

OVERVIEW

Andrey Verevskiy, Chairman of Kernel Holding S.A., stated:

For our third quarter of the current financial year, we are pleased to report a continuation of the positive results achieved in the first two quarters of the year.

On the international scene, we hope to see some signs of the international recession bottoming out. The generally less pessimistic context has led to price increases in most soft commodities. As to commodities handled by Kernel, we have seen the sunflower oil price increase by some 35%, now reaching prices circa USD 840 per ton FOB Black Sea. Grain prices have also increased by some 40% over the lows seen in December 2008 and trade now in a range from USD 150 to USD 190 per ton, FOB Black Sea, depending on the crop.

On the macroeconomic front in Ukraine, we are witnessing a more sober assessment of the capacity of the country to deal with the consequences of the international meltdown. Though the drama is still unfolding, it appears that Ukraine, with the active help of international institutions, will be able to deal with the present economic and financial situation without having recourse to dramatic and unilateral measures. We are confident this improved perception of the country risk will benefit our company, in particular when dealing with our banking partners.

While the rebound in soft commodity prices is generally beneficial to Kernel, our “balanced book” policy does not allow us to somehow boost our margins by taking open positions. The significant improvement in our third quarter margins is therefore not a result of price movements on the market, but purely an accounting issue linked to the previous devaluation of the Hrivnia, the Ukrainian currency. Where we see a real advantage to the higher prices is in the strong incentive such prices offer to the farming sector. While plantings are still on-going for certain crops, we are fairly confident Ukraine will deliver a reasonable crop in grain and oil-bearing crops in 2009.

Our 4th and last quarter is now well under way. The year has unfolded largely as planned and we feel we can now safely improve on our initial guidance for the financial year 2009. While we leave unchanged our guidance for company turnover, we have revised upward our guidance for EBITDA and Net income, now forecasted to reach USD 195 million and USD 125 million respectively. The improved forecast is primarily driven by the increased volume and successful marketing of grain handled by the company and by the well managed oil seed crushing campaign, both in purchasing the feedstock at the best possible price and in selling the oil efficiently on the international market.

Financial and production highlights

- Revenues for the 9 months to 31 March 2009 increased 75% compared to the corresponding period of the previous financial year;
- Operating profit for the 9-month period increased 107% compared to the same period of the previous financial year;
- Net income for the 9-month period increased 174% compared to the same period of the previous financial year;
- EBITDA for the 9-month period increased 109% compared to the corresponding period of the previous financial year.

3-month oil production and grain handling figures	3-month period ended 31 March 2009	3-month period ended 31 March 2008
Grain sales, tons	643 050	136 027
Crushing of sunflower seeds, tons	206 275	197 012
Production of refined oil, tons	25 727	35 050
Production of bottled oil, tons	20 250	25 418

Results for 3rd Quarter FY2009

Our revenues for the 3-month period ended 31 March 2008 have decreased 16% year-on-year from USD 243 Mio to USD 203 Mio, largely as a result of the year-on-year decline in soft commodity prices.

Revenues for the 9 months to 31 March 2009 have on the other hand increased 75% compared to the corresponding period of the previous financial year, driven mostly by growth in volumes in grain trading, farming expansion and new grain port terminal operation.

Gross margin for the 3rd quarter increased year-on-year from 21% to 42%. This significant increase in margin is essentially a consequence of the Hrivnia devaluation in the 2nd quarter of our current financial year: as the value of inventory bought previously is converted back from Hrivnia into USD at a new and lower exchange rate, the cost of goods delivered in the 3rd quarter, in execution of oil and grain export contracts, is correspondingly lower, leading to a substantial increase in the gross margin. The decrease in equity suffered by the company in the previous quarter is consequently partially offset in the 3rd quarter thanks to the increased margin, such offsetting effect to be continued in the fourth quarter of the current year.

Operating profit for the quarter increased year-on-year 67% from USD 29.3 Mio to USD 48.8 Mio and pre-tax profit increased 109% to USD 46.2 million (USD 22.1 million for the same period last year).

Largely as a consequence of the significant decrease in soft commodity prices, our Net debt position decreased from USD 245 million as of 31 March 2008 to USD 158 million as of 31 March 2009.

Our G&A expenses are steadily decreasing relative to our turnover, from 3.02% in the 9 month period of the previous financial year to 2.46% for the corresponding period of FY 2009.

Our financial expenses relative to turnover have also decreased year-on-year from 4% for the 9 months of the previous financial year to 3% for the 9 months of the current financial year, the decrease being a direct consequence of the increase in revenue and a lower debt level.

Overall, performance ratios have improved year-on-year for the 9-month period to 31 March 2009. In particular, the company has generated a positive cash flow from operating activity in the third quarter and for the 9 month period.

Segmental review*Sunflower oil in bulk*

The 3rd quarter has been largely uneventful, the company continuing to crush at close to full capacity and crush margins remaining at planned levels.

Bottled sunflower oil

As in the 2nd quarter, bottled oil sales in Ukraine continue to be weaker than planned, due primarily to cheaper and low quality refined oil supplied by marginal producers. With the season coming to a close, and oil prices higher, we expect the supply of cheap oil to dry up by the summer, and company sales to resume at previous levels.

Grain

The grain segment has now largely exceeded original plans. By 31 March 2009, the company had originated and sold a total of 2.1 million tons of grain, of which 1.8 million tons had been delivered and exported.

Grain handling and transshipment services in Illichevsk port

Volumes of grain handled through our port terminal in Illichevsk have reached 2.3 million tons for the first nine months of the current financial year

Silo services

On the back of harvest 2008 the total volume in storage in the Group's silos has reached a record of 1,8 million. The Group having also managed to increase storage fees by c.40%, the silo services division has also largely exceeded initial expectations.

OUTLOOK

Based on the 9 month performance of the Group and our expectations in respect of the fourth quarter of the current financial year, we revise our guidance for full year 2009: while revenue is forecasted to remain unchanged at USD 1,100 million, EBITDA is increased to USD 195 million and Net income increased to USD 125 million

Kernel Holding S.A. and Subsidiaries

Condensed Consolidated Financial Statements

For the 3 months ended 31 March 2009

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FOR THE 3 MONTHS ENDED 31 MARCH 2009

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SELECTED FINANCIAL DATA AS OF 31 MARCH 2009 (unaudited)
(in thousands unless otherwise stated)

SELECTED FINANCIAL DATA for the 3 months ended 31 March 2009	thousand USD		thousand zloty		thousand EUR	
	2009	2008	2009	2008	2009	2008
I. Revenue	203 391	243 158	700 072	579 920	155 908	162 177
II. Operating profit(loss)	48 762	29 256	167 839	69 773	37 378	19 512
III. Profit/(loss) before income tax	46 249	22 119	159 189	52 752	35 452	14 752
IV. Net profit/(loss)	47 172	19 605	162 366	46 757	36 159	13 076
V. Net cash flow from operating activity	58 907	54 233	202 758	129 340	45 155	36 170
VI. Net cash flow from investment activity	(19 894)	(21 282)	(68 475)	(50 756)	(15 250)	(14 194)
VII. Net cash flow from financial activity	(2 542)	(10 590)	(8 750)	(25 257)	(1 949)	(7 063)
VIII. Total net cash flow	36 471	22 361	125 533	53 327	27 957	14 913
IX. Total assets	639 902	589 169	2 266 277	1 314 139	482 053	372 721
X. Current liabilities	189 344	178 838	670 581	398 900	142 637	113 137
XI. Non-current liabilities	135 564	143 840	480 113	320 834	102 124	90 996
XII. Share capital	1 815	1 673	6 428	3 732	1 367	1 058
XIII. Total equity	314 994	266 491	1 115 583	594 408	237 292	168 588
XIV. Number of shares	68 741 000	63 341 000	68 741 000	63 341 000	68 741 000	63 341 000
XV. Profit/(loss) per ordinary share (in USD/zloty/EUR)	0,69	0,31	2,36	0,74	0,53	0,21
XVI. Diluted number of shares	68 741 000	63 341 000	68 741 000	63 341 000	68 741 000	63 341 000
XVII. Diluted profit/(loss) per ordinary share (in USD/zloty/EUR)	0,69	0,31	2,36	0,74	0,53	0,21
XVIII. Book value per share (in USD/zloty/EUR)	4,54	4,07	16,09	9,07	3,42	2,57
XIX. Diluted book value per share (in USD/zloty/EUR)	4,54	4,07	16,09	9,07	3,42	2,57

On behalf of the Board

 Andrey Verevskiy
 Chairman of the Board

 Anastasia Usachova
 CFO

The notes on pages 9 to 33 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2009
(in US dollars and in thousands unless otherwise stated)

	Notes	31 March 2009 (unaudited)	31 December 2008 (reviewed)	30 June 2008 (audited)	31 March 2008 (unaudited)
ASSETS					
<i>CURRENT ASSETS:</i>					
Cash		124 019	97 398	88 530	38 885
Trade accounts receivable, net		35 679	44 149	48 720	48 401
Prepayments to suppliers and other current assets, net		35 250	34 383	29 736	16 543
Taxes recoverable and prepaid, net		49 383	55 649	23 219	61 059
Inventory		102 578	100 067	144 707	212 249
Biological assets		8 354	5 269	42 421	4 735
Total current assets		355 263	336 915	377 333	381 872
<i>NON-CURRENT ASSETS:</i>					
Property, plant and equipment, net	5	208 464	190 486	231 624	142 378
Intangible assets, net	6	35 936	37 083	58 081	43 725
Goodwill		28 727	28 727	45 319	6 410
Other non-current assets		11 512	7 589	43 251	14 784
Total non-current assets		284 639	263 885	378 275	207 297
TOTAL ASSETS		639 902	600 800	755 608	589 169
LIABILITIES AND EQUITY					
<i>CURRENT LIABILITIES:</i>					
Trade accounts payable		9 432	7 962	5 545	4 018
Advances from customers and other current liabilities		14 861	22 572	21 879	12 624
Short-term borrowings	7	154 824	160 448	120 087	141 539
Short-term corporate bonds		1 957	1 957	30 984	9 900
Current portion of long-term borrowings		8 270	7 682	6 626	10 757
Total current liabilities		189 344	200 621	185 121	178 838
<i>NON-CURRENT LIABILITIES:</i>					
Long-term borrowings	8	105 370	102 878	91 148	100 089
Obligations under finance lease		11 102	11 717	6 907	2 089
Long-term corporate bonds		-	-	-	19 857
Deferred tax liabilities	9	18 966	19 899	31 786	21 805
Other non-current liabilities		126	129	229	-
Total non-current liabilities		135 564	134 623	130 070	143 840
<i>COMMITMENTS AND CONTINGENCIES</i>					
<i>Equity attributable to Kernel Holding S.A. shareholders</i>					
Share capital		1 815	1 815	1 815	1 673
Share premium reserve		236 637	236 637	236 637	154 912
Additional paid-in capital		39 944	39 944	39 944	39 944
Translation reserve		(183 937)	(188 650)	14 358	-
Retained earnings		217 901	170 685	104 053	60 992
Total equity attributable to Kernel Holding S.A. shareholders		312 360	260 431	396 807	257 521
<i>Minority Interest</i>		2 634	5 125	43 610	8 970
Total equity		314 994	265 556	440 417	266 491
TOTAL LIABILITIES AND EQUITY		639 902	600 800	755 608	589 169
Book value		312 360	260 431	396 807	257 521
Number of shares		68 741 000	68 741 000	40 074 247	63 341 000
Book value per one share (in USD)		4,54	3,79	9,90	4,07
Diluted number of shares		68 741 000	68 741 000	40 196 769	63 341 000
Diluted book value per share (in USD)		4,54	3,79	9,87	4,07

On behalf of the Board
 Andrey Verevskiy
 Chairman of the Board

Anastasia Usachova
 CFO

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 31 MARCH 2009
(in US dollars and in thousands unless otherwise stated)

	3 months ended 31 March 2009	9 months ended 31 March 2009	3 months ended 31 March 2008	9 months ended 31 March 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE	203 391	865 896	243 158	493 578
COST OF SALES	(117 067)	(598 002)	(191 523)	(381 316)
GROSS PROFIT	86 324	267 894	51 635	112 262
OTHER OPERATIONAL INCOME	2 427	13 205	297	4 543
OPERATING EXPENSES:				
Distribution costs	(33 306)	(117 507)	(15 828)	(33 063)
General and administrative expenses	(6 683)	(21 311)	(6 848)	(14 925)
TOTAL OPERATING EXPENSES	(39 989)	(138 818)	(22 676)	(47 988)
OPERATING PROFIT	48 762	142 281	29 256	68 817
Finance costs, net	(5 862)	(29 197)	(6 171)	(20 439)
Foreign exchange (loss)/gain, net	4 076	(7 263)	(190)	(1 947)
Other (expenses)/income, net	(727)	(1 113)	(776)	(364)
PROFIT BEFORE INCOME TAX	46 249	104 708	22 119	46 067
INCOME TAX	923	5 587	(2 514)	(5 795)
NET PROFIT	47 172	110 295	19 605	40 272
NET PROFIT attributable to:				
Shareholders of Kernel Holding S.A.	47 216	113 848	19 529	40 166
Minority interest	(44)	(3 553)	76	106
Number of shares	68 741 000	68 741 000	63 341 000	63 341 000
Profit per ordinary share (in USD)	0,69	1,66	0,31	0,63
Diluted number of shares	68 741 000	68 741 000	63 341 000	63 341 000
Diluted per ordinary share (in USD)	0,69	1,66	0,31	0,63
On behalf of the Board				
Andrey Verevskiy Chairman of the Board	_____	Anastasia Usachova CFO	_____	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 3 MONTHS ENDED 31 MARCH 2009
(in US dollars and in thousands unless otherwise stated)

	Share capital	Share premium reserve	Additional paid-in capital	Translation reserve	Retained earnings	Total equity attributable to Kernel Holding S.A. shareholders	Minority interest	Total equity
Balance at 31 December 2007	1 673	154 975	39 944	-	41 463	238 055	4 904	242 959
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
Balance at 31 March 2008 (unaudited)	1 673	154 912	39 944	-	60 992	257 521	8 970	266 491
Effect of changes on minority interest	-	-	-	-	-	-	(3 070)	(3 070)
Disposal of Subsidiaries	-	-	-	-	-	-	(32)	(32)
Acquisition of Subsidiaries	-	-	-	-	-	-	38 872	38 872
Increase of share capital	142	83 712	-	-	-	83 854	-	83 854
Issued capital and IPO expenses	-	(1 987)	-	-	-	(1 987)	-	(1 987)
Effect of foreign exchange differences	-	-	-	14 358	-	14 358	-	14 358
Net profit	-	-	-	-	43 061	43 061	(1 130)	41 931
Balance at 30 June 2008 (audited)	1 815	236 637	39 944	14 358	104 053	396 807	43 610	440 417
Effect of changes on minority interest	-	-	-	-	-	-	(3 050)	(3 050)
Effect of foreign exchange differences	-	-	-	(12 590)	-	(12 590)	-	(12 590)
Net profit	-	-	-	-	22 003	22 003	1 223	23 226
Balance at 30 September 2008 (unaudited)	1 815	236 637	39 944	1 768	126 056	406 220	41 783	448 003
Effect of changes on minority interest	-	-	-	-	-	-	(31 926)	(31 926)
Effect of foreign exchange differences	-	-	-	(190 418)	-	(190 418)	-	(190 418)
Net profit	-	-	-	-	44 629	44 629	(4 732)	39 897
Balance at 31 December 2008 (reviewed)	1 815	236 637	39 944	(188 650)	170 685	260 431	5 125	265 556

The notes on pages 9 to 33 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 3 MONTHS ENDED 31 MARCH 2009 (CONTINUED)
(in US dollars and in thousands unless otherwise stated)

	Share capital	Share premium reserve	Additional paid-in capital	Translation reserve	Retained earnings	Total equity attributable to Kernel Holding S.A. shareholders	Minority interest	Total equity
Balance at 31 December 2008 (reviewed)	1 815	236 637	39 944	(188 650)	170 685	260 431	5 125	265 556
Effect of changes on minority interest	-	-	-	-	-	-	(2 447)	(2 447)
Effect of foreign exchange differences	-	-	-	4 713	-	4 713	-	4 713
Net profit	-	-	-	-	47 216	47 216	(44)	47 172
Balance at 31 March 2009 (unaudited)	1 815	236 637	39 944	(183 937)	217 901	312 360	2 634	314 994

On behalf of the Board

 Andrey Verevskiy _____
 Chairman of the Board

 Anastasia Usachova _____
 CFO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 3 MONTHS ENDED 31 MARCH 2009 (unaudited)
(in US dollars and in thousands unless otherwise stated)

	3 months ended 31 March 2009 (unaudited)	9 months ended 31 March 2009 (unaudited)	3 months ended 31 March 2008 (unaudited)	9 months ended 31 March 2008 (unaudited)
OPERATING ACTIVITIES:				
Profit/(loss) before income tax	46 249	104 708	22 119	46 067
<i>Adjustments to reconcile profit before income tax to net cash used</i>				
Amortization and depreciation	5 302	18 187	3 188	7 974
Finance costs	5 862	29 197	6 171	20 439
Bad debt expenses and other accruals	(390)	236	500	156
Loss/(gain) on disposal of property, plant and equipment	(31)	(319)	176	329
Foreign exchange losses/(gain), net	(4 076)	7 263	190	1 947
Income from "DAK asset"	92	266	-	32
Gain on sales of equity investments	(345)	(345)	-	(2 034)
Operating profit before working capital changes	52 663	159 193	32 344	74 910
<i>Changes in working capital:</i>				
Decrease/(increase) in trade accounts receivable	8 573	12 023	(13 628)	(39 100)
Decrease/(increase) in prepayments and other current assets	(901)	(15 859)	972	(6 998)
Decrease/(increase) in restricted cash balance	9 850	(4 136)	(133)	(7 475)
Decrease/(increase) in taxes recoverable and prepaid	6 139	(26 452)	7 771	(37 549)
Decrease/(increase) in biological assets	(3 085)	34 091	(728)	7 025
Decrease/(increase) in inventories	(2 520)	(10 615)	46 455	(170 018)
Increase/(decrease) in trade accounts payable	1 470	3 834	(3 859)	(2 078)
Increase/(decrease) in advances from customers and other current liabilities	(7 220)	(12 512)	(6 618)	(6 864)
Cash obtained from/(used in) operations	64 969	139 567	62 576	(188 147)
Finance costs paid	(5 862)	(29 197)	(6 253)	(20 521)
Income tax paid	(200)	(1 609)	(2 090)	(2 349)
Net cash provided by/(used in) operating activities	58 907	108 761	54 233	(211 017)
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(20 076)	(55 554)	(15 692)	(25 806)
Proceeds from disposal of property, plant and equipment	182	2 777	35	967
Sales/(Purchase) of intangible and other non-current assets	-	(1 012)	(94)	(13 948)
Acquisition of Subsidiaries	-	(5 825)	(5 531)	(8 611)
Disposal of Subsidiaries	-	-	-	3 549
Net cash used in investing activities	(19 894)	(59 614)	(21 282)	(43 849)
FINANCING ACTIVITIES:				
Proceeds from short-term and long-term borrowings	51 532	476 063	(8 785)	131 774
Repayment of short-term and long-term borrowings	(54 074)	(435 012)	(273)	(35 784)
Corporate bonds issued/(repaid)	-	(29 027)	(11)	19 820
Repayment of subordinated loan	-	-	-	(7 532)
Proceeds from share capital increase	-	-	-	441
Proceeds from share premium reserve increase	-	-	-	160 997
Issued capital and IPO expenses paid	-	-	(1 521)	(8 693)
Net cash provided by financing activities	(2 542)	12 024	(10 590)	261 023
TRANSLATION ADJUSTMENT	-	(29 818)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	36 471	31 353	22 361	6 157
CASH AND CASH EQUIVALENTS, at the beginning of the period	53 695	58 813	8 548	24 752
CASH AND CASH EQUIVALENTS, at the end of the period	90 166	90 166	30 909	30 909

On behalf of the Board
 Andrey Verevskiy
 Chairman of the Board

Anastasia Usachova
 CFO

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2009 (unaudited)
(in US dollars and in thousands unless otherwise stated)
1. KEY DATA BY OPERATING SEGMENT FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2009 (unaudited)

	Bottled sunflower oil	Sunflower oil in bulk	<i>Grain handling and transshipment services</i>	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	21 695	50 451	5 842	561	118 698	4 142	2 002	-	203 391
Intersegment sales	-	-	5 923	872	-	3 031	-	(9 826)	-
Total	21 695	50 451	11 765	1 433	118 698	7 173	2 002	(9 826)	203 391
Other operating income	-	-	-	681	1 446	300	-	-	2 427
Operating profit (EBIT)	5 542	17 630	7 181	(1 784)	24 365	2 512	(6 684)	-	48 762
Finance costs net	-	-	-	-	-	-	-	-	(5 862)
Foreign exchange (loss)/gain, net	-	-	-	-	-	-	-	-	4 076
Other (expenses)/income, net	-	-	-	-	-	-	-	-	(727)
Income tax	-	-	-	-	-	-	-	-	923
Net profit	-	-	-	-	-	-	-	-	47 172
Total assets	110 728	127 915	87 497	67 419	185 568	44 828	15 947	-	639 902
Capital expenditures	2 088	996	3	220	624	301	-	-	4 232
Amortization and depreciation	1 122	1 323	791	1 890	65	369	2	-	5 562
Liabilities	2 260	2 849	1 609	1 321	4 716	5 507	306 646	-	324 908

During the 3-month period ended 31 March 2009 one of the Group's external customer accounts for more than 11% of the total external revenue. During the 3-month period ended 31 March 2009 export sales amount to c.85 % of total external sales revenue.

1. KEY DATA BY OPERATING SEGMENT (CONTINUED) FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2008 (unaudited)

	Bottled sunflower oil	Sunflower oil in bulk	<i>Grain handling and transshipment services</i>	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	83 744	97 605	-	1 387	56 528	3 208	686	-	243 158
Intersegment sales	1 264	-	-	25 422	-	4 172	-	(30 858)	-
Total	85 008	97 605	-	26 809	56 528	7 380	686	(30 858)	243 158
Other operating income	(124)	(56)	-	291	-	186	-	-	297
Operating profit (EBIT)	8 665	10 749	-	2 949	10 863	2 878	(6 848)	-	29 256
Finance costs, net	-	-	-	-	-	-	-	-	(6 171)
Foreign exchange (loss)/gain, net	-	-	-	-	-	-	-	-	(190)
Other (expenses)/income, net	-	-	-	-	-	-	-	-	(776)
Income tax	-	-	-	-	-	-	-	-	(2 514)
Net profit	-	-	-	-	-	-	-	-	19 605
Total assets	146 810	263 825	-	50 221	61 209	53 350	13 754	-	589 169
Capital expenditures	-	1 260	-	25 370	5 575	454	-	-	32 659
Amortization and depreciation	783	1 452	-	371	-	422	160	-	3 188
Liabilities	1 189	2 209	-	1 637	6 041	6 378	305 224	-	322 678

During the 3-month period ended 31 March 2008 none of the Group's external customers accounts for more than 10% of the total external revenue. During the 3-month period ended 31 March 2008 export sales amount to 60% of total external sales revenue.

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 the 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 bulk sunflower oil and meal, wholesale trade of grain (mainly wheat, barley and corn), farming and provision of logistics and trans-shipment services.

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

The principal operating office of the Group is located at the following address: 35 Olesya Gonchara str., 01034 Kyiv, Ukraine.

As of 31 March 2009, 31 December 2008 and 31 March 2008 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 2009	31 December 2008	31 March 2008
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine. Performs transactions with financial instruments.	Ukraine	100%	100%	99.9%
"Etrecom Investments", LLC	Holding company.	Cyprus	100%	100%	100%
"Yuzhtrans-Terminal", LLC	Dormant company.	Ukraine	Disposed of on 17 February, 2009	100%	99.9%
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	99.0%	99.0%	99.0%
Lanen S.A.		Panama	100%	100%	100%
"Kernel-Trade", LLC		Ukraine	100%	100%	100%
Jerste BV	Holding company	Netherlands	100%	100%	100%
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	95.2%	95.2%	94.9%
JSC "Vovchansk OEP"		Ukraine	99.3%	99.3%	99.3%
CJSC "Prykolotne OEP"		Ukraine	100%	100%	100%
CJSC "Prykolotnyanska oliya"		Ukraine	Disposed of on 31 March 2009	0.0%	0.0%
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100%	100%	100%
"Transagroinvest" LLC	No significant activity since the date of foundation.	Ukraine	100%	100%	N/A

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 March 2009	31 December 2008	31 March 2008
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	100%	99.9%
JSC "Reshetilovski elevator"		Ukraine	0.0%	0.0%	0.0%
CJSC "Horol-Elevator"		Ukraine	100%	100%	100%
JSC "Horolskiy elevator"		Ukraine	0.0%	0.0%	0.0%
CJSC "Mirgorodsky elevator"		Ukraine	100%	100%	99.9%
CJSC "Globynsky elevator HP"		Ukraine	100%	100%	99.9%
JSC "Globinsky elevator kliboproduktiv"		Ukraine	0.0%	0.0%	0.0%
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	88.2%	88.2%	88.2%
JSC "Golovanivske khlibopriemalne pidpriemstvo"		Ukraine	Disposed of on 01 April 2008	Disposed of on 01 April 2008	92.7%
CJSC "Galeschina-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Gogoleve-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Sagaydak-Agro"		Ukraine	100%	100%	99.9%
CJSC "Karlivka-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Lazorkovski Elevator"		Ukraine	99.9%	99.9%	99.9%
"Zhrebkiivsky elevator LTD"		Ukraine	99.9%	99.9%	99.9%
"Kononivsky elevator LTD"		Ukraine	99.9%	99.9%	99.9%
"Bandurskiy elevator", LLC		Ukraine	100%	100%	100%
CJSC "Semenivski elevator"		Ukraine	100%	100%	99.9%
"Kobelyaki hleboproduct", LLC		Ukraine	100%	100%	0.1%
CJSC "Vlasivskiy KHP"		Ukraine	In process of liquidation	In process of liquidation	In process of liquidation
"Sahnovshina hleboproduct", LLC	Ukraine	100%	100%	100%	
CJSC "Velykoburlutske HPP"	Ukraine	100%	100%	100%	

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 March 2009	31 December 2008	31 March 2008
CJSC "Gutnansky elevator"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	100%	100%
CJSC "Lykhachivsky KHP"		Ukraine	100%	100%	100%
CJSC "Shevchenkisky KHP"		Ukraine	100%	100%	100%
CJSC "Orilske HPP"		Ukraine	100%	100%	100%
CJSC "Kovyagivske KHP"		Ukraine	100%	100%	100%
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	100%	100%	99.9%
"Ykragrobiznes", LLC	Holding company.	Ukraine	100%	100%	100%
"Agroservise", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	100%
"Zernoservise", LLC		Ukraine	100%	100%	100%
"Unigrain-Agro" (Globino), LLC		Ukraine	100%	100%	100%
"Unigrain-Agro" (Semenovka), LLC		Ukraine	100%	100%	100%
"Mrija-Agro", LLC		Ukraine	100%	100%	100%
CJSC "Lozivske HPP"		Ukraine	100%	100%	100%
CJSC "Krasnopavlivsky KHP"		Ukraine	100%	100%	100%
CJSC "Agrofirma "Krasnopavlivska"		Ukraine	0.0%	0.0%	0.0%
"Agrofirma "Arshitsa", LLC		Ukraine	100%	100%	100%
"Agrotera-Kolos", LLC		Ukraine	100%	100%	0%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 March 2009	31 December 2008	31 March 2008
"Chorna Kamyanka", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	100%
"Govtva", ALLC		Ukraine	100%	100%	0%
PRAC "Perebudova"		Ukraine	100%	100%	0%
"Manjurka", LLC		Ukraine	100%	100%	N/A
"Krutenke", LLC		Ukraine	100%	100%	N/A
"Promin", LLC		Ukraine	100%	100%	N/A
PRAC "Brovarki"		Ukraine	100%	0.0%	N/A
PRAC by the name of Shorsa		Ukraine	100%	100%	N/A
"Troyanske", ALLC		Ukraine	100%	100%	N/A
"Zorya", ALLC		Ukraine	100%	100%	N/A
"Hleborob", ALLC		Ukraine	100%	100%	N/A
AC by the name of T. Shevchenko		Ukraine	100%	100%	0%
PRAC "Drugba"		Ukraine	100%	100%	N/A
LLC "Agrofirma "Chkalova"		Ukraine	100%	100%	N/A
LLC "Agrofirma "Vitchizna"		Ukraine	100%	100%	N/A

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 March 2009	31 December 2008	31 March 2008
"Transbulk Terminal", LLC	Provision of grain handling and transshipment services, including services to the Group.	Ukraine	100%	100%	N/A
C.F.C Ukraine Ltd		Ukraine	100%	100%	N/A
Estron Corporation Ltd		Cyprus	100%	100%	N/A
Chorex Developments Limited		Cyprus	100%	100%	N/A
Hamalex Developments LTD		Cyprus	100%	100%	N/A

The Group consolidated the financial statements of JSC "Reshetilovski elevator", JSC "Horolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC "Agrofirma "Krasnopavlivska, 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 12 May 2009.

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 March 2009 consisted of 68,741,000 (sixty eight million seven hundred and forty one thousand) ordinary bearer shares without indication of a nominal value, providing 68,741,000 voting rights (as of 31 March 2008 – 63,341,000 shares).

The shares were distributed as follows:

SHAREHOLDERS

	Shares allotted and fully paid as of 31 March 2009	Share owned as of 31 March 2009	Shares allotted and fully paid as of 31 March 2008	Share owned as of 31 March 2008
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Shareholder")	40 574 250	59.03%	40 574 250	64.05%
Free-float	28 166 750	40.97%	22 766 750	35.95%
Total	68 741 000	100.00%	63 341 000	100.00%

As of 31 March 2009 and 2008 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 1,334 shares (14.29%), held by Evergreen Financial Limited.

In order to perform an initial public offering of the shares of the Company on the Warsaw Stock Exchange, the general shareholders meeting resolves to split the existing shares of the Company at a split ratio of one to five thousand (1:5,000) and to consequently split the existing nine thousand three hundred thirty-four (9,334) shares of the Company without indication of a nominal value into 46,670,000 (forty-six million six hundred seventy thousand) shares of the Company without indication of a nominal value.

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, of which 16,671,000 were primary offering (newly issued)).

On 27 June 2008, an additional 5,400,000 ordinary bearer shares of the Company were admitted to trading on the main market of the Warsaw Stock Exchange.

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 of an amount of USD 125 thousand as of 31 March 2009, unchanged from 31 March 2008, 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 2009. The Group has adopted IFRS 8 Operating Segments in advance of its effective date, with effect from 1 July 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), Lanen S.A. (Panama), Estron Corporation Ltd, Chorex Developments Limited, Hamalex Developments LTD. Management has utilized USD as the measurement currency for Inerco Trade SA, Lanen SA, Estron Corporation Ltd, Chorex Developments Limited and Hamalex Developments LTD 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 2009. 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.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2009	Average rate for the 3 months ended 31 March 2009	Average rate for the 9 months ended 31 March 2009	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
USD/UAH	7.7000	7.7000	6.2423	5.0500	5.0500	5.0500
USD/EUR	0.7533	0.7665	0.7349	0.6326	0.6670	0.6954
USD/PLN	3.5416	3.4420	2.8311	2.2305	2.3850	2.5548

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.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Borrowing costs - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

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 2009 and 2008 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.

Equity-settled transactions - The Group has adopted Financial Reporting Standard (FRS) 20 'Share-based Payment' during the financial year 2008.

The cost of equity-settled transactions with employees are measured by reference to the fair value at the grant date and are recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is calculated using the Black-Scholes model. No expense is recognized for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement, with a corresponding entry in 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.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 produces, and cattle 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, except cattle, 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 effective interest 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.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Operating Segments - Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision makers in order to allocate resources to the segment and to assess its performance. The Management and the members of the Board of Directors of the Group are identified as the chief operating decision makers. Segments in the consolidated financial statements are defined in accordance with the type of activity, products sold or services provided.

The operating segments' activities are as follows:

Operating Segments	Activities
<i>Bottled sunflower oil</i>	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
<i>Sunflower oil in bulk</i>	Production and sales of sunflower oil in bulk (crude and refined) and meal
<i>Grain</i>	Sourcing and merchandizing of wholesale grain.
<i>Grain handling and transshipment services</i>	Grain handling and transshipment services in the port of Ilyichevsk.
<i>Grain silo services</i>	Provision of cleaning, drying and grain storage services.
<i>Farming</i>	Agricultural farming. Production of wheat, barley, corn, soybean and sunflower seed.

The measure of profit and loss and assets and liabilities is based on the Group Accounting Policies which are compliant with IFRS.

In the financial statements as of 31 March 2009 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.

The segment data is calculated as follows:

- The intersegment sales reflect intergroup transactions effected on an arm's-length basis.
- Capital expenditures, amortization and depreciation related to property, plant and equipment and intangible assets are allocated to the segments when possible.

Since financial management of Group companies is carried out centrally, financial liabilities are not allocated directly to the respective operating 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 2009 :

	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
Cost								
As of 30 June 2008	2 173	110 393	103 953	21 818	5 695	5 557	5 483	255 072
Additions from acquisition of subsidiaries	-	2 408	45	381	30	31	-	2 895
Additions	-	-	-	-	-	-	65 371	65 371
Transfers	-	1 500	2 289	9 842	993	3 548	(18 172)	-
Due to disposal of Subsidiaries	(1)	(1)	-	-	-	(31)	(24)	(57)
Other disposals	-	(3 070)	(424)	(2 059)	(193)	(84)	-	(5 830)
Translation differences	(805)	(38 937)	(16 454)	(9 550)	(2 385)	(3 807)	(10 961)	(82 899)
As of 31 March 2009	1 367	72 293	89 409	20 432	4 140	5 214	41 697	234 552
Accumulated depreciation								
As of 30 June 2008	-	(8 581)	(9 287)	(2 296)	(1 588)	(1 696)	-	(23 448)
Depreciation	-	(4 368)	(4 765)	(3 636)	(692)	(637)	-	(14 098)
Due to disposal of Subsidiaries	-	-	-	-	-	18	-	18
Other disposals	-	142	244	97	66	38	-	587
Translation differences	-	3 952	3 757	1 424	774	946	-	10 853
As of 31 March 2009	-	(8 855)	(10 051)	(4 411)	(1 440)	(1 331)	-	(26 088)
Net book value								
As of 30 June 2008	2 173	101 812	94 666	19 522	4 107	3 861	5 483	231 624
As of 31 March 2009	1 367	63 438	79 358	16 021	2 700	3 883	41 697	208 464

6. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the 9 months ended 31 March 2009 and 2008:

Cost as of 30 June 2008	59 502	Cost as of 30 June 2007	17 055
Additions from acquisition of Subsidiaries	2 252	Additions from acquisition of Subsidiaries	13 558
Additions	1 201	Additions	13 970
Disposals	(2)	Disposals	(34)
Translation difference	(22 737)	Translation difference	-
Cost as of 31 March 2009	40 216	Cost as of 31 March 2008	44 549
Accumulated depreciation as of 30 June 2008	(1 421)	Accumulated depreciation as of 30 June 2007	(234)
Amortization charge	(4 176)	Amortization charge	(602)
Disposals	-	Disposals	12
Translation difference	1 317	Translation difference	-
Accumulated depreciation as of 31 March 2009	(4 280)	Accumulated depreciation as of 31 March 2008	(824)
Net book value as of 31 March 2009	35 936	Net book value as of 31 March 2008	43 725

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks with the value of USD 4,741 thousand, USD 6,155 thousand, USD 8,716 thousand and USD 188 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 2009 and 2008 (Note 8).

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

The balances of short-term borrowings as of 31 March 2009 and 31 March 2008 were as follows:

	<u>31 March 2009</u>	<u>31 March 2008</u>
Bank credit lines	153 871	140 781
Interest accrued on short-term credits	609	377
Interest accrued on long-term credits	344	381
Total	<u>154 824</u>	<u>141 539</u>

The balances of short-term borrowings as of 31 March 2009 were as follows:

	Interest rate	Maturity	Currency	<u>Amount due</u>
European bank	Libor + 2.6%	August 2009	USD	30 400
European bank	Libor + 2.2%	July 2009	USD	908
European bank	Libor + 2.75%	July 2009	USD	50 000
European bank	Libor + 2.75%	August 2009	USD	5 900
European bank	Libor + 2.0%	July 2009	USD	4 126
Ukrainian bank	Libor + 4.5%	November 2009	USD	1 737
Ukrainian bank	7.8%	June 2009	USD	30 400
Ukrainian bank	15%	May 2009	USD	30 400
Total bank credit lines				<u>153 871</u>
Interest accrued on short-term loans				609
Interest accrued on long-term loans				344
Total				<u>154 824</u>

7. SHORT-TERM BORROWINGS (CONTINUED)

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

	Interest rate	Currency	Maturity	Amount due
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
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
Total bank credit lines				140 781
Interest accrued on short-term loans				377
Interest accrued on long-term loans				381
Total				141 539

As of 31 March 2009 the overall maximum credit limit for short-term bank credit lines amounted to USD 618,375 thousand (as of 31 March 2008 USD 180,891 thousand).

As of 31 March 2009 and 2008 short-term loans from banks were secured as follows:

Assets pledged	31 March 2009	31 March 2008
Cash	30 400	-
Inventories	52 171	154 017
Property, plant and equipment (Note 5)	572	721
Total	83 143	154 738

In June 2008 Kernel Trade LLC and Kernel Holding S.A. signed loan agreements with the Ukrainian subsidiary of a European bank, each loan for a maximum amount of USD 90,000 thousand. The loan to Kernel Trade LLC is secured by pledge of Kernel Holding shares owned by Namsen LTD, the majority shareholder of the Group. Funds drawn by Kernel Trade LLC are placed on deposit and pledged as security for the loan provided to Kernel Holding S.A., which can then borrow the corresponding amount. As of 31 March 2009 the total amount deposited and pledged as security for the both loan agreements was USD 30,400 thousand.

8. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 31 March 2009 and 2008 were as follows:

	31 March 2009	31 March 2008
Long-term bank loans	113 640	110 846
Current portion of long-term borrowings	(8 270)	(10 757)
Total	105 370	100 089

Long-term bank loans

The balances of short-term borrowings as of 31 March 2009 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	11.25%	USD	July 2010	51 750
Ukrainian bank	Libor + 5%	USD	November 2013	42 890
Ukrainian bank	Libor + 3.75%	USD	September 2013	5 000
European bank	Libor + 3.52%	USD	2015	14 000
Total bank credit lines				113 640

8. LONG-TERM BORROWINGS (CONTINUED)

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

	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
Total bank credit lines				110 846

Long-term loans from Ukrainian Banks

Long-term loans from Ukrainian banks as of 31 March 2009 included revolving and non-revolving credit lines from two banks with the overall maximum credit limit of USD 180,750 thousand (as of 31 March 2008 USD 151,590 thousand).

Assets pledged	31 March 2009	31 March 2008
Cash	388	-
Property, plant and equipment (Note 5)	111 742	126 251
Intangible assets (Note 6)	6 155	9 385
Controlling stakes in Subsidiaries	Not quantifiable	100
Total	118 285	135 736

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 31 March 2009 and 2008:

Name of Subsidiary, in which a stake was pledged	
31 March 2009	31 March 2008
CJSC "Poltava oil crushing plant-Kernel Group"	CJSC "Poltava oil crushing plant-Kernel Group"
CJSC "Reshetylivka Hliboproduct"	CJSC "Reshetylivka Hliboproduct"
CJSC "Globynsky elevator HP"	CJSC "Horol-Elevator"
CJSC "Gutnansky elevator"	CJSC "Globynsky elevator HP"
JSC "Poltavske khlibopriemalne pidpriemstvo"	CJSC "Karlivka-Agro"
CJSC "Prykolotne OEP"	CJSC "Galeschina-Agro"
CJSC "Velykoburlutske HPP"	CJSC "Lazorkovski Elevator"
CJSC "Shevchenkisky KHP"	CJSC "Sagaydak-Agro"
CJSC "Kovyagivske KHP"	CJSC "Mirgorodskiy elevator"
CJSC "Poltavaavtotransservis"	CJSC "Orilske HPP"
LLC "Bandurskiy elevator"	CJSC "Gutnansky elevator"
	JSC "Poltavske khlibopriemalne pidpriemstvo"
	CJSC "Krasnopavlivsky KHP"
	CJSC "Lozivske HPP"
	JSC "Vovchansk OEP"
	CJSC "Prykolotne OEP"
	CJSC "Gogoleve-Agro"
	CJSC "Velykoburlutske HPP"
	CJSC "Semenivski elevator"
	CJSC "Lykhachivsky KHP"
	CJSC "Shevchenkisky KHP"
	CJSC "Kovyagivske KHP"
	CJSC "Poltavaavtotransservis"

9. INCOME TAX

As of 31 March 2009 and 2008 the major components of deferred tax assets and liabilities were as follows:

	<u>31 March 2009</u>	<u>31 March 2008</u>
Deferred tax assets arising from:		
Valuation of advances from customers	6 686	335
Tax losses carried forward	525	155
Valuation of accounts receivable	354	318
Valuation of property, plant and equipment	728	180
Valuation of intangible assets	316	-
Valuation of inventories	-	9
Valuation of accrued expenses and other temporary differences	263	232
Deferred tax asset	<u>8 872</u>	<u>1 229</u>
Less: valuation allowance	(317)	(248)
Net deferred tax asset after valuation allowance	<u>8 555</u>	<u>981</u>
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(15 827)	(15 039)
Valuation of prepayments to suppliers and prepaid expenses	(9 159)	(4 070)
Valuation of intangible assets	(2 508)	(3 435)
Valuation of inventories	(18)	(242)
Valuation of financial investments	(9)	-
Deferred tax liability	<u>(27 521)</u>	<u>(22 786)</u>
Net deferred tax liability	<u>(18 966)</u>	<u>(21 805)</u>

As of 31 March 2009 and 2008 all deferred taxes arose from temporary differences in value related to assets and liabilities of Subsidiaries located in Ukraine. The corporate income tax rate in Ukraine was 25% as of 31 March 2009 and 31 March 2008.

The components of income tax expense for the 3 months ended 31 March 2009 and 31 March 2008 were as follows:

	<u>31 March 2009</u>	<u>31 March 2008</u>
Current income tax expenses	(60)	(2 230)
Deferred tax expense	983	(284)
Income tax benefit/(expenses)	<u>923</u>	<u>(2 514)</u>

The income tax charge for the 3 months ended 31 March 2009 and 2008 is reconciled to the profit before income tax per consolidated income statement as follows:

	<u>31 March 2009</u>	<u>31 March 2008</u>
Profit/(loss) before income tax:	46 249	22 119
Tax at the statutory income tax rate in Ukraine of 25%	(11 562)	(5 530)
Expenditures not allowable for income tax purposes and non-taxable income, net	12 520	3 139
Change in valuation allowance	(35)	(123)
Income tax benefit /(expenses)	<u>923</u>	<u>(2 514)</u>

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following entities were acquired during the 9 months ended 31 March 2009:

Subsidiary	Principal Activity	Country of Incorporation	Acquisition date	Group's Effective Ownership share as of 31 March 2009
LLC "Agrofirma "Chkalova"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	1 August 2008	100%
LLC "Agrofirma "Vitchizna"		Ukraine	1 August 2008	100%

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	23
Trade accounts receivable, net	38
Prepayments to suppliers and other current assets, net	3
Taxes recoverable and prepaid, net	64
Inventory	846
Biological assets, current	25
Property, plant and equipment, net	2 895
Intangible assets, net	2 252
Trade accounts payable	(53)
Advances from customers and other current liabilities	(233)
Long-term borrowings	(45)

Fair value of net assets of acquired Subsidiaries 5 815

Minority interest of acquired Subsidiaries -

Fair value of acquired net assets 5 815

Goodwill 33

Total cash considerations paid 5 848

Less: acquired cash (23)

Net cash outflow from acquisition of Subsidiaries 5 825

Goodwill attributable to minority shareholders -

Negative goodwill attributable to minority shareholders -

Net cash outflow from acquisition of Subsidiaries attributable to Kernel Holding S.A. shareholders 5 825

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

The following entities were disposed of during the 9 months ended 31 March 2009:

Subsidiary	Principal Activity	Country of Incorporation	Disposal date
"Yuzhtrans-Terminal", LLC	Dormant company	Ukraine	17 February 2009
CJSC "Prykolotnyanska oliya"	Production plants. Production of sunflower oil and meal.	Ukraine	31 March 2009

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

Assets disposed of, net:

Cash	4
Prepayments to suppliers and other current assets, net	559
Taxes recoverable and prepaid, net	74
Inventory	9
Property, plant and equipment, net	39
Advances from customers and other current liabilities	(93)
Deferred tax liabilities	(16)
	<hr/>
Fair value of assets of Subsidiaries disposed of, net	576
Minority interest of Subsidiaries disposed of	(543)
Fair value of disposed assets, net	33
Gain on disposal of Subsidiaries	345
Total cash consideration received	378
Less: cash from assets disposed of, net	(4)
Less: accounts receivable of Subsidiaries disposed of, net	(374)
	<hr/>
Net cash in flow from Subsidiaries disposed of	-
	<hr/> <hr/>

11. 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 2009 and 2008:

	Related party balances as of	Total category as per consolidated balance sheet as of	Related party balances as of	Total category as per consolidated balance sheet as of
	31 March 2009		31 March 2008	
Trade accounts receivable, net	471	35 679	926	48 401
Prepayments to suppliers and other current assets, net	12 169	35 250	443	16 543
Other non-current assets	8 300	11 512	-	14 784
Trade accounts payable, net	-	9 432	3	4 018
Advances from customers and other current liabilities	-	14 861	10	12 624

Transactions with related parties for the 3-month period ended 31 March 2009 and 2008 were as follows:

	Amount of operations with related parties, for the	Total category per consolidated income statement for the	Amount of operations with related parties, for the	Total category per consolidated income statement for the
	3 months ended 31 March 2009		3 months ended 31 March 2008	
Revenue	-	203 391	3	243 158
General, administrative and distribution expenses	351	39 989	4 795	22 676
Finance costs	72	5 862	-	6 171
Other (expenses) /income, net	207	(727)	(10)	(776)

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

12. 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 2009 and 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 - As of 31 March 2009 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 9 million for supply of equipment and services required for the new solvent extraction plant under construction, and for a total amount of USD 4 million for supply of equipment and services required for increase in production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

The Group signed in November 2007 three contracts with European suppliers for a total value of up to USD 21,500 thousand for supply of equipment and services required for the construction of a complete pre-pressing and solvent extraction plant for processing of sunflower seed, rapeseed and soybean. In December 2007 the Group signed contracts for a total value of up to USD 4,000 thousand for supply of agricultural equipment and machineries.

Contractual Commitments on Sales - As of 31 March 2009 the Group had entered into commercial contracts for export of 365 thousand tons of grain and 178 thousand tons of sunflower oil and meal, corresponding to an amount of USD 61,838 thousand and USD 85,431 thousand respectively in prices as of 31 March 2009.

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

13. 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" and IAS No. 39 "Financial Instruments: Recognition and Measurement". 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 2009 and 2008 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:

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

14. DESCRIPTION OF SIGNIFICANT EVENTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2009

Disposal of Yuzhtrans-terminal LLC, a subsidiary of the Company, was finalized on 17 February, 2009. Namsen LTD, the majority shareholder of Kernel Holding S.A., bought Yuzhtrans-terminal LLC from Kernel Capital LLC, a subsidiary of Kernel Holding S.A. The transaction, planned prior to IPO, was described in section "General information on the Company" of the IPO Prospectus dd. 25 October 2007 and was effected for a total consideration of USD 171,428.57 (1,320,000.00 UAH), equal to the net asset value of Yuzhtrans-terminal LLC.

15. SUBSEQUENT EVENTS

No significant event has occurred following the three-month period ending 31 March 2009.