



Industrial Milk Company S.A. and its subsidiaries

Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 2011

Dear shareholders,

The 9-month period ended 30 September 2011 is completed with the improved production and financial results, notably:

- Cultivated area grew year-on-year by 32.4% from 35,800 hectares as of 30 September 2010 to 47,400 hectares on 30 September 2011;
- Sunflower yield grew by 20.6% year-on-year to 2.6 tons/hectare;
- Corn yield grew by 57% year-on-year to 9 tons/hectare;
- Potato yield grew by 76% year-on-year to 30 tons/hectare;
- Operating income surged 73.5% year-on-year to USD 21.1 million;
- Net income was up 63.5% year-on-year to USD 19.8 million.

We inform you that we continue to deliver on our expansion plans. In November 2011 a Subsidiary of IMC S.A. entered into the preliminary deal to acquire 6 Ukrainian companies which are leasing 9 500 hectares of land in the northeastern part of Ukraine with 5-10 years lease terms and a grain elevator.

All land is located in close proximity to the grain elevator which has the direct connection to the national railway network. The storage capacity of the elevator is 32 000 t. Thereby the grain storage capacities of Industrial Milk Company S.A. will total 209 000 t (it is 18% increase from the current 177 000 t).

After arranging the deal the farming land bank of Industrial Milk Company S.A. will be increased by 9 500 hectares and total 57 200 hectares. It is 50% increase of the farming land bank (from 38 000 ha to 57 200 ha) since completion of IPO in May, 2011.

We confirm our plans to increase our land bank and cultivate 100 000 ha in 2012.

We will continue to keep the most efficient productivity in the future as we did it in 2010 and 2011.

Financial highlights for the 9-month period ending 30 September 2011

As a result of a lower carry over stock of agricultural produce at the beginning of the reporting period, and the consequent fall in crop sales volumes, revenues fell by 14.7% year-on-year, to USD 14.8 million;

Operating income surged 73.5% year-on-year to USD 21.1 million, driven by gains in the fair value of biological assets and agricultural produce the bulk of which should be monetized after crops harvesting to the end of the year;

Net income was up 63.5% year-on-year to USD 19.8 million.

Review of financial results for the 9-month period ending 30 September 2011

Revenues decreased year-on-year by 14.7% primarily as a consequence of the lower stock of agricultural produce: as of 31 December 2010 the stock of agricultural produce had a book value of USD 10.0 million, compared to USD 11.7 million on 31 December of the previous year.

Net change in fair value of biological assets and agricultural produce increased year-on-year from USD 16.4 million to USD 28.6 million for the 9-month period under review, primarily as a result of three factors: the higher average price of grain (for example, the corn price went up 31.4% from USD 175 /ton to USD 230 /ton); land under cultivation increased year-on-year by 32.4% from 35,800 hectares as of 30 September 2010 to 47,400 hectares on 30 September 2011; the price of milk increased year-on-year by 15.4% from USD 325 /ton as of 30 September 2010 to USD 375 /ton on 30 September 2011.

Gross income increased from USD 14.7 million for the 9-month period ending 30 September 2010 to USD 25.2 million, an 71.8% year-on-year increase in absolute terms. In relative terms, the net change in the fair value of biological assets and agricultural produce went up 74.6% year-on-year.

Sales and distribution costs went down year-on-year from USD 0.7 million to USD 0.6 million for the 9-month period under review, mainly reflecting the drop in the volume of agricultural produce sales in the first half of the current financial year as compared to the first half of the previous financial year.

Administrative expenses increased year-on-year from USD 1.4 million to USD 2.3 million for the 9-month period under review, reflecting an increase in the wages and salaries of administrative personnel year-on-year from USD 0.8 million to USD 1.1 million, and professional (audit and legal) services from USD 0.1 million to USD 0.4 million.

Operating income increased from USD 12.2 million for the 9-month period ending 30 September 2010 to USD 21.1 million, an 73.5% year-on-year increase in absolute terms, reflecting the increase of gross income.

Financial expenses went down year-on-year from USD 1.3 million to USD 1.2 million for the 9-month period under review, with a higher level of debt in 2011, largely as a result of the optimization of the Group's credit portfolio in December 2010 and July 2011.

Net profit attributable to owners of the parent company went up 62.6% year-on-year, from USD 12.3 million for the 9-month period ending 30 September 2010 to USD 20.0 million for the 9-month period ending 30 September 2011, primarily as a result of the improved operating margin.

Total inventories increased from USD 17.9 million as of 30 September 2010 to USD 22.0 million on 30 September 2011, a 22.4% year-on-year increase. The increase is a consequence of a 11.2% build-up in agricultural produce (from USD 16.0 million as of 30 September 2010 to USD 17.8 million on 30 September 2011) and a 274% build-up in agricultural materials (Note 23), essentially crop protection agents and fertilizers, from USD 0.4 million as of 30 September 2010 to USD 1.2 million on 30 September 2011.

Net cash flows from operating activities were at negative USD 9.3 million for the 9-month period ending 30 September 2011, compared to USD 5.0 million for the same period in 2010. The growth of the current biological assets and the increase of the land under cultivation were the main factors impacting upon operating cash flows during the period under review.

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

SELECTED FINANCIAL DATA AS OF 30 SEPTEMBER 2011
(in USD thousand, unless otherwise stated)

	for the 9-month period ended 30 September	2011	2010
I.	Revenue	14 769	17 310
II.	Operating profit/(loss)	21 103	12 164
III.	Profit/(loss) before income tax	19 879	10 825
IV.	Net profit/(loss)	19 818	12 123
V.	Net cash flow from operating activity	(9 344)	5 013
VI.	Net cash flow from investing activity	(13 165)	(1 810)
VII.	Net cash flow from financing activity	34 269	(3 385)
VIII.	Total net cash flow	11 760	(182)
IX.	Total assets	144 494	98 345
X.	Share capital	56	46
XI.	Total equity	111 050	60 612
XII.	Non-current liabilities	21 303	6 930
XIII.	Current liabilities	12 141	30 803
XIV.	Weighted average number of shares	31 300 000	24 800 000
XV.	Profit/(loss) per ordinary share (in USD)	0,64	0,50
XVI.	Book value per share (in USD)	3,64	2,29

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended 30 September 2011
(in USD thousand, unless otherwise stated)

		30 September 2011	31 December 2010	30 September 2010
	Notes	(unaudited)	(audited)	(unaudited)
CONTINUING OPERATIONS				
Revenue	6	14 769	34 820	17 310
Net change in fair value of biological assets and agricultural produce, net	7	28 553	10 216	16 354
Cost of Sales	8	(18 092)	(28 476)	(18 976)
GROSS INCOME		25 230	16 560	14 688
Administrative expenses	9	(2 263)	(2 106)	(1 437)
Selling and distribution costs	10	(569)	(952)	(721)
Other operating income	11	858	4 045	1530
Income from the exchange of property certificates	12	91	-	-
Other operating expenses	13	(1 376)	(1 560)	(921)
Write-offs of property, plant and equipment		(868)	(1 073)	(975)
Loss on revaluation of other property, plant and equipment		-	(422)	-
OPERATING INCOME		21 103	14 492	12 164
Financial expenses, net	16	(1 224)	(1 865)	(1 339)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		19 879	12 627	10 825
Income tax (expense) / income	17	(61)	2 146	1 298
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		19 818	14 773	12 123
Net profit attributable to:				
Owners of the parent company		20 029	14 374	12 319
Non-controlling interests		(211)	399	(196)
OTHER COMPREHENSIVE INCOME				
Effect of revaluation of property, plant and equipment		-	4 438	-
Deferred tax charged directly to revaluation reserve		90	(95)	51
Effect of foreign currency operations		(458)	92	443
TOTAL OTHER COMPREHENSIVE INCOME		(368)	4 435	494
TOTAL COMPREHENSIVE INCOME		19 450	19 208	12 617
Comprehensive income attributable to:				
Owners of the parent company		19 661	18 687	12 813
Non-controlling interests		(211)	521	(196)

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

Notes on pages 12 - 56 form an integral part of these Condensed consolidated interim financial statements

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2011
(in USD thousand, unless otherwise stated)

		30 September 2011	31 December 2010	30 September 2010	31 December 2009
ASSETS	Notes	(unaudited)	(audited)	(unaudited)	(audited)
Non-current assets					
Property, plant and equipment	18	58 231	54 025	51 115	51 891
Intangible assets	19	2 083	306	295	250
Non-current biological assets	20	6 859	4 657	3 040	3 179
Deferred tax assets	21	133	203	712	946
Other non-current assets	22	201	203	176	10
Total non-current assets		67 507	59 394	55 338	56 276
Current assets					
Inventories	23	21 971	13 030	17 945	14 248
Current biological assets	24	35 439	6 100	14 957	3 783
Trade accounts receivables, net	25	1 208	3 780	866	1 278
Prepayments and other current assets, net	26	5 013	3 147	9 044	10 870
Cash and cash equivalents	28	13 356	1 989	195	48
Total current assets		76 987	28 046	43 007	30 227
TOTAL ASSETS		144 494	87 440	98 345	86 503
LIABILITIES AND EQUITY					
Equity attributable to the owners of the parent company					
Share capital	29	56	46	46	46
Emission revenue		24 387	-	-	-
Revaluation reserve		13 509	15 622	11 898	13 422
Retained earnings		92 129	69 897	60 246	46 352
Effect of foreign currency translation		(16 264)	(15 806)	(15 444)	(15 887)
Total equity attributable to owners of the parent company		113 817	69 759	56 746	43 933
Non-controlling interests		(2 767)	(2 556)	3 866	4 062
Total equity		111 050	67 203	60 612	47 995
Non-current liabilities					
Long-term loans and borrowings	30	18 083	8 676	2 417	5 736
Deferred tax liabilities	21	3 220	3 322	4 513	6 096
Total non-current liabilities		21 303	11 998	6 930	11 832
Current liabilities					
Current portion of long-term borrowings	30	532	1 802	3 956	1 044
Short-term loans and borrowings	31	3 451	1 716	16 504	19 482
Trade accounts payable		4 745	504	2 158	931
Other current liabilities and accrued expenses	32	3 413	4 217	8 185	5 216
Income tax payable		-	-	-	3
Total current liabilities		12 141	8 239	30 803	26 676
TOTAL LIABILITIES AND EQUITY		144 494	87 440	98 345	86 503

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2011
(in USD thousand, unless otherwise stated)

	Share capital	Emission revenue	Revaluation reserve	Retained earnings	Effect of foreign currency translation	Total	Non-controlling interests	Total equity
Unaudited								
As at 31 December 2010	46	-	15 622	69 897	(15 806)	69 759	(2 556)	67 203
Emission	10	24 387	-	-	-	24 397	-	24 397
Profit for the period	-	-	-	20 029	-	20 029	(211)	19 818
Amortization of revaluation reserve	-	-	(2 203)	2 203	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	90	-	-	90	-	90
Other comprehensive income	-	-	-	-	(458)	(458)	-	(458)
Total comprehensive income	-	-	(2 113)	22 232	(458)	19 661	(211)	19 450
Changes in equity as a result of change in ownership share in the subsidiary	-	-	-	-	-	-	-	-
As at 30 September 2011	56	24 387	13 509	92 129	(16 264)	113 817	(2 767)	111 050
As at 31 December 2009	46	-	13 422	46 352	(15 887)	43 933	4 062	47 995
Profit for the period	-	-	-	12 319	-	12 319	(196)	12 123
Amortization of revaluation reserve	-	-	(1 575)	1 575	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	51	-	-	51	-	51
Other comprehensive income	-	-	-	-	443	443	-	443
Total comprehensive income	-	-	(1 524)	13 894	443	12 813	(196)	12 617
Changes in equity as a result of change in ownership share in the subsidiary	-	-	-	-	-	-	-	-
As at 30 September 2010	46	-	11 898	60 246	(15 444)	56 746	3 866	60 612

Ievgen Osyov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2011

(in USD thousand, unless otherwise stated)

	Notes	2011 (unaudited)	2010 (unaudited)
for the 9-month period ended 30 September			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax from continuing operations		19 879	10 825
Adjusted to reconcile profit before tax with net cash used in operating activities:			
Depreciation and amortization	14	3 690	2 696
Gain on disposal of inventories		(15)	-
Loss on disposal of other property, plant and equipment	13	45	63
Write-offs of VAT	13	82	2
Write-offs of property, plant and equipment		868	975
Interest income	16	(56)	(3)
Interest expenses	16	1300	1 380
Lost crops	13	526	380
Losses from impairment of inventories	13	478	104
Provisions for vacations		88	(15)
Income from the exchange of property certificates	12	(91)	-
Income from changes in fair value of biological assets and agricultural produce, net	7	(28 553)	(16 354)
Cash flows from operating activities before changes in working capital		(1 759)	53
Increase / decrease in accounts receivable		2 606	410
Increase in prepayments and other current assets		(1881)	1826
Decrease / increase in inventories		(1 803)	4 443
Decrease / increase in current biological assets		(8 003)	(3 097)
Decrease / increase in accounts payable		4 241	1 227
Increase in other current liabilities and accrued expenses		(1 523)	1 656
Decrease / increase in other non-current assets		2	(166)
Cash flows from operations		(8 120)	6 352
Interest paid		(1 224)	(1 339)
Net cash flows from operating activities		(9 344)	5 013
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(7 890)	(1902)
Purchase of intangible assets		(27)	-
Proceeds from disposal of property, plant and equipment		52	92
Cash (acquisition of the subsidiary)	5	17	-
Acquisition of the subsidiary	5	(5 317)	-
Net cash flows from investing activities		(13 165)	(1 810)

Notes on pages 12 - 56 form an integral part of these Condensed consolidated interim financial statements

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS CONTINUED
For the nine months ended 30 September 2011
(in USD thousand, unless otherwise stated)

CASH FLOWS FROM FINANCING ACTIVITIES:

Emission		24 397	-
Proceeds from long-term and short-term borrowings		11 408	10 935
Repayment of long-term and short-term borrowings		(1 492)	(14 276)
Repayment of lease liabilities	30	(44)	(44)

Net cash flows from financing activities		34 269	(3 385)
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NET CASH FLOWS		11 760	(182)
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Cash and cash equivalents as at the beginning of the period		1 989	48
Net foreign exchange difference		(393)	329
Cash and cash equivalents as at the end of the period		13 356	195

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES**Condensed Consolidated Interim Financial Statements****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(in USD thousand, unless otherwise stated)

1. Description of formation and business.

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

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

In the course of the corporate reorganization a sub-holding company under Industrial Milk Company S.A., Unigrain Holding Limited, was established and through a series of transactions became the immediate parent of Burat-Agro, Ltd., Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor and OJSC Poltava Kombilormoviy Zavod belong directly to Burat, Ltd., and Zemelnii Kadaastroviy Centr SA belongs directly to Chernihiv Industrial Milk Company, Ltd. In June 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company PAE Promin, PE Progress 2010, PAE Slavutich. As a result of these transactions (referred to as the "Restructuring") Industrial Milk Company S.A. indirectly owns all indicated above companies.

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

Operating entity	Principal activity	Country of registration	Year established/acquired	Cumulative ownership ratio, %			
				30 September 2011	31 December 2010	30 September 2010	31 December 2009
Industrial Milk Company SA	Holding company	Luxembourg	2010-12-28	100,00	100,00	100,00	100,00
Unigrain Holding Limited	Subholding company	Cyprus	2009-06-02	100,00	100,00	100,00	100,00
Burat-Agro, Ltd.	Agricultural and farming production	Ukraine	2007-12-31	100,00	96,00	96,00	96,00
Burat, Ltd.	Agricultural products processing	Ukraine	2007-12-31	100,00	97,60	97,60	97,60
Chernihiv Industrial Milk Company, Ltd.	Production of cattle milk and meat, oil-yielding and grain crops cultivation	Ukraine	2007-12-31	100,00	100,00	100,00	100,00
CJSC Mlibor	Flour grinding	Ukraine	2008-05-31	71,82	71,82	61,20	61,20

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(in USD thousand, unless otherwise stated)

OJSC Poltava Kombilormoviy Zavod	Granting of PPE into finance lease	Ukraine	2007-12-31	87,56	85,48	85,48	85,48
Zemelniy Kadastriviy Centr SA	Dormant	Ukraine	2010-11-23	100,00	100,00	-	-
PAE Promin	Agricultural and farming production	Ukraine	2011-06-01	100,00	-	-	-
PE Progress 2010	Agricultural and farming production	Ukraine	2011-06-01	100,00	-	-	-
PAE Slavutich	Agricultural and farming production	Ukraine	2011-06-01	100,00	-	-	-
Aristo Eurotrading Limited	Trading company	British Virgin Islands	2011-08-30	100,00	-	-	-

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

IMC is the group that was founded from the consolidation of mid-sized agricultural companies in 2007. The Group harvests 50,3 thousand ha of high quality arable land and operates in three segments: crop farming, dairy and beef farming and grain and oilseed storage as at 30 September 2011.

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

Today IMC is the vertically integrated and high-technology group of companies engaged in crop farming, dairy farming, feed and flour production, storage services, operating in Poltava and Chernihiv region (northern and central Ukraine). IMC was ranked as a top five Ukrainian milk producer and a top eight Ukrainian meat producer in terms of herd headcount as of November 2009. The Group fully secured 171.2 thousand tonnes of crops produced in 2009 that are stored at two of the Group's silos with a total capacity of 172 thousand tonnes. The Group controlled 47.4 thousand ha of farmland in the most fertile regions of Ukraine (Poltava and Chernihiv) as at 30 September 2011.

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

IMC is strategically focused on the development of its crop operations due to a segment high gross marginality. The Group plans to increase cultivated land from its current 47.4 thousand ha to 125 thousand ha in 2016.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(in USD thousand, unless otherwise stated)

2. Basis of preparation of the consolidated financial statements and summary of significant accounting policies

Statement of compliance

The condensed consolidated financial statements as of and for the nine months ended September 30, 2010 and 2011 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") No. 34, "Interim Financial Reporting". They should be read in conjunction with the annual consolidated financial statements and the notes thereto in the Company's Annual Report for the year ended December 31, 2010 which 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. The Interim Financial Statements are unaudited.

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

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

Basis of measurement

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

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

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

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

Use of estimates

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

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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(in USD thousand, unless otherwise stated)

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 2011	Average for 9 months ended 30 September 2011	31 December 2010	30 September 2010	Average for 9 months ended 30 September 2010	31 December 2009
UAH/EUR	10,854831	11,198640	10,573138	10,771065	10,451980	11,448893
UAH/USD	7,972700	7,962760	7,961700	7,913500	7,936600	7,985000

Translation into presentation currency

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

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

Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The recoverability of Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. Management believes that Group has reliable access to sources of financing capable to support appropriate operating activity of Group entities. These consolidated financial statements do not include any adjustments should the Group be unable to continue as going concern.

Principles of consolidation

Restructuring

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

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

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

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

- Restructuring of the Group was completed before 31 December 2010;
- The parent company owned a share in equities of subsidiary companies;

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- Rights of control over the subsidiaries were determined on the basis of cumulative ownership ratio of all the companies which are controlled by the direct owners of the parent company.

Subsidiaries

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

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

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

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

3.Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment are shown at revalued price, based on periodic annual valuations by external independent values, less subsequent accumulated depreciation. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

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

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

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

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

- Buildings 15-35 years
- Machinery 5-15 years
- Motor vehicles 5-15 years

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- Other assets 5-10 years

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

Income from the exchange of property certificates

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

Biological assets

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

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

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

The fair value of field-planting is defined on the basis of historical cost of such assets as at the balance sheet date, due to insignificance of biological transformation, which occurred since the date when corresponding expenses were incurred.

Determination of fair value of biological assets

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

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

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

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

Intangible assets

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

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

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

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

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

Inventories

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.

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

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

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.

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

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

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

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

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Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

Borrowings issued are measured at amortized cost less impairment losses.

Available-for-sale financial assets

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

Held-to-maturity investments

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

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Derecognition

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

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

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

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

Taxes

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

The Group's company	Taxation system
Burat-Agro, Ltd.	Simplified taxation system (fixed agricultural tax)
Burat, Ltd.	Common taxation system
Chernihiv Industrial Milk Company, Ltd.	Simplified taxation system (fixed agricultural tax)
CJSC Mlibor	Common taxation system
OJSC Poltava Kombilormoviy Zavod	Common taxation system
Zemelniy Kadaastroviy Centr SA	Common taxation system
PAE Promin	Simplified taxation system (fixed agricultural tax)
PE Progress 2010	Simplified taxation system (fixed agricultural tax)
PAE Slavutich	Simplified taxation system (fixed agricultural tax)

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

Income tax

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

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

i) Current income tax

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

ii) Deferred income tax

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

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

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- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

Value added tax (VAT)

VAT output equals 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.

Government grants related to VAT

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

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

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

Government grants related to plant-breeding

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

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

Government grants related to cattle-breeding

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

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

Government grants related to milk production

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

Partial compensation of interest expenses and other grants

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

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

Share capital

Ordinary shares are classified as equity. Nominal value of share capital of Parent company is specified in Note 25.

Provisions

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

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

Derecognition

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

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

Revenue recognition

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

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

- i) Sales of goods

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

ii) **Rendering of services**

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

Borrowing costs

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

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

Impairment

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

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

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

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

Contingent assets and liabilities

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

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

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

4. Critical accounting estimates and judgments

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

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

Value of property, plant and equipment

As at 31 December 2007, the date of the first-time adoption of IFRS, the fair value of property, plant and equipment was used as their cost.

The Group engaged an independent appraiser to determine the fair value of property, plant and equipment as at 31 December 2007, 2009 and 2010. In respect of portion of property, plant and equipment, the cost plus method was used due to lack of comparable market data, because of the nature of real estate. The cost plus method is adjusted by the income method data, which is based on the discounted cash flow model. This model is most sensitive to the discount rate, as well as to the expected cash flows and growth rates used for the extrapolation purposes. Judgments of the Group in determining the indices used in the appraisers' calculations may have a significant effect on the determination of fair value of property, plant and equipment, and hence on their carrying amount.

Useful lives of property, plant and equipment

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

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

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

Fair value of financial instruments

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

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.

Trade and other accounts receivable

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

Taxation

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

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

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

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

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

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

Impairment of assets

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

Legal proceedings

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

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Adoption of new and revised International Financial Reporting Standards

The Group has not adopted the following Standards and IFRIC Interpretations, as well as amendments thereto, issued but not yet effective:

IFRS 7 Financial Instruments: Disclosures - Financial instrument disclosure exemptions - the amendments to the transitional provisions (effective from 1 July 2010);

IFRS 7 Financial Instruments: Disclosures - Clarifications of disclosures (effective from 1 January 2011);

IFRS 3 Business Combinations - Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS; Measurement of non-controlling interests; Un-replaced and voluntarily replaced share-based payment awards (effective from 1 July 2010);

IFRS 1 First-time Adoption of International Financial Reporting Standards - Accounting Policy Changes in the Year of Adoption; Revaluation Basis as Deemed Cost and Use of Deemed Cost for Operations Subject to Rate Regulation (effective from 1 January 2011);

IFRS 9 Financial Instruments: Classification and Measurement - phase 1 of the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 January 2013);

IAS 24 Related Party Disclosure - a revised version of the standard that clarifies and simplifies the definition of a related party (effective from 1 January 2011);

IAS 1 Presentation of Financial Statements - Clarification of statement of changes in equity (effective from 1 January 2011);

IAS 27 Consolidated and Separate Financial Statements - Transition requirements for amendments made as result of IAS 27 application (effective from 1 July 2010);

IAS 34 Interim Financial Reporting - significant events and transactions (effective from 1 January 2011).

The Group currently has no intentions to early adopt the above standards and interpretations.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010). The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

5. Business combination

Acquisition of PAE Promin

On May, 31, 2011 Unigrain Holding Limited acquired 100% of the voiting shares in the company PAE Promin.

PAE Promin is located in Ukraine, Poltava region. The subsidiary owns the cattle of 789 heads (among which there are 382 milking cows) and the books of lease contracts for 2 518 hectares of land under processing.

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The fair value of identifiable assets and liabilities of PAE Promin at the acquisition date and corresponding carrying amounts directly before the acquisition were as follows:

	Fair value at the date of acquisition	Balance value at the date of acquisition
Non-current assets		
Property, plant and equipment	356	200
Non-current biological assets	208	106
Intangible assets	868	173
Current assets		
Inventories	134	134
Current biological assets	1 533	704
Trade accounts receivable, net	26	26
Prepayments and other current assets, net	111	111
Cash and cash equivalents	6	6
Non-current liabilities		
Long-term loans and borrowings	(38)	(38)
Deferred tax liabilities		
Current liabilities		
Short-term loans and borrowings		
Trade accounts payable	(666)	(666)
Other current liabilities and accrued expenses	(34)	(29)
	2 504	727
Net assets		
Non-controlling interests	-	
Owners of the company	2 504	
Cost of acquisition	2 504	
Excess of the Group's share in the fair value of the net assets acquired over the cost of acquisition	-	

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Acquisition of PE Progress 2010

On May, 31, 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company PE Progress 2010.

PE Progress 2010 is located in Ukraine, Chernigiv region. The subsidiary owns the cattle of 253 heads (among which there are 120 milking cows) and the books of lease contracts for 2 637 hectares of land under processing.

The fair value of identifiable assets and liabilities of PE Progress 2010 at the acquisition date and corresponding carrying amounts directly before the acquisition were as follows:

	Fair value at the date of acquisition	Balance value at the date of acquisition
Non-current assets		
Property, plant and equipment	744	202
Non-current biological assets	75	49
Intangible assets	124	
Current assets		
Inventories	3	3
Current biological assets	69	60
Trade accounts receivable, net	2	2
Prepayments and other current assets, net	2	2
Non-current liabilities		
Long-term loans and borrowings	(22)	(22)
Deferred tax liabilities		
Current liabilities		
Short-term loans and borrowings		
Trade accounts payable	(10)	(10)
Other current liabilities and accrued expenses	(43)	(38)
	944	248
Net assets		
Non-controlling interests	-	
Owners of the company	944	
Cost of acquisition	944	
Excess of the Group's share in the fair value of the net assets acquired over the cost of acquisition	-	

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On May, 31, 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company PAE Slavutich.

PAE Slavutich is located in Ukraine, Chernigiv region. The subsidiary owns the cattle of 1 297 heads (among which there are 453 milking cows) and the books of lease contracts for 2 490 hectares of land under processing.

The fair value of identifiable assets and liabilities of PAE Slavutich at the acquisition date and corresponding carrying amounts directly before the acquisition were as follows:

	Fair value at the date of acquisition	Balance value at the date of acquisition
Non-current assets		
Property, plant and equipment	569	324
Non-current biological assets	318	176
Intangible assets	771	
Current assets		
Inventories	28	28
Current biological assets	404	268
Trade accounts receivable, net	8	8
Prepayments and other current assets, net	7	7
Cash and cash equivalents	11	11
Non-current liabilities		
Long-term loans and borrowings	(10)	(10)
Deferred tax liabilities		
Current liabilities		
Short-term loans and borrowings	(21)	(21)
Trade accounts payable	(36)	(36)
Other current liabilities and accrued expenses	(180)	(168)
	1 869	587
Net assets		
Non-controlling interests	-	
Owners of the company	1 869	
Cost of acquisition	1 869	
Excess of the Group's share in the fair value of the net assets acquired over the cost of acquisition	-	

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6 Revenue

for the 9-month period ended 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Revenue from sales of finished products	a)	13 492	16 559
Revenue from services rendered	b)	1 277	751
Total revenue		14 769	17 310

a) Revenue from sales of finished products for the 9-month period ended 30 September was as follows:

	2011 (unaudited)	2010 (unaudited)
Corn	5 153	7 356
Cattle	687	648
Milk	4 782	3 967
Wheat	574	1 997
Sunflower	105	926
Other	2 191	1 665
	13 492	16 559

b) Revenue from services rendered for the 9-month period ended 30 September was as follows:

	2011 (unaudited)	2010 (unaudited)
Storage	561	371
Processing	221	212
Transport	433	69
Other	62	99
	1277	751

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

7

for the 9-month period ended 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Non-current biological assets	20	1 300	32
Current biological assets	24	20 758	8 286
Agricultural produce		6 495	8 036
		28 553	16 354

Change of the sizes of the income from changes of fair value of non-current biological assets is connected with use for determination of fair value of biological assets of the discounted value of net cash flow expected from assets.

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8 Cost of sales

Revenue from sales of finished products was as follows:

for the 9-month period ended 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Raw materials		(11 437)	(6 649)
Change in inventories and work-in-progress		7 705	(2 307)
Wages and salaries of operational personnel and related charges	15	(4 116)	(3 004)
Depreciation and amortisation	14	(3 389)	(2 504)
Third parties' services		(1 198)	(721)
Fuel and energy supply		(3 329)	(2 323)
Rent		(1 967)	(1 297)
Repairs and maintenance		(260)	(126)
Taxes and other statutory charges		(93)	(35)
Other expenses		(8)	(10)
Total cost of sales		(18 092)	(18 976)

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

9 Administrative expenses

for the 9-month period ended 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Wages and salaries of administrative personnel and related charges	15	(1 131)	(799)
Third parties' services		(119)	(128)
Repairs and maintenance		(94)	(47)
Depreciation and amortisation	14	(123)	(89)
Bank services		(123)	(45)
Professional services		(349)	(128)
Transport expenses		(202)	(140)
Other expenses		(122)	(61)
Total administrative expenses		(2 263)	(1 437)

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10 Selling and distribution expenses

for the 9-month period ended 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Wages and salaries of sales personnel and related charges	15	(74)	(63)
Depreciation	14	(38)	(26)
Delivery costs		(433)	(604)
Other expenses		(24)	(28)
Total selling and distribution expenses		(569)	(721)

11 Other operating income

for the 9-month period ended 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Government grants and subsidies recognised as income	a)	1	403
Income from subsidized VAT	b)	614	833
Gain on disposal of inventories		15	-
Other		228	294
Total other operating income		858	1 530

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

for the 9-month period ended 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Grant for grown and sold milk		-	351
Grants for grown and sold cattle		-	52
		-	403

b) Income from subsidized VAT arose due to amendments to the Law of Ukraine "On Value Added Tax". Under these amendments starting from 01 January 2009 the companies, whose total income from supplying their own goods (services) of agricultural purpose for the previous year is not less than 75%, have a right to use the input VAT from the sale of agricultural products (services) for purposes of compensation of VAT amount paid to suppliers of production factors or for other manufacturing purposes. In this regard, the VAT debit balance on agricultural transactions, as previously, aims to support agriculture (starting from 01.01.2009 without transfer to special purpose account, starting from 01.01.2011 with transfer to special purpose account), and VAT credit balance is to be included in expenses.

12 Income from the exchange of property certificates

for the 9-month period ended 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Income from the exchange of property certificates		91	-

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

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13 Other operating expenses			
for the 9-month period ended 30 September			
	Notes	2011 (unaudited)	2010 (unaudited)
Write-offs of VAT		(82)	(2)
Shortages and losses due to impairment of inventories		(478)	(104)
Fines and penalties		(2)	(3)
Lost crops		(526)	(380)
Depreciation	14	(86)	(48)
Wages and salaries of non-operating personnel and related charges	15	(21)	(18)
Loss on disposal of other property, plant and equipment		(45)	(63)
Loss on disposal of VAT bonds		-	(223)
Other		(136)	(80)
Total other operating expenses		(1 376)	(921)
14 Depreciation and amortisation			
for the 9-month period ended 30 September			
	Notes	2011 (unaudited)	2010 (unaudited)
Depreciation			
Cost of sales	8	(3 292)	(2 504)
Administrative expenses	9	(119)	(86)
Selling and distribution expenses	10	(38)	(26)
Depreciation of non-operating property, plant and equipment	13	(86)	(48)
Depreciation as a part of article "Lost crops"	13	(54)	(29)
		(3 589)	(2 693)
Amortisation			
Cost of sales	8	(97)	-
Administrative expenses	9	(4)	(3)
Total depreciation and amortisation		(3 690)	(2 696)
15 Wages and salaries expenses			
for the 9-month period ended 30 September			
	Notes	2011 (unaudited)	2010 (unaudited)
Wages and salaries		(3 958)	(2 887)
Related charges		(1 410)	(1 038)
		(5 368)	(3 925)
The average number of employees, persons			
		1 583	1 438
Remuneration of management:			
		389	284

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Wages and salaries of operating personnel and related charges	8	(4 116)	(3 004)
Wages and salaries of administrative personnel and related charges	9	(1131)	(799)
Wages and salaries of sales personnel and related charges	10	(74)	(63)
Wages and salaries of non-operating personnel and related charges	13	(21)	(18)
Wages and salaries as a part of article "Lost crops" and related charges	13	(14)	(4)
Wages and salaries as a part of article "Construction in progress" and related charges	18	(12)	(37)
		(5 368)	(3 925)
16 Financial (expense) / income, net for the 9-month period ended 30 September		2011 (unaudited)	2010 (unaudited)
Interest income on bank deposits		56	3
Income from sale of currency		42	(1)
Loss from exchange differences		(22)	39
Interest expenses on loans and borrowings		(1 300)	(1 380)
Total financial (expense) / income, net		(1 224)	(1 339)
17 Income tax (expense) / income for the 9-month period ended 30 September		2011 (unaudited)	2010 (unaudited)
Current income tax		-	(2)
Deferred tax		(61)	1 300
Total income tax (expense) / income , net		(61)	1 298
At the beginning of the period		-	(3)
Charge for the period		-	(2)
Amount recovered/paid in the period		-	7
Other expenses		-	(2)
At the end of the period		-	-

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18 Property, plant and equipment

for the 9-month period ended 30 September	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
Initial costs						
31 December 2009	37 712	12 602	5 819	851	654	57 638
Additions	310	1 616	303	-	352	2 581
Disposals	(848)	(304)	(105)	(4)	-	(1 261)
Effect from translation into presentation currency	340	117	52	8	7	524
30 September 2010	37 514	14 031	6 069	855	1 013	59 482
31 December 2010	39 042	17 418	6 592	1 022	1 006	65 080
Additions	203	3 617	1 544	83	1 718	7 165
Additions from acquisition of subsidiaries	775	601	288	9	-	1 673
Disposals	(637)	(482)	(59)	(13)	-	(1 191)
Transfer	-	355	-	-	(355)	-
Effect from translation into presentation currency	(53)	(28)	(11)	(1)	(3)	(96)
30 September 2011	39 330	21 481	8 354	1 100	2 366	72 631

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for the 9-month period ended 30 September	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
Accumulated depreciation						
31 December 2009	(1 784)	(2 277)	(1 079)	(607)	-	(5 747)
Depreciation for the period	(950)	(1190)	(515)	(38)	-	(2 693)
Disposals	33	73	27	-	-	133
Effect from translation into presentation currency	(19)	(24)	(12)	(5)	-	(60)
30 September 2010	(2 720)	(3 418)	(1 579)	(650)	-	(8 367)
31 December 2010	(3 189)	(5 049)	(2 037)	(780)	-	(11 055)
Depreciation for the period	(1078)	(1 743)	(648)	(120)	-	(3 589)
Additions from acquisition of subsidiaries	-	-	-	(1)	-	(1)
Disposals	59	136	20	10	-	225
Effect from translation into presentation currency	6	9	4	1	-	20
30 September 2011	(4 202)	(6 647)	(2 661)	(890)	-	(14 400)
Net book value						
As at 31 December 2009	35 928	10 325	4 740	244	654	51 891
As at 30 September 2010	34 794	10 613	4 490	205	1 013	51 115
As at 31 December 2010	35 853	12 369	4 555	242	1 006	54 025
As at 30 September 2011	35 128	14 834	5 693	210	2 366	58 231

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The Group elected to measure an item of property, plant and equipment at the date of transition to IFRSs at its fair value and use that fair value as its deemed cost as at 31 December 2007. Starting from 31 December 2009 the Group commenced reflection of property, plant and equipment at fair value.

The fair value of property, plant and equipment of all the Group's companies has been measured as at 31 December 2007, 31 December 2009, and as at 31 December 2010 by an independent appraiser FDI "Bureau Veritas Ukraine" (ODS Certificate No.7100/08 as of 26 May 2008 issued by State Property Fund of Ukraine). While acquisition of the subsidiaries PAE Promin, PE Progress 2010, PAE Slavutich, value of property, plant and equipment in this company was adjusted to their fair value as at the date of consolidation. The fair value as at the date of consolidation was determined by an independent appraiser FDI "Bureau Veritas Ukraine".

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

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

19 Intangible assets

for the 9-month period ended 30 September	Computer software	Property certificates	Land lease rights	Total
Initial costs				
31 December 2009	19	249	-	268
Additions	10	61	-	71
Disposals	-	(25)	-	(25)
Effect from translation into presentation currency	-	2	-	2
30 September 2010	29	287	-	316
31 December 2010	31	298	-	329
Additions	-	134	-	134
Additions from acquisition of subsidiaries	-	173	1 592	1 765
Disposals	-	(19)	-	(19)
Effect from translation into presentation currency	-	-	(2)	(2)
30 September 2011	31	586	1 590	2 207

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Accumulated amortisation

31 December 2009	(10)	(8)	-	(18)
Amortisation for the period	(3)	-	-	(3)
Effect from translation into presentation currency	-	-	-	-
30 September 2010	(13)	(8)	0	(21)
31 December 2010	(15)	(8)	-	(23)
Amortisation for the period	(4)	-	(97)	(101)
Effect from translation into presentation currency	-	-	-	-
30 September 2011	(19)	(8)	(97)	(124)
Net book value				
As at 31 December 2009	9	241	-	250
As at 30 September 2010	16	279	-	295
As at 31 December 2010	16	290	-	306
As at 30 September 2011	12	578	1 493	2 083

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.

20 Non-current biological assets
As at 30 September

	2011	2010
	(unaudited)	(unaudited)
Non-current biological assets - animal-breeding		
Cattle	6 772	2 989
Pigs	-	-
Total non-current biological assets - animal-breeding	6 772	2 989
Non-current biological assets - plant-breeding		
Perennial grasses	87	51
Total non-current biological assets	6 859	3 040

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

As at 30 September	2011 (unaudited)	2010 (unaudited)
Cattle		
Cattle, units	3 797	2 921
Live weight, kg	1 560 547	1 212 202
Book value	6 772	2 989

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

Perennial grasses		
Area, ha	1 769	542
Book value	87	51

Following changes took place in the non-current biological assets of animal-breeding for the 9-month period ended 30 September 2011, 2010:

	Cattle	Pigs	Total
31 December 2009	3 107	17	3 124
Transfer (from (to) current biological assets)	(180)	(17)	(197)
Change in fair value	32	-	32
Effect from translation into presentation currency	30	-	30
30 September 2010	2 989	-	2 989
31 December 2010	4 607	-	4 607
Additions from acquisition of subsidiaries	601	-	601
Transfer (from (to) current biological assets)	268	-	268
Change in fair value	1 300	-	1 300
Effect from translation into presentation currency	(4)	-	(4)
30 September 2011	6 772	-	6 772

	Perennial grasses
31 December 2009	55
Capitalized expenses	4
Harvesting	(8)
Effect from translation into presentation currency	-
30 September 2010	51
31 December 2010	50
Capitalized expenses	39
Harvesting	(2)
Effect from translation into presentation currency	-

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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 22,8% prevailing as at 30 September 2011 was applied for cattle.

21 Deferred tax assets and liabilities

Deferred tax assets	Tax losses	Prepayment s and accounts receivable	Provisions	Other	Total
31 December 2009	-	883	63	-	946
Considering profit (loss)	-	(241)	-	-	(241)
Effect from translation into presentation currency	-	7	-	-	7
30 September 2010	-	649	63	-	712
31 December 2010	-	121	82	-	203
Considering profit (loss)	-	(70)	-	-	(70)
30 September 2011	-	51	82	-	133

Deferred tax liabilities	Property, plant and equipment	Inventories	Prepayments and accounts payable	Other	Total
31 December 2009	(4 547)	(1 222)	(326)	(1)	(6 096)
Considering profit (loss)	-	1 229	312	-	1 541
Considering equity	51	-	-	-	51
Effect of foreign currency translation	-	(7)	(2)	-	(9)
30 September 2010	(4 496)	-	(16)	(1)	(4 513)
31 December 2010	(3 308)	(3)	(10)	(1)	(3 322)
Considering profit (loss)	-	-	9	-	9
Considering equity	90	-	-	-	90
Effect of foreign currency translation	-	3	-	-	3
30 September 2011	(3 218)	-	(1)	(1)	(3 220)

22 Other non-current assets

As at 30 September	2011 (unaudited)	2010 (unaudited)
Prepayments for property, plant and equipment	201	174
Other non-current assets	-	2
Total other non-current assets	201	176

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23 Inventories

As at 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Work-in-progress	a)	968	443
Agricultural produce	b)	17 772	15 978
Agricultural materials		1 215	444
Raw materials		481	210
Spare parts		879	596
Fuel		468	202
Other inventories		188	72
Total inventories		21 971	17 945

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:

As at 30 September	2011 (unaudited)	2010 (unaudited)
Corn	2 135	4 578
Wheat	5 625	2 661
Sunflower	4 267	2 670
Lupin	520	939
Hay	962	768
Silage	803	1 277
Soya	1 419	2 109
Potatoes	1 632	556
Other	409	420
Total agricultural produce	17 772	15 978

Losses from impairment of agricultural produce amounting to th USD 333 as at 30 September 2011 are comprised into the item Other operating expenses (Shortages and losses due to impairment of inventories) of the consolidated statement of comprehensive income.

24 Current biological assets

As at 30 September	2011 (unaudited)	2010 (unaudited)
Current biological assets of animal-breeding		
Cattle	4 951	963
Other	40	27
Total current biological assets of animal-breeding	4 991	990
Current biological assets of plant-breeding		
Corn	24 899	11 135

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Wheat	1 036	756
Rye	144	27
Grasses	128	105
Sunflower	2 285	1 082
Soya	558	-
Lupin	-	-
Potatoes	1 398	788
Other	-	74
Total current biological assets of plant-breeding	30 448	13 967
Total current biological assets	35 439	14 957

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

Cattle

Cattle, units	3 686	2 307
Live weight, kg	929 107	590 532
Book value	4 951	963

Other

Number of animals, units	75	68
Live weight, kg	27 509	14 087
Book value	40	27
Total book value	4 991	990

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

Corn

Area, ha	14 870	9 998
Book value	24 899	11 135

Wheat

Area, ha	5 846	6 601
Book value	1 036	756

Rye

Area, ha	891	271
Book value	144	27

Grasses

Area, ha	2 224	1 997
Book value	128	105

Sunflower

Area, ha	2 016	1 291
Book value	2 285	1 082

Soya

Area, ha	822	-
Book value	558	-

Lupin

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Area, ha	-	-
Book value	-	-
Potatoes		
Area, ha	324	273
Book value	1 398	788
Other		
Area, ha	-	698
Book value	-	74
Total book value	30 448	13 967

Following changes took place in the current biological assets of animal-breeding for the 9-month period ended 30 September 2011, 2010:

	Cattle	Pigs	Other	Total
31 December 2009	1 332	4	22	1 358
Capitalized expenses	1 370	14	2	1 386
Transfer (from (to) non-current biological assets)	180	17	-	197
Sale	(1 393)	(30)	(7)	(1 430)
Slaughter	(103)	(5)	-	(108)
Change in fair value	(433)	-	6	(427)
Effect from translation into presentation currency	10	-	4	14
30 September 2010	963	-	27	990
31 December 2010	3 082	-	21	3 103
Additions from acquisition of subsidiaries	370	-	20	390
Capitalized expenses	2 062	-	2	2 064
Transfer (from (to) non-current biological assets)	(268)	-	-	(268)
Sale	(1 621)	-	(3)	(1 624)
Slaughter	(175)	-	-	(175)
Change in fair value	1 503	-	2	1 505
Effect from translation into presentation currency	(2)	-	(2)	(4)
30 September 2011	4 951	-	40	4 991

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Following changes took place in the current biological assets of plant-breeding for the 9-month period ended 30 September 2011, 2010:

	Corn	Wheat	Rye	Grasses	Sunflower	Soya	Lupin	Potatoes	Other	Total
31 December 2009	1 389	789	115	132	-	-	-	-	-	2 425
Capitalized expenses	5 526	2 058	204	1 332	1 296	1 116	307	540	273	12 652
Harvesting	(2 984)	(1 922)	(290)	(1 294)	(965)	(1 116)	(307)	(426)	(178)	(9 482)
Harvest failure	(6)	(169)	(2)	(65)	(64)	-	-	(14)	(21)	(341)
Change in fair value	7 210	-	-	-	815	-	-	688	-	8 713
Effect from translation into presentation currency	-	-	-	-	-	-	-	-	-	-
30 September 2010	11 135	756	27	105	1 082	-	-	788	74	13 967
31 December 2010	-	2 445	54	187	-	-	-	-	311	2 997
Additions from acquisition of subsidiaries	654	292	70	120	431	22	-	-	27	1 616
Capitalized expenses	8 220	3 363	225	1 750	2 453	1 107	468	1 963	359	19 908
Harvesting	(700)	(5 034)	(204)	(1 784)	(1 945)	(861)	(329)	(1 323)	(645)	(12 825)
Harvest failure	(1)	(30)	(1)	(145)	(83)	(50)	(139)	-	(52)	(501)
Change in fair value	16 726	-	-	-	1 429	340	-	758	-	19 253
Effect from translation into presentation currency	-	-	-	-	-	-	-	-	-	-
30 September 2011	24 899	1 036	144	128	2 285	558	-	1 398	-	30 448

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25 Trade accounts receivable, net
As at 30 September

		2011	2010
	Notes	(unaudited)	(unaudited)
Trade accounts receivable		1 513	1 117
Allowances for accounts receivable	27	(305)	(251)
Trade accounts receivable, net		1 208	866

Trade accounts receivable as at 30 September 2011 amounting to th USD 1208 comprise th USD 188 according to the contract concluded with Molochnuy Soyuz-Agro Ltd.; comprise th USD 373 according to the contract concluded with Chipsy Lux Ltd.

Trade accounts receivable as at 30 September 2010 amounting to th USD 866 comprise th USD 190 according to the contract concluded with Molochnuy Soyuz-Agro Ltd, th USD 220 according to the contract concluded with Chipsy Lux Ltd.

26 Prepayments and other current assets, net
As at 30 September

		2011	2010
		(unaudited)	(unaudited)
Advances to suppliers		564	318
Allowances for advances to suppliers	27	(36)	(44)
VAT for reimbursement		864	2 952
Non-bank accomodations interest free short-term		188	126
Amounts due from shareholders		-	38
Other accounts receivable		3 457	5 658
Allowances for other accounts receivable	27	(24)	(4)
Prepayments and other current assets, net		5 013	9 044

27 Changes in allowances made

		2011	2010
	Notes	(unaudited)	(unaudited)
Allowances for trade accounts receivable	25	(305)	(251)
Allowances for advances to suppliers	26	(36)	(44)
Allowances for other accounts receivable	26	(24)	(4)
		(365)	(299)
	Notes	30 September 2011	30 September 2010
As at the beginning of the period		(378)	(297)
Additions from acquisition of subsidiaries		(10)	-
Use of allowances		13	-
Effect from translation into presentation currency		10	(2)
As at the end of the period		(365)	(299)

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28 Cash and cash equivalents

		30 September 2011	30 September 2010
	Currency		
Cash in bank and hand	EUR	20	-
Cash in bank and hand	PLN	2	-
Cash in bank and hand	USD	13 060	118
Cash in bank and hand	RUR	-	-
Cash in bank and hand	UAH	274	77
Total cash and cash equivalents		13 356	195

29 Share capital

As at 30 September

	2011 (unaudited)		2010 (unaudited)	
	%	Amount	%	Amount
AGROVALLEY LIMITED	68	38	100	46
Amplico Powszechnie Towarzystwo Emerytalne S.A. (with subsidiaries)	5	3	-	-
Other shareholders (each one less than 5% of the share capital)	27	15	-	-
Total share capital	100	56	100	46

As at 30 September 2011 share capital of Industrial Milk Company SA is divided into 31 300 000 shares.

As at 30 September 2010 share capital of Industrial Milk Company SA is divided into 24 800 000 shares.

Beneficial owner of the Group as at 31 December 2010, 2009, 2008 and 2007 is Mr. Petrov A.L.

30 Long-term loans and borrowings

As at 30 September

	Currency	2011 (unaudited)	2010 (unaudited)
Secured			
Long-term bank loans	UAH	47	2 469
Long-term bank loans	USD	18 521	3 812
Finance lease liabilities	UAH	43	88
		18 611	6 369
Unsecured			
Long-term bank loans	USD	-	-
Long-term loans from related parties	UAH	4	4
		4	4

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		<u>18 615</u>	<u>6 373</u>
Current portion of long-term loans and borrowings	UAH	(40)	(613)
Current portion of long-term loans and borrowings	USD	(470)	(3 321)
Current portion of finance lease liabilities	UAH	<u>(22)</u>	<u>(22)</u>
		<u>(532)</u>	<u>(3 956)</u>
Total long-term loans		<u>18 083</u>	<u>2 417</u>

Amount of long-term loans and borrowings outstanding as at 30 September 2011 comprises following loans:

— credit line amounting to th USD 9 591 received by Chernihiv Industrial Milk Company, Ltd. in USD according to the credit contract concluded with "PJSC Prominvestbank" with credit limit equaling to th USD 9 660. Annual interest rate – 1 Y Libor+10%. Maturity date is 29 April 2016. Obligations under credit contract are guaranteed by transport vehicle, equipment, property rights of Chernihiv Industrial Milk Company, Ltd., shares of PJSC Mlibor; financial warranty of Burat, Ltd., Burat-Agro, Ltd., CJSC Mlibor, Petrov A.L.

— credit line amounting to th USD 3 857 received by Burat-Agro, Ltd., Ltd in USD according to the credit contract concluded with "PJSC Prominvestbank" with credit limit equaling to th USD 4 285. Annual interest rate is 1 Y Libor+10%. Maturity date is 29 April 2016. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, property rights of Burat-Agro, Ltd., shares of OJSC Poltava Kombilormoviy Zavod; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor, Petrov A.L.

— creditline amounting to th USD 2 000 received by Chernihiv Industrial Milk Company, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 2 000. Annual interest rate is 9%. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by transport vehicle, equipment, property rights of Chernihiv Industrial Milk Company, Ltd., shares of PJSC Mlibor; financial warranty of Burat, Ltd., Burat-Agro, Ltd., CJSC Mlibor, Petrov A.L.

— creditline amounting to th USD 2 000 received by Burat-Agro, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 2 000. Annual interest rate is 9%. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, property rights of Burat-Agro, Ltd., shares of OJSC Poltava Kombilormoviy Zavod; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor, Petrov A.L.

— credit amounting to th USD 451 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Privatbank" with credit limit equaling to th USD 1 502. Annual interest rate is 11,5%. Maturity date is 15 February 2013. Obligations under credit contract are movable property of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 300.

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

— credit amounting to th USD 583 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Credit Agricole Bank" with credit limit equaling to th USD 648 thousand. Annual interest rate is 9%. Maturity date is 01 March 2016. Obligations under the contract are guaranteed by movable property of Burat-Agro Co, Ltd.. The current portion of long-term obligation equals to th USD 130.

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— credit amounting to th USD 29 received by Promin, Ltd. in UAH according to the credit contract concluded with "PJSC Prominvestbank" in Poltava with credit limit equaling to th USD 132 thousand. Annual interest rate is 16%. Maturity date is 12 January 2012. Obligations under the contract are guaranteed by movable property of Promin, Ltd.. The current portion of long-term obligation equals to th USD 29.

— credit amounting to th USD 17 received by Slavutych, Ltd. in UAH according to the credit contract concluded with PJSC "Derzhavnyi Oshchadnyi Bank Ukrainy" in Chernihiv with credit limit equaling to th USD 53 thousand. Annual interest rate is 18%. Maturity date is 23 June 2013. Obligations under the contract are guaranteed by movable property of Promin, Ltd.. The current portion of long-term obligation equals to th USD 11.

Amount of long-term loans and borrowings outstanding as at 30 September 2010 comprises following loans:

— credit line amounting to th USD 3 050 received by Chernihiv Industrial Milk Company, Ltd. in UAH and USD according to the credit contract concluded with PJSC "Alfa-Bank" with credit limit equaling to th USD 8 560. Annual interest rate is 14,7-22%. Maturity date is 6 February 2015. Obligations under credit contract are guaranteed by goods, transport vehicles, equipment, property rights of Chernihiv Industrial Milk Company, Ltd., corporate rights of Makus I.V. amounting to 1% in authorized capital of Chernihiv Industrial Milk Company, Ltd., 80% in authorized capital of Burat-Agro, Ltd., 88% in authorized capital of Burat, Ltd., corporate rights of CJSC "IMC" amounting to 99% in authorized capital of Chernihiv Industrial Milk Company, Ltd., 20 % in authorized capital of Burat- Agro, Ltd., 12% in authorized capital of Burat, Ltd, shares of Petrov A.L. amounting to 100% in authorized capital of CJSC "IMC"; financial warranty of Burat, Ltd., Burat-Agro, Ltd., CJSC Mlibor, Petrov A.L. Current portion is th USD 1 194.

— credit line amounting to th USD 1 818 received by Burat-Agro, Ltd. In UAH and USD according to the credit contract concluded with PJSC "Alfa-Bank" with credit limit equaling to th USD 12 750. Annual interest rate is 14,7-16,75%. Maturity date is 6 February 2015. Obligations under credit contract are guaranteed by goods, transport vehicles, equipment, property rights of Burat-Agro, Ltd., corporate rights of Makus I.V. amounting to 80% in authorized capital of Burat- Agro, Ltd., 1% in authorized capital of Chernihiv Industrial Milk Company, Ltd., 88% in authorized capital of Burat, Ltd., corporate rights of CJSC "IMC" amounting to 20% in authorized capital of Burat-Agro, Ltd., 12% in authorized capital of Burat, Ltd., 99% in authorized capital of Chernihiv Industrial Milk Company, Ltd., shares of Petrov A.L. amounting to 100% in authorized capital of CJSC "IMC"; financial warranty of Burat, Ltd., CJSC "IMC", Petrov A.L. Current portion is th USD 1 817.

— credit amounting to th USD 751 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Privatbank" with credit limit equaling to th USD 1 502. Annual interest rate is 11,5%. Maturity date is 15 February 2013. Obligations under credit contract are guaranteed by movable property of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 300.

— credit amounting to th USD 80 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Privatbank" with credit limit equaling to th USD 200. Annual interest rate is 11%. Maturity date is 15 June 2012. Obligations under the contract are guaranteed by movable property of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 40.

— credit amounting to th USD 13 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with "PJSC Prominvestbank" in Poltava with credit limit equaling to th USD 53 thousand. Annual interest rate is 13,5%. Maturity date is 20 September 2011. Obligations under the contract are guaranteed by by transport vehicle of Burat-Agro Co, Ltd.. The current portion of long-term obligation equals to th USD 13.

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— credit amounting to th USD 7 received by "Burat-Agro" Co., Ltd in USD according to the credit contract concluded with "PJSC Prominvestbank" in Poltava with credit limit equalling to th USD 52. Annual interest rate is 13,5%. Maturity date is 25 February 2011. Obligations under the contract are guaranteed by transport vehicle of "Burat-Agro" Co., Ltd. with total value amounting to th UAH 246. The current portion of long-term obligation equals to th USD 7.

— credit amounting to th USD 562 received by PJSC Mlibor in UAH according to the credit contract concluded with PJSC "Ukreximbank" with credit limit equal to th USD 930. Annual interest rate is 24%. Maturity date is 30 July 2010. Obligations under credit contract are guaranteed by real estate. The current portion of long-term obligation equals to th USD 575.

Essential terms of credit contracts:

	Currency	30 September 2011	Nominal interest rate	Effective interest rate
PJSC "Prominvestbank"	USD	9 591	1 Y Libor+10%	-
PJSC "Prominvestbank"	USD	3 857	1 Y Libor+10%	-
PJSC "Prominvestbank"	USD	2 000	9,00%	9,38%
PJSC "Prominvestbank"	USD	2 000	9,00%	9,38%
PJSC "Privatbank"	USD	451	11,50%	12,13%
PJSC "Privatbank"	USD	40	11,00%	11,57%
PJSC "Credit Agricole Bank"	USD	583	9,00%	9,38%
PJSC "Prominvestbank"	UAH	29	16,00%	17,23%
PJSC "Derzhavniy Oschadniy Bank Ukrainy"	UAH	17	18,00%	19,56%
		18 568		
	Currency	30 September 2010	Nominal interest rate	Effective interest rate
PJSC "Alfa Bank"	UAH	1 856	19,50%	21,34%
PJSC "Alfa Bank"	USD	1 194	14,7-16,25%	15,7-17,52%
PJSC "Alfa Bank"	UAH	51	17,55%	19,03%
PJSC "Alfa Bank"	USD	1 767	14,7-16,75%	15,7-18,1%
PJSC "Privatbank"	USD	751	11,50%	12,13%
PJSC "Privatbank"	USD	80	11,00%	11,57%
PJSC "Prominvestbank"	USD	13	13,50%	14,37%
PJSC "Prominvestbank"	USD	7	13,50%	14,37%
PJSC "Ukreximbank"	UAH	562	24,00%	26,82%
		6 281		

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Long-term loans and borrowings outstanding as of 30 September 2011, 2010, were repayable as follows:

	30 September 2011	30 September 2010
Within 1 year	510	3 934
In the second to fifth year inclusive	18 058	2 347
Later than fifth year	<u>18 568</u>	<u>6 281</u>

31 Short-term loans and borrowings

As at 30 September	Currency	2011 (unaudited)	2010 (unaudited)
Secured			
Short-term bank loans	UAH	3	3 763
Short-term bank loans	USD	3 415	-
		<u>3 418</u>	<u>3 763</u>
Unsecured			
Short-term borrowings from related parties	UAH	33	12 741
Short-term borrowings from third parties	USD	-	-
Short-term borrowings from related parties	USD	-	-
		<u>33</u>	<u>12 741</u>
Total short-term borrowings		<u>3 451</u>	<u>16 504</u>

Amount of the largest short-term loans and borrowings outstanding as at 30 September 2011 comprises following loans:

— creditline amounting to th USD 1 500 received by Chernihiv Industrial Milk Company, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 500. Annual interest rate is 11%. Maturity date is 30 November 2011. Obligations under credit contract are guaranteed by transport vehicle, equipment, property rights of Chernihiv Industrial Milk Company, Ltd., shares of PJSC Mlibor; financial warranty of Burat, Ltd., Burat-Agro, Ltd., CJSC Mlibor, Petrov A.L.

— creditline amounting to th USD 1 915 received by Burat-Agro, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 915. Annual interest rate is 11%. Maturity date is 30 November 2011. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, property rights of Burat-Agro, Ltd., shares of OJSC Poltava Kombilormoviy Zavod; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor, Petrov A.L.

Amount of the largest short-term loans and borrowings outstanding as at 30 September 2010 comprises following loans:

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— credit line amounting to th USD 1 667 received by Burat-Agro, Ltd. In UAH according to the credit contract concluded with PJSC "Alfa-Bank" with credit limit equaling to th USD 8 295. Annual interest rate is 27-28%. Maturity date is 29 January 2011. Obligations under credit contract are guaranteed by goods, transport vehicles, equipment, property rights of Burat-Agro, Ltd., corporate rights of Makus I.V. amounting to 80% in authorized capital of Burat-Agro, Ltd., 1% in authorized capital of Chernihiv Industrial Milk Company, Ltd., 88% in authorized capital of Burat, Ltd., corporate rights of CJSC "IMC" amounting to 20% in authorized capital of Burat-Agro, Ltd., 12% in authorized capital of Burat, Ltd., 99% in authorized capital of Chernihiv Industrial Milk Company, Ltd., shares of Petrov A.L. amounting to 100% in authorized capital of CJSC "IMC"; financial warranty of Burat, Ltd., CJSC "IMC", Petrov A.L.

— credit line amounting to th USD 984 received Chernihiv Industrial Milk Company, Ltd. In UAH according to the credit contract concluded with PJSC "Alfa-Bank" with credit limit equaling to th USD 7 065. Annual interest rate is 18,5-20%. Maturity date is 29 January 2011. Obligations under credit contract are guaranteed by goods, transport vehicles, equipment, property rights of Chernihiv Industrial Milk Company, Ltd., corporate rights of Makus I.V. amounting to 1% in authorized capital of Chernihiv Industrial Milk Company, Ltd., 80% in authorized capital of Burat-Agro, Ltd., 88% in authorized capital of Burat, Ltd., corporate rights of CJSC "IMC" amounting to 99% in authorized capital of Chernihiv Industrial Milk Company, Ltd., 20 % in authorized capital of Burat-Agro, Ltd., 12% in authorized capital of Burat, Ltd., shares of Petrov A.L. amounting to 100% in authorized capital of CJSC "IMC"; financial warranty of Burat, Ltd., Burat-Agro, Ltd., CJSC Mlibor, Petrov A.L.

— credit amounting to th USD 1 112 received by PJSC Mlibor in UAH according to the credit contract concluded with PJSC "Ukreximbank" with credit limit equal to th USD 1 112. Annual interest rate is 24,95%. Maturity date is 30 July 2010. Obligations under credit contract are guaranteed by real estate.

Other current liabilities and accrued expenses

As at 30 September	2011	2010
	(unaudited)	(unaudited)
Advances from clients	179	5 452
Interest payable on bank loans	-	147
Interest payable on finance lease	-	-
Accounts payable for the lease of land and property rights	1 357	979
Accounts payable for property, plant and equipment	915	227
Taxes payable	35	25
Wages, salaries and related charges payable	449	501
Provisions for unused vacations	336	227
Accounts payable for investments	-	19
Other accounts payable	142	608
Total other current liabilities and accrued expenses	3 413	8 185

Accounts payable for property, plant and equipment amounting to th USD 915 as at 30 September 2011 comprise th USD 384 according to the contract concluded with Landmaschinen Vertrieb Altenweddingen GmbH, and th USD 303 according to the contract concluded with Landmaschinen Vertrieb Altenweddingen GmbH

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33 Related parties

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

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

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

As at 30 September	Notes	2011 (unaudited)	2010 (unaudited)
Trade accounts receivable, net			
a) Entities - related parties under common control with the Companies of the Group;	25	317	322
b) Entities-related parties, in equity of which Companies of the Group have an interest;	25	14	16
		331	338
Advances to suppliers			
a) Entities - related parties under common control with the Companies of the Group;	26	-	-
b) Entities-related parties, in equity of which Companies of the Group have an interest;	26	-	-
		-	-
Non-bank accommodations interest free short-term			
a) Entities - related parties under common control with the Companies of the Group;	26	15	15
b) Entities-related parties, in equity of which Companies of the Group have an interest;	26	89	89
		104	104
Other accounts receivable			
a) Entities - related parties under common control with the Companies of the Group;	26	20	5 271
b) Entities-related parties, in equity of which Companies of the Group have an interest;	26	3	3
		23	5 274
Short-term borrowings from related parties			
a) Entities - related parties under common control with the Companies of the Group;	31	-	423
		-	423

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(in USD thousand, unless otherwise stated)

Trade accounts payable

a) Entities - related parties under common control with the Companies of the Group;	25	58
b) Entities-related parties, in equity of which Companies of the Group have an interest;	232	258
	<u>257</u>	<u>316</u>

Remuneration of key management personnel

	30 September 2011	30 September 2010
Wages and salaries	287	212
Related charges	102	72
	<u>389</u>	<u>284</u>

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

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

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

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

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

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

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

**Information on business
segments for the 9-month period
ended 30 September 2011**

	Farming division	Live- stock breeding	Storage and processing	Adjust ments	Total
Revenue	14 897	5 478	4 102	-	24 477
Intra-group elimination	(7 000)	(3)	(2 705)	-	(9 708)
Revenue from external buyers	7 897	5 475	1 397	-	14 769
Income from changes in fair value of biological assets and agricultural	25 748	2 805	-	-	28 553

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(in USD thousand, unless otherwise stated)

produce, net

Cost of sales	(12 186)	(4 686)	(1 220)	-	(18 092)
Gross income	21 459	3 594	177	-	25 230
Administrative expenses	-	-	-	(2 263)	(2 263)
Selling and distribution expenses	-	-	-	(569)	(569)
Other income	-	-	-	949	949
Other expenses	-	-	-	(2 244)	(2 244)
Operating income of a segment	21 459	3 594	177	(4 127)	21 103
Financial expenses	-	-	-	(1 224)	(1 224)
Profit before tax	21 459	3 594	177	(5 351)	19 879
Income tax	-	-	-	(61)	(61)
Net profit	21 459	3 594	177	(5 412)	19 818

Other segment information:

Depreciation and amortisation	2 466	471	452	301	3 690
Additions to non-current assets:					
Property, plant and equipment	8 105	412	323	-	8 840
Intangible assets	1 899	-	-	-	1 899
Non-current biological assets	39	601	-	-	640

Information on business segments for the 9-month period ended 30 September 2010

	Farming division	Live-stock breeding	Storage and processing	Adjustments	Total
Revenue	14 489	4 624	1266	-	20 379
Intra-group elimination	(2 403)	(4)	(662)	-	(3 069)
Revenue from external buyers	12 086	4 620	604	-	17 310
Income from changes in fair value of biological assets and agricultural produce, net	16 749	(395)	-	-	16 354
Cost of sales	(14 791)	(3 561)	(624)	-	(18 976)
Gross income	14 044	664	(20)	-	14 688
Administrative expenses	-	-	-	(1 437)	(1 437)
Selling and distribution expenses	-	-	-	(721)	(721)
Other income	-	-	-	1 530	1 530
Other expenses	-	-	-	(1 896)	(1 896)
Operating income of a segment	14 044	664	(20)	(2 524)	12 164
Financial expenses	-	-	-	(1 339)	(1 339)
Profit before tax	14 044	664	(20)	(3 863)	10 825
Income tax	-	-	-	1 298	1 298
Net profit	14 044	664	(20)	(2565)	12 123

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(in USD thousand, unless otherwise stated)

Other segment information:

Depreciation and amortisation	1 847	318	339	192	2 696
Additions to non-current assets:					
Property, plant and equipment	2406	120	55	-	2 581
Intangible assets	71	-	-	-	71
Non-current biological assets	4	-	-	-	4

35 Lease of land

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

Future minimum lease payments for operating leases of land of agricultural designation as at 30 September 2011 considering existing at that date the inflation factor are as follows:

	As at 30.09.2011
Within 1 year	11
In the second to fifth year inclusive	1 849
Later than fifth year	14 703
	16 563

Areas of operating leased land as at 30 September 2011, 2010 were as follows:

	30 September 2011	30 September 2010
	Hectare	Hectare
Poltava region		
Land under processing	22 357	19 920
Land for grazing, construction, other	1 638	2 389
Chernihiv region		
Land under processing	25 063	15 864
Land for grazing, construction, other	1 269	1 282
	50 327	39 455

36 Events after the balance sheet date

As at the date of signing of the financial statements short-term loans is repaid in the amount of th USD 903.

As at the date of signing of the financial statements current portion of long-term loans is repaid in the amount of th USD 47.

In October - November 2011 the Group carried out th USD 195 of advance payments for technics and equipment.