Interim Statement

Results of the first quarter of 2021

Milkiland PCL hereby publishes the Group's results of the first quarter of 2021

Macroeconomic environment

- In the first quarter of 2021, namely the first reporting period of post-COVID-2019 crisis year, the economies of Russia and Ukraine, the key markets of the Group, did not overcome a slowdown triggered by the global virus outbreak.
- In particular, in Q1 2021 GDP of Russian Federation declined by c. 3% in comparison with the same period of 2020, while Ukrainian real GDP in this period corrected by 4.0% y-o-y.
- In the reporting period, the currencies of the both countries revalued against EUR, the reporting currency of the Group, almost at the same extent, the average exchange rate of RUB and UAH to EUR were by c. 18% higher in Q1 2021 in comparison with the same period of 2020.
- Both countries in the 1-st quarter of the current year faced the acceleration of the inflation. In particular, CPI in Russia grew by 5.6%, in Ukraine by 4.1% on y-o-y basis.
- The advance in the FMCG consumption in Ukraine in 2021 should be supported due to the positive dynamics of the income of the population. The growth trend of the real disposal income of Ukrainians, which increased by 2.6% in 2020 on y-o-y basis despite of the global economic downturn, continued in Q1 2021. According to experts, single digit growth of the real income of Ukrainians forecasted in the current year.
- At the same time, Russian situation with the real income of population remains stagnating. In Q1 2021 the decrease of this index by 3.6% was penciled on y-o-y basis, which led several groups of population to consume less expensive dairy containing the substitutes of the milk fat.

Operational environment and results

- In the first quarter of 2021, Milkiland's overall sales volumes decreased dramatically by c.56% y-o-y mainly due to stopped production operations of Ostankino Dairy Combine in Russia and absence of control over another Russian production subsidiary, LLC Kursk Milk since March 2020. As the result, the whole-milk products sales of Milkiland, especially in Russia, were diminished, the cheese&butter sales both in Russia and Ukraine also declined.
- In order to compensate the practical absence of in-house production facilities in Russia, Milkiland entered into the contracts with the local dairy producers in Russian Federation on production of the cheese under TM Dobryana at their facilities. Those amounts produced by the third-party producers helped to the Group to fulfill its obligations to the customers in the Russian market and support the presence of Milkiland's dairy at the local supermarkets shelves.
- 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 under TM Latter, primarily in the key accounts channel. As the result, in the reported period Milkiland Ukraine remained the only one business segment of the Group generated the positive EBITDA of c. EUR 0.1 million in comparison with negative result on this level of EUR 0.2 million in the same period of 2020. The possibility to generate higher EBITDA in the reporting period was prevented by the

increase of the prices for raw milk in Ukraine by 11.4% on y-o-y basis, as well as the revaluation of Ukrainian currency against EUR mentioned above.

- Ukraine was the best performing geographical segment of the Group's business in Q1 2021 in terms of revenue and EBITDA. The share of this geographical segment in the Group's top-line in the reporting period stood at c. 89% and it generated the full amount of the Group's EBITDA.
- The Group continued the business in the Polish market holding a minority stake in Milkiland EU company, controlling Polish production facility, namely Ostrowia cheese production plant.
- In Q1 2021 Milkiland continued the efforts aimed at the entering of new export markets and catching the opportunities of profitable international trade in the global dairy market. In particular, Milkiland Intermarket continued the supplies of Kosher dry milk products and other special dairy products to Israel market, made a new steps on development of the distribution network for the China, continued an expansion at Central Asian counties markets. As the result, the volume sales of cheese&butter, as well as dry milk products in the new markets rose.

Group's Sales in Q1 2021 by geographical segments

Ukraine was the largest geographical segment in terms of revenue generation for Milkiland in Q1 2021 providing c. 89% of the Group's revenue (+54pp compared to Q1 2020) reflecting the increased sales of high value-added whole-milk products and cheese.

Russia contributed c.11% to the Group's revenue in Q1 2021 (down 44pp y-o-y). Segment revenue decreased by over 92% to c. EUR 1.1 million, again mainly due to the disrupted production operations of the Group in this country.

Group's Sales in Q1 2021 by business segments

Cheese & butter was the largest segment in term of revenue providing for c. 40% of revenue (c. 33% in Q1 2020). The segment's revenue declined by 51% y-o-y in Q1 2021 to EUR 3.7 million on a back of lower sales volumes, while its EBITDA stood at positive c. EUR 0.1 million compared to negative EUR 0.8 million in Q1 2020.

Ingredients segment contributed approximately 40% to the Group's total revenue (c. 26% in Q1 2020) and was the only contributor of the Group's EBITDA in Q1 2021. Segment's revenue decreased by c. 38% to EUR 3.7 million due to lower sales volumes on 3-rd countries export markets. Segment's EBITDA turned to little negative c. EUR 0.01 million in comparison with negative EBITDA of c, EUR 0.2 million in Q1 2020.

In *Whole-milk products segment*, revenue dropped by c. 79% to EUR 1.9 million on the back of disrupted production and diminished sales in Russia. It contributed c. 20% to the Group's total revenue versus c. 41% in Q1 2020. At the same time, the segment's EBITDA turned to little positive of c. EUR 0.03 in comparison with negative EUR 0.3 million in Q1 2020.

Financial results

- Milkiland's revenue in Q1 2021 declined by 2.4 times on y-o-y basis to c. EUR 9.3 million on the back of the overall decrease of the Group's output.
- Cost of sales decreased by 2.7 times to EUR 7.7 million also due to lower output, partly offset by increased raw milk prices both in Russia and Ukraine, by c.4% and 11.4% in Q1 2021 on y-o-y basis, respectively, as well as revaluation of the national currencies of both countries against EUR, which led to increased cost of sales in EUR-terms.
- As the result, the Group's Gross profit declined by 1.4 times to c. EUR 1.7 million. Despite that, due to more significant rate of contraction of the top-line of the business in comparison with the decline dynamics of the cost of sales, Gross margin of Milkiland increased by 7.8 pp y-o-y to 17.8% in Q1 2021.

- Lower gross profit together with loss on disposal of non-current assets of the Group (several assets of Ostankino within the bankruptcy procedure) in the significant amount of EUR 7.8 million led to higher operating loss of EUR 9.3 million reported by the Group in Q1 2020 vs EUR 2.9 million in the same period of 2020.
- Despite of the above mentioned factors, the Group’s EBITDA in Q1 2021 improved to minor negative c. EUR 0.1 million compared to negative EUR 1.4 million in Q1 2020.
- In the first quarter of 2020, the Group gained non-cash foreign exchange gain totaled EUR 2.4 million, as well as foreign exchange loss of EUR 1.3 (compared to minor c. EUR 0.1 gain and noticeable c. EUR 3.5 million loss in Q1 2020, respectively).
- This fact, together with operating loss led to negative net profit of Milkiland for the three months of 2021 amounted for EUR 9.5 million compared to net loss of EUR 7.6 million in Q1 2020.

REPRESENTATION

of the Board of Directors

of Milkiland PCL

on compliance of the condensed consolidated interim financial statements

The Board of Directors of Milkiland PCL hereby represent that to the best of their knowledge the condensed consolidated interim financial statements of Milkiland PCL for the period ended 31 March 2021 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 PCL, and that the interim statement for the three months ended 31 March 2021 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 PCL

Nicosia, 25 June 2021

A. Yurkevych	O. Yurkevich	W.S. van Walt Meijer

Milkiland PCL

Condensed Consolidated Interim Financial Statements

For the three months ended 31 March 2021

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Condensed Consolidated Interim Financial Statements

MILKILAND PCL
Condensed consolidated interim statement of financial position
For the three months ended 31 March 2021
(All amounts in euro thousands unless otherwise stated)

	Notes	31 March 2021 (unaudited)	31 December 2020 (unaudited)	31 March 2020 (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	6	885	735	818
Trade and other receivables	0	41,854	46,446	48,478
Inventories	8	6,883	6,626	10,376
Current biological assets	12	-	740	3,304
Current income tax assets		54	49	177
Other taxes receivable	9	12,716	12,229	7,225
		62,392	**66,825**	**70,378**
Non-Current Assets				
Goodwill	0	-	193	1,292
Property, plant and equipment		33,252	44,208	81,179
Investment property		12,128	11,588	14,088
Non-current biological assets	12	-	2,492	928
Other intangible assets		475	503	1,414
Investments in associates		11,534	11,626	-
		57,389	**70,610**	**98,901**
TOTAL ASSETS		**119,781**	**137,435**	**169,279**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	0	68,993	75,420	98,142
Current income tax liabilities		413	404	82
Other taxes payable	14	7,071	6,843	8,882
Short-term loans and borrowings		67,699	64,966	75,729
		144,176	**147,633**	**182,835**
Non-Current Liabilities				
Loans and borrowings	0	2,924	2,698	1,880
Deferred income tax liabilities		6,226	8,052	12,700
Other non-current liabilities		769	732	2,632
		9,919	**11,482**	**17,212**
Total liabilities		**154,095**	**159,115**	**200,047**
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		57,431	63,602	64,818
Currency translation reserve		(40,914)	(39,597)	(46,356)
Retained earnings		(103,382)	(98,203)	(102,446)
		(35,053)	**(22,386)**	**(32,172)**
Non-controlling interests		**739**	**706**	**1,404**
Total equity		**(34,314)**	**(21,680)**	**(30,768)**
TOTAL LIABILITIES AND EQUITY		**119,781**	**137,435**	**169,279**

MILKILAND PCL
Condensed consolidated interim statement of comprehensive income
For the three months ended 31 March 2021
(All amounts in euro thousands unless otherwise stated)

	Notes	2021 (unaudited)	2020 (unaudited)
Revenue	17	9,311	22,789
Change in fair value of biological assets		-	1
Cost of sales	0	(7,655)	(20,504)
Gross Profit		**1,656**	**2,286**
Selling and distribution expenses	19	(541)	(1,623)
Administrative expenses	0	(1,394)	(2,879)
Other income/(expenses), net	21	(9,035)	(648)
Operating profit/(loss)		**(9,314)**	**(2,864)**
Finance income	22	2,421	243
Finance expenses	23	(2,691)	(5,090)
Investment income		91	
Profit/(loss) before income tax		**(9,493)**	**(7,711)**
Income tax	24	-	93
Net profit/(loss) for the year		**(9,493)**	**(7,618)**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating to presentation currency		(3,140)	(641)
Total comprehensive income/(loss)		**(12,633)**	**(641)**
Profit/(loss) attributable to:			
Owners of the Company		(11,327)	(7,618)
Non-controlling interests		1,834	-
		(9,493)	**(7,618)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(12,667)	(8,294)
Non-controlling interests		33	35
		(12,634)	**(8,259)**
Earnings per share (EURO cent)		(36,25)	(24,38)

MILKILAND PCL
Condensed consolidated interim statement of cash flows
For the three months ended 31 March 2021
(All amounts in euro thousands unless otherwise stated)

	Note	2021 (unaudited)	2020 (unaudited)
Cash flows from operating activities:			
Gain/(Loss) before income tax		**(9,493)**	**(7,711)**
Adjustments for:			
Depreciation and amortization	21	1,345	1,537
(Gain)/Loss from disposal and write off of inventories	21	61	158
Change in provision and write off of trade and other accounts receivable	21	227	(487)
Change in provision and write off of unrealised VAT	21	(6)	-
(Gain)/loss from write off, revaluation and disposal of non-current assets	21	7,382	183
Change in fair value of biological assets		463	(1)
Operational foreign exchange results, net	21	60	484
Finance income	22	(2,421)	(243)
Finance expenses	23	2,691	5,090
Write off of accounts payable	21	(27)	-
Operating cash flow before movements in working capital		**191**	**(990)**
(Increase)/ Decrease in trade and other accounts receivable		961	(3,074)
Decrease/(Increase) in inventories		(28)	(1,096)
(Increase)/ Decrease in biological assets		3,428	(659)
Increase/ (Decrease) Increase in trade and other payables		(5,860)	5,225
Decrease/(Increase) in other taxes receivable		(4)	20
Increase/ (Decrease) in other taxes payable		140	(132)
Net cash provided by/(used in) operations:		**(1,172)**	**(706)**
Income taxes paid		(2)	(37)
Interest received		1,033	4
Interest paid		-	(48)
Net cash provided by/(used in) operating activities		**(141)**	**(787)**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(49)	(402)
Proceeds from sale of property, plant and equipment	11	-	-
Acquisition of subsidiaries, net of cash acquired		-	-
Net cash used in investing activities		**(49)**	**(402)**
Cash flows from financing activities			
Proceeds from borrowings	0	1	-
Repayment of borrowings	0	-	(253)
Commission paid and fair value adjustment		-	-
Net cash (used in)/provided by financing activities		**1**	**(253)**
Net increase in cash and equivalents		**(189)**	**(1,442)**
Cash and equivalents, beginning of the period	6	**735**	**2,355**
Effect of foreign exchange rates on cash and cash equivalents		339	(95)
Cash and equivalents, end of the period	6	**885**	**818**

MILKILAND PCL
Condensed consolidated interim statement of changes in equity
For the three months ended 31 March 2021
(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 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)**
Balance at 1 January 2021	**3,125**	**48,687**	**(39,597)**	**63,602**	**(98,203)**	**(22,386)**	**706**	**(21,680)**
Profit/Loss for the period	-	-	-	-	(11,327)	**(11,327)**	1,834	**(9,493)**
Other comprehensive gain/(loss), net of tax effect	-	-	(1,317)	(22)	(1)	**(1,340)**	(1,801)	**(3,141)**
Total comprehensive loss for the period	**-**	**-**	**(1,317)**	**(22)**	**(11,328)**	**(12,667)**	**33**	**(12,634)**
Realised revaluation reserve, net of income tax	-	-	-	(6,149)	6,149	-	-	-
Balance at 31 March 2021	**3,125**	**48,687**	**(40,914)**	**57,431**	**(103,382)**	**(35,053)**	**739**	**(34,314)**

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 2021 for Milkiland PCL (the "Company") and its subsidiaries (together referred to as the "Group" or "Milkiland").

The financial statements were approved by the Board of Directors on 18 June 2021.

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. On 23 September 20202 Milkiland finished the transfer of its corporate seat from the Netherlands to Cyprus and was registered as Milkiland Public Company Limited, having its registered office at Strovolou, 77 STROVOLOS CENTER, 3rd floor, Strovolos, 2018, Nicosia, Cyprus.

As at 31 March 2021 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. The plants purchase milk from local farmers and produce cheese, butter, whole-milk products, powdered milk, casein and other products.

As at 31 March 2021, the Group employed 1,511 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 2021	31 December 2020	31 March 2020
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%
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%
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%
DE Agrolight	Ukraine	Production entity	100.0%	100.0%	100.0%
DE Krasnosilsky Milk	Ukraine	Agricultural	-	100.0%	100.0%
LLC Bahmachregionpostach	Ukraine	Grain elevator	-	100.0%	100.0%
ALLC Nadiya	Ukraine	Agricultural	-	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%
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	100.0%	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%
LLC Cross Value	Marshall Isl.	Trade	100.0%	100.0%	100.0%
Dominic Supreme LP	Scotland	Trade	100.0%	100.0%	100.0%

(All amounts in euro thousands unless otherwise stated)

Name	Country of incorporation	Principal activity	31 March 2021	31 December 2020	31 March 2020
LLC Okhtyrs'kyy Syrkombinat	Ukraine	Production entity	100.0%	100.0%	-
LLC Mens'kyy Syr	Ukraine	Production entity	100.0%	100.0%	-
LLC Sumskiy Molochnyy	Ukraine	Production entity	100.0%	100.0%	-
LLC Nizhyns'kyy Molochnyy	Ukraine	Production entity	100.0%	100.0%	-
LLC Romens'kyy Molochnyy	Ukraine	Production entity	100.0%	100.0%	-
LLC MLK Slavuta	Ukraine	Assets holder	100.0%	100.0%	-
LLC MLK Sumy	Ukraine	Assets holder	100.0%	100.0%	-
LLC MLK Bakhmach	Ukraine	Assets holder	100.0%	100.0%	-
LLC Polonne Plus	Ukraine	Assets holder	100.0%	100.0%	-
LLC Lviv Aktyv	Ukraine	Production entity	100.0%	100.0%	-
LLC Kor Servis Plus	Ukraine	Operational	100.0%	100.0%	-
LLC Wester Lan	Ukraine	Operational	100.0%	100.0%	-
LLC –MSK-	Ukraine	Operational	100.0%	100.0%	-
LLC Wester Garant	Ukraine	Operational	100.0%	100.0%	-
LLC –OSK-	Ukraine	Operational	100.0%	100.0%	-
LLC Wester Yukant	Ukraine	Operational	100.0%	100.0%	-
LLC Wester A.B.W.	Ukraine	Operational	100.0%	100.0%	-
LLC Boryspilska 9	Ukraine	Operational	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.

(All amounts in euro thousands unless otherwise stated)

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.

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	1.1725	32.6954	88.8821	4.6603
Average for three months ended 31 March 2020	1.2055	33.7863	89.7047	4.5493
As at 31 December 2020	1.2271	34.6785	90.6824	4.6148
As at 31 March 2021	1.0956	30.7442	85.7389	4.5523
Average for three months ended 31 March 2021	1.1024	27.6117	73.2348	4.3226

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 Russia 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.

(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 Cyprus. The Cyprus 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:

	2021				**2020**			
	Russia	**Ukraine**	**Poland**	**Total**	**Russia**	**Ukraine**	**Poland**	**Total**
Total segment revenue	1,001	8,310	-	9,311	13,219	7,945	1,787	22,951
Inter-segment revenue	-	-	-	-	(156)	(6)	-	(162)
Revenue from external customers	1,001	8,310	-	9,311	13 063	7 939	1 787	22 789
EBITDA	**(88)**	**117**	**-**	**29**	**(1,047)**	**(217)**	**14**	**(1,250)**
EBITDA margin	-9%	1%	-	0%	-8%	-3%	1%	-5%
Depreciation and amortisation	17	1,328	-	1,345	172	935	430	1 537

(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:

	2021				**2020**			
	Cheese & butter	**Whole-milk products**	**Ingredients**	**Total**	**Cheese & butter**	**Whole-milk products**	**Ingredients**	**Total**
Total segment revenue	3,702	1,928	3,681	9,311	7,593	9,299	6,059	22,951
Inter-segment revenue	-	-		-	-	-	(162)	(162)
Revenue from external customers	3,702	1,928	3,681	9,311	7,593	9,299	5,898	22,789
EBITDA	**91**	**29**	**(91)**	**29**	**(752)**	**(297)**	**(201)**	**(1,250)**
EBITDA margin	2%	2%	-2%	0%	-10%	-3%	-3%	-5%
Depreciation and amortisation	634	441	270	1 345	448	261	828	1,537

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

	2021	**2020**
EBITDA	29	(1,250)
Other segments EBITDA	(153)	106
Total segments	**(124)**	**(1,144)**
Depreciation and amortisation	(1,345)	(1,537)
Loss from disposal and impairment of non-current assets	(7,845)	(183)
Finance expenses	(2,691)	(5,090)
Finance income	2,421	243
Investment income	91	-
Profit/(loss) before tax	**(9,493)**	**(7,711)**

(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 2020	31 March 2020
Trade accounts receivables	-	-	51
Other financial assets	-	-	-
Other accounts receivables	-	-	1,643
Total trade and other receivables	**-**	**-**	**1,694**
Trade payables	-	-	-
Other accounts payable	1	1	179
Total trade and other payables	**1**	**1**	**179**

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 28 thousand (2020: EUR 41 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 2021	31 December 2020	31 March 2020
Short term deposits	-	-	-
Cash in bank and cash on hand	885	735	818
Total cash and cash equivalents	**885**	735	**818**

(All amounts in euro thousands unless otherwise stated)

7 Trade and other receivables

	31 March 2021	31 December 2020	31 March 2020
Trade accounts receivable	4,327	11,987	15,985
Other financial assets	11,609	11,083	11,366
Allowance for doubtful debts	(12,552)	(12,007)	(13,458)
Total financial assets within trade and other receivables	**3,384**	11,063	**13,893**
Advances issued	2,441	1,950	1,986
Other receivables	36,821	34,303	35,499
Allowance for doubtful debts	(792)	(870)	(2,900)
Total trade and other accounts receivable	**41,854**	46,446	**48,478**

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 2021	31 December 2020	31 March 2020
Raw and other materials	2,510	2,614	3,043
Finished goods and work in progress	4,373	3,730	6,956
Agriculture produce	-	282	377
Total inventories	**6,883**	6,626	**10,376**

9 Other taxes receivable

	31 March 2021	31 December 2020	31 March 2020
VAT recoverable	12,611	12,110	7,133
Payroll related taxes	83	97	92
Other prepaid taxes	22	22	-
Total other taxes receivable	**12,716**	12,229	**7,225**

(All amounts in euro thousands unless otherwise stated)

10 Goodwill

	2021	2020
Balance at 1 January	-	1,550
Foreign currency translation	-	(258)
Balance at 31 March	**-**	**1,292**

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 2021 the Group acquired property, plant and equipment and intangible assets with a cost of EUR 39 thousand (2020: EUR 402 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 2021 and 2020 biological assets comprise the following groups:

	31 March 2021		**31 March 2020**	
Current biological assets of animal breading	Units	Amount	Units	Amount
Cattle	-	-	2,095	2,987
Other livestock	-	-	-	1
Total biological assets of animal breading	**-**	**-**	**2,095**	**2,988**
Current biological assets of plant growing	Hectares	Amount	Hectares	Amount
Other	-	-	-	316
Total biological assets of plant growing	-	**-**	-	**316**
Total current biological assets	**-**	**-**	-	**3,304**
Non-current biological assets	Units	Amount	Units	Amount
Cattle	-	-	1,908	928
Other livestock	-	-	-	-
Total non-current biological assets	**-**	**-**	**1,908**	**928**

(All amounts in euro thousands unless otherwise stated)

13 Trade and other payables

	31 March 2021	31 December 2020	31 March 2020
Trade payables	19,626	31,511	23,088
Accounts payable for fixed assets	12	12	11
Interest payable	23,326	22,298	28,567
Other financial payables	5	5	75
Total financial liabilities within trade and other payable	**42,969**	**53,826**	**51,741**
Wages and salaries payable	1,021	954	2,559
Advances received	8,956	8,725	11,034
Other accounts payable	15,713	11,576	31,908
Accruals for employees' unused vacations	334	339	900
Total trade and other payables	**68,993**	**75,420**	**98,142**

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 2021	31 December 2020	31 March 2020
VAT payable	2,089	2,041	2,367
Payroll related taxes	2,190	2,104	3,614
Other taxes payable	2,792	2,698	2,901
Total other taxes payable	**7,071**	6,843	**8,882**

15 Loans and borrowings

	31 March 2021	31 December 2020	31 March 2020
Current			
Interest bearing loans due to banks	67,686	64,770	74,444
Loans from non-financial institutions	-	-	-
Bank overdrafts	13	13	13
Finance leases	-	183	1,272
Total current borrowings	**67,699**	64,966	**75,729**
Non-current			
Interest bearing loans due to banks	2,924	2,698	1,880
Finance leases	-	-	-
Total non-current borrowings	**2,924**	2,698	**1,880**
Total borrowings	**70,623**	67,664	**77,609**

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

	2021	2020
Balance at 1 January	**67,664**	**79,066**
Obtained new loans and borrowings	1	-
Repaid loans and borrowings	-	(254)
Discounting of borrowings	43	47
Foreign exchange (gain)/loss	2,915	(1,250)
Balance at 31 March	**70,623**	**77,609**

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 2021 and 2020 is as follows:

	2021		2020	
	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:

	2021	2020
Cheese & Butter	3,702	7,594
Whole-milk products	1,928	9,298
Ingredients	3,681	5,897
Total revenue	**9,311**	**22,789**

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

	2021	2020
Russia	998	13,218
Ukraine	7,842	7,884
Poland	-	1,775
Other	471	(88)
Total revenue	**9,311**	**22,789**

(All amounts in euro thousands unless otherwise stated)

18 Cost of sales

	2021	2020
Raw and other materials	3,682	14,515
Wages and salaries	673	1,304
Depreciation	1,156	591
Transportation costs	476	703
Gas	211	620
Electricity	375	513
Social insurance contributions	137	207
Repairs of property, plant and equipment	82	133
Water	36	41
Other	925	548
Changes in finished goods and work in progress	(98)	1,329
Total cost of sales	**7,655**	**20,504**

19 Selling and distribution expenses

	2021	2020
Transportation costs	111	628
Wages and salaries	166	473
Social insurance contributions	29	27
Rental costs	9	2
Security and other services	112	65
Marketing and advertising	57	240
Depreciation and amortisation	7	73
Licence fees	6	6
Other	44	109
Total selling expenses	**541**	**1,623**

(All amounts in euro thousands unless otherwise stated)

20 Administrative expenses

	2021	2020
Wages and salaries	565	1,257
Taxes and other charges	129	360
Social insurance contributions	73	248
Depreciation and amortisation	134	103
Representative charges	28	139
Security and other services	49	209
Rental costs	58	85
Transportation costs	26	91
Other utilities	47	57
Repairs and maintenance	18	61
Bank charges	19	49
Communication	13	58
Property insurance	1	16
Office supplies	3	31
Consulting fees	149	89
Other	82	26
Total administrative expenses	**1,394**	**2,879**

21 Other income/(expenses), net

	2021	2020
Gain/(loss) from disposal of non-current assets	(7,845)	(183)
Change in provision and write off of trade and other accounts receivable	(227)	487
Gain/(loss) from disposal and write off of inventories	(61)	(158)
Operational foreign exchange results, net	(60)	(484)
Gain from write off of accounts payable	27	-
Rental gain/(loss)	(76)	11
Change in provision and write off of VAT receivable	6	-
Penalties	(70)	(16)
Depreciation and amortisation	(48)	(370)
Loss from revaluation of non-current assets	-	-
Other income/(expenses), net	(681)	65
Total other (expenses)/income, net	**(9,035)**	**(648)**

22 Finance income

	2021	2020
Finance foreign exchange gain	2,377	123
Bank deposits	-	4
Other fin income	44	116
Total finance income	**2,421**	**243**

(All amounts in euro thousands unless otherwise stated)

23 Finance expenses

	2021	2020
Bank borrowings	1,398	1,426
Finance foreign exchange loss	1,293	3,526
Other borrowings	-	91
Discounting of loans	-	47
Finance leases	-	-
Other finance expense	-	-
Total finance expenses	**2,691**	**5,090**

24 Income tax

	2021	2020
Current income tax expense		
Deferred income tax benefit	-	93
Total income tax expense	**-**	**93**

The Group operates in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine, Russia and Poland). In 2021 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2020: 18%), Russian profit tax was levied at the rate of 20% (2020: 20%), Poland profit tax was levied at the rate of 19% (2020: 19%). In 2021 the tax rate for Cyprus operations was 12.5% (2020: 12.5%) on worldwide income.

25 Contingent and deferred liabilities

Litigation

The Group from time to time participates in legal proceedings. However, none of the legal proceedings either separately or in aggregate had significant negative material effect on the Group.

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 insurance contract signed with Allianz Global Corporate & Specialty SE with limit liability of EUR 25 million.

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

Shifting of the publication date of the Annual Report of Milkiland Group for 2020 and 2019

On June 25, 2021, the Board of Directors of Milkiland PCL ("the Company") informed that in connection with the Company's current reports: (i) no 9/2020 and 10/2020 regarding the resolutions adopted by the Annual General Meeting of Shareholders of the Company with respect to planned transfer of Company's corporate seat from Netherlands into Cyprus, (ii) no 13/2020 on registration of the Company's corporate seat in Cyprus, Milkiland Group passed the restructuring and now is controlled by its holding Cypriot company, namely, Milkiland Public Company Limited.

Also, in connection with the Company's current report no 3/2021 dated 25 February 2021, the Board of Directors of Milkiland PCL informed that Baker Tilly Klitou and Partners Ltd (hereinafter "the Auditor") was appointed as the external, independent auditor of Milkiland for a Non-statutory consolidated and separate Financial statements audit for the year ended 31 December 2019 and Statutory consolidated and separate Financial statements audit for the year ended 31 December 2020.

Due to the necessity to consider all of the consequences of the Group's restructuring, as well as more time is needed for the Group's newly appointed Auditor to confirm the financial standing of the Group, the publication of the Non-statutory consolidated and separate Financial statements audit for the year ended 31 December 2019 and Statutory consolidated and separate Financial statements audit for the year ended 31 December 2020 together with the amended Annual Report of Milkiland for 2019 and Annual Report of the Group for 2020, respectively, was shifted to 30 September 2021.