

Industrial Milk Company S.A. and its subsidiaries

Condensed Consolidated Interim Financial Statements For the nine months ended 30 September 2013

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



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### Statement of management responsibilities for preparation and approval of condensed consolidated interim financial statements for the nine months ended 30 September 2013

Management of the Group of companies "IMC S.A." (Group) is responsible for preparing the condensed consolidated interim financial statements which reflect in all material aspects the financial position of the Group as at 30 September 2013, as well as the results of its activities, cash flows and changes in equity for the nine months ended in accordance with International Financial Reporting Standards (IFRS).

In preparing condensed consolidated interim financial statements, the Group's Management is responsible for:

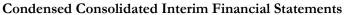
- selecting appropriate accounting policies and their consistent application;
- making reasonable measurement and calculation;
- following principles of IFRS or disclosing all considerable deviations from IFRS in the notes to condensed consolidated interim financial statements;
- preparing condensed consolidated interim financial statements of the Group on the going concern basis, except for the cases when such assumption is illegal.
- accounting and disclosing in the condensed consolidated interim financial statements all the relations and transactions between related parties;
- accounting and disclosing in the condensed consolidated interim financial statements all subsequent events that need to be adjusted or disclosed;
- disclosing all claims related to previous or potential legal proceedings;
- disclosing in the condensed consolidated interim financial statements all the loans or guarantees on behalf of the management.

The Group's Management is also responsible for:

- development, implementation and control over effective and reliable internal control system in the Group;
- keeping accounting records in compliance with the legislation and accounting standards of the respective country of the Group's registration;
- taking reasonable steps within its cognizance to safeguard the assets of the Group;
- detecting and preventing from fraud and other irregularities.

These condensed consolidated interim financial statements as at 30 September 2013 prepared in compliance with IFRS are approved on behalf of the Group's Management on 14 November 2013.

On behalf of the Management:	
Chief Executive Officer	ALEX LISSITSA
Chief Financial Officer	DMYTRO MARTYNIUK





### CONSOLIDATED MANAGEMENT REPORT

### Consolidated management report

- 1. Operational and Financial Results
- 2. Forecast Report
- 3. Selected Financial Data

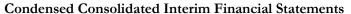
### 1. Operational and Financial Results

The following table sets forth the Company's results of operations for the 9-month period ended 30 September 2013 and 2012 derived from the Condensed Consolidated Interim Financial Statements:

(in thousand USD)

	For the nine months ended			
	Notes	30 September 2013	30 September 2012	Change in
CONTINUING OPERATIONS				
Revenue	5	72 473	54 292	33%
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	6	59 983	33 995	76%
Cost of sales	7	(79 084)	(55 365)	43%
GROSS PROFIT		53 372	32 922	62%
Administrative expenses	8	(5 010)	(3 413)	47%
Selling and distribution expenses	9	(2 343)	(1 485)	58%
Other operating income	10	3 222	1 470	119%
Income from the exchange of property certificates		-	130	-100%
Other operating expenses	11	(5 890)	(4 266)	38%
Write-offs of property, plant and equipment		(515)	(995)	-48%
OPERATING PROFIT		42 836	24 363	76%
Financial expenses, net	14	(8 129)	(3 761)	116%
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		34 707	20 602	68%
Income tax benefit (expenses)	15	(36)	7	-611%
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		34 671	20 609	68%
Normalised EBITDA		51 551	30 552	69%
Normalised EBIT		43 351	25 227	72%
Normalised Net profit	_	35 186	21 474	64%
Depreciation and amortization		(8 200)	(5 323)	54%
Income from the exchange of property certificates		-	130	-100%
Write-offs of property, plant and equipment		(515)	(995)	-48%

Normalisation adjustments to EBITDA, EBIT and Net profit exclude effects of non-recurring expenditure from operating segments such as income from the exchange of property certificates and write-offs of property, plant and equipment resulting from an isolated, non-recurring event.





### Revenue

The Company's revenue from sales of finished products increased year-on-year by 34% primarily as a consequence of the change in stock of agricultural produce: as of 31 December 2012 the stock of agricultural produce had a book value of USD 43,0 million, compared to USD 33,8 million on 31 December 2011 and due to the increase in volume of production and sales due to the acquisition of new companies. The following table sets forth the Company's sales revenue by products for the 9-month periods indicated:

(in thousand USD)

### For the nine months ended

	30 September 2013	30 September 2012	Change in %
Cattle	1 333	1 104	21%
Milk	7 166	4 853	48%
Corn	40 393	17 570	130%
Wheat	6 420	9 443	-32%
Sunflower	221	16 071	-99%
Soy beans	3 131	1 777	76%
Other	9 830	1 874	425%
	71 293	53 320	34%

The most significant portion of the Company's revenue comes from selling corn, which represented 57% and 33% of total revenue for the 9-month periods ended 30 September 2013 and 2012, respectively. The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

(in thousand USD)

	For the nine months ended		
	30 September 2013	30 September 2012	
Corn			
Sales of produced corn (in tonnes)	171 247	74 183	
Realization price (U.S. \$ per ton)	236	237	
Revenue from produced corn (U.S. \$ in thousands)	40 393	17 570	
Wheat			
Sales of produced wheat (in tonnes)	28 875	44 380	
Realization price (U.S. \$ per ton)	222	213	
Revenue from produced wheat (U.S. \$ in thousands)	6 420	9 443	
Rye			
Sales of produced rye (in tonnes)	1 013	3 741	
Realization price (U.S. \$ per ton)	154	168	
Revenue from produced rye (U.S. \$\sin \text{ in thousands})	156	627	
Soy beans			
Sales of produced soy beans (in tonnes)	7 180	4 267	
Realization price (U.S. \$ per ton)	436	416	
Revenue from produced soy beans (U.S. \$\sigma\$ in thousands)	3 131	1 777	
Sunflower			
Sales of produced sunflower (in tonnes)	453	34 904	
Realization price (U.S. \$ per ton)	487	460	
Revenue from produced sunflower (U.S. \$\\$ in thousands)	221	16 071	
Rape seed			
Sales of produced rape seed (in tonnes)	-	36	
Realization price (U.S. \$ per ton)	-	389	
Revenue from produced rape seed (U.S. \$\\$ in thousands)	-	14	
Lupin			
Sales of produced lupin (in tonnes)	69	1 962	
Realization price (U.S. \$ per ton)	314	226	
Revenue from produced lupin (U.S. \$ in thousands)	22	443	







Potatoes		
Sales of produced potatoes (in tonnes)	17 230	8 734
Realization price (U.S. \$ per ton)	162	72
Revenue from produced potatoes (U.S. \$\sin \text{ in thousands})	2 799	628
Other (produced only)		
Total sales volume (in tonnes)	17 640	1 538
Total revenues (U.S. \$\sin thousands)	9 652	790
Total sales volume (in tonnes)	243 707	173 745
Total revenue from sale of crops (U.S. \$\sigma\$ in thousands)	62 795	47 363

Revenue relating to sales of corn increased by 130% to USD 40,4 million for the 9-month period ended 30 September 2013 from USD 17,6 million for the 9-month period ended 30 September 2012, primarily due to an increase in sales volume.

Revenue relating to sales of sunflower decreased to USD 0,2 million for the 9-month period ended 30 September 2013 from USD 16,0 million for the 9-month period ended 30 September 2012 due to harvest of 2013 year remeined in the inventories as at the reporting date of 30 September 2013.

### Cost of sales

The Company's cost of sales increased by 43% to USD 79,1 million for the 9-month period ended 30 September 2013 from USD 55,4 million for the 9-month period ended 30 September 2012. The following table sets forth the principal components of the Company's cost of sales for the periods indicated:

(in thousand USD)

	For the nine months ended		
	30 September 2013	30 September 2012	Change in %
Raw materials	(55 462)	(21 211)	161%
Change in inventories and work-in-progress	10 600	(13 537)	-178%
Wages and salaries of operating personnel and related charges	(9 962)	(5 820)	71%
Depreciation and amortization	(7 348)	(4 628)	59%
Third parties' services	(4 349)	(2 141)	103%
Fuel and energy supply	(7 352)	(4 524)	63%
Rent	(4 194)	(2 991)	40%
Repairs and maintenance	(674)	(422)	60%
Taxes and other statutory charges	(327)	(68)	381%
Other expenses	(16)	(23)	-29%
	(79 084)	(55 365)	43%

The main items increased for the 9-month period ended 30 September 2013 from compared to the 9-month period ended 30 September 2012 due to an increase in arable land.

### Administrative expenses

Administrative expenses increased period-on-period by 47% to USD 5,0 million for the 9-month period ended 30 September 2013 from USD 3,4 million for the 9-month period ended 30 September 2012, reflecting an increase in the wages and salaries of administrative personnel period-on-period to USD 2,8 million from USD 1,7 million.

### Selling and distribution expenses

Selling and distribution expenses increased period-on-period by 58% to USD 2,3 million for the 9-month period ended 30 September 2013 from USD 1,5 million for the 9-month period ended 30 September 2012, reflecting an increase in the volume of realization.





### Other operating income

The Company's other operating income increased by 119% to USD 3,2 million for the 9-month period ended 30 September 2013 from USD 1,5 million for the 9-month period ended 30 September 2012 due to increase in income from subsidized VAT.

### Other operating expenses

The Company's other operating expenses increased by 38% to USD 5,9 million for the 9-month period ended 30 September 2013 from USD 4,3 million for the 9-month period ended 30 September 2012 due to increase in expenses of export VAT related to increase in the volume of realization.

### Financial expenses, net

The Company's financial expenses, net increased by 116% to USD 8,1 million for the 9-month period ended 30 September 2013 from USD 3,8 million for the 9-month period ended 30 September 2012. This increase was due primarily to an increase in interest expenses on loans and borrowings and other financial expenses related to the attraction new loans.

### Cash flows

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

(in thousand USD)

-	. •		. •	
For	the	nine	months	ended

	30 September 2013	30 September 2012
Net cash flows from operating activities	(7 625)	(10 675)
Net cash flows from investing activities	(29 333)	(26 140)
Net cash flows from financing activities	45 742	42 175
Net increase in cash and cash equivalents	8 784	5 360

Net cash flow from operating activities

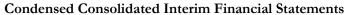
The Company's net cash outflow from operating activities decreased to USD 7,6 million for the 9-month period ended 30 September 2013 compared to net cash outflow of USD 10,7 million for the 9-month period ended 30 September 2012. The decrease was primarily attributable to changes in payments with counterparties.

### Net cash flow from investing activities

The Company's net cash outflow from investing activities increased to USD 29,3 million for the 9-month period ended 30 September 2013 compared to net cash outflow of USD 26,1 million for the 9-month period ended 30 September 2012. The increase in 9-month period ended 30 September 2012 was primarily attributable to purchase of property, plant and equipment.

### Net cash flow from financing activities

Net cash inflow from financing activities increased to USD 45,7 million for the 9-month period ended 30 September 2013 from a net cash inflow of USD 42,2 million for the 9-month period ended 30 September 2012. The decrease in 2013 was primarily due to proceeds from loans and borrowings in the 9-month period ended 30 September 2013.





### 2. Forecast Report

The Group will focus on efficiency of crop rotation and technological crop production, animal husbandry as well as reduction of general and administrative costs.

In accordance with its strategy of development the Group is going to increase a farming land bank up to 285,000 ha during next 6 years by 2019. In consequence of the above-mentioned factors the management expects the Group will have EBITDA of USD 185 million by 2019.

The Management Board statement on previously published forecasts:

- Financial forecasts: the Group is forecast to increase Revenue and EBITDA tentatively by 70-90% as compared with 2012
- Period 01.01.2013 31.12.2013 The Management Board confirmed foregoing guidelines. The Group will assess the feasibility of financial guidelines on a quarterly basis.

### 3. Selected Financial Data

(in thousand USD)

	For the nine months ended 30 September	2013	2012
I.	Revenue	72 473	54 292
II.	Operating profit/(loss)	42 836	24 363
III.	Profit/(loss) before income tax	34 707	20 602
IV.	Net profit/(loss)	34 671	20 609
V.	Net cash flow from operating activity	(7 625)	(10 675)
VI.	Net cash flow from investing activity	(29 333)	(26 140)
VII.	Net cash flow from financing activity	45 742	42 175
VIII.	Total net cash flow	8 784	13 643
IX.	Total assets	340 288	208 492
X.	Share capital	56	56
XI.	Total equity	162 846	129 691
XII.	Non-current liabilities	40 801	44 191
XIII.	Current liabilities	136 641	34 610
XIV.	Weighted average number of shares	31 300 000	31 300 000
XV.	Profit/(loss) per ordinary share (in USD)	1,11	0,66
XVI.	Book value per share (in USD)	5,15	4,20

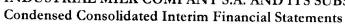




### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME For the nine months ended 30 September 2013

(in thousand USD, unless otherwise stated)

The state of the s		For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Note	Unaudited	Unaudited
CONTINUING OPERATIONS			
Revenue	5	72 473	54 292
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	6	59 983	33 995
lost of sales	7	(79 084)	(55 365)
GROSS PROFIT	,	53 372	32 922
Administrative expenses	8	(5 010)	(3 413)
selling and distribution expenses	9	(2 343)	(1 485)
Other operating income	10	3 222	1 470
ncome from the exchange of property certificates		¥	130
Other operating expenses	11	(5 890)	(4 266)
Write-offs of property, plant and equipment		(515)	(995)
OPERATING PROFIT		42 836	24 363
inancial expenses, net	14	(8 129)	(3 761)
PROFIT BEFORE TAX FROM CONTINUING DPERATIONS		34 707	20 602
ncome tax benefit (expenses)	15	(36)	7
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	-	34 671	20 609
Net profit for the period attributable to:	-		
)wners of the parent company		34 950	20 773
Son-controlling interests		(279)	(164)
Veighted average number of shares		31 300 000	31 300 000
Profit per ordinary share (in USD)		1,11	0,66
OTHER COMPREHENSIVE INCOME			
Deferred tax charged directly to revaluation reserve		166	142
Effect of foreign currency translation			(48)
OTAL OTHER COMPREHENSIVE INCOME	=	166	94
TOTAL COMPREHENSIVE INCOME	-	34 837	20 703
Comprehensive income attributable to:	=		
wners of the parent company		35 116	20 867
ion-controlling interests		(279)	(164)
Maria			
lex Liss tsa		Dmytro Martyniuk	
hief Executive Officer		Chief Financial Off	acer





### CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION As at 30 September 2013

(in thousand USD, unless otherwise stated)

		30 September 2013	31 December 2012	30 September 2012	31 December 2011
	Note	Unaudited	Audited	Unaudited	Audited
ASSETS					
Non-current assets					
Property, plant and equipment	16	102 578	92 149	70 350	61 607
Intangible assets	17	20 318	23 264	6 988	3 294
Non-current biological assets	18	13 033	10 879	9 134	9 057
Deferred tax assets	19	225	266	40	120
Other non-current assets	20	13 004	1 100	2 485	790
Total non-current assets		149 158	127 658	88 997	74 868
Current assets					
Inventories	21	34 756	63 533	16 300	40 637
Current biological assets	22	122 154	38 598	68 038	11 093
Trade accounts receivable, net	23	3 931	2 471	2 941	1 447
Prepayments and other current assets, net	24	19 639	10 460	22 186	6 074
Prepayments for income tax		106	17	18	0074
Cash and cash equivalents	26	10 544	1 760	10 012	4 595
Total current assets		191 130	116 839	119 495	63 846
TOTAL ASSETS		340 288	244 497	208 492	138 714
LIABILITIES AND EQUITY					
Equity attributable to the owners of parent company					
Share capital	27	56	56	56	56
Share premium		24 387	24 387	24 387	24 387
Revaluation reserve		11 144	11 820	12 239	13 862
Retained earnings		142 040	106 164	107 661	85 123
Effect of foreign currency translation		(16 473)	(16 473)	(16 456)	(16 408)
Total equity attributable to the owners of parent company		161 154	125 954	127 887	107 020
Non-controlling interests		1 692	2.050	1.004	
Total equity		162 846	2 059	1 804	1 968
1 otal equity		102 840	128 013	129 691	108 988
Non-current liabilities					
Long-term loans and borrowings	28	37 988	45 099	41 325	14 068
Deferred tax liabilities	19	2 813	2 992	2 866	3 121
Total non-current liabilities		40 801	48 091	44 191	17 189
Current liabilities					
Current portion of long-term borrowings	28	32 883	4 751	5 788	4 486
Short-term loans and borrowings	29	54 245	30 793	17 084	3 467
Trade accounts payable	30	19 807	8 603	9 118	1 473
Other current liabilities and accrued	31	29 706	24 207	2 618	3 099
expenses Income tax payable		_	39		
Total current liabilities		136 641	68 393	34 610	12
TOTAL LIABILITIES AND		130 041	08.39.3	34 5111	12 537

Chief Executive Officer

Dmytro Martyniuk Chief Financial Officer

## Condensed Consolidated Interim Financial Statements

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY For the nine months ended 30 September 2013

(in thousand USD, unless otherwise stated)

Share	Share premium	Revaluation	Retained	Effect of foreign currency translation	Total	Non- controlling interests	Total equity
26	24 387	13 862	85 123	(16 408)	107 020	1 968	108 988
t	Ü	I.	20 773	ī	20 773	(164)	20 609
1	i	(1 765)	1 765	i	E	C	1
ı	î	142	Ē	i	142	3	142
3	i.	I)	t	(48)	(48)	ï	(48)
99	24 387	12 239	107 661	(16 456)	127 887	1804	129 691
99	24 387	12 239	107 661	(16 456)	127 887	1 804	129 691
99	24 387	11 820	106 164	(16 473)	125 954	2 059	128 013
	,	1	34 950	j	34 950	(279)	34 671
£	1	(606)	606	ı	1	î	1
3	1	166	Ē	1	166	ī	166
99	24 387	11 077	142 023	(16 473)	161 070	1 780	162 850
	1	29	17	1	84	(88)	(4)
99	24 387	11 144	142 040	(16 473)	161 154	1 692	162 846

31 December 2012 (Audited)

30 September 2012 (Unaudited)

Total comprehensive income

Other comprehensive income

Deferred tax charged directly to amortization of revaluation reserve

Amortization of revaluation reserve

31 December 2011 (Audited)

Profit for the period

Profit for the period

Amortization of revaluation reserve

Deferred tax charged directly to amortization of revaluation reserve

Total comprehensive income

Changer in equity as a reslt of change in ownership share in the subsidiary

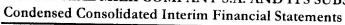
30 September 2013 (Unaudited)

Alex Hissitsa

Chief Lixecutive Officer

Chief Financial Officer Dmytro Martyniuk

Notes on pages 14-52 form an integral part of these Condensed Consolidated Interim Financial Statements



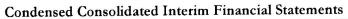


### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS For the nine months ended 30 September 2013

(in thousand USD, unless otherwise stated)

, and the second	Note	For the nine months ended 30 September 2013 Unaudited	For the nine months ended 30 September 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		Unaudited	Unaudited
Profit before tax from continuing operations  Adjusted to reconcile profit before tax with net cash used in		34 707	20 602
operating activities:			
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	6	(59 983)	(33 995)
Disposal of revaluation of biological assets and agricultural produce in the cost of sales, net	7	18 708	20 339
Depreciation and amortization	12	8 200	5 323
Income from the exchange of property certificates		· ·	(130)
Income from write-offs of accounts payable	10	(361)	, ,
Write-offs of VAT	11	75	304
Shortages and losses due to impairment of inventories	11	218	264
Allowance for doubtful accounts receivable	11	2	523
Loss from VAT on export operations	11	3 402	1 804
Lost crops	11	474	396
Loss on disposal of property, plant and equipment	11	18	4
Write-offs of property, plant and equipment		515	995
Accruals for unused vacations		72	180
Interest income	14	(46)	(374)
Interest expenses	14	9 444	4 132
Foreign currency exchange gain on loans and borrowings	14	(1 268)	24
Cash flows from operating activities before changes in working capital	-	14 177	20 391
Increase in trade accounts receivable		(1 460)	(2.021)
Increase in prepayments and other current assets		(12 613)	(2 031)
Decrease in inventories		(981)	(17 184)
Increase in current biological assets		(15 315)	7 718
Increase in trade accounts payable		11 189	(16 983)
Increase / decreasein other current liabilities and accrued expenses		6 468	2 131
Cash flows from operations	_	1 465	(787) (6 745)
Interest paid		(8 962)	(3 885)
Income tax paid		(128)	(45)
Net cash flows from operating activities	_	(7 625)	(10 675)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(16 204)	(10 537)
Purchase of non-current biological assests		(53)	(743)
Purchase of intangible assets		(55)	(7)
Proceeds from disposal of property, plant and equipment		44	16
Decrease/ increase in other non-current assets		298	(1 457)
Cash (acquisition of the subsidiary)		-1	90
Repayment payables for investment		(13 363)	(13 502)
Net cash flows from investing activities		(29 333)	(26 140)
Mu			, , ,
Alex Lissitsa		_ X	
Chief Executive Officer		Dmytro Martyniuk Chief Financial Officer	

Notes on pages 14-52 form an integral part of these Condensed Consolidated Interim Financial Statements





Chief Financial Officer

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)

For the nine months ended 30 September 2013

(in thousand USD, unless otherwise stated)

Chief Executive Officer

(in thousand USD, unless otherwise stated)	Note	For the nine months ended 30 September 2013 Unaudited	For the nine months ended 30 September 2012 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term and short-term borrowings		69 521	43 280
Repayment of long-term and short-term borrowings		(23 779)	(1 105)
Net cash flows from financing activities		45 742	42 175
NET CASH FLOWS		8 784	5 360
Cash and cash equivalents as at the beginning of the period	26	1 760	4 595
Effect of translation into presentation currency			57
Cash and cash equivalents as at the end of the period	26	10 544	10 012
Alex Lissitsa		Dmytro Martyniuk	





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### 1. Description of formation and business.

Industrial Milk Company S.A. (the "Parent company") is a limited liability company registered under the laws of Luxembourg 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 L-2540, 26-28 rue Edward Steichen, Luxembourg, Grand Duchy Luxembourg, its register number within the Registre de Commerce et des Sociétés du Luxembourg is RCS Lu B157843.

IMC and its subsidiaries (the "Group" or the "IMC") is an integrated agricultural company in Ukraine. The main areas of Group's activities are:

- cultivation of grain & oilseeds crops, potato production;
- dairy farming;
- storage and processing of grain & oilseeds crops.

The Group is among Ukraine's top-10 industrial milk producers. The grain and oilseeds crops produced by the Group are sold on both the Ukrainian and export markets.

Until December 2010 there was no the holding company of the Group.

In June 2009 in the course of the corporate reorganization Unigrain Holding Limited was established as a sub-holding company of the Group. Through the series of transactions Unigrain Holding Limited became the immediate parent of Burat-Agro, Ltd., Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor, OJSC Poltava Kombilormoviy Zavod and Zemelniy Kadastroviy Centr SA.

In December 2010 Industrial Milk Company S.A. was registered as a holding company of the Group through the ownership of 100% of the voting shares in the company Unigrain Holding Limited.

In June 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company PAE Promin, PE Progress 2010, PAE Slavutich. In November 2011 companies PAE Slavutich and PE Progress 2010 were merged to Chernihiv Industrial Milk Company, Ltd and the company PAE Promin was merged to Burat-Agro, Ltd.

In August 2011 trading company Aristo Eurotrading was formed.

In December 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company AF Kalynivska 2005, Ltd, AF Govtneva, Ltd, AF Shid 2005, Ltd, APP Virynske, Ltd, Pisky, Ltd., SE "Viry-Agro" and 80,61% of the voting shares in the company OJSC "Viryvske HPP".

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

In June 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company PAC Slobozhanschina Agro.

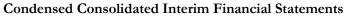
In November 2012 the Group was restructured and 6 companies were joined to PAC Slobozhanschina Agro: AF Kalynivska-2005 Ltd, AF Govtneva Ltd, AF Shid-2005 Ltd, AIE Vyrynske Ltd, Pisky Ltd, SE "Vyry-Agro" (noted \* in the column Cumulative ownership ratio, % as at 31 December 2012).

In December 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company Bluerice Limited. The following companies became the part of the Group, as their owner is Bluerice Limited: Agroprogress Holding Ltd, Agroprogress PE, Bobrovitsky Hlebzavod Ltd, Plemzavod Noviy Trostyanets Ltd, PJSC "Bobrovitske HPP", Losinovka-Agro Ltd, Parafiyivka-Progress Ltd, Nosovsky Saharny Zavod Ltd.

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

			Year	Cumulative own	ership ratio, %
Operating entity	Principal activity	Country of registration	established /acquired	30 September 2013	30 September 2012
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	100,00
Burat Ltd.	Agricultural products processing	Ukraine	31.12.2007	100,00	100,00







### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

	,		Year	Cumulative own	ership ratio, %
Operating entity	Principal activity	Country of registration	established /acquired	30 September 2013	30 September 2012
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	72,85	71,82
PJSC Poltava Kombilormoviy Zavod	Granting of PPE into finance lease	Ukraine	31.12.2007	87,56	87,56
Zemelniy Kadastroviy 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	100,00
OJSC "Vyryvske HPP"	Agricultural products processing	Ukraine	28.12.2011	80,61	80,61
AF Kalynivska-2005 Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
AF Govtneva Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
AF Shid-2005 Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
AIE Vyrynske Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
Pisky Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
SE "Vyry-Agro"	Agricultural products processing	Ukraine	26.12.2011	*	100,00
Ukragrosouz KSM Ltd	Agricultural production	Ukraine	29.03.2012	100,00	100,00
PAC Slobozhanschina Agro	Agricultural production	Ukraine	26.06.2012	100,00	100,00
Bluerice Limited	Subholding company	Cyprus	28.12.2012	100,00	-
Agroprogress Holding Ltd	Subholding company	Ukraine	28.12.2012	100,00	-
Agroprogress PE	Agricultural and farming production	Ukraine	28.12.2012	99,90	-
Bobrovitsky Hlebzavod Ltd	Bakery production	Ukraine	28.12.2012	99,90	-
Plemzavod Noviy Trostyanets Ltd	Agricultural and farming production	Ukraine	28.12.2012	99,90	
PJSC "Bobrovitske HPP"	Flour grinding	Ukraine	28.12.2012	92,74	-
Losinovka-Agro Ltd	Agricultural and farming production	Ukraine	28.12.2012	99,80	-
Parafiyivka-Progress Ltd	Agricultural production	Ukraine	28.12.2012	99,80	-
Nosovsky Saharny Zavod Ltd	Sugar mill	Ukraine	28.12.2012	99,80	-





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Today IMC is the vertically integrated and high-technology group of companies operating in Sumy, Poltava and Chernihiv region (northern and central Ukraine).

The Group controls 124,5 thousand ha (120,7 thousand ha under processing of high quality arable land). As at 30 September 2013 the Group operates in three segments: crop farming, dairy and beef farming and grain and oilseed storage.

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 120,7 thousand ha to 285 thousand ha in 2019.

The financial year of the Group begins on January 1 of each year and terminates on December 31 of each year.

The Group's condensed consolidated interim financial statements are public and available for consultation at: http://imcagro.com.ua/index.php/uk/dlya-investoriv/regulatory-filings/financial-reports or at its registered office.

### 2. Basis of preparation of the condensed consolidated interim financial statements

### Statement of compliance

These condensed consolidated interim financial statements 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 principal accounting policies and critical accounting estimates and judgments that are set out below. These accounting policies and assumptions have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

Companies comprising the Group which are incorporated in Ukraine maintain their accounting records in accordance with Ukrainian regulations. 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.

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.

### Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the disposal of assets and the settlement 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 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.

### 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 United States Dollars ("USD") for the purposes of convenience of users of these 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. These estimates and assumptions are based on management's best knowledge of current events, historical experience and other factors that are believed to be reasonable. 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 amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period.





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### 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	30 September 2013	Average for the 9 months ended 30 September 2013	31 December 2012	30 September 2012	Average for the 9 months ended 30 September 2012	31 December 2011
UAH/ USD	7 9930	7 9930	7 9930	7 9930	7.9904	7 9898

### Translation into presentation currency

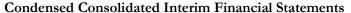
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- 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.

### Principles of consolidation

### Subsidiaries

Subsidiaries are all 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.





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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 are 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 stated at their revalued amounts that are the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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.

Property, plant and equipment of acquired subsidiaries are initially recognised at their fair value which is based on valuations performed by independent professionally appraisers.

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in equity under the line Revaluation reserve. Decreases in the carrying amount as a result of a revaluation are in profit or loss. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decrease related to previous increase of the same asset is recognized against other reserves directly in equity.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is used by an entity (in the amount that is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost) and when the asset is derecognized (in the full amount).

Subsequent major costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that these replacements will materially extend the life of property, plant and equipment or result in future economic benefits. The carrying amount of the replaced part is derecognized. All other day-to-day repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment or their essential component are written-off in a case of their disposal or if future economic benefits from use or disposal of such asset are not 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 statement of comprehensive income 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.

Depreciation on 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





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

Land is not depreciated.

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.

### 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.

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.

Amortisation of intangible assets is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The following estimated useful lives, which are re-assessed annually, have been determined for classes of finite-lived intangible assets:

Land lease rights 5-25 yearsComputer software 5 years

### Impairment of property, plant and equipment and intangible assets

The carrying amounts of property, plant and equipment and intangible 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 in order to determine the extent of the impairment loss, if any. 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. Value in use is the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money.

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 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.

### **Investments in associates**

Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. Generally significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. Subsequently the carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### **Biological assets**

The biological assets are classified as non-current and current depending on the expected pattern of consumption of the economic benefits embodied in the 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 for the cases where the fair value cannot be determined with reasonable assurance.

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 in the statement of comprehensive income as Gain (loss) from changes in fair value of biological assets and agricultural produce, net.

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

- Biological assets of plant-breeding

The capitalized expenses include all the direct costs and overhead costs related to the farming division. Such costs may include the following costs: raw materials (seeds, mineral fertilizers, fuel and other materials), wages and salaries expenses of production personnel and related charges, amortization and depreciation, land lease expenses and other taxes, third parties' services and other expenses related to the cultivation and harvesting of biological assets of plant-breeding.

Biological assets of animal-breeding

The capitalized expenses include all the direct costs and overhead costs related to the live-stock breeding. The types of costs that are capitalized in the current biological assets of animal breeding are the following: fodder, means of protection of animals and artificial insemination, fuel and other materials, wages and salaries expenses of production personnel and related charges, amortization and depreciation, third parties' services and other expenses related to the current biological assets of animal breeding.

All expenses related to the non-current biological assets of cattle breeding are included into the cost of milk. Respectively the note 20 of non-current biological assets does not include any capitalized costs.

The expenses on works connected with preparation of the lands for future harvest are included in to the Inventories as work-in-progress. After works on seeding on these lands the cost of field preparation is reclassified as biological assets held at fair value.

### Agricultural produce

The Group classifies the harvested product of the biological assests as agricultural produce. Agricultural produce is measured at its fair value less costs to sell at the point of harvest. The difference between the cost and fair value less costs to sell at the point of harvest of harvested agricultural produce is recognized in the statement of comprehensive income as Gain (loss) from changes in fair value of biological assets and agricultural produce, net.

After the initial recognising as at the date of harvesting agricultural produce is treated as inventories. Agricultural produce measurement as at the date of harvest becomes inventories' cost to account.

### Inventories

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

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 agriculture produce is its fair value less costs to sell at the point of harvesting.

The cost of work in progress and finished goods includes costs of direct materials and labor and other direct productions costs and related production overheads (based on normal operating capacity). Costs are capitalized in work in progress for preparing and treating land prior to seeding in the next period. Work in progress is transferred to biological assets once the land is seeded.





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

The cost of inventories is assigned by using FIFO method.

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 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.

### Financial assets

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

Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every balance sheet date. Financial assets are classified in the following category at the time of initial recognition based on the purpose for which the financial assets were acquired:

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

Financial assets are recognized initially at fair value plus directly attributable transaction costs.

The category of financial assets "Loans and receivables" are subsequently measured as follows:

- Receivables are measured at amortized cost using the effective interest method, less allowance for impairment.
- Borrowings issued are measured at amortized cost less impairment losses.

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.

Financial assets of the Group are assessed for indications of impairment at each reporting date. A financial asset is deemed to be impaired if there is objective evidence indicating that a loss event has occurred after initial recognition of the financial asset, and that the loss event has a negative effect on the estimated future cash flows of the financial asset that can be reliably estimated.

For "Loans and receivables" the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. For trade and other receivables the carrying amount is reduced through the use of an allowance account and for borrowings the carrying amount is reduced directly by the impairment loss. If there is objective evidence that the Group is not able to collect all amounts due to the original terms of the receivables, the allowance for impairment is established. When a receivable is determined to be uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account is recognized in statement of comprehensive income as other operating expenses.

### Prepayments and other non-financial assets

Prepayments are reflected at nominal value less VAT and accumulated impairment losses, other non-financial assets are reflected at nominal value less accumulated impairment losses.

Prepayment are classified as non-current assets when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised as a part of other expenses in statement of comprehensive income.

### Cash and cash equivalents

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





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### Financial liabilities

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

Financial liabilities are recognized initially at fair value minus directly attributable transaction costs.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method.

Any difference between amount of received resources and sum to repayment is recorded as interest expenses in statement of comprehensive income at effective interest rate method during the period, when borrowings were received.

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.

### 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.

### • 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 statement of comprehensive income on a straight line basis over the lease term.

### 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 statement of comprehensive income in the period in which they are earned. Costs, including depreciation, incurred in earning the lease income are recognized as an expense.

### Government grants

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, the Ministry of Agrarian Policy, Ministry of Finance and local authorities.

- Government grants related to plant-breeding
  - 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 in the statement of comprehensive 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.





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### • Government grants related to VAT

According to the Ukrainian tax legislation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% 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. Correspondingly above, VAT amounts payable are not transferred into the budget by the entities, but credited to the entity's separate special account to support the agriculture; the amount of tax credit is used as a reduction in tax liabilities of the next period. As a result of these operations tax amounts are recognized in the statements of comprehensive income as other operating income.

### **Taxation**

### 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.

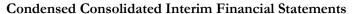
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each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

### • Fixed agricultural tax

According to effective legislation, the Ukrainian consolidated companies of the Group involved in production, processing and sale of agricultural products may opt for paying fixed agricultural tax (FAT) in lieu of income tax, land tax and some other local taxes if the revenues from sale of their own agricultural products constitute not less than 75% of their total (gross) revenues. The FAT is assessed at 0,15% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). As at 30 September 2013, 8 of the companies comprising the Group were elected to pay FAT (2012: 10).





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### • 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.

### Other taxes payable

Other taxes payable comprise liabilities for taxes other than above, accrued in accordance with legislation enacted or substantively enacted by the end of the reporting period.

### **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.

### 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.

### Share capital

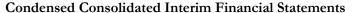
Ordinary shares issued are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction. Any excess of the fair value of consideration received over the par value of shares issued is presented in financial statements as Share premium.

### Dividends

Dividends are recognized as a liability and deducted from shareholders' equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the condensed consolidated interim financial statements are authorized for issue.

### Earnings per share

Earnings per share are determined by dividing the net profit or loss attributable to the owners of parent company by the weighted average number of shares outstanding during the reporting period.





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

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 returns.

- Sales of goods
  - Revenue from sales of goods is recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The Group uses standardised INCOTERMS which define the point of risks and reward transfers.
- 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.

### Income from the exchange of property certificates

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.

### **Borrowing costs**

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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. 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.

All other borrowing costs are expensed in the period they occur.

### 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, liabilities and the disclosure of contingent assets and 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.

Used estimates and assumptions are reviewed by the management of the Group on a continuous basis, by reference to past experiences, current trends and all available information that is relevant at the time of preparation of financial statements. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

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 reflected in the condensed consolidated interim financial statements:

### Fair value of property, plant and equipment

The Group engages an independent appraiser to determine the fair value of property, plant and equipment on a regular basis.

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





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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 is determined on the basis of their market value.

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 is determined in the amount of the replacement of these items. 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.

### 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.

### Impairment of property, plant and equipment and intangible assets

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 is conducted at the balance sheet date. To test property, plant and equipment and intangible assets for impairment, the Group's business is treated as three cash generating units: farming division, live-stock breeding and storage and processing. The recoverable amount of the cash-generating unit is determined on the basis of value in use. The amount of value in use for the cash generating unit is determined on the basis of the most recent budget estimates prepared by management and application of the income approach of valuation.

### Fair value of biological assets

Due to an absence of an active market for non-current biological assets for cattle-breeding and biological assets of plants-breeding in Ukraine, to determine the fair value of these biological assets, the Group used the discounted value of net cash flows expected from assets as at reporting date. Fair value is determined based on market prices and a current market-determinated pre-tax rate as at the date of valuation.

The fair value of current biological assets of cattle-breeding is measured using market prices as at reporting date. The fair value is determined based on market prices of livestock of similar age, breed and genetic merit.

### Fair value of agricultural produce

The Group estimates the fair value of agricultural produce at the date of harvesting using the current quoted prices in an active market. Costs to sell at the point of harvest are estimated based on expected future selling costs that depend on conditions of sales agreements. The fair value less costs to sell becomes the carrying value of inventories at the date of harvesting.

### 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.





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### Fair value of financial instruments

The fair value of financial assets and liabilities is determined by applying various valuation methodologies. Management uses its judgment to make assumptions based on market conditions existing at each balance sheet date. 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. Management uses discounted cash flow analysis for various loans and receivables as well as debt instruments that are not traded in active markets. The effective interest rate is determined by reference to the interest rates of instruments available to the Group in active markets. In the absence of such instruments, the effective interest rate is determined by reference to the interest rates of active market instruments available adjusted for the Group's specific risk premium estimated by management.

### Impairment of trade and other accounts receivable

Management evaluates the recoverability of trade and other accounts receivable by estimating the likelihood of its collection. These estimations are based on an analysis of individual accounts. The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Management estimates the future cash flow by taking into consideration the following: analysis of trade and other accounts receivable in accordance with the contractual credit terms allowed to customers; the collection history of customers; the general economic conditions, the specifics of industry and the financial position of customers.

### Impairment of other financial and non-financial assets

Management assesses whether there are any indicators of possible impairment of other financial and non-financial assets at each reporting date. If any events or changes in circumstances indicate that the current value of the assets may not be recoverable or the assets, goods or services relating to a prepayment will not be received, the Group estimates the recoverable amount of assets. If there is objective evidence that the Group is not able to collect all amounts due to the original terms of the agreement, the corresponding amount of the asset is reduced directly by the impairment loss in the statement of comprehensive income. Subsequent and unforeseen changes in assumptions and estimates used in testing for impairment may lead to the result different from the one presented in the financial statements.

### 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.

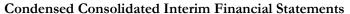
The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations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





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### Legal proceedings

The Group's management makes significant assumptions in estimation and reflection of the 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.

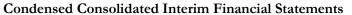
### New and amended standards and interpretations

The following standards and amendments became effective as of 1 January 2013:

- IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 13 Fair Value Measurement

Improvements to IFRSs 2009-2011 Cycle:

- IFRS 1 Borrowing Costs
- IAS 1 Clarification of the requirement for comparative information
- IAS 16 Classification of servicing equipment
- IAS 32 Tax effects of distributions to holders of equity instruments
- IAS 34 Interim financial reporting and segment information for total assets and liabilities





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### 5. Revenue

		For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Note	Unaudited	Unaudited
Revenue from sales of finished products	a	71 293	53 320
Revenue from services rendered	b	1 180	972
		72 473	54 292

a) Revenue from sales of finished products for the nine months ended 30 September was as follows:

	For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Unaudited	Unaudited
Cattle	1 333	1 104
Milk	7 166	4 853
Corn	40 393	17 570
Wheat	6 420	9 443
Sunflower	221	16 071
Soy beans	3 131	1 777
Potatoes	2 799	628
Other	9 830	1 874
	71 293	53 320

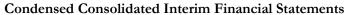
Revenue from sales of other finished products for the nine months ended 30 September 2013 includes revenue from sales of sugar in the amount of th USD 7 487 (th USD 0 for the nine months ended 30 September 2012).

b) Revenue from services rended for the nine months ended 30 September was as follows:

	For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Unaudited	Unaudited
Storage	423	355
Processing	167	238
Transport	362	234
Other	228	145
	1 180	972

### 6. Income / (loss) from changes in fair value of biological assets and agricultural produce, net

		For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Note	Unaudited	Unaudited
Non-current biological assets	18	1 527	(685)
Current biological assets	22	69 338	32 039
Agricultural produce		(10 882)	2 641
		59 983	33 995





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### 7. Cost of sales

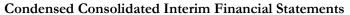
		For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Note	Unaudited	Unaudited
Raw materials		(55 462)	(21 211)
Change in inventories and work-in-progress	a	10 600	(13 537)
Wages and salaries of operating personnel and related charges	13	(9 962)	(5 820)
Depreciation and amortization	12	(7 348)	(4 628)
Third parties' services		(4 349)	(2 141)
Fuel and energy supply		(7 352)	(4 524)
Rent		(4 194)	(2 991)
Repairs and maintenance		(674)	(422)
Taxes and other statutory charges		(327)	(68)
Other expenses		(16)	(23)
		(79 084)	(55 365)

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.

Cost of sales for the nine months ended 30 September 2013 includes disposal of revaluation of agriculture produce and biological assets in the amount of th USD 18 708 (th USD 20 339 for the nine months ended 30 September 2012).

### 8. Administrative expenses

		For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Note	Unaudited	Unaudited
Wages and salaries of administrative personnel and related charges	13	(2 817)	(1 757)
Third parties' services		(217)	(155)
Repairs and maintenance		(162)	(147)
Depreciation and amortisation	12	(137)	(140)
Bank services		(208)	(217)
Professional services		(824)	(519)
Transport expenses		(385)	(281)
Other expenses		(260)	(197)
		(5 010)	(3 413)





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### 9. Selling and distribution expenses

		For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Note	Unaudited	Unaudited
Wages and salaries of sales personnel and related charges	13	(313)	(97)
Depreciation	12	(28)	(60)
Delivery costs		(1 828)	(1 173)
Other expenses		(174)	(155)
		(2 343)	(1 485)

### 10. Other operating income

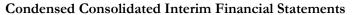
	For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
Note	Unaudited	Unaudited
a	530	487
Ъ	1 559	338
	15	-
	361	-
	757	645
	3 222	1 470
	a	months ended 30 September 2013           Note         Unaudited           a         530           b         1 559           15         361           757

a) Government grants and subsides recognized as income for the nine months ended 30 September 2013 amounting to th USD 530 related to the live-stock breeding.

### 11. Other operating expenses

		For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Note	Unaudited	Unaudited
Write-offs of VAT		(75)	(304)
Shortages and losses due to impairment of inventories		(218)	(264)
Allowance for doubtful accounts receivable	25	(2)	(523)
Loss from VAT on export operations	a	(3 402)	(1 804)
Lost crops		(474)	(396)
Depreciation		(670)	(482)
Wages and salaries of non-operating personnel and related charges		(49)	(25)
Loss on disposal of property, plant and equipment		(18)	(4)
Other expenses		(982)	(464)
		(5 890)	(4 266)

b) According to the Ukrainian tax legistation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% 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 recognized as net result of income or expenses in the other operating income.





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

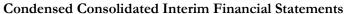
a) Loss from VAT on export operations for the nine months ended 30 September 2013 amounting to th USD 3 402 (th USD 1 804 for the nine months ended 30 September 2012) related to changes in Ukrainian tax legislation. According to the Tax Code temporarily till 01 January 2014 sales operations on export of certain agricultural crops are exempted from VAT. Consequently, the Company loses the right on VAT credit for expenses incurred for cultivation of these crops.

### 12. Depreciation and amortisation

		For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Note	Unaudited	Unaudited
Depreciation			
Cost of sales	7	(4 349)	(3 878)
Administrative expenses	8	(137)	(138)
Selling and distribution expenses	9	(28)	(60)
Other operating expenses	11	(670)	(482)
Depreciation as a part of article "Lost crops"		(15)	(13)
		(5 199)	(4 571)
Amortisation			
Cost of sales	7	(2 999)	(750)
Administrative expenses	8	(2)	(2)
		(3 001)	(752)
		(8 200)	(5 323)

### 13. Wages and salaries expenses

		For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Note	Unaudited	Unaudited
Wages and salaries		(9 651)	(5 685)
Related charges		(3 523)	(2 062)
		(13 174)	(7 747)
The average number of employees, persons		3 308	2 318
Remuneration of management		333	389
Wages and salaries of operating personnel and related charges	7	(9 962)	(5 820)
Wages and salaries of administrative personnel and related charges	8	(2 817)	(1 757)
Wages and salaries of sales personnel and related charges	9	(313)	(97)
Wages and salaries of non-operating personnel and related charges	11	(49)	(25)
Wages and salaries as a part of article "Lost crops" and related charges		(9)	(7)
Wages and salaries as a part of article "Construction in progress" and related charges		(24)	(41)
		(13 174)	(7 747)





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### 14. Financial (expenses)/income, net

	For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Unaudited	Unaudited
Interest income on bank deposits	46	374
Foreign currency exchange gain (loss), net	1 268	(3)
Interest expenses on loans and borrowings	(5 739)	(2 265)
Bond interest expenses	(2 904)	(926)
Other expenses	(800)	(941)
	(8 129)	(3 761)

Other financial expenses as for the nine months ended 30 September 2012 amounting to th USD 941 comprise th USD 729 commission expenses related to the bonds issued

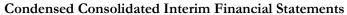
### 15. Income tax expenses

The corporate income tax rate in Ukraine was 19% as at 30 September 2013 and 21% as at 30 September 2012.

The new Tax Code of Ukraine effective as of 1 January 2011, introduced gradual decreases in income tax rates over the future years (from 23% effective from 1 April 2011 to 16% effective from 1 January 2014), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The components of income tax expenses for the nine months ended 30 September 2013 and 2012 were as follows:

	For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Unaudited	Unaudited
Current income tax	(8)	(24)
Deferred tax	(28)	31
Income tax benefit (expenses) reported in the statement of comprehensive income	(36)	7
Consolidated statement of other comprehensive income  Deferred tax related to item charged or credit directly to other comprehensive income during year:		
Net gain on revaluation of property, plant and equipment	166	142





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

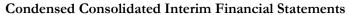
(in thousand USD, unless otherwise stated)

### 16. Property, plant and equipment

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
Initial cost						
31 December 2011 (audited)	44 345	21 857	8 250	1 133	1 087	76 672
Additions	362	5 346	3 769	189	917	10 583
Additions from acquisition of subsidiaries	2 360	797	575	25	20	3 777
Disposals	(747)	(482)	(124)	(40)	-	(1 393)
Transfer	55	45	1	3	(104)	-
Effect from translation into presentation currency	(18)	(11)	(5)	(1)	(1)	(36)
30 September 2012 (unaudited)	46 357	27 552	12 466	1 309	1 919	89 603
31 December 2012 (audited)	55 611	34 988	15 058	1 308	6 041	113 006
Additions	370	6 077	4 009	97	5 651	16 204
Disposals	(530)	(541)	(136)	(23)	-	(1 230)
Transfer		21	16	-	(37)	
30 September 2013 (unaudited)	55 451	40 545	18 947	1 382	11 655	127 980
Accumulated depreciation						
31 December 2011 (audited)	(4 569)	(6 792)	(2 734)	(970)	-	(15 065)
Depreciation for the period	(1 500)	(2 039)	(824)	(208)	-	(4 571)
Additions from acquisition of subsidiaries	-	-	-	(2)	-	(2)
Disposals	89	207	53	30	-	379
Effect from translation into presentation currency	2	3	1	-	-	6
30 September 2012 (unaudited)	(5 978)	(8 621)	(3 504)	(1 150)	-	(19 253)
31 December 2012 (audited)	(6 485)	(9 398)	(3 847)	(1 127)	-	(20 857)
Depreciation for the period	(1 920)	(2 160)	(962)	(157)	-	(5 199)
Disposals	141	389	102	22	-	654
30 September 2013 (unaudited)	(8 264)	(11 169)	(4 707)	(1 262)	-	(25 402)
Net book value						
As at 31 December 2011 (audited)	39 776	15 065	5 516	163	1 087	61 607
As at 30 September 2012 (unaudited)	40 379	18 931	8 962	159	1 919	70 350
As at 31 December 2012 (audited)	49 126	25 590	11 211	181	6 041	92 149
As at 30 September 2013 (unaudited)	47 187	29 376	14 240	120	11 655	102 578

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). The fair values as at the date of acquisition of new subsidiaries were determined by an independent appraisers FDI "Bureau Veritas Ukraine".

As at 30 September 2013 and 2012 impairment indicators were analyzed by the management of the Group. There was no impairment of property, plant and equipment as the reporting dates.





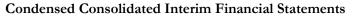
### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### 17. Intangible assets

	Computer software	Property certificates	Land lease rights	Total
Initial cost				
31 December 2011 (audited)	32	618	2 842	3 492
Additions	-	169	-	169
Additions from acquisition of subsidiaries	-	-	4 439	4 439
Disposals	-	(159)	=	(159)
Effect from translation into presentation currency	-	-	(3)	(3)
30 September 2012 (unaudited)	32	628	7 278	7 938
31 December 2012 (audited)	35	728	23 855	24 618
Additions	18	37	-	55
Disposals	-	_	-	-
30 September 2013 (unaudited)	53	765	23 855	24 673
Accumulated amortisation				
31 December 2011 (audited)	(20)	(8)	(170)	(198)
Amortisation for the period	(3)	-	(749)	(752)
Effect from translation into presentation currency	-	_	-	-
30 September 2012 (unaudited)	(23)	(8)	(919)	(950)
31 December 2012 (audited)	(24)	(8)	(1 322)	(1 354)
Amortisation for the period	(2)		(2 999)	(3 001)
Disposal	-	_	-	-
30 September 2013 (unaudited)	(26)	(8)	(4 321)	(4 355)
Net book value				
As at 31 December 2011 (audited)	12	610	2 672	3 294
As at 30 September 2012 (unaudited)	9	620	6 359	6 988
As at 31 December 2012 (audited)	11	720	22 533	23 264
As at 30 September 2013 (unaudited)	27	757	19 534	20 318

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.





### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

### 18. Non-current biological assets

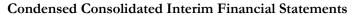
	30 September 2013	30 September 2012	
	Unaudited	Unaudited	
Non-current biological assets - animal-breeding			
Cattle	12 883	9 001	
Pigs	4	10	
Other	7	-	
Total non-current biological assets - animal - breeding	12 894	9 011	
Non-current biological assets - plant-breeding			
Perennial grasses	139	123	
Total non-current biological assets	13 033	9 134	

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

	30 September 2013	30 September 2012	
	Unaudited	Unaudited	
Cattle			
Cattle, units	4 438	3 849	
Live weight, kg	1 795 287	1 565 877	
Book value	12 883	9 001	
Pigs			
Pigs, units	9	22	
Live weight, kg	1 404	3 102	
Book value	4	10	
Other		-	
Other, units	19	-	
Live weight, kg	941	-	
Book value	7	-	

Following changes took place in the non-current biological assets of animal-breeding for the nine months ended 30 September 2013 and 2012:

	Cattle	Pigs	Other	Total
31 December 2011 (audited)	8 947	24	-	8 971
Acquisitions for the period	25		-	25
Transfer (from (to) current biological assets)	718	(14)	-	704
Change in fair value	(685)	-	-	(685)
Effect from translation into presentation currency	(4)	-	-	(4)
30 September 2012 (unaudited)	9 001	10	-	9 011
31 December 2012 (audited)	10 688	39	2	10 729
Acquisitions for the period	-			-
Capitalized expenses	-	11	4	15
Transfer (from (to) current biological assets)	669	(46)	-	623
Change in fair value	1 526	-	1	1 527
30 September 2013 (unaudited)	12 883	4	7	12 894





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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 30 September 2013 (2012: 22,92%) was applied for cattle.

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

	30 September 2013	30 September 2012
	Unaudited	Unaudited
Perennial grasses		
Area, ha	1 388	1 506
Book value	139	123

Following changes took place in the non-current biological assets of plant-breeding for the nine months ended 30 September 2013 and 2012:

	Perennial grasses
31 December 2011 (audited)	86
Additions from acquisition of subsidiaries	19
Capitalized expenses	14
Harvesting	7
Harvesting failure	(3)
30 September 2012 (unaudited)	123
31 December 2012 (audited)	152
Capitalized expenses	36
Harvesting	-
Harvesting failure	(49)
Effect from translation into presentation currency	-
30 September 2013 (unaudited)	139

### 19. Deferred tax assets and liabilities

The major components of deferred tax assets and liabilities were as follows: Deferred tax assets

	Property, plant and equipment	Tax losses	Allowances for recognized tax assets	Prepayments and accounts payable	Provisions	Total
31 December 2011 (audited)	-	439	(439)	42	78	120
Considering profit (loss)	-	(439)	439	(42)	(38)	(80)
30 September 2012 (unaudited)	-	-	-	-	40	40
31 December 2012 (audited)	132	244	(244)	113	21	266
Considering profit (loss)	8	-	-	(42)	(7)	(41)
30 September 2013 (unaudited)	140	244	(244)	71	14	225



(in thousand USD, unless otherwise stated)

Deferred tax liabilities

	Property, plant and equipment	Prepayments and accounts payable	Total
31 December 2011 (audited)	(3 120)	(1)	(3 121)
Considering profit (loss)	110	1	111
Considering equity	142	-	142
Effect of foreign currency translation	2	-	2
30 September 2012 (unaudited)	(2 866)	-	(2 866)
31 December 2012 (audited)	(2 992)	-	(2 992)
Considering profit (loss)	13	-	13
Considering equity	166	-	166
30 September 2013 (unaudited)	(2 813)	-	(2 813)

#### 20. Other non-current assets

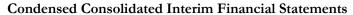
	30 September 2013 Unaudited	30 September 2012 Unaudited
Prepayments and other non-financial assets:		
Prepayments for property, plant and equipment	802	2 485
Other financial assets:		
Investments in associates	12 202	-
	13 004	2 485

As at 30 September 2013 an amount of th USD 634 or 79% of the total amount of prepayments for property, plant and equipment is due from the 10 most significant counterparties (as at 30 September 2012 – th USD 2 406 or 97%).

As at 30 September 2013 investments in associates represented an investment into the "AgroKIM" LLC, Group's share ownership is 40%. The Group intends to increase its ownership in the investment before the end of the year and transfer it into investments in subsidiaries. Therefore investment is recognized at cost without adjusting for changes in the Group's share of net assets of the associate since the acquisition date.

#### 21. Inventories

	30 September 2013	30 September 2012	
Note	Unaudited	Unaudited	
a	4 114	956	
b	21 687	11 245	
С	978	15	
	3 307	1 749	
	1 310	544	
	976	933	
	2 027	585	
	357	273	
	34 756	16 300	
	a b	Note     2013       a     4 114       b     21 687       c     978       3 307     1 310       976     2 027       357	





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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:

	30 September 2013	30 September 2012
	Unaudited	Unaudited
Corn	4 565	1 039
Wheat	4 065	875
Sunflower	7 969	1 168
Potato	2 021	1 996
Lupin	1	514
Hay	325	980
Silage	1 157	1 557
Soya	717	2 435
Other	867	681
	21 687	11 245

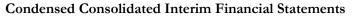
There was no impairment of the agricultural produce as at the reporting dates.

c) As at 30 September 2013 finished goods include sugar in the amount of th USD 919.

## 22. Current biological assets

	30 September 2013	30 September 2012	
	Unaudited	Unaudited	
Current biological assets of animal-breeding			
Cattle	10 866	6 690	
Pigs	45	11	
Other	45	45	
	10 956	6 746	
Current biological assets of plant-breeding			
Corn	84 858	54 425	
Wheat	575	1 019	
Grasses	127	34	
Sunflower	21 037	4 504	
Soya	1 651	49	
Potato	2 239	1 228	
Other	711	33	
Total current biological assets of plant-breeding	111 198	61 292	
Total current biological assets	122 154	68 038	







(in thousand USD, unless otherwise stated)

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

	30 September 2013	30 September 2012	
	Unaudited	Unaudited	
Cattle			
Cattle, units	3 937	3 488	
Live weight, kg	1 031 739	896 737	
Book value	10 866	6 690	
Pigs			
Pigs, units	213	143	
Live weight, kg	11 878	2 460	
Book value	45	11	
Other			
Number of animals, units	164	77	
Live weight, kg	29 594	28 534	
Book value	45	45	
Total book value	10 956	6 746	

Following changes took place in the current biological assets of animal-breeding for the nine months ended 30 September 2013 and 2012:

	Cattle	Pigs	Other	Total
31 December 2011 (audited)	6 907	8	43	6 958
Acquisitions for the period	2	-	1	3
Capitalized expenses	2 702	27	2	2 731
Transfer (from (to) non-current biological assets)	(718)	14	-	(704)
Sale	(3 571)	(31)	(4)	(3 606)
Slaughter	(271)	(7)	-	(278)
Change in fair value	1 642	-	3	1 645
Effect from translation into presentation currency	(3)	-	-	(3)
30 September 2012 (unaudited)	6 690	11	45	6 746
31 December 2012 (audited)	8 642	215	50	8 907
Acquisitions for the period	-	-	-	-
Capitalized expenses	3 473	221	7	3 701
Transfer (from (to) non-current biological assets)	(669)	46	(0)	(623)
Sale	(4 754)	(460)	(5)	(5 219)
Slaughter	(354)	(29)	(3)	(386)
Change in fair value	4 526	52	(4)	4 574
Effect from translation into presentation currency	-	-	-	-
30 September 2013 (unaudited)	10 866	45	45	10 956



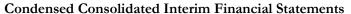
(in thousand USD, unless otherwise stated)

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

	30 September 2013	30 September 2012	
	Unaudited	Unaudited	
Corn			
Area, ha	59 057	38 595	
Book value	84 858	54 425	
Wheat			
Area, ha	3 919	6 899	
Book value	575	1 019	
Grasses			
Area, ha	2 352	2 396	
Book value	127	34	
Sunflower			
Area, ha	20 972	7 580	
Book value	21 037	4 504	
Soya			
Area, ha	2 080	87	
Book value	1 651	49	
Potato			
Area, ha	206	333	
Book value	2 239	1 228	
Other			
Area, ha	3 045	22	
Book value	711	33	
Total book value	111 198	61 292	

Following changes took place in the current biological assets of plant-breeding for the nine months ended 30 September 2013 and 2012:

	Corn	Wheat	Rye	Grasses	Sunflower	Soya	Potato	Other	Total
31 December 2011 (audited)	-	3 150	741	173	-	-	-	71	4 135
Additions from acquisitions of subsidiaries	6 778	399	-	-	3 318	-	-	-	10 495
Capitalized expenses	19 376	2 654	280	2 295	6 310	2 127	1 927	126	35 095
Harvesting	(369)	(5 159)	(1 016)	(2423)	(5 789)	(2 056)	(1 503)	(163)	(18 478)
Harvest failure	(235)	(24)	(5)	(10)	(14)	(54)	-	(1)	(343)
Change in fair value	28 877	-	-	-	680	33	804	-	30 394
Effect of foreign currency translation	(2)	(1)	-	(1)	(1)	(4)	-	-	(6)
30 September 2012 (unaudited)	54 425	1 019	-	34	4 504	49	1 228	33	61 292
	-								
31 December 2012 (audited)	22 953	6 689	22	27	-	_	-	-	29 691
Capitalized expenses	45 011	8 108	53	1 633	16 004	2 954	5 674	4 081	83 518
Harvesting	(32 054)	(14 182)	(75)	(1 525)	(7 913)	(1 996)	(5 271)	(3 284)	(66 300)
Harvest failure	(313)	(40)	-	(8)	(20)	(8)	-	(86)	(475)
Change in fair value	49 261	-	-	-	12 966	701	1 836	-	64 764
Effect of foreign currency translation	-	-	-	-	-	-	-	-	-
30 September 2013 (unaudited)	84 858	575	-	127	21 037	1 651	2 239	711	111 198





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

(in thousand USD, unless otherwise stated)

#### 23. Trade accounts receivable, net

		30 September 2013	30 September 2012
	Note	Unaudited	Unaudited
Trade accounts receivable		4 094	4 030
Allowances for accounts receivable	25	(163)	(1 089)
		3 931	2 941

As at 30 September 2013 an amount of th USD 2 954 or 75% of the total amount of trade accounts receivable is due from the 10 most significant counterparties (as at 30 September 2012 – th USD 2 477 or 84%).

Distribution of trade accounts receivable on time frames is the following:

		Past due, not impaired					
	Total	Neither past due nor impaired	Within 90 days	From 90 to 360 days	More than 1 year		
As at 30 September 2013	3 931	3 293	11	499	128		

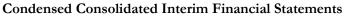
On the basis of analysis of payments for the current period Financial Directorate of the Group considers that there is no need to form provision for overdue, but not impaired trade accounts receivable.

### 24. Prepayments and other current assets, net

30 September 2013	30 September 2012
te Unaudited	Unaudited
2 863	18 016
(49)	(27)
3 662	3 155
6 476	21 144
12 630	716
(17)	-
568	347
(18)	(21)
13 163	1 044
19 639	22 186
	2013 Unaudited  2 863 (49) 3 662 6 476  12 630 (17) 568 (18) 13 163

As at 30 September 2013 an amount of th USD 1 578 or 56% of the total amount of advances to suppliers is due from the 10 most significant counterparties (as at 30 September 2012 – th USD 17 435 or 97%).

As at 30 September 2013 an amount of th USD 12 594 or 99% of the total amount of non-bank accommodations interest free is due from the 10 most significant counterparties (as at 30 September 2012 – th USD 704 or 98%).





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# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

# 25. Changes in allowances made

		30 September 2013	30 September 2012
	Note	Unaudited	Unaudited
Allowances for trade accounts receivable	23	(163)	(1 089)
Allowances for advances to suppliers	24	(49)	(27)
Allowances for other accounts receivable	24	(18)	(21)
Allowances for non-bank accomodations interest free	24	(17)	-
		(247)	(1 137)

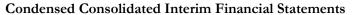
The movements of the allowances were as follows:

	months ended 30 September 2013	months ended 30 September 2012
	Unaudited	Unaudited
As at the beginning of the period No	te (515)	(821)
Accrual 11	(2)	(523)
Additions from acquisition of subsidiaries	-	(177)
Use of allowances	268	49
Return of allowances	2	334
Effect from translation into presentation currency	-	1
As at the end of the period	(247)	(1 137)

## 26. Cash and cash equivalents

	Currency	30 September 2013	30 September 2012
		Unaudited	Unaudited
Cash in bank and hand	USD	160	30
Cash in bank and hand	UAH	10 362	9 956
Cash in bank and hand	EUR	20	24
Cash in bank and hand	PLN	2	2
		10 544	10 012

There were no restrictions on the use of cash and cash equivalents during the nine months ended 30 September 2013 and 2012.





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

(in thousand USD, unless otherwise stated)

#### 27. Equity

#### Share capital

Industrial Milk Company S.A. has one class of ordinary shares. The number of authorized, issued and fully paid shares as at 30 September 2013 is 31 300 000 shares (30 September 2012 – 31 300 000 shares). All shares have equal voting rights. Par value of one share is USD 0,0018.

Shareholders structure as at 30 September was as follows:

	30 September 2013		30 September 2012	
	%	Amount	0/0	Amount
AGROVALLEY LIMITED	59	33	59	33
Russian Commercial Bank (Cyprus) Ltd	9	5	9	5
Amplico Powszechne Towarzystwo Emerytalne S.A. (with subsidiaries)	5	3	5	3
Other shareholders (each one less than 5% of the share capital)	27	15	27	15
	100	56	100	56

A transfer of shares to Russian Commercial Bank (Cyprus) Ltd (a member of VTB Group) took place under the commitment of the Group to take out these shares since 19 December 2013. The transfer was made to secure receipt of financing from VTB Bank in the amount of th USD 5 078 (see Note 29).

#### Share premium

In 2011 Industrial Milk Company S.A. completed initial public offering of own shares on Warsaw Stock Exchange. Issue of share capital of Industrial Milk Company S.A. brought to the increase of share capital equaling to th USD 10 and share premium in amount of th USD 24 387.

#### Revaluation reserve

The fair value of Group's property, plant and equipment has been measured as at 31 December 2009 and 2010 by an independent appraiser. As at 31 December 2009 the related revaluation surplus of th USD 14 766 was initially recognized in equity, as at 31 December 2010 it was additionally recognized in the amount of th USD 4 326.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is used by an entity (in the amount that is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost) and when the asset is derecognized (in the full amount).

## Effect of foreign currency translation

Effect of foreign currency translation comprises all foreign exchange differences arising from the translation of the financial statements into presentation currency.

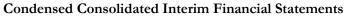
#### Dividend policy

The Croup's policy is to pay dividends at a level consistent with the Group's growth and development plans, while maintaining a reasonable level of liquidity. The current intention of the Management is to recommend to the General Meeting of Shareholders not to declare dividends for the six months ended 30 September 2013 and 2012.

## 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 shareholders.







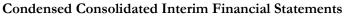
(in thousand USD, unless otherwise stated)

# 28. Long-term loans and borrowings

			30 September 2013	30 September 2012
	Note	Currency	Unaudited	Unaudited
Secured				
Long-term bank loans	a	USD	37 441	23 385
Finance lease liabilities	b	UAH, USD, EUR	8 664	925
Bonds issued	a	UAH	24 766	22 771
			70 871	47 081
Unsecured				
Long-term loans from related parties		UAH	-	32
			70 871	47 113
Current portion of long-term bank loans	a	USD	(5 744)	(5 476)
Current portion of finance lease liabilities	b	UAH, USD, EUR	(2 373)	(312)
Current portion of bonds issued	a	UAH	(24 766)	-
			(32 883)	(5 788)
Total long-term loans			37 988	41 325

# a) Essential terms of credit contracts:

	**			As at 30 September 2013	
Creditor	Year of maturity	Currency	Nominal interest rate	Long-term liabilities	Including current portion
Ukrainian bank	2015	USD	9,00%	4 000	-
Ukrainian bank	2015	USD	10,00%	500	-
Ukrainian bank	2016	USD	11,50%	12 000	-
Ukrainian bank	2016	USD	1Y Libor+10%	9 590	3 166
Ukrainian bank	2016	USD	1Y Libor+10%	3 809	952
Ukrainian bank	2016	USD	9,00%	324	130
Ukrainian bank	2017	USD	8,75%	4 186	1 196
Ukrainian bank	2017	USD	9,00%	1 200	-
Ukrainian bank	2018	USD	1Y Libor+8,7%	1 832	300
			•	37 441	5 744
Bonds issued	2014	UAH	14,00%	24 766	24 766
				62 207	30 510





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Creditor	Year of	Currency	Nominal interest	As at 30 September 2012		Nominal interest As at 30 September 2012	eptember 2012
Cleditor	maturity	Currency	rate	Long-term liabilities	Including current portion		
Ukrainian bank	2012	USD	3M Libor+8,5%	2 000	2 000		
Ukrainian bank	2012	USD	3M Libor+8,5%	2 000	2 000		
Ukrainian bank	2013	USD	11,50%	150	150		
Ukrainian bank	2016	USD	1Y Libor+10%	9 590	-		
Ukrainian bank	2016	USD	1Y Libor+10%	3 809	-		
Ukrainian bank	2016	USD	9,00%	454	130		
Ukrainian bank	2017	USD	8,75%	3 663	814		
Ukrainian bank	2017	USD	8,75%	1 719	382		
				23 385	5 476		
Bonds issued	2014	UAH	14,00%	22 771	-		
				46 156	5 476		

Long-term loans and borrowings outstanding as at 30 September 2013 and 2012 were repayable as follows:

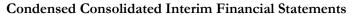
	30 September 2013	30 September 2012	
	Unaudited	Unaudited	
Within one year	32 883	5 508	
In the second to fifth year inclusive	37 988	40 680	
Later than fifth year	-	-	
	70 871	46 188	

# b) Finance lease liabilities as at 30 September 2013 and 2012 were presented as follows:

	As at 30 Sep	tember 2013	As at 30 Sep	tember 2012
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	3 172	2 373	350	312
In the second to fifth year inclusive	7 447	6 198	719	613
Later than fifth year	102	93	-	
	10 721	8 664	1 069	925
Less future finance charges	(2 057)		(144)	
Present value of minimum lease payments	8 664	8 664	925	925

# 29. Short-term loans and borrowings

		30 September 2013	30 September 2012
	Currency	Unaudited	Unaudited
Secured			
Short-term bank loans	USD	54 245	17 084





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

## Essential terms of credit contracts:

Creditor	Currency	Nominal interest rate	As at 30 September 2013
Ukrainian bank	USD	9,00%	13 750
Ukrainian bank	USD	13,00%	11 915
Ukrainian bank	USD	3M Libor+8,5%	10 000
Ukrainian bank	USD	13,00%	9 258
Non-residental bank	USD	3M Libor+12%	5 078
Ukrainian bank	USD	12,00%	3 700
Ukrainian bank	USD	10,00%	544
		_	54 245

Creditor	Currency	Nominal interest rate	As at 30 September 2012
Ukrainian bank	USD	3M Libor+10,1%	3 900
Ukrainian bank	USD	3M Libor+8,5%	3 771
Ukrainian bank	USD	3M Libor+8,5%	2 733
Ukrainian bank	USD	3M Libor+8,5%	2 612
Ukrainian bank	USD	3M Libor+8,5%	1 915
Ukrainian bank	USD	3M Libor+8,5%	1 500
Ukrainian bank	USD	10,00%	534
Non-residental bank	USD	9,65%	119
		_	17 084

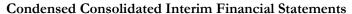
# 30. Trade accounts payable

	30 September 2013	30 September 2012	
	Unaudited	Unaudited	
Trade accounts payable	19 807	9 118	

As at 30 September 2013 an amount of th USD 16 404 or 83% of the total amount of trade accounts payable is due from the 10 most significant counterparties (as at 30 September 2012 – th USD 8 011 or 88%).

The table below summarizes the maturity profile of Group's liabilities on contractual payments on trade accounts payable as at 30 September 2013:

	On demand	Within 30 days	From 30 to 90 days	From 90 to 180 days	From 180 to 360 days	From 1 to 5 years	Total
As at 30 September 2013		4 874	8 074	6 859			19 807





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

(in thousand USD, unless otherwise stated)

## 31. Other current liabilities and accrued expenses

	30 September 2013	30 September 2012	
	Unaudited	Unaudited	
Other liabilities:			
Advances from clients	16 824	291	
	16 824	291	
Other accounts payable:			
Interest payable on bank loans	582	200	
Interest payable on bonds	38	47	
Accounts payable for the lease of land and property rights	893	797	
Accounts payable for non-current tangible assets	1 323	2	
Taxes payable	82	64	
Wages, salaries and related charges payable	921	694	
Accruals for unused vacations	833	516	
Accounts payable for investments	7 635	-	
Other accounts payable	575	7	
	12 882	2 327	
	29 706	2 618	

As at 30 September 2013 an amount of th USD 14 681 or 87% of the total amount of advances from clients is due from the 10 most significant counterparties (as at 30 September 2012 – th USD 235 or 81%).

As at 30 September 2013 accounts payable for investments comprise liabilities due to the acquisition of Bluerice Limited in December 2012.

## 32. Related party disclosures

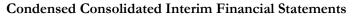
According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

- a) Entities related parties under common control with the Companies of the Group;
- b) Entities- related parties, in equity of which Companies of the Group have an interest;
- c) Key management personnel.

The Group performs transactions with related parties in the ordinary course of business. During the reporting period the Group did not perform any related parties transactions made outside the market conditions (non market basis related parties transactions).

The information on total amounts of transactions with related parties for the corresponding reporting periods is presented below:

	_	30 September 2013	30 September 2012
	Note	Unaudited	Unaudited
Trade accounts receivable, net	-		
a) Entities - related parties under common control with the Companies of the Group		316	320
b) Entities-related parties, in equity of which Companies of the Group have an interest		-	6
Total trade accounts receivable from related parties, net		316	326
Total trade accounts receivable, net	23	3 931	2 941





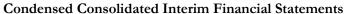
# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

		30 September 2013	30 September 2012
	Note	Unaudited	Unaudited
Other accounts receivable	-		
a) Entities - related parties under common control with the Companies of the Group		-	20
b) Entities-related parties, in equity of which Companies of the Group have an interest	=	-	3
Total other accounts receivable to related parties	<u>.</u>		23
Total other accounts receivable	24	2 814	326
Non-bank accomodations interest free			
a) Entities - related parties under common control with the Companies of the Group		-	15
b) Entities-related parties, in equity of which Companies of the Group have an interest	<u>-</u>	<u>-</u> _	89
Total non-bank accomodations interest free to related parties	_		104
Total non-bank accomodations interest free	24	12 613	716
Long-term borrowings from related parties			
a) Entities - related parties under common control with the Companies of the Group	_		32
Total long-term borrowings from related parties		-	32
Total long-term loans and borrowings	28	54 245	41 325
Trade accounts payable			
a) Entities - related parties under common control with the Companies of the Group		9	25
b) Entities-related parties, in equity of which Companies of the Group have an interest		-	232
Total trade accounts payable to related parties	<del>-</del>	9	257
Total trade accounts payable	30	19 807	9 118

Remuneration of key management personnel for the nine months ended 30 September 2013 and 2012 was as follows:

	For the nine months ended 30 September 2013	For the nine months ended 30 September 2012
	Unaudited	Unaudited
Wages and salaries	246	287
Related charges	87	102
	333	389
The average number of employees, persons	6	7





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

(in thousand USD, unless otherwise stated)

#### 33. Information on segments

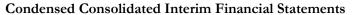
A business segment is a separable component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generates revenues other than risks and income of those components that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

Information on business segments for the nine months ended 30 September 2013 was the follow:

	Farming division	Live-stock breeding	Storage and processing	Unallocated	Total
Revenue	96 240	8 505	6 904	-	111 649
Intra-group elimination	(33 446)	(6)	(5 724)	-	(39 176)
Revenue from external buyers	62 794	8 499	1 180	-	72 473
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	53 882	6 101	-	-	59 983
Cost of sales	(67 484)	(10 458)	(1 142)	-	(79 084)
Gross income	49 192	4 142	38	-	53 372
Administrative expenses	-	-	-	(5 010)	(5 010)
Selling and distribution expenses	-	-	-	(2 343)	(2 343)
Other operating income	-	-	-	3 222	3 222
Other operating expenses	-	-	-	(6 405)	(6 405)
Operating income of a segment	49 192	4 142	38	(10 536)	42 836
Financial expenses, net	-	-	-	(8 129)	(8 129)
Profit before tax	49 192	4 142	38	(18 665)	34 707
Income tax benefit (expenses)	-	-	-	(36)	(36)
Net profit	49 192	4 142	38	(18 701)	34 671
Other segment information:					
Depreciation and amortisation	7 437	688	75	-	8 200
Additions to non-current assets:					
Property, plant and equipment	11 600	1	4 603	-	16 204
Intangible assets	-	-	-	55	55
Non-current biological assets	36	15	-	-	51





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Information on business segments for the nine months ended 30 September 2012 was the follow:

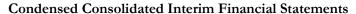
	Farming division	Live-stock breeding	Storage and processing	Unallocated	Total
Revenue	67 871	5 969	4 250	-	78 090
Intra-group elimination	(20 507)	(13)	(3 278)	-	(23 798)
Revenue from external buyers	47 364	5 956	972	-	54 292
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	33 035	960	-	-	33 995
Cost of sales	(47 678)	(6 737)	(950)	-	(55 365)
Gross income	32 721	179	22	-	32 922
Administrative expenses	-	-	-	(3 413)	(3 413)
Selling and distribution expenses	-	-	-	(1 485)	(1 485)
Other operating income	-	-	-	1 600	1 600
Other operating expenses	-	-	-	(5 261)	(5 261)
Operating income of a segment	32 721	179	22	(8 559)	24 363
Financial expenses	-	-	-	(3 761)	(3 761)
Profit before tax	32 721	179	22	(12 320)	20 602
Income tax benefit (expenses)	-	-	-	7	7
Net profit	32 721	179	22	(12 313)	20 609
Other segment information:					
Depreciation and amortisation	4 089	472	67	695	5 323
Additions to non-current assets:					
Property, plant and equipment	105	13 080	1 173	-	14 358
Intangible assets	4 608	-	-	-	4 608
Non-current biological assets	33	25	-	-	58

#### 34. 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 30 September considering existing at that date the inflation factor are as follows:

	2013	2012	
	Unaudited	Unaudited	
Within one year	11 547	6 794	
In the second to fifth year inclusive	36 394	21 970	
Later than fifth year	30 144	16 420	
	78 085	45 184	





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

(in thousand USD, unless otherwise stated)

Areas of operating leased land as at 30 September 2013 and 2012 were as follows:

Location of land	30 September 2013	30 September 2012
	Unaudited	Unaudited
	Hectare	Hectare
Poltava region		
Land under processing	30 079	31 295
Land for grazing, construction, other	3 009	2 009
Chernihiv region		
Land under processing	66 015	26 759
Land for grazing, construction, other	1 681	1 269
Sumy region		
Land under processing	24 584	24 584
Land for grazing, construction, other	113	113
	125 481	86 029

#### 35. Financial instruments

Financial instruments as at 30 September 2013 and 2012 were represented by the following categories:

Financial instrument	Category	Measurement
Financial assets		
Accounts receivable	Loans and receivables	Amortized cost
Other financial assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Loans and borrowings	Financial liabilities	Amortized cost
Accounts payable	Financial liabilities	Amortized cost
Other financial liabilities	Financial liabilities	Amortized cost

The fair values of the Group's financial assets and financial liabilities listed hereinbefore reflect the amounts that would be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date. The fair values are based on inputs other than quoted prices that are observable for the asset or liability. These inputs include foreign currency exchange rates and interest rates. The financial assets and financial liabilities are primarily valued using standard calculations / models that use as their basis readily observable market parameters. Industry standard data providers are the primary source for forward and spot rate information for both interest rates and currency rates, with resulting valuations periodically validated through third-party or counterparty quotes.

The Group's non-derivative financial instruments included cash and cash equivalents, accounts receivable, other financial assets, accounts payable, other financial liabilities, loans and borrowings. At 30 September 2013 and 2012, the carrying value of these financial instruments, excluding long-term debt, approximates fair value because of the short-term maturities of these instruments. The major part of the long-term loans and borrowings has floating interest rates and other has fixed interest rates but they are corresponded to the market rate level, so the Management of the Group believes that book value of long-term loans and borrowings approximates their fair value.

#### 36. Events after the balance sheet date

Loans and borrowing are repaid in the amount of th USD 758.

Agriculture machinery are acquired in the amount of th USD 655 through finance lease agreements.

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