Industrial Milk Company S.A. and its subsidiaries

Condensed Consolidated Interim Financial Statements
For the six months ended 30 June 2016

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Statement of Management responsibilities for preparation and approval of condensed consolidated interim financial statements for the six months ended 30 June 2016

Management of the Group of companies "IMC S.A." (the Group) is responsible for preparing the condensed consolidated interim financial statements which reflect in all material aspects the financial position of the Group as at 30 June 2016, as well as the results of its activities, cash flows and changes in equity for the three months ended in accordance with International Financial Reporting Standards (IFRS).

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

- selecting appropriate accounting policies and their consistent application;

- making reasonable measurement and calculation;

- following principles of IFRS or disclosing all considerable deviations from IFRS in the notes to condensed consolidated interim financial statements;

- preparing condensed consolidated interim financial statements of the Group on the going concern basis, except for the cases when such assumption is illegal.

- accounting and disclosing in the condensed consolidated interim financial statements all the relations and transactions between related parties;

- accounting and disclosing in the condensed consolidated interim financial statements all subsequent events that need to be adjusted or disclosed;

- disclosing all claims related to previous or potential legal proceedings;

- disclosing in the condensed consolidated interim financial statements all the loans or guarantees on behalf of the Management.

The Group's Management is also responsible for:

- development, implementation and control over effective and reliable internal control system in the Group;

- keeping accounting records in compliance with the legislation and accounting standards of the respective country of the Group's registration;

- taking reasonable steps within its cognizance to safeguard the assets of the Group;

- detecting and preventing from fraud and other irregularities.

These condensed consolidated interim financial statements as at 30 June 2016 prepared in compliance with IFRS were approved on behalf of the Group's Management on 23 August 2016.

On behalf of the Management:

Chief Executive Officer	ALEX LISSITSA	signed
Chief Financial Officer	DMYTRO MARTYNIUK	signed

Management statement

This statement is provided to confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the six months ended 30 June 2016, and the comparable information, have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union and give a true, fair and clear view of IMC S.A. assets, financial standing and net results, and that the directors' report on the operations of the IMC S.A. Group of companies truly reflects the development, achievements and position of the Group, including a description of the key risk factors and threats.

On behalf of the Management:

Chief Executive Officer	ALEX LISSITSA	signed
Chief Financial Officer	DMYTRO MARTYNIUK	signed

Consolidated management report

1. Business and General Conditions
2. Operational and Financial Results
3. Risk Report
4. Selected Financial Data

1 .Business and General Conditions

Business conditions

Sales of corn stocks, preparation to the spring sowing campaign and finally sowing of spring crops were the main operational activities of Industrial Milk Company S.A. and its Subsidiaries (hereinafter “the Group” or “IMC”) in the first half of 2016.

World ending stocks of corn stabilized in 2015/16 MY, which has led to insignificant corn price changes in the first half of 2016 vs. the same period of the previous year.

On May 12 IMC completed the spring sowing campaign. The company has sown more than 71 thousand hectares of corn, about 25 thousand hectares of sunflower, 6.4 thousand hectares of soybean and 637 hectares of potato.

Minor depreciation of the Ukrainian currency (hryvna) in H1 2016 positively influenced foreign exchange loss recognized by the Group as of the reporting date. As of 30 June 2016 the Ukrainian hryvnia depreciated against the USD by 3.4% compared with 31 December 2015 (25.0% as of 30 June 2015 compared with 31 December 2014). As a result, during the six months ended 30 June 2016 the Group recognized net foreign exchange loss in the amount of USD 2 486 thousand (six months ended 30 June 2015 - USD 20 219 thousand).

Some changes in the taxation of agricultural producers were introduced in H1 2016 in Ukraine:

1) As part of amendments to the tax code approved in late December 2015, the government and parliament partially preserved VAT preferences for farmers in 2016, allowing retaining a portion of VAT receipts as follows: 80% by cattle farmers (with 20% channeled to the state budget), 15% by crop farmers, and 50% by all other producers;
2) VAT refund on export of grain has been reinstalled since 1 January 2016.

The military conflict on the East of Ukraine does not affect operations of the Group. Group's assets are located in the central and northern regions of Ukraine far from East of Ukraine. IMC carries out export of grain through the ports of Odessa and Mykolaiv regions. IMC’s main markets for grain export are EU, Northern Africa, Middle East and Asia. The Group doesn’t export any goods to Russia.

The internal control system

IMC’s control system relies on daily resource planning analyses which is detailed by cost centre and cost article, department, thus providing all the necessary information for controlling inventories and products.

IMC established internal controlling instruments to secure proper accounting in compliance with legal requirements.

IMC's accounting procedures are governed by standardized guidelines and rules as well as a clearly defined course of action in different situation. Therefore, standard account parameters and booking directions for various production operations were established. Another control tool is the clear allocation of functions regarding various accounting processes. For Group consolidation and accounting purposes all book-keeping data of the consolidated companies may be accessed automatically.

The internal control system of IMC is based on the accounting data base thus integrating all controlling processes. Accounting processes are carried out on a high level basis and are monitored and adjusted by specialists.

IMC's accounting-related risk management system is set up in a way that the risk of misrepresentation could mainly ensue from new business processes or amendments to legal provisions. Risks are contained by transferring decisions on accounting-relevant data resulting from new business processes to the management level. Ongoing continuation training regarding the applicable accounting provisions from time to time is provided to the management.

Personnel

Trained and motivated employees are the most precious success resource for an enterprise dedicated to agricultural production. Motivation and professionalism are prerequisites for excellent results. IMC can always rely on its qualified and motivated staff. Future-oriented technologies, trained personnel and continuation training of the company's employees are vital to secure quality and low cost of agricultural products.

As IMC is a vocational training provider, the company is able to train its qualified skilled workers and executives mainly from its own staff. Specialized training programs are aimed at the improvement of employees professional skills. Open communication channels on all levels, short decision-making processes are values applied and lived.

	For the six months ended		
	30 June 2016	30 June 2015	Change in %
Total number of employees	2 621	2 648	-1%
operating personnel	1 985	2 011	-1%
administrative personnel	606	607	-
sales personnel	24	24	-
non-operating personnel	6	6	-
Wages and salaries and related charges per employee, USD	1 607	1 529	5%

2. Operational and Financial Results

The following table sets forth the Company's results of operations for the six-month period ended 30 June 2016 and 2015 derived from the condensed consolidated interim financial statements:

(in thousand USD)

	Notes	For the six months ended 30 June 2016	30 June 2015	Change in %
CONTINUING OPERATIONS				
Revenue	5	54 374	73 900	-26%
Gain from changes in fair value of biological assets and agricultural produce, net	6	44 276	33 963	30%
Cost of sales	7	(48 105)	(40 850)	18%
GROSS PROFIT		**50 545**	**67 013**	**-25%**
Administrative expenses	8	(2 673)	(2 193)	22%
Selling and distribution expenses	9	(3 473)	(5 650)	-39%
Other operating income	10	1 297	865	50%
Other operating expenses	11	(1 807)	(4 979)	-64%
Write-offs of property, plant and equipment		(983)	(507)	94%
OPERATING PROFIT		**42 906**	**54 550**	**-21%**
Financial expenses, net	14	(6 455)	(7 800)	-17%
Foreign currency exchange loss, net	15	(2 486)	(20 219)	-88%
Gain on recognition/reversal of share purchase warrant	29	474	476	0%
Loss on recognition of additional return on financial liability	29	(16 043)	-	100%
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**18 396**	**27 007**	**-32%**
Income tax benefit	16	368	30	1127%
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**18 764**	**27 037**	**-31%**
<u>**Non recurring items:**</u>				
Financial expenses, net		6 455	7 800	
Foreign currency exchange (loss)/gain, net		2 486	20 219	
Gain on recognition of share purchase warrant		(474)	(476)	
Loss on recognition of additional return payment		16 043	-	
Income tax expenses		(368)	(30)	
Depreciation and amortization		5 694	2 816	
Write-offs of property, plant and equipment		983	507	
Normalised EBITDA		**49 583**	**57 873**	**-14%**
Depreciation and amortization		(5 694)	(2 816)	
Normalised EBIT		**43 889**	**55 057**	**-20%**
Financial expenses, net		(6 455)	(7 800)	
Income tax expenses		368	30	
Normalised Net profit		**37 802**	**47 288**	**-20%**

Revenue

The Company's revenue from sales of finished products decreased year-on-year by 26% primarily as a consequence of the decrease in corn sales volume in 2016.

The following table sets forth the Company's sales revenue by products indicated:

	For the six months ended		
	30 June 2016	**30 June 2015**	**Change in %**
Cattle	518	491	5%
Milk	1 752	1 978	-11%
Corn	51 346	69 961	-27%
Wheat	-	155	-100%
Sunflower	34	105	-67%
Soy beans	112	307	-63%
Potatoes	314	458	-31%
Other	253	367	-31%
	54 329	**73 822**	**-26%**

The most significant portion of the Company's revenue comes from selling corn, which represented 95% of total revenue in both periods.

The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

	For the six months ended	
	30 June 2016	**30 June 2015**
Corn		
Sales of produced corn *(in tonnes)*	339 508	450 341
Realization price (U.S. $ per ton)	151	155
Revenue from produced corn *(U.S. $ in thousands)*	51 346	69 961
Wheat		
Sales of produced wheat *(in tonnes)*	5	729
Realization price (U.S. $ per ton)	91	213
Revenue from produced wheat *(U.S. $ in thousands)*	0	155
Soy beans		
Sales of produced soy beans *(in tonnes)*	302	939
Realization price (U.S. $ per ton)	373	326
Revenue from produced soy beans *(U.S. $ in thousands)*	112	307
Sunflower		
Sales of produced sunflower *(in tonnes)*	100	358
Realization price (U.S. $ per ton)	341	294
Revenue from produced sunflower *(U.S. $ in thousands)*	34	105
Potatoes		
Sales of produced potatoes *(in tonnes)*	4 878	6 170
Realization price (U.S. $ per ton)	64	74
Revenue from produced potatoes *(U.S. $ in thousands)*	314	458
Other (produced only)		
Total sales volume *(in tonnes)*	2 343	3 164
Total revenues *(U.S. $ in thousands)*	253	367
Total sales volume (in *tonnes*)	**347 136**	**461 701**
Total revenue from sale of crops *(U.S. $ in thousands)*	**52 059**	**71 353**

Revenue relating to sales of corn decreased by 27% to USD 51,3 million for the six-month period ended 30 June 2016 from USD 70,0 million for the six-month period ended 30 June 2015. A greater volume of corn was sold at the end of Y2015 in connection with the repayment of accounts payable in lager amount than previously. As a result the stock of inventories as at the beginning of the six-month period ended 30 June 2016 was lower and the sales volume decreased.

Cost of sales

The Company's cost of sales increased by 18% to USD 48,1 million for the six-month period ended 30 June 2016 from USD 40,9 million for the six-month period ended 30 june 2015. The following table sets forth the principal components of the Company's cost of sales for the periods indicated:

(in thousand USD)

	For the six months ended		
	30 June 2016	**30 June 2015**	**Change in %**
Raw materials	(34 556)	(49 665)	-30%
Change in inventories and work-in-progress	1 738	21 769	-92%
Wages and salaries of operating personnel and related charges	(2 408)	(2 679)	-10%
Depreciation and amortization	(4 806)	(2 419)	99%
Third parties' services	(411)	(509)	-19%
Fuel and energy supply	(1 853)	(2 419)	-23%
Rent	(5 418)	(4 675)	16%
Repairs and maintenance	(212)	(147)	44%
Taxes and other statutory charges	(167)	(105)	59%
Other expenses	(12)	(1)	1059%
	(48 105)	**(40 850)**	**18%**

The increase in cost of sales was primarily due to increase of cost of materials (items raw materials and change in inventories and work-in-progress together) in connections to the devaluation of UAH and increases in prices.

Gross profit

The Company's gross profit decreased to USD 50,5 million for the six-month period ended 30 June 2016 from USD 67,0 million for the six-month period ended 30 June 2015. An 25% year-on-year decrease was due to decrease in revenues by 26%.

Administrative expenses

Administrative expenses increased year-on-year to USD 2,7 million for the six-month period ended 30 June 2016 from USD 2,2 million for the six-month period ended 30 June 2015, reflecting primarily an increase in wages and salaries of administrative personnel and related charges to USD 1,7 million from USD 1,3 million.

Selling and distribution expenses

Selling and distribution expenses decreased year-on-year to USD 3,5 million for the six-month period ended 30 June 2016 from USD 5,7 million for the six-month period ended 30 June 2015, reflecting decrease in sales volume and in delivery costs due to devaluation of UAH.

Other operating income

The Company's other operating income increased by 50% to USD 1,3 million for the six-month period ended 30 June 2016 from USD 0,9 million for the six-month period ended 30 June 2015 due to increase in ncome from the exchange of property certificates and gain on recovery of assets previously written off.

Other operating expenses

Other operating expenses decreased by 64% to USD 1,8 million for the six-month period ended 30 June 2016 from USD 5,0 million for the six-month period ended 30 June 2015 due to decrease in losses from VAT on export operations reflecting changes of Ukrainian legislation.

Loss on recognition of additional return on financial liability

Loss on recognition of additional return on financial liability was initialy recognized in the amont of USD 16,0 million for the six-month period ended 30 June 2016 due to the changes in loans agreement with IFC.

Cash flows

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

	For the six months ended	
	30 June 2016	**30 June 2015**
Net cash flows from operating activities	13 666	20 149
Net cash flows from investing activities	(1 720)	(348)
Net cash flows from financing activities	(13 243)	(15 137)
Net increase in cash and cash equivalents	**(1 297)**	**4 664**

Net cash flow from operating activities

The Company's net cash inflow from operating activities decreased to USD 13,7 million for the six-month period ended 30 June 2016 compared to net cash inflow of USD 20,1 million for the six-month period ended 30 June 2015. The decrease in 2016 was primarily attributable to decrease in revenues.

Net cash flow from investing activities

The Company's net cash outflow from investing activities increased to USD 1,7 million for the six-month period ended 30 June 2016 compared to net cash outflow of USD 0,3 million for the six-month period ended 30 June 2015. The increase in 2016 was attributable to purchase of property, plant and equipment.

Net cash flow from financing activities

Net cash outflow from financing activities decreased to USD 13,2 million for the six-month period ended 30 June 2016 from a net cash outflow of USD 15,1 million for the six-month period ended 30 June 2015. The decrease is in accordance with the plans of the Group on repayment of borrowings.

3. Risk Report

Risks relating to the Group's business and Industry are as follows:

- Failure to generate or raise sufficient capital may restrict the group's development strategy

  To decrease an influence of this risk the Group works on several sources of financing: bank crediting, bonds issue, financing by international financial organizations.

- The Group's financial results are sensitive to fluctuations in market prices of its products

  To decrease an influence of this risk the Group on permanent basis researches the international and Ukrainian agricultural markets, monitoring price fluctuations and factors affecting these fluctuations (stocks, production, consumption, export, import, forecasts). On the basis of an analysis of the above mentioned information the management of the Group makes decisions regarding crop rotation structure and production plans.

- Poor and unexpected weather conditions may disrupt the Group's production of crops

  To decrease an influence of this risk the Group is using the following practices:

  - Application of mini-till and no-till technologies on 70% of cultivated lands enables the Group to decrease the risk of disruption of a general production of crops and increase yields during rainless season;
  - Cultivation of relatively small share (10%) of winter crops in the general crop rotation structure enables to decrease the risk of disruption of a general production of crops during unfavourable winter conditions;
  - Examination of introduction of irrigation to increase potato yields.

- The Group's operating costs could increase

  The risk of Group's operating costs increase is basically connected to a possible price growth for fuel, seeds, fertilizers and crop protection materials.

  To reduce the above mentioned risks the Group:

  - has implemented the fuel consumption and machinery usage controlling systems using GPS-trackers;
  - uses no-till and mini-till technologies that allow to reduce general fuel consumption;
  - follows the land bank development strategy based on principle of fields' close proximity to each other that allows to reduce fuel consumption;
  - is focused on limited number of crops (not more than 4) that allows to use and purchase seeds, fertilizers and crop protection materials more efficiently;
  - has built long-term and mutually benefit relationships with suppliers of seeds, fertilizers and crop protection materials.

4. Selected Financial Data

(in thousand USD)

	For the six months ended 30 June	2016	2015
I.	Revenue	54 374	73 900
II.	Operating profit/(loss)	42 906	54 550
III.	Profit/(loss) before income tax	18 396	27 007
IV.	Net profit/(loss)	18 764	27 037
V.	Net cash flow from operating activity	13 666	20 204
VI.	Net cash flow from investing activity	(1 720)	(403)
VII.	Net cash flow from financing activity	(13 243)	(15 137)
VIII.	Total net cash flow	(1 297)	4 664
IX.	Total assets	212 739	185 015
X.	Share capital	56	56
XI.	Total equity	76 693	39 283
XII.	Non-current liabilities	52 502	51 214
XIII.	Current liabilities	83 544	94 518
XIV.	Weighted average number of shares	31 300 000	31 300 000
XV.	Profit/(loss) per ordinary share (in USD)	0,60	0,86
XVI.	Book value per share (in USD)	2,48	1,28

INDUSTRIAL MILK COMPANY S.A.
Société anonyme
Registered office: 26-28 Rue Edward Steichen
L-2540 Luxembourg, Grand Duchy of Luxembourg
R.C.S Luxembourg: B 157843
(the Company)

Corporate governance statement

Corporate governance

Corporate governance within the Company is based on the Luxembourg law and the listing requirements of the Warsaw Stock exchange where the trading in the company shares takes place. The Company follows the "Code of Best practice" of the Warsaw Stock Exchange (the "Code of best practice"), as amended on October 2012.
The Company's corporate governance rules are based on the Company's articles of Association (the "Articles"), and the corporate governance charter (the "Corporate Governance Charter"), and the Company's internal regulations.

Board of directors

According to the Articles of Association ('STATUTS COORDONNES') The Company shall be managed by the Board of Directors composed of at least five members, their number being determined by the general meeting of shareholders. Directors need not be shareholders of the Company. The Board of Directors composed of executive and non-executive directors. At least two directors shall be independent non-executive directors.

The directors shall be elected by the general meeting of shareholders for a period not exceeding six (6) years and until their successors are elected, provided, however, that any director may be removed at any time by a resolution taken by the general meeting of shareholders. The directors shall be eligible for reappointment.

In the event of vacancy in the office of a director because of death, resignation or otherwise, the remaining directors elected by the general meeting of shareholders may elect a director to fill such vacancy until the next general meeting of shareholders.

Directors:

Name	Date of appointment	Date of resignation
1. Mr Alex Lissitsa, executive director CEO	29 March 2012	2022
2. Mr Dmytro Martyniuk, executive director CFO	09 March 2011	2022
3. Mr Oleksandr Petrov, executive director	09 March 2011	2022
4. Alfons Balman non-executive director	10 September 2013	2019
5. Kamil Jan Gaworeski	01 June 2016	2017
6. Karen Fisher non-executive director	10 September 2013	01 June 2016
7. Mr Ievgen Osypov, executive director	09 March 2011	17 May 2013
8. Mr Carl Olof Richard Sturen, non-executive director	09 March 2011	01 June2013
9. Mr Michael Peter Lee, non executive director	09 March 2011	29 March 2012

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association (hereafter referred Articles of Association) and Luxembourg Companies Law 1915. The Articles of Association may be amended from time to time by a general meeting of the shareholders under the quorum and majority requirement provided for by the law of 10 August 1915 on commercial companies in Luxembourg, as amended.

The present Board is composed of two independent directors and three directors who either are employed by Subsidiaries of the Company or hold over 5% of votes in the Company.

Independency is assessed taking into consideration the criteria stated in Annex II of the European Commission Recommendation of 15 February 2005.

Powers of Directors

The board is responsible for managing the business affairs of the Company within the clauses of the Article of Association. The directors may only act at duly convened meetings of the board of Directors or by written consent in accordance with article 10 of Articles of Association.

The Board of Directors is vested with the broadest powers to act on behalf of the Company and to perform or authorize all acts of administrative or disposal nature, necessary or useful for accomplishing the Company's object. All powers not expressly reserved by the Law to the sole shareholder or, as the case may be, to the general meeting of shareholders, fall within the competence of the Board of Directors.

Meetings of the Board of Directors

The Board of Directors meets upon notice given by the Chairman. A meeting of the Board of Directors must be convened if any two directors so require. The Chairman presides at all meetings of the Board of Directors. In her/his absence the Board of Directors may appoint another director as chairman pro tempore by vote of the majority present or represented at such meeting. Except in cases of urgency or with the prior consent of all those entitled to attend, at least twenty-four hours' written notice of board meetings shall be given. Any such notice shall specify the place, the date, time and agenda of the meeting. The notice may be waived by unanimous written consent by all the directors at the meeting or otherwise. No separate notice is required for meetings held at times and places specified in a time schedule previously adopted by resolution of the Board of Directors.

Every board meeting shall be held in Luxembourg or at such other place indicated in the notice.

Decisions will be taken by a majority of the votes of the directors present or represented at the relevant meeting. Each director has one vote. In case of a tied vote, the Chairman has a casting vote.

One or more directors may participate in a meeting by means of a conference call, by videoconference or by any similar means of communication enabling several persons participating therein to simultaneously communicate with each other. Such methods of participation are to be considered equivalent to a physical presence at the meeting.

A written decision passed by circular means and transmitted by cable, facsimile or any other similar means of communication, signed by all the directors, is proper and valid as though it had been adopted at a meeting of the Board of Directors which was duly convened and held. Such a decision can be documented in a single document or in several separate documents having the same content and each of them signed by one or several directors. Except as far as a written decision passed by circular means is concerned, the minutes of the meeting of the Board of Directors shall be signed by the Chairman of the relevant meeting or any two directors or as resolved at the relevant board meeting or a subsequent board meeting. Any proxies will remain attached thereto.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing an independent administrator (the "Administrator") to maintain the accounting records of the Company independent of IMC S. A. The Administrator has a duty of care to maintain proper books and records and prepare for review and approval by the Board the financial statements intended to give a true and far view. The Board has appointed Totalserve Management (Luxembourg) S.a.r.l. as Administrator.

Committees

Audit Committee.

The Audit committee has been established by the Board to assist the Board of directors with independent verifying and safeguard of the integrity of the company's financial reporting; and oversee the independence of the external auditors

The Committee has responsibility for the following:

(a) Monitoring the establishment of an appropriate internal control framework;

(b) Monitoring corporate risk assessment and compliance with internal controls;

(c) Overseeing business continuity planning and risk mitigation arrangements;

(d) Reviewing reports on any material defalcations, frauds and thefts from the Group;

(e) Monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary in relation to those requirements;

(f) Reviewing the nomination, performance and independence of the external auditors;

(g) Liaising with the external auditors and ensuring that the annual audit is conducted in an effective manner that is consistent with Committee members' information and knowledge and is adequate for shareholder needs;

(h) Reviewing management processes supporting external reporting;

(i) Reviewing financial statements and other financial information distributed externally; and

(j) Reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility, and does not have any power to commit the Board to any recommendation or decision made by it except for matters relating to the appointment, oversight, remuneration and replacement of the external auditors.

The Committee has unrestricted access to management and the external auditors as it may consider appropriate for the proper performance of its function.

The Board of Directors shall appoint the chairman and members of the Audit Committee from among the non-executive directors and external members which must be independent. The Audit Committee will comprise a minimum of two members. In any case the chairman of the Audit Committee must be appointed from among non-executive directors.

Remuneration committee

The role of the Committee is to advise on remuneration and issues relevant to remuneration policies and practices for senior management.

The Responsibility of the Remuneration Committee includes issues regarding salaries, bonus programs and other employments terms of the CEO and senior management in conjunction with the Board.

Notably, the Remuneration Committee is in charge of:

- submitting proposals to the Board regarding the remuneration of directors and managers, ensuring that these proposals are in accordance with the remuneration policy adopted by the Company;

- discussing with the chief executive officer the performance of executive management and of the individual executives at least once a year based on evaluation criteria clearly defined. The chief executive officer should not be present at the discussion of his own evaluation;

- ensuring that the remuneration of non-executive directors is proportional to their responsibilities and the time devoted to their functions.

The Board of Directors shall appoint the chairman and members of the Remuneration Committee from among the non-executive directors and external members which must be independent. The Audit Committee will comprise a minimum of two members. In any case the chairman of the Audit Committee must be appointed from among non-executive directors.

Internal control and risk management

The company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of financial records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements. In accordance with Luxembourg legal and regulatory requirements, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposals of the company's assets that could have a material effect on the financial statements.

External audit

In accordance with the Luxembourg law on commercial companies, the Company's annual and consolidated accounts are certified by an external auditor appointed by the annual general meeting of shareholders. The external audit functions are being carried by INTERAUDIT S.à.r.l.

Takeover bids Law statement

- The structure of the capital of the company is represented on a page 54. The company is a publicly-listed company whose shares are owned primarily by institutional investors and Agrovalley Limited whose beneficial owner is Mr. Olexandr Petrov, chairman of the board of directors. As of 30 June 2016, Agrovalley Limited held 21 490 899 shares in the Company, what is equal to 68,66%;

- The company has no securities which are not admitted to trading on a regulated market;

- The company has no restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC;

- The details of those shareholders with an interest of 5% or more in the issued share capital of the Company, as notified to the Company, are set out on the page 54. The company has no other significant direct or/and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings);

- The company has no holders of any securities with special control rights. Transfer of shares is governed by the Articles of Association of the Company;

- The company has no adopted system of control of any employee share scheme where the control rights are not exercised directly by the employees;

- The company has no adopted restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;

- All of the issued and outstanding shares in the Company have equal voting rights and there are no special control rights attaching to the shares;
- The company didn't receive the information about existence of any agreements between shareholders that may result in any restrictions within the meaning of Directive 2004/19/EC;
- The company has no any agreements under which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company;
- The company grants non-availability of any agreements between the company and its board members or/and employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Insider Dealing

The Company follows Luxembourg Stock Exchange, Warsaw Stock Exchange and insider trading policy rules in regards to the disclosure of insider dealing, which require all Board Members to notify the Company with regards to all transaction in the shares in the Company. Following the rules of the notification, the Company notifies both stock exchanges via appropriate regulatory filings.

signed	**signed**
Alex Lissitsa	Dmytro Martyniuk
Chief Executive Officer	Chief Financial Officer

interaudit

Cabinet de révision agréé

To the Shareholders and Directors of
Industrial Milk Company S.A.
26-28, rue Edward Steichen
L-2540 Luxembourg

Report on Review of the Condensed Consolidated Interim Financial Statements

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Industrial Milk Company S.A. and its subsidiaries as at June 30, 2016 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended (collectively, the “interim financial statements”). The Board of Directors is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as adopted by the Institut des Réviseurs d’Entreprises. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

37, rue des Scillas
L-2529 Howald
Luxembourg

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Emphasis of matter with respect to the Political crisis

We draw attention to Note 4 to the consolidated financial statements, which describe the current political crisis in Ukraine. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operation of the Group. Our review opinion is not qualified in respect of this matter.

INTERAUDIT S.à r.l.
Cabinet de révision agréé

Olivier Biren

August 23, 2016
Howald

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

(in thousand USD, unless otherwise stated)

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
CONTINUING OPERATIONS			
Revenue	5	54 374	73 900
Gain from changes in fair value of biological assets and agricultural produce, net	6	44 276	33 963
Cost of sales	7	(48 105)	(40 850)
GROSS PROFIT		**50 545**	**67 013**
Administrative expenses	8	(2 673)	(2 192)
Selling and distribution expenses	9	(3 473)	(5 650)
Other operating income	10	1 297	865
Other operating expenses	11	(1 807)	(4 979)
Write-offs of property, plant and equipment		(983)	(507)
OPERATING PROFIT		**42 906**	**54 550**
Financial expenses, net	14	(6 455)	(7 800)
Foreign currency exchange loss, net	15	(2 486)	(20 219)
Gain on recognition/reversal of share purchase warrant	29	474	476
Loss on recognition of additional return on financial liability	29	(16 043)	-
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**18 396**	**27 007**
Income tax benefit	16	368	30
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**18 764**	**27 037**
Net profit/(loss) for the period attributable to:			
Owners of the parent company		19 037	27 878
Non-controlling interests		(273)	(841)
Weighted average number of shares		31 300 000	31 300 000
Basic profit per ordinary share (in USD)		0,60	0,86
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified subsequently to profit or loss			
Effect of foreign currency translation		(2 240)	(15 046)
Items that will no be reclassified subsequently to profit or loss			
Deferred tax charged directly to revaluation reserve		146	18
TOTAL OTHER COMPREHENSIVE LOSS		**(2 094)**	**(15 028)**
TOTAL COMPREHENSIVE INCOME		**16 670**	**12 009**
Comprehensive loss attributable to:			
Owners of the parent company		16 930	12 924
Non-controlling interests		(260)	(915)

signed
Alex Lissitsa
Chief Executive Officer

signed
Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2016
(in thousand USD, unless otherwise stated)

	Note	30 June 2016	31 December 2015	30 June 2015	31 December 2014
ASSETS					
Non-current assets					
Property, plant and equipment	17	75 220	80 083	42 606	60 597
Intangible assets	18	4 813	5 750	7 713	11 501
Non-current biological assets	19	906	4 471	3 010	7 234
Deferred tax assets	20	-	14	12	13
Other non-current assets	21	998	434	1 170	1 644
Total non-current assets		**81 937**	**90 752**	**54 511**	**80 989**
Current assets					
Inventories	22	7 331	60 307	12 984	82 959
Current biological assets	23	104 299	8 823	103 396	9 931
Trade accounts receivable, net	24	418	966	937	1 196
Prepayments and other current assets, net	25	13 949	7 088	5 171	5 668
Prepayments for income tax		37	18	54	49
Cash and cash equivalents	27	4 768	6 673	7 962	3 004
Total current assets		**130 802**	**83 875**	**130 504**	**102 807**
TOTAL ASSETS		**212 739**	**174 627**	**185 015**	**183 796**
LIABILITIES AND EQUITY					
Equity attributable to the owners of parent company					
Share capital	28	56	56	56	56
Share premium		24 387	24 387	24 387	24 387
Revaluation reserve		46 587	49 972	9 184	10 021
Retained earnings		125 616	103 048	115 926	87 741
Effect of foreign currency translation		(119 127)	(116 874)	(109 601)	(95 177)
Total equity attributable to the owners of parent company		**77 519**	**60 589**	**39 952**	**27 028**
Non-controlling interests		(826)	(566)	(669)	246
Total equity		**76 693**	**60 023**	**39 283**	**27 274**
Non-current liabilities					
Share purchase warrant	29	-	474	407	883
Additional return on financial liability	29	16 043	-	-	-
Long-term loans and borrowings	30	33 592	40 473	49 451	67 792
Deferred tax liabilities	20	2 867	3 556	1 356	1 886
Total non-current liabilities		**52 502**	**44 503**	**51 214**	**70 561**
Current liabilities					
Current portion of long-term borrowings	30	16 499	31 493	30 707	20 502
Short-term loans and borrowings	31	35 579	26 776	28 546	39 155
Trade accounts payable	32	20 152	3 274	23 904	13 560
Other current liabilities and accrued expenses	33	11 314	8 558	11 361	12 744
Total current liabilities		**83 544**	**70 101**	**94 518**	**85 961**
Total liabilities		**136 046**	**114 604**	**145 732**	**156 522**
TOTAL LIABILITIES AND EQUITY		**212 739**	**174 627**	**185 015**	**183 796**

signed

Alex Lissitsa

Chief Executive Officer

signed

Dmytro Martyniuk

Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2016
(in thousand USD, unless otherwise stated)

	Share capital	Share premium	Revaluation reserve	Retained earnings	Effect of foreign currency translation	Total	Non-controlling interests	Total equity
31 December 2014	**56**	**24 387**	**10 021**	**87 741**	**(95 177)**	**27 028**	**246**	**27 274**
Profit (loss) for the period	-	-	-	27 878	-	27 878	(841)	27 037
Amortization of revaluation reserve	-	-	(307)	307	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	18	-	-	18	-	18
Other comprehensive loss	-	-	(548)	-	(14 424)	(14 972)	(74)	(15 046)
Total comprehensive loss	**-**	**-**	**(837)**	**28 185**	**(14 424)**	**12 924**	**(915)**	**12 009**
30 June 2015	**56**	**24 387**	**9 184**	**115 926**	**(109 601)**	**39 952**	**(669)**	**39 283**
31 December 2015	**56**	**24 387**	**49 972**	**103 048**	**(116 874)**	**60 589**	**(566)**	**60 023**
Profit (loss) for the period	-	-	-	19 037	-	19 037	(273)	18 764
Amortization of revaluation reserve	-	-	(3 531)	3 531	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	146	-	-	146	-	146
Other comprehensive loss	-	-	-	-	(2 253)	(2 253)	13	(2 240)
Total comprehensive profit/(loss)	**-**	**-**	**(3 385)**	**22 568**	**(2 253)**	**16 930**	**(260)**	**16 670**
30 June 2016	**56**	**24 387**	**46 587**	**125 616**	**(119 127)**	**77 519**	**(826)**	**76 693**

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016
(in thousand USD, unless otherwise stated)

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax from continuing operations		18 396	27 007
Adjusted to reconcile profit before tax with net cash used in operating activities:			
Gain from changes in fair value of biological assets and agricultural produce, net	6	(44 276)	(33 963)
Disposal of revaluation of biological assets and agricultural produce in the cost of sales, net	7	7 531	14 125
Depreciation and amortization	12	5 694	2 816
Income from write-offs of accounts payable	10	(29)	(297)
Write-offs of VAT	11	47	4
Shortages and losses due to impairment of inventories	11	273	179
Gain on disposal of inventories	10	(22)	(6)
Allowance for doubtful accounts receivable	11	29	178
Loss from VAT on export operations	11	-	3 129
Lost crops	11	363	414
Loss on disposal of property, plant and equipment	11	231	52
Write-offs of property, plant and equipment		983	507
Accruals for unused vacations		5	40
Income from the exchange of property certificates	10	(287)	(55)
Gain on recovery of assets previously written off	10	(606)	(286)
Interest income	14	(147)	(71)
Interest expenses and other financial expenses	14	22 171	7 395
Foreign currency exchange loss/(gain), net		2 458	19 396
Cash flows from operating activities before changes in working capital		**12 814**	**40 564**
Changes in trade accounts receivable		568	(400)
Changes in prepayments and other current assets		(6 837)	(3 727)
Changes in inventories		43 367	35 393
Changes in current biological assets		(47 177)	(59 443)
Changes in trade accounts payable		16 616	13 827
Changes in other current liabilities and accrued expenses		1 279	1 722
Cash flows from operations		**20 630**	**27 936**
Interest paid		(6 918)	(7 758)
Income tax paid		(46)	(29)
Net cash flows from operating activities		**13 666**	**20 149**

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2016
(in thousand USD, unless otherwise stated)

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1 859)	(353)
Purchase of non-current biological assets		(38)	(31)
Purchase of intangible assets		(17)	(25)
Proceeds from disposal of property, plant and equipment		194	57
Changes in other non-current assets		-	4
Net cash flows from investing activities		**(1 720)**	**(348)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term and short-term borrowings		35 318	10 238
Repayment of long-term and short-term borrowings		(48 561)	(25 375)
Net cash flows from financing activities		**(13 243)**	**(15 137)**
NET CASH FLOWS		**(1 297)**	**4 664**
Cash and cash equivalents as at the beginning of the period	27	**6 673**	**3 004**
Effect of translation into presentation currency		(608)	294
Cash and cash equivalents as at the end of the period	27	**4 768**	**7 962**

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

1. Description of formation and business.

Industrial Milk Company S.A. (the "Parent company") is a limited liability company registered under the laws of Luxembourg on 28 December 2010 for an unlimited period of time. Industrial Milk Company S.A. was formed to serve as the ultimate holding company of Unigrain Holding Limited and its subsidiaries. The registered address of Industrial Milk Company S.A. is L-2540, 26-28 rue Edward Steichen, Luxembourg, Grand Duchy Luxembourg, its register number within the Registre de Commerce et des Sociétés du Luxembourg is RCS Lu B157843.

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

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

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

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

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

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

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

In August 2011 trading company Aristo Eurotrading was formed.

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

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

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

In November 2012 the Group was restructured and 6 companies were joined to PAC Slobozhanschina Agro: AF Kalynivska-2005 Ltd, AF Govtneva Ltd, AF Shid-2005 Ltd, AIE Vyrynske Ltd, Pisky Ltd, SE "Vyry-Agro".

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

In November 2013 trading company Negoce Agricole S.A. was formed.

In December 2013 Losinovka-Agro Ltd was joined to Agroprogress PE.

During the year 2013 the Group acquired the voting shares in the company AgroKIM Ltd and on 30 December 2013 the acquisition was completed and 100% of the voting shares were owned by the Group.

In April 2014 Parafiyivka-Progress Ltd was joined to AgroKIM Ltd.

In May 2015 Plemzavod Noviy Trostyanets Ltd was joined to AgroKIM Ltd.

In May 2016 Ukragrosouz KSM Ltd was joined to Burat-Agro Ltd. (noted * in column Cumulative ownership ratio, % as at 30 June 2016).

All companies comprising the Group were under the control of the same beneficial owner Mr. Petrov A.L. as at all the reporting dates and have effectively operated as an operating group under common management.

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

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 June 2016	30 June 2015
Industrial Milk Company S.A.	Holding company	Luxembourg	28.12.2010	100,00	100,00
Unigrain Holding Limited	Subholding company	Cyprus	02.06.2009	100,00	100,00
Burat-Agro Ltd.	Production of cattle milk and meat, oil-yielding and grain crops cultivation	Ukraine	31.12.2007	100,00	100,00
Burat Ltd.	Agricultural products processing	Ukraine	31.12.2007	100,00	100,00
Chernihiv Industrial Milk Company Ltd.	Production of cattle milk and meat, oil-yielding and grain crops cultivation	Ukraine	31.12.2007	100,00	100,00
PJSC Mlibor	Flour grinding	Ukraine	31.05.2008	72,85	72,85
PJSC Poltava Kombilormoviy Zavod	Granting of PPE into finance lease	Ukraine	31.12.2007	87,56	87,56
Zemelniy Kadastroviy Centr SA	Preparation of technical documentation concerning land issues	Ukraine	23.11.2010	100,00	100,00
Aristo Eurotrading Limited	Trading company	British Virgin Islands	30.08.2011	100,00	100,00
OJSC "Vyryvske HPP"	Agricultural products processing	Ukraine	28.12.2011	80,61	80,61
Ukragrosouz KSM Ltd	Agricultural production	Ukraine	29.03.2012	*	100,00
PAC Slobozhanschina Agro	Agricultural production	Ukraine	26.06.2012	100,00	100,00
Bluerice Limited	Subholding company	Cyprus	28.12.2012	100,00	100,00
Agroprogress Holding Ltd	Subholding company	Ukraine	28.12.2012	100,00	100,00
Agroprogress PE	Agricultural and farming production	Ukraine	28.12.2012	100,00	100,00
Bobrovitsky Hlebzavod Ltd	Bakery production	Ukraine	28.12.2012	100,00	100,00
PJSC " Bobrovitske HPP"	Flour grinding	Ukraine	28.12.2012	92,83	92,83
Nosovsky Saharny Zavod Ltd	Sugar mill	Ukraine	28.12.2012	100,00	100,00
Negoce Agricole S.a r.l.	Trading company	Luxembourg	19.11.2013	100,00	100,00
AgroKIM Ltd	Agricultural production	Ukraine	30.12.2013	100,00	100,00

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

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

The Group controls 140,4 thousand ha (136,6 thousand ha under processing of high quality arable land). As at 30 June 2016 the Group operates in three segments: crop farming, dairy and beef farming and grain and oilseed storage.

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

The Group's condensed consolidated interim financial statements are public and available for consultation at:
http://imcagro.com.ua/ru/dlya-investorov/financial-reports

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

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union. These condensed consolidated interim financial statements are based on principal accounting policies and critical accounting estimates and judgments that are set out below. These accounting policies and assumptions have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

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

Going concern

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

Basis of measurement

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

The Group's management has decided to present and measure these condensed consolidated interim financial statements in United States Dollars ("USD") for the purposes of convenience of users of these financial statements.

Use of estimates

The preparation of these condensed consolidated interim financial statements involves the use of reasonable accounting estimates and requires the Management to make judgments in applying the Group's accounting policies. These estimates and assumptions are based on Management's best knowledge of current events, historical experience and other factors that are believed to be reasonable. Note 4 contains areas, related to a high degree of importance or complexity in decision-making, or areas where assumptions and estimates are important for amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period.

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

Foreign currency translation

Functional and presentation currency

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

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

Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All exchange differences are taken to the statement of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

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

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

Currency	30 June 2016	Average for the six months ended 30 June 2016	31 December 2015	30 June 2015	Average for the six months ended 30 June 2015	31 December 2014
UAH/USD	24,854409	25,45778	24,000667	21,015358	21,32253	15,768556

Translation into presentation currency

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

- assets and liabilities for each balance sheet presented are translated at the official rate at the date of the balance sheet;

- income and expenses are translated at average exchange rate for the period, unless fluctuations in exchange rates during that period are significant, in which case income and expenses are translated at the rate on the dates of the transactions;

- all the equity and provision items are translated at the rate on the dates of the transactions;

- all resulting exchange differences are recognized as a separate component of other comprehensive income;

- in the consolidated statement of cash flows cash balances at the beginning and end of each presented period are translated at rates prevailing at corresponding dates. All cash flows are translated at average exchange rates for the periods presented. Exchange differences arising from the translation are presented as the effect of translation into presentation currency.

Principles of consolidation

Subsidiaries

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

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

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

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

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

3. Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment are stated at their revalued amounts that are the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

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

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

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

Property, plant and equipment or their essential component are written-off in a case of their disposal or if future economic benefits from use or disposal of such asset are not expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included to the other incomes (expenses) in the statement of comprehensive income when the asset is derecognized.

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

Depreciation on assets is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings 8-100 years
- Machinery 5-40 years
- Motor vehicles 5-20 years
- Other assets 5-20 years

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

Land is not depreciated.

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

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

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

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

- Land lease rights 5-15 years
- Computer software 5 years

Impairment of property, plant and equipment and intangible assets

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

The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use. Value in use is the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money.

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

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

Biological assets

The biological assets are classified as non-current and current depending on the expected pattern of consumption of the economic benefits embodied in the biological assets.

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

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

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

Gains or losses from movements in the fair value of biological assets less estimated selling and distribution expenses of the Group are recorded in the period they incurred in the statement of comprehensive income as Gain (loss) from changes in fair value of biological assets and agricultural produce, net.

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

- Biological assets of plant-breeding

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

- Biological assets of animal-breeding

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

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

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

Agricultural produce

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

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

Inventories

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

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

The cost of inventories is assigned by using FIFO method.

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

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

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Financial assets

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

Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every balance sheet date. Financial assets are classified in the following category at the time of initial recognition based on the purpose for which the financial assets were acquired: "Loans and receivables" that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes lendings given that appeared owing to issuance of facilities to debtor. Receivables include trade and other accounts receivable.

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

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

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

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

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

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

Prepayments and other non-financial assets

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

The Group classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method except for share purchase warrant which is subsequently measured at fair value through profit or loss.

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

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

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

Leases

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

- Group as a lessee
  Leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are classified as finance leases. Assets held under finance lease are included in property, plant and equipment since the commencement of lease at the lower of the fair value of leased property and present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of comprehensive income.
  Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
  Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight line basis over the lease term.

- Group as a lessor
  Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the statement of comprehensive income in the period in which they are earned. Costs, including depreciation, incurred in earning the lease income are recognized as an expense.

Government grants

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

- Government grants related to plant-breeding
  Amount of such benefit is determined based on the number of hectares planted for the future harvest, taking into account the crop expected to be bred. The Group of companies recognizes this type of benefits upon the receipt of funds as other operating income in the statement of comprehensive income.
- Government grants related to cattle-breeding
  Agricultural producers of poultry and livestock are eligible for government grants, depending on quantity of meat in live weight delivered to processing enterprises. The Group of companies recognizes these grants upon entitlement to them as other operating income.
  Agricultural producers of poultry and livestock are also eligible for government grants for each animal unit of poultry and livestock, including slaughter for own needs or transfer to slaughter. The Group recognizes these grants upon the receipt of funds due to the uncertainty in amounts and timeframes of receipt.
- Government grants related to VAT
  According to the Ukrainian tax legislation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) receive benefits regarding VAT payment on agricultural operations. Correspondingly above, VAT amounts payable are not transferred into the budget by the entities, but credited to the entity's separate special account to support the agriculture; the amount of tax credit is used as a reduction in tax liabilities of the next period. As a result of these operations tax amounts are recognized in the statements of comprehensive income as other operating income.
  Management of the Group is confident that confirmed by tax declaration as at the end of the month VAT payable should be recognized as other operating income in current month although it will be credited to the entity's separate special account next month.

Taxation

- Income tax
  Income tax expense represents the amount of the tax currently payable and deferred tax.
  Income tax expenses are recorded as expenses or income in the statement of comprehensive income, except when they relate to items directly attributable to other comprehensive income (in which case the amount of tax is taken to other comprehensive income), or when they arise at initial recognition of company acquisition.
  i. Current income tax
     Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.
  ii. Deferred income tax
     Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
     Deferred tax liabilities are recognized for all taxable temporary differences, except:
     - where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
     - in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
     Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
     - where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
     - in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

     The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
     Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
     Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
- Fixed agricultural tax
  According to effective legislation, the Ukrainian consolidated companies of the Group involved in production, processing and sale of agricultural products may opt for paying fixed agricultural tax (FAT) in lieu of income tax, land tax and some other local taxes if the revenues from sale of their own agricultural products constitute not less than 75% of their total (gross) revenues. The FAT is assessed at 0,81% (0,45% in 2015) on the deemed value of the majority of the land plots owned or leased by the entity (as determined by the relevant State authorities). As at 30 June 2016 5 of the companies comprising the Group were elected to pay FAT (30 June 2015: 6).
- Value added tax (VAT)
  VAT output equals to the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.
  Revenue, expenses and assets are recognized less VAT amount, except cases, when VAT arising on purchases of assets or services, is not recoverable by tax authority; in this case VAT is recognized as part of purchase costs or part of item of expenses respectively. Net amount of VAT, recoverable by tax authority or paid, is included into accounts receivable and payable, reflected in consolidated statement of financial position.

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

Provisions

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

Contingent assets and liabilities

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

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

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

Share capital

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

Dividends

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

Earnings per share

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

Revenue recognition

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

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

- Sales of goods
  Revenue from sales of goods is recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The Group uses standardised INCOTERMS which define the point of risks and reward transfers.
- Rendering of services
  Revenue from rendering services is recognized on the basis of the stage of work completion under each contract. When financial result can be measured reliably, revenue is recognized only to the extent of the amount of incurred charges, which can be recovered.

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Income from the exchange of property certificates

When the items of property, plant and equipment are acquired in exchange for non-cash asset (property certificate), the initial value of such assets is estimated at fair value. The difference between the price paid for property certificates and the fair value of received items of property, plant and equipment is recognized as income in the period of the exchange operation.

Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Investment income resulting from temporary investment of received borrowing costs, until their expensing for the purchase of capital construction objects, shall be deducted from the cost of raising borrowing costs that may be capitalized.

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

4. Critical accounting estimates and judgments

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

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

In the process of applying the Group's accounting policies, Management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts reflected in the condensed consolidated interim financial statements.

Fair value of property, plant and equipment

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

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

The comparative approach is based on an analysis of sales prices and offers of similar items of property, plant and equipment, taking into account the appropriate adjustments for differences between the objects of comparison and assessment item. Based on the application of this approach, the fair value of property, plant and equipment is determined on the basis of their market value.

The cost approach involves the definition of present value of costs of reconstruction or replacement of the assessment item with their further adjustment by the depreciation (impairment) amount. Based on the application of this approach, the fair value of certain items of property, plant and equipment is determined in the amount of the replacement of these items. The cost plus method is adjusted by the income method data, which is based on the discounted cash flow model. This model is most sensitive to the discount rate, as well as to the expected cash flows and growth rates used for the extrapolation purposes. Judgments of the Group in determining the indices used in the appraisers' calculations may have a significant effect on the determination of fair value of property, plant and equipment, and hence on their carrying amount.

Useful lives of property, plant and equipment

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

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

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

Useful lives of items of property, plant and equipment were changed starting 01.01.2016 according to the terms, which were used in valuation of property, plant and equipment as at 31.12.2015 by independent apprisers.

Impairment of property, plant and equipment and intangible assets

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

Fair value of acquisition of subsidiaries

The Group engages an independent appraiser to determine the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. Acquisitions often result in significant intangible benefits for the Group, some of which qualify for recognition as intangible assets. Significant judgement is required in the assessment and valuation of these intangible assets, often with reference to internal data and models.

The estimation of fair value of assets and liabilities is based upon quoted market prices and widely accepted valuation techniques, including discounted cash flows and market multiple analysis. Such estimates include assumptions about inputs to our discounted cash flow calculations, industry economic factors and business strategies.

Fair value of biological assets

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

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

Fair value of agricultural produce

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

Inventories

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

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

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At the reporting date the item Work-in-progress includes investments in the future harvest. The cost of these investments is based on expenses incurred during the current year. Investment valuation model includes a number of judgments of management about the benefits to be extracted from the utilization of such investments in the future. Management's estimates of the value of investments is based on the recommendations of scientific sources and agronomic calculations of the internal services of the Group.

Fair value of financial instruments

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

The fair value of share purchase warrant is determined using Black-Scholes model based on the following inputs:

- Current stock price,
- Strike price as specified in the share purchase warrant,
- Risk-free interest rate and volatility based on the historical information.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Impairment of trade and other accounts receivable

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

Impairment of other financial and non-financial assets

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

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Long-term VAT recoverable

The Group classifies the VAT recoverable balance as current or non-current based on expectations as to whether it will be realised within 12 months from the reporting date. In making this assessment, management considered past history of receiving VAT refunds from the State budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, Management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of the business.

Taxation

The Group mostly operates in the Ukrainian tax jurisdiction. The Company's management must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business cycles. In connection with it, tax laws in Ukraine are subject to frequent changes. Furthermore, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to serious fines and penalties accruals.

The Group's uncertain tax positions are reassessed by Management at every reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting period.

The Group considers that it operates in compliance with tax laws of Ukraine, although, a lot of new laws about taxes and transactions in foreign currency have been adopted recently, and their interpretation is rather ambiguous.

In December 2010, the revised Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later.

The Group's management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group's financial results in the foreseeable future.

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.

The Group's management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group's financial results in the foreseeable future.

Starting from 1 September 2013, Ukrainian legislation implemented new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions with related parties. In accordance with the new rules, the tax authorities obtain additional tools with the help of which they may claim that prices or profitability in transactions with related parties different from arm's length transactions. As the practice of implementation of the new transfer pricing rules has not yet developed and the wording of some clauses of the rules is unclear, the probability that the Group's transfer pricing positions may be challenged by the tax authorities cannot be reliably estimated as of the date of authorization of these condensed consolidated interim financial statements for issue.

Management is confident that the Group complies with all transfer pricing rules.

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Legal proceedings

The Group's Management makes significant assumptions in estimation and reflection of the risk of exposure to contingent liabilities related to current legal proceedings and other unliquidated claims, as well as other contingent liabilities. Management's judgments are required in assessing the possibility of a secured claim against the Group or material obligations, as well as in determining probable amounts of final payment or obligations. Due to the uncertainties inherent in the evaluation process, actual expenses may differ from the initial calculations.

These preliminary estimates are subject to changes as new information becomes available from the Group's internal specialists, if any, or from third parties, such as lawyers. Revisions of such estimates may have a significant impact on future operating results.

Operating environment

In 2014, Ukraine was faced with political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. Ukraine also suffered from separatist movements and the collapse of law enforcement in Lugansk and Donetsk regions.

The Ukrainian hryvnya devalued against major foreign currencies. The National Bank of Ukraine introduced a range of measures aimed at limiting the outflow of customer deposits from the banking system, improving the liquidity of banks, and supporting the exchange rate of the Ukrainian hryvnya.

Significant external financing is required to support economic stabilization and the political situation depends, to a large extent, upon success of the Ukrainian government's efforts; yet further economic and political developments are currently difficult to predict and an adverse effect on the Ukrainian economy may continue.

Management is monitoring the developments in the current environment and taking actions where appropriate.

The Group does not have assets in Crimea, Donetsk and Lugansk regions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

5. Revenue

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Revenue from sales of finished products	a	54 329	73 822
Revenue from services rendered	b	45	78
		54 374	**73 900**

a) Revenue from sales of finished products was as follows:

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Cattle	518	491
Milk	1 752	1 978
Corn	51 346	69 961
Wheat	-	155
Sunflower	34	105
Soy beans	112	307
Potatoes	314	458
Other	253	367
	54 329	**73 822**

b) Revenue from services rendered was as follows:

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Storage	-	12
Processing	35	35
Transport	2	12
Other	8	19
	45	**78**

6. Gain from changes in fair value of biological assets and agricultural produce, net

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Non-current biological assets	19	(688)	(2 463)
Current biological assets	23	44 964	36 426
		44 276	**33 963**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

7. Cost of sales

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Raw materials	**a**	(34 556)	(49 665)
Change in inventories and work-in-progress	b	1 738	21 769
Wages and salaries of operating personnel and related charges	13	(2 408)	(2 679)
Depreciation and amortization	12	(4 806)	(2 419)
Third parties' services		(411)	(509)
Fuel and energy supply		(1 853)	(2 419)
Rent		(5 418)	(4 675)
Repairs and maintenance		(212)	(147)
Taxes and other statutory charges		(167)	(105)
Other expenses		(12)	(1)
		(48 105)	**(40 850)**

a) Item raw materials for the six months ended 30 June 2016 includes disposal of the gain recorded on initial recognition of realized agriculture produce and biological assets (both of current and non-current) in the amount of USD 7 531 thousand (USD 14 125 thousand for six months ended 30 June 2015).

b) 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.

8. Administrative expenses

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Wages and salaries of administrative personnel and related charges	13	(1 685)	(1 250)
Third parties' services		(119)	(98)
Repairs and maintenance		(59)	(52)
Depreciation and amortisation	12	(103)	(47)
Bank services		(128)	(193)
Professional services		(256)	(228)
Transport expenses		(96)	(128)
Other expenses		(227)	(196)
		(2 673)	**(2 192)**

9. Selling and distribution expenses

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Delivery costs		(3 145)	(4 920)
Wages and salaries of sales personnel and related charges	13	(79)	(84)
Depreciation	12	(132)	(47)
Other expenses		(117)	(599)
		(3 473)	**(5 650)**

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

10. Other operating income

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Income from subsidized VAT	a	171	199
Income from write-offs of accounts payable		29	297
Gain on disposal of inventories		22	6
Income from the exchange of property certificates	b	287	55
Gain on recovery of assets previously written off	c	606	286
Other income		182	22
		1 297	**865**

a) According to the Ukrainian tax legislation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) receive preferences regarding VAT payment on agricultural operations.

Till 31.12.2015 VAT amounts were not paid to the budget, but recognized as net result of income or expenses in the other operating income.

Since 01.01.2016 changes in tax legislation have taken place. The VAT preferences have been partially preserved for farmers in 2016, allowing retaining a portion of VAT amounts as follows:

- For crop farming operations - 85% of VAT amount is to be paid to the State budget, 15% of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities;
- For live-stock breeding operations - 20% of VAT amount is to be paid to the State budget, 80 % of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities;
- For other agricultural activities - 50% of VAT amount is to be paid to the State budget, 50 % of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities.

b) Income from the acquisition of property certificates represents the difference between the price paid for property certificates and the fair value of received items of property, plant and equipment and recognized as income in the period of the exchange operation.

c) Gain on recovery of assets previously written off is represented by amounts of inventory surplus identified during the stock-taking and recovery of amounts previously recognizes as doubtful.

11. Other operating expenses

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Loss from VAT on export operations	a	-	(3 129)
Shortages and losses due to impairment of inventories		(273)	(179)
Depreciation	12	(638)	(302)
Lost crops		(363)	(414)
Write-offs of VAT		(47)	(4)
Allowance for doubtful accounts receivable	26	(29)	(178)
Wages and salaries of non-operating personnel and related charges	13	(37)	(36)
Loss on disposal of property, plant and equipment		(231)	(52)
Other expenses		(189)	(685)
		(1 807)	**(4 979)**

a) Loss from VAT on export operations for the six months ended 30 June 2015 amounting to USD 3 129 thousand related to the Ukrainian tax legislation. According to the Tax Code sales operations on export of certain agricultural crops are exempted from VAT. Consequently, the Group loses the right on VAT credit for expenses incurred for cultivation of these crops. Since 01.01.2016 restrictions have been called off and VAT on export operations is administrated on regular basis.

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

12. Depreciation and amortisation

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Depreciation			
Cost of sales	7	(4 092)	(1 492)
Administrative expenses	8	(102)	(46)
Selling and distribution expenses	9	(132)	(47)
Other operating expenses	11	(638)	(302)
Depreciation as a part of article "Lost crops"		(16)	(1)
		(4 980)	**(1 888)**
Amortisation			
Cost of sales	7	(714)	(927)
Administrative expenses	8	(1)	(1)
		(715)	**(928)**
		(5 695)	**(2 816)**

13. Wages and salaries expenses

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Wages and salaries		(3 495)	(3 192)
Related charges		(717)	(857)
		(4 212)	**(4 049)**
The average number of employees, persons		2 621	2 648
Remuneration of management		222	222
Wages and salaries of operating personnel and related charges	7	(2 408)	(2 679)
Wages and salaries of administrative personnel and related charges	8	(1 685)	(1 250)
Wages and salaries of sales personnel and related charges	9	(79)	(84)
Wages and salaries of non-operating personnel and related charges	11	(37)	(36)
Wages and salaries as a part of article "Construction in progress" and related charges		(3)	-
		(4 212)	**(4 049)**

14. Financial expenses, net

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Interest income on bank deposits	147	71
Interest expenses on loans and borrowings	(6 101)	(7 129)
Bond interest expenses	(337)	(659)
Other expenses	(164)	(83)
	(6 455)	**(7 800)**

(in thousand USD, unless otherwise stated)

15. Foreign currency exchange loss, net

As at 30 June 2016 the Ukrainian Hryvnia depreciated against the USD by 3,4% compared with 31 December 2015 (25,0% as at 30 June 2015 compared with 31 December 2014). As a result, during the six months ended 30 June 2016 the Group recognised net foreign exhange loss in the amount of USD 2 486 thousand (six months ended 30 June 2015 - USD 20 219 thousand) in the condensed consolidated interim statement of comprehensive income.

16. Income tax expenses

The corporate income tax rate in Ukraine was 18%.

The components of income tax expenses were as follows:

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Current income tax	(26)	(13)
Deferred tax	394	43
Income tax benefit (expenses) reported in the statement of comprehensive income	**368**	**30**
Consolidated statement of other comprehensive income		
Deferred tax related to item charged or credit directly to other comprehensive income during year:		
Net gain on revaluation of property, plant and equipment	146	18

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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17. Property, plant and equipment

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
Initial cost						
31 December 2014	**41 237**	**25 387**	**10 236**	**988**	**449**	**78 297**
Additions	36	136	6	20	8	206
Disposals	(641)	(312)	(85)	(29)	-	(1 067)
Transfer	16	24	5	5	(50)	-
Impairment	(547)	(1)	-	-	-	(548)
Effect from translation into presentation currency	(10 314)	(6 342)	(2 556)	(281)	(102)	(19 595)
30 June 2015	**29 787**	**18 892**	**7 606**	**703**	**305**	**57 293**
31 December 2015	**47 462**	**30 949**	**14 600**	**638**	**448**	**94 097**
Additions	429	2 568	1 123	39	143	4 302
Disposals	(1 111)	(660)	(193)	(22)	-	(1 986)
Transfer	1	20	-	1	(22)	-
Effect from translation into presentation currency	(1 639)	(1 017)	(479)	(26)	(9)	(3 170)
30 June 2016	**45 142**	**31 860**	**15 051**	**630**	**560**	**93 243**
Accumulated depreciation						
31 December 2014	**(6 208)**	**(7 617)**	**(3 041)**	**(834)**	**-**	**(17 700)**
Depreciation for the period	(694)	(846)	(318)	(30)	-	(1 888)
Disposals	152	235	59	16	-	462
Effect from translation into presentation currency	1 547	1 892	755	245	-	4 439
30 June 2015	**(5 203)**	**(6 336)**	**(2 545)**	**(603)**	**-**	**(14 687)**
31 December 2015	**(4 970)**	**(6 038)**	**(2 457)**	**(549)**	**-**	**(14 014)**
Depreciation for the period	(979)	(2 698)	(1 267)	(36)	-	(4 980)
Disposals	265	243	77	9	-	594
Effect from translation into presentation currency	155	148	54	20	-	377
30 June 2016	**(5 529)**	**(8 345)**	**(3 593)**	**(556)**	**-**	**(18 023)**
Net book value						
31 December 2014	**35 029**	**17 770**	**7 195**	**154**	**449**	**60 597**
30 June 2015	**24 584**	**12 556**	**5 061**	**100**	**305**	**42 606**
31 December 2015	**42 492**	**24 911**	**12 143**	**89**	**448**	**80 083**
30 June 2016	**39 613**	**23 515**	**11 458**	**74**	**560**	**75 220**

As at 31 December 2015 an independent valuation of the Group's land, buildings, machinery and vehicles was performed in accordance with International Valuation Standards by an independent appraiser LLC "Asset Expertise" (ODS Certificate No.439/15 as of 25 May 2015 issued by State Property Fund of Ukraine).

As at 30 June 2016 and 2015 an impairment review was conducted by the management of the Group. Impairment test has been performed for the following Cash Generating Units: Crop farming, Dairy farming, Storage and processing. According to the results of the test impairment of PPE was not identified.

The recoverable amount was estimated based on the value in use model. The key assumptions used in the most recent value in use were as follows:
• The projections were based on most recent budget covering 7 year period
• The projections are USD-denominated
• The prices and expenses were adjusted for inflation on the basis of respective CPI in hryvna terms and translated into USD

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18. Intangible assets

	Computer software	Property certificates	Land lease rights	Total
Initial cost				
31 December 2014	**27**	**435**	**16 352**	**16 814**
Additions	1	24	-	**25**
Effect from translation into presentation currency	(7)	(109)	(4 083)	**(4 199)**
30 June 2015	**21**	**350**	**12 269**	**12 640**
31 December 2015	**19**	**114**	**10 742**	**10 875**
Additions	-	17	-	**17**
Disposals	-	(24)	-	**(24)**
Effect from translation into presentation currency	-	(4)	(370)	**(374)**
30 June 2016	**19**	**103**	**10 372**	**10 494**
Accumulated amortisation				
31 December 2014	**(17)**	**(1)**	**(5 295)**	**(5 313)**
Amortisation for the period	(1)	-	(927)	**(928)**
Effect from translation into presentation currency	5	-	1 309	**1 314**
30 June 2015	**(13)**	**(1)**	**(4 913)**	**(4 927)**
31 December 2015	**(13)**	**(1)**	**(5 111)**	**(5 125)**
Amortisation for the period	(1)	-	(714)	(715)
Effect from translation into presentation currency	-	-	159	**159**
30 June 2016	**(14)**	**(1)**	**(5 666)**	**(5 681)**
Net book value				
31 December 2014	**10**	**434**	**11 057**	**11 501**
30 June 2015	**8**	**349**	**7 356**	**7 713**
31 December 2015	**6**	**113**	**5 631**	**5 750**
30 June 2016	**5**	**102**	**4 706**	**4 813**

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

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19. Non-current biological assets

	30 June 2016	30 June 2015
Non-current biological assets - animal-breeding		
Cattle	872	2 950
Non-current biological assets - plant-breeding		
Perennial grasses	34	60
Total non-current biological assets	**906**	**3 010**

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

	30 June 2016	30 June 2015
Cattle		
Cattle, units	1 323	3 695
Live weight, kg	495 318	1 583 616
Book value	**872**	**2 950**

Following changes took place in the non-current biological assets of dairy farming:

	Cattle
31 December 2014	**7 167**
Transfer (from (to) current biological assets)	(5)
Change in fair value	(2 463)
Effect from translation into presentation currency	(1 749)
30 June 2015	**2 950**
31 December 2015	**4 426**
Transfer (from (to) current biological assets)	(787)
Change in fair value	(688)
Effect from translation into presentation currency	(2 079)
30 June 2016	**872**

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

	30 June 2016	30 June 2015
Perennial grasses		
Area, ha	741	1 585
Book value	**34**	**60**

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Following changes took place in the non-current biological assets of crop farming:

	Perennial grasses
31 December 2014	**67**
Capitalized expenses	31
Harvesting failure	(3)
Effect from translation into presentation currency	(35)
30 June 2015	**60**
31 December 2015	**45**
Capitalized expenses	38
Harvesting failure	(30)
Effect from translation into presentation currency	(19)
30 June 2016	**34**

20. Deferred tax assets and liabilities

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

Deferred tax assets

	Tax losses	Allowances for recognized tax assets	Provisions	Total
31 December 2014	**452**	**(453)**	**13**	**13**
Considering profit (loss)	-	-	3	3
Effect from translation into presentation currency	(113)	113	(4)	(4)
30 June 2015	**339**	**(339)**	**12**	**12**
31 December 2015	**-**	**-**	**14**	**14**
Considering profit (loss)	-	-	(14)	(14)
Effect from translation into presentation currency	-	-	-	-
30 June 2016	**-**	**-**	**-**	**-**

Deferred tax liabilities

	Property, plant and equipment
31 December 2014	**(1 886)**
Considering loss	40
Considering equity	18
Effect of foreign currency translation	472
30 June 2015	**(1 356)**
31 December 2015	**(3 556)**
Considering loss	408
Considering equity	146
Effect of foreign currency translation	135
30 June 2016	**(2 867)**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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21. Other non-current assets

	Note	30 June 2016	30 June 2015
Prepayments and other non-financial assets:			
Prepayments for property, plant and equipment		1 018	1 066
Allowances for prepayments for property, plant and equipment	26	(20)	-
Long-term VAT recoverable		-	104
		998	**1 170**

Long-term VAT recoverable was accumulated on capital expenses.

22. Inventories

	Note	30 June 2016	30 June 2015
Work-in-progress	a	198	5 339
Agricultural produce	b	3 116	3 058
Finished goods		27	35
Agricultural materials		2 355	2 960
Raw materials		150	98
Spare parts		579	487
Fuel		663	724
Other inventories		243	283
		7 331	**12 984**

As at 30 June 2016 Inventories amounting to USD 6 697 thousand are inventories at cost (USD 12 219 thousant as at 30 June 2015).

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

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

	30 June 2016	30 June 2015
Corn	2 307	2 050
Wheat	16	69
Sunflower	-	1
Hay	78	126
Silage	539	224
Soya	-	136
Other	176	452
	3 116	**3 058**

The fair value of agricultural produce was estimated based on market price as at date of harvest and is within level 1 of the fair value hierarchy.

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23. Current biological assets

	30 June 2016	30 June 2015
Current biological assets of animal-breeding		
Cattle	1 546	1 291
Pigs	-	1
Other	12	16
	1 558	**1 308**
Current biological assets of plant-breeding		
Corn	65 778	71 437
Wheat	10 211	7 473
Grasses	348	621
Sunflower	20 199	17 967
Soya	4 999	3 575
Potato	1 190	987
Other	16	28
Total current biological assets of plant-breeding	**102 741**	**102 088**
Total current biological assets	**104 299**	**103 396**

As at the reporting dates current biological assets of dairy farming were presented as follows:

	30 June 2016	30 June 2015
Cattle		
Cattle, units	3 560	2 838
Live weight, kg	1 282 355	768 864
Book value	**1 546**	**1 291**
Pigs		
Pigs, units	1	7
Live weight, kg	59	902
Book value	**-**	**1**
Other		
Number of animals, units	66	75
Live weight, kg	11 662	14 361
Book value	**12**	**16**
Total book value	**1 558**	**1 308**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Following changes took place in the current biological assets of dairy farming:

	Cattle	Pigs	Other	Total
31 December 2014	**4 856**	**2**	**26**	**4 884**
Capitalized expenses	726	-	-	**726**
Transfer (from (to) non-current biological assets)	5	-	-	**5**
Sale	(1 456)	-	(6)	**(1 462)**
Slaughter	(46)	(1)	-	**(47)**
Change in fair value	(1 470)	-	3	**(1 467)**
Effect from translation into presentation currency	(1 324)	-	(7)	**(1 331)**
30 June 2015	**1 291**	**1**	**16**	**1 308**
31 December 2015	**2 843**	**-**	**12**	**2 855**
Capitalized expenses	540	-	-	**540**
Transfer (from (to) non-current biological assets)	787	-	-	**787**
Sale	(1 733)	-	-	**(1 733)**
Slaughter	(55)	-	-	**(55)**
Change in fair value	(2 554)	-	-	**(2 554)**
Effect from translation into presentation currency	1 718	-	-	**1 718**
30 June 2016	**1 546**	**-**	**12**	**1 558**

As at the reporting dates current biological assets of crop farming were presented as follows:

	30 June 2016	30 June 2015
Corn		
Area, ha	71 174	74 714
Book value	**65 778**	**71 437**
Wheat		
Area, ha	15 407	12 139
Book value	**10 211**	**7 473**
Grasses		
Area, ha	1 839	3 521
Book value	**348**	**621**
Sunflower		
Area, ha	25 095	24 498
Book value	**20 199**	**17 967**
Soya		
Area, ha	6 416	6 280
Book value	**4 999**	**3 575**
Potato		
Area, ha	637	591
Book value	**1 190**	**987**
Other		
Area, ha	65	129
Book value	**16**	**28**
Total book value	**102 741**	**102 088**

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Following changes took place in the current biological assets of crop farming:

	Corn	Wheat	Grasses	Sunflower	Soya	Potato	Other	Total
31 December 2014	**-**	**4 959**	**86**	**-**	**-**	**-**	**2**	**5 047**
Capitalized expenses	41 552	2 761	893	10 661	2 661	891	26	59 445
Harvesting	-	-	(338)	-	-	-	-	(338)
Harvest failure	(27)	(4)	(6)	(15)	(2)	-	-	(54)
Change in fair value	28 887	993	-	7 064	867	82	-	37 893
Effect from translation into presentation currency	1 025	(1 236)	(14)	257	49	14	-	95
30 June 2015	**71 437**	**7 473**	**621**	**17 967**	**3 575**	**987**	**28**	**102 088**
31 December 2015	**-**	**5 951**	**15**	**-**	**-**	**-**	**2**	**5 968**
Capitalized expenses	31 352	3 686	439	9 080	2 350	1 019	14	47 940
Harvest failure	(6)	-	(42)	(23)	(1)	-	-	(72)
Change in fair value	32 954	928	-	10 961	2 532	143	-	47 518
Effect from translation into presentation currency	1 478	(354)	(64)	181	118	28	-	1 387
30 June 2016	**65 778**	**10 211**	**348**	**20 199**	**4 999**	**1 190**	**16**	**102 741**

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy. There were no transfers between any levels during the six months ended 30 June 2016.

Description	Fair value as at 30 June 2016	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in fields - corn	65 778	Cash flows	Crops yield - tonnes per hectare	7,5
			Crops price	145 per tonne
Crops in fields - wheat	10 211	Cash flows	Crops yield - tonnes per hectare	4,8
			Crops price	141 per tonne
Crops in fields - soya	4 999	Cash flows	Crops yield - tonnes per hectare	2,4
			Crops price	362 per tonne
Crops in fields - sunflower	20 199	Cash flows	Crops yield - tonnes per hectare	2,66
			Crops price	335 per tonne
Crops in fields - potato	1 190	Cash flows	Crops yield - tonnes per hectare	30
			Crops price	80 per tonne
Cattle	2 418	Discounted cash flows	Milk yield - kg per cow	3900-7900 per year
			Milk price	0,19 USD per liter
			Discount rate	23,20%

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

24. Trade accounts receivable, net

	Note	30 June 2016	30 June 2015
Trade accounts receivable		469	1 032
Allowances for accounts receivable	26	(51)	(95)
		418	**937**

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

	Total	Neither past due nor impaired	Past due, not impaired		
			Within 90 days	From 90 to 360 days	More than 1 year
30 June 2016	418	126	187	77	28
30 June 2015	937	909	10	15	3

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

25. Prepayments and other current assets, net

	Note	30 June 2016	30 June 2015
Prepayments and other non-financial assets:			
Advances to suppliers		721	346
Allowances for advances to suppliers	26	(4)	(7)
VAT for reimbursement		12 785	4 317
		13 502	**4 656**
Other financial assets:			
Non-bank accomodations interest free		219	264
Allowances for non-bank accomodations interest free	26	-	(53)
Other accounts receivable		241	317
Allowances for other accounts receivable	26	(13)	(13)
		447	**515**
		13 949	**5 171**

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26. Changes in allowances made

	Note	30 June 2016	30 June 2015
Allowances for trade accounts receivable	24	(51)	(95)
Allowances for advances to suppliers	25	(4)	(7)
Allowances for other accounts receivable	25	(13)	(13)
Allowances for non-bank accomodations interest free	25	-	(53)
Allowances for prepayments for property, plant and equipment	21	(20)	-
		(88)	**(168)**

The movements of the allowances were as follows:

	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
As at the beginning of the period		**(129)**	**(90)**
Accrual	11	(29)	(178)
Use of allowances		42	75
Return of allowances		24	5
Effect from translation into presentation currency		4	20
As at the end of the period		**(88)**	**(168)**

27. Cash and cash equivalents

	Currency	30 June 2016	30 June 2015
Cash in bank and hand	USD	1 791	1 084
Cash in bank and hand	UAH	2 961	6 827
Cash in bank and hand	EUR	12	50
Cash in bank and hand	PLN	4	1
		4 768	**7 962**

There were no restrictions on the use of cash and cash equivalents as at 30 June 2016 and 2015 and during the three months then ended.

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28. Equity

Share capital

Industrial Milk Company S.A. has one class of ordinary shares. The number of authorized, issued and fully paid shares as at 30 June 2016 is 31 300 000 (31 March 2015 – 31 300 000). All shares have equal voting rights. Par value of one share is USD 0,0018.

	30 June 2016		30 June 2015	
	%	Amount	%	Amount
AGROVALLEY LIMITED	68	38	68	38
ING Powszechne Towarzystwo Emerytalne S.A.	5	3	5	3
Other shareholders (each one less than 5% of the share capital)	27	15	27	15
	100	**56**	**100**	**56**

A reconciliation of the number of shares outstanding at the beginning and at the end of the period:

number of authorized, issued and fully paid shares	For the six months ended 30 June 2016	For the six months ended 30 June 2015
As at the beginning of the period	**31 300 000**	**31 300 000**
As at the end of the period	**31 300 000**	**31 300 000**

Share premium

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

Revaluation reserve

The fair value of Group's property, plant and equipment has been measured as at 31 December 2015, 2010, 2009 by an independent appraiser. As at 31 December 2009 the related revaluation surplus of th USD 14 766 was initialy recognized in equity, as at 31 December 2010 it was additionally recognized in the amount of th USD 4 326. As at 31 December 2015 the amount of th USD 40 390 was recognized as increase in revaluation reserve due to revaluation of PPE.

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

Effect of foreign currency translation

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

Dividend policy

The Group's policy is to pay dividends at a level consistent with the Group's growth and development plans, while maintaining a reasonable level of liquidity.

Legal reserve

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

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

29. Share purchase warrant and Additional return on financial liability

According to the Warrant Agreement entered into between the Group and IFC, IFC has the right to purchase up to 3 098 700 shares of Industrial Milk Company S.A. (representing equivalent of 9,90% of issued share capital) for a total amount up to USD 20 000 thousand. The warrant was exercisable at any time up to 19 December 2018.

But according to the IFC Loan agreement if all of the warrants have not been exercised by 19 December 2018, and if only some of the warrants have been issued, the portion of the Additional return which shall be payable shall be calculated by multiplying USD 21 000 thousand by a fraction the numerator of which is equal to the number of warrant shares not subscribed for pursuant to IFC loan agreement during the exercise period and the denominator of which is equal to the total number of warrant shares. This obligation to pay the additional return is an unconditional and independent debt obligation according to the IFC loan agreement.

As at 30 June 2015 The Company expected the IFC to exercise its warrants and therefore considers the payment of the additional return a contingent liability. As at 30 June 2015 the fair value of share purchase warrant was determined using Black-Scholes model. As at 30 June 2015 the following inputs were applied:

- the current stock price is USD 1,24;
- the strike price is USD 6,45;
- risk-free interest rate is 20,08%;
- the volatility is 48,86%.

	30 June 2016	30 June 2015
Share purchase warrant	-	407

Share purchase warrant is measured at fair value within Level 2 of the fair value hierarchy.

As at 30 June 2016 According to the Amendment to Loan agreement between Industrial Milk Company S.A. and International Financial Corporation the Additional Return should be paid by Industrial Milk Company S.A. to International Financial Corporation. Amount of Additional Return should be paid in a lump sum payment not later than 19 December 2018 in an amount USD 21 000 thousand or in two instalments as follows: USD 11 000 thousand on 19 December 2018 and USD 11 800 thousand on 19 December 2019». As at 30 June 2016 Industrial Milk Company S.A. assumes to pay Additional Return in a lump sum payment.

	30 June 2016	30 June 2015
Additional return on financial liability	16 043	-

Additional return on financial liability is measured at amortized cost (used interest rate is equal 10,747%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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30. Long-term loans and borrowings

	Currency	30 June 2016	30 June 2015
Secured			
Long-term bank loans	USD	42 156	66 777
Finance lease liabilities	UAH, USD	5 320	6 719
Bonds issued	UAH	2 615	6 662
Total long-term loans including current portion		**50 091**	**80 158**
Current portion of long-term bank loans	USD	(11 497)	(24 866)
Current portion of finance lease liabilities	UAH, USD	(2 387)	(2 272)
Current portion of bonds issued	UAH	(2 615)	(3 569)
Total current portion		**(16 499)**	**(30 707)**
Total long-term loans and borrowings		**33 592**	**49 451**

Essential terms of credit contracts

Creditor	Year of maturity	Currency	Nominal interest rate	30 June 2016	
				Long-term liabilities	Including current portion
Ukrainian bank	2016	USD	11,00%	4 104	4 104
Ukrainian bank	2017	USD	6M Libor+9,50%	5 000	5 000
Ukrainian bank	2017	USD	11,00%	1 196	1 196
Ukrainian bank	2017	USD	11,00%	300	300
Ukrainian bank	2018	USD	11,00%	896	600
Ukrainian bank	2018	USD	12,00%	660	297
Non-residental bank	2020	USD	6M Libor+8,00%	30 000	-
				42 156	**11 497**
Bonds issued	2016	UAH	13,25%	2 615	2 615
				44 771	**14 112**

Creditor	Year of maturity	Currency	Nominal interest rate	30 June 2015	
				Long-term liabilities	Including current portion
Ukrainian bank	2016	USD	13,50%	13 000	13 000
Ukrainian bank	2016	USD	1Y Libor+10,00%	3 211	3 211
Ukrainian bank	2016	USD	1Y Libor+10,00%	1 429	1 429
Ukrainian bank	2016	USD	9,00%	130	130
Ukrainian bank	2017	USD	11,00%	4 000	-
Ukrainian bank	2017	USD	11,00%	500	-
Ukrainian bank	2017	USD	6M Libor+9,50%	10 000	5 000
Ukrainian bank	2017	USD	8,75%	2 392	1 196
Ukrainian bank	2017	USD	11,00%	600	300
Ukrainian bank	2018	USD	1Y Libor+8,70%	1 515	600
Non-residental bank	2020	USD	6M Libor+8,00%	30 000	-
				66 777	**24 866**
Bonds issued	2016	UAH	13,25%	6 662	2 569
				73 439	**28 435**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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Long-term loans and bonds issued outstanding were repayable as follows:

	30 June 2016	30 June 2015
Within one year	14 112	28 435
In the second to fifth year inclusive	30 659	45 004
Later than fifth year	-	-
	44 771	**73 439**

Finance lease liabilities were presented as follows:

	30 June 2016		30 June 2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	2 861	2 387	2 905	2 272
In the second to fifth year inclusive	3 193	2 933	5 008	4 447
Later than fifth year	-		-	-
	6 054	5 320	7 913	6 719
Less future finance charges	(734)		(1 194)	
Present value of minimum lease payments	**5 320**	**5 320**	**6 719**	**6 719**

On 30 June 2016, the group signed a loan agreement with a non-residential bank for USD 20 million, bearing interest rate at LIBOR 3M +8,5% and maturing on 10 December 2018. As of the date of the approval of the financial statements, no cash have yet been received out of this loan.

31. Short-term loans and borrowings

	Currency	30 June 2016	30 June 2015
Secured			
Short-term bank loans	USD	30 403	22 122
Short-term bank loans	UAH	5 176	6 424
		35 579	**28 546**

Essential terms of credit contracts

Creditor	Currency	Nominal interest rate	30 June 2016
Ukrainian bank	USD	13,00%	8 743
Ukrainian bank	USD	13,00%	8 660
Ukrainian bank	USD	13,25%	13 000
			30 403
Ukrainian bank	UAH	23,00%	5 176
			35 579

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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Creditor	Currency	Nominal interest rate	30 June 2015
Ukrainian bank	USD	13,00%	9 140
Ukrainian bank	USD	13,00%	8 982
Ukrainian bank	USD	9,50%	4 000
			22 122
Ukrainian bank	UAH	28,00%	6 424
			28 546

32. Trade accounts payable

	30 June 2016	30 June 2015
Trade accounts payable	20 152	23 904

The table below summarizes the maturity profile of Group's liabilities on contractual payments on trade accounts payable:

	On demand	Within 30 days	From 30 to 90 days	From 90 to 180 days	From 180 to 360 days	From 1 to 5 years	Total
30 June 2016	-	756	795	18 601	-	-	20 152
30 June 2015	23	2 069	630	21 182	-	-	23 904

33. Other current liabilities and accrued expenses

	30 June 2016	30 June 2015
Other liabilities:		
Advances from clients	4 793	7 251
	4 793	**7 251**
Other accounts payable:		
Interest payable on bank loans	278	357
Accounts payable for the lease of land and property rights	3 076	2 578
Accounts payable for non-current tangible assets	1 860	104
Taxes payable	149	86
Wages, salaries and related charges payable	699	597
Accruals for unused vacations	415	370
Other accounts payable	44	18
	6 521	**4 110**
	11 314	**11 361**

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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 generates revenues other than risks and income of those components that are peculiar to other business segments.

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

- Farming division - a segment, which deals with cultivation and sale of such basic agricultural crops as corn and wheat;
- Live-stock breeding - a segment which deals with breeding and sale of biological assets and agricultural products of live farming. Basic agricultural product of live farming for sale in this segment is milk;
- Storage and processing - a segment which deals with processing of agricultural produce, and also with production of finished goods. Principal goods produced and sold within this segment are flour and fodder.

Information on business segments for the six months ended 30 June 2016 was the follow (unaudited):

	Farming division	Live-stock breeding	Storage and processing	Unallocated	Total
Revenue	109 275	2 270	889		112 434
Intra-group elimination	(57 217)	-	(843)	-	(58 060)
Revenue from external buyers	**52 058**	**2 270**	**46**	**-**	**54 374**
Gain from changes in fair value of biological assets and agricultural produce, net	47 518	(3 242)	-	-	44 276
Cost of sales	(46 015)	(1 988)	(102)		(48 105)
Gross income	**53 561**	**(2 960)**	**(56)**	**-**	**50 545**
Administrative expenses				(2 673)	(2 673)
Selling and distribution expenses				(3 473)	(3 473)
Other operating income				1 297	1 297
Other operating expenses				(1 807)	(1 807)
Write-offs of property, plant and equipment				(983)	(983)
Operating income of a segment	**53 561**	**(2 960)**	**(56)**	**(7 639)**	**42 906**
Financial expenses, net				(6 455)	(6 455)
Foreign currency exchange (loss)/gain, net				(2 486)	(2 486)
Gain on recognition/reversal of share purchase warrant				474	474
Loss on recognition of additional return on financial liability				(16 043)	(16 043)
Profit before tax	**53 561**	**(2 960)**	**(56)**	**(32 149)**	**18 396**
Income tax expenses				368	368
Net profit	**53 561**	**(2 960)**	**(56)**	**(31 781)**	**18 764**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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Information on business segments for the six months ended 30 June 2015 was the follow (unaudited):

	Farming division	Live-stock breeding	Storage and processing	Unallocated	Total
Revenue	136 086	2 469	3 792	-	142 347
Intra-group elimination	(64 734)	-	(3 713)	-	(68 447)
Revenue from external buyers	**71 352**	**2 469**	**79**	**-**	**73 900**
Gain from changes in fair value of biological assets and agricultural produce, net	37 893	(3 930)	-	-	33 963
Cost of sales	(38 527)	(2 258)	(65)	-	(40 850)
Gross income	**70 718**	**(3 719)**	**14**	**-**	**67 013**
Administrative expenses	-	-	-	(2 192)	(2 192)
Selling and distribution expenses	-	-	-	(5 650)	(5 650)
Other operating income	-	-	-	865	865
Other operating expenses	-	-	-	(4 979)	(4 979)
Write-offs of property, plant and equipment	-	-	-	(507)	(507)
Operating income of a segment	**70 718**	**(3 719)**	**14**	**(12 463)**	**54 550**
Financial expenses, net	**-**	**-**	**-**	(7 800)	**(7 800)**
Foreign currency exchange (loss)/gain, net	**-**	**-**	**-**	(20 219)	**(20 219)**
Gain on recognition/reversal of share purchase warrant	**-**	**-**	**-**	476	**476**
Loss on recognition of additional return on financial liability	**-**	**-**	**-**	-	**-**
Profit before tax	**70 718**	**(3 719)**	**14**	**(40 006)**	**27 007**
Income tax expenses	**-**	**-**	**-**	30	**30**
Net profit	**70 718**	**(3 719)**	**14**	**(39 976)**	**27 037**

35. Related party disclosures

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

a) Entities - related parties under common control with the Companies of the Group;
b) Key management personnel.

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

Short-term remuneration of key management personnel was as follows:

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Wages and salaries	164	164
Related charges	58	58
	222	**222**
The average number of employees, persons	6	6

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36. 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 5-9%% for the six months ended 30 June 2016 (2-5%% for the three months ended 31 March 2015) and depends on validity of the contract.

Areas of operating leased land were as follows:

Location of land	30 June 2016	30 June 2015
	Hectare	Hectare
Poltava region		
Land under processing	30 079	30 079
Land for grazing, construction, other	2 009	2 009
Chernihiv region		
Land under processing	81 938	81 938
Land for grazing, construction, other	1 681	1 681
Sumy region		
Land under processing	24 584	24 584
Land for grazing, construction, other	113	113
	140 404	**140 404**

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

	30 June 2016	30 June 2015
Within one year	8 274	6 798
In the second to fifth year inclusive	30 607	21 156
Later than fifth year	27 567	14 256
	66 448	**42 210**

37. Lease of property, plant and equipment

The Group leases machinery from lease company. According to existing agreements the term of lease is 36 months, the interest rate is 1MLibor minus 0,15%.

Future minimum lease payments for operating leases of property, plant and equipment were as follows:

	30 June 2016	30 June 2015
Within one year	1 614	2 382
In the second to fifth year inclusive	363	2 648
Later than fifth year	-	-
	1 977	**5 030**

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38. Financial instruments

Financial instruments as at 30 June 2016 and 2015 were represented by the following categories:

Financial instrument	Category	Measurement
Financial assets		
Accounts receivable	Loans and receivables	Amortized cost
Other financial assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Share purchase warrant	Financial liabilities	Fair value through profit or loss
Additional return on financial liability	Financial liabilities	Amortized cost
Loans and borrowings	Financial liabilities	Amortized cost
Accounts payable	Financial liabilities	Amortized cost
Other financial liabilities	Financial liabilities	Amortized cost

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

The Group's non-derivative financial instruments included cash and cash equivalents, accounts receivable, other financial assets, accounts payable, other financial liabilities, loans and borrowings. At 30 June 2016 and 2015, the carrying value of these financial instruments, excluding long-term debt, approximates fair value because of the short-term maturities of these instruments. The major part of the long-term loans and borrowings has floating interest rates and other has fixed interest rates but they are corresponded to the market rate level, so the Management of the Group believes that book value of long-term loans and borrowings approximates their fair value.

39. Events after the balance sheet date

Loans and borrowings are repaid in the amount of USD 701 thousand.

Loans and borrowings are received in the amount of USD 488 thousand.

The part of current portion of long-term loan form Ukrainian bank denominated in USD amounted USD 3 900 thousand was prolonged on term of 1 year.

Pledge agreements under loan agreement with a non-residential bank were signed in August 2016. The amount of property, plant and equipment pledged to secure the loan was USD 16 368 thousand.

Dividend policy

On 8 July 2016 the Group announced the following dividend policy:

- The Board of Directors of Industrial Milk Company S.A. (hereinafter the Company) informs that the Company intends to pay annual dividends starting from FY 2016 results with a dividend payout ratio up to 10% (of Consolidated Net Profit of the Company and its Subsidiaries) provided that the Company succeeds to receive dividend payment waivers from its creditors.

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