

**Financial and Production highlights.**

- Successful secondary offering in March 2008, raising \$84 Mio in additional equity earmarked for farming expansion.
- Net income has increased 157% compared to the third quarter of the previous financial year.
- Revenue increased 145% compared to the third quarter of the previous financial year.
- Farming expansion – 82% increase in land bank in the third quarter of the current financial year

	3 months ended 31.03.2007	3 months ended 31.03.2008
Crushing of sunflower seeds, tons	164 796	197 012
Oil refined volume, tons	29 054	35 050
Bottled oil, produced, tons	22 512	25 418

**Andrey Verevskyy, Chairman of the Board, stated:**

“Following the strong semi-annual results reported on 29 April 2008 I am pleased to present also good results for the third quarter of the current financial year. We continue to show significant growth of revenue and profit, due to a combination of increased processing capacity in our edible oil business, continued focus on operational efficiency and overall strong prices in soft commodities. Both grain and oil businesses benefit from the current favorable situation in global agribusiness. As to our farming operations, over the third quarter we have almost doubled the acreage of land leased.

**Market Environment**

The current year is an outstanding year for the global agribusiness. Prices of soft commodities rose sharply, buoyed by strong demand, regional crop production shortages, higher energy prices and biofuels production. In that environment the Group’s oilseed processing activity performed well, while volumes in our grain activity suffered from the ban imposed on grain exports from Ukraine.

The third quarter was an important period for our grain activity. In February 2008, grain export licenses were finally allocated by the government. Our Company was allocated one of the largest licenses, equivalent to 11% of the total volume allowed to be exported from Ukraine. We sold 105 thousand tons of grain over the 3 month period ended 31 March 2008, compared to 65 thousand tons of grain sold for the 6 months ended 31 December 2007.

On 25 April 2008, with the Ukrainian government expecting a sizable 2008 harvest, export quotas for wheat and barley were increased. As to corn, limitations on export volumes were lifted on 28 March 2008. These latest developments on grain quotas will help us deliver the announced estimated results for the current financial year, with our grain activity expected to perform substantially better in the fourth quarter than even in the third quarter of our current financial year.

On 16 April 2008, following the introduction of oil export quotas, licenses to export sunflower oil were allocated by the Ukrainian government to various oil producers. Kernel received an allocation to export up to 89,5 thousand tons of oil, which fully covers our needs in terms of export of sunflower oil.

Shortly after the issuance of the oil licenses, the Spanish Health Ministry issued a health alert in respect of Ukrainian sunflower oil, having found traces of mineral oil in samples of bottled oil that exceeded allowed limits. The Spanish government swiftly reacted by issuing a health warning, followed by France, the Netherlands and Italy, where the respective governments have ordered the contaminated oil to be removed from supermarket shelves. No EU-wide action has however been taken yet and the European Commission is waiting for more data from Ukrainian authorities to determine the exact contaminants in the oil. Meanwhile, the EC said that the contaminated oil does not present a serious risk to human health. What seems the most likely scenario is that the oil contamination happened at the oil tank farm at load port, and as most oil producers and exporters use the same oil terminal, this issue has affected most, if not all, companies operating in our market. As to Kernel, we immediately submitted oil samples from all of



our crushing plants to be tested by specialised European laboratories and we can confirm that the oil produced by our plants is of the highest quality and certainly meets international standards

## **Results**

Our revenues for the 3 months ended 31 March 2007 have increased from USD 99 Mio to USD 243 Mio, a 145% increase over the third quarter of our previous financial year and a twofold increase over the first half of the current financial year. Pre-tax profit increased by 242% to \$22 million (\$6,5 million for the same period last year). Margins have also improved, with pre-tax profit margin increasing from 6.5% for the third quarter of the previous financial year to 9,1% for the current reporting period, and net profit margin increasing from 7.7% to 8%.

Our G&A expenses are steadily decreasing relative to our turnover, from 3,7% in the third quarter of the previous financial year to 2,8% for the present reporting period. Financial expenses relative to turnover have also decreased from 6,5% in the third quarter of the previous financial year to 2,8% in the third quarter of the current financial year.

Due to seasonality, inventories have decreased from \$256 million as of 31 December 2007 to \$212 million as of 31 March 2008, as well as taxes prepaid (from \$67 million to \$61 million). Trade accounts receivable increased from \$36 million as of 31 December 2007 to \$48 million as of 31 March 2008 following the increase in grain export and also price increases in soft commodities.

Cash-flow from operations will traditionally be negative for the first nine months of our financial year due to seasonality in inventories. Also due to seasonality, cash flow will be positive for the third quarter of the financial year.

Increase in intangible assets (\$43,7 million as of 31 March 2008) reflects additional lease rights resulting from the acquisition in the third quarter 2008 of farming enterprises leasing altogether 24,5 thousand hectares of land. These additional lease rights have been valued at USD 13 558 thousand. This intangible asset will be amortized over the average rental term of the land.

Other non-current assets increased from \$5 million as of 31 December 2007 to \$14,8 million as of 31 March 2008 due to prepayments made for crushing plant equipment and agricultural machinery, in line with our expansion program announced.

## **Major Company developments**

In line with our strategy of increasing crushing capacity, we have successfully increased the capacity of the Volchansk crushing plant from 170 thousand tons/year of sunflower seeds crushing capacity to 330 thousand tons/year. We have also recently concluded contracts with prime suppliers of crushing equipment to be installed at our Poltava plant. As to our green field multi-seed plant under construction, we are making steady progress and expect commissioning as planned in the fall of 2009. The plant is partially financed through bank debt and a long-term credit agreement for USD 52 mio was signed to this effect.

We are also significantly expanding our farming operations. As a result of the share offering on 12 March 2008, the Company raised 84 million USD of additional equity before fees and expenses, specifically to increase farming activity in Ukraine. Since 1 January 2008 we increased the land bank from 30 thousand hectares to 60 thousand hectares and we aim to increase up to 150 thousand hectares by the end of the calendar year.

Globally, our Company is on track to implement the strategy outlined in the fall of 2007. Both our investments in additional and new crushing capacity, and our efforts to secure port facilities have been initiated in time to capitalize of the strong trends witnessed in soft commodities. On the back of such trends, the development of our farming operations will add not only a stable supply base to our agribusiness and edible oil operations, integrated in our present value chain, but also provide new pricing power to the Company.

**Kernel Holding S.A.**  
**and Subsidiaries**

**Condensed Consolidated Financial Statements**

**For the 3 Months Ended 31 March 2008**



**KERNEL HOLDING S.A. AND SUBSIDIARIES**

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FOR THE 3 MONTHS ENDED 31 MARCH 2008**

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**KERNEL HOLDING S.A. AND SUBSIDIARIES**

**SELECTED FINANCIAL DATA AS OF 31 MARCH 2008**

*(in thousands unless otherwise stated)*

SELECTED FINANCIAL DATA for the 3 months ended 31 March	thousand USD		thousand zloty		thousand EUR	
	2 008	2 007	2 008	2 007	2 008	2 007
I. Revenue	243 158	99 271	579 920	294 462	162 177	75 759
II. Operating profit/(loss)	29 256	13 769	69 773	40 842	19 512	10 508
III. Profit/(loss) before income tax	22 119	6 476	52 752	19 209	14 752	4 942
IV. Net profit/(loss)	19 605	7 484	46 757	22 199	13 076	5 711
V. Net cash flow from operating activity	54 233	17 789	129 340	52 766	36 170	13 576
VI. Net cash flow from investment activity	( 21 282 )	( 19 482 )	( 50 756 )	( 57 788 )	( 14 194 )	( 14 868 )
VII. Net cash flow from financial activity	( 10 590 )	4 143	( 25 257 )	12 289	( 7 063 )	3 162
VIII. Total net cash flow	22 361	2 450	53 327	7 267	14 913	1 870
IX. Total assets	589 169	305 523	1 314 139	887 789	372 721	229 432
X. Current liabilities	178 838	92 859	398 900	269 829	113 137	69 732
XI. Non-current liabilities	143 840	136 832	320 834	397 606	90 996	102 754
XII. Subordinated loan	-	7 532	-	21 886	-	5 656
XIII. Share capital	1 673	1 232	3 732	3 580	1 058	925
XIV. Total equity	266 491	68 300	594 408	198 466	168 588	51 290
XV. Number of shares	63 341 000	9 334	63 341 000	9 334	63 341 000	9 334
XVI. Profit/(loss) per ordinary share (in USD/zloty/EUR)	0,31	815,62	0,74	2 419,33	0,21	622,44
XVII. Diluted number of shares	68 741 000	-	68 741 000	-	68 741 000	-
XVIII. Diluted profit/(loss) per ordinary share (in USD/zloty/EUR)	0,28	-	0,68	-	0,19	-
XIX. Book value per share (in USD/zloty/EUR)	4,07	5 922,01	9,07	17 208,16	2,57	4 447,13
XX. Diluted book value per share (in USD/zloty/EUR)	3,75	-	8,36	-	2,37	-

On behalf of the Board

Andrey Verevskiy  
Chairman of the Board

Anastasiia Usachova  
CFO

The notes on pages 10 to 32 form an integral part of these condensed consolidated financial statements.

**KERNEL HOLDING S.A. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2008**  
*(in US dollars and in thousands unless otherwise stated)*

	Notes	31 March 2008	31 December 2007	30 June 2007	31 March 2007
<b>ASSETS</b>					
<i>CURRENT ASSETS:</i>					
Cash		38 885	16 391	25 253	6 924
Trade accounts receivable, net		48 401	36 050	9 828	11 422
Prepayments to suppliers and other current assets, net		16 543	16 310	8 567	9 993
Taxes recoverable and prepaid, net		61 059	67 223	22 485	19 530
Inventory		212 249	256 372	40 163	80 474
Biological assets		4 735	1 919	9 672	5 442
<b>Total current assets</b>		<b>381 872</b>	<b>394 265</b>	<b>115 968</b>	<b>133 785</b>
<i>NON-CURRENT ASSETS:</i>					
Property, plant and equipment, net	5	142 378	126 431	127 865	138 979
Intangible assets, net	6	43 725	30 523	16 821	16 838
Goodwill		6 410	6 410	11 491	11 491
Other non-current assets		14 784	5 003	2 935	4 430
<b>Total non-current assets</b>		<b>207 297</b>	<b>168 367</b>	<b>159 112</b>	<b>171 738</b>
<b>TOTAL ASSETS</b>		<b>589 169</b>	<b>562 632</b>	<b>275 080</b>	<b>305 523</b>
<b>LIABILITIES AND EQUITY</b>					
<i>CURRENT LIABILITIES:</i>					
Trade accounts payable		4 018	7 213	5 809	3 246
Advances from customers and other current liabilities		12 624	7 951	8 935	6 267
Short-term borrowings	7	141 539	135 151	37 417	70 181
Short-term corporate bonds		9 900	9 900	-	-
Current portion of long-term borrowings		10 757	12 572	7 018	13 165
<b>Total current liabilities</b>		<b>178 838</b>	<b>172 787</b>	<b>59 179</b>	<b>92 859</b>
<i>NON-CURRENT LIABILITIES:</i>					
Long-term borrowings	8	100 089	103 577	99 239	104 449
Obligations under finance lease		2 089	2 362	3 185	3 530
Corporate bonds issued		19 857	19 868	9 937	9 974
Deferred tax liabilities		21 805	21 079	18 247	18 879
<b>Total non-current liabilities</b>		<b>143 840</b>	<b>146 886</b>	<b>130 608</b>	<b>136 832</b>
<i>SUBORDINATED LOAN</i>		-	-	7 532	7 532
<i>COMMITMENTS AND CONTINGENCIES</i>					
<i>EQUITY ATTRIBUTABLE TO KERNEL HOLDING S.A. SHAREHOLDERS</i>					
Share capital		1 673	1 673	1 232	1 232
Share premium reserve		154 912	154 975	2 608	2 667
Additional paid-in capital		39 944	39 944	39 944	39 272
Retained earnings		60 992	41 463	20 826	12 105
<b>Total equity attributable to Kernel Holding S.A. shareholders</b>		<b>257 521</b>	<b>238 055</b>	<b>64 610</b>	<b>55 276</b>
MINORITY INTEREST		8 970	4 904	13 151	13 024
<b>Total equity</b>		<b>266 491</b>	<b>242 959</b>	<b>77 761</b>	<b>68 300</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>589 169</b>	<b>562 632</b>	<b>275 080</b>	<b>305 523</b>
Book value		257 521	238 055	64 610	55 276
Number of shares		63 341 000	63 341 000	9 334	9 334
<b>Book value per one share (in USD)</b>		<b>4,07</b>	<b>3,76</b>	<b>6 922,01</b>	<b>5 922,01</b>
Diluted number of shares		68 741 000	68 741 000	-	-
<b>Diluted book value per share (in USD)</b>		<b>3,75</b>	<b>3,46</b>	-	-

On behalf of the Board

 Andrey Verevskiy  
 Chairman of the Board

 Anastasiia Usachova  
 CFO

The notes on pages 10 to 32 form an integral part of these condensed consolidated financial statements.

**KERNEL HOLDING S.A. AND SUBSIDIARIES**
**CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 31 MARCH 2008**
*(in US dollars and in thousands unless otherwise stated)*

	<b>3 months ended 31 March 2008</b>	<b>9 months ended 31 March 2008</b>	<b>3 months ended 31 March 2007</b>	<b>9 months ended 31 March 2007</b>
REVENUE	243 158	493 578	99 271	228 525
COST OF SALES	<u>(191 523)</u>	<u>(381 316)</u>	<u>(72 353)</u>	<u>(175 334)</u>
<b>GROSS PROFIT</b>	<b><u>51 635</u></b>	<b><u>112 262</u></b>	<b><u>26 918</u></b>	<b><u>53 191</u></b>
OTHER OPERATIONAL INCOME	297	4 543	1 858	3 838
OPERATING EXPENSES:				
Distribution costs	(15 828)	(33 063)	(11 365)	(23 825)
General and administrative expenses	<u>(6 848)</u>	<u>(14 925)</u>	<u>(3 642)</u>	<u>(9 235)</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>(22 676)</b>	<b>(47 988)</b>	<b>(15 007)</b>	<b>(33 060)</b>
<b>OPERATING PROFIT</b>	<b>29 256</b>	<b>68 817</b>	<b>13 769</b>	<b>23 969</b>
Finance costs, net	(6 171)	(20 439)	(6 442)	(13 107)
Foreign exchange (loss)/gain, net	(190)	(1 947)	(354)	(672)
Other (expenses)/income, net	(776)	(364)	(497)	(1 408)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>22 119</b>	<b>46 067</b>	<b>6 476</b>	<b>8 782</b>
INCOME TAX	<u>(2 514)</u>	<u>(5 795)</u>	<u>1 008</u>	<u>1 052</u>
<b>NET PROFIT</b>	<b><u>19 605</u></b>	<b><u>40 272</u></b>	<b><u>7 484</u></b>	<b><u>9 834</u></b>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO:</b>				
<b>Shareholders of Kernel Holding S.A.</b>	<b>19 529</b>	<b>40 166</b>	<b>7 613</b>	<b>10 818</b>
<b>Minority interest</b>	<b>76</b>	<b>106</b>	<b>(129)</b>	<b>(984)</b>
Number of shares	63 341 000	63 341 000	9 334	9 334
<b>Profit/(loss) per ordinary share (in USD)</b>	<b>0,31</b>	<b>0,63</b>	<b>815,62</b>	<b>1 158,99</b>
Diluted number of shares	68 741 000	68 741 000	-	-
<b>Diluted profit/(loss) per ordinary share (in USD)</b>	<b>0,28</b>	<b>0,58</b>	-	-

On behalf of the Board

 \_\_\_\_\_  
 Andrey Verevskiy  
 Chairman of the Board

 \_\_\_\_\_  
 Anastasiia Usachova  
 CFO

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**KERNEL HOLDING S.A. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE 3 MONTHS ENDED 31 MARCH 2008**
*(in US dollars and in thousands unless otherwise stated)*

	Share capital	Share premium reserve	Additional paid-in capital	Retained earnings	Total equity attributable to Kernel Holding S.A. shareholders	Minority interest	Total equity
<b>Balance at 30 June 2006</b>	<b>964</b>	-	<b>39 425</b>	<b>1 287</b>	<b>41 676</b>	<b>5 880</b>	<b>47 556</b>
Net profit	-	-	-	490	490	(547)	(57)
<b>Balance at 30 September 2006</b>	<b>964</b>	-	<b>39 425</b>	<b>1 777</b>	<b>42 166</b>	<b>5 333</b>	<b>47 499</b>
Acquisition of subsidiaries	-	-	-	-	-	8 124	8 124
Increase of share capital	176	2 602	-	-	2 778	-	2 778
Effect of foreign exchange differences	92	6	(153)	-	(55)	4	(51)
Net profit	-	-	-	2 715	2 715	(308)	2 407
<b>Balance at 31 December 2006</b>	<b>1 232</b>	<b>2 608</b>	<b>39 272</b>	<b>4 492</b>	<b>47 604</b>	<b>13 153</b>	<b>60 757</b>
Effect of foreign exchange differences	-	59	-	-	59	-	59
Net profit	-	-	-	7 613	7 613	(129)	7 484
<b>Balance at 31 March 2007</b>	<b>1 232</b>	<b>2 667</b>	<b>39 272</b>	<b>12 105</b>	<b>55 276</b>	<b>13 024</b>	<b>68 300</b>
Effect of changes on minority interest	-	-	(613)	-	(613)	613	-
Disposal of subsidiaries	-	-	-	-	-	(527)	(527)
Shareholders' loans set-off effect	-	-	1 285	-	1 285	-	1 285
Effect of foreign exchange differences	-	(59)	-	-	(59)	-	(59)
Net profit	-	-	-	8 721	8 721	41	8 762
<b>Balance at 30 June 2007</b>	<b>1 232</b>	<b>2 608</b>	<b>39 944</b>	<b>20 826</b>	<b>64 610</b>	<b>13 151</b>	<b>77 761</b>
Effect of changes on minority interest	-	-	-	-	-	(1 347)	(1 347)
Disposal of subsidiaries	-	-	-	-	-	(116)	(116)
Net profit	-	-	-	8 422	8 422	16	8 438
<b>Balance at 30 September 2007</b>	<b>1 232</b>	<b>2 608</b>	<b>39 944</b>	<b>29 248</b>	<b>73 032</b>	<b>11 704</b>	<b>84 736</b>



	Share capital	Share premium reserve	Additional paid-in capital	Retained earnings	Total equity attributable to Kernel Holding S.A. shareholders	Minority interest	Total equity
Effect of changes on minority interest	-	-	-	-	-	(6 814)	(6 814)
Increase of share capital	441	160 997	-	-	161 438	-	161 438
Issued capital and IPO expenses	-	(8 630)	-	-	(8 630)	-	(8 630)
Net profit	-	-	-	12 215	12 215	14	12 229
<b>Balance at 31 December 2007</b>	<b>1 673</b>	<b>154 975</b>	<b>39 944</b>	<b>41 463</b>	<b>238 055</b>	<b>4 904</b>	<b>242 959</b>
Effect of changes on minority interest	-	-	-	-	-	5 027	5 027
Acquisition of subsidiaries	-	-	-	-	-	6 563	6 563
Repurchase of minority share	-	-	-	-	-	(7 600)	(7 600)
Issued capital and IPO expenses	-	(63)	-	-	(63)	-	(63)
Net profit	-	-	-	19 529	19 529	76	19 605
<b>Balance at 31 March 2008</b>	<b>1 673</b>	<b>154 912</b>	<b>39 944</b>	<b>60 992</b>	<b>257 521</b>	<b>8 970</b>	<b>266 491</b>

On behalf of the Board

\_\_\_\_\_  
Andrey Verevskiy  
Chairman of the Board

\_\_\_\_\_  
Anastasiia Usachova  
CFO

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**KERNEL HOLDING S.A. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE 3 MONTHS ENDED 31 MARCH 2008**
*(in US dollars and in thousands unless otherwise stated)*

	<b>3 months ended 31 March 2008</b>	<b>9 months ended 31 March 2008</b>	<b>3 months ended 31 March 2007</b>	<b>9 months ended 31 March 2007</b>
<b>OPERATING ACTIVITIES:</b>				
Profit/(loss) before income tax	22 119	46 067	6 476	8 782
Adjustments to reconcile profit before income tax to net cash used in operating activities:				
Amortization and depreciation	3 188	7 974	2 387	5 326
Finance costs	6 171	20 439	6 442	13 107
Bad debt expenses and other accruals	500	156	325	1 066
Loss on disposal of property, plant and equipment	176	329	297	369
Foreign exchange losses, net	190	1 947	354	672
Income from "DAK Asset"	-	32	(79)	(270)
Gain on sales of equity investments	-	(2 034)	-	-
<b>Operating profit before working capital changes</b>	<b>32 344</b>	<b>74 910</b>	<b>16 202</b>	<b>29 052</b>
Changes in working capital:				
Decrease/(increase) in trade accounts receivable	(13 628)	(39 100)	10 100	(596)
Decrease/(increase) in prepayments and other current assets	972	(6 998)	1 037	(1 017)
Decrease/(Increase) in restricted cash balance	(133)	(7 475)	-	(11)
Increase in taxes recoverable and prepaid	7 771	(37 549)	1 109	(9 710)
Increase in biological assets	(728)	7 025	(4 069)	(2 023)
Decrease/(Increase) in inventories	46 455	(170 018)	3 759	(42 822)
Increase/(decrease) in trade accounts payable	(3 859)	(2 078)	(1 886)	(1 611)
Increase/(decrease) in advances from customers and other current liabilities	(6 618)	(6 864)	(1 572)	3 430
<b>Cash obtained from/(used in) operations</b>	<b>62 576</b>	<b>(188 147)</b>	<b>24 680</b>	<b>(25 308)</b>
Finance costs paid	(6 253)	(20 521)	(6 542)	(13 084)
Income tax paid	(2 090)	(2 349)	(349)	(538)
<b>Net cash provided/(used in) by operating activities</b>	<b>54 233</b>	<b>(211 017)</b>	<b>17 789</b>	<b>(38 930)</b>

	<b>3 months ended 31 March 2008</b>	<b>9 months ended 31 March 2008</b>	<b>3 months ended 31 March 2007</b>	<b>9 months ended 31 March 2007</b>
<b>INVESTING ACTIVITIES:</b>				
Sales/(Purchase) of property, plant and equipment	(15 692)	(25 806)	(782)	(1 538)
Proceeds from disposal of property, plant and equipment	35	967	982	2 116
Sales/(Purchase) of intangible and other non-current assets	(94)	(13 948)	(26)	(62)
Sales/(Acquisition) of Subsidiaries	(5 531)	(8 611)	(19 656)	(68 663)
Disposal of Subsidiaries	-	3 549	-	-
<b>Net cash used in investing activities</b>	<b>(21 282)</b>	<b>(43 849)</b>	<b>(19 482)</b>	<b>(68 147)</b>
<b>FINANCING ACTIVITIES:</b>				
Proceeds/(Repayment) from short-term and long-term borrowings	(8 785)	131 774	16 202	134 632
Proceeds/(Repayment) of short-term and long-term borrowings	(273)	(35 784)	(12 118)	(37 346)
Corporate bonds issued	(11)	19 820	-	-
Proceeds/(Repayment) from subordinated loan	-	(7 532)	-	7 532
Proceeds from share capital increase	-	441	-	176
Proceeds from share premium reserve increase	-	160 997	-	2 602
Issued capital and IPO expenses paid	(1 521)	(8 693)	-	-
<b>Net cash (used in)/provided by financing activities</b>	<b>(10 590)</b>	<b>261 023</b>	<b>4 084</b>	<b>107 596</b>
TRANSLATION ADJUSTMENT		-	59	9
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	22 361	6 157	2 450	528
CASH AND CASH EQUIVALENTS, at the beginning of the period	8 548	24 752	4 061	5 983
<b>CASH AND CASH EQUIVALENTS, at the end of the period</b>	<b>30 909</b>	<b>30 909</b>	<b>6 511</b>	<b>6 511</b>

On behalf of the Board

\_\_\_\_\_  
Andrey Verevskiy  
Chairman of the Board

\_\_\_\_\_  
Anastasiia Usachova  
CFO

The notes on pages 10 to 32 form an integral part of these condensed consolidated financial statements.

**KERNEL HOLDING A.S. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 3 MONTHS ENDED 31 MARCH 2008**

*(in US dollars and in thousands unless otherwise stated)*

**1. KEY DATA BY SEGMENT**

The following table represents key data by segments for the 9 months ended 31 March 2008 and 2007:

	<b>Oil</b>		<b>Grain</b>		<b>Other</b>		<b>Reconciliation</b>		<b>Continuing Operations</b>	
	<b>31 March 2008</b>	<b>31 March 2007</b>	<b>31 March 2008</b>	<b>31 March 2007</b>	<b>31 March 2008</b>	<b>31 March 2007</b>	<b>31 March 2008</b>	<b>31 March 2007</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
Revenue (external)	350 259	118 171	141 943	107 760	1 376	2 594	-	-	493 578	228 525
Intersegment sales	50 029	328	-	11 533	-	-	(50 029)	(11 861)	-	-
<b>Total</b>	<b>400 288</b>	<b>118 499</b>	<b>141 943</b>	<b>119 293</b>	<b>1 376</b>	<b>2 594</b>	<b>(50 029)</b>	<b>(11 861)</b>	<b>493 578</b>	<b>228 525</b>
Other operating income	-	1 991	4 543	1 813	-	34	-	-	4 543	3 838
Operating profit (EBIT)	56 984	23 440	28 639	10 359	(16 806)	(9 830)	-	-	68 817	23 969
Total assets	410 635	188 773	164 780	110 641	13 754	6 109	-	-	589 169	305 523
Capital expenditures	19 774	40 504	32 138	17 417	899	636	-	-	52 811	58 557
Amortization and depreciation	5 150	2 060	2 640	821	184	150	-	-	7 974	3 031
Liabilities	41 528	40 020	18 193	29 908	262 957	167 295	-	-	322 678	237 223

## 2. NATURE OF THE BUSINESS

Kernel Holding S.A. (hereinafter referred to as the "Holding") incorporated under the legislation of Luxembourg on 15 June 2005 (Number B-109 173 at the Luxembourg Register of Companies) is a holding company for a group of entities (hereinafter referred to as the "Subsidiaries" ), which together form the Kernel Group (hereinafter referred to as the "Group" ).

The primary activity of the Group is related to production of bottled sunflower oil, production and subsequent export of sunflower oil and meal and wholesale trade of grain (mainly wheat, barley and corn).

The majority of the Group operations are located in Ukraine. Financial year of the Group runs from 1<sup>st</sup> of July to 30<sup>th</sup> of June.

The principal operating office of the Group is located at the following address: 16 Nemirovicha-Danchenko str., 01133 Kyiv, Ukraine.

As of 31 March 2008, 31 March 2007 and 30 June 2007 the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of 31 March 2008	Group's Effective Ownership Interest as of 30 June 2007	Group's Effective Ownership Interest as of 31 March 2007
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine. Performs transactions with financial instruments.	Ukraine	99.9%	99.9%	99.9%
"Kernel Group International" LLC	Former Group holding company.	USA	Disposed of on 26 June 2007	Disposed of on 26 June 2007	99,00%
"Etrecom Investments", LLC "Yuzhtrans-Terminal"	Holding company.	Cyprus	100%	N/A	N/A
Dormant company.		Ukraine	99.9%	99.9%	99.9%
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	99.9%	99.9%	99.9%
Lanen S.A.		Panama	100%	100.0%	100%
LLC "Kernel-Trade",		Ukraine	100%	99.8%	99.8%
Inerco UK LLP		Great Britain	Disposed of on 26 June 2007	Disposed of on 26 June 2007	99.0%
Jerste BV		Netherlands	100%	N/A	N/A
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	94.9%	94.9%	94.9%
JSC "Vovchansk OEP"		Ukraine	99,30%	98.9%	98.9%
CJSC "Prykolotne OEP"		Ukraine	100%	69.9%	69.9%
CJSC "Prykolotnyanska oliya"		Ukraine	0.0%	0.0%	0.0%
CJSC "MZRM - Striletskaya Step"		Ukraine	Disposed of on 15 May 2007	Disposed of on 15 May 2007	90.9%
"Kernel-Vostok" LLC	Trade of bottled sunflower oil, Russia.	Russia	Disposed of on 26 June 2007	Disposed of on 26 June 2007	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of 31 March 2008	Group's Effective Ownership Interest as of 30 June 2007	Group's Effective Ownership Interest as of 31 March 2007
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100%	99.9%	99.9%
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	99.9%	98.5%	98.5%
CJSC "JSC Selkhoztehnika"	Provision of transport services to Group companies.	Ukraine	Disposed of on 21 May 2007	Disposed of on 21 May 2007	97.5%
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	99.9%	79.9%	70.8%
JSC "Reshetilovski elevator"		Ukraine	0%	0.0%	59.9%
CJSC "Horol-Elevator"		Ukraine	100%	99.9%	79.9%
JSC "Khorolskiy elevator"		Ukraine	0%	0.0%	48.8%
CJSC "Mirgorodsky elevator"		Ukraine	99,90%	99.9%	96.7%
CJSC "Globynsky elevator HP"		Ukraine	99,90%	86.2%	79.4%
JSC "Globinsky elevator kliboproductiv"		Ukraine	0%	0.0%	41.5%
JSC "Poltavske khlipopriemalne pidpriemstvo"		Ukraine	88,20%	86.2%	85.3%
JSC "Golovanivske khlipopriemalne pidpriemstvo"		Ukraine	92,70%	99.2%	99.2%
CJSC "Galeschina-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Gogoleve-Agro"		Ukraine	99.9%	99.8%	99.8%
CJSC "Sagaydak-Agro"		Ukraine	99.9%	99.9%	94.8%
CJSC "Karlivka-Agro"		Ukraine	99.9%	99.9%	98.5%
CJSC "Novo-Sanzharski elevator"		Ukraine	Disposed of on 31 August 2007	99.0%	95.1%
CJSC "Lazorkovski Elevator"		Ukraine	99.9%	99.9%	99.9%
"Zherebkivsky elevator LTD"		Ukraine	99.9%	99.9%	99.9%
"Kononivsky elevator LTD"		Ukraine	99.9%	99.9%	99.9%
JSC "Pidgorodnanski elevator"		Ukraine	Disposed of on 30 July 2007	75.0%	75.0%
LLC "Bandurskiy elevator"		Ukraine	100%	99.9%	99.9%
CJSC "Semenivski elevator"		Ukraine	99.9%	99.9%	86.1%
LLC "Kobelyaki hleboproduct"	Ukraine	0.1%	0.1%	0.1%	

LLC "Sahnovshina hleboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	0.1%	0.1%
CJSC "Velykoburlutske HPP"		Ukraine	100%	99.8%	99.8%
CJSC "Vlasivskiy KHP"		Ukraine	In process of liquidation	99.8%	99.8%
CJSC "Vovchansky KHP"		Ukraine	Disposed of on 23 July 2007	99.8%	99.8%
LLC "Zhytnitsa"		Ukraine	Disposed of on 15 May 2007	Disposed of on 15 May 2007	99.0%
"Bobrynetsky elevator LTD"		Ukraine	Disposed of on 25 April 2007	Disposed of on 25 April 2007	80.1%
CJSC "Selesthchinski elevator"		Ukraine	Disposed of on 19 April 2007	Disposed of on 19 April 2007	97.4%
LLC "Belovodskiy elevator"		Ukraine	Disposed of on 26 June 2007	Disposed of on 26 June 2007	99.0%
CJSC "Gutnansky elevator"		Ukraine	100%	99.8%	99.8%
CJSC "Lykhachivsky KHP"		Ukraine	100%	99.8%	99.8%
CJSC "Shevchenkisky KHP"		Ukraine	100%	99.8%	99.8%
CJSC "Orilske HPP"		Ukraine	100%	99.8%	99.8%
CJSC "Kovyagivske KHP"		Ukraine	100%	99.8%	99.8%
LLC "Ykragrobiznes"	Holding company.	Ukraine	100%	N/A	N/A
LLC "Ukrainian Agricultural Company"	Holding company agricultural farms.	Ukraine	Control relinquished	0.3%	0.3%
LLC "Agroservice"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	99.9%	99.9%
LLC "Zernoservice"		Ukraine	100%	99.9%	99.9%
LLC "Unigrain-Agro" (Semenovka)		Ukraine	100%	99.9%	99.9%
LLC "Unigrain-Agro" (Globino)		Ukraine	100%	99.9%	99.9%
LLC "Mrija-Agro"		Ukraine	100%	99.9%	99.9%
CJSC "Lozivske HPP"		Ukraine	100%	99.9%	99.9%
CJSC "Krasnopavlivsky KHP"		Ukraine	100%	99.9%	99.9%
LLC "Agrofirma "Krasnopavlivska"		Ukraine	0%	0%	0%
LLC "Agrofirma "Arshitsa"		Ukraine	100%	N/A	N/A
LLC "Agrotera-Kolos"		Ukraine	0%	N/A	N/A
LLC "Chorna Kamyanka"		Ukraine	100%	N/A	N/A
ALLC "Govtva"		Ukraine	0%	N/A	N/A
PRAC "Perebudova"		Ukraine	0%	N/A	N/A
AC by the name of T. Shevchenko		Ukraine	0%	N/A	N/A

The Group consolidated the financial statements of CJSC "Prykolotnyanska oliya", JSC "Reshetilovski elevator", JSC "Khorolskiy elevator", JSC "Globinsky elevator kliboproductiv", LLC "Kobelyaki hleboproduct", LLC "Agrofirma "Krasnopavlivska, LLC "Agrotera-Kolos", ALLC "Govtva", PRAC "Perebudova" and AC by the name of T. Shevchenko due to the fact that shareholders holding a majority share of the voting rights in these Subsidiaries are related parties of the Group. "Kernel-Capital" LLC received power of attorney from these related parties to act on their behalf in exercising ownership rights related to these shares. The Group's management believes that it has power to govern operating and financial policies of these Subsidiaries.

These consolidated financial statements were authorized for issue by the Board of Directors of Kernel Holding S.A., on 14 May 2008.

### 3. CHANGE IN SHARE CAPITAL

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose share capital as of 31 December 2007 consists of 63,341,000 ordinary bearer shares without indication of a nominal value, providing 63,341,000 voting rights (as of 30 June 2007 - 9,334 shares).

The shares were distributed as follows:

SHAREHOLDERS	Shares allotted and fully paid as of 31 March 2008	Share owned as of 31 March 2008	Shares allotted and fully paid as of 30 June 2007	Share owned as of 30 June 2007	Shares allotted and fully paid as of 31 March 2007	Share owned as of 31 March 2007
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Shareholder")	40 574 250	64.05%	7 999	85.70%	7 999	85.70%
Evergreen Financial Limited (a company incorporated and registered in the Territory of the British Virgin Islands) (hereinafter Evergreen Financial Limited)	-	-	1 334	14.29%	1 334	14.29%
Free-float	22 766 750	35.95%	-	-	-	-
Individual	-	-	1	0.01%	1	0.01%
<b>Total</b>	<b>63 341 000</b>	<b>100.00%</b>	<b>9 334</b>	<b>100.00%</b>	<b>9 334</b>	<b>100.00%</b>

As of 31 March 2008 and 2007 100% of the beneficial interest in the "Majority Shareholder" was held by Verevskiy Andrey Mikhaylovych (hereinafter the "Beneficial Owner").

On 19 November , 2007 Namsen LTD executed a call-option for 1334 shares (14,29%), held by Evergreen Financial Limited.

On 23 November, 2007 the Holding was listed on the Warsaw Stock Exchange (WSE). The total size of the Offering was PLN 546 402 000 (comprising 22 766 750 shares).

Luxembourg companies are required to allocate to legal reserve a minimum of 5% of the annual net income until this reserve equals up to 10% of subscribed share capital. This reserve as of 30 June 2007 of an amount of USD 125 thousand may not be distributed as dividends.



#### **4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation and Accounting* - The accompanying consolidated financial statements are prepared under the historical cost convention in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB") and interpretations, issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Group Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group Subsidiaries' local statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The present financial statements have been prepared in accordance with amendments to IFRS which became effective on 31 March 2008.

*Accounting Estimates* - The application of IFRS requires the use of reasonable assumptions and estimates. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from these estimates.

*Measurement and Presentation Currency* - The local currency of the Holding was the Euro until 31 December 2006. Starting from 01 January 2007, and in accordance with the resolution of the shareholders dated 31 July 2007, the measurement currency is the United States dollar ("USD"). Management utilizes the USD as the measurement and reporting currency of the accompanying consolidated financial statements of the Holding under International Accounting Standard ("IAS") No. 21 "The Effects of Changes in Foreign Exchange Rates" as its major assets and sources of finance are denominated in USD. The measurement currencies for the Subsidiaries of the Group are mainly local currencies of the countries, where the Group Subsidiaries are incorporated and operate, with the exception of Inerco Trade S.A. (Switzerland) and Lanen S.A. (Panama). Management has utilized USD as the measurement currency for Inerco Trade SA and Lanen SA under IAS No. 21 as their major sources of finance, prices of sales contracts with customers and also prices of significant contracts for purchases of goods and services from suppliers were denominated in USD.

Transactions in currencies other than measurement currencies of the Group companies are treated as transactions in foreign currencies.

*Basis of Consolidation* - The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Group ("its Subsidiaries") made up as of 31 March 2008. Control is achieved where the parent company has the power to govern the financial and operating policies of an investee enterprise, either directly or indirectly, so as to obtain benefits from its activities.

The purchase method of accounting is used for acquired businesses. The equity attributable to minority owners' interests is shown separately in the consolidated balance sheet. On acquisition, the assets and liabilities of a Subsidiary are measured at their fair values at the date of acquisition. The interest of minority owners is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

Where necessary, adjustments are made to the financial statements of Subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between the Group enterprises are eliminated on consolidation. Unrealized gains and losses resulting from intercompany transactions are also eliminated unless for unrealized losses which cannot be recovered.

Minority interest at the balance sheet date represents the minority shareholders' portion of the pre-acquisition fair values of the identifiable assets and liabilities of the Subsidiary at the acquisition date, and the minorities' portion of movements in equity since the date of the acquisition.

**Goodwill** - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the adjusted net fair value of identifiable assets, liabilities and contingent liabilities of the Subsidiary on the date of acquisition. Goodwill arising from business combinations for which the agreement date is on or after 31 March 2004 is recognized as an asset and carried at cost less any accumulated impairment losses. The goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that operation are treated as assets and liabilities of the foreign operation. Therefore, they are expressed in the measurement currency of the foreign operation and are translated at the closing rate.

Excess of Group's interest in the adjusted net fair value of identifiable assets, liabilities and contingent liabilities of the acquired Subsidiaries over cost of acquisition is recognized immediately in the income statement of the period when the acquisition takes place.

**Intangible Assets** - Intangible assets acquired separately from a business are capitalized at primary cost. Amortization of intangible assets except for the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks is calculated on a straight-line basis over 2-10 years, and is included in "General and administrative expenses". The "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks have indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually and whenever there is an indication that the trademarks may be impaired. As a result of the acquisition of new Subsidiaries (note 10) in the third quarter of financial year 2008, lease rights on agricultural land were valued at USD 13 558 thousand and acreage of leased land was increased by 24 500 hectares. This intangible asset will be amortized over the average rental term.

**Foreign Currencies Translation** - Transactions in currencies other than the measurement currencies of the Group companies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Subsequently, monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date.

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in shareholders' equity and included in "Cumulative translation adjustment".

The exchange rates used in preparation of these financial statements are as follows:

Currency	Closing rate as of 31 March 2008	Average rate for the 3 months ended 31 March 2008	Average rate for the 9 months ended 31 March 2008	Closing rate as of 31 March 2007	Average rate for the 3 months ended 31 March 2007	Average rate for the 9 months ended 31 March 2007
UAH/USD	5.0500	5.0500	5.0500	5.0500	5.0500	5.0500
EUR/USD	0.6326	0.6670	0.6954	0.7509	0.7632	0.7745
PLZ/USD	2.2305	2.3850	2.5548	2.9058	2.9662	3.0183

**Financial instruments** - financial instruments are classified according to the following categories: financial assets or financial liabilities recognized at fair value through profit or loss; held-to-maturity investments; available-for-sale financial assets; and also the Group's trade receivables, as well as loans receivable.

**Financial assets or financial liabilities at fair value through profit or loss** - Are financial instruments, acquired, mainly, with the purpose of proceeds from short-term price fluctuations or designated as such upon initial recognition. Financial assets or liabilities are recognized at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Classified by the Group as an instrument at the moment of initial recognition, they are measured at fair value with any resultant

gain or loss recognized in profit or loss.

Held-to-maturity investments - This category is for fixed maturity financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity except for the Group's trade or loan receivables. Held-to-maturity investments are measured at amortized cost using the effective interest method.

Available-for-sale financial assets - Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in equity. When such assets are disposed the cumulative gain from assets revaluation are included in a calculation of the financial result on the disposal which is registered in income statement. The cumulative loss in equity is transferred to income statement immediately.

Loans - Lent by the Group, are financial assets, created by means of grant of money directly to a borrower or participating in providing of credit services, except for those assets, which were created with the purpose of immediate sale or sale during a short-term period or classified as investments held for trading. For loans, given on a rate and terms which are different from markets, the difference between the par value of the given out resources and fair value of lending amount is reflected in income statement in the period, when it was lent, as adjustment of sum of primary estimation of the loan. Loans with fixed maturity terms are measured at amortized cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. The given out loans are reflected in balance sheet less allowance for estimated non-recoverable amounts.

Held-to-maturity investments and the Group's trade receivables and loans receivable are included in the complement of intangible assets, except of those cases when the term of redemption expires within 12 months from the date of balance. Financial assets which are recognized at fair value through profit or loss is a part of current assets as well as available-for-sale investments if the Group's management has intent to realize them during 12 months from the date of balance. All acquisitions and sales of investments are registered at the date of calculation. Investments in equity securities where fair value cannot be estimated on a reasonable basis are stated at cost using the effective interest method less impairment losses.

Investments in Non-consolidated Subsidiaries and Associates - Investments in corporate shares where the Group owns more than 20% of share capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the financial statements taken as a whole, or the Group intends to resell such investments in the nearest future, as well as investments in corporate shares where the Group owns less than 20% of share capital, are accounted for at fair value or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary. As of 31 March 2008 and 2007 there were no investments in non-consolidated subsidiaries and associates.

#### Share capital and earnings per share

Ordinary shares - Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

Repurchase of share capital - When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Earnings per share - Are calculated by dividing net profit attributable to shareholders of the parent company by the weighted average number of shares outstanding during the period.

Inventories - Inventories are stated at the lower of cost or net realizable value. Cost comprises purchase cost and, where applicable, those expenses that have been incurred in bringing the inventory to their present location and condition. Cost is calculated using FIFO method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Biological Assets - The Group classifies wheat, barley, corn, soy, sunflower seeds and other crops, which it raises, as biological assets. In accordance with IAS No. 41 "Agriculture", biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs, except for the case where the fair value cannot be measured reliably. Biological assets, for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, are measured using the present value of expected net cash flows from the sale of an asset discounted at a current market-determined pre-tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition.

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets. All of the Group's biological assets were classified as current as their average useful life is less than one year.

Taxes Recoverable and Prepaid - Taxes recoverable and prepaid are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Property, Plant and Equipment - Except for land, property, plant and equipment is carried at its cost less any accumulated depreciation and accumulated impairment losses. Land is carried at cost and is not depreciated.

Property, plant and equipment acquired in a business combination is initially recognized at fair value determined based on valuations performed by independent professionally qualified appraisers.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to income statement as incurred.

Property, plant and equipment are depreciated over the estimated remaining useful economic lives of assets mostly determined by independent appraisals under the straight-line method. Remaining useful lives of property, plant and equipment are as follows:

Buildings and constructions	20-50 years
Production machinery and equipment	10-20 years
Agricultural vehicles and equipment	3-10 years
Fixtures, fittings and other fixed assets	5-20 years
Transport vehicles	4-7 years
Construction in progress ("CIP") and uninstalled equipment	not depreciated

Construction in progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets commences when the assets are put into operation.

Impairment of Non-Current Assets - At each balance sheet date the Group reviews the carrying amounts of the Group's non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A

reversal of an impairment loss is recognized as income immediately.

Trade and Other Accounts Payable - Trade and other accounts payable are stated at their nominal value.

Short-term and Long-term Borrowings - Short-term and long-term borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including payments at origination and settlement, are accounted for on an accrual basis and are added to the carrying amount of the liability to the extent that they are not settled in the period in which they arise.

The difference between nominal amount of consideration received and the fair value of loans obtained from related parties of the Group at other than market terms is recognized in the period the loan is obtained as initial recognition adjustment discounting the loan based on market rates at inception.

Revenue Recognition - Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods and finished products - Revenue is recognized when the significant risks and rewards of ownership of goods for resale and finished products have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services - Revenue is recognized when services are rendered.

Classification of administrative expenses - The Group includes all expenses related to the administration of the Group in General and administrative expenses except for payroll expenses related to administration of elevators. Such expenses are included in Cost of sales.

Net financial expense - Net financial expense comprises interest expense on borrowings, interest income on funds invested and dividend income, if any. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

Income Taxes - Income taxes have been computed in accordance with the laws currently enacted in the countries, where the Holding and its Subsidiaries are incorporated.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against deductible temporary differences.

Deferred tax is calculated at rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred income tax assets and liabilities are offset when:

- the Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- the Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Leases - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease



obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are included in expenses for the period to which they relate on a straight-line basis over the term of the relevant lease.

**Contingencies** - Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statement but disclosed when an inflow of economic benefits is probable.

**Provisions** - A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Segment Reporting** - In accordance with IAS 14 (Segment Reporting), certain data in the financial statements is provided by segments. The segments are those used for internal reporting and provide an assessment of risk and returns. The aim is to provide users of the financial statements with information regarding the profitability and future prospects of the Group's various activities.

As of 31 March 2008 the Group defined two segments with activities consolidated according to economic characteristics, products, production processes, customer relationships and methods of distribution.

The segments' activities are as follows:

Segments	Activities
<b>Oil</b>	Production, refining, bottling, marketing and distribution of sunflower oil and meal.
<b>Grain</b>	Trade of grain. Provision of cleaning, drying and grain storage services. Agricultural farming

In accordance with IFRS 5, which was approved by the IASB on 31 March 2004, introduces specific recognition principles for assets and liabilities held-for-sale and for discontinued operations and requires that reporting now be based primarily on continuing operations. In the financial statements as of 31 March 2008 the segment table reflects continuing operations only. The prior-year figures have been reclassified to ensure comparability.

The reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments. These include in particular the Corporate Center, the service companies and peripheral operations.

The segment data are calculated as follows:

- The intersegment sales reflect intergroup transactions effected on an arm's-length basis.
- The equity items are those reflected in the balance sheet and income statement. They are allocated to the segments where possible.
- Capital expenditures, amortization and depreciation relate to property, plant and equipment and intangible assets.

Since financial management of Group companies is carried out centrally, financial liabilities are not allocated directly to the respective segments. Consequently, the liabilities shown for the individual segments do not include financial liabilities.

## 5. PROPERTY PLANT AND EQUIPMENT, NET

The following table represents movements in property, plant and equipment for the 9 months ended 31 March 2008:

	Land	Buildings and Constructions	Production machinery and equipment	Agricultural vehicles and equipment	Transport vehicles	Fixtures, fittings and other fixed assets	CIP and uninstalled equipment	Total
<b>Cost</b>								
As of 30 June 2007	2 200	83 724	38 235	5 256	3 511	3 788	4 274	140 988
Additions from acquisition of Subsidiaries	-	6 818	1 388	2 936	548	72	50	11 812
Additions							13 471	13 471
Transfers	8	1 052	4 706	3 142	926	366	(10 200)	-
Due to disposal of Subsidiaries	(11)	(1 480)	(803)	(59)	(60)	(49)	(17)	(2 479)
Other disposals	(114)	(754)	(253)	(227)	(184)	(31)	-	(1 563)
<b>As of 31 March 2008</b>	<b>2 083</b>	<b>89 360</b>	<b>43 273</b>	<b>11 048</b>	<b>4 741</b>	<b>4 146</b>	<b>7 578</b>	<b>162 229</b>
<b>Accumulated depreciation</b>								
As of 30 June 2007	-	(4 981)	(5 038)	(1 056)	(988)	(1 060)	-	(13 123)
Depreciation	-	(2 609)	(3 127)	(748)	(474)	(414)	-	(7 372)
Due to disposal of Subsidiaries	-	218	106	8	30	15	-	377
Other disposals	-	85	71	46	50	15	-	267
<b>As of 31 March 2008</b>	<b>-</b>	<b>(7 287)</b>	<b>(7 988)</b>	<b>(1 750)</b>	<b>(1 382)</b>	<b>(1 444)</b>	<b>-</b>	<b>(19 851)</b>
<b>Net Book Value</b>								
As of 31 March 2008	2 083	82 073	35 285	9 298	3 359	2 702	7 578	142 378
As of 30 June 2007	2 200	78 743	33 197	4 200	2 523	2 728	4 274	127 865

## 6. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the 9 months ended 31 March 2008 and 2007:

<b>Cost as of 30 June 2007</b>	<b>17 055</b>	<b>Cost as of 30 June 2006</b>	<b>7 491</b>
Additions from acquisition of Subsidiaries	13 558	Additions from acquisition of Subsidiaries	9 466
Additions	13 970	Additions	77
Disposals	(34)	Disposals	(6)
<b>Cost as of 31 March 2008</b>	<b>44 549</b>	<b>Cost as of 31 March 2007</b>	<b>17 028</b>
Accumulated depreciation as of 30 June 2007	(234)	Accumulated depreciation as of 30 June 2006	(58)
Amortization charge	(602)	Amortization charge	(132)
Disposals	12	Disposals	-
<b>Accumulated depreciation as of 31 March 2008</b>	<b>(824)</b>	<b>Accumulated depreciation as of 31 March 2007</b>	<b>(190)</b>
<b>Net book value as of 31 March 2008</b>	<b>43 725</b>	<b>Net book value as of 31 March 2007</b>	<b>16 838</b>

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks with the value of USD 7 229 thousand, USD 9 385 thousand, USD 13 289 thousand and USD 287 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. Trade mark "Stozhar" was pledged as security for long-term loans as of 31 March 2008 (as of 31 March 2007 trade marks "Stozhar" and "Schedry Dar" were pledged) (Note 8).

As a result of acquisition of new Subsidiaries (Note 10) in January-February 2008, lease right on agricultural land were valued at USD 13 558 thousand. The Subsidiaries acquired are together leasing 24 500 hectares of agricultural land. This intangible asset will be amortized over the remaining lease period.

Management of the Group expects the demand for bottled sunflower oil to be stable in the foreseeable future. The Group believes that, as a result of further promotion of the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks sales of bottled oil under these trademarks and the current bottled oil market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them during an indefinite period of time. Accordingly, the trademarks which belong to the Group are considered to have indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually and whenever there is an indication that the trademarks may be impaired.

## 7. SHORT-TERM BORROWINGS

	<b>31 March 2008</b>	<b>31 March 2007</b>
Bank credit lines	140 781	70 056
Interest accrued on short-term credits	377	-
Interest accrued on long-term credits	381	125
<b>Total</b>	<b>141 539</b>	<b>70 181</b>



The balances of short-term borrowings as of 31 March 2008 were as follows:

<b>Lender</b>	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<b>Amount due</b>
Ukrainian bank	14%	UAH	September 2008	7 008
Ukrainian bank	Libor + 2,35%	USD	July 2008	10 000
Ukrainian bank	Libor + 4,5%	USD	November 2008	45 000
European Bank	Libor + 2%	USD	June 2008	22 957
European Bank	Libor+2%-5%	USD	June 2008	35 650
European Bank	Libor + 2,35%	USD	June 2008	20 166
<b>Total bank credit lines</b>				<b>140 781</b>
Interest accrued on short-term loans				377
Interest accrued on long-term loans				381
<b>Total</b>				<b>141 539</b>

The balances of short-term borrowings as of 31 March 2007 were as follows:

<b>Lender</b>	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<b>Amount due</b>
Ukrainian bank	17%	UAH	August 2007	44
Ukrainian bank	12%	USD	August 2007	7 452
Ukrainian bank	Libor+4,5 %	USD	November 2007	40 150
Ukrainian bank	14,5 %	USD	April 2007	373
Ukrainian bank	7,7 %	USD	April 2007	1 650
European Bank	Libor + 3%-5%	USD	July 2007	10 961
European Bank	Libor+2 %	USD	July 2007	9 426
<b>Total bank credit lines</b>				<b>70 056</b>
Interest accrued on short-term loans				-
Interest accrued on long-term loans				125
<b>Total</b>				<b>70 181</b>

On 19 December 2007 Inerco Trade S.A., a subsidiary of Kernel Holding S.A., repaid a loan provided by a Dublin branch of an international bank, according to the terms and conditions of the facility agreement. The loan in amount of USD 35 000 thousand was obtained on 12 October 2007 to finance the purchase or procurement of sunflower seeds of Ukrainian origin by “Kernel Trade” LLC for the purpose of processing them into sunflower crude oil.

As of 31 March 2008 the overall maximum credit limit for short-term bank credit lines amounted to USD 180 891 thousand (as of 31 March 2007 USD 89 800 thousand). The increase of short-term financing corresponds to seasonality in inventories due to the nature of the business of the Group.

As of 31 March 2008 and 2007 short-term loans from banks were secured as follows:

<b>Assets pledged</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
Inventories	154 017	71 726
Property, plant and equipment	721	-
<b>Total</b>	<b>154 738</b>	<b>71 726</b>

## 8. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 31 March 2008 and 2007 were as follows:

	31 March 2008	31 March 2007
Long-term bank loans	110 846	117 614
Long-term borrowings from related parties	-	-
Less: current portion of long-term borrowings	(10 757)	(13 165)
<b>Total</b>	<b>100 089</b>	<b>104 449</b>

### Long-term bank loans

The balances of long-term borrowings as of 31 March 2008 were as follows:

Lender	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	Libor + 5%	USD	November 2013	49 077
Ukrainian bank	11,25%	USD	June 2010	33 100
Ukrainian bank	11,25%	USD	June 2010	24 400
Ukrainian bank	11 %	USD	April 2010	1 175
Ukrainian bank	11 %	USD	February 2009	1 740
Ukrainian bank	11 %	USD	April 2008	1 308
Ukrainian bank	17 %	UAH	April 2008	30
Ukrainian bank	16 %	UAH	March 2009	16
<b>Total</b>				<b>110 846</b>

On 3 December 2007 the Group repaid a bridge loan in the amount of USD 13 500 thousand obtained from Ukrainian and European banks and provided for the purpose of funding the acquisition of the "Zolota" and "Domashnya" bottled oil brands.

Subsequent to 31 March 2008, the Group was negotiating with Ukrainian commercial banks various loans to finance its operating and investment activities.

The balances of long-term loans as of 31 March 2007 were as follows:

Lender	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	12%	USD	June 2010	49 204
Ukrainian bank	12,50%	USD	November 2010	5 900
Ukrainian bank	15%	UAH	November 2011	2 900
Ukrainian bank	Libor + 6,75%	USD	November 2013	55 154
Ukrainian bank	12,50%	USD	September 2010	3 500
Ukrainian bank	12,50%	USD	September 2007	192
European bank	4,23%	USD	July 2007	764
<b>Total</b>				<b>117 614</b>

### Long-term loans from Ukrainian Banks

Long-term loans from Ukrainian banks as of 31 March 2008 were represented by revolving and non-revolving credit line facilities from four banks with the overall maximum credit limit of USD 151 590 thousand (as of 31 March 2007 USD 120 400 thousand from two Ukrainian banks and one European bank).

As of 31 March 2008 and 2007 long-term loans from Ukrainian banks were secured as follows:

Assets pledged	31 March 2008	31 March 2007
Property, plant and equipment (Note 5)	126 251	105 568
Inventories	-	1 000
Intangible assets (Note 6)	9 385	16 614
Controlling stakes in Subsidiaries	100	150
<b>Total</b>	<b>135 736</b>	<b>123 332</b>

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 31 March 2008 and 2007:

**Name of Subsidiary, in which a stake was pledged**

31 March 2008	31 March 2007
CJSC "Poltava oil crushing plant-Kernel Group"	CJSC "Poltava oil crushing plant-Kernel Group"
CJSC "Reshetylivka Hliboproduct"	CJSC "Reshetylivka Hliboproduct"
CJSC "Horol-Elevator"	CJSC "Horol-Elevator"
CJSC "Globynsky elevator HP"	CJSC "Karlivka-Agro"
CJSC "Karlivka-Agro"	CJSC "Sagaydak-Agro"
CJSC "Galeschina-Agro"	CJSC "Galeschina-Agro"
CJSC "Lazorkovski Elevator"	CJSC "Lazorkovski Elevator"
CJSC "Sagaydak-Agro"	CJSC "Novo-Sanzharski elevator"
CJSC "Mirgorodskiy elevator"	CJSC "Mirgorodskiy elevator"
CJSC "Orilske HPP"	JSC "Golovanivske hlibopriemalne pidpriemstvo"
CJSC "Gutnansky elevator"	JSC "Pidgorodnanski elevator"
JSC "Poltavske khlibopriemalne pidpriemstvo"	JSC "Poltavske khlibopriemalne pidpriemstvo"
CJSC "Krasnopavlivsky KHP"	CJSC "Poltavaavtotransservis"
CJSC "Lozivske HPP"	CJSC "Gogoleve-Agro"
CJSC "Vovchansk OEP"	CJSC "Selesthchinski elevator"
CJSC "Prykolotne OEP"	CJSC "Orilske HPP"
CJSC "Gogoleve-Agro"	CJSC "Semenivski elevator"
CJSC "Velykoburlutske HPP"	CJSC "Prykolotne OEP"
CJSC "Semenivski elevator"	CJSC "Velykoburlutske HPP"
CJSC "Lykhachivsky KHP"	CJSC "Lykhachivsky KHP"
CJSC "Shevchenkisky KHP"	CJSC "Shevchenkisky KHP"
CJSC "Kovyagivske KHP"	CJSC "Kovyagivske KHP"
CJSC "Poltavaavtotransservis"	CJSC "Gutnansky elevator"
	CJSC "Krasnopavlivsky KHP"
	CJSC "Lozivske HPP"
	CJSC "Zolochivske HPP"
	CJSC "Vlasivskiy KHP"
	CJSC "Bogodukhivske HPP"
	CJSC "Vovchansky KHP"

## 9. INCOME TAX

As of 31 March 2007 and 31 March 2008 the major components of deferred tax assets and liabilities were as follows:

	<b>31 March 2008</b>	<b>31 March 2007</b>
<b>Deferred tax assets arising from:</b>		
Valuation of advances from customers	335	1 320
Valuation of accrued expenses and other temporary differences	232	115
Tax losses carried forward	155	1 208
Valuation of accounts receivable	318	158
Valuation of property, plant and equipment	180	22
Valuation of inventories	9	5
<b>Deferred tax asset</b>	<b>1 229</b>	<b>2 828</b>
Less: valuation allowance	(248)	(354)
<b>Net deferred tax asset after valuation allowance</b>	<b>981</b>	<b>2 474</b>
<b>Deferred tax liability arising from:</b>		
Valuation of property, plant and equipment	(15 039)	(15 057)
Valuation of intangible assets	(3 435)	(3 548)
Valuation of prepayments to suppliers and prepaid expenses	(4 070)	(2 498)
Valuation of inventories	(242)	(250)
<b>Deferred tax liability</b>	<b>(22 786)</b>	<b>(21 353)</b>
<b>Net deferred tax liability</b>	<b>(21 805)</b>	<b>(18 879)</b>

As of 31 March 2007 and 31 March 2008 all deferred taxes arose from temporary differences related to assets and liabilities of Subsidiaries located in Ukraine. The corporate income tax rate in Ukraine was 25% as of 31 March 2007 and 31 March 2008.

The components of income tax expense for the 9 months ended 31 March 2008 and 9 months ended 31 March 2007 were as follows:

	<b>31 March 2008</b>	<b>31 December 2006</b>
Current income tax expenses	(2 349)	(87)
Deferred tax benefit	(3 446)	1 139
<b>Income tax benefit</b>	<b>(5 795)</b>	<b>1 052</b>

The income tax charge for the 9 months ended 31 March 2008 and 9 months ended 31 March 2007 is reconciled to the profit before income tax per consolidated income statement as follows:

	<b>31 March 2008</b>	<b>31 March 2007</b>
Profit/(loss) before income tax:	46 067	8 782
Tax at the statutory income tax rate in Ukraine of 25%	(11 517)	(2 196)
Expenditures not allowable for income tax purposes and non-taxable income, net	5 902	2 894
Change in valuation allowance	(180)	354
<b>Income tax benefit (expenses)</b>	<b>(5 795)</b>	<b>1 052</b>

## 10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following entities were acquired during the 9 months ended 31 March 2008:

Subsidiary	Principal Activity	Country of Incorporation	Acquisition date	Group's Effective Ownership Interest as of 31 March 2008
LLC "Agrofirma "Arshitsa"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	30 January 2008	100 %
LLC "Agrotera-Kolos"		Ukraine	12 February 2008	0%
LLC "Chorna Kamyanka"		Ukraine	11 February 2008	100 %
ALLC "Govtva"		Ukraine	23 January 2008	0 %
PRAC "Perebudova"		Ukraine	22 January 2008	0 %
AC by the name of T. Shevchenko		Ukraine	22 January 2008	0 %

These acquisitions have been fully consolidated starting from the acquisition dates. Fair value of assets, liabilities and contingent liabilities were as follows:

### Acquired net assets:

Cash	237
Trade accounts receivable, net	270
Prepayments to suppliers and other current assets, net	215
Taxes recoverable and prepaid, net	743
Inventory	2 332
Biological assets, current	2 088
Property, plant and equipment, net	11 812
Leasing land rights	13 558
Not-current biological assets, net	434
Trade accounts payable	(664)
Advances from customers and other current liabilities	(4 302)
Short-term borrowings	(4 843)
Current portion of long-term borrowings	(5 207)
Long-term borrowings	(1 162)
Obligations under finance lease	(100)
<b>Fair value of net assets of acquired Subsidiaries</b>	<b>15 411</b>
Minority interest of acquired Subsidiaries	(6 563)
<b>Fair value of acquired net assets</b>	<b>8 848</b>
Goodwill	-
<b>Total cash considerations paid</b>	<b>8 848</b>
Less: acquired cash	(237)
<b>Net cash outflow from acquisition of Subsidiaries</b>	<b>8 611</b>

The following entities were disposed of during the 9 months ended 31 March 2008:

Subsidiary	Principal Activity	Country of Incorporation	Disposal date
"Novo-Sanzharski elevator" CJSC	Grain elevators. Provision of cleaning, drying and grain storage services.	Ukraine	31 August 2007
JSC "Pidgorodnanski elevator"		Ukraine	30 July 2007
CJSC "Vovchansky KHP"		Ukraine	23 July 2007

Disposed subsidiaries had been previously fully consolidated. Fair value of assets, liabilities and contingent liabilities was as follows:

**Assets disposed of, net:**

Cash	38
Trade accounts receivable, net	111
Prepayments to suppliers and other current assets, net	158
Taxes recoverable and prepaid, net	69
Inventory	264
Property, plant and equipment, net	2 102
Short-term loans	(2)
Trade accounts payable	(377)
Advances from customers and other current liabilities	(290)
Deferred tax liabilities	(330)
<b>Fair value of assets of disposed Subsidiaries, net</b>	<b>1 743</b>
<b>Minority interest of disposed Subsidiaries</b>	<b>(116)</b>
<b>Fair value of disposed assets, net</b>	<b>1 627</b>
<b>Gain on disposal of Subsidiaries</b>	<b>2 034</b>
<b>Total cash consideration received</b>	<b>3 661</b>
Less: cash from assets disposed of, net	(38)
Less: accounts receivable of Subsidiaries disposed of, net	(74)
<b>Net cash inflow from Subsidiaries disposed of</b>	<b>3 549</b>

## 11. ACQUISITION OF MINORITY INTEREST

In February 2008 the equity of LLC "Agrofirma "Arshitsa" was increased by USD 4 982 thousand by a related party of the Group.

In February 2008 the Group acquired 100 percent interest in LLC "Agrofirma "Arshitsa" from a related party of the Group. The carrying amount of agrofirma Arshitsa's net assets in the consolidated financial statement on the date of acquisition was USD 7 600 thousand.

## 12. TRANSACTIONS WITH RELATED PARTIES

Related parties are the Beneficial Owner, companies under common control of the Beneficial Owner and the Group's key management personnel.

The Group had the following balances outstanding with related parties as of 31 March 2008 and 31 March 2007:

	<b>Related party balances as of 31 March 2008</b>	<b>Total category as per consolidated balance sheet as of 31 March 2008</b>	<b>Related party balances as of 31 March 2007</b>	<b>Total category as per consolidated balance sheet as of 31 March 2007</b>
Trade accounts receivable, net	926	48 401	352	11 422
Prepayments to suppliers and other current assets, net	443	16 543	2 648	9 993
Trade accounts payable, net	3	4 018	2 252	3 246
Advances from customers and other current liabilities	10	12 624	10	6 297

Transactions with related parties for the 9 months ended 31 March 2008 and 31 March 2007 were as follows:

	<b>Amount of operations with related parties, for 9 months ended 31 March 2008</b>	<b>Total category per consolidated income statement for 9 months ended 31 March 2008</b>	<b>Amount of operations with related parties, for 9 months ended 31 March 2007</b>	<b>Total category per consolidated income statement for 9 months ended 31 March 2007</b>
Revenue	12	493 578	28	228 525
General, operational, administrative and distribution expenses	5 814	47 988	1 704	33 060
Other income/(expenses), net	11	(364)	21	(1 408)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

## 13. COMMITMENTS AND CONTINGENCIES

*Operating Environment* - The principal business activities of the Group are in Ukraine. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes. As a result, the Group's assets and operations could be at risk if there were any adverse changes in the political and business environments.

*Taxation* - Ukrainian tax authorities are increasingly directing their attention to the business community. As a result, the Ukrainian tax environment is often changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and penalty interest.

It should be noted that the Group was involved in transactions that may be interpreted by the tax authorities in a way different from that of the Group and additional tax charges and penalties may be imposed. Despite the fact that the most significant tax returns of the Group companies for the said periods were reviewed by the tax authorities without any significant disputes or additional tax charges, they are still open for further review. In accordance with the current legislation, tax returns remain open and subject to examination for a three-year period after their submission, however, in certain cases this limitation does not apply.



Future tax examinations could raise issues or assessments which are contrary to the Group tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with Ukrainian tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Retirement and Other Benefit Obligations - Most employees of the Group receive pension benefits from the Pension Fund, an Ukrainian Government organization in accordance with the applicable laws and regulations. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions.

As of 31 March 2008 the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Legal Issues - The Group is involved in litigation and other claims that are in the ordinary course of its business activities. Management of the Group believes that the resolution of such legal matters will not have a material impact on its financial position.

Capital commitments - The Group signed in November 2007 three contracts with European suppliers for a total value of up to USD 21,5 million for supply of equipment and services required for the construction of a complete pre-pressing and solvent extraction plant, for the processing of sunflower seed, rapeseed and soybean. In January-April the Group signed the contracts for total amount of USD 7,5 million for supply of equipment and services required for the increasing the production capacity of CJSC "Poltava oil crushing plant-Kernel Group"

"DAK Asset" - "DAK Asset" is a non-current asset valued at the present value of the saved rentals payable for the leased property of "DAK" grain elevators during the agreed lease period and amounts to USD 864 thousand as of 31 March 2008 (as of 30 June 2007 USD 1 981 thousand).

"DAK" is a State company, which has been loss-making for a number of years. In October 2005 the Chief Executive Officer of "DAK" announced "DAK" insolvent and as a result the State authorities are currently considering reorganization or privatization of "DAK". One of the suggested actions within the reorganization procedures under consideration include initiation of court proceedings aimed at termination of "DAK" agreements on lease of its grain elevators.

In addition, the Law "On restoring solvency of a debtor or declaring it a bankrupt" ("the Law on Bankruptcy") stipulates a process of sanation within bankruptcy procedures as one of the procedures aimed at restoring solvency of a debtor. The Law on Bankruptcy also stipulates under certain conditions the right of the appointed sanation manager to initiate court proceedings aimed at termination of agreements between the debtor and its counterparties.

Accordingly, should the State authorities finally opt to reorganize "DAK" or should the bankruptcy procedures and subsequently sanation of "DAK" be initiated there is a risk that the lease agreements between "DAK" and the Group will be terminated which will result in provision for impairment for the "DAK Asset" and this provision could be material.

Contractual Commitments on Sales - As of 31 March 2008 the Group had entered into commercial contracts for export of 43 thousand tons of grain and 92 thousand tons of sunflower oil and meal, corresponding to an amount of USD 97 000 thousand in prices as of 31 March 2008.

#### **14. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS No. 32 "Financial Instruments: Disclosure and Presentation", IAS No. 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument. As of 31 March 2008 and 31 March 2007 the following methods and assumptions were used by the Group to



estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash - for these short-term instruments the carrying amount is a reasonable estimate of fair value.

Trade and Other Accounts Receivable - The carrying amount of trade and other accounts receivable is considered a reasonable estimate of their fair value as the allowance for estimated irrecoverable amounts is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Trade and Other Accounts Payable - The carrying amount of trade and other accounts payable is a reasonable estimate of their fair value.

Short-term Borrowings - For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Long-term Bank Borrowings - The carrying amount of long-term bank borrowings is considered a reasonable estimate of their fair value as the nominal interest rate on long-term bank borrowings is considered to be a reasonable approximation of the fair market rate with reference to loans with similar credit risk level and maturity period at the reporting date.

Long-term Loans from Related Parties - The carrying amount of long-term loans from related parties equals their fair value.

## **15. DESCRIPTION OF THE SIGNIFICANT EVENTS FOR 3 MONTHS ENDED 31 MARCH 2008**

On 23 January 2008 a Subsidiary of Kernel Holding S.A., signed a preliminary agreement with a Ukrainian enterprise to acquire corporate rights of three Ukrainian firms which together are leasing 7 618 hectares of land in the Poltava Oblast (with 10-years lease term). The estimated value of the deal will come to USD 2 400 thousand. The transaction is to be finalized by the end of May 2008.

On 31 January 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Ukrainian enterprise to acquire a Ukrainian firm leasing 9 964 hectares of land in the Poltava Oblast under a 10-year lease term. The transaction has an estimated value of USD 2 900 thousand and is intended to be finalized by the end of May 2008.

On 11 February 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Ukrainian enterprise to acquire a Ukrainian firm leasing 1 063 hectares of land In Cherkassy Oblast under a 5 year lease term. The transaction has an estimated value of USD 426 thousand and is intended to be finalized by the end of May 2008.

On 11 February 2008 Kernel Holding S.A. signed an agreement with a Cyprus company to purchase 100% of the statutory fund of a Ukrainian enterprise leasing 8 558 hectares of land in Cherkassy oblast (with a lease period of 7 years with right of renewal). The transaction has a value of USD 8 848 thousand. The property of the purchased enterprise includes an elevator put into operation in 2006, with total capacity of 62 thousand tons

On 20 February, in accordance with management and Corporate Governance information provided in the Prospectus dated 25 October 2007, Kemel Holding S.A. signed a Management Incentive Plan providing to Management Team Members an option to purchase in aggregate up to 2 216 935 shares of Kemel Holding S.A., such number being equal to 3.5% of the issued and outstanding stock of Kemel Holding S.A. as at the adoption date of such plan. The option shall vest and become exercisable as to one third of the shares under option on 23 November 2008, as to further one third of the shares under option on 23 November 2009, and as to the remaining shares under option on 23 November 2010.

On 3 March a session of the Antimonopoly Committee of Ukraine was held where Kemel Trade LLC, a Subsidiary of Kemel Holding S.A., was informed that the Antimonopoly Committee would seek to impose on LLC Kemel Trade and SSE Suntrade, a subsidiary of Bunge, a fine of UAH 60 000 thousand (equivalent to USD 11 880 thousand) per company for abuse of their joint dominant position in the oil market in Ukraine. As of 15 May, no written notice has been provided to LLC Kemel Trade on such decision. The Management of the Group believes that LLC Kernel Trade conducts its business and pricing policy strictly on the basis of fair market prices.

On 7 March 2008 Kernel Holding S.A. announced the results of the offering (the "Offering") of 5 400 000 ordinary shares. The shares were placed at price PLN 36 per share ("the Offer Price"). The Offering raised gross proceeds of USD 84 000 thousand (PLN 194 000 thousand). The shares to be delivered to investors were already listed and therefore were tradable on the Warsaw Stock Exchange immediately after settlement of the transaction, 12 March. Namsen Limited, a company controlled by Andrey Verevskiy, which as of 7 March held 40 574 250 shares of the Company, representing 64.6% of the issued share capital, lent shares in Kernel Holding S.A. for the purpose of settlement and to ensure that investors in the Offering can receive and trade their allocation immediately after settlement. The Extraordinary General Meeting ("EGM") held for the purpose of issuing an equivalent amount of new shares was held on 7 April 2008. The Offering represented approximately 8,5% of the issued share capital before the Offering.

## 16. SUBSEQUENT EVENTS

a) On 7 April 2008 an Extraordinary General Meeting ("EGM") of Shareholders was held. In accordance with the EGM resolutions, the Board of Directors was authorized to issue 5 400 000 new shares constituting a share capital increase of USD 142 592,40 (one hundred forty two thousand five hundred and ninety two US Dollars and forty cents). Following the issuance of the new shares, the Group's share capital is divided into 68 741 000 (sixty eight million seven hundred and forty one thousand) shares without indication of nominal value.

b) On 4 April 2008 a Ukrainian subsidiary of Kernel Holding S.A. signed a USD 52 million credit agreement with a European bank. The purpose of the 7 year credit agreement is the financing of the green field crushing plant under construction by the Group. On 5 May 2008 the credit agreement was registered with National Bank of Ukraine and came into force from that date. Documentation in respect of the security structure of the loan is expected to be signed by the Parties until end of May 2008.

c) On 15 April 2008 two subsidiaries of Kernel Holding S.A. signed final agreements with a Ukrainian enterprise to sell the subsidiary company OJSC "Golovanivske HPP" in Kirovograd Oblast. The transaction has a value of USD 1 350 thousand. On 22 April 2008 shares of OJSC "Golovanivske HPP" were transferred to the Buyer in accordance with terms and conditions of the agreement..

d) On 16 April 2008 the Committee meeting of the Ministry of economy of Ukraine was held. According to the Committee decision Kernel Trade LLC, a Ukrainian subsidiary of Kernel Holding S.A. received an allocation to export up to 89 586 MT of sunflower oil, which exceeds the remaining 56 000 tons Kernel Trade LLC plans to export until the end of June 2008.

e) On 7 May 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Cyprus enterprise on acquiring two Ukrainian firms which together are leasing 4435 hectares of land in the Kirovograd Oblast (with 5-years lease term). The estimated value of the deal will come to USD 6 200 thousand. The transaction is to be finalized by the end of May 2008.

f) On 12 May 2008 a Ukrainian Subsidiary of Kernel Holding S.A. signed a USD 15 million 4 years finance lease agreement with a Ukrainian subsidiary of a European bank to lease the agricultural machines and equipment.