



**Industrial Milk Company S.A. and its subsidiaries**

**Condensed Consolidated Interim Financial Statements**

**For the three months ended 31 March 2012**

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**INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Financial Statements**

**Review of financial results for the 3-month period ending 31 March 2012**

The following table sets forth the Company's results of operations for the 3-month periods ended 31 March 2012 and 2011 derived from the Condensed Consolidated Interim Financial Statements:

(US\$ in thousands)	For the 3-month period ended		Change in %
	31 March 2012	31 March 2011	
<b>CONTINUING OPERATIONS</b>			
Revenue	18 331	8 144	125%
Net change in fair value of biological assets and agricultural produce, net	1 684	1 676	-
Cost of Sales	(18 010)	(8 625)	109%
<b>GROSS INCOME</b>	<b>2 005</b>	<b>1 195</b>	<b>68%</b>
Administrative expenses	(1 059)	(614)	72%
Selling and distribution costs	(373)	(149)	150%
Other operating income	458	374	22%
Income from the exchange of property certificates	94	91	3%
Other operating expenses	(183)	(217)	(16%)
Write-offs of property, plant and equipment	(436)	(156)	179%
<b>OPERATING INCOME</b>	<b>506</b>	<b>524</b>	<b>(3%)</b>
Financial expenses, net	(428)	(366)	17%
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>78</b>	<b>158</b>	<b>(51%)</b>
Income tax (expense) / income	16	(55)	-
<b>NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>94</b>	<b>103</b>	<b>(9%)</b>
<b>Normalised EBITDA</b>	<b>2 382</b>	<b>1 735</b>	<b>37%</b>
<b>Normalised EBIT</b>	<b>848</b>	<b>589</b>	<b>44%</b>
<b>Normalised Net Profit</b>	<b>436</b>	<b>168</b>	<b>160%</b>
Depreciation and amortisation	(1 534)	(1 146)	34%
Income from the exchange of property certificates*	94	91	3%
Write off of property, plant and equipment (PP&E)*	(436)	(156)	179%
Loss on revaluation of other PP&E*	-	-	-

\* Normalisation adjustments to EBITDA, EBIT and Net Profit excludes effects of non-recurring expenditure from operating segments such as income from the exchange of property certificates, write off of PP&E, loss on revaluation of other PP&E resulting from an isolated, non-recurring event.

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**Revenue**

The Company's revenue from sales of finished products increased year-on-year by 129% primarily as a consequence of the change in stock of agricultural produce: as of 31 December 2011 the stock of agricultural produce had a book value of USD 33,8 million, compared to USD 10,0 million on 31 December of the previous year. The following table sets forth the Company's sales revenue by products for the years indicated:

(US\$ in thousands)	2012	2011	Change in
	(unaudited)	(unaudited)	%
Corn	8 357	4 972	68%
Cattle	410	212	93%
Milk	1 736	1 213	43%
Wheat	9	234	(96%)
Sunflower	5 549	96	5 680%
Other	1 963	1 143	72%
	<b>18 024</b>	<b>7 870</b>	<b>129%</b>

The most significant portion of the Company's revenue comes from selling corn, which represented 46% and 61% of total revenue for the 3-month periods ended 31 March 2012 and 2011, respectively. The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

(US\$ in thousands)	For the 3-month period ended	
	31 March 2012	31 March 2011
<b>Corn</b>		
Sales of produced corn ( <i>in tones</i> )	34 544	20 469
Realization price (U.S. \$ per ton)	242	243
Revenue from produced corn ( <i>U.S. \$ in thousands</i> )	8 357	4 972
<b>Wheat</b>		
Sales of produced wheat ( <i>in tones</i> )	57	1 189
Realization price (U.S. \$ per ton)	158	197
Revenue from produced wheat ( <i>U.S. \$ in thousands</i> )	9	234
<b>Soy beans</b>		
Sales of produced soy beans ( <i>in tones</i> )	3 290	649
Realization price (U.S. \$ per ton)	412	333
Revenue from produced soy beans ( <i>U.S. \$ in thousands</i> )	1 354	216
<b>Sunflower</b>		
Sales of produced sunflower ( <i>in tones</i> )	13 003	221
Realization price (U.S. \$ per ton)	427	434
Revenue from produced sunflower ( <i>U.S. \$ in thousands</i> )	5 549	96
<b>Lupin</b>		
Sales of produced lupin ( <i>in tones</i> )	1 688	2 598
Realization price (U.S. \$ per ton)	225	241
Revenue from produced lupin ( <i>U.S. \$ in thousands</i> )	379	625
<b>Potato</b>		
Sales of produced potato ( <i>in tones</i> )	1 727	487
Realization price (U.S. \$ per ton)	64	308
Revenue from produced potato ( <i>U.S. \$ in thousands</i> )	111	150
<b>Other (produced only)</b>		
Total sales volume ( <i>in tones</i> )	446	1 026
Total revenues ( <i>U.S. \$ in thousands</i> )	119	152

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<b>Total sales volume</b> (in <i>tones</i> )	<b>54 755</b>	<b>26 639</b>
<b>Total revenue from sale of crops</b> (U.S. \$ in <i>thousands</i> )	<b>15 878</b>	<b>6 445</b>

Revenue relating to sales of corn increased by 68% to USD 8,4 million for the 3-month period ended 31 March 2012 from USD 5,0 million for the 3-month period ended 31 March 2011, primarily due to an increase in sales volume (tones) in 2012.

Revenue relating to sales of sunflower seeds increased by 5 680% to USD 5,5 million for the 3-month period ended 31 March 2012 from USD 0,1 million for the 3-month period ended 31 March 2011, primarily due to an increase in sales volume (tones) in 2012.

Revenue relating to sales of soy beans increased by 527% to USD 1,4 million for the 3-month period ended 31 March 2012 from USD 0,2 million for the 3-month period ended 31 March 2011, primarily due to an increase in sales volume (tones) in 2012.

Revenue relating to the sale of raw milk, which represented 9% and 15% of total revenue for the 3-month periods ended 31 March 2012 and 2011, respectively, increased by 43% to USD 1,7 million for the 3-month period ended 31 March 2012 from USD 1,2 million for the 3-month period ended 31 March 2011, primarily due to an increase in the price of milk and the quantity of milking cows.

**Cost of sales**

The Company's cost of sales increased by 109% to USD 18,0 million for the 3-month period ended 31 March 2012 from USD 8,6 million for the 3-month period ended 31 March 2011. The following table sets forth the principal components of the Company's cost of sales for the periods indicated:

<b>for the 3-month period ended 31 March</b>	<b>2012</b>	<b>2011</b>	<b>Change in %</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	
Raw materials	(793)	(1 936)	(59%)
Change in inventories and work-in-progress	(12 231)	(3 246)	277%
Wages and salaries of operational personnel and related charges	(1 475)	(787)	87%
Depreciation and amortisation	(1 398)	(1 002)	40%
Third parties' services	(548)	(634)	(14%)
Fuel and energy supply	(763)	(549)	39%
Rent	(650)	(252)	158%
Repairs and maintenance	(70)	(206)	(66%)
Taxes and other statutory charges	(77)	(11)	580%
Other expenses	(5)	(3)	95%
<b>Total cost of sales</b>	<b>(18 010)</b>	<b>(8 625)</b>	<b>109%</b>

Raw materials decreased 59% to USD 0,8 million for the for the 3-month period ended 31 March 2012 from USD 1,9 million for the 3-month period ended 31 March 2011. This decrease was primarily due to late spring in 2012.

The Company recognised a decrease from change in inventories and work in progress in the amount of USD 12,2 million for the 3-month period ended 31 March 2012 compared to a decrease of USD 3,2 million for the 3-month period ended 31 March 2011.

Depreciation and amortisation increased by 40% to USD 1,4 million for the 3-month period ended 31 March 2012 from USD 1,0 million for the 3-month period ended 31 March 2011. This increase was primarily due to effect of acquisition of subsidiaries.

## INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES

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Wages and salaries of operational personnel and related charges increased by 87% to USD 1,5 million for the 3-month period ended 31 March 2012 from USD 0,8 million for the 3-month period ended 31 March 2011. This increase was primarily due to an increase in arable land in 2011.

#### Gross income

The Company's gross income increased from USD 2,0 million for the 3-month period ended 31 March 2012 from USD 1,2 million for the 3-month period ended 31 March 2011, an 67% year-on-year increase. In relative terms, the total revenue went up 125% year-on-year.

#### Administrative expenses

Administrative expenses increased year-on-year from USD 1,1 million for the 3-month period ended 31 March 2012 from USD 0,6 million for the 3-month period ended 31 March 2011, reflecting an increase in the wages and salaries of administrative personnel year-on-year from USD 0,4 million to USD 0,5 million, and professional (audit and legal) services from USD 0,0 million to USD 0,2 million.

#### Other operating income

The Company's other operating income increased by 22% to USD 0,5 million for the 3-month period ended 31 March 2012 from USD 0,4 million for the 3-month period ended 31 March 2011.

#### Write-offs of property, plant and equipment

The Company's write-offs of property, plant and equipment increased by 179% to USD 0,4 million for the 3-month period ended 31 March 2012 from USD 0,2 million for the 3-month period ended 31 March 2011. This increase was due to the write-off of property, plant and equipment of former collective farms acquired by the Company in 2008 and 2009.

#### Financial expenses, net

The Company's financial expenses, net increased by 17% to USD 0,4 million for the 3-month period ended 31 March 2012 from USD 0,4 million for the 3-month period ended 31 March 2011. This decrease was due primarily to a decrease in interest expenses on short-term and long-term loans and borrowings.

#### Net profit for the period from continuing operations

Net profit for the period from continuing operations were stable year-on-year at the level of USD 0,1 million.

#### Cash flows

The following table sets out a summary of the Company's cash flows for the periods indicated:

(US\$ in thousands)	For the 3-month period ended	
	31 March 2012	31 March 2011
Net cash flow from operating activities	9 384	162
Net cash flow from investing activities	(5 364)	(1 184)
Net cash flow from financing activities	1 806	21
<b>Net increase in cash and cash equivalents</b>	<b>5 826</b>	<b>(1 001)</b>

#### *Net cash flow from operating activities*

The Company's net cash inflow from operating activities increased to USD 9.4 million for the 3-month period ended 31 March 2012 compared to net cash inflow of USD 0.2 million for the 3-month period ended 31 March 2011. The increase in 2012 was primarily attributable to higher stock of agricultural produce: as of 31 December 2011 the stock of agricultural produce had a book value of USD 33.8 million, compared to USD 10.0 million on 31 December of the previous year.

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*Net cash flow from investing activities*

The Company's net cash outflow from investing activities decreased to USD 5.4 million for the 3-month period ended 31 March 2012 compared to net cash outflow of USD 1.2 million for the 3-month period ended 31 March 2011. The decrease in 2012 was primarily attributable to acquisition of subsidiaries and purchase of agricultural equipment.

*Net cash flow from financing activities*

Net cash flow from financing activities increased to USD 1.8 million for the 3-month period ended 31 March 2012 from a net cash inflow of USD 0.0 million for the 3-month period ended 31 March 2011. The increase in 2011 was primarily due to proceeds from short-term and long-term borrowings. Weighted average costs of debt financing equaled 10.0% for the 3-month period ended 31 March 2012.

**Selected Financial Data (in USD thousand, unless otherwise stated)**

	<b>for the 3-month period ended 31 March</b>	<b>2012</b>	<b>2011</b>
I.	Revenue	18 331	8 144
II.	Operating profit/(loss)	506	524
III.	Profit/(loss) before income tax	78	158
IV.	Net profit/(loss)	94	103
V.	Net cash flow from operating activity	9 384	162
VI.	Net cash flow from investing activity	(5 364)	(1 184)
VII.	Net cash flow from financing activity	1 806	21
VIII.	Total net cash flow	5 826	(1 001)
IX.	Total assets	150 474	86 667
X.	Share capital	56	46
XI.	Total equity	109 150	66 724
XII.	Non-current liabilities	20 717	11 446
XIII.	Current liabilities	20 607	8 497
XIV.	Weighted average number of shares	31 300 000	24 800 000
XV.	Profit/(loss) per ordinary share (in USD)	0,01	0,00
XVI.	Book value per share (in USD)	3,43	2,80

**INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES**  
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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**For the three months ended 31 March 2012**  
**(in USD thousand, unless otherwise stated)**

		31 March 2012	31 March 2011
	Notes	(unaudited)	(unaudited)
<b>CONTINUING OPERATIONS</b>			
Revenue	6	18 331	8 144
Net change in fair value of biological assets and agricultural produce, net	7	1 684	1 676
Cost of Sales	8	(18 010)	(8 625)
<b>GROSS INCOME</b>		<b>2 005</b>	<b>1 195</b>
Administrative expenses	9	(1 059)	(614)
Selling and distribution costs	10	(373)	(149)
Other operating income	11	458	374
Income from the exchange of property certificates	12	94	91
Other operating expenses	13	(183)	(217)
Write-offs of property, plant and equipment		(436)	(156)
<b>OPERATING INCOME</b>		<b>506</b>	<b>524</b>
Financial expenses, net	16	(428)	(366)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>78</b>	<b>158</b>
Income tax (expense) / income	17	16	(55)
<b>NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>94</b>	<b>103</b>
Net profit attributable to:			
Owners of the parent company		164	110
Non-controlling interests		(70)	(7)
Weighted average number of shares		31 300 000	24 800 000
Profit/(loss) per ordinary share		0,01	0,00
<b>OTHER COMPREHENSIVE INCOME</b>			
Deferred tax charged directly to revaluation reserve		41	95
Effect of foreign currency operations		27	(677)
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>68</b>	<b>(582)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>162</b>	<b>(479)</b>
Comprehensive income attributable to:			
Owners of the parent company		232	(397)
Non-controlling interests		(70)	(82)



Ievgen Osypov  
Chief Executive Officer



Dmytro Martyniuk  
Chief Financial Officer




**INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Financial Statements**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2012**  
**(in USD thousand, unless otherwise stated)**

		31 March 2012	31 March 2011
	Notes	(unaudited)	(unaudited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	18	64 758	53 516
Intangible assets	19	4 476	420
Non-current biological assets	20	9 506	4 763
Deferred tax assets	21	120	139
Other non-current assets	22	4 091	40
<b>Total non-current assets</b>		<b>82 951</b>	<b>58 878</b>
<b>Current assets</b>			
Inventories	23	35 235	12 247
Current biological assets	24	12 789	8 719
Trade accounts receivables, net	25	1 853	887
Prepayments and other current assets, net	26	7 230	4 950
Cash and cash equivalents	28	10 416	986
<b>Total current assets</b>		<b>67 523</b>	<b>27 789</b>
<b>TOTAL ASSETS</b>		<b>150 474</b>	<b>86 667</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity attributable to the owners of the parent company</b>			
Share capital	29	56	46
Emission revenue		24 387	-
Revaluation reserve		13 250	15 071
Retained earnings		85 940	70 858
Effect of foreign currency translation		(16 381)	(16 613)
<b>Total equity attributable to owners of the parent company</b>		<b>107 252</b>	<b>69 362</b>
Non-controlling interests		1 898	(2 638)
<b>Total equity</b>		<b>109 150</b>	<b>66 724</b>
<b>Non-current liabilities</b>			
Long-term loans and borrowings	30	17 667	8 227
Deferred tax liabilities	21	3 050	3 219
<b>Total non-current liabilities</b>		<b>20 717</b>	<b>11 446</b>
<b>Current liabilities</b>			
Current portion of long-term borrowings	30	4 472	2 064
Short-term loans and borrowings	31	3 439	1 963
Trade accounts payable		2 362	1 601
Other current liabilities and accrued expenses	32	10 334	2 869
Income tax payable		-	-
<b>Total current liabilities</b>		<b>20 607</b>	<b>8 497</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>150 474</b>	<b>86 667</b>

  
Ievgen Oshpov  
Chief Executive Officer

  
Dmytro Martyniuk  
Chief Financial Officer

**INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Financial Statements**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

For the three months ended 31 March 2012

(in USD thousand, unless otherwise stated)

	Share capital	Share premium	Revaluation reserve	Retained earnings	Effect of foreign currency translation	Total	Non- controlling interests	Total equity
(unaudited)								
<b>As at 31 December 2011</b>	<b>56</b>	<b>24 387</b>	<b>13 862</b>	<b>85 123</b>	<b>(16 408)</b>	<b>107 020</b>	<b>1 968</b>	<b>108 988</b>
Profit for the period	-	-	-	164	-	164	(70)	94
Amortization of revaluation reserve	-	-	(653)	653	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	41	-	-	41	-	41
Other comprehensive income	-	-	-	-	27	27	-	27
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(612)</b>	<b>817</b>	<b>27</b>	<b>232</b>	<b>(70)</b>	<b>162</b>
<b>As at 31 March 2012</b>	<b>56</b>	<b>24 387</b>	<b>13 250</b>	<b>85 940</b>	<b>(16 381)</b>	<b>131 639</b>	<b>1 898</b>	<b>109 150</b>
<b>As at 31 December 2010</b>	<b>46</b>	<b>-</b>	<b>15 622</b>	<b>69 897</b>	<b>(15 806)</b>	<b>69 758</b>	<b>(2 556)</b>	<b>67 203</b>
Profit for the period	-	-	-	110	-	110	(7)	103
Amortization of revaluation reserve	-	-	(427)	427	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	95	-	-	95	-	95
Other comprehensive income	-	-	-	-	(602)	(602)	(75)	(677)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(332)</b>	<b>537</b>	<b>(602)</b>	<b>(397)</b>	<b>(82)</b>	<b>(479)</b>
<b>As at 31 March 2011</b>	<b>46</b>	<b>-</b>	<b>15 290</b>	<b>70 434</b>	<b>(16 408)</b>	<b>69 361</b>	<b>(2 638)</b>	<b>66 724</b>

Industrial Milk Company S.A. has one class of ordinary shares with par value of EUR. All shares have equal voting rights. The number of authorized shares as of 31 March 2012 is 31 300 000 (2010:24 800 000) and the number of issued and fully paid-up shares is 31 300 000.

  
Ievgen Oshpov  
Chief Executive Officer

  
Dmytro Martyniuk  
Chief Financial Officer

**INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Financial Statements**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

**For the three months ended 31 March 2012**

**(in USD thousand, unless otherwise stated)**

	Notes	2012 <u>(unaudited)</u>	2011 <u>(unaudited)</u>
for the 3-month period ended 31 March			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before tax from continuing operations		78	158
Adjusted to reconcile profit before tax with net cash used in operating activities:			
Depreciation and amortization	14	1 534	1 146
Losses from impairment of PPE		-	-
Gain on disposal of inventories		(1)	-
Loss on disposal of other property, plant and equipment	13	5	37
Write-offs of VAT	13	2	-
Write-offs of property, plant and equipment		436	156
Write-offs of goodwill		-	-
Interest income	16	(71)	(13)
Interest expenses	16	553	352
Expenses for doubtful debts	13	0	-
Loss (gain) on currency exchange rate fluctuations, net	16	5	32
Lost crops	13	9	-
Losses from impairment of inventories	13	23	40
Provisions for audit	9	0	-
Provisions for vacations		0	-
Income from the exchange of property certificates	12	(94)	(91)
Income from changes in fair value of biological assets and agricultural produce, net	7	(1 684)	(1 676)
<b>Cash flows from operating activities before changes in working capital</b>		<b>795</b>	<b>141</b>
Increase / decrease in accounts receivable	25	(404)	2 893
Increase in prepayments and other current assets	26	(882)	(1 534)
Decrease / increase in inventories	23	6 083	783
Decrease / increase in current biological assets	24	382	(2 619)
Decrease / increase in accounts payable		714	902
Increase in other current liabilities and accrued expenses	32	6 564	(51)
Decrease/ increase in other non-current assets		(3 287)	-
<b>Cash flows from operations</b>		<b>9 965</b>	<b>515</b>
Interest paid		(553)	(353)
Interest tax paid		(-)	-
<b>Net cash flows from operating activities</b>		<b>9 384</b>	<b>162</b>

  
Ievgen Osyrov  
Chief Executive Officer

  
Dmytro Martyniuk  
Chief Financial Officer

**INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Financial Statements**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS CONTINUED**  
**For the three months ended 31 March 2012**  
**(in USD thousand, unless otherwise stated)**

<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	<b>Notes</b>	<b>2011 (unaudited)</b>	<b>2010 (unaudited)</b>
Purchase of property, plant and equipment		(2 066)	(945)
Purchase of intangible assets		(23)	-
Proceeds from other current assets	26	-	(116)
Decrease/increase in non-current biological assets		(427)	(123)
Proceeds from disposal of property, plant and equipment		3	-
Cash (acquisition of the subsidiary)	5	87	-
Acquisition of the subsidiary	5	(2 938)	-
<b>Net cash flows from investing activities</b>		<b>(5 364)</b>	<b>(1 184)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issue of share capital		-	-
Proceeds from long-term and short-term borrowings		2 076	556
Repayment of long-term and short-term borrowings		(243)	(503)
Repayment of lease liabilities		(27)	(32)
<b>Net cash flows from financing activities</b>		<b>1 806</b>	<b>21</b>
<b>NET CASH FLOWS</b>		<b>5 826</b>	<b>(1 001)</b>
<b>Cash and cash equivalents as at the beginning of the period</b>		<b>4 595</b>	<b>1 989</b>
Net foreign exchange difference		(5)	(2)
<b>Cash and cash equivalents as at the end of the period</b>		<b>10 416</b>	<b>986</b>

  
Ievgen Osypov  
Chief Executive Officer

  
Dmytro Martyniuk  
Chief Financial Officer

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(in USD thousand, unless otherwise stated)

**1. Description of formation and business.**

For the purposes of these condensed consolidated interim financial statements the term the "Operating group" (or the "Group" or the "Company") has been taken to indicate the companies listed below.

The financial year begins on January 1 of each year and terminates on December 31 of each year. It's register number within the Registre de Commerce et des Sociétés du Luxembourg is RCS Lu B157843.

Theses Group consolidated accounts are public and available for consultation at <http://www.imcmilk.com.ua/investor/relation/rf/financial/> or at its registered office.

Description of formation: Industrial Milk Company S.A. (the "Parent or "Industrial Milk Company S.A."), a limited liability company registered under the laws of Luxembourg, was formed on 28 December 2010 for an unlimited period of time. Industrial Milk Company S.A. was formed to serve as the ultimate holding company of Unigrain Holding Limited and its subsidiaries. The registered address of Industrial Milk Company S.A. is 16, Avenue Pasteur, L-2310, Luxembourg.

In the course of the corporate reorganization a sub-holding company under Industrial Milk Company S.A., Unigrain Holding Limited, was established and through a series of transactions became the immediate parent of trading company Aristo Eurotrading, Burat-Agro, Ltd., Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor and OJSC Poltava Kombilormoviy Zavod belong directly to Burat, Ltd., and Zemelniy Kadaastroviy Centr SA belongs directly to Chernihiv Industrial Milk Company, Ltd., Agrofirma «Kalynivska-2005», Ltd., Agrofirma «Govtneva», Ltd., Agrofirma «Shid», Ltd., APP «Virynske», Ltd., Pisky, Ltd., Viry-Agro, SC and 80,61% of the voting shares in the company PSJC Viryvske HPP.

In March 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company Ukragrosouz, Ltd.

The subsidiaries and the principal activities of the companies comprising the Group are as follows:

Operating entity	Principal activity	Country of registration	Year established/acquired	Cumulative ownership ratio, %	
				31 March 2012	31 March 2011
Industrial Milk Company S.A.	Holding company	Luxembourg	28.12.2010	100,00	100,00
Unigrain Holding Limited	Subholding company	Cyprus	02.06.2009	100,00	100,00
Burat-Agro, Ltd.	Production of cattle milk and meat, oil-yielding and grain crops cultivation	Ukraine	31.12.2007	100,00	96,00
Burat, Ltd.	Agricultural products processing	Ukraine	31.12.2007	100,00	97,60
Chernihiv Industrial Milk Company, Ltd.	Production of cattle milk and meat, oil-yielding and grain crops cultivation	Ukraine	31.12.2007	100,00	100,00
PJSC Mlibor	Flour grinding	Ukraine	31.05.2008	71,82	71,82

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PJSC Poltava Kombilormoviy Zavod	Granting of PPE into finance lease	Ukraine	31.12.2007	87,56	85,48
Zemelniiy Kadaastroviy Centr SA	Preparation of technical documentation concerning land issues	Ukraine	23.11.2010	100,00	100,00
Aristo Eurotrading Limited	Trading company	British Virgin Islands	30.08.2011	100,00	-
AF Kalynivska- 2005, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
AF Govtneva, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
AF Shid-2005, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
AIE Vyrinske, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
Pisky, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
SE "Viry-Agro"	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
OJSC "Viryvske HPP"	Agricultural products processing	Ukraine	28.12.2011	80,61	-
Ukragrosouz KSM, Ltd	Agricultural production	Ukraine	29.03.2012	100,00	-

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Description of the business: Companies comprising the Group are engaged in agricultural production and sale of grain and oil-yielding crops (Ukraine and export); and in farming production and sale of cattle milk and meat (Ukraine).

IMC is the group that was founded from the consolidation of mid-sized agricultural companies in 2007. The Group harvests 67,4 thousand ha of high quality arable land and operates in three segments: crop farming, dairy and beef farming and grain and oilseed storage as at 31 March 2012.

The Group's business model is focused on efficiency and a manageable growth strategy.

Today IMC is the vertically integrated and high-technology group of companies engaged in crop farming, dairy farming, feed and flour production, storage services, operating in Poltava and Chernihiv region (northern and central Ukraine). IMC was ranked as a top five Ukrainian milk producer and a top eight Ukrainian meat producer in terms of herd headcount as of November 2009. The Group fully secured 175 thousand tonnes of crops produced in 2011 that are stored at three of the Group's silos with a total capacity of 211 thousand tonnes. The Group controlled 64 thousand ha of farmland in the most fertile regions of Ukraine (Poltava, Chernihiv and Sumy) as at 31 March 2012.

Main assets LLC "Burat", LLC "Burat-Agro", LLC "Chernihivska IMC", CJSC "Mlibor" are companies duly incorporated and organized under the law of Ukraine.

IMC is strategically focused on the development of its crop operations due to high gross marginality in the segment. The Group plans to increase cultivated land from its current 64 thousand ha to 280 thousand ha in 2019.

## **2. Basis of preparation of the condensed consolidated interim financial statements and summary of significant accounting policies**

### **Statement of compliance**

The consolidated financials have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union. These condensed consolidated interim financial statements are based on the assumptions described in note 2.6.

Companies comprising the Group which are incorporated in Ukraine maintain their accounting records in accordance with Ukrainian regulations. The financial information has been prepared from those accounting records and adjusted as management considers necessary in order to comply with IFRS.

In preparation of these condensed consolidated interim financial statements the management used their best knowledge of International Financial Reporting Standards and interpretations, facts and circumstances that can affect these condensed consolidated interim financial statements.

### **Basis of measurement**

The condensed consolidated interim financial statements are prepared under historical cost basis except for the revalued amounts of property, plant and equipment, biological assets and agricultural produce.

The Group's management has decided to present and measure these condensed consolidated interim financial statements in US Dollars for the purposes of convenience of users of these financial statements.

Ukrainian statutory accounting principles and procedures differ from those generally accepted under IFRS. Accordingly, the condensed consolidated interim financial statements, which have been prepared from the Ukrainian statutory accounting records for the entities of the Group domiciled in Ukraine, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

### **Use of estimates**

The preparation of these condensed consolidated interim financial statements involves the use of reasonable accounting estimates and requires the management to make judgments in applying the Group's accounting policies. Note 4 contains areas, related to a high degree of importance or complexity in decision-making, or areas where assumptions and estimates are important for the special purpose pro-forma consolidated statement of comprehensive income.

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**Foreign currency translation**

***Functional and presentation currency***

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). For the companies of the Group operating in Ukraine the Ukrainian Hryvna ("UAH") is the functional currency. For the companies operating in Cyprus and Luxembourg the functional currency is Euro ("EUR").

These condensed consolidated interim financial statements are presented in the United States Dollars ("USD"), unless otherwise indicated.

***Foreign currency transactions and balances***

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All exchange differences are taken to the statement of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The principal exchange rates used in the preparation of these condensed consolidated interim financial statements are as follows:

Currency	31 March 2012	Average for 3 months ended 31 March 2012	31 December 2011	31 March 2011	Average for 3 months ended 31 March 2011	31 December 2010
UAH/EUR	10,60	10,46	10,30	11,22	10,85	10,57
UAH/USD	7,99	7,99	7,99	7,96	7,94	7,96

***Translation into presentation currency***

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the official rate at the date of the balance sheet;
- income and expenses are translated at average exchange rate for the period, unless fluctuations in exchange rates during that period are significant, in which case income and expenses are translated at the rate on the dates of the transactions;
- all the equity and provision items are translated at the rate on the dates of the transactions;
- all resulting exchange differences are recognized as a separate component of other comprehensive income;
- in the consolidated statement of cash flows cash balances at the beginning and end of each presented period are translated at rates prevailing at corresponding dates. All cash flows are translated at average exchange rates for the periods presented. Exchange differences arising from the translation are presented as the effect of translation into presentation currency.

***Going concern***

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The recoverability of Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. Management believes that Group has reliable access to sources of financing capable to support appropriate



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operating activity of Group entities. These condensed consolidated interim financial statements do not include any adjustments should the Group be unable to continue as going concern.

**Principles of consolidation**

***Restructuring***

In 2010, the Group was restructured as shown in Note 1. During the restructuring, all the ownership rights for the Group's companies were concentrated in the established parent company, holder of investments.

In preparation of these condensed consolidated interim financial statements the assumption was used that parent company, which was legally incorporated on 28 December 2010, and subsidiary companies comprising the Group existed with the same structure prior to restructuring, starting from 31 December 2007.

Until 28 December 2010, the parent company had no direct or indirect participation in equity of the companies included into these condensed consolidated interim financial statements. Shares in the equities of these companies belonged to companies and individuals, controlled by the direct owners of the parent company. During the restructuring, all rights of control over the subsidiaries were transferred to the parent company.

The following key assumptions were made in the preparation of consolidated statement of comprehensive income:

- Restructuring of the Group was completed before 31 December 2010;
- The parent company owned a share in equities of subsidiary companies;
- Rights of control over the subsidiaries were determined on the basis of cumulative ownership ratio of all the companies which are controlled by the direct owners of the parent company.

***Subsidiaries***

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Financial statements of parent company and its subsidiaries, which is used while preparing the condensed consolidated interim financial statements, should be prepared as at the same date on the basis of consistent application of accounting policy for all companies of the Group.

**3.Summary of significant accounting policies**

**Property, plant and equipment**

Property, plant and equipment are shown at revalued price, based on regular valuations by external independent values, less subsequent accumulated depreciation. The Group conducts a full valuation exercise if there is an indication of impairment. An impairment review was conducted at the balance sheet date. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

If there is no data about the market value of property, plant and equipment due to the nature of highly specialized machinery and equipment, such objects are evaluated according to acquisition expenses under present-day conditions, adjusted by an ageing percentage.

Valuations are performed frequently enough to ensure that the fair value of a remeasured asset does not differ materially from its carrying amount.

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Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Previously recognized property, plant and equipment or their essential component is written-off on their disposal or in case if future economic benefits from use or disposal of such asset are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included to the other incomes (expenses) in the income statement when the asset is derecognized.

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings 15-35 years
- Machinery 5-15 years
- Motor vehicles 5-15 years
- Other assets 5-10 years

Construction in progress comprises costs directly related to the construction of property, plant and equipment, as well as the relevant variable and fixed overhead costs related to the construction. These assets are depreciated from the moment when they are ready for operation.

**Income from the exchange of property certificates**

According to IAS 16 "Property, Plant and Equipment" in the case when the items of property, plant and equipment are acquired in exchange for non-cash asset (property certificate), the initial value of such assets is estimated at fair value. The difference between the price paid for property certificates and the fair value of received items of property, plant and equipment is recognized as income in the period of the exchange operation.

**Biological assets**

The following categories of biological assets are distinguished by the Group:

- Non-current biological assets of plant-breeding at fair value;
- Non-current biological assets of cattle-breeding at fair value;
- Current biological assets of plant-breeding measured at fair value;
- Current biological assets of cattle-breeding measured at fair value.

The Group assesses a biological asset at initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs, except the cases where the fair value cannot be determined with reasonable assurance.

Determination of fair value of biological assets.

Due to an absence of an active market for cattle and pigs, and biological assets-plants in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets as at reporting date.

The carrying amount of biological assets is determined at each balance sheet date as their fair value less estimated selling and distribution expenses. Fair value is determined based on market prices at each balance sheet date.

Gains or losses from movements in the fair value of biological assets, less estimated selling and distribution expenses of the Group are recorded in the period they incurred.

The Group capitalizes cattle-breeding expenses between the reporting dates into the cost of biological assets.

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**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in other expenses in the year in which the expenditure is incurred.

Research costs are recognized as an expense as incurred. Costs incurred on development (relating to the design, construction and testing of new or improved devices, products, processes or systems) are recognized as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of adequate resources to complete the development, and the ability to measure reliably the expenditure during the development. Other development expenditures are recognized as an expense as incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income in other income (expenses) when the asset is derecognized.

The Group determines whether the useful life of an intangible asset is finite or indefinite.

Useful life of intangible assets is indefinite if the Group suggests that the period during which it is expected that the object of intangible assets will generate net cash inflows to the organization has no foreseeable limit. Intangible assets with indefinite useful lives are not amortized, but reviewed for impairment.

The amount of amortization of an intangible asset with finite useful life is systematically allocated over its useful life as follows:

- |                     |            |
|---------------------|------------|
| - Land lease rights | 5-11 years |
| - Computer software | 5 years    |

**Inventories**

Inventories are measured at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods includes costs of raw materials, direct labor and other direct productions costs and related production overheads (based on normal operating capacity).

The Group periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realizable value has declined, and makes an allowance for such inventories. If such situation occurred, the sum remissive the cost of inventories should be reflected as a part of other expenses in statement of comprehensive income.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

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**Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

i) Group as a lessee

Leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are classified as finance leases. Assets held under finance lease are included in property, plant and equipment since the commencement of lease at the lower of the fair value of leased property and present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

ii) Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Financial assets**

**Initial recognition and measurement**

The Group classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every balance sheet date.

The Group's financial assets include cash, trade and other accounts receivable, other receivables, quoted financial instruments.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading category if acquired for the purpose of sale in the nearest future.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value with fair value changes recognized in financing income or financing expenses within income statement.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables include trade and other accounts receivable. Lendings given are financial assets, that appeared owing to issuance of means to debtor.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Borrowings issued are measured at amortized cost less impairment losses.

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**Available-for-sale financial assets**

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These assets are included in non-current assets unless Group has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Available-for-sale financial assets are accounted at fair value through equity.

**Held-to-maturity investments**

Investments with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity, other than loan and receivables originated by the Group, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the balance sheet date, which are classified as current assets. Held-to-maturity investments are accounted at amortized cost.

**Derecognition**

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

**Prepayments issued and other accounts receivable that are not financial assets**

Prepayments issued are reflected at nominal value less VAT and accumulated impairment losses, other current assets are reflected at nominal value less accumulated impairment losses.

Impairment of prepayments issued is recognized under objective evidences that total amount of liability will not be repaid in compliance with terms of financial lease agreements, including while receiving the information about the significant financial straits of the debtor, possibility of composition in bankruptcy or probability of debtor's reorganization, while delivery breakdown and etc.

**Taxes**

Depending on the nature of activity, companies of the Group incorporated in Ukraine fall under different taxation systems:

The Group's company	Taxation system
Burat-Agro, Ltd.	Simplified taxation system (fixed agricultural tax)
Burat, Ltd.	Common taxation system
Chernihiv Industrial Milk Company, Ltd.	Simplified taxation system (fixed agricultural tax)
PJSC Mlibor	Common taxation system
PJSC Poltava Kombilormoviy Zavod	Common taxation system
Zemelniy Kadaastroviy Centr SA	Common taxation system
AF «Kalynivska-2005», Ltd	Simplified taxation system (fixed agricultural tax)
AF «Jovtneva», Ltd	Simplified taxation system (fixed agricultural tax)
AF «Shid-2005», Ltd	Simplified taxation system (fixed agricultural tax)
AIE Vyrynske, Ltd	Simplified taxation system (fixed agricultural tax)
Pisky, Ltd	Simplified taxation system (fixed agricultural tax)
SE "Vyry-Agro"	Simplified taxation system (fixed agricultural tax)
OJSC "Vyryvske HPP"	Common taxation system
Ukragrosouz KSM, Ltd	Simplified taxation system (fixed agricultural tax)

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The activities of the companies under the simplified taxation system and registered as fixed agricultural tax payers are governed by the Law of Ukraine «On fixed agricultural tax».

**Income tax**

Income tax expense represents the amount of the tax currently payable and deferred tax.

Income tax expenses are recorded as expenses or income in the consolidated statement of comprehensive income, except when they relate to items directly attributable to other comprehensive income (in which case the amount of tax is taken to other comprehensive income), or when they arise at initial recognition of company acquisition.

i) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

ii) **Deferred income tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Value added tax (VAT)**

VAT output equals to the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.

Revenue, expenses and assets are recognized less VAT amount, except cases, when VAT arising on purchases of assets or services, is not recoverable by tax authority; in this case VAT is recognized as part of purchase costs or part of item of expenses respectively. Net amount of VAT, recoverable by tax authority or paid, is included into accounts receivable and payable, reflected in consolidated statement of financial position.



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**Government grants related to VAT**

According to the Law of Ukraine "On Value Added Tax", the agricultural enterprises (whose income from sale of agricultural products is not less than 50% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) receive benefits regarding VAT payment on agricultural operations. These tax amounts are not paid to the budget, but transferred to the special purpose account and used to support agriculture. Upon the transfer and use of funds from the company's special purpose account, the income from grants received is recognized. Amounts of VAT charged, but not spent for the specified purposes are to be recorded in as "Targeted financing".

Starting from 01 January 2009 the Ukrainian legislation modified the mechanism of benefits application. Only those agricultural enterprises will be able to use them, whose share of agricultural products in the general supply transactions is not less than 75% over the past 12 months. In this case, VAT debit balance on agricultural transactions, as previously, aims to support agriculture (without transfer to special purpose account), and VAT credit balance is to be included in expenses.

The Group's companies, which previously used VAT benefit, and complied with the criteria for benefits application on this tax since 1 January 2009 are the companies Burat-Agro, Ltd. and Chernihiv Industrial Milk Company, Ltd.

**Government grants related to plant-breeding**

The Ukrainian legislation provides various tax benefits and grants for companies engaged in agriculture. Such benefits and grants are approved by the Supreme Council of Ukraine (SCU), the Ministry of Agrarian Policy, Ministry of Finance, and local authorities.

Amount of such benefit is determined based on the number of hectares planted for the future harvest, taking into account the crop expected to be bred. The Group of companies recognizes this type of benefits upon the receipt of funds as other operating income.

**Government grants related to cattle-breeding**

Agricultural producers of poultry and livestock are eligible for government grants, depending on quantity of meat in live weight delivered to processing enterprises. The Group of companies recognizes these grants upon entitlement to them as other operating income.

Agricultural producers of poultry and livestock are also eligible for government grants for each animal unit of poultry and livestock, including slaughter for own needs or transfer to slaughter. The Group recognizes these grants upon the receipt of funds due to the uncertainty in amounts and timeframes of receipt.

**Government grants related to milk production**

Agricultural producers of milk are eligible for government grants, depending on the amount of milk delivered to processing enterprises. The Group of companies recognizes these grants upon entitlement to them as other operating income.

**Partial compensation of interest expenses and other grants**

The Group's companies, which are the fixed agricultural tax payers are entitled to compensation from the government of share of incurred interest expenses on loans. The amount of the interest compensation depends on the period and purpose of loan. Due to the fact that the payment of interest compensations depends on the capacity of the national budget, they are recognized on a cash basis as other operating income in the income period.

The Group's companies, which bought seed and planting material from a State Reserve Seed Bank, are eligible for partial compensation of their cost. The amount of compensation is determined based on the volume of purchased seed and planting material. The Group of companies recognizes these grants as other operating income in the income period.

**Share capital**

Ordinary shares are classified as equity. Nominal value of share capital of Parent company is specified in Note 29.

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Financial liabilities are initially recognized at fair value, adjusted in case of borrowings at costs that are directly attributed to transaction expenses.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at initial recognition as liabilities at fair value through profit or loss.

**Loans and borrowings**

Borrowings initially recognized at fair value less transaction costs, are subsequently recorded at amortized cost; any difference between amount of received resources and sum to repayment is recorded as interest cost at effective interest rate method during the period, when borrowings were received.

Borrowings are classified as current liabilities except the cases, when Group has vested right reschedule liability payments at least for 12 months since the reporting date.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

**Revenue recognition**

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at fair value of consideration amount received or receivable for the sale of goods and services in the ordinary course of the Group's business activities. Revenue is recorded excluding taxes and duties on sales, discounts and intercompany transactions.

i) Sales of goods

The Group manufactures and sells a range of products stated in Note 1. Revenue from sales of goods are recognized when a Group entity has delivered products to the purchaser and there is no unfulfilled obligation that could affect the purchaser's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the purchaser, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.



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ii) **Rendering of services**

Revenue from rendering services is recognized on the basis of the stage of work completion under each contract. When financial result can be measured reliably, revenue is recognized only to the extent of the amount of incurred charges, which can be recovered.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment income resulting from temporary investment of received borrowing costs, until their expensing for the purchase of capital construction objects, shall be deducted from the cost of raising borrowing costs that may be capitalized.

**Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of a cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

**Contingent assets and liabilities**

Contingent liabilities are not recognized in the financial statements. The Group discloses information about contingent liabilities in the Notes to financial statements, except in cases where fulfillment of contingent liabilities is unlikely; because of the remoteness of the event (possible repayment period is more than 12 months).

The Group constantly analyzes contingent liabilities to determine the possibility of their repayment. If the repayment of a liability, which was previously characterized as contingent, becomes probable, the Group records the provision for the period in which repayment of the obligation has become probable.

Contingent assets are not recognized in the financial statements, but disclosed in the Notes where there is a reasonable possibility of future economic benefits.

**4. Critical accounting estimates and judgments**

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the special purpose pro-forma consolidated statement of comprehensive income:

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**Value of property, plant and equipment**

The Group engaged an independent appraiser to determine the fair value of property, plant and equipment as at 31 December 2010. In respect of portion of property, plant and equipment, the cost plus method was used due to lack of comparable market data, because of the nature of real estate. The cost plus method is adjusted by the income method data, which is based on the discounted cash flow model. This model is most sensitive to the discount rate, as well as to the expected cash flows and growth rates used for the extrapolation purposes. Judgments of the Group in determining the indices used in the appraisers' calculations may have a significant effect on the determination of fair value of property, plant and equipment, and hence on their carrying amount.

In accordance with IAS 16, the Group carries out revaluations on a regular basis and conducts a full valuation exercise if there is an indication of impairment. An impairment review was conducted at the balance sheet date. To test property, plant and equipment for impairment, the Group's business is treated as a single cash generating unit. The recoverable amount of the cash-generating unit was determined on the basis of value-in use. The amount of value in use for the cash generating unit was determined on the basis of the most recent budget estimates prepared by management and application of the income approach of valuation. Under the income approach, the discounted cash flow method has been applied with discount rate of 17,2 %. No impairment was detected following the results of impairment test.

**Useful lives of property, plant and equipment**

Items of property, plant and equipment owned by the Group are depreciated using the straight-line method over their useful lives, which are calculated in accordance with business plans and operating calculations of the Group's management with respect to those assets.

The estimated useful life and residual value of non-current assets are influenced by the rate of exploitation of assets, servicing technologies, changes in legislation, unforeseen operational circumstances. The Group's management periodically reviews the applicable useful lives. This analysis is based on the current technical condition of assets and the expected period in which they will generate economic benefits to the Group.

Any of the above factors may affect the future rates of depreciation, as well as carrying and residual value of property, plant and equipment.

**Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**Value of biological assets**

The Group classifies crop-bearing fields and livestock as biological assets. Biological assets are carried at their fair value less estimated costs to sell, except for the case where the fair value cannot be measured reliably. Change of biological assets is recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets.

**Livestock**

Livestock held for regeneration of livestock population and animals raised for milk production. The fair value of live stock is determined based on market prices of livestock of similar age, breed and genetic merit.

**Crop-bearing fields**

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets.

**Inventories**

As at the reporting date the Group assesses the need to reduce the carrying amount of inventories to their net realizable value. The measurement of impairment is based on the analysis of market prices for similar inventories existing at the reporting date and published in official sources. Such assessments can have a significant impact on the carrying amount of inventories.

Besides, at each balance sheet date, the Group assesses inventories for surplus and obsolescence and determines the allowance for obsolete and slow moving inventories. Changes in assessment can influence the amount of required allowance for obsolete and slow moving inventories either positively or negatively.

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**Trade and other accounts receivable**

Accounts receivable are recorded in the financial statements at net realizable value, less allowance for doubtful debts. Allowance for doubtful debts is calculated on the basis of the assessment of possible losses in existing balances of accounts receivable. In forming the allowance, management takes into account many factors, including general economic conditions, specifics of industry and history of customer servicing. Uncertainties associated with changes in financial position of customers, both positive and negative, can also affect the amount and timing of allowance for doubtful debts.

**Taxation**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Since 01 January 2011 a new Tax Code of Ukraine has been adopted. Tax Code regulates relationships evolving in process of adoption, altering and cancellation of taxes and charges in Ukraine; it specifies full list of taxes and charges collected in Ukraine, administration procedure for taxes, payers of taxes and charges, their rights and obligations, power of controlling authorities, credentials and responsibilities of their officials in the exercise of tax control, and also liability for the infringement of tax law.

Adoption of the Tax Code changes taxation system in Ukraine entirely. Quantity of taxes decreases almost twofold. Gradual decrease of base rates for all fiscal charges is stipulated within several years. Additional rate for tax on income of physical persons is adopted. Regulations settling procedure of taxation covered by the Tax Code are cancelled. These changes substantially increase risks of incorrect interpretation of adopted Tax Code. As a result of future tax inspections additional liabilities may be revealed, which will not comply with tax statements of the Company. Such liabilities may comprise taxes themselves, and also fines and penalties, and their amounts may be material.

**Impairment of assets**

The carrying amount of the Group's assets is reviewed for evidence of impairment of such assets. If any events or changes in circumstances indicate that the current value of the assets may not be recoverable, the Group estimates the recoverable amount of assets. Such estimate results in a number of judgments in respect of long-range forecast of future revenue and expenses associated with the assets. In turn, these forecasts are uncertain, since they are based on assumptions about the product demand level and future market conditions. Subsequent and unforeseen changes in such assumptions and estimates used in testing for impairment may lead to the result different from the one presented in the condensed consolidated interim financial statements.

**Legal proceedings**

The Group's management makes significant assumptions in estimation and reflection of inventories and risk of exposure to contingent liabilities related to current legal proceedings and other unliquidated claims, as well as other contingent liabilities. Management's judgments are required in assessing the possibility of a secured claim against the Group or material obligations, as well as in determining probable amounts of final payment or obligations. Due to the uncertainties inherent in the evaluation process, actual expenses may differ from the initial calculations. These preliminary estimates are subject to changes as new information becomes available from the Group's internal specialists, if any, or from third parties, such as lawyers. Revisions of such estimates may have a significant impact on future operating results.

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**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

IAS 24 Related Party Disclosures (amendment) effective 1 January 2011

IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010

IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011

Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

**IAS 24 Related Party Transactions (Amendment)**

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

**IAS 32 Financial Instruments: Presentation (Amendment)**

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

**Improvements to IFRSs**

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

IAS 34 Interim Financial Statements: Greater emphasis has been placed on the disclosure principles in IAS 34 involving significant events and transactions, including changes to fair value measurements, and the need to update relevant information from the most recent annual report.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

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IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)

IAS 27 Consolidated and Separate Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011

IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

**Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes - Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12 IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing

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involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

**IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

**IFRS 10 Condensed consolidated interim financial statements**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for condensed consolidated interim financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

**IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary

Contributions by Venturers.

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

**IFRS 12 Disclosure of Involvement with Other Entities**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to condensed consolidated interim financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

**IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.



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**5 Business combination**

**Acquisition of Ukragrosouz KSM, Ltd**

On March, 29, 2012 Unigrain Holding Limited acquired 100% of the voiting shares in the company Ukragrosouz KSM, Ltd.

Ukragrosouz KSM, Ltd is located in Ukraine, Poltava region. The subsidiary owns the books of lease contracts for 4 447 hectares of land under processing.

The fair value of identifiable assets and liabilities of Ukragrosouz KSM, Ltd at the acquisition date and corresponding carring amounts directly before the acquisition were as follows:

	<b>Fair value at the date of acquisition</b>	<b>Balance value at the date of acquisition</b>
<b>Non-current assets</b>		
Property, plant and equipment	2 822	1 402
Non-current biological assets	19	19
Intangible assets	1 279	0
Other non-current assets	14	0
<b>Current assets</b>		
Inventories	703	877
Current biological assets	399	1
Trade accounts receivable, net	2	2
Prepayments and other current assets, net	205	251
Cash and cash equivalents	87	87
<b>Non-current liabilities</b>		
Long-term loans and borrowings	(2 299)	(2 299)
<b>Current liabilities</b>		
Trade accounts payable	(175)	(175)
Other current liabilities and accrued expenses	(61)	(64)
	<b>2 995</b>	<b>101</b>
<b>Net assets</b>		
Non-controlling interests	-	
Owners of the company	<b>2 995</b>	
Cost of acquisition	2 995	
<b>Excess of the Group's share in the fair value of the net assets acquired over the cost of acquisition</b>	-	

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**6 Revenue**

for the 3-month period ended 31 March	Notes	2012 (unaudited)	2011 (unaudited)
Revenue from sales of finished products	a)	18 024	7 870
Revenue from services rendered	b)	307	274
<b>Total revenue</b>		<b>18 331</b>	<b>8 144</b>

a) Revenue from sales of finished products the 3-month period ended 31 March was as follows:

	2012 (unaudited)	2011 (unaudited)
Corn	8 357	4 972
Cattle	410	212
Milk	1 736	1 213
Wheat	9	234
Sunflower	5 549	96
Other	1 963	1 143
	<b>18 024</b>	<b>7 870</b>

b) Revenue from services rendered for the 3-month period ended 31 March was as follows:

	2012 (unaudited)	2011 (unaudited)
Storage	227	177
Processing	50	81
Transport	5	1
Other	25	15
	<b>307</b>	<b>274</b>

**7 Income / (loss) from changes in fair value of biological assets and agricultural produce, net**

for the 3-month period ended 31 March	Notes	2012 (unaudited)	2011 (unaudited)
Non-current biological assets	20	-	-
Current biological assets	24	1 684	1 676
Agricultural produce	24	-	-
		<b>1 684</b>	<b>1 676</b>



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**8 Cost of sales**

Revenue from sales of finished products was as follows:

for the 3-month period ended 31 March	Notes	2012 (unaudited)	2011 (unaudited)
Raw materials		(793)	(1 936)
Change in inventories and work-in-progress		(12 231)	(3 246)
Wages and salaries of operational personnel and related charges	15	(1 475)	(787)
Depreciation and amortisation	14	(1 398)	(1 002)
Third parties' services		(548)	(634)
Fuel and energy supply		(763)	(549)
Rent		(650)	(252)
Repairs and maintenance		(70)	(206)
Taxes and other statutory charges		(77)	(11)
Other expenses		(5)	(3)
<b>Total cost of sales</b>		<b>(18 010)</b>	<b>(8 625)</b>

a) Change in inventories and work-in-progress comprises changes in work-in-progress, agricultural produce and current biological assets. Book values of agricultural produce and biological assets as at the end of the reporting periods comprise fair value component stemming from revaluation conducted for the purposes of initial recognition of agricultural produce and biological assets at fair value.

**9 Administrative expenses**

for the 3-month period ended 31 March	Notes	2012 (unaudited)	2011 (unaudited)
Wages and salaries of administrative personnel and related charges	15	(525)	(364)
Third parties' services		(69)	(34)
Repairs and maintenance		(34)	(17)
Depreciation and amortisation	14	(46)	(32)
Bank services		(55)	(28)
Professional services		(201)	(32)
Transport expenses		(79)	(43)
Taxes, except for the income tax		-	-
Other expenses		(50)	(64)
<b>Total administrative expenses</b>		<b>(1 059)</b>	<b>(614)</b>

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**10 Selling and distribution expenses**

for the 3-month period ended 31 March	Notes	2012 (unaudited)	2011 (unaudited)
Wages and salaries of sales personnel and related charges	15	(31)	(22)
Depreciation	14	(20)	(22)
Delivery costs		(298)	(52)
Other expenses		(24)	(53)
<b>Total selling and distribution expenses</b>		<b>(373)</b>	<b>(149)</b>

**11 Other operating income**

for the 3-month period ended 31 March	Notes	2012 (unaudited)	2011 (unaudited)
Government grants and subsidies recognised as income	a)	143	-
Income from subsidized VAT	b)	153	349
Gain on disposal of inventories		1	1
Other		161	24
<b>Total other operating income</b>		<b>458</b>	<b>374</b>

a) Government grants and subsidies recognised as income were as follows:

for the 3-month period ended 31 March	2012 (unaudited)	2011 (unaudited)
Grant for grown and sold milk	143	-
	143	-

b) Income from subsidized VAT is brought about by provision of Law of Ukraine "On Value Added Tax". Under these amendments valid from 01 January 2009 the companies, whose total income from supplying their own goods (services) of agricultural purpose for the previous year is not less than 75%, have a right to use the input VAT from the sale of agricultural products (services) for the purposes of compensation of VAT amount paid to suppliers of production factors or for other manufacturing purposes. In this regard, the VAT debit balance on agricultural transactions, as previously, aims to support agriculture (starting from 01 January 2009 without transfer to special purpose account, starting from 01 January 2011 with transfer to special purpose account), and VAT credit balance is to be included in expenses.

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**12 Income from the exchange of property certificates**

for the 3-month period ended 31 March	2012  (unaudited)	2011  (unaudited)
Income from the exchange of property certificates	94	91

Income from the acquisition of property certificates represents the difference between the nominal value of the certificate and the cost of purchasing a certificate from individuals on the property certificate of collective farms.

**13 Other operating expenses**

for the 3-month period ended 31 March	Notes	2012  (unaudited)	2011  (unaudited)
Write-offs of VAT		(2)	-
Shortages and losses due to impairment of inventories		(23)	(40)
Allowance for doubtful accounts receivable	27	-	-
Fines and penalties		(2)	(1)
Lost crops		(9)	-
Depreciation	14	(70)	(89)
Wages and salaries of non-operating personnel and related charges	15	(8)	(7)
Loss on disposal of other property, plant and equipment		(5)	(37)
Loss on disposal of VAT bonds		-	-
Other		(64)	(43)
<b>Total other operating expenses</b>		<b>(183)</b>	<b>(217)</b>

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**14 Depreciation and amortisation**

for the 3-month period ended 31 March	Notes	2012 (unaudited)	2011 (unaudited)
<b>Depreciation</b>			
Cost of sales	8	(1 265)	(1 002)
Administrative expenses	9	(45)	(32)
Selling and distribution expenses	10	(20)	(22)
Depreciation of non-operating property, plant and equipment	13	(70)	(89)
Depreciation as a part of item "Lost crops"	13	-	-
		<b>(1 400)</b>	<b>(1 145)</b>
<b>Amortisation</b>			
Cost of sales	8	(133)	-
Administrative expenses	9	(1)	(1)
		<b>(134)</b>	<b>(1)</b>
<b>Total depreciation and amortisation</b>		<b>(1 534)</b>	<b>(1 146)</b>

**15 Wages and salaries expenses**

for the 3-month period ended 31 March	Notes	2012 (unaudited)	2011 (unaudited)
Wages and salaries		(1 504)	(808)
Related charges		(556)	(372)
		<b>(2 060)</b>	<b>(1 180)</b>
The average number of employees, persons		1 809	1 370
Remuneration of management:		130	130
Wages and salaries of operating personnel and related charges	8	(1 475)	(787)
Wages and salaries of administrative personnel and related charges	9	(525)	(364)
Wages and salaries of sales personnel and related charges	10	(31)	(22)
Wages and salaries of non-operating personnel and related charges	13	(8)	(7)
Wages and salaries as a part of article "Lost crops" and related charges	13	-	-
Wages and salaries as a part of article "Construction in progress" and related charges	18	(21)	-
		<b>(2 060)</b>	<b>(1 180)</b>

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**16 Financial (expense) / income, net**

for the 3-month period ended 31 March	2012	2011
	(unaudited)	(unaudited)
Interest income on bank deposits	71	13
Income from sale of currency	59	5
Loss from sale of currency	-	-
Loss from exchange differences	(5)	(32)
Interest expenses on loans and borrowings	(553)	(352)
<b>Total financial (expense) / income, net</b>	<b>(428)</b>	<b>(366)</b>

**17 Income tax (expense) / income**

for the 3-month period ended 31 March	2012	2011
	(unaudited)	(unaudited)
<b>Consolidated income statement</b>		
Current income tax	(16)	-
Deferred tax	32	(55)
<b>Income tax expense reported in the income statement</b>	<b>16</b>	<b>(55)</b>
<b>Consolidated statement of other comprehensive income</b>		
Deferred tax related to items charged or credit directly to other comprehensive income during year:	-	-
Net gain on revaluation of property plant and equipment	95	41

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**17 Income tax (expense) / income (continued)**

A reconciliation between tax expenses and the product of accounting multiplied by Ukrainian domestic tax rate for the 3-month periods ended 31 March 2012 and 2011 is as follows:

Accounting profit before tax from continuing operations	61	158
Accounting profit before tax from continuing operations of companies, non-payers of income tax	524	842
Loss before tax from continuing operations of companies, payers of income tax	(463)	(684)
Income tax rate of 23% (2010:25%)	(97)	(157)
Effect due to the change in tax rate	(397)	107
Allowances for unrecognized tax assets	439	-
Permanent difference	39	105
<b>Income tax (benefit)/expense reported in the income statement</b>	<b>(16)</b>	<b>55</b>

<b>Reconciliation of deferred tax liabilities, net</b>	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Opening balance as of 1 January</b>	<b>(3 001)</b>	<b>(3 119)</b>
Tax income /(expenses) during the period recognized in profit or loss	32	(155)
Tax income /(expenses) during the period recognized in other comprehensive income	41	95
Deferred taxes acquired in business combinations		
Effect of foreign currency translation	(2)	-
<b>Closing balance as at 31 March</b>	<b>(2 930)</b>	<b>(3 179)</b>

Since 01 January 2011 a new Tax Code of Ukraine has been adopted. Under new Tax Code, income tax rate in the subsequent periods will be decreased annually from 25% to 16%. For the purposes of calculation of deferred tax stemming from long-term items rates were applied in compliance with new rates specified in Tax Code.

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**18 Property, plant and equipment**

for the 3-month period ended 31 March	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
<b>Initial costs</b>						
<b>31 December 2010</b>	<b>39 042</b>	<b>17 418</b>	<b>6 592</b>	<b>1 022</b>	<b>1 006</b>	<b>65 080</b>
Additions	31	918	23	6	-	979
Additions from acquisition of subsidiaries	-	-	-	-	-	-
Disposals	(168)	(91)	(38)	-	(130)	(428)
Additions from revaluation	-	-	-	-	-	-
Reduction from revaluation decrease	-	-	-	-	-	-
Effect from translation into presentation currency	9	2	1	-	-	13
<b>31 March 2011</b>	<b>38 914</b>	<b>18 247</b>	<b>6 579</b>	<b>1 028</b>	<b>876</b>	<b>65 644</b>
<b>31 December 2011</b>	<b>44 345</b>	<b>21 857</b>	<b>8 250</b>	<b>1 133</b>	<b>1 087</b>	<b>76 672</b>
Additions	112	1 018	818	50	150	2 148
Additions from acquisition of subsidiaries	1 598	779	420	14	11	2 822
Disposals	(269)	(337)	(78)	(10)	-	(694)
Transfer	55	27	-	-	(83)	(1)
Effect from translation into presentation currency	-	9	5	2	2	35
<b>31 March 2012</b>	<b>45 858</b>	<b>23 353</b>	<b>9 415</b>	<b>1 189</b>	<b>1 167</b>	<b>80 982</b>

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**18 Property, plant and equipment (continued)**

for the 3-month period ended 31 March	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
<b>Accumulated depreciation</b>						
<b>31 December 2010</b>	<b>(3 189)</b>	<b>(5 049)</b>	<b>(2 037)</b>	<b>(780)</b>	<b>-</b>	<b>(11 055)</b>
Depreciation for the period	(335)	(560)	(200)	(50)	-	(1 145)
Additions from acquisition of subsidiaries	-	-	-	-	-	-
Disposals	16	42	14	-	-	72
Additions from revaluation	-	-	-	-	-	-
Reduction from revaluation decrease	-	-	-	-	-	-
Effect from translation into presentation currency	-	-	-	-	-	-
<b>31 March 2011</b>	<b>(3 508)</b>	<b>(5 567)</b>	<b>(2 223)</b>	<b>(830)</b>	<b>-</b>	<b>(12 128)</b>
<b>31 December 2011</b>	<b>(4 569)</b>	<b>(6 792)</b>	<b>(2 734)</b>	<b>(970)</b>	<b>-</b>	<b>(15 065)</b>
Depreciation for the period	(455)	(626)	(229)	(90)	-	(1 400)
Additions from acquisition of subsidiaries	-	-	-	(2)	-	(2)
Disposals	30	167	44	8	-	249
Effect from translation into presentation currency	(2)	(3)	(1)	-	-	(6)
<b>31 March 2012</b>	<b>(4 996)</b>	<b>(7 254)</b>	<b>(2 920)</b>	<b>(1 054)</b>	<b>-</b>	<b>(16 224)</b>
<b>Net book value</b>						
<b>As at 31 March 2011</b>	<b>35 405</b>	<b>12 681</b>	<b>4 355</b>	<b>198</b>	<b>876</b>	<b>53 516</b>
<b>As at 31 March 2012</b>	<b>40 862</b>	<b>16 099</b>	<b>6 495</b>	<b>135</b>	<b>1 167</b>	<b>64 758</b>

The fair value of property, plant and equipment of all the Group's companies has been measured as at 31 December 2010 by an independent appraiser FDI "Bureau Veritas Ukraine" (ODS Certificate No.7100/08 as of 26 May 2008 issued by State Property Fund of Ukraine). While acquisition of the subsidiaries, values of property, plant and equipment in acquired companies were adjusted to their fair value as at the date of consolidation. The fair value as at the date of consolidation were determined by an independent appraisers FDI "Bureau Veritas Ukraine" at 30 June 2011 and FDI "Veritex" at 31 December 2011.

The assessment was conducted in accordance with International Valuation Standards for property. The assessment procedure was carried out for all groups of property, plant and equipment. The fair value of certain items of property, plant and equipment was estimated on the basis of cost plus and comparative approaches.

The cost approach involves the definition of present value of costs of reconstruction or replacement of the assessment item with their further adjustment by the depreciation (impairment) amount. Based on the application of this approach, the fair value of certain items of property, plant and equipment was determined in the amount of the replacement of these items. The comparative approach is based on an analysis of sales prices and offers of similar items of property, plant and equipment, taking into account the appropriate adjustments for differences between the objects of comparison and assessment item. Based on the application of this approach, the fair value of property, plant and equipment was determined on the basis of their market value.



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**19 Intangible assets**

for the 3-month period ended 31 March	Computer software	Property certificates	Land lease rights	Total
<b>Initial costs</b>				
<b>31 December 2010</b>	<b>31</b>	<b>298</b>	<b>-</b>	<b>329</b>
Additions	-	134	-	134
Disposals	-	(19)	-	(19)
Effect from translation into presentation currency	-	-	-	-
<b>31 March 2011</b>	<b>31</b>	<b>413</b>	<b>-</b>	<b>444</b>
<b>31 December 2011</b>	<b>32</b>	<b>618</b>	<b>2 842</b>	<b>3 492</b>
Additions	-	117	-	117
Additions from acquisition of subsidiaries	-	0	1 279	1 279
Disposals	-	(82)	-	(82)
Effect from translation into presentation currency	-	1	1	2
<b>31 March 2012</b>	<b>32</b>	<b>654</b>	<b>4 122</b>	<b>4 808</b>
<b>Accumulated amortisation</b>				
<b>31 December 2010</b>	<b>(15)</b>	<b>(8)</b>	<b>-</b>	<b>(23)</b>
Amortisation for the period	(1)	-	-	(1)
Effect from translation into presentation currency	-	-	-	-
<b>31 March 2011</b>	<b>(16)</b>	<b>(8)</b>	<b>-</b>	<b>(24)</b>
<b>31 December 2011</b>	<b>(20)</b>	<b>(8)</b>	<b>(170)</b>	<b>(198)</b>
Amortisation for the period	(1)	-	(133)	(134)
Effect from translation into presentation currency	-	-	-	-
<b>31 March 2012</b>				<b>(332)</b>
<b>Net book value</b>				
<b>As at 31 March 2011</b>	<b>15</b>	<b>405</b>	<b>-</b>	<b>420</b>
<b>As at 31 March 2012</b>	<b>32</b>	<b>654</b>	<b>4 122</b>	<b>4 476</b>

Property certificates represent deeds supporting ownership right for property units of members of agricultural entity, which are intended for exchange by the Group companies on the property objects of this agricultural entity.

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**20 Non-current biological assets**

As at 31 March	2012 (unaudited)	2011 (unaudited)
<b>Non-current biological assets - animal-breeding</b>		
Cattle	9 415	4 741
Pigs	20	-
<b>Total non-current biological assets - animal-breeding</b>	<b>9 435</b>	<b>4 741</b>
<b>Non-current biological assets - plant-breeding</b>		
Perennial grasses	71	22
<b>Total non-current biological assets</b>	<b>9 506</b>	<b>4 763</b>

As at the reporting dates non-current biological assets of animal-breeding were presented as follows:

As at 31 March	2012 (unaudited)	2011 (unaudited)
<b>Cattle</b>		
Cattle, units	4 084	2 953
Live weight, kg	1 665 047	1 225 391
Book value	<b>9 415</b>	<b>4 741</b>
<b>Pigs</b>		
Pigs, units	42	-
Live weight, kg	6 340	-
Book value	<b>20</b>	-

As at the reporting dates non-current biological assets of plant-breeding were presented as follows:

<b>Perennial grasses</b>		
Area, ha	1 727	289
Book value	71	22

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**20 Non-current biological assets (continued)**

Following changes took place in the non-current biological assets of animal-breeding for the 3-month period ended 31 March 2011, 2012:

	<b>Cattle</b>	<b>Pigs</b>	<b>Total</b>
<b>31 December 2010</b>	<b>4 607</b>	<b>-</b>	<b>4 607</b>
Acquisition for the period	-	-	-
Capitalized expenses	-	-	-
Transfer (from (to) current biological assets)	131	-	131
Change in fair value	-	-	-
Effect from translation into presentation currency	3	-	3
<b>31 March 2011</b>	<b>4 741</b>	<b>-</b>	<b>4 741</b>
<b>31 December 2011</b>	<b>8 920</b>	<b>24</b>	<b>8 944</b>
Acquisition for the period	25	-	25
Capitalized expenses	-	2	2
Transfer (from (to) current biological assets)	467	(6)	461
Change in fair value	-	-	-
Effect from translation into presentation currency	3	-	3
<b>31 March 2012</b>	<b>9 415</b>	<b>20</b>	<b>9 435</b>
	<b>Perennial grasses</b>		
<b>31 December 2010</b>	<b>50</b>		
Capitalized expenses	(28)		
Harvesting	-		
Effect from translation into presentation currency	-		
<b>31 March 2011</b>	<b>22</b>		
<b>31 December 2011</b>	<b>86</b>		
Capitalized expenses	(34)		
Additions from acquisition of subsidiaries	19		
Harvesting	-		
Effect from translation into presentation currency	-		
<b>31 March 2012</b>	<b>71</b>		

Due to the absence of an active market for cattle in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets. As a discount rate, the rate of 22,92% prevailing as at 31 March 2012 was applied for cattle.

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**21 Deferred tax assets and liabilities**

Deferred tax assets	Tax losses	Allowances for recognized tax assets	Prepayments and accounts receivable	Provisions	Other	Total
<b>31 December 2010</b>	-	-	121	82	-	203
Considering profit / (loss)	-	-	(81)	(82)	-	(163)
Effect from translation into presentation currency	-	-	-	-	-	-
<b>31 March 2011</b>	-	-	40	-	-	40
<b>31 December 2011</b>	439	(439)	42	78	-	120
Considering profit / (loss)	-	-	-	-	-	-
Effect from translation into presentation currency	-	-	-	-	-	-
<b>31 March 2012</b>	439	(439)	42	78	-	120

Deferred tax liabilities	Property, plant and equipment	Inventories	Prepayments and accounts payable	Other	Total
<b>31 December 2010</b>	(3 308)	(3)	(10)	(1)	(3 322)
Considering profit / (loss)	-	3	5	-	8
Considering equity	95	-	-	-	95
Effect of foreign currency translation	-	-	-	-	-
<b>31 March 2011</b>	(3 213)	-	(5)	(1)	(3 219)
<b>31 December 2011</b>	(3 120)	-	(1)	-	(3 121)
Considering profit / (loss)	32	-	-	-	32
Considering equity	41	-	-	-	41
Acquisition of subsidiaries	-	-	-	-	-
Effect from translation into present currency	(2)	-	-	-	(2)
<b>31 March 2012</b>	(3 049)	-	(1)	-	(3 050)

**22 Other non-current assets**

As at 31 March	2012 (unaudited)	2011 (unaudited)
Prepayments for property, plant and equipment	4 091	30
Other non-current assets	-	10
<b>Total other non-current assets</b>	<b>4 091</b>	<b>40</b>

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**23 Inventories**

<b>As at 31 March</b>	<b>Notes</b>	<b>2012 (unaudited)</b>	<b>2011 (unaudited)</b>
Work-in-progress	a)	6 464	3 492
Agricultural produce	b)	17 580	3 528
Agricultural materials		7 221	3 888
Raw materials		2 185	168
Spare parts		941	602
Fuel		482	493
Other inventories		362	76
<b>Total inventories</b>		<b>35 235</b>	<b>12 247</b>

a) Work-in-progress includes expenses on works connected with preparation of the lands for the future harvest obtained from the biological assets of plant growing.

b) As at the reporting dates agricultural produce was presented as follows:

<b>As at 31 March</b>	<b>2012 (unaudited)</b>	<b>2011 (unaudited)</b>
Corn	9 356	1 380
Wheat	5 418	25
Sunflower	43	16
Lupin	843	429
Hay	108	95
Silage	366	351
Soya	404	727
Potatoes	626	363
Other	416	142
<b>Total agricultural produce</b>	<b>17 580</b>	<b>3 528</b>

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**24 Current biological assets**

As at 31 March	2012 (unaudited)	2011 (unaudited)
<b>Current biological assets of animal-breeding</b>		
Cattle	6 372	3 015
Pigs	11	-
Other	43	21
<b>Total current biological assets of animal-breeding</b>	<b>6 426</b>	<b>3 036</b>
<b>Current biological assets of plant-breeding</b>		
Wheat	4 999	4 753
Rye	1 025	130
Grasses	263	418
Other	76	382
<b>Total current biological assets of plant-breeding</b>	<b>6 363</b>	<b>5 683</b>
<b>Total current biological assets</b>	<b>12 789</b>	<b>8 719</b>

As at the reporting dates current biological assets of animal-breeding were presented as follows:

<b>Cattle</b>		
Cattle, units	3 571	2 447
Live weight, kg	879 509	611 356
Book value	6 372	3 015
<b>Pigs</b>		
Pigs, units	93	-
Live weight, kg	5 191	-
Book value	11	-
<b>Other</b>		
Number of animals, units	74	70
Live weight, kg	27 672	13 903
Book value	43	21
<b>Total book value</b>	<b>6 426</b>	<b>3 036</b>

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**24 Current biological assets (continued)**

As at the reporting dates current biological assets of plant-breeding were presented as follows:

<b>Wheat</b>		
Area, ha	6 297	7 063
Book value	4 999	4 753
<b>Rye</b>		
Area, ha	1 806	333
Book value	1 025	130
<b>Grasses</b>		
Area, ha	1 706	2 190
Book value	263	418
<b>Other</b>		
Area, ha	207	698
Book value	76	382
<b>Total book value</b>	<b>6 363</b>	<b>5 683</b>

Following changes took place in the current biological assets of animal-breeding for the 3-month periods ended 31 March 2012, 2011:

	<b>Cattle</b>	<b>Pigs</b>	<b>Other</b>	<b>Total</b>
<b>31 December 2010</b>	<b>3 082</b>	<b>-</b>	<b>21</b>	<b>3 103</b>
Capitalized expenses	595	-	-	595
Transfer (from (to) non-current biological assets)	(131)	-	-	(131)
Sale	(521)	-	-	(521)
Slaughter	(12)	-	-	(12)
Change in fair value	-	-	-	-
Effect from translation into presentation currency	2	-	-	2
<b>31 March 2011</b>	<b>3 015</b>	<b>-</b>	<b>21</b>	<b>3 036</b>
<b>31 December 2011</b>	<b>6 893</b>	<b>8</b>	<b>43</b>	<b>6 944</b>
Additions	2	-	1	3
Capitalized expenses	924	8	-	932
Transfer (from (to) non-current biological assets)	(467)	6	-	(461)
Sale	(1 218)	(12)	(1)	(1 231)
Slaughter	(34)	-	-	(34)
Change in fair value	268	-	-	268
Effect from translation into presentation currency	4	-	-	5
<b>31 March 2012</b>	<b>6 372</b>	<b>11</b>	<b>43</b>	<b>6 426</b>

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**24 Current biological assets (continued)**

Following changes took place in the current biological assets of plant-breeding for the 3-month periods ended 31 March 2012, 2011:

	Wheat	Rye	Grasses	Other	Total
<b>31 December 2010</b>	<b>2 445</b>	<b>54</b>	<b>187</b>	<b>311</b>	<b>2 997</b>
Capitalized expenses	733	13	230	32	1 008
Change in fair value	1 574	63	-	39	1 676
Effect from translation into presentation currency	1	-	1	-	2
<b>31 March 2011</b>	<b>4 753</b>	<b>130</b>	<b>418</b>	<b>382</b>	<b>5 683</b>
<b>31 December 2011</b>	<b>3 150</b>	<b>741</b>	<b>173</b>	<b>71</b>	<b>4 135</b>
Additions from acquisition of subsidiaries	396	-	2	-	398
Capitalized expenses	272	55	88	6	421
Harvest failure	-	(5)	-	(1)	(6)
Change in fair value	1 182	234	-	-	1 416
Effect from translation into presentation currency	(1)	-	-	-	(1)
<b>31 March 2012</b>	<b>4 999</b>	<b>1 025</b>	<b>263</b>	<b>76</b>	<b>6 363</b>

**25 Trade accounts receivable, net**

As at 31 March		2012 (unaudited)	2011 (unaudited)
	Notes		
Trade accounts receivable		2 762	1 190
Allowances for accounts receivable	27	(909)	(303)
<b>Trade accounts receivable, net</b>		<b>1 853</b>	<b>887</b>

Trade accounts receivable as at 31 March 2012 amounting to th USD 1 853 comprise th USD 554 according to the contract concluded with Antas-1, Ltd, th USD 188 according to the contract concluded with Molochnuy Soyuz-Agro Ltd.

Trade accounts receivable as at 31 March 2011 amounting to th USD 887 comprise th USD 188 according to the contract concluded with Molochnuy Soyuz-Agro Ltd.



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**26 Prepayments and other current assets, net**

As at 31 March		2012	2011
		(unaudited)	(unaudited)
Advances to suppliers		1 858	1 706
Allowances for advances to suppliers	27	(30)	(54)
VAT for reimbursement		4 449	2 930
Non-bank accommodations interest free short-term		415	125
Amounts due from shareholders		-	-
Other accounts receivable		560	264
Allowances for other accounts receivable	27	(22)	(21)
<b>Prepayments and other current assets, net</b>		<b>7 230</b>	<b>4 950</b>

**27 Changes in allowances made**

		2012	2011
	Notes	(unaudited)	(unaudited)
Allowances for trade accounts receivable	25	(909)	(303)
Allowances for advances to suppliers	26	(30)	(54)
Allowances for other accounts receivable	26	(22)	(21)
		<b>(961)</b>	<b>(378)</b>
<b>As at the beginning of the period</b>		<b>(821)</b>	<b>(378)</b>
Accrual	13		
Additions from acquisition of subsidiaries		(177)	-
Use of allowances		38	-
Effect from translation into presentation currency		(1)	-
<b>As at the end of the period</b>		<b>(961)</b>	<b>(378)</b>

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**28 Cash and cash equivalents**

	Currency	31 March 2012	31 March 2011
Cash in bank and hand	EUR	24	87
Cash in bank and hand	USD	4 236	-
Cash in bank and hand	UAH	6 156	899
<b>Total cash and cash equivalents</b>		<b>10 416</b>	<b>986</b>

**29 Share capital**

As at 31 March	2012		2011	
	%	Amount	%	Amount
AGROVALLEY LIMITED	68	38	100	46
Amplico Powszechne Towarzystwo Emerytalne S.A. (with subsidiaries)	5	3	-	-
Other shareholders (each one less than 5% of the share capital)	27	15	-	-
<b>Total share capital</b>	<b>100</b>	<b>56</b>	<b>100</b>	<b>46</b>

As at 31 March 2012 share capital of Industrial Milk Company SA is divided into 31 300 000 shares. Par value of one share is 0,0018 USD.

As at 31 March 2011 share capital of Industrial Milk Company SA is divided into 24 800 000 shares. Par value of one share is 0,0018 USD.

**Legal reserve.**

From the annual net profits of the parent company, 5% have to be allocated to the legal reserve. This allocation shall cease to be required as soon and as long as such surplus reserve amounts to 10% of the capital. This reserve may not be distributed to the share holders.

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**30 Long-term loans and borrowings**

As at 31 March	Currency	2012 (unaudited)	2011 (unaudited)
<b>Secured</b>			
Long-term bank loans	UAH	-	-
Long-term bank loans	USD	22 116	10 236
Finance lease liabilities	UAH	22	51
		<u>22 138</u>	<u>10 287</u>
<b>Unsecured</b>			
Long-term bank loans	USD	-	-
Long-term loans from related parties	UAH	1	4
		<u>1</u>	<u>4</u>
		<u>22 139</u>	<u>10 291</u>
Current portion of long-term loans and borrowings	UAH	-	-
Current portion of long-term loans and borrowings	USD	(4 450)	(2 030)
Current portion of finance lease liabilities	UAH	(22)	(34)
		<u>(4 472)</u>	<u>(2 064)</u>
<b>Total long-term loans</b>		<u>17 667</u>	<u>8 227</u>

**Amount of long-term loans and borrowings outstanding as at 31 March 2012 comprises following loans:**

— credit line amounting to th USD 9 590 received by Chernihiv Industrial Milk Company, Ltd. in USD according to the credit contract concluded with "PJSC Prominvestbank" with credit limit equaling to th USD 9 660. Annual interest rate – 1 Y Libor+10%. Maturity date is 29 April 2016. Obligations under credit contract are guaranteed by transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd., property rights of Burat-Agro, Ltd., corporate rights of Burat-Agro, Ltd.; financial warranty of Burat, Ltd., Burat-Agro, Ltd., PJSC Mlibor, Petrov A.L.

— credit line amounting to th USD 3 809 received by Burat-Agro, Ltd., Ltd in USD according to the credit contract concluded with "PJSC Prominvestbank" with credit limit equaling to th USD 4 285. Annual interest rate is 1 Y Libor+10%. Maturity date is 29 April 2016. Obligations under credit contract are guaranteed by transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd., property rights of Burat-Agro, Ltd., corporate rights of Burat-Agro, Ltd.; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., PJSC Mlibor, Petrov A.L.

— credit line amounting to th USD 2 000 received by Chernihiv Industrial Milk Company, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 2 000. Annual interest rate is 8,5%+Libor 3M. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd., property rights of Burat-Agro, Ltd., corporate rights of Burat-Agro, Ltd.; financial warranty of Burat, Ltd., Burat-Agro, Ltd., PJSC Mlibor, Petrov A.L.

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**30 Long-term loans and borrowings (continued)**

— credit line amounting to th USD 2 000 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 2 000. Annual interest rate is 8,5%+Libor 3M. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd., property rights of Burat-Agro, Ltd., corporate rights of Burat-Agro, Ltd.; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., PJSC Mlibor, Petrov A.L.

— credit amounting to th USD 1 091 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Credit Agricole Bank" with credit limit equaling to th USD 1 910 thousand. Annual interest rate is 8,75%. Maturity date is 01 March 2017. Obligations under the contract are guaranteed by property rights of of Burat-Agro Co, Ltd.

— credit amounting to th USD 2 787 received by Chernihiv Industrial Milk Company, Ltd. in USD according to the credit contract concluded with PJSC "Credit Agricole Bank" with credit limit equaling to th USD 4 070 thousand. Annual interest rate is 8,75%. Maturity date is 01 March 2017. Obligations under the contract are guaranteed by property rights of of Chernihiv Industrial Milk Company, Ltd.

— credit amounting to th USD 300 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Privatbank" with credit limit equaling to th USD 1 502. Annual interest rate is 11,5%. Maturity date is 15 February 2013. Obligations under credit contract are movable property of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 300.

— credit amounting to th USD 20 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Privatbank" with credit limit equaling to th USD 200. Annual interest rate is 11%. Maturity date is 15 June 2012. Obligations under the contract are guaranteed by movable property of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 20.

— credit amounting to th USD 518 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Credit Agricole Bank" with credit limit equaling to th USD 648 thousand. Annual interest rate is 9%. Maturity date is 01 March 2016. Obligations under the contract are guaranteed by movable property of Burat-Agro Co, Ltd. The current portion of long-term obligation equals to th USD 130.

**Amount of long-term loans and borrowings outstanding as at 31 March 2011 comprises following loans:**

— credit line amounting to th USD 5 783 received by Chernihiv Industrial Milk Company, Ltd. in USD according to the credit contract concluded with "PJSC Prominvestbank" with credit limit equaling to th USD 6 500. Annual interest rate - 12%. Maturity date is 29 November 2013. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, property rights of Chernihiv Industrial Milk Company, Ltd., shares of OJSC Poltava Kombilormoviy Zavod; financial warranty of Burat, Ltd., Burat-Agro, Ltd., PJSC Mlibor, Petrov A.L. Current portion of long-term loan equals to th USD 933.

— credit line amounting to th USD 3 785 received by Burat-Agro, Ltd., Ltd in USD according to the credit contract concluded with "PJSC Prominvestbank" with credit limit equaling to th USD 4 085. Annual interest rate is 12%. Maturity date is 29 November 2013. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, property rights of Burat-Agro, Ltd., shares of OJSC Poltava Kombilormoviy Zavod; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., PJSC Mlibor, Petrov A.L. Current portion of long-term loan equals to th USD 750.

— credit amounting to th USD 601 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with CJSC "Privatbank" with credit limit equaling to th USD 1 502. Annual interest rate is 11,5%. Maturity date is 15 February 2013. Obligations under credit contract are guaranteed by property rights of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 300.

— credit amounting to th USD 60 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with CJSC "Privatbank" with credit limit equaling to th USD 200. Annual interest rate is 11%. Maturity date is 15 June 2012. Obligations under the contract are guaranteed by property rights of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 40.

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**30 Long-term loans and borrowings (continued)**

— credit amounting to th USD 7 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with CJSC "Privatbank" in Poltava with credit limit equaling to th USD 51 thousand. Annual interest rate is 13,5%. Maturity date is 25 February 2011. Obligations under the contract are guaranteed by real estate of Burat-Agro Co, Ltd. The current portion of long-term obligation equals to th USD 7.

**Essential terms of credit contracts:**

	Currency	31 March 2012	Nominal interest rate	Effective interest rate
PJSC "Prominvestbank"	USD	9 591	1 Y Libor+10%	-
PJSC "Prominvestbank"	USD	3 809	1 Y Libor+10%	-
PJSC "Prominvestbank"	USD	2 000	3 M Libor+8,5%	-
PJSC "Prominvestbank"	USD	2 000	3 M Libor+8,5%	-
PJSC "Privatbank"	USD	300	11,50%	12,13%
PJSC "Privatbank"	USD	20	11,00%	11,57%
PJSC "Credit Agricole Bank"	USD	1 091	8,75%	9,11%
PJSC "Credit Agricole Bank"	USD	2 787	8,75%	9,11%
PJSC "Credit Agricole Bank"	USD	518	9,00%	9,38%
Long-term borrowings from related parties	UAH	1		
		<b>22 117</b>		
	Currency	31 March 2011	Nominal interest rate	Effective interest rate
PJSC "Privatbank"	USD	601	11,50%	12,13%
PJSC "Privatbank"	USD	60	11,00%	11,57%
PJSC "Prominvestbank"	USD	7	13,50%	14,37%
PJSC "Prominvestbank"	USD	5 783	12,00%	12,68%
PJSC "Prominvestbank"	USD	3 785	12,00%	12,68%
Long-term borrowings from related parties	UAH	4		
		<b>10 240</b>		

Long-term loans and borrowings outstanding as of 31 March 2012, 2011, were repayable as follows:

	31 March 2012	31 March 2011
Within 1 year	4 472	2 064
In the second to fifth year inclusive	17 667	8 227
Later than fifth year	-	-
	<b>22 139</b>	<b>10 291</b>

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**31 Short-term loans and borrowings**

As at 31 March	Currency	2012 (unaudited)	2011 (unaudited)
<b>Secured</b>			
Short-term bank loans	UAH	-	-
Short-term bank loans	USD	3 415	1 707
		<b>3 415</b>	<b>1 707</b>
<b>Unsecured</b>			
Short-term borrowings from related parties	UAH	8	25
Short-term borrowings from third parties	UAH	16	-
Short-term borrowings from related parties	USD	-	231
		<b>24</b>	<b>25</b>
<b>Total short-term borrowings</b>		<b>3 439</b>	<b>1 732</b>

**Amount of the largest short-term loans and borrowings outstanding as at 31 March 2012 comprises following loans:**

— credit line amounting to th USD 1 500 received by Chernihiv Industrial Milk Company, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 500. Annual interest rate is 8,5%+Libor 3M. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd., property rights of Burat-Agro, Ltd., corporate rights of Burat-Agro, Ltd.; financial warranty of Burat, Ltd., Burat-Agro, Ltd., PJSC, Petrov A.L.

— credit line amounting to th USD 1 915 received by Burat-Agro, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 915. Annual interest rate is 8,5%+Libor 3M. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd., property rights of Burat-Agro Ltd., corporate rights of Burat-Agro, Ltd.; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., PJSC Mlibor, Petrov A.L.

**Amount of the largest short-term loans and borrowings outstanding as at 31 March 2011 comprises following loans:**

— credit line amounting to th USD 642 received by Chernihiv Industrial Milk Company, Ltd. in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 500. Annual interest rate is 11%. Maturity date is 30 November 2013. Obligations under credit contract are guaranteed by goods, transport vehicles, equipment, property rights of Burat-Agro, Ltd., shares of Chernihiv Industrial Milk Company, Ltd.; financial warranty of Burat, Ltd., Burat-Agro, Ltd., PJSC Mlibor, Petrov A.L.

— credit line amounting to th USD 1 065 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 915. Annual interest rate is 11%. Maturity date is 30 November 2013. Obligations under credit contract are guaranteed by goods, transport vehicles, equipment, property rights of Burat-Agro, Ltd., shares of OJSC Poltava Kombilormoviy Zavod; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., PJSC Mlibor, Petrov A.L.

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**32 Other current liabilities and accrued expenses**

<b>As at 31 March</b>	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Advances from clients	7 558	255
Interest payable on bank loans	4	-
Interest payable on finance lease	-	3
Accounts payable for the lease of land and property rights	478	1 600
Accounts payable for property, plant and equipment	406	452
Taxes payable	57	25
Wages, salaries and related charges payable	472	313
Provisions for unused vacations	431	217
Provisions for auditor services	38	-
Accounts payable for investments	-	-
Other accounts payable	890	4
<b>Total other current liabilities and accrued expenses</b>	<b>10 334</b>	<b>2 869</b>

Accounts payable for property, plant and equipment amounting to th USD 406 as at 31 March 2012 comprise th USD 251 according to the contracts concluded with Landmaschinen Vertrieb Altenweddingen GmbH.

Advances from clients amounting to th USD 7 758 as at 31 March 2011 comprise th USD 7 359 according to the contracts concluded with Nibulon S.A.

Accounts payable for property, plant and equipment amounting to th USD 452 as at 31 March 2011 comprise th USD 313 according to the contracts concluded with Landmaschinen Vertrieb Altenweddingen GmbH.

**33 Related parties**

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

- a) Entities - related parties under common control with the Companies of the Group;

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**33 Related parties (continued)**

b) Entities- related parties, in equity of which Companies of the Group have an interest;  
The information on total amounts of transactions with related parties for the corresponding reporting periods is presented below:

<b>As at 31 March</b>	<b>Notes</b>	<b>2012</b>	<b>2011</b>
		<hr/>	<hr/>
<b>Trade accounts receivable, net</b>			
a) Entities - related parties under common control with the Companies of the Group;	25	317	320
b) Entities-related parties, in equity of which Companies of the Group have an interest;	25	14	14
		<hr/>	<hr/>
		<b>331</b>	<b>334</b>
		<hr/>	<hr/>
<b>Non-bank accommodations interest free short-term</b>			
a) Entities - related parties under common control with the Companies of the Group;	26	15	15
b) Entities-related parties, in equity of which Companies of the Group have an interest;	26	89	89
		<hr/>	<hr/>
		<b>104</b>	<b>104</b>
		<hr/>	<hr/>
<b>Other accounts receivable</b>			
a) Entities - related parties under common control with the Companies of the Group;	26	20	20
b) Entities-related parties, in equity of which Companies of the Group have an interest;	26	3	3
		<hr/>	<hr/>
		<b>23</b>	<b>23</b>
		<hr/>	<hr/>
<b>Long-term borrowings from related parties</b>			
a) Entities - related parties under common control with the Companies of the Group;	30	-	4
		<hr/>	<hr/>
		-	4
		<hr/>	<hr/>
<b>Trade accounts payable</b>			
a) Entities - related parties under common control with the Companies of the Group;		25	23
b) Entities-related parties, in equity of which Companies of the Group have an interest;		232	233
		<hr/>	<hr/>
		<b>257</b>	<b>256</b>
		<hr/>	<hr/>

During the reporting period the Group did not perform any related parties transactions made outside the market conditions (non market basis related parties transactions).



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**33 Related parties (continued)**

**Remuneration of key management personnel**

	<b>31 March 2012</b>	<b>31 March 2011</b>
Wages and salaries	96	96
Related charges	34	34
	<b>130</b>	<b>130</b>

The average number of employees, persons	7	7
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**34 Information on segments**

A business segment is a separable component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generate revenues other than risks and income of those components that are peculiar to other business segments.

For the purpose of management the Group is divided into the following business segments on the basis of produced goods and rendered services, and consists of the following 3 operating segments:

Farming division - a segment, which deals with cultivation and sale of such basic agricultural crops as corn and wheat.

Live-stock breeding - a segment which deals with breeding and sale of biological assets and agricultural products of live farming. Basic agricultural product of live farming for sale in this segment is milk.

Storage and processing- a segment which deals with processing of agricultural produce, and also with production of finished goods. Principal goods produced and sold within this segment are flour and fodder.

The Group carries out its economic and financial activity in Ukraine.

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**34 Information on segments (continued)**
**Information on business segments for the 3-month period ended 31 March 2012**

	Farming division	Live-stock breeding	Storage and processing	Adjustments	Total
Revenue	23 013	2 149	1 853	-	27 015
Intra-group elimination	(7 199)	(3)	(1 482)	-	(8 684)
<b>Revenue from external buyers</b>	<b>15 814</b>	<b>2 146</b>	<b>371</b>	<b>-</b>	<b>18 331</b>
Income from changes in fair value of biological assets and agricultural produce, net	1 416	268	-	-	1 684
Cost of sales	(15 428)	(2 291)	(291)	-	(18 010)
<b>Gross income</b>	<b>1 802</b>	<b>123</b>	<b>80</b>	<b>-</b>	<b>2 005</b>
Administrative expenses	-	-	-	(1 059)	(1 059)
Selling and distribution expenses	-	-	-	(373)	(373)
Other income	-	-	-	552	552
Other expenses	-	-	-	(619)	(619)
<b>Operating income of a segment</b>	<b>1 802</b>	<b>123</b>	<b>80</b>	<b>(1 499)</b>	<b>506</b>
Financial expenses	-	-	-	(428)	(428)
<b>Profit before tax</b>	<b>1 802</b>	<b>123</b>	<b>80</b>	<b>(1 927)</b>	<b>78</b>
Income tax	-	-	-	16	16
<b>Net profit</b>	<b>1 802</b>	<b>123</b>	<b>80</b>	<b>(1 911)</b>	<b>94</b>

**Information on business segments for the 3-month period ended 31 March 2011**

	Farming division	Live-stock breeding	Storage and processing	Adjustments	Total
Revenue	10 958	1 426	1 003	-	13 387
Intra-group elimination	(4 577)	-	(666)	-	(5 243)
<b>Revenue from external buyers</b>	<b>6 381</b>	<b>1 426</b>	<b>337</b>	<b>-</b>	<b>8 144</b>
Income from changes in fair value of biological assets and agricultural produce, net	1 676	-	-	-	1 676
Cost of sales	(6 336)	(1 527)	(762)	-	(8 625)
<b>Gross income</b>	<b>1 721</b>	<b>(101)</b>	<b>(425)</b>	<b>-</b>	<b>1 195</b>
Administrative expenses	-	-	-	(614)	(614)
Selling and distribution expenses	-	-	-	(149)	(149)
Other income	-	-	-	465	465
Other expenses	-	-	-	(373)	(373)
<b>Operating income of a segment</b>	<b>1 721</b>	<b>(101)</b>	<b>(425)</b>	<b>(671)</b>	<b>524</b>
Financial expenses	-	-	-	(366)	(366)
<b>Profit before tax</b>	<b>1 721</b>	<b>(101)</b>	<b>(425)</b>	<b>(1 037)</b>	<b>158</b>
Income tax	-	-	-	(55)	(55)
<b>Net profit</b>	<b>1 721</b>	<b>(101)</b>	<b>(425)</b>	<b>(1 092)</b>	<b>103</b>

**INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Financial Statements**

**NOTES TO THE CONDENCED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(in USD thousand, unless otherwise stated)

**35 Lease of land**

The Group leases land for agricultural purposes from private individuals. Lease payments are calculated on the basis of monetary valuation of the land considering the inflation factor. The average interest rate for lease of land of the Group is 2-5% and depends on validity of the contract.

Future minimum lease payments for operating leases of land of agricultural designation as at 31 December 2011 considering existing at that date the inflation factor are as follows:

	<b>As at 31.03.2012</b>
Within 1 year	5 030
In the second to fifth year inclusive	17 045
Later than fifth year	15 371
	<b>37 446</b>

Areas of operating leased land as at 31 March 2012, 2011 were as follows:

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>Hectare</b>	<b>Hectare</b>
Poltava region		
Land under processing	27 202	19 931
Land for grazing, construction, other	2 009	2 389
Sumy region		
Land under processing	10 080	-
Land for grazing, construction, other	113	-
Chernihiv region		
Land under processing	26 759	18 126
Land for grazing, construction, other	1 269	1 465
	<b>67 432</b>	<b>41 911</b>

**36 Events after the balance sheet date**

In April - May 2012 long-term loans were received in the amount of th USD 1 151.

In April - May 2012 the short-term loan was received in the amount of th USD 2 985.

There were no other essential subsequent events that should be disclosed in these condensed consolidated interim financial statements according to the standards or prevailing practice.