)
Income tax	24	93	183
Net profit/(loss) for the year		(7,618)	(3,699)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating to presentation currency		(641)	2,245
Total comprehensive income/(loss)		(641)	(1,454)
Profit/(loss) attributable to:			
Owners of the Company		(7,618)	(3,691)
Non-controlling interests		-	(8)
		(7,618)	(3,699)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(8,294)	(1,494)
Non-controlling interests		35	40
		(8,259)	(1,454)
Earnings per share (EURO cent)		(24,38)	(11.81)

MILKILAND N.V.
Condensed consolidated interim statement of cash flows
For the three months ended 31 March 2020
(All amounts in euro thousands unless otherwise stated)

	Note	2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities:			
Gain/(Loss) before income tax		**(7,711)**	**(3,882)**
Adjustments for:			
Depreciation and amortization	21	1,537	2,217
(Gain)/Loss from disposal and write off of inventories	21	158	(100)
Change in provision and write off of trade and other accounts receivable	21	(487)	(214)
Change in provision and write off of unrealised VAT	21	-	49
(Gain)/loss from write off, revaluation and disposal of non-current assets	21	183	(283)
Change in fair value of biological assets		(1)	1
Operational foreign exchange results, net	21	484	(69)
Finance income	22	(243)	(133)
Finance expenses	23	5,090	2,226
Write off of accounts payable	21	-	(31)
Operating cash flow before movements in working capital		**(990)**	**(219)**
(Increase)/ Decrease in trade and other accounts receivable		(3,074)	(3,184)
Decrease/(Increase) in inventories		(1,096)	734
(Increase)/ Decrease in biological assets		(659)	(520)
Increase/ (Decrease) Increase in trade and other payables		5,225	5,784
Decrease/(Increase) in other taxes receivable		20	(898)
Increase/ (Decrease) in other taxes payable		(132)	2,137
Net cash provided by/(used in) operations:		**(706)**	**3,834**
Income taxes paid		(37)	(91)
Interest received		4	10
Interest paid		(48)	(90)
Net cash provided by/(used in) operating activities		**(787)**	**3,663**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(402)	(535)
Proceeds from sale of property, plant and equipment	11	-	5
Acquisition of subsidiaries, net of cash acquired		-	-
Net cash used in investing activities		**(402)**	**(530)**
Cash flows from financing activities			
Proceeds from borrowings	0	-	-
Repayment of borrowings	0	(253)	(589)
Commission paid and fair value adjustment		-	-
Net cash (used in)/provided by financing activities		**(253)**	**(589)**
Net increase in cash and equivalents		**(1,442)**	**2,544**
Cash and equivalents, beginning of the period	6	**2,355**	**334**
Effect of foreign exchange rates on cash and cash equivalents		(95)	76
Cash and equivalents, end of the period	6	**818**	**2,954**

(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 2019	**3,125**	**48,687**	**(36,126)**	**75,220**	**(97,358)**	**(6,452)**	**1,248**	**(5,204)**
Profit/Loss for the period	-	-	-	-	(3,691)	**(3,691)**	(8)	**(3,699)**
Other comprehensive gain/(loss), net of tax effect	-	-	2,860	(650)	(13)	**2,197**	48	**2,245**
Total comprehensive loss for the period	**-**	**-**	**2,860**	**(650)**	**(3,704)**	**(1,494)**	**40**	**(1,454)**
Realised revaluation reserve, net of income tax	-	-	-	(1,998)	1,998	-	-	-
Balance at 31 March 2019	**3,125**	**48,687**	**(33,266)**	**72,572**	**(99,064)**	**(7,946)**	**1,288**	**(6,658)**
Balance at 1 January 2020	**3,125**	**48,687**	**(45,705)**	**70,278**	**(100,263)**	**(23,878)**	**1,369**	**(22,509)**
Profit/Loss for the period	-	-	-	-	(7,618)	**(7,618)**	-	**(7,618)**
Other comprehensive gain/(loss), net of tax effect	-	-	(651)	1	(26)	**(676)**	35	**(641)**
Total comprehensive loss for the period	**-**	**-**	**(651)**	**1**	**(7,644)**	**(8,294))**	**35**	**(8,259)**
Realised revaluation reserve, net of income tax	-	-	-	(5,461)	5,461	-	-	-
Balance at 31 March 2020	**3,125**	**48,687**	**(46,356)**	**64,818**	**(102,446)**	**(32,172)**	**1,404**	**(30,768)**

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 2020 for Milkiland N.V. (the “Company”) and its subsidiaries (together referred to as the “Group” or “Milkiland”).

The financial statements were approved by the Board of Directors on 15 May 2020.

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 De Cuserstraat 93, Amsterdam, the Netherlands and the principal place of business is 9 Boryspilska Str., 02090, Kyiv, Ukraine.

As at 31 March 2020 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. The production facilities of the Group are located in Ukraine, in Russia and in Poland, able to process up to 1,330 thousand tons of milk per year. The plants purchase milk from local farmers and produce cheese, butter, whole-milk products, powdered milk, casein and other products.

As at 31 March 2020, the Group employed 2,693 people.

(All amounts in euro thousands unless otherwise stated)

1 The Group and its operations (continued)

Subsidiaries of the Company are presented below:

Name	Country of incorporation	Principal activity	Effective share of ownership 31 March 2020	31 December 2019	31 March 2019
MLK Finance Limited	Cyprus	Trade	100.0%	100.0%	100.0%
Milkiland Intermarket (CY)	Cyprus	Trade	100.0%	100.0%	100.0%
LLC Milkiland-Kazakhstan	Kazakhstan	Trade	100.0%	100.0%	100.0%
Milkiland EU sp. z.o.o.	Poland	Managing/Trade	100.0%	100.0%	100.0%
Ostrowia sp. z.o.o	Poland	Production entity	100.0%	100.0%	100.0%
UA TRADE Sp. z o.o.	Poland	Trade	100.0%	100.0%	100.0%
JSC Ostankino Dairy	Russia	Production entity	100.0%	100.0%	100.0%
LLC Ostankino Dairy	Russia	Production entity	100.0%	100.0%	100.0%
LLC Milkiland RU	Russia	Managing/Trade	100.0%	100.0%	100.0%
LLC Moloko-Kursk	Russia	Production entity	100.0%	100.0%	100.0%
LLC Novomoskovsk Dairy	Russia	Production entity	100.0%	100.0%	100.0%
DE Aromat	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Rylskiy Syrodel	Russia	Trade	100.0%	0.0%	0.0%
PE Prometey	Ukraine	Production entity	100.0%	100.0%	100.0%
PE Ros	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Malka-trans	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Mirgorodsky Cheese	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Kyiv Milk Plant #1	Ukraine	Trade	100.0%	100.0%	100.0%
JSC Chernigiv Milk Plant	Ukraine	Production entity	76.0%	76.0%	76.0%
PrJSC Gorodnia Milk Plant	Ukraine	Production entity	95.2%	95.2%	95.2%
LLC Agrosvit	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Milkiland Ukraine	Ukraine	Managing	100.0%	100.0%	100.0%
DE Borznyanskiy Milk Plant	Ukraine	Production entity	100.0%	100.0%	100.0%
LLC Moloko-Kraina	Ukraine	Production	100.0%	100.0%	100.0%
LLC Torgovyi dim Milkiland	Ukraine	Trade	100.0%	100.0%	100.0%
LLC Ukrainian Milk House	Ukraine	Trade	100.0%	100.0%	100.0%
LLC Milkiland Intermarket	Ukraine	Trade	100.0%	100.0%	100.0%
LLC Milkiland N.V	Ukraine	Managing	100.0%	100.0%	100.0%
PrJSC Transportnyk	Ukraine	Service provider	70.3%	70.3%	70.3%
LLC Milkiland Agro	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC MLK Agro	Ukraine	Agricultural	100.0%	0.0%	0.0%
DE Agrolight	Ukraine	Production entity	100.0%	100.0%	100.0%
DE Krasnosilsky Milk	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Bahmachregionpostach	Ukraine	Grain elevator	100.0%	100.0%	100.0%
ALLC Nadiya	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Uspih-Mena-Plus	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Agro-Mena	Ukraine	Agricultural	100.0%	100.0%	100.0%
LLC Lendinvest 3000	Ukraine	Investment	100.0%	100.0%	100.0%
LLC Agrolendinvest	Ukraine	Investment	100.0%	100.0%	100.0%
LLC Phobostrade	Ukraine	Investment	100.0%	100.0%	100.0%
LLC Kilchensky Berig	Ukraine	Investment	100.0%	100.0%	100.0%
PrJSC Iskra Plus	Ukraine	Agricultural	98.1%	98.1%	98.1%
LLC Kholod Property	Ukraine	Production entity	0.0%	100.0%	100.0%
LLC Syrnyy Mayster	Ukraine	Production entity	100.0%	100.0%	100.0%
Milkiland Corporation	Panama	Trade	100.0%	100.0%	100.0%
Newholm Systems S.A.	Panama	Trade	100.0%	100.0%	100.0%
Agrointer Corporation	Panama	Trade	100.0%	100.0%	100.0%
Dominic Supreme LP	Scotland	Trade	100.0%	100.0%	100.0%

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 2020 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 2019, 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 2019.

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.

On the whole, the accounting policies adopted are consistent with those of the previous financial year. Certain new IFRSs and Interpretations became effective from 1 January 2020. Listed below are those new or amended standards or interpretations which could be relevant to the Company:

IFRS 16 Leases. IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 17 Insurance Contracts. IAFR 17 is the new financial reporting standard for insurance contracts that addresses the recognition and measurement, presentation and disclosure of information. IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (life insurance and insurance other than life insurance, direct insurance and reinsurance), regardless of the type of an entity that issues them, as well as certain guarantees and financial instruments with discretionary participation conditions. There are several exceptions from the scope of application.

IFRS 17 becomes effective for reporting periods beginning on or after 1 January 2021, and comparative information is required. Earlier application is permitted provided that the entity also applies IFRS 9 and IAS 15 on or before the date of the first application of IAS 17. This standard is not applicable to the Company.

IFRIC 23 *Uncertainty over Income Tax Treatments*

Whenever requirements of tax legislation are unclear in relation to a particular operation or to specific circumstances, the main criterion is whether the probability is high that the tax authority will agree with the tax claims interpretation chosen by an entity.

If the answer is positive, the entity shall reflect the same amount in the financial statements and consider the need to disclose the existence of uncertainty. If the answer is negative, the amount reported in the financial statements will differ from the amount in the tax return, because it is estimated taking into account the existing uncertainty.

To reflect this uncertainty, one of the following two estimation methods is used, depending on which one will allow to a high accuracy to predict the outcome of the uncertainty:

- the most likely amount, or
- the expected value.

The Interpretation also requires that judgments and estimates that have been formed by the entity were reviewed in the event of a change in facts and circumstances - for example, due to a tax audit or actions taken by the tax authorities, subsequent changes to the tax rules, or after the expiration of the period during which the tax authority has the right to verify the correctness of the tax calculation.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Amendments to IFRS 3 *Business Combinations*

The amendments clarify the key definition of business.

In the prior definition, business was defined as a set of activities and assets that can be managed to provide income in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

According to the new definition, a business is an integrated set of processes and assets capable of implementation and management in order to provide goods or services to customers, generation of investment income (such as dividends or interest) or generation of other income from ordinary activities.

The amendments apply to periods beginning on or after 1 January 2020; early application is permitted. The amendment will not affect the Company's financial statements.

Amendments to IFRS 9 - *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at fair value or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of the principal and interest on the outstanding principal amount" (SPPI criterion) and the instrument is within the relevant business model allowing such a classification.

The amendments to IFRS 9 clarify that a financial asset meets the SPPI criterion regardless of which event or circumstance leads to early termination of the contract, and also regardless of which party pays or receives a reasonable compensation for early termination of the contract.

These amendments are applied retrospectively and come into force for annual periods beginning from 1 January 2019. Early application is allowed. These amendments will not affect the Company's financial statements.

Amendments to IAS *1 Presentation of Financial Statements* and IAS *8 Accounting Policies, Changes in Accounting Estimates and Errors* in respect of materiality determination

The IFRS Committee decided to clarify the definition of materiality, making it more consistent and suitable for all standards. The previous definition in IAS 1 emphasized that the omission or incorrect reflection of significant elements affects the economic decisions of users made on the basis of financial statements. In the new definition, information is considered material if its omission, incorrect reflection or hiding in the financial statements may, in accordance with reasonable expectations, influence the decision of the main users of general-purpose financial statements, who make them based on such financial statements that contain information about the specific reporting entity.

The amendments apply to periods beginning on or after 1 January 2020; early application is permitted.

Amendments to IAS 19 *Employee Benefits - Plan Amendment, Curtailment or Settlement*

The amendments address the accounting treatment in cases when a plan amendment, curtailment or settlement occurs during the reporting period. The amendments clarify that if a plan amendment, curtailment or settlement occurs during the reporting period, an entity must determine the cost of the services of the current period and the net interest in relation to the rest of the period after the plan amendment, curtailment or settlement based on the actuarial assumptions and discount rates used to reassess the net defined benefit plan liability (asset).

These amendments apply to events that occurred on or after the start of the first annual reporting period beginning on or after 1 January 2019. Early application is allowed. These amendments will apply only to future plan amendment, curtailment or settlement.

Amendments to IAS 28 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that does not use the equity method, but which, in fact, form part of the net investment in an associate or joint venture (long-term investments). It is understood that the model of expected credit losses according to IFRS 9 is applied to such long-term investments.

The amendments also explain that when applying IFRS 9, an entity does not take into account losses incurred by an associate or joint venture or loss from impairment of net investments recognized as adjustments to a net investment in an associate or joint venture arising from the application of IFRS 28 Investments in Associates and Joint Ventures.

These amendments are applied retrospectively and are effective for annual periods beginning on or after 1 January 2019. Application is allowed before this date. The amendments will have no impact on the Company’s financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 10, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however is recognized only to the extent of unrelated investors’ interest in the associate or joint venture.

Adoption of these improvements did not have any impact on the Company’s financial statements.

(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:

	USD	UAH	RUB	PLN
As at 31 March 2020	1.0956	30.7442	85.7389	4.5523
Average for three months ended 31 March 2020	1.1024	27.6117	73.2348	4.3226
As at 31 December 2019	1.1234	26.6091	69.3406	4.2585
As at 31 March 2019	1.1235	30.6140	72.7230	4.3013
Average for three months ended 31 March 2019	1.1356	31.0118	75.1715	4.3032

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 **0**.

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.

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 its raw milk requirements in Ukraine from individual household producers, milk cooperatives and dairy farms, including own dairy farm. 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)

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:

	2020				**2019**			
	Russia	**Ukraine**	**Poland**	**Total**	**Russia**	**Ukraine**	**Poland**	**Total**
Total segment revenue	13,219	7,945	1,787	22,951	16,920	10,608	1,992	29,520
Inter-segment revenue	(156)	(6)	-	(162)	-	-	(6)	(6)
Revenue from external customers	13 063	7 939	1 787	22 789	16,920	10,608	1,986	29,514
EBITDA	**(1,047)**	**(217)**	**14**	**(1,250)**	**1**	**185**	**(408)**	**(222)**
EBITDA margin	-8%	-3%	1%	-5%	0%	2%	(21%)	(1%)
Depreciation and amortisation	172	935	430	1 537	327	1,449	441	2,217

(All amounts in euro thousands unless otherwise stated)

4 Segment information (continued)

Inter-segment revenue is related to inter-group sales of dairy goods to third party customers.

The segment information by product for the three months ended 31 March is as follows:

	2020				**2019**			
	Cheese & butter	**Whole-milk products**	**Ingredients**	**Total**	**Cheese & butter**	**Whole-milk products**	**Ingredients**	**Total**
Total segment revenue	7,593	9,299	6,059	22,951	10,311	15,084	4,125	29,520
Inter-segment revenue	-	-	(162)	(162)	-	-	(6)	(6)
Revenue from external customers	7,593	9,299	5,898	22,789	10,311	15,084	4,119	29,514
EBITDA	**(752)**	**(297)**	**(201)**	**(1,250)**	**95**	**(20)**	**(297)**	**(222)**
EBITDA margin	-10%	-3%	-3%	-5%	1%	0%	(7%)	(1%)
Depreciation and amortisation	448	261	828	1,537	1,134	640	443	2,217

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

	2020	**2019**
EBITDA	(1,250)	(222)
Other segments EBITDA	106	354
Total segments	**(1,144)**	**132**
Depreciation and amortisation	(1,537)	(2,217)
Loss from disposal and impairment of non-current assets	(183)	296
Finance expenses	(5,090)	(2,226)
Finance income	243	133
Profit/(loss) before tax	**(7,711)**	**(3,882)**

(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 "Related Party Disclosures". During the reporting period the company had related party transactions with ultimate shareholder, key management and companies under common control.

The outstanding balances due from related parties were as follows:

Entities under common control:	31 March 2020	31 December 2019	31 March 2019
Trade accounts receivables	51	50	51
Other financial assets	-	-	258
Other accounts receivables	1,643	1,700	1,477
Total trade and other receivables	**1,694**	1,750	**1,786**
Trade payables	-	-	1
Other accounts payable	179	180	401
Total trade and other payables	**179**	**180**	**402**

Key management compensation

Key management includes members of the Board of directors. The short-term employee benefits for the three months ended 31 March 2020 paid or payable to key management for employee services is EUR 41 thousand (2019: EUR 43 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 2020	31 December 2019	31 March 2019
Short term deposits	-	-	-
Cash in bank and cash on hand	818	2,355	2,954
Total cash and cash equivalents	**818**	**2,355**	**2,954**

(All amounts in euro thousands unless otherwise stated)

7 Trade and other receivables

	31 March 2020	31 December 2019	31 March 2019
Trade accounts receivable	15,985	**15,311**	12,805
Other financial assets	11,366	**11,841**	11,112
Allowance for doubtful debts	(13,458)	**(10,918)**	(10,662)
Total financial assets within trade and other receivables	**13,893**	**16,234**	**13,255**
Advances issued	1,986	**1,950**	2,319
Other receivables	35,499	**36,487**	7,586
Allowance for doubtful debts	(2,900)	**(681)**	(804)
Total trade and other accounts receivable	**48,478**	**53,990**	**22,356**

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 2020	31 December 2019	31 March 2019
Raw and other materials	3,043	**4,121**	4,481
Finished goods and work in progress	6,956	**7,208**	4,678
Agriculture produce	377	**367**	185
Total inventories	**10,376**	**11,696**	**9,344**

9 Other taxes receivable

	31 March 2020	31 December 2019	31 March 2019
VAT recoverable	7,133	**6,796**	8,430
Payroll related taxes	92	**106**	81
Other prepaid taxes	-	**(2)**	123
Total other taxes receivable	**7,225**	**6,900**	**8,634**

(All amounts in euro thousands unless otherwise stated)

10 Goodwill

	2020	**2019**
Balance at 1 January	1,550	1,300
Foreign currency translation	(258)	119
Balance at 31 March	**1,292**	**1,419**

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 2020 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 402 thousand (2019: EUR 353 thousand), which comprised mainly modernisation of milk processing capacities.

(All amounts in euro thousands unless otherwise stated)

12 Biological assets

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

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

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

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

As at 31 March 2020 and 2019 biological assets comprise the following groups:

	31 March 2020		**31 March 2019**	
Current biological assets of animal breading	Units	Amount	Units	Amount
Cattle	2,095	2,987	2,832	1,636
Other livestock	-	1	-	1
Total biological assets of animal breading	**2,095**	**2,988**	**2,832**	**1,637**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount
Other	-	316	-	226
Total biological assets of plant growing	-	**316**	-	**226**
Total current biological assets	**-**	**3,304**	-	**1,863**
Non-current biological assets	Units	Amount	Units	Amount
Cattle	1,908	928	1,870	2,011
Other livestock	-	-	-	-
Total non-current biological assets	**1,908**	**928**	**1,870**	**2,011**

(All amounts in euro thousands unless otherwise stated)

13 Trade and other payables

	31 March 2020	31 December 2019	31 March 2019
Trade payables	23,088	**25,081**	19,674
Accounts payable for fixed assets	11	**16**	83
Interest payable	28,567	**26,718**	22,070
Other financial payables	75	**81**	213
Total financial liabilities within trade and other payable	**51,741**	**51,896**	**42,040**
Wages and salaries payable	2,559	**2,469**	1,981
Advances received	11,034	**11,066**	4,443
Other accounts payable	31,908	**32,203**	10,236
Accruals for employees' unused vacations	900	**950**	1,305
Total trade and other payables	**98,142**	**98,584**	**60,005**

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 2020	31 December 2019	31 March 2019
VAT payable	2,367	**1,742**	2,083
Payroll related taxes	3,614	**3,904**	3,191
Other taxes payable	2,901	**3,141**	2,303
Total other taxes payable	**8,882**	**8,787**	**7,577**

15 Loans and borrowings

	31 March 2020	31 December 2019	31 March 2019
Current			
Interest bearing loans due to banks	74,444	**75,593**	83,597
Loans from non-financial institutions	-	**-**	-
Bank overdrafts	13	**-**	12
Finance leases	1,272	**1,615**	1,511
Total current borrowings	**75,729**	**77,208**	**85,120**
Non-current			
Interest bearing loans due to banks	1,880	**1,850**	3,006
Finance leases	-	**8**	21
Total non-current borrowings	**1,880**	**1,858**	**3,027**
Total borrowings	**77,609**	**79,066**	**88,147**

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

	2020	2019
Balance at 1 January	**79,066**	**85,955**
Obtained new loans and borrowings	-	-
Repaid loans and borrowings	(254)	(589)
Discounting of borrowings	47	46
Foreign exchange (gain)/loss	(1,250)	2,735
Balance at 31 March	**77,609**	**88,147**

As at 31 March 2020 the Group has not met requirement in respect of Borrowings to EBITDA ratio and EBITDA to interest expenses ratio.

16 Share capital

Share capital as at 31 March 2020 and 2019 is as follows:

	2019		2019	
	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**

(All amounts in euro thousands unless otherwise stated)

17 Revenue

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

	2020	2019
Cheese & Butter	7,594	10,311
Whole-milk products	9,298	15,084
Ingredients	5,897	4,119
Total revenue	**22,789**	**29,514**

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

	2020	2019
Russia	13,218	16,920
Ukraine	7,884	10,470
Poland	1,775	1,990
Other	(88)	134
Total revenue	**22,789**	**29,514**

(All amounts in euro thousands unless otherwise stated)

18 Cost of sales

	2020	2019
Raw and other materials	14,515	16,196
Wages and salaries	1,304	2,227
Depreciation	591	1,715
Transportation costs	703	635
Gas	620	860
Electricity	513	857
Social insurance contributions	207	377
Repairs of property, plant and equipment	133	182
Water	41	48
Other	548	650
Changes in finished goods and work in progress	1,329	2,139
Total cost of sales	**20,504**	**25,886**

19 Selling and distribution expenses

	2020	2019
Transportation costs	628	1,235
Wages and salaries	473	721
Social insurance contributions	27	168
Rental costs	2	96
Security and other services	65	90
Marketing and advertising	240	57
Depreciation and amortisation	73	41
Licence fees	6	4
Other	109	249
Total selling expenses	**1,623**	**2,661**

(All amounts in euro thousands unless otherwise stated)

20 Administrative expenses

	2020	2019
Wages and salaries	1,257	1,274
Taxes and other charges	360	376
Social insurance contributions	248	244
Depreciation and amortisation	103	175
Representative charges	139	112
Security and other services	209	108
Rental costs	85	87
Transportation costs	91	78
Other utilities	57	58
Repairs and maintenance	61	48
Bank charges	49	46
Communication	58	29
Property insurance	16	6
Office supplies	31	6
Consulting fees	89	-
Other	26	7
Total administrative expenses	**2,879**	**2,654**

21 Other income/(expenses), net

	2020	2019
Gain/(loss) from disposal of non-current assets	(183)	697
Change in provision and write off of trade and other accounts receivable	487	214
Gain/(loss) from disposal and write off of inventories	(158)	100
Operational foreign exchange results, net	(484)	69
Gain from write off of accounts payable	-	31
Rental income	11	23
Change in provision and write off of VAT receivable	-	(49)
Penalties	(16)	(107)
Depreciation and amortisation	(370)	(285)
Loss from revaluation of non-current assets	-	(414)
Other income/(expenses), net	65	(380)
Total other (expenses)/income, net	**(648)**	**(101)**

22 Finance income

	2020	2019
Finance foreign exchange gain	123	78
Bank deposits	4	-
Other fin income	116	55
Total finance income	**243**	**133**

(All amounts in euro thousands unless otherwise stated)

23 Finance expenses

	2020	2019
Bank borrowings	1,426	1,548
Finance foreign exchange loss	3,526	415
Other borrowings	91	213
Discounting of loans	47	46
Finance leases	-	5
Other finance expense	-	-
Total finance expenses	**5,090**	**2,226**

24 Income tax

	2020	2019
Current income tax expense	93	(12)
Deferred income tax benefit		195
Total income tax expense	**93**	**183**

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2020 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2019: 18%), Russian profit tax was levied at the rate of 20% (2019: 20%), Poland profit tax was levied at the rate of 19% (2019: 19%). In 2020 the tax rate for Panama operations was 0% (2019: 0%) on worldwide income.

25 Contingent and deferred liabilities

Litigation

The Group from time to time participates in legal proceedings. Some of these legal proceedings, including the bankruptcy legal procedures against JSC Ostankino Dairy and LLC Kursk Milk described in the section Going Concern Assumptions of the Annual Report of Milkiland Group for 2019 could materially affect the financial standing of Milkiland and the ability of the Group to continue as a going concern.

Taxation

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretations by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the power to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation and it is possible that transactions and activities that have not been challenged in the past may be disputed.

Insurance policies

The Group applies reasonable approach to risk management and assets safeguarding and mitigate key risks with insurance services.

One of significant insurance contract covers Directors and Officers liability insurance for reimbursement for losses or advancement of defence costs in the event an insured suffers losses as a result of a legal action brought for alleged wrongful acts by Directors and Officers.

The Company also engaged in the other types of insurance contracts, including property, cargo and civil liability insurance.

The choice of the insurance services providers is usually made based at their high business reputation and rates.

26 Capital management policy

Main objectives of the Group's capital management policy are as follows: management of accounts receivable and payable, raw materials and finished goods stocks, as well as healthy capital structure.

The Group has external requirements to the capital in respect of Loan received by the Company.

According to the most significant Facilities agreement with the Syndicate the following covenants are applied:

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

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

27 Subsequent events

LLC Kursk milk bankruptcy

With regards to the LLC Kursk milk bankruptcy, this event caused possible material threat to Milkiland's operations in the Russian market. The ability of the Group to continue its operations there is dependent on upcoming negotiations during the bankruptcy procedures and finding of the mutually acceptable solution of the settlement of the indebtedness to Kursk milk's Creditors.