

## **Chairman's opening statement**

Dear Shareholders:

The review by our Auditors of our first half results did not bring up any unforeseen issue, and results shown for the 6-month period ending 31 December 2009 are mostly in line with 2<sup>nd</sup> quarter results reported on 15 February 2010. I will therefore confirm here the good set of results achieved, with revenue of USD 512.5 million, EBITDA of USD 91.8 million, and net profit of USD 82.4 million for the first six months of the year, and will also take this opportunity to highlight some important elements, which will affect our next coming financial year.

We are proceeding apace with the acquisition of the Allseeds production assets. As previously announced, the approval of the Antimonopoly Committee of Ukraine was obtained on 25 February, clearing the way for the exercise of the option agreements to acquire the Allseeds group. We intend to exercise these options in the course of April. The actual consolidation into Kernel of the Allseeds production assets is planned to be finalized in the course of our 4<sup>th</sup> quarter. While these assets will not contribute to our current year results, they will significantly impact our financial year 2011. The newly acquired oilseed crushing facilities will increase Group crushing capacity by 560,000 tons of sunflower seed per year. Even more importantly, the location of the Allseeds production assets offers an excellent match with our existing plants and, following integration into Kernel of the two crushing plants located in Kirovograd and Nikolayev, we will be largely completing our plan to establish a string of efficient crushing assets from the Black Sea right up to the border with Russia. Together with the crushing assets, we are also acquiring grain silos located in key agricultural regions, where Kernel has yet to build a strong presence. These additional silos will supply feedstock not only to the newly acquired plants, but also to our green field Bandurka plant and to the BSI plant in Illichevsk, of which we rent 50% of the capacity. The newly acquired silos are expected to strengthen our grain supply pipeline network in the southern part of Ukraine and enhance our capacity to feed grain to our Illichevsk grain terminal on the Black Sea. The acquisition of the Allseeds production assets also provides Kernel with an important oil transshipment terminal located in Nikolayev, estimated to handle in the range of 500,000 tons of oil throughput per year. In financial year 2011, with our Group looking to export in excess of 800,000 tons of bulk oil, we expect the oil transshipment terminal to generate additional income for the company and also be a key asset in consolidating our oil export pipeline.

Second, we are now finishing construction of the green field Bandurka plant and are expecting plant commissioning within the next two months. This timetable will allow the Bandurka plant to be ready for the new 2010 sunflower seed crop. I invite our shareholders to take a look at the photos of our new plant, now available on our website.

Third, let me say a few words on the new harvest awaiting us. Though I will not provide here a forecast on the 2010 crop, a few important points should be mentioned. First, the heavy snowfalls we had through the winter have provided the country with a high level of soil moisture seldom reached in the past years. The snow covered most of the country, and even the south of Ukraine, a region prone to drought, is expected this year to contribute significantly to the country's harvest. Winter kill, an important factor, which can significantly affect the wheat and rapeseed harvests, has been relatively marginal throughout Ukraine. Altogether, taking into consideration the elements mentioned previously, we feel rather upbeat on the prospects of the new season, with overall crop volumes expected to be in the range achieved last year.

Last but not least, I want to shed some light on what the Management and myself see as the foreseeable future development of our Company. First, we will continue to apply the business model, which has successfully underpinned the development of Kernel. While diversification into various business segments strongly supports sustainability of earnings, integration and complementariness of the businesses enable us to build powerful synergies. Our balanced-book purchasing and marketing policy is also a key factor in our development and has successfully seen us through massive swings in commodity prices.

Looking at each of our business segments, we see the following opportunities open to the Company:

- In the bulk oil business, following the acquisition of Allseeds crushing assets, the Group will be in a position to crush over 2 million tons of sunflower seed per year. Our immediate task here is to integrate these operations into our existing crushing activities and utilize plants close to their full capacity. In Ukraine, we consider this industry now as largely consolidated, and further development of this business segment brings us to evaluate potential acquisitions abroad, in particular in Russia. Russia offers us the possibility to duplicate our existing business model in regions close to our home base and in an environment, which we understand well. As to the market, Russia offers an important feedstock base for the oilseed crushing industry, a large potential for grain and vegetable oil exports, and a domestic bottle oil market three times as large as Ukraine's market. As to competition, the Russian market appears to be still very fragmented.
- The bottle oil business in Ukraine is already very much consolidated and we see here only modest organic growth for the future. As for the bulk oil business, further development of the bottle oil business will most likely take us outside Ukraine.
- We now have been operating the Illichevsk grain handling and transshipment terminal for the 2<sup>nd</sup> season and, with increasing grain exports from Ukraine, we see here further opportunities for growth. We are therefore analyzing an option to acquire port infrastructure to grow this business segment and develop synergies with our grain business.
- We expect our grain business to grow strongly over the coming years. Primarily organic, growth will come from our increased footprint in the south-west growing regions of Ukraine, as well as from increased utilization of port infrastructure, which we will be operating.
- Our farming operations, now standing at 85,000 ha of land, will benefit from bolt-on acquisitions, and we will continue seeking to acquire farms at an attractive price and in prime locations, offering synergies with our other businesses.

### **Financial highlights for the 6-month period ending 31 December 2009**

Revenue decreased 22.6% year-on-year, from USD 662.5 million for the 1<sup>st</sup> half of financial year 2009 to USD 512.5 million for the 1<sup>st</sup> half of the current financial year;

Operating profit decreased 12.4% year-on-year from USD 93.5 million for the 1<sup>st</sup> half of financial year 2009, to USD 81.9 million for the 1<sup>st</sup> half of the current financial year;

Net profit attributable to equity holders increased 23.7% year-on-year, from USD 66.6 million for the 1<sup>st</sup> half of financial year 2009 to USD 82.4 million for the 1<sup>st</sup> half of the current financial year;

Available bank lines and trade finance facilities totaled USD 530 million at 31 December 2009, of which USD 400 million were utilized;

Return on shareholders' equity: 42%

**Production, sales and throughput tonnage for the 6-month period ending 31 December**

	<b>6 month period ended 31 December 2008</b>	<b>6 month period ended 31 December 2009</b>
Sales of grain, tons	1 160 851	1 293 907
Sales of oil in bulk, tons	104 109	141 602
Sales of bottled oil, in thousand liters	58 064	65 340
Sunflower seed crush, tons	314 747	426 065
Production of refined oil, tons	70 368	65 019
Production of bottled oil, tons	55 495	55 134
Grain terminal throughput, tons	1 699 101	1 982 860
Grain and oilseeds stored in inland silos, tons	1 609 000	1 204 000

**Review of financial results for the 6-month period ending 31 December 2009**

**Revenue** decreased year-on-year by 22.6% primarily as a consequence of the lower average prices for oil and grain in the 1<sup>st</sup> half of the current financial year: for the six-month period to 31 December 2009, the average bulk oil sale price was 815 USD/ton, compared to 1 201 USD/ton for the same period of the previous year. This 32.1% drop in the average price of bulk oil was partially compensated by a 36% year-on-year increase in bulk oil sales volumes, a direct consequence of the increased crushing capacity of the company. The grain segment also experienced a significant drop in grain prices: average sale price for grain and oil-bearing crops exported by the company was 213 USD/ton for the six-month period to 31 December 2009, compared to 322 USD/ton for the 1<sup>st</sup> half of the previous year. This 34% drop in average grain sales prices was only marginally compensated by the 11.5% increase in the grain volume handled by the company over the period.

**Gross profit** for the Group decreased from USD 181.6 million for the six-month period to 31 December 2008 to USD 155.1 million for the same period of the current year, a 14.6% year-on-year decrease in absolute terms. In relative terms, however, the company improved gross margin from 27.4% to 30.3%, primarily as a result of the bulk oil share in total revenues growing year-on-year from 22% to 28% for the six-month period under review.

**Distribution costs** have decreased year-on-year from USD 84.2 million to USD 66.8 million for the six-month period under review, primarily reflecting the fall in the value of the local currency and the consequently lower domestic transportation costs in US Dollar terms in the first quarter of the current financial year compared to the first quarter of the previous financial year.

**General and administrative expenses** have decreased year-on-year from USD 14.6 million to USD 12.4 million for the six-month period under review, reflecting the continuous drive to keep fix costs under tight control as the company expands.

**Operating profit** decreased from USD 93.5 million for the six-month period to 31 December 2008 to USD 81.9 million for the same period of the current year, a 12.4% year-on-year decrease in absolute terms. In relative terms, operating margin increased year-on-year from 14.1% to 16.0% primarily as a result of three factors: first, the higher share of bulk oil sales relative to grain sales positively impacted the total segment operating margin due to an operating margin customarily higher in the oil segments than in the grain business; secondly, bulk oil sales incurred relatively lower distribution costs as bulk oil is still mostly sold on an FOB Black Sea basis, whereas grain sales will usually include ocean freight; third, our farming segment achieved a 21.6% operating margin for the period under review, versus a negative margin for the previous year.

**Review of financial results for the 6-month period ending 31 December 2009 (continued)**

**Financial expenses** relative to turnover have decreased year-on-year from 3.5% in the 1<sup>st</sup> half of the previous financial year to 1.7% in the 1<sup>st</sup> half of the current financial year, largely as a result of less restrictive cash management policy by the Company thanks to the improving global financial environment in the current financial year.

**Net profit** attributable to equity holders increased 23.7% year-on-year from USD 66.6 million for the 1<sup>st</sup> half of financial year 2009 to USD 82.4 million for the 1<sup>st</sup> half of the current financial year. In relative terms, net profit has also increased significantly from 10.0% to 16.1%, primarily as a result of the improved operating margin and less stringent cash management.

**Total inventories** increased from USD 100.1 million as of 31 December 2008 to USD 268.4 million as of 31 December 2009, a 168% year-on-year increase. The increase is first a consequence of the 276% build-up in raw materials (Note 9), essentially sunflower seed, from USD 37 million as of 31 December 2008 to USD 139.2 million as of 31 December 2009. In volume terms, raw materials inventory increased year-on-year by 100%, the build-up in feedstock inventory reflecting primarily the development of the Group's crushing capacities. Secondly, increase in overall inventory is a consequence of the increase in goods for resale (Note 9), essentially grain for export: goods for resale have increased from USD 47.3 million as of 31 December 2008, to USD 108.9 million as of 31 December 2009. In volume terms, grain inventory increased year-on-year by 70%, reflecting a significantly larger grain tonnage in stock and to be delivered as of 31 December 2009, than as of 31 December 2008.

**Taxes prepaid** have increased from USD 56 million as of 31 December 2008 to USD 138 million on 31 December 2009 as a consequence of the increase in inventory and the slow rate of VAT refund by the State. The backlog of VAT refund in Ukraine should be solved, according to the most recently available information, through the issuance of state bonds, which can be paid for by VAT refunds due exporters. The bonds to be issued are not expected to differ from existing state bonds in circulation, and therefore should be a fully tradable and liquid financial instrument. This likely development would by of course a positive outcome for exporters in general and for Kernel in particular.

**Net operating cash flow** was a negative USD 109 million for the 6-month period to 31 December 2009, compared to USD 49.9 million for the 6-month period to 31 December 2008. Both the inventory build-up, typically at its highest by end of December, and the VAT backlog are the main factors impacting operating cash flow in the period under review.

**Segmental review****Bottle oil**

Reflecting primarily the lower international price for oil, average price for bottled oil decreased year-on-year in US Dollar terms from USD 1.36 per liter to USD 0.96 per liter, resulting in bottled oil revenue decreasing from USD 83.5 million in the 1<sup>st</sup> half of financial year 2009 to USD 62.9 million for the 1<sup>st</sup> half of the current financial year. The decrease in the bottled oil price was however partially compensated by a 12.4% year-on-year increase in volume sold, from 58.1 million liters to 65.3 million liters for the period under review. Operating margin decreased year-on-year from 21.7% to 18.0%.

**Bulk oil**

While bulk oil prices decreased year-on-year by 32.1%, bulk oil revenue decreased only by a marginal 4.8% thanks to the 36% year-on-year increase in bulk oil volume sold, from 104 109 tons for the 6-month period to 31 December 2008, to 141 602 tons for the 6-month under review. Bulk oil margin decreased year-on-year from 17% to 14.6%.

**Segmental review (continued)*****Grain***

The 34% year-on-year decrease in grain prices significantly impacted grain revenue, decreasing 26.3% from USD 373.9 million for the 6-month period to 31 December 2008, to USD 275.4 million for the 6-month period to 31 December 2009. Grain sales in volume terms increased 11.5% from 1.16 million tons for the 6-month period to 31 December 2008 to 1.3 million tons for the 6-month period under review. Grain margin decreased year-on-year from 11.1% to 8.1%.

***Silo services***

Group silos stored a total of 1.2 million tons of grain and oilseeds as of 31 December 2009, compared to 1.6 million tons for the previous financial year, the 25% decrease reflecting primarily the lower 2009 versus 2008 harvest. The decrease in volume and also, as a result of the fall in the Hrivnia, the decrease in US Dollar terms in storage fees per ton, resulted in silo revenue decreasing year-on-year from USD 29.4 million for the 6-month period to 31 December 2008 to USD 17.7 million for the 6-month period under review. Operating profit decreased 34.8% from USD 11.5 million for the 6-month period to 31 December 2008, to USD 7.5 million for the 6-month period under review.

***Grain terminal (grain handling and transshipment services in port)***

Total grain terminal throughput increased 17.6% from 1.7 million tons for the 6-month period to 31 December 2008, to 2.0 million tons for the 6-month period under review, translating into a year-on-year increase in revenue from USD 27.2 million to USD 30.6 million for the 6-month period under review. Operating margin improved from 45.6% for the 6-month period to 31 December 2008, to 53.6% for the 6-month period under review.

***Farming***

While total farming revenue, including inter-segment sales, declined by 6.3% year-on-year due primarily to the fall in commodity prices, operating margin improved significantly, from a negative operating margin in the 6-month period to 31 December 2008, to USD 8.6 million for the 6-month period under review, reflecting primarily the year-on-year decrease in farming expenses. Production volumes and acreage remained unchanged year-on-year, with total 2009 harvest of 267,000 tons over 85,000 ha of land farmed.

**Outlook**

Guidance for our financial year 2010 remains unchanged, with revenue at USD 1 050 million, EBITDA at USD 195 million and net profit at USD 155 million for the full year.



## KERNEL HOLDING S.A. AND SUBSIDIARIES

### MANAGEMENT STATEMENT

This statement is provided to confirm that to the best of our knowledge the condensed consolidated financial statements for the six month period ended 31 December 2009 and the comparable information have been prepared in compliance with IFRS and give a true, fair and clear view of Kernel Holding S.A. assets, financial standing and net results and that the directors' report on the operations of Kernel Group of companies truly reflects the development, achievements and situation of the Group, including a description of the key risk factors and threats.

This statement is provided to confirm that LLP BAKER TILLY UKRAINE and Re^viseur d'Entreprises TEAMAUDIT S.A. have been appointed in accordance with the applicable laws and performed the review of the condensed consolidated financial statements of Kernel Holding S.A. for the six month period ended 31 December 2009, and that the entities and the accountants performing the review met the conditions necessary to issue an impartial and independent report on the review in accordance with International Standards on Auditing.

April 22, 2010

On behalf of the Management

Patrick Conrad

Director

Anastasiia Usachova

Director

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

**Condensed Consolidated Financial Statements**

**For the 6 months ended 31 December 2009**





**BAKER TILLY  
UKRAINE**

## INDEPENDENT AUDITOR'S REPORT

To the board of Directors of

**KERNEL HOLDING S.A.**  
**65, Boulevard Grande-Duchesse Charlotte**  
**L-1331 Luxembourg**

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### Report on Review of Interim Condensed Consolidated Financial Statements

#### *Introduction*

We have reviewed the Interim Condensed Consolidated Financial Statements of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group"), which comprise the condensed consolidated statement of financial position as at December 31, 2009, and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this Interim Condensed Consolidated Financial Statements based on our review.

#### *Scope of Review*

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

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements do not give a true and fair view of the financial position of the entity as at December 31, 2009, and of its financial performance and its cash flows for the six-month period ended December 31, 2009 in accordance with International Financial Reporting Standards.

Managing Partner

"BAKER TILLY UKRAINE" LLP

TEMAUDIT S.A.  
Reviseurs d'Entreprises  
67, Rue Michel Welter  
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Alexander Pochkun

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22 April 2010

Kiev, Ukraine

Registration # 1490



an independent member of  
**BAKER TILLY  
INTERNATIONAL**



## **MANAGEMENT REPRESENTATION LETTER**

### **LLP BAKER TILLY UKRAINE**

Independent member of Baker Tilly International  
Fizkultury 28 st., Kyiv,  
Ukraine, 01033

This representation letter is provided in connection with your review of the interim condensed consolidated financial statements of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group") as of 31 December 2009 for the purposes of expressing a conclusion whether anything has come to your attention that causes you to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS).

We acknowledge our responsibility for the fair presentation of consolidated financial statements in accordance with IFRS.

We understand that the purpose of your audit of our consolidated financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify, nor necessarily be expected to disclose any instances of fraud, shortages, errors and other irregularities, should exist.

We confirm, to the best of our knowledge and belief, the following representations:

The consolidated financial statements referred to above has been prepared and presented in accordance with IFRS.

We have made available to you all books of account and supporting documentation, and all minutes of meetings of shareholders and the board of directors.

There are no material transactions that have not been properly recorded in the accounting records underlying the consolidated financial statements.

There has been no known actual or possible noncompliance with laws and regulations that could have a material effect on the consolidated financial statements in the event of noncompliance.

We acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud and error.

We have disclosed to you all significant facts relating to any known frauds or suspected frauds that may have affected the entity.

We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as the result of fraud.

We believe the effects of uncorrected misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

We confirm the completeness of the information provided to you regarding the identification of related parties.

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The following have been properly recorded and, when appropriate, adequately disclosed in the consolidated financial statements:

Related party transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties;

Guarantees, whether written or oral, under which the entity is contingently liable; and

Agreements and options to buy back assets previously sold.

The presentation and disclosure of the fair value measurements of assets and liabilities are in accordance with IFRS. The assumptions used reflect our intent and ability to carry specific courses of action on behalf of the entity, where relevant to the fair value measurements or disclosure.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of realizable value.

The entity has satisfactory title to all assets and there are no liens or encumbrances on the entity's assets.

We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that may require adjustment to or disclosure in the aforementioned consolidated financial statements.

On behalf of the Management

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Verevskiy Andrey  
Chairman of the Board

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Usachova Anastasia  
CFO

April 22, 2010

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**SELECTED FINANCIAL DATA AS OF 31 DECEMBER 2009**
*(in thousands unless otherwise stated)*

	thousand USD		thousand PLN		thousand EUR	
<b>SELECTED FINANCIAL DATA for the 6 months ended 31 December 2009</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
I. Revenue	512 524	662 505	1 477 709	1 677 595	352 770	473 830
II. Operating profit/(loss)	81 911	93 519	236 166	236 809	56 379	66 886
III. Profit/(loss) before income tax	82 186	58 459	236 959	148 030	56 569	41 810
IV. Net profit/(loss)	82 530	63 123	237 950	159 840	56 805	45 146
V. Net cash flow from operating activity	(109 010)	49 854	(314 298)	126 240	(75 032)	35 656
VI. Net cash flow from investment activity	(42 165)	(39 720)	(121 570)	(100 579)	(29 022)	(28 408)
VII. Net cash flow from financial activity	96 596	(15 252)	278 506	(38 621)	66 487	(10 908)
VIII. Total net cash flow	(54 579)	(5 118)	(157 362)	(12 960)	(37 567)	(3 660)
IX. Total assets	907 756	600 800	2 587 378	1 779 449	629 802	426 481
X. Current liabilities	290 997	200 621	829 429	594 199	201 894	142 412
XI. Non-current liabilities	167 538	134 623	477 534	398 726	116 238	95 563
XII. Share capital	1 815	1 815	5 173	5 376	1 259	1 288
XIII. Total equity	449 221	265 556	1 280 415	786 524	311 670	188 506
XIV. Weighted average number of shares	68 741 000	68 741 000	68 741 000	68 741 000	68 741 000	68 741 000
XV. Profit/(loss) per ordinary share (in USD/PLN/EUR)	1,20	0,97	3,46	2,45	0,83	0,69
XVI. Diluted number of shares	69 213 500	68 741 000	69 213 500	68 741 000	69 213 500	68 741 000
XVII. Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	1,19	0,97	3,43	2,45	0,82	0,69
XVIII. Book value per share (in USD/PLN/EUR)	6,52	3,79	18,59	11,22	4,53	2,69
XIX. Diluted book value per share (in USD/PLN/EUR)	6,48	3,79	18,46	11,22	4,49	2,69

On behalf of the Board

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Andrey Verevskiy  
Chairman of the Board

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Anastasiia Usachova  
CFO

The notes on pages 10 to 52 form an integral part of these condensed consolidated financial statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009**  
*(in US dollars and in thousands unless otherwise stated)*

	Notes	31 December 2009 reviewed	30 June 2009 audited	31 December 2008 reviewed
<b>ASSETS</b>				
<i>CURRENT ASSETS:</i>				
Cash	5	50 308	129 263	97 398
Trade accounts receivable, net	6, 29	58 594	32 419	44 149
Prepayments to suppliers and other current assets, net	7, 29	25 906	25 810	34 383
Taxes recoverable and prepaid, net	8	137 951	72 871	55 649
Inventory	9	268 367	99 086	100 067
Biological assets	10	3 617	18 932	5 269
<b>Total current assets</b>		<b>544 743</b>	<b>378 381</b>	<b>336 915</b>
<i>NON-CURRENT ASSETS:</i>				
Property, plant and equipment, net	11	252 687	221 770	190 486
Intangible assets, net	12	32 957	35 686	37 083
Goodwill	13	44 772	45 166	28 727
Other non-current assets	14, 29	32 597	18 703	7 589
<b>Total non-current assets</b>		<b>363 013</b>	<b>321 325</b>	<b>263 885</b>
<b>TOTAL ASSETS</b>		<b>907 756</b>	<b>699 706</b>	<b>600 800</b>
<b>LIABILITIES AND EQUITY</b>				
<i>CURRENT LIABILITIES:</i>				
Trade accounts payable	29	18 348	7 539	7 962
Advances from customers and other current liabilities	15, 29	23 493	25 806	22 572
Short-term borrowings	16	217 162	148 483	160 448
Short-term corporate bonds	19	-	1 993	1 957
Current portion of long-term borrowings	17	31 994	11 230	7 682
<b>Total current liabilities</b>		<b>290 997</b>	<b>195 051</b>	<b>200 621</b>
<i>NON-CURRENT LIABILITIES:</i>				
Long-term borrowings	17	142 246	121 369	102 878
Obligations under finance lease	18	9 280	11 491	11 717
Deferred tax liabilities	20	16 012	14 207	19 899
Other non-current liabilities		-	125	129
<b>Total non-current liabilities</b>		<b>167 538</b>	<b>147 192</b>	<b>134 623</b>
<i>Equity attributable to Kernel Holding S.A. equity holders</i>				
Issued capital		1 815	1 815	1 815
Share premium reserve		236 637	236 637	236 637
Additional paid-in capital		39 944	39 944	39 944
Revaluation reserve		11 260	-	-
Translation reserve		(163 331)	(162 163)	(188 650)
Retained earnings		322 049	239 601	170 685
<b>Total equity attributable to Kernel Holding S.A.</b>		<b>448 374</b>	<b>355 834</b>	<b>260 431</b>
<i>Non-controlling interest</i>				
<b>Total equity</b>		<b>449 221</b>	<b>357 463</b>	<b>265 556</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>907 756</b>	<b>699 706</b>	<b>600 800</b>
Book value		448 374	355 834	260 431
Number of shares	34	68 741 000	68 741 000	68 741 000
<b>Book value per one share (in USD)</b>		<b>6,52</b>	<b>5,18</b>	<b>3,79</b>
Diluted number of shares	34	69 213 500	68 741 000	68 741 000
<b>Diluted book value per share (in USD)</b>		<b>6,48</b>	<b>5,18</b>	<b>3,79</b>

On behalf of the Board

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

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

The notes on pages 10 to 52 form an integral part of these condensed consolidated financial statements

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 6 MONTHS ENDED 31 DECEMBER 2009**  
*(in US dollars and in thousands unless otherwise stated)*

	Notes	6 months 31 December 2009  reviewed	6 months 31 December 2008  reviewed
REVENUE	21	512 524	662 505
COST OF SALES	22, 29	(357 467)	(480 935)
<b>GROSS PROFIT</b>		<b>155 057</b>	<b>181 570</b>
OTHER OPERATIONAL INCOME	23	6 843	10 778
OPERATING EXPENSES:			
Distribution costs	24, 29	(67 781)	(84 201)
General and administrative expenses	25, 29	(12 208)	(14 628)
<b>RESULT FROM OPERATING ACTIVITIES</b>		<b>81 911</b>	<b>93 519</b>
Finance costs, net	26,29	(8 879)	(23 335)
Foreign exchange (loss)/gain, net		9 809	(11 339)
Other (expenses)/income, net	27,29	(655)	(386)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>82 186</b>	<b>58 459</b>
INCOME TAX	20	344	4 664
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>82 530</b>	<b>63 123</b>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO:</b>			
Equity holders of Kernel Holding S.A.		82 448	66 632
Non-controlling interest		82	(3 509)
<b>Net profit/loss attributable to equity holders of Kernel Holding S.A.</b>	<b>34</b>	<b>82 448</b>	<b>66 632</b>
Number of shares		<b>68 741 000</b>	<b>68 741 000</b>
Profit/(loss) per ordinary share (in USD)	34	1,20	0,97
Diluted number of shares		<b>69 213 500</b>	<b>68 741 000</b>
Diluted profit/(loss) per ordinary share (in USD)		1,19	0,97

On behalf of the Board

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

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



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTHS ENDED 31 DECEMBER 2009**

	<b>6 months 31 December 2009 reviewed</b>	<b>6 months 31 December 2008 reviewed</b>
<b>NET PROFIT</b>	<b>82 530</b>	<b>63 123</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translating foreign operations	(1 181)	(201 946)
Gain on property revaluation	15 154	-
Income tax related to components of other comprehensive income	(3 789)	-
<b>OTHER COMPREHENSIVE INCOME NET</b>	<b>10 184</b>	<b>(201 946)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>92 714</b>	<b>(138 823)</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Equity holders of Kernel Holding S.A.	92 545	(134 252)
Non-controlling interest	169	(4 571)

On behalf of the Board

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED 31 DECEMBER 2009**
*(in US dollars and in thousands unless otherwise stated)*

	Attributable to Kernel Holding S.A. shareholders						Non-controlling interest	Total equity
	Issue capital	Share premium reserve	Additional paid-in capital	Retained earnings	Revaluation surplus	Translation reserve		
<b>Balance at 30 June 2008 (audited)</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>104 053</b>	<b>-</b>	<b>14 358</b>	<b>43 610</b>	<b>440 417</b>
Profit for the period	-	-	-	66 632	-	-	(3 509)	<b>63 123</b>
Other comprehensive income	-	-	-	-	-	(203 008)	1 083	<b>(201 925)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66 632</b>	<b>-</b>	<b>(203 008)</b>	<b>(2 426)</b>	<b>(138 802)</b>
Effect of changes on minority interest	-	-	-	-	-	-	(36 059)	<b>(36 059)</b>
<b>Balance at 31 December 2008 (reviewed)</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>170 685</b>	<b>-</b>	<b>(188 650)</b>	<b>5 125</b>	<b>265 556</b>
Profit for the period	-	-	-	68 916	-	-	(57)	<b>68 859</b>
Other comprehensive income	-	-	-	-	-	26 487	37	<b>26 524</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68 916</b>	<b>-</b>	<b>26 487</b>	<b>(20)</b>	<b>95 383</b>
Effect of changes on minority interest	-	-	-	-	-	-	(3 476)	<b>(3 476)</b>
<b>Balance at 30 June 2009 (audited)</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>239 601</b>	<b>-</b>	<b>(162 163)</b>	<b>1 629</b>	<b>357 463</b>
Profit for the period	-	-	-	82 448	-	-	82	<b>82 530</b>
Other comprehensive income	-	-	-	-	11 260	(1 168)	92	<b>10 184</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82 448</b>	<b>11 260</b>	<b>(1 168)</b>	<b>174</b>	<b>92 714</b>
Effect of changes on minority interest	-	-	-	-	-	-	(956)	<b>(956)</b>
<b>Balance at 31 December 2009 (reviewed)</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>322 049</b>	<b>11 260</b>	<b>(163 331)</b>	<b>847</b>	<b>449 221</b>

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

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

The notes on pages 10 to 52 form an integral part of these condensed consolidated financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE 6 MONTHS ENDED 31 DECEMBER 2009**
*(in US dollars and in thousands unless otherwise stated)*

	Notes	6 months ended 31 December 2009 reviewed
<b>OPERATING ACTIVITIES:</b>		
Profit/(loss) before income tax		82 186
<i>Adjustments to reconcile profit before income tax to net cash used in operating activities:</i>		
Amortization and depreciation	11, 12	9 901
Finance costs	26	8 879
Bad debt expenses and other accruals		666
Loss/(gain) on disposal of property, plant and equipment		140
Non-operating foreign exchange loss/(gain), net		6 051
Gain on sales of equity investments		(640)
<b>Operating profit before working capital changes</b>		<b>107 183</b>
<i>Changes in working capital:</i>		
Decrease/(increase) in trade accounts receivable		(26 371)
Decrease/(increase) in prepayments and other current assets		(2 679)
Decrease/(increase) in restricted cash balance		24 376
Decrease/(increase) in taxes recoverable and prepaid		(66 197)
Decrease/(increase) in biological assets		15 315
Decrease/(increase) in inventories		(164 923)
Increase/(decrease) in trade accounts payable		10 938
Increase/(decrease) in advances from customers and other current		2 683
<b>Cash obtained from/(used in) operations</b>		<b>(99 675)</b>
Finance costs paid		(8 879)
Income tax paid		(456)
<b>Net cash provided by/(used in) operating activities</b>		<b>(109 010)</b>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment		(28 887)
Proceeds from disposal of property, plant and equipment		168
Sales/(Purchase) of intangible and other non-current assets		(14 032)
Disposal of Subsidiaries		586
<b>Net cash used in investing activities</b>		<b>(42 165)</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from short-term and long-term borrowings		463 590
Repayment of short-term and long-term borrowings		(361 146)
Corporate bonds issued/(repaid)		(1 993)
<b>Net cash provided by financing activities</b>		<b>100 451</b>
TRANSLATION ADJUSTMENT		(3 855)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(54 579)
<b>CASH AND CASH EQUIVALENTS, at the beginning of the period</b>		<b>98 072</b>
<b>CASH AND CASH EQUIVALENTS, at the end of the period</b>	<b>5</b>	<b>43 493</b>

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

Anastasia Usachova \_\_\_\_\_  
CFO

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED  
31 DECEMBER 2008** *(in US dollars and in thousands unless otherwise stated)*

	Notes	6 months ended 31 December 2008 reviewed
<b>OPERATING ACTIVITIES:</b>		
Profit/(loss) before income tax		58 459
<i>Adjustments to reconcile profit before income tax to net cash used in</i>		
Amortization and depreciation	11, 12	12 885
Finance costs	26	23 335
Bad debt expenses and other accruals		626
Loss/(gain) on disposal of property, plant and equipment		(288)
Foreign exchange losses/(gain), net		11 339
Income from "DAK Asset"	27	174
<b>Operating profit before working capital changes</b>		<b>106 530</b>
<i>Changes in working capital:</i>		
Decrease/(increase) in trade accounts receivable		3 450
Increase in prepayments and other current assets		(14 958)
Increase in restricted cash balance		(13 986)
Increase in taxes recoverable and prepaid		(32 591)
Decrease in biological assets		37 176
Increase in inventories		(8 095)
Increase in trade accounts payable		2 364
Increase in advances from customers and other current liabilities		(5 292)
<b>Cash obtained from/(used in) operations</b>		<b>74 598</b>
Finance costs paid		(23 335)
Income tax paid		(1 409)
<b>Net cash provided by operating activities</b>		<b>49 854</b>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment		(35 478)
Proceeds from disposal of property, plant and equipment		2 595
Purchase of intangible and other non-current assets		(1 012)
Acquisition of Subsidiaries		(5 825)
<b>Net cash used in investing activities</b>		<b>(39 720)</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from short-term and long-term borrowings		424 531
Repayment of short-term and long-term borrowings		(380 938)
Corporate bonds issued		(29 027)
<b>Net cash provided by financing activities</b>		<b>14 566</b>
TRANSLATION ADJUSTMENT		(29 818)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5 118)
CASH AND CASH EQUIVALENTS, at the beginning of the period		58 813
<b>CASH AND CASH EQUIVALENTS, at the end of the period</b>	5	<b>53 695</b>

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

Anastasia Usachova \_\_\_\_\_  
 CFO

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2009**
*(in US dollars and in thousands unless otherwise stated)*
**1. KEY DATA BY OPERATING SEGMENT FOR THE 6 MONTHS ENDED 31 DECEMBER 2009 (reviewed)**

	<b>Bottled sunflower oil</b>	<b>Sunflower oil in bulk</b>	<b>Grain handling and transshipment services</b>	<b>Farming</b>	<b>Grain</b>	<b>Silo services</b>	<b>Other</b>	<b>Reconciliation</b>	<b>Continuing Operations</b>
Revenue (external)	62 914	143 914	17 168	2 783	275 449	10 296	-	-	512 524
Intersegment sales	-	-	13 392	37 087	-	7 357	-	(57 836)	-
<b>Total</b>	<b>62 914</b>	<b>143 914</b>	<b>30 560</b>	<b>39 870</b>	<b>275 449</b>	<b>17 653</b>	<b>-</b>	<b>(57 836)</b>	<b>512 524</b>
Other operating income	-	452	-	5 669	34	452	236	-	6 843
<b>Operating profit (EBIT)</b>	<b>11 333</b>	<b>21 041</b>	<b>16 423</b>	<b>8 589</b>	<b>22 263</b>	<b>7 476</b>	<b>(5 214)</b>	<b>-</b>	<b>81 911</b>
Finance costs net									(8 879)
Foreign exchange (loss)/gain, net									9 809
Other (expenses)/income, net									(655)
Income tax									344
<b>Net profit</b>									<b>82 530</b>
<b>Total assets</b>	<b>156 725</b>	<b>275 106</b>	<b>111 637</b>	<b>49 893</b>	<b>195 359</b>	<b>49 634</b>	<b>69 402</b>	<b>-</b>	<b>907 756</b>
Capital expenditures	10 620	34 584	463	581	1 386	1 753	752	-	50 139
Amortization and depreciation	1 426	1 351	1 572	4 530	111	667	244	-	9 901
Liabilities	5 707	9 060	858	1 213	12 680	3 894	425 123	-	458 535

During the 6-month period ended 31 December 2009 none of the Group's external customers accounted for more than 10% of total external revenue. During the 6-month period ended 31 December 2009 export sales amounted to 78 % of total external sales revenue.

**1. KEY DATA BY OPERATING SEGMENT FOR THE 6 MONTHS ENDED 31 DECEMBER 2008 (reviewed) (CONTINUED)**

	<b>Bottled sunflower oil</b>	<b>Sunflower oil in bulk</b>	<b>Grain handling and transshipment services</b>	<b>Farming</b>	<b>Grain</b>	<b>Silo services</b>	<b>Other</b>	<b>Reconciliation</b>	<b>Continuing Operations</b>
Revenue (external)	83 497	150 884	13 156	4 840	373 878	23 905	12 345	-	662 505
Intersegment sales	-	-	14 063	37 757	-	5 512	-	(57 332)	-
<b>Total</b>	<b>83 497</b>	<b>150 884</b>	<b>27 219</b>	<b>42 597</b>	<b>373 878</b>	<b>29 417</b>	<b>12 345</b>	<b>(57 332)</b>	<b>662 505</b>
Other operating income	1 659	1 230	1 407	2 721	3 021	740	-	-	10 778
<b>Operating profit (EBIT)</b>	<b>18 052</b>	<b>25 650</b>	<b>12 365</b>	<b>(975)</b>	<b>41 527</b>	<b>11 528</b>	<b>(14 628)</b>	<b>-</b>	<b>93 519</b>
Finance costs net									(23 335)
Foreign exchange (loss)/gain, net									(11 339)
Other (expenses)/income, net									(386)
Income tax									4 664
<b>Net profit</b>									<b>63 123</b>
<b>Total assets</b>	<b>109 939</b>	<b>103 735</b>	<b>87 005</b>	<b>60 379</b>	<b>178 510</b>	<b>43 491</b>	<b>17 741</b>	<b>-</b>	<b>600 800</b>
Capital expenditures	10 635	12 293	1 480	15 561	3 354	4 207	63	-	47 593
Amortization and depreciation	2 676	2 272	1 878	4 366	481	1 093	119	-	12 885
Liabilities	3 346	4 957	918	1 654	5 705	7 427	311 237	-	335 244

During the 6-month period ended 31 December 2008 none of the Group's external customers accounts for more than 10% of total external revenue. During the 6-month period ended 31 December 2008 export sales amount to 80% 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 transshipment 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 December 2009 and 31 December 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 December 2009	31 December 2008
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine.	Ukraine	100%	100%
"Etrecom Investments", LLC	Holding company.	Cyprus	100%	100%
"Yuzhtrans-Terminal", LLC	Dormant company.	Ukraine	Disposed of on 17 February, 2009	100%
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	100%	99.0%
Inerco Commodities S.A.		Switzerland	100%	N/A
Restomon LTD		British Virgin Islands	100%	N/A
Lanen S.A.		Panama	100%	100%
"Kernel-Trade", LLC		Ukraine	100%	100%
Jerste BV	Holding company	Netherlands	100%	100%
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	98.2%	95.2%
JSC "Vovchansk OEP"		Ukraine	99.4%	99.3%
CJSC "Prykolotne OEP"		Ukraine	100%	100%
CJSC "Prykolotnyanska oliya"		Ukraine	Disposed of on 31 March 2009	0.0%
"Bandurskiy oil crushing plant ", LLC		Ukraine	100%	100%
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100%	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of	
			31 December 2009	31 December 2008
"Transagroinvest" LLC	No significant activity since the date of foundation.	Ukraine	Disposed of on 30 June 2009	100%
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	100%
JSC "Reshetilovski elevator"		Ukraine	Control relinquished	0.0%
CJSC "Horol-Elevator"		Ukraine	100%	100%
JSC "Horolskiy elevator"		Ukraine	Control relinquished	0.0%
CJSC "Mirgorodsky elevator"		Ukraine	100%	100%
CJSC "Globynsky elevator HP"		Ukraine	100%	100%
"Globinsky elevator kliboproduktiv", LLC		Ukraine	Control relinquished	0.0%
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	88.2%	88.2%
"Galeschina-Agro", LLC		Ukraine	Disposed of on 18 December 2009	99.9%
"Gogoleve-Agro", LLC		Ukraine	99.9%	99.9%
"Sagaydak-Agro", LLC		Ukraine	100%	100%
"Karlivka-Agro", LLC		Ukraine	99.9%	99.9%
CJSC "Lazorkovski Elevator"		Ukraine	99.9%	99.9%
"Zhrebkivsky elevator ", LLC		Ukraine	99.9%	99.9%
"Kononivsky elevator ", LLC		Ukraine	99.9%	99.9%
CJSC "Semenivski elevator"		Ukraine	99.9%	100%
"Kobelyaki hleboproduct", LLC		Ukraine	100%	100%
CJSC "Vlasivskiy KHP"		Ukraine	In process of liquidation	In process of liquidation
"Sahnovshina hleboproduct", LLC		Ukraine	100%	100%
"Velykoburlutske HPP", LLC		Ukraine	100%	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of	
			31 December 2009	31 December 2008
CJSC "Gutnansky elevator"	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	100%
"Lykhachivsky KHP", LLC		Ukraine	100%	100%
CJSC "Shevchenkisky KHP"		Ukraine	100%	100%
"Orilske HPP", LLC		Ukraine	Disposed of on 28 October 2009	100%
"Kovyagivske KHP", LLC		Ukraine	100%	100%
"Viktorovsky elevator, LLC		Ukraine	100%	N/A
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	100%	100%
"Ykragrobiznes", LLC	Holding company.	Ukraine	100%	100%
"Agroservice", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%
"Zernoservice", LLC		Ukraine	100%	100%
"Unigrain-Agro" (Globino), LLC		Ukraine	100%	100%
"Unigrain-Agro" (Semenovka), LLC		Ukraine	100%	100%
"Mrija-Agro", LLC		Ukraine	100%	100%
CJSC "Lozivske HPP"		Ukraine	100%	100%
CJSC "Krasnopavlivsky KHP"		Ukraine	100%	100%
CJSC "Agrofirma "Krasnopavlivska"		Ukraine	Control relinquished	0.0%

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

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

In August 2009 "Bandurskiy elevator", LLC was renamed "Bandurskiy oil crushing plant ", LLC.

These consolidated financial statements were authorized for issue by the Board of Directors of Kernel Holding S.A. on 12 April 2010.

**3. CHANGE IN ISSUED CAPITAL**

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose issued capital as of 31 December 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 December 2008 – 68,741,000 shares).

The shares were distributed as follows:

<b>EQUITY HOLDERS</b>	<b>Shares allotted and fully paid as of 31 December 2009</b>	<b>Share owned as of 31 December 2009</b>	<b>Shares allotted and fully paid as of 31 December 2008</b>	<b>Share owned as of 31 December 2008</b>
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Equity holder")	37 074 250	53.93%	40 739 667	59.27%
Free-float	31 666 750	46.07%	28 001 333	40.73%
<b>Total</b>	<b>68 741 000</b>	<b>100.00%</b>	<b>68 741 000</b>	<b>100.00%</b>

As of 31 December 2009 and 2008 100% of the beneficial interest in the "Majority Equity holder" was held by Verevskiy Andrey Mikhaylovych (hereinafter the "Beneficial Owner").

In order to perform an initial public offering of the shares of the Company on the Warsaw Stock Exchange, the general shareholders meeting resolved 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 newly issued shares.

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 issued capital. This reserve of an amount of USD 125 thousand as of 31 December 2009, unchanged from 31 December 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 December 2009. The Group has adopted IFRS 8 Operating Segments in advance of its effective date, with effect from 1 July 2008. From 1 July 2009 the Group has adopted IAS 1 Presentation of Financial Statements (Revised). The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: presenting all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group has chosen to present two statements.

*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* - Starting from 01 January 2007, and in accordance with the resolution of the shareholders dated 31 July 2007, the measurement currency of Kernel Holding S.A. 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, Restomon LTD (British Virgin Islands), Inerco Commodities S.A. (Switzerland) and Etrecom(Cyprus). Management has utilized USD as the measurement currency for Inerco Trade SA, Lanen SA, Estron Corporation Ltd, Chorex Developments Limited, Hamalex Developments LTD, Restomon LTD and Inerco Commodities S.A. 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. Starting from 01 July 2009 Management adopted USD as the measurement currency of: "Kernel-Trade" LLC, , based on IAS No. 21 as the 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; CJSC "Poltava oil crushing plant — Kernel Group", JSC "Vovchansk OEP" and CJSC "Prykolotne OEP" under IAS 21 as the activities of these subsidiaries are carried out with limited degree of autonomy.

The reclassification in the Statement of Cash Flows was done for the purpose of users of the financial statements with clearer and more detailed information. 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 December 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.

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

Minority interest at the balance sheet date represents the minority equity holders' 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.

**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 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 December 2009	Average rate for the 6 months ended 31 December 2009	Closing rate as of 31 December 2008	Average rate for the 6 months ended 31 December 2008
USD/UAH	7.9850	7.9033	7.7000	5.5293
USD/EUR	0.6938	0.6883	0.7099	0.7152
USD/PLN	2.8503	2.8832	2.9618	2.5322

**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.

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

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 - Loans provided by the Group are financial assets, created by means of grant of money directly to a borrower or participating in provision of credit services, not including 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 at a rate and on terms which are different from market terms and conditions, the difference between the par value of the resources provided and the fair value of the amount lent is reflected in the income statement in the period, when such amount was lent, as an adjustment to the loan amount. 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. Loans provided are reflected in the 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 issued 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 issued 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 December 2009 and 2008 there were no investments in non-consolidated subsidiaries and associates.

#### Issued 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 issued capital - When issued 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.

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

Earnings per share - Are calculated by dividing net profit attributable to equity holders 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 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 - Buildings and constructions (oil) and production machinery and equipment (oil), are shown at fair value, based on periodic, valuations by external independent appraisal, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Except for land, all other property, plant and equipment is stated at historical cost less 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.

Increases in the carrying amount arising on revaluation of buildings (oil) and production machinery and equipment (oil) are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Decreases in the carrying amount as a result of a revaluation are recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

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
Other fixed assets	4-20 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.

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

*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.

*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 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.



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

**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.

**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:

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

In the financial statements as of 31 December 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. CASH**

The balances of cash as of 31 December 2009 and 2008 were as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Cash with banks in USD	32 616	91 942
Cash with banks in UAH	17 589	5 388
Cash with banks in other currencies	97	8
Cash on transit bank account	-	52
Cash on hand	6	8
<b>Total</b>	<b>50 308</b>	<b>97 398</b>
Less restricted cash on Security bank account and blocked amount	(6 815)	(43 703)
<b>Cash for the purposes of cash flow statement</b>	<b>43 493</b>	<b>53 695</b>

As of 31 December 2009 cash on a bank account in the amount of USD 6 815 thousand (as of 31 December 2008: USD 43 703 thousand) was restricted in use based on short-term loan agreements with foreign and Ukrainian banks and thus was excluded from cash item for the purpose of cash flow statement.

As of 31 December 2009 cash on a bank account in the amount of USD 1 575 thousand (included in USD 6 815 thousand) was pledged by the Group as collateral against long-term bank loans obtained from foreign bank (Note 17).

As of 31 December 2008 cash on a bank account in the amount of USD 30 400 thousand (included in USD 43 703 thousand) was pledged by the Group as collateral against short-term bank loans obtained from Ukrainian banks (Note 16).

**6. TRADE ACCOUNTS RECEIVABLE, NET**

The balances of trade accounts receivable as of 31 December 2009 and 2008 were as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Trade accounts receivable	59 578	44 368
Allowance for estimated irrecoverable amounts (Note 31)	(984)	(219)
<b>Total</b>	<b>58 594</b>	<b>44 149</b>

As of 31 December 2009 accounts receivable from one European customer accounted for approximately 14% of the total carrying amount of trade accounts receivable (as of 31 December 2008 approximately 17%).

**7. PREPAYMENTS TO SUPPLIERS AND OTHER CURRENT ASSETS, NET**

The balances of prepayments to suppliers and other current assets as of 31 December 2009 and 2008 were as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Prepayments to suppliers	20 747	31 391
Other accounts receivable and other current assets	6 361	4 576
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(1 202)	(1 584)
<b>Total</b>	<b>25 906</b>	<b>34 383</b>

**8. TAXES RECOVERABLE AND PREPAID, NET**

The balances of taxes recoverable and prepaid as of 31 December 2009 and 2008 were as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
VAT («value-added tax») recoverable and prepaid	135 697	53 529
Other taxes recoverable and prepaid	2 254	2 384
Allowance for estimated irrecoverable amounts of VAT recoverable	-	(264)
<b>Total</b>	<b>137 951</b>	<b>55 649</b>

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on domestic market in Ukraine. No allowance for estimated doubtful amounts of VAT recoverable was created as of 31 December 2009 (as of 31 December 2008: USD 264 thousand).

**9. INVENTORIES**

The balances of inventories as of 31 December 2009 and 2008 were as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Raw materials	139 193	37 047
Finished products	17 096	11 297
Goods for resale	108 866	47 342
Packaging materials	390	366
Fuel	883	775
Products of agriculture	618	1 504
Other inventories	1 321	1 736
<b>Total</b>	<b>268 367</b>	<b>100 067</b>

As of 31 December 2009 inventories with the carrying amount of USD 184 640 thousand (as of 31 December 2008: USD 60 770 thousand) were pledged by the Group as collateral against short-term loans obtained from Ukrainian and foreign banks (Note 16).

**10. BIOLOGICAL ASSETS**

The balances of biological assets as of 31 December 2009 and 2008 were as follows:

<b>Agricultural Farming</b>	<b>31 December 2009</b>		<b>31 December 2008</b>	
	<b>Hectares</b>	<b>Value</b>	<b>Hectares</b>	<b>Value</b>
Wheat crops	26 425	1 821	25 897	2 488
Sunflower seed crops	16 020	335	13 804	386
Soya beans crops	13 852	190	13 818	387
Barley crops	9 800	448	9 399	479
Corn crops	7 293	176	8 807	246
Pea crops	9 667	274	9 064	254
Other crops	2 772	373	3 156	282
<b>Total</b>	<b>85 829</b>	<b>3 617</b>	<b>83 945</b>	<b>4 522</b>

**10. BIOLOGICAL ASSETS (CONTINUED)**

Breeding of cattle	31 December 2009		31 December 2008	
	Number of heads	Value	Number of heads	Value
Cattle	-	-	1 922	747
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1 922</b>	<b>747</b>

The following table represents the changes in the carrying amounts of biological assets during the 6 month period ended 31 December 2009 and 2008:

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
<b>As of 31 December 2008</b>	<b>4 522</b>	<b>-</b>	<b>4 522</b>
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2009)	15 349	-	15 349
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2009)	-	(1 384)	(1 384)
<b>As of 30 June 2009</b>	<b>19 871</b>	<b>(1 384)</b>	<b>18 487</b>
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2009)	10 082	-	10 082
Decrease due to harvest (harvest 2009)	(29 953)	1 384	(28 569)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2010)	3 617	-	3 617
<b>As of 31 December 2009</b>	<b>3 617</b>	<b>-</b>	<b>3 617</b>

**11. PROPERTY PLANT AND EQUIPMENT, NET**

As of 31 December 2009 property, plant and equipment with the carrying amount of USD 212 504 thousand (as of 31 December 2008: USD 114 944 thousand) was pledged by the Group as collateral against short-term and long-term bank loans obtained from Ukrainian and foreign banks (Note 16, 17).

As of 31 December 2009 production equipment with the carrying amount of USD 13 651 thousand was held under finance lease (as of 31 December 2008: USD 16 042 thousand) (Note 18).

**11. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)**

The following table represents movements in property, plant and equipment for the 6 month period ended 31 December 2009:

	<b>Oil</b>	<b>Grain terminal</b>	<b>Farming</b>	<b>Inland silos</b>	<b>Other</b>	<b>Total</b>
<b>Net Book Value as at 30 June 2009</b>	<b>108 467</b>	<b>61 476</b>	<b>24 137</b>	<b>20 456</b>	<b>7 234</b>	<b>221 770</b>
Land	700	-	2	678	-	1 380
Buildings and Constructions	34 013	5 796	5 868	16 022	2 162	63 861
Production machinery and equipment	21 475	55 648	400	2 979	3	80 505
Agricultural vehicles and equipment	121	-	17 800	75	-	17 996
Other fixed assets	-	-	-	-	5 054	5 054
CIP and uninstalled equipment	52 158	32	67	702	15	52 974
<b>Additions</b>	<b>44 656</b>	<b>354</b>	<b>411</b>	<b>1 633</b>	<b>2 864</b>	<b>49 918</b>
Land	2	-	-	-	47	49
Buildings and Constructions	9 878	195	131	276	1 016	11 496
Production machinery and equipment	7 175	-	-	807	-	7 982
Agricultural vehicles and equipment	-	-	93	-	-	93
Other fixed assets	-	-	-	-	1 455	1 455
CIP and uninstalled equipment	27 601	159	187	550	346	28 843
<b>Disposals (at NBV)</b>	<b>(3 495)</b>	<b>(158)</b>	<b>(278)</b>	<b>(1 624)</b>	<b>(779)</b>	<b>(6 334)</b>
Buildings and Constructions	(943)	-	(11)	(374)	-	(1 328)
Production machinery and equipment	(445)	-	(43)	(146)	-	(634)
Agricultural vehicles and equipment	-	-	(36)	-	-	(36)
Other fixed assets	-	-	-	-	(434)	(434)
CIP and uninstalled equipment	(2 107)	(158)	(188)	(1 104)	(345)	(3 902)
<b>Depreciation expense</b>	<b>(2 784)</b>	<b>(1 541)</b>	<b>(2 613)</b>	<b>(581)</b>	<b>(587)</b>	<b>(8 106)</b>
Buildings and Constructions	(1 234)	(65)	(493)	(394)	(80)	(2 266)
Production machinery and equipment	(1 549)	(1 476)	(39)	(179)	-	(3 243)
Agricultural vehicles and equipment	(1)	-	(2 081)	(8)	-	(2 090)
Other fixed assets	-	-	-	-	(507)	(507)

**11. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)**

	<b>Oil</b>	<b>Grain terminal</b>	<b>Farming</b>	<b>Inland silos</b>	<b>Other</b>	<b>Total</b>
	<b>(2 343)</b>	<b>(8)</b>	<b>(415)</b>	<b>(948)</b>	<b>(847)</b>	<b>(4 561)</b>
<b>Translation difference</b>						
Land	(1)	-	-	(30)	(1)	(32)
Buildings and Constructions	(106)	(6)	(257)	(707)	(32)	(1 108)
Production machinery and equipment	(41)	-	(17)	(137)	(3)	(198)
Agricultural vehicles and equipment	(97)	-	(125)	(3)	-	(225)
Other fixed assets	-	-	-	-	(811)	(811)
CIP and uninstalled equipment	(2 098)	(2)	(16)	(71)	-	(2 187)
<b>Net Book Value as at 31 December 2009</b>	<b>144 501</b>	<b>60 123</b>	<b>21 242</b>	<b>18 936</b>	<b>7 885</b>	<b>252 687</b>
Land	701	-	2	648	46	1 397
Buildings and Constructions	41 608	5 920	5 238	14 823	3 066	70 655
Production machinery and equipment	26 615	54 172	301	3 324	-	84 412
Agricultural vehicles and equipment	23	-	15 651	64	-	15 738
Other fixed assets	-	-	-	-	4 757	4 757
CIP and uninstalled equipment	75 554	31	50	77	16	75 728

As of 31 December 2009 and 30 June 2009 amount of CIP and uninstalled equipment includes USD 2 783 thousand of capitalized interest on borrowed costs. Capitalization rate used to calculate the amount of capitalized interests is 11.67 % per annum.

Additions for the period also include gain on revaluation of property, plant and equipment in the amount of USD 15 154 thousand.

**12. INTANGIBLE ASSETS, NET**

The following table represents movements in intangible assets for the 6 month period ended 31 December 2009 and 2008:

<b>Cost as of 30 June 2009</b>	<b>41 039</b>	<b>Cost as of 30 June 2008</b>	<b>59 502</b>
Additions from acquisition of Subsidiaries	-	Additions from acquisition of Subsidiaries	2 252
Additions	221	Additions	1 012
Disposals	(95)	Disposals	(2)
Translation difference	(1 835)	Translation difference	(22 794)
<b>Cost as of 31 December 2009</b>	<b>39 330</b>	<b>Cost as of 31 December 2008</b>	<b>39 970</b>
<b>Accumulated depreciation as of 30 June 2009</b>	<b>(5 353)</b>	<b>Accumulated depreciation as of 30 June 2008</b>	<b>(1 421)</b>
Amortization charge	(1 795)	Amortization charge	(2 794)
Disposals	12	Disposals	-
Translation difference	763	Translation difference	1 328
<b>Accumulated depreciation as of 31 December 2009</b>	<b>(6 373)</b>	<b>Accumulated depreciation as of 31 December 2008</b>	<b>(2 887)</b>
<b>Net book value as of 31 December 2009</b>	<b>32 957</b>	<b>Net book value as of 31 December 2008</b>	<b>37 083</b>

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks with the value of USD 4 571 thousand, USD 5 935 thousand, USD 8 661 thousand and USD 179 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 31 December 2009 and 2008 trade mark "Stozhar" was pledged as security for long-term loans (Note 17).

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.

**13. GOODWILL**

The following table represents movements in goodwill for the 6 month period ended 31 December 2009:

<b>As of 30 June 2009</b>	<b>45 166</b>
Goodwill arising on acquisition of Subsidiaries	-
Translation differences	(394)
<b>As of 31 December 2009</b>	<b>44 772</b>

**14. OTHER NON-CURRENT ASSETS**

The balances of other non-current assets as of 31 December 2009 and 2008 were as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Grain elevators lease rights («DAK Asset») (Note 30)	571	544
Prepayments for property, plant and equipment	821	3 392
Prepayment for subsidiaries	26 863	-
Other non-current assets	4 342	3 653
<b>Total</b>	<b>32 597</b>	<b>7 589</b>

*Grain elevators lease rights ("DAK Asset")*

On 10 January 2003 the Group acquired the right to claim USD 5 369 thousand from the State Joint Stock Company "DAK "Khlib Ukrainy" (hereinafter referred to as the «DAK Debt»). The «DAK Debt» represents amounts initially due by "DAK "Khlib Ukrainy" (hereinafter referred to as the «DAK») to its suppliers of chemical fertilizers, which originally matured for settlement in 1998. The «DAK Debt» was effectively purchased for a consideration of USD 979 thousand.

As «DAK» failed to settle in cash its debt on the last re-scheduled maturity date on 31 January 2003 the parties agreed that the «DAK Debt» would be recovered by granting to the Group the right for operating lease of the property of two grain elevators owned by «DAK» and by set-off of the related rentals payable against the «DAK Debt» for the total nominal amount of USD 4 872 thousand.

The description of the lease terms is as follows:

<b>Assets leased</b>	<b>Storage capacity of leased grain elevators</b>	<b>Maturity</b>	<b>Monthly rental payment</b>
Property of two grain elevators	269 thousand tons of wheat (aggregated)	December 2012	USD 63 thousand (aggregated)

The «DAK Asset» is a non-current asset valued at the present value of the saved rentals payable for the leased property of the "DAK" grain elevators during the agreed lease period. The implicit annual discount rate approximates market interest rate in UAH at inception and equals 16.5%.

**15. ADVANCES FROM CUSTOMERS AND OTHER CURRENT LIABILITIES**

The balances of advances from customers and other current liabilities as of 31 December 2009 and 2008 were as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Advances from customers	8 754	14 258
Obligation under finance lease payable within one year (Note 18)	4 371	4 325
Accrued payroll, payroll related taxes and bonuses	1 720	802
Accounts payable for property, plant and equipment	2 227	1 282
Provision for unused vacations and other provisions	971	1 000
Taxes payable and provision for tax liabilities	4 708	586
Other current liabilities	742	319
<b>Total</b>	<b>23 493</b>	<b>22 572</b>

**16. SHORT-TERM BORROWINGS**

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

	<b>31 December 2009</b>	<b>31 December 2008</b>
Bank credit lines	215 055	159 173
Interest accrued on short-term credits	398	907
Interest accrued on long-term credits	1 709	368
<b>Total</b>	<b>217 162</b>	<b>160 448</b>

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

	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<b>Amount due</b>
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	7 890
European bank	Libor + 4.0%	USD	August 2010	15 000
European bank	Libor + 2%	USD	July 2010	87 165
European bank	Libor + 5%	USD	August 2010	105 000
<b>Total bank credit lines</b>				<b>215 055</b>
Interest accrued on short-term loans				398
Interest accrued on long-term loans				1 709
<b>Total</b>				<b>217 162</b>



**16. SHORT-TERM BORROWINGS (CONTINUED)**

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

	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<b>Amount due</b>
European bank	Libor + 2.6%	USD	July 2009	29 000
European bank	Libor + 2.2%	USD	July 2009	2 497
European bank	Libor + 2.75%	USD	July 2009	50 000
European bank	Libor + 2.75%	USD	August 2009	2 597
Ukrainian subsidiary of European bank	Libor + 2 %	USD	July 2009	12 542
Ukrainian subsidiary of European bank	Libor + 4.5 %	USD	September 2009	1 737
Ukrainian subsidiary of European bank	7.8%	USD	June 2009	30 400
Ukrainian subsidiary of European bank	15%	USD	May 2009	30 400
<b>Total bank credit lines</b>				<b>159 173</b>
Interest accrued on short-term loans				907
Interest accrued on long-term loans				368
<b>Total</b>				<b>160 448</b>

As of 31 December 2009 the overall maximum credit limit for short-term bank credit lines amounted to USD 334 600 thousand (as of 31 December 2008 USD 701 948 thousand).

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

<b>Assets pledged</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
Cash (Note 5)	-	30 400
Inventories (Note 9)	184 640	60 770
Property, plant and equipment (Note 11)	6 901	542
<b>Total</b>	<b>191 541</b>	<b>91 712</b>

In August 2009 Kernel Trade LLC signed a loan agreement with a syndicate of European banks for a total amount of USD 170 000 thousand. The loan to Kernel Trade LLC is secured by guarantees provided by Kernel-Capital, CJSC "Volchanskiy oil extraction plant" LLC "Prikolotnjansky oil extraction plant" LLC and CJSC "Poltava Oil Crushing Plant – Kernel Group".

**17. LONG-TERM BORROWINGS**

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

	<b>31 December 2009</b>	<b>31 December 2008</b>
Long-term bank loans	174 240	110 560
Current portion of long-term borrowings	(31 994)	(7 682)
<b>Total</b>	<b>142 246</b>	<b>102 878</b>

**17. LONG-TERM BORROWINGS (CONTINUED)**
Long-term bank loans

The balances of long-term borrowings as of 31 December 2009 were as follows:

	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<b>Amount due</b>
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	37 127
European bank	Libor + 5.7%	USD	September 2013	17 236
European bank	Libor + 3.52%	USD	2015	34 877
European bank	Libor + 6.75%	USD	September 2012	40 000
European bank	Libor + 5.7%	USD	July 2011	45 000
<b>Total</b>				<b>174 240</b>

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

	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<b>Amount due</b>
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	51 750
Ukrainian subsidiary of European bank	Libor+5%	USD	November 2013	44 810
European bank	Libor + 3.52%	USD	2015	14 000
<b>Total</b>				<b>110 560</b>

Long-term loans from banks as of 31 December 2009 included credit lines with the overall maximum credit limit of USD 195 000 thousand (as of 31 December 2008 USD 162 750 thousand).

<b>Assets pledged</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
Cash (Note 5)	1 575	-
Property, plant and equipment (Note 11)	205 603	114 402
Intangible assets (Note 12)	5 935	6 155
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
<b>Total</b>	<b>213 113</b>	<b>120 557</b>

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

<b>Name of Subsidiary, in which a stake was pledged</b>	
<b>31 December 2009</b>	<b>31 December 2008</b>
CJSC "Poltava oil crushing plant-Kernel Group"	CJSC "Poltava oil crushing plant-Kernel Group"
CJSC "Reshetylivka Hliboproduct"	CJSC "Reshetylivka Hliboproduct"
LLC "Globynsky elevator HP"	CJSC "Globynsky elevator HP"
CJSC "Gutnansky elevator"	CJSC "Orilske HPP"
JSC "Poltavske khlibopriemalne pidpriemstvo"	CJSC "Gutnansky elevator"
CJSC "Prykolotne OEP"	JSC "Poltavske khlibopriemalne pidpriemstvo"
LLC "Velykoburlutske HPP"	CJSC "Prykolotne OEP"
CJSC "Shevchenkisky KHP"	CJSC "Velykoburlutske HPP"
LLC "Kovyagivske KHP"	CJSC "Shevchenkisky KHP"
CJSC "Poltavaavtotransservis"	CJSC "Kovyagivske KHP"
LLC "Bandurskiy oil crushing plant "	CJSC "Poltavaavtotransservis"
	LLC "Bandurskiy elevator"

**18. OBLIGATIONS UNDER FINANCE LEASE**

As of 31 December 2009 and 2008 the major components of finance lease liabilities were as follows:

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>
	<b>31 December 2009</b>	<b>31 December 2009</b>
Amounts payable due to the finance lease:		
Within one year (Note 15)	5 284	4 371
Later than one year and not later than five years	10 145	9 280
	15 429	13 651
Less future finance charges	(1 778)	-
<b>Present value of lease obligations</b>		<b>13 651</b>

  

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>
	<b>31 December 2008</b>	<b>31 December 2008</b>
Amounts payable due to the finance lease:		
Within one year (Note 15)	5 403	4 325
Later than one year and not later than five years	12 976	11 717
	18 379	16 042
Less future finance charges	(2 337)	-
<b>Present value of lease obligations</b>		<b>16 042</b>

On 12 May 2008 a Ukrainian Subsidiary of Kernel Holding S.A. signed a 4-year financial lease agreement with an overall total limit of USD 15 million, with the Ukrainian subsidiary of a European bank for financing of agricultural machinery and equipment. USD 7.4 million was outstanding as at 31 December 2009. The finance lease liability is denominated in USD and bears interest rate of 8.0% per annum.

**19. CORPORATE BONDS**

As of 31 December 2008 corporate bonds issued were as follows:

<b>Series</b>	<b>Amount due, USD</b>	<b>Currency</b>	<b>Coupon</b>	<b>Maturity</b>
Series C	1 957 052	USD	17%	18 September 2010
<b>Total</b>	<b>1 957 052</b>			

Corporate bonds were redeemed on 15 September 2009.

**20. INCOME TAX**

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

	<b>31 December 2009</b>	<b>31 December 2008</b>
<b>Deferred tax assets arising from:</b>		
Valuation of advances from customers	6 696	5 087
Tax losses carried forward	1 058	570
Valuation of accounts receivable	434	395
Valuation of property, plant and equipment	727	161
Valuation of intangible assets	191	125
Valuation of inventories	1	9
Valuation of accrued expenses and other temporary differences	183	202
<b>Deferred tax asset</b>	<b>9 290</b>	<b>6 549</b>
Less: valuation allowance	-	(282)
<b>Net deferred tax asset after valuation allowance</b>	<b>9 290</b>	<b>6 267</b>
<b>Deferred tax liability arising from:</b>		
Valuation of property, plant and equipment	(14 334)	(16 539)
Valuation of prepayments to suppliers and prepaid expenses	(8 676)	(7 070)
Valuation of intangible assets	(2 277)	(2 538)
Valuation of inventories	(2)	(10)
Valuation of accounts receivable	(4)	-
Valuation of financial investments	(9)	(9)
<b>Deferred tax liability</b>	<b>(25 302)</b>	<b>(26 166)</b>
<b>Net deferred tax liability</b>	<b>(16 012)</b>	<b>(19 899)</b>

**20. INCOME TAX (CONTINUED)**

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

The components of income tax expense for the 6 month period ended 31 December 2009 and 31 December 2008 were as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Current income tax expenses	(456)	(926)
Deferred tax benefit/(expense)	800	5 590
<b>Income tax benefit/(expenses)</b>	<b>344</b>	<b>4 664</b>

The income tax charge for the 6 months ended 31 December 2009 and 2008 is reconciled to the profit before income tax per consolidated income statement as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Profit/(loss) before income tax:	82 186	58 459
Tax at the statutory income tax rate in Ukraine of 25%	(20 547)	(14 615)
Expenditures not allowable for income tax purposes and non-taxable income, net	20 063	19 267
Change in valuation allowance	828	12
<b>Income tax benefit /(expenses)</b>	<b>344</b>	<b>4 664</b>

**21. REVENUE**

Revenue for the 6 month period ended 31 December 2009 and 2008 was as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Revenue from bulk sunflower oil, cake and meal	143 914	150 884
Revenue from bottled sunflower oil	62 914	83 497
Revenue from farming	2 783	4 840
Revenue from grain trade	275 449	373 878
Revenue from grain silo services	10 296	23 905
Revenue from transshipment services	17 168	13 156
Other revenue	-	12 345
<b>Total</b>	<b>512 524</b>	<b>662 505</b>

For the above-stated period ended 31 December 2009 revenues from five European customers accounted for approximately 29,9 % of the total revenue (for the 6 months ended 31 December 2008 revenue from five European customers accounted for 28,9% of the total revenue).

**22. COST OF SALES**

The cost of sales for the 6 month period ended 31 December 2009 and 2008 was as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Cost of goods for resale and raw materials used	325 815	441 830
Payroll and payroll related costs	9 757	11 545
Amortization and depreciation	9 351	10 577
Rental payments	5 930	5 351
Other operating costs	6 614	11 632
<b>Total</b>	<u><b>357 467</b></u>	<u><b>480 935</b></u>

**23. OTHER OPERATING INCOME**

Other operating income for the 6 month period ended 31 December 2009 and 2008 was as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Other operating income	1 174	7 066
VAT and other farming related subsidies	5 669	3 712
<b>Total</b>	<u><b>6 843</b></u>	<u><b>10 778</b></u>

**24. DISTRIBUTION COSTS**

The distribution costs for the 6 month period ended 31 December 2009 and 2008 were as follows :

	<u>31 December 2009</u>	<u>31 December 2008</u>
Carriage and freight	58 075	73 365
Marketing and advertising	3 016	5 215
Payroll and payroll related costs	1 060	837
Customs expenses	1 505	1 360
Certification	1 700	1 582
Sanitation services	507	656
Depreciation	51	20
Other expenses	1 867	1 166
<b>Total</b>	<u><b>67 781</b></u>	<u><b>84 201</b></u>

**25. GENERAL AND ADMINISTRATIVE EXPENSES**

The general and administrative expenses for the 6 month period ended 31 December 2009 and 2008 were as follows:

	<u><b>31 December 2009</b></u>	<u><b>31 December 2008</b></u>
Payroll and payroll related costs	4 730	3 738
Bank services	1 168	829
Bad debts expenses	1 035	366
Amortization and depreciation	499	2 288
Taxes other than income tax	225	772
Audit, legal and other professional fees	1 619	2 459
Rental payments	946	1 224
Repairs and material costs	458	161
Business trip expenses	298	556
Communication expenses	330	333
Insurance	47	420
Other expenses	853	1 482
<b>Total</b>	<u><b>12 208</b></u>	<u><b>14 628</b></u>

The fair value of the share based payments (Note 33) as of 31 December 2009 in amount of USD 704 thousand (31 December 2008: USD 411 thousand) is recognized as payroll and payroll related expenses for the period ended 31 December 2009. The auditors' remuneration for the period ended 31 December 2009 in amount of USD 233 thousand is included in audit, legal and other professional fees (31 December 2008: USD 170 thousand).

**26. FINANCE COSTS, NET**

The finance costs for the 6 month period ended 31 December 2009 and 2008 were as follows:

	<u><b>31 December 2009</b></u>	<u><b>31 December 2008</b></u>
Interest expense on bank loans and corporate bonds	6 616	19 901
Other finance costs, net	2 263	3 434
<b>Total</b>	<u><b>8 879</b></u>	<u><b>23 335</b></u>

**27. OTHER INCOME/ (EXPENSES), NET**

Other income/(expenses) for the 6 month period ended 31 December 2009 and 2008 were as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Income/(expenses) from "DAK Asset"	(73)	174
Gain on sale of equity investments (Note 28)	640	-
Gain/(Losses) on disposal of property, plant and equipment	(140)	288
Other income/(expenses), net	(1 082)	(848)
<b>Total</b>	<b>(655)</b>	<b>(386)</b>

Income from "DAK Asset" for the 6 months ended 31 December 2009 and 2008 represents change in value of the "DAK Asset" as a result of passage of time and partial realization of the nominal amount of the "DAK Debt", which was not recognized as an asset at 31 December 2009 and 31 December 2008, by additional set-offs with "DAK" (Note 14).

**28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

The following entities were disposed of during the 6 month period ended 31 December 2009:

<b>Subsidiary</b>	<b>Principal Activity</b>	<b>Country of Incorporation</b>
"Orilske HPP", LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services	Ukraine
"Galeschina-Agro", LLC		Ukraine
JSC "Reshetilovski elevator"		Ukraine
JSC "Globinsky elevator kliboproductiv"		Ukraine
JSC "Horolskiy elevator"		Ukraine
CJSC "Agrofirma "Krasnopavlivska"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine

Subsidiaries, which have been disposed of, had been previously fully consolidated.

The Group consolidated the financial statements of "Orilske HPP", LLC", "Galeschina-Agro", LLC, JSC "Reshetilovski elevator", JSC "Horolskiy elevator", JSC "Globinsky elevator kliboproductiv", LLC "Agrofirma "Krasnopavlivska due to the fact that equity holders holding a majority share of the voting rights in these Subsidiaries are related parties of the Group.



**28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)**

Fair value of assets, liabilities and contingent liabilities disposed of during the 6 month period ended 31 December 2009 was as follows:

**Assets disposed of, net:**

Cash	3
Trade accounts receivable	494
Prepayments to suppliers and other current assets, net	7 249
Provision for trade receivables	(1 349)
Taxes recoverable and prepaid, net	1 117
Inventory	43
Property, plant and equipment, net (Note 5)	44
Deferred tax assets	180
Trade payables	(129)
Other non-current liabilities	(99)
Advances from customers and other current liabilities	(7 904)
Short-term borrowings	(1)

<b>Fair value of assets of Subsidiaries disposed of, net</b>	<b>(352)</b>
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<b>Non-controlling interest</b>	<b>772</b>
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<b>Fair value of assets disposed of, net</b>	<b>420</b>
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<b>Gain on disposal of Subsidiaries</b>	<b>640</b>
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<b>Total cash consideration received</b>	<b>1 060</b>
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Less: cash from assets disposed of, net	(3)
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Less: accounts receivable for Subsidiaries disposed of	(471)
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<b>Net cash inflow from Subsidiaries disposed of</b>	<b>586</b>
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As a result of the optimization process of its legal structure, the Group relinquished on 6 August 2009 operational control of JSC "Reshetilovski elevator", JSC "Horolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC "Agrofirma "Krasnopavlivska and does not consolidate them further. On 28 October and 18 December 2009 operational control of "Orilske HPP" and LLC "Galeschina-Agro", LLC was relinquished. Fixed assets were transferred to other companies of the Group prior the legal structure changes.

**29. 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 December 2009 and 2008:

	<b>Related party balances as of</b>	<b>Total category as per consolidated balance sheet as of</b>	<b>Related party balances as of</b>	<b>Total category as per consolidated balance sheet as of</b>
	<b>31 December 2009</b>		<b>31 December 2008</b>	
Prepayments to suppliers and other current assets, net	7 272	25 906	7 472	34 383
Trade accounts receivable, net	471	58 594	1 571	44 149
Other non-current assets	26 863	32 597	-	7 589
Trade accounts payable	-	18 348	12	7 962
Advances from customers and other current liabilities	76	23 493	-	22 572

Transactions with related parties for the 6-month period ended 31 December 2009 and 2008 were as follows:

	<b>Amount of operations with related parties, for the</b>	<b>Total category per consolidated income statement for the</b>	<b>Amount of operations with related parties, for the</b>	<b>Total category per consolidated income statement for the</b>
	<b>6 months ended 31 December 2009</b>		<b>6 months ended 31 December 2008</b>	
Cost of sales	(97)	(357 467)	-	(480 935)
General, administrative and distribution expenses	(4)	(79 989)	(1 059)	(98 829)
Finance costs	-	(8 879)	(1 173)	(23 335)
Other income/(expenses)	25	(655)	(375)	(386)

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

### 30. 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 December 2009 and 31 December 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. During the period ended 30 June 2009 the Group received, in particular, notifications of claims and possible litigation in connection with cases of contaminated Ukrainian oil. The resolution of such legal matters will not have a material impact on its financial position.

Capital commitments - As of 31 December 2009 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 13,7 million for supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 2,6 million for supply of equipment and services required for construction of the new silo.

As of 31 December 2008 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 12 million for supply of equipment and services required for the new solvent extraction plant under construction, and for a total amount of USD 5 million for supply of equipment and services required for increase in production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

Contractual Commitments on Sales - As of 31 December 2009 the Group had entered into commercial contracts for export of 645 thousand tons of grain and 288 thousand tons of sunflower oil and meal, corresponding to an amount of USD 124 630 thousand and USD 124 129 thousand respectively, in prices as of 31 December 2009.

As of 31 December 2008 the Group had entered into commercial contracts for export of 507 thousand tons of grain and 123 thousand tons of sunflower oil and meal, corresponding to an amount of USD 101 500 thousand and USD 42 000 thousand respectively, in prices as of 31 December 2008.

**30. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Operating Leases* - As of 31 December 2009 and 31 December 2008 the Group had outstanding commitments under non-cancellable operating lease agreements with following maturities:

Lease term	Future minimum lease payment as of 31 December 2009 (with third party)	Future minimum lease payment as of 31 December 2008 (with third party)	With Companies of the Group as of 31 December 2009	With Companies of the Group as of 31 December 2008
Less than 1 year	3 858	3 465	2 547	6 905
From 1 to 5 years	11 504	7 227	-	-
More than 5 years	3 524	1 591	-	-
<b>Total</b>	<b>18 886</b>	<b>12 283</b>	<b>2 547</b>	<b>6 905</b>

Operating lease payments mainly represent rentals payable by the Group for "DAK" grain elevators and equipment (Note 14), office premises and land in Ukraine. Rentals for land are determined in accordance with Ukrainian legislation.

**31. FINANCIAL INSTRUMENTS**
*Capital risk management*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through a combination of debt and equity capital. In November 2007 the Group was listed on the Warsaw Stock Exchange (WSE). Net proceeds of additional capital from the placement constituted USD 152 367 thousand after deduction of total subscription cost. In April 2008 the Group increased the equity by USD 81 725 thousand as a result of a secondary offering of shares.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 16, 17, 18, 19, cash and cash equivalents, and equity attributable to Kernel Holding S.A. shareholders, comprising issued capital, reserves and retained earnings.

*Gearing ratio*

The Group's management reviews quarterly the capital structure of the Group, taking into consideration seasonality in the activity of the Group. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Following listing on the WSE the Group's management considers that the gearing ratio should not exceed 150%.

	31 December 2009	31 December 2008
Debt liabilities* (Note 16, 17, 18, 19)	405 053	284 682
Cash and cash equivalents (Note 5)	(50 308)	(97 398)
Net debts	354 745	187 284
Equity**	449 221	260 431
<b>Gearing ratio</b>	<b>79%</b>	<b>72%</b>

\*Debts include short-term and long term borrowings, corporate bonds issued, obligations under finance lease.

\*\* Equity includes the share capital, share-premium reserve, additional paid-in capital, revaluation reserve, retained earnings and translation reserve.

**31. FINANCIAL INSTRUMENTS (CONTINUED)**

Due to its activity, the Group is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note provides information on the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of 31 December 2009 and 31 December 2008 were as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Cash (Note 5)	50 308	97 398
Trade accounts receivable, net (Note 6)	58 594	44 149
VAT ("value-added tax") recoverable, net (Note 8)	135 697	53 265
<b>Total</b>	<b><u>244 599</u></b>	<b><u>194 812</u></b>

The maximum exposure to credit risk for trade receivable at the reporting date by geographic region was:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Domestic customers (accounts receivable, net)	15 139	15 260
International customers (accounts receivable, net)	43 455	28 889
<b>Total</b>	<b><u>58 594</u></b>	<b><u>44 149</u></b>

Almost all clients of the Group are wholesale customers. The Group's most significant customer, an international customer, accounted for USD 7 948 thousand of the trade receivables as of 31 December 2009 (as of 31 December 2008 one customer accounted for USD 7 560 thousand).

**Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 29,9 % of the Group's revenue is attributable to sales transactions with 5 customers.

**31. FINANCIAL INSTRUMENTS (CONTINUED)**

The Group's management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references, and also counterparty's recommendations. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Group's management. These limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. To reduce non-payment risk on international markets the Group presents title documents via banking channels and uses payment instruments, such as letters of credit (LC) and bank guarantees.

**Impairment losses**

The aging of trade receivables as of 31 December 2009 and 31 December 2008 was as follows (Note 6):

	<b>Gross carrying amount 31 December 2009</b>	<b>Impairment 31 December 2009</b>	<b>Gross carrying amount 31 December 2008</b>	<b>Impairment 31 December 2008</b>
Current	46 637	-	36 740	-
Past due 0-30 days	10 596	-	6 022	-
Past due 31-180 days	1 294	(195)	1 366	(14)
Past due 181-365 days	525	(263)	71	(36)
More than one year	526	(526)	169	(169)
<b>Total</b>	<b>59 578</b>	<b>(984)</b>	<b>44 368</b>	<b>(219)</b>

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss that relates to past-due trade receivables. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The movement in the allowance for impairment in respect of trade receivables for the 6 months ended 31 December 2009 and 31 December 2008 was as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Balance at 1 July	(810)	(1 378)
Impairment loss recognized	(174)	1 159
<b>Balance at 31 December</b>	<b>(984)</b>	<b>(219)</b>

**31. FINANCIAL INSTRUMENTS (CONTINUED)**
VAT recoverable

For the 6 month period ended 31 December 2009 the amount of VAT returned was USD 15 197 thousand.

**Period of VAT return**

July 2009	2 145
September 2009	7 245
December 2009	5 807
<b>Total</b>	<b>15 197</b>

For the 6 month period ended 31 December 2008 the amount of VAT returned was USD 9 724 thousand.

**Period of VAT return**

September 2008	1 705
December 2008	8 019
<b>Total</b>	<b>9 724</b>

As of 31 December 2009 the amount of VAT recoverable was USD 135 697 thousand (as of 31 December 2008 was USD 53 265 thousand). This amount is expected to be received within a year.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned (controlled) subsidiaries. As of 31 December 2009 as well as at 31 December 2008 no guarantees were outstanding in favor of third parties.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**31. FINANCIAL INSTRUMENTS (CONTINUED)**

The contractual maturities of financial liabilities, including interest payments as of 31 December 2009 were as follows:

<b>Non-derivative financial liabilities</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
Trade accounts payable	18 348	(18 348)	(18 348)	-	-	-
Short-term borrowings (Note 16)	215 055	(220 349)	(220 349)	-	-	-
Long-term borrowings (Note 17)	174 240	(192 130)	(40 782)	(118 310)	(33 038)	-
Obligations under finance lease (Note 18)	15 429	(15 429)	(5 284)	(8 629)	(1 516)	-
<b>Total</b>	<b>423 072</b>	<b>(446 256)</b>	<b>(284 763)</b>	<b>(126 939)</b>	<b>(34 554)</b>	<b>-</b>

The contractual maturities of financial liabilities, including interest payments as of 31 December 2008 were as follows:

<b>Non-derivative financial liabilities</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
Trade accounts payable	7 962	(7 962)	(7 962)	-	-	-
Short-term borrowings (Note 16)	160 448	(164 451)	(164 451)	-	-	-
Long-term borrowings (Note 17)	110 560	(152 982)	(15 535)	(70 608)	(51 015)	(15 824)
Obligations under finance lease (Note 18)	16 042	(19 102)	(4 325)	(5 256)	(9 521)	-
Corporate bond issued (Note 19)	1 957	(2 122)	(2 122)	-	-	-
<b>Total</b>	<b>296 969</b>	<b>(346 619)</b>	<b>(194 395)</b>	<b>(75 864)</b>	<b>(60 536)</b>	<b>(15 824)</b>

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Group policy is to synchronize future cash-flow from sales and payments under financial liabilities, as well as to limit open stock position.

**Currency risk**

The major sources of finance of the Group, prices of sales contracts with customers and also prices of significant contracts for purchase of goods and services from suppliers are denominated in USD.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD. This provides The Group with a natural hedge against currency risk and no derivatives are required to cover such risk.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.



**31. FINANCIAL INSTRUMENTS (CONTINUED)**

The Group's exposure to foreign currency risk as at 31 December 2009 was as follows:

	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>
Cash	17 595	32 616	56	41
Trade accounts receivable, net	15 139	43 455	-	-
Trade accounts payable	(16 806)	(1 542)	-	-
Short-term borrowings (Note 16)				
<i>Ukrainian subsidiary of European bank</i>	-	-	-	-
<i>European banks</i>	-	(217 162)	-	-
Long-term borrowings (Note 17)				
<i>Ukrainian subsidiary of European bank</i>	-	-	-	-
<i>European banks</i>	-	(174 240)	-	-
Obligations under finance lease (Note 18)	-	(13 651)	-	-
<b>Balance sheet gross exposure</b>	<b>15 928</b>	<b>(330 524)</b>	<b>56</b>	<b>41</b>
Estimated sales	-	248 759	-	-
Estimated purchases	-	-	-	-
<b>Gross exposure</b>	<b>-</b>	<b>248 759</b>	<b>-</b>	<b>-</b>
<b>Net exposure</b>	<b>15 928</b>	<b>( 81 765)</b>	<b>56</b>	<b>41</b>

A 10 percent strengthening of UAH against USD as at 31 December 2009 would have increased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>
USD	1 465	7 519	5	4

Conversely, a 10 percent fall of UAH against USD as at 31 December 2009 would have had the opposite effect, on the assumption that all other variables remain constant.

**31. FINANCIAL INSTRUMENTS (CONTINUED)**

The Group's exposure to foreign currency risk as at 31 December 2008 was as follows:

	<b>UAH</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>
Cash	5 396	91 942	52	8
Trade accounts receivable, net	15 260	15 317	13 572	-
Inventory	100 067	-	-	-
Property, plant and equipment	127 585	62 901	-	-
Trade accounts payable	(6 083)	(1 879)	-	-
Short-term borrowings (Note 16)				
<i>Ukrainian subsidiary of European bank</i>	-	(75 662)	-	-
<i>European banks</i>	-	(84 786)	-	-
Long-term borrowings (Note 17)				
<i>Ukrainian subsidiary of European bank</i>	-	(96 560)	-	-
<i>European banks</i>	-	(14 000)	-	-
Obligations under finance lease (Note 18)	(1 285)	(14 757)	-	-
Corporate bonds issued (Note 19)	(1 957)	-	-	-
<b>Balance sheet gross exposure</b>	<b>238 983</b>	<b>(117 484)</b>	<b>13 624</b>	<b>8</b>
Estimated sales	-	143 500	-	-
Estimated purchases	-	-	-	-
<b>Gross exposure</b>	<b>-</b>	<b>143 500</b>	<b>-</b>	<b>-</b>
<b>Net exposure</b>	<b>238 983</b>	<b>26 016</b>	<b>13 624</b>	<b>8</b>

A 10 percent strengthening of UAH against USD as at 31 December 2008 would have increased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>
USD	2 365	1 239	1

Conversely, a 10 percent fall of UAH against USD as at 31 December 2008 would have had the opposite effect, on the assumption that all other variables remain constant.

Interest rate risk – the risk of changes in interest rates impact primarily borrowings by changing either their fair value (fixed rate debt) or future cash flows (variable rate debt). The Group obtains borrowings with fixed and with variable rates.

The interest rate profile of the Group's interest-bearing financial instruments as of 31 December 2009 and 2008 was as follows :

	<b>Carrying amount</b>	
	<b>31 December 2009</b>	<b>31 December 2008</b>
Fixed rate instruments (financial liabilities)	21 541	131 456
Variable rate instruments (financial liabilities)	383 512	157 551
<b>Total</b>	<b>405 053</b>	<b>289 007</b>

### **31. FINANCIAL INSTRUMENTS (CONTINUED)**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

#### Other market price risk

The Group enters into commodity contracts for the delivery of physical goods only and does not use any hedging tools in respect of price hedging.

### **32. 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 December 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:

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.

### **33. SHARE BASED PAYMENTS AND MANAGEMENT REMUNERATION**

On 20 February 2008, in accordance with management and Corporate Governance information provided in the Prospectus dated 25 October 2007, Kernel Holding S.A. signed a Management Incentive Plan providing to the management an option to purchase in aggregate up to 2,216,935 shares of Kernel Holding S.A., such number being equal to 3.5% of the issued and outstanding stock of Kernel Holding S.A. as at the adoption date of such plan, at IPO price (24 PLN). The management considers IPO date (23 November 2007) as the date of grant of the Management Incentive Plan. The option shall vest and become exercisable as to one third of the shares under option on 23 November 2008, as to a further one third of the shares under option on 23 November 2009, and as to the remaining shares under option on 23 November 2010, and is in force till 23 November 2018. There are no cash settlement alternatives. As of 31 December 2009 and 2008: 316,705 options out of 2,216,935 were not granted.

**33. SHARE BASED PAYMENTS AND MANAGEMENT REMUNERATION (CONTINUED)**

	Weighted average fair value in USD, per option		Number of options	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Beginning of the 6 month period	2.2215	2.2215	1 900 230	1 900 230
Vested during the 6 month period	2.2215	2.2215	633 410	633 410
Outstanding at end of 6 the months period	2.2215	2.2215	1 900 230	1 900 230

	Number of options				Fair value recognized as an expense during the period
	at beginning of the period	granted during the period	executed during the period	Outstanding at end of the period	
Management	1 900 230	-	-	1 900 230	704

Options holders are three members of the management of Kernel Group.

The fair value of the share based transactions as of 31 December 2009 in amount of USD 704 thousand is recognized as an expense (part of the payroll and payroll related expenses) and a corresponding increase in equity over the vesting period (31 December 2008: USD 411 thousand ).

The fair value of employee share based payments is calculated using the Black-Scholes model that uses the assumptions noted in the following table. The expected volatility of the shares is based on historical volatility calculated using the daily close price of the Group shares up to 15 September 2008. It has been assumed that all options will vest. The expected option term of options granted represents the period of time when the options granted are expected to be outstanding and is based on the contractual terms, vesting period and expectations of future employee behavior. The risk-free interest rate is based on the rate of Polish Treasury zero-coupon bond with a term equal to the expected option term of the option grants on the date of grant.

**33. SHARE BASED PAYMENTS AND MANAGEMENT REMUNERATION (CONTINUED)**

<b>Assumptions:</b>	<b>31 December 2009</b>
Expected option term (in years)	
Expected dividend yield	0 %
Expected volatility	15%
Risk-free interest rate	5.25%

Remuneration of the Board (6 Directors) for the 6 months ended 31 December 2009 amounted to USD 336 thousand (for the 6 months ended 31 December 2008 USD 336 thousand).

The executive directors are not entitled to remuneration for their services as Board members but are refunded, to a reasonable extent, for any expenses incurred by them in performing their duties, including reasonable travelling expenses. The Members of the Board of Directors and the Management Team members are not granted any pensions, retirement or similar benefits by the Group.

**34. EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of ordinary shares outstanding (68,741,000 for the period ended 31 December 2009 and 68,741,000 for the period ended 31 December 2008), excluding any dilutive effects of stock options. Diluted earnings per share is computed similar to basic earnings per share, except that the weighted-average number of ordinary shares outstanding is increased to include additional shares from the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options, except those which are not dilutive, were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. For calculating diluted earnings per share an average number of 68,741,000 ordinary shares are taken into account as the outstanding stock options were out of money based on the average market price during the reporting period (31 December 2009: 69,213,500).

**35. DESCRIPTION OF SUDSEQUENT EVENTS**

On 13 of January 2010 Kernel Holding S.A. entered into a call option agreement, providing Kernel the right to acquire a controlling interest in the Allseeds group of companies ("Allseeds"). Allseeds is operating mainly in Ukraine in the production and export of vegetable oil. The production assets of Allseeds are crushing plants, grain silos and an oil transshipment and export terminal, all located in Ukraine. Kernel shall pay a cash consideration of USD 42 million for such controlling interest, subject to the Antimonopoly Committee of Ukraine's approval of the transaction and subject to Kernel's agreement to the result and findings of the due diligence presently in process.

Following the call option agreement signed on 13 of January 2010 to acquire a controlling interest in Allseeds, Kernel has provided minority shareholders, on 18 of January 2010, a binding offer (the "Offer") to acquire a 37.6% minority shareholders interest in Allseeds on 12th February 2010, Kernel Holding S.A. signed a call option agreement to acquire the 37.6% minority shareholders interest in Allseeds, subject to approval of the transaction by the Antimonopoly Committee of Ukraine. Altogether, the call option agreements value Allseeds at an Enterprise Value (i.e. market value of all its shares and of its net interest bearing debt) of approximately USD 230 million.

On 25 February 2010 approval for the acquisition of Allseeds was granted by the Antimonopoly Committee of Ukraine, clearing the way for exercise of the option agreements signed by the company.

On 18 March 2010 the Management Incentive Plan dated 20 February 2008 was amended in respect of 1,900,230 option shares in order to change the option holders to the following companies: Apalax Investments Limited, Crouston Investments Limited and Sayfon Investments Limited. The beneficial owners of the said companies remain the same as the initial option holders indicated in section "Management and Corporate Governance" of the Kernel Holding S.A. Prospectus dated 25 October 2007.

On 26 March 2010, a Share Loan Agreement was concluded by and between Namsen Limited and Apalax Investments Limited in order to facilitate the exercise of the share option granted to Apalax Investments Limited. On 6 April 2010 in accordance with the terms and conditions of the Share Loan Agreement, Namsen Limited lent 150,000 shares in Kernel Holding S.A. to Apalax Investments Limited. The shares were transferred without any remuneration. Apalax Investments Limited will return to Namsen Limited shares of the same class and in the same number as the borrowed shares, after receipt of the shares issued upon exercise of the option in accordance with the Management Incentive Plan. The new shares will be issued within the authorized share capital approved at the Annual General Meeting of shareholders of Kernel Holding S.A. held on 16 November 2009.

In the period from 1 April to 12 April 2010 Apalax Investments Limited sold a total of 150,000 shares in Kernel Holding S.A. at an average price of 55.13 PLN per share.