

**Chairman's opening statement**

Dear Shareholders:

Our financial year 2010 started with some very positive elements, a strong performance delivered by our grain, bulk oil and fee-for-services businesses, but also some headwinds.

First, and most importantly, Ukrainian agriculture has delivered a good 2009 harvest, beating our conservative forecast published in July: our initial estimate of around 37 million tons harvest for wheat and coarse grain has been increased to 45 million tons according to most recent statistics. On the back of these production levels, we would expect Ukraine to export in excess of 20 million tons of grain over the 2009/2010 season. The sunflower seed crop also exceeds our initial expectations by some 500,000 to 1 million tons and should reach 6 to 6.5 million tons in total. Although slightly lower than in 2008, the 2009 sunflower seed crop can be characterized as very successful and should enable the Company to maximize production capacities throughout the season.

Second, and notwithstanding the fact that banks are still weary of Ukraine, our Company continues to enjoy the support of its banking partners, in particular for the financing of its long-term needs: In the course of the first quarter, in replacement of a bridge loan extended for the partial financing of our port grain terminal, the Company secured a long-term credit facility from a syndicate of international banks, possibly the only long-term facility provided this year in the Ukrainian space. Added to the strong liquidity position of the Group, support from our banks provides us the necessary comfort to finance not only our on-going operations, but also to explore possible acquisition opportunities.

Third, striking a less positive note, the first quarter has been characterized by a bear market in both grain and oil. Average sale prices have also decreased some 40% year-on-year. While the fall in prices has led to a decrease in margins in absolute terms and impacted our results, we expect the volume in bulk oil sales to compensate for this shortfall over the next three quarters. The 70% capacity increase of our Poltava crushing plant was recently commissioned and we expect a fast ramp up in production up to full capacity. The tolling agreement concluded in September with Black Sea Industries for the processing of 230,000 tons of sunflower seed per year will make up for the construction delays suffered in the commissioning of the Group's green field plant, now expected in the third quarter of our financial year.

Altogether, we believe the basic premises have been set to fulfill our forecast for the current year. While we feel markets for agricultural commodities are still relatively depressed, we expect to fully capitalize on the good grain and oilseed harvest achieved by Ukraine this year and our various businesses to perform largely according to initial planning.

**Financial highlights for the 3-month period ending 30 September 2009**

- Revenue decreased 35% year-on-year from USD 371.3 million for the 1<sup>st</sup> quarter of 2009 to USD 240.2 million for the 1<sup>st</sup> quarter 2010;
- Operating profit decreased 32% year-on-year from USD 45.3 million for the 1<sup>st</sup> quarter of 2009 to USD 30.7 million for the 1<sup>st</sup> quarter 2010;
- Net profit increased 73% year-on-year from USD 22.4 million for the 1<sup>st</sup> quarter of 2009 to USD 38.8 million for the 1<sup>st</sup> quarter 2010;
- Available bank lines and trade finance facilities: USD 535 million;
- Return on shareholders' equity: 38%.

**Production, sales & throughput tonnage for the 3-month period ending 30 September 2009**

	Q1 FY2009	Q1 FY2010
Grain sales	556 427	590 120
Sales of oil in bulk	61 255	77 467
Bottled oil sales, l'000	28 580	28 910
Sunflower seed crush	113 898	156 502
Production of refined oil	32 594	26 684
Production of bottled oil	25 598	23 376
Grain terminal throughput	802 000	887 000
Grain and oilseeds stored in inland silos	945 000	771 000

**Review of financial results for the 3-month period ending 30 September 2009**

For the first quarter of our financial year 2010 Kernel reported net profit of USD 39 million on revenue of USD 241 million, compared with a net profit of USD 23.2 million and revenue of USD 371.3 million for the first quarter of financial year 2009. The decrease in revenue is primarily a consequence of the lower values in grain and oil commodities, making up the majority of Kernel sales. In volume terms, all business segments of the Group achieved record or near record performance in our first quarter.

Gross profit for the Group decreased from USD 93.0 million for the 1st quarter of 2009 to USD 61.0 million for the 1st quarter 2010, a 34% year-on-year decrease in absolute terms. In relative terms, gross margin remained at a level of 25%, unchanged from the previous year. As for revenue, the decrease in absolute terms of gross profit is a direct consequence of the fall in prices of grain as well as oil.

Distribution costs decreased from USD 44.1 million for the 1st quarter of 2009 to USD 27.7 million for the 1st quarter of the current financial year: the 37% year-on-year decrease primarily reflects the fall in the value of the local currency and consequently the comparatively lower cost, in US Dollar terms, of transportation inside Ukraine.

G&A expenses have decreased from USD 7,2 million in the first quarter of the previous financial year to USD 5,4 million for the current year, respectively equivalent to 1,9% and 2,3% of turnover.

Operating profit decreased 32% year-on-year from USD 45.3 million for the 1st quarter of 2009 to USD 30.7 million for the 1st quarter 2010. Operating margin in relative terms also remained unchanged from the previous year, at a level of 12%. Operating results have however been negatively impacted by the following accounting elements: As we have regularly pointed out, the purchase price for sunflower seed and grains is largely pegged to the US dollar, and Kernel, as most market players, will purchase such goods by regularly converting its mostly US Dollar resources into the local currency at the commercial market rate offered to the Company by our banks in Ukraine. Our IFRS financial accounts, on the other hand, take into consideration the official exchange rate established by the National Bank, which, over the 1st quarter of the current year, was significantly below market rate and resulted in a USD 11 million foreign exchange gain for the Company. While accounted for as foreign exchange gain, we consider this income as fully derived by our on-going business and reflecting operational profitability.

Financial expenses relative to turnover have decreased year-on-year from 2,1% in the first quarter of the previous financial year to 1,3% in the first quarter of the current financial year, the decrease being a direct consequence of the decrease in commodity prices and lower total debt level of the Group.

**Review of financial results for the 3-month period ending 30 September 2009 (continued)**

Net profit increased 73% year-on-year from USD 22.4 million for the 1st quarter of 2009 to USD 38.8 million for the 1st quarter 2010, the sharp increase reflecting lower finance costs and the foreign exchange gain over the quarter. Highlighting some balance sheet items, inventories have increased from USD 181 million as of 30 September 2008 to USD 205 million as of 30 September 2009, due primarily to the continuous development of our crushing capacities. Taxes prepaid have increased from USD 65 million as of 30 September 2008 to USD 108 million on 30 September 2009 as a consequence of the increase in inventory, but also due to the slower rate of VAT refund.

As to cash flow, as is customary and expected in the first half of the financial year, we have operated with a negative operating cash flow in the 1st quarter.

**Segmental review*****Bottled oil***

Volumes of bottled oil sales in the first quarter of the current year stand at the same level as for the previous year. Prices over the quarter have decreased some 50% year-on-year, the steep decrease being largely dictated by a corresponding fall in oil prices on the international market. Margins in our bottled oil business have been under pressure due to a still depressed consumer market in Ukraine.

***Bulk oil***

Bulk oil sales contracts executed over the first quarter, comprising crude oil and refined oil, have increased year-on-year by 27%, reflecting primarily the increased crushing capacity of the Group. As with bottled oil sales, prices have fallen by close to 50% year-on-year. Margins, albeit lower in absolute terms, have remained at the same level in relative terms and reflect both our strong origination power as we continue developing our sourcing capacities and the quantity of crop available to the crushing industry in the current season.

***Grain***

With close to 600,000 tons of grain contracts executed over the first quarter, our grain operations have delivered a very strong performance, improving on their own record set in the previous year. We note that these volumes have been achieved in the face of a bear market all through the quarter. Year-on-year, prices have decreased by a third, explaining the lower revenue and operating profit for the segment. In relative terms, operating margins in the grain segment for the first quarter have decreased slightly from 7.5% to 7.2% year-on-year.

***Silo services***

Throughput achieved by our inland silos stand at 770,000 tons for the quarter, compared to 945,000 tons in the first quarter of our previous financial quarter, the 18% decrease reflecting primarily the lower 2009 harvest in Ukraine. Fee income has decreased from USD 18.8 million for the 1<sup>st</sup> quarter of 2009 to USD 7.1 million for the 1<sup>st</sup> quarter 2010, reflecting the lower volume of grain stored in Group elevators and also the decrease in fee per ton, in US Dollar terms, as a consequence of the Hrivnia (Ukraine currency) depreciation.

***Grain Terminal (handling and transshipment services)***

Our Illichevsk grain terminal has delivered a record first quarter. Grain throughput for the three months to 30 September of the current year was 887,000 tons, a 10% improvement on the already remarkable tonnage achieved in the previous year. Our port transshipment business took of course advantage of the good crop this year, but also of the Group's extensive sourcing capacity inside the country, with Kernel ensuring 45% of total throughput over the quarter thanks to its own grain merchandizing. Contrary to our other business segments, grain terminal operations were largely immune to the fall in commodity prices and fees, in US Dollar terms, remain at levels comparable to the previous year.

**Segmental review (continued)*****Farming***

The Group harvested 260,000 tons of produce in 2009 (calendar year), our main crops being wheat, 40% of total production, corn, barley, sunflower seed and soy, with the oil crops representing a quarter of total production. As we mentioned early on in the growing season, Kernel planted all 85,000 ha of farm land managed by the Group and achieved the same production levels as in the previous record year. Though positive, operating margins remain disappointing and reflect the still relatively high input costs and the fall in soft commodity prices.

**Outlook**

Looking ahead to the next three quarters, we expect our bulk oil and grain businesses to continue performing quite strongly: To date, the Company has booked 70% of grain sales and 50% of bulk oil sales planned for the season. The Company is also expected to post strong fee income, with the level of grain throughput both through inland silos and at port in line with our initial expectations. Farming, though production levels have been encouraging, will only contribute marginally to results for the year.

In consideration of this outlook, we maintain our guidance for the financial year 2010, with revenue forecasted at USD 1,050 million, USD 185 million EBITDA and USD 130 million net profit.

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

**Condensed Consolidated Financial Statements**

**For the 3 months ended 30 September 2009**

**TABLE OF CONTENTS**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2009

*SELECTED FINANCIAL DATA* ----- 3  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION-----4  
CONDENSED CONSOLIDATED INCOME STATEMENT -----5  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-----6  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY-----7  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS -----8  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -----9

**SELECTED FINANCIAL DATA AS AT 30 SEPTEMBER 2009 (unaudited)**  
*(in thousands unless otherwise stated)*

SELECTED FINANCIAL DATA	thousand USD		thousand PLN		thousand EUR	
	2009	2008	2009	2008	2009	2008
I. Revenue	240 255	371 303	706 133	817 477	168 116	247 282
II. Operating profit(loss)	30 674	45 313	90 154	99 764	21 464	30 178
III. Profit/(loss) before income tax	38 808	22 403	114 061	49 324	27 156	14 920
IV. Net profit/(loss)	39 172	23 226	115 130	51 136	27 410	15 468
V. Net cash flow from operating activity	(82 422)	(61 259)	(242 247)	(134 870)	(57 674)	(40 797)
VI. Net cash flow from investment activity	(10 251)	(6 161)	(30 129)	(13 564)	(7 173)	(4 103)
VII. Net cash flow from financial activity	40 942	152 914	120 333	336 662	28 649	101 838
VIII. Total net cash flow	(51 731)	85 494	(152 043)	188 228	(36 198)	56 938
IX. Total assets	796 587	949 399	2 298 313	2 250 836	544 303	660 399
X. Current liabilities	293 900	371 992	847 961	881 919	200 820	258 756
XI. Non-current liabilities	101 655	129 404	293 294	306 790	69 460	90 014
XII. Issued capital	1 815	1 815	5 237	4 303	1 240	1 263
XIII. Total equity	401 032	448 003	1 157 058	1 062 127	274 023	311 629
XIV. 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)	0.57	0.32	1.67	0.70	0.40	0.21
XVI. Diluted number of shares	69 144 393	68 863 522	69 144 393	68 863 522	69 144 393	68 863 522
XVII. Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	0.57	0.32	1.67	0.70	0.40	0.21
XVIII. Book value per share (in USD/PLN/EUR)	5.82	5.91	16.80	14.01	3.98	4.11
XIX. Diluted book value per share (in USD/PLN/EUR)	5.79	5.90	16.70	13.99	3.96	4.10

On behalf of the Board

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

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

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009**
*(in US dollars and in thousands unless otherwise stated)*

	Notes	30 September 2009 (unaudited)	30 June 2009 (audited)	30 September 2008 (unaudited)
<b>ASSETS</b>				
<i>CURRENT ASSETS:</i>				
Cash		53 750	129 263	234 307
Trade accounts receivable, net		41 510	32 419	50 292
Prepayments to suppliers and other current assets, net		29 251	25 810	54 791
Taxes recoverable and prepaid, net		108 724	72 871	65 130
Inventory		204 636	99 086	181 384
Biological assets		1 935	18 932	2 796
<b>Total current assets</b>		<b>439 806</b>	<b>378 381</b>	<b>588 700</b>
<i>NON-CURRENT ASSETS:</i>				
Property, plant and equipment, net	5	242 229	221 770	236 175
Intangible assets, net	6	33 408	35 686	59 284
Goodwill		44 746	45 166	47 730
Other non-current assets		36 398	18 703	17 510
<b>Total non-current assets</b>		<b>356 781</b>	<b>321 325</b>	<b>360 699</b>
<b>TOTAL ASSETS</b>		<b>796 587</b>	<b>699 706</b>	<b>949 399</b>
<b>LIABILITIES AND EQUITY</b>				
<i>CURRENT LIABILITIES:</i>				
Trade accounts payable		28 215	7 539	11 115
Advances from customers and other current liabilities		21 407	25 806	40 020
Short-term borrowings	7	228 787	148 483	288 235
Short-term corporate bonds		-	1 993	25 730
Current portion of long-term borrowings		15 491	11 230	6 892
<b>Total current liabilities</b>		<b>293 900</b>	<b>195 051</b>	<b>371 992</b>
<i>NON-CURRENT LIABILITIES:</i>				
Long-term borrowings	8	74 084	121 369	87 992
Obligations under finance lease		10 321	11 491	15 307
Deferred tax liabilities	9	17 230	14 207	25 897
Other non-current liabilities		20	125	208
<b>Total non-current liabilities</b>		<b>101 655</b>	<b>147 192</b>	<b>129 404</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 surplus		11 260	-	-
Translation reserve		(168 185)	(162 163)	1 768
Retained earnings		278 753	239 601	126 056
<b>Total equity attributable to Kernel Holding S.A. equity holders</b>		<b>400 224</b>	<b>355 834</b>	<b>406 220</b>
<i>Minority interest</i>		808	1 629	41 783
<b>Total equity</b>		<b>401 032</b>	<b>357 463</b>	<b>448 003</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>796 587</b>	<b>699 706</b>	<b>949 399</b>
Book value		400 224	355 834	406 220
Number of shares		68 741 000	68 741 000	68 741 000
<b>Book value per one share (in USD)</b>		5.82	5.18	5.91
Diluted number of shares		69 144 393	68 741 000	68 863 522
<b>Diluted book value per share (in USD)</b>		5.79	5.18	5.90
On behalf of the Board				
Andrey Verevskiy			Anastasiia Usachova	
Chairman of the Board			CFO	



**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2009**
*(in US dollars and in thousands unless otherwise stated)*

	Notes	3 months ended 30 September 2009 (unaudited)	3 months ended 30 September 2008 (unaudited)
<b>CONTINUING OPERATIONS</b>			
REVENUE		240 255	371 303
COST OF SALES		(179 508)	(278 314)
<b>GROSS PROFIT</b>		<b>60 747</b>	<b>92 989</b>
OTHER OPERATIONAL INCOME		3 043	3 650
OPERATING EXPENSES:			
Distribution costs		(27 717)	(44 108)
General and administrative expenses		(5 399)	(7 218)
<b>RESULT FROM OPERATING ACTIVITIES</b>		<b>30 674</b>	<b>45 313</b>
Finance costs, net		(3 081)	(7 742)
Foreign exchange (loss)/gain, net		11 516	(16 688)
Other (expenses)/income, net		(301)	1 520
<b>PROFIT/ (LOSS) BEFORE INCOME TAX</b>		<b>38 808</b>	<b>22 403</b>
INCOME TAX	9	364	823
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>		<b>39 172</b>	<b>23 226</b>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO:</b>			
Equity holders of Kernel Holding S.A.		39 152	22 003
Non-controlling interests		20	1 223
<b>Net profit/(loss) attributable to equity holders of Kernel Holding S.A.</b>		<b>39 152</b>	<b>22 003</b>
Number of shares		68 741 000	68 741 000
Profit/(loss) per ordinary share (in USD)		0.57	0.32
Diluted number of shares		69 144 393	68 863 522
Diluted profit/(loss) per ordinary share (in USD)		0.57	0.32

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2009**

	<b>3 months ended 30 September 2009 (unaudited)</b>	<b>3 months ended 30 September 2008 (unaudited)</b>
<b>NET PROFIT</b>	<b>39 172</b>	<b>23 226</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translating foreign operations	(6 035)	(12 590)
Gain on property revaluation	15 154	-
Income tax related to components of other comprehensive income	(3 789)	-
<b>OTHER COMPREHENSIVE INCOME NET OF TAX</b>	<b>5 330</b>	<b>(12 590)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>44 502</b>	<b>10 636</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Equity holders of Kernel Holding S.A.	44 390	10 670
Non-controlling interest	112	1 189

On behalf of the Board

 Andrey Verevskiy  
 Chairman of the Board

 Anastasiia Usachova  
 CFO

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2009**
*(in US dollars and in thousands unless otherwise stated)*
**Attributable to Kernel Holding S.A. shareholders**

	Issue capital	Share premium reserve	Additional paid-in capital	Retained earnings	Revaluation surplus	Translation reserve	Total	Minority interest	Total equity
<b>Balance at 30 September 2008</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>126 056</b>	-	<b>1 768</b>	<b>406 220</b>	<b>41 783</b>	<b>448 003</b>
Profit for the period	-	-	-	44 629	-	-	44 629	(4 732)	39 897
Other comprehensive income	-	-	-	-	-	(190 418)	(190 418)	1 049	(189 369)
<b>Total comprehensive income for the period</b>	-	-	-	<b>44 629</b>	-	<b>(190 418)</b>	<b>(145 789)</b>	<b>(3 683)</b>	<b>(149 472)</b>
Effect of changes on minority interest	-	-	-	-	-	-	-	(32 975)	(32 975)
<b>Balance at 31 December 2008</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>170 685</b>	-	<b>(188 650)</b>	<b>260 431</b>	<b>5 125</b>	<b>265 556</b>
Profit for the period	-	-	-	47 216	-	-	47 216	(44)	47 172
Other comprehensive income	-	-	-	-	-	4 713	4 713	27	4 740
<b>Total comprehensive income for the period</b>	-	-	-	<b>47 216</b>	-	<b>4 713</b>	<b>51 929</b>	<b>(17)</b>	<b>51 912</b>
Effect of changes on minority interest	-	-	-	-	-	-	-	(2 474)	(2 474)
<b>Balance at 31 March 2009</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>217 901</b>	-	<b>(183 937)</b>	<b>312 360</b>	<b>2 634</b>	<b>314 994</b>
Profit for the period	-	-	-	21 700	-	-	21 700	(2)	21 698
Other comprehensive income	-	-	-	-	-	21 774	21 774	1 0	21 784
<b>Total comprehensive income for the period</b>	-	-	-	<b>21 700</b>	-	<b>21 774</b>	<b>43 474</b>	<b>8</b>	<b>43 482</b>
Effect of changes on minority interest	-	-	-	-	-	-	-	(1 013)	(1 013)
<b>Balance at 30 June 2009</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>239 601</b>	-	<b>(162 163)</b>	<b>355 834</b>	<b>1 629</b>	<b>357 463</b>
Profit for the period	-	-	-	39 152	-	-	39 152	20	39 172
Other comprehensive income	-	-	-	-	11 260	(6 022)	5 238	92	5 330
<b>Total comprehensive income for the period</b>	-	-	-	<b>39 152</b>	<b>11 260</b>	<b>(6 022)</b>	<b>44 390</b>	<b>112</b>	<b>44 502</b>
Effect of changes on minority interest	-	-	-	-	-	-	-	(933)	(933)
<b>Balance at 30 September 2009</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>278 753</b>	<b>11 260</b>	<b>(168 185)</b>	<b>400 224</b>	<b>808</b>	<b>401 032</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2009 (unaudited)**  
*(in US dollars and in thousands unless otherwise stated)*

	<b>3 months ended 30 September 2009</b>	<b>3 months ended 30 September 2008</b>
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES:</b>		
Profit/(loss) before income tax	38 808	22 403
<i>Adjustments to reconcile profit before income tax to net cash used</i>		
Amortization and depreciation	5 090	6 855
Finance costs	3 081	7 742
Bad debt expenses and other accruals	84	(484)
Loss/(gain) on disposal of property, plant and equipment	(49)	(277)
Non-operating foreign exchange (gain)/loss	5 373	2
<b>Operating profit before working capital changes</b>	<b>52 387</b>	<b>36 241</b>
<i>Changes in working capital:</i>		
Decrease/(increase) in trade accounts receivable	(10 483)	2 021
Decrease/(increase) in prepayments and other current assets	(5 097)	(18 158)
Decrease/(increase) in restricted cash balance	23 781	(60 283)
Decrease/(increase) in taxes recoverable and prepaid	(35 853)	(41 990)
Decrease/(increase) in biological assets	16 997	39 649
Decrease/(increase) in inventories	(119 458)	(32 252)
Increase/(decrease) in trade accounts payable	20 676	5 287
Increase/(decrease) in advances from customers and other current liabilities	(22 109)	16 316
<b>Cash obtained from/(used in) operations</b>	<b>(79 159)</b>	<b>(53 169)</b>
Finance costs paid	(3 081)	(7 742)
Income tax paid	(182)	(348)
<b>Net cash provided by/(used in) operating activities</b>	<b>(82 422)</b>	<b>(61 259)</b>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(9 434)	(3 438)
Proceeds from disposal of property, plant and equipment	40	2 694
Sales/(Purchase) of intangible and other non-current assets	(16)	407
Acquisition of Subsidiaries	-	(5 824)
Effect of changes on minority interest	(841)	-
<b>Net cash used in investing activities</b>	<b>(10 251)</b>	<b>(6 161)</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from short-term and long-term borrowings	392 717	285 533
Repayment of short-term and long-term borrowings	(346 408)	(129 133)
Corporate bonds issued/(repaid)	(1 993)	(5 254)
<b>Net cash provided by financing activities</b>	<b>44 316</b>	<b>151 146</b>
TRANSLATION ADJUSTMENT	(3 375)	1 768
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(51 732)</b>	<b>85 494</b>
CASH AND CASH EQUIVALENTS, at the beginning of the period	98 072	58 813
CASH AND CASH EQUIVALENTS, at the end of the period	<b>46 340</b>	<b>144 307</b>

On behalf of the Board  
 Andrey Verevskiy  
 Chairman of the Board

Anastasiia Usachova  
 CFO

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2009 (unaudited)**  
*(in US dollars and in thousands unless otherwise stated)*
**1. KEY DATA BY OPERATING SEGMENT FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2009 (unaudited)**

	<b>Bottled sunflower oil</b>	<b>Sunflower oil in bulk</b>	<i>Grain handling and transshipment services</i>	<b>Farming</b>	<b>Grain</b>	<b>Silo services</b>	<b>Other</b>	<b>Reconciliation</b>	<b>Continuing Operations</b>
Revenue (external)	27 058	77 079	6 621	1 830	123 546	3 996	125	-	240 255
Intersegment sales	-	-	5 915	17 209	-	2 751	-	(25 875)	-
<b>Total</b>	<b>27 058</b>	<b>77 079</b>	<b>12 536</b>	<b>19 039</b>	<b>123 546</b>	<b>6 747</b>	<b>125</b>	<b>(25 875)</b>	<b>240 255</b>
Other operating income	-	168	34	2 411	19	411	-	-	3 043
<b>Operating profit (EBIT)</b>	<b>3 295</b>	<b>11 291</b>	<b>6 594</b>	<b>760</b>	<b>8 885</b>	<b>2 328</b>	<b>(2 479)</b>	<b>-</b>	<b>30 674</b>
Finance costs net									(3 081)
Foreign exchange (loss)/gain, net									11 516
Other (expenses)/income, net									(301)
Income tax									364
<b>Net profit</b>									<b>39 172</b>
<b>Total assets</b>	<b>147 215</b>	<b>228 061</b>	<b>103 822</b>	<b>59 370</b>	<b>158 400</b>	<b>35 778</b>	<b>63 941</b>	<b>-</b>	<b>796 587</b>
Capital expenditures	40 066	39 354	51	329	1 167	841	163	-	81 971
Amortization and depreciation	796	779	778	2 302	66	326	43	-	5 090
Liabilities	5 521	13 461	1 597	2 469	14 654	5 385	352 468	-	395 555

During the 3-month period ended 30 September 2009 none of the Group's customers accounted for more than 10% of the total external revenue. During the 3-month period ended 30 September 2009 export sales amounted to 79 % of total external sales revenue.

**1. KEY DATA BY OPERATING SEGMENT (CONTINUED) FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2008 (unaudited)**

	<b>Bottled sunflower oil</b>	<b>Sunflower oil in bulk</b>	<i>Grain handling and transshipment services</i>	<b>Farming</b>	<b>Grain</b>	<b>Silo services</b>	<b>Other</b>	<b>Reconciliation</b>	<b>Continuing Operations</b>
Revenue (external)	52 071	95 092	5 214	3 527	200 587	14 812	-	-	<b>371 303</b>
Intersegment sales	-	-	5 010	26 550	-	3 355	-	(34 915)	-
<b>Total</b>	<b>52 071</b>	<b>95 092</b>	<b>10 224</b>	<b>30 077</b>	<b>200 587</b>	<b>18 167</b>	<b>-</b>	<b>(34 915)</b>	<b>371 303</b>
Other operating income	1 169	117	511	180	1 746	604	(677)	-	<b>3 650</b>
<b>Operating profit (EBIT)</b>	<b>8 722</b>	<b>13 815</b>	<b>4 710</b>	<b>590</b>	<b>15 227</b>	<b>7 507</b>	<b>(5 258)</b>	<b>-</b>	<b>45 313</b>
Finance costs, net									(7 742)
Foreign exchange (loss)/gain, net									(16 688)
Other (expenses)/ income, net									(1 520)
Income tax									<b>823</b>
<b>Net profit</b>									<b>23 226</b>
<b>Total assets</b>	<b>155 846</b>	<b>201 598</b>	<b>91 298</b>	<b>90 233</b>	<b>314 325</b>	<b>93 107</b>	<b>2 992</b>	<b>-</b>	<b>949 399</b>
Capital expenditures	2 323	3 842	30	5 117	-	1 767	63	-	<b>13 142</b>
Amortization and depreciation	949	1 175	817	2 831	-	610	473	-	<b>6 855</b>
Liabilities	6 206	7 155	1 735	2 519	25 726	8 002	450 053	-	<b>501 396</b>

During the 3-month period ended 30 September 2008 none of the Group's customers accounted for more than 10% of the total external revenue. During the 3-month period ended 30 September 2008 export sales amounted to 74% of total external sales revenue.

**2. NATURE OF THE BUSINESS**

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

The primary activity of the Group is related to production of bottled sunflower oil, production and subsequent export of bulk sunflower oil and meal, wholesale trade of grain (mainly wheat, barley and corn), farming and provision of logistics and trans-shipment services.

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

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

As of 30 September 2009, 30 June 2009 and 30 September 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		
			30 September 2009	30 June 2009	30 September 2008
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine.	Ukraine	99.9%	99.8%	99.9%
"Etrecom Investments", LLC	Holding company.	Cyprus	100%	100%	100%
"Yuzhtrans-Terminal", LLC	Dormant company.	Ukraine	Disposed of on 17 February, 2009	Disposed of on 17 February, 2009	99.9%
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	100%	100%	99.0%
Inerco Commodities S.A.		Switzerland	100%	100%	N/A
Restomon LTD		British Virgin Islands	100%	100%	N/A
Lanen S.A.		Panama	100%	100%	100%
"Kernel-Trade", LLC		Ukraine	100%	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%	73.05%	95.2%
JSC "Vovchansk OEP"		Ukraine	99.3%	99.3%	99.3%
CJSC "Prykolotne OEP"		Ukraine	100%	100%	100%
CJSC "Prykolotnyanska oliya"		Ukraine	Disposed of on 31 March 2009	Disposed of on 31 March 2009	46.4%
"Bandurskiy oil crushing plant", LLC		Ukraine	100%	100%	100%
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100%	100%	100%
"Transagroinvest" LLC	No significant activity since the date of foundation.	Ukraine	Disposed of on 30 June 2009	Disposed of on 30 June 2009	100%

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

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2009	30 June 2009	30 September 2008
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	100%	99.9%
JSC "Reshetilovski elevator"		Ukraine	Disposed of on 06 August 2009	0.0%	0.0%
CJSC "Horol-Elevator"		Ukraine	100%	100%	100%
JSC "Horolskiy elevator"		Ukraine	Disposed of on 06 August 2009	0.0%	0.0%
CJSC "Mirgorodsky elevator"		Ukraine	100%	100%	99.9%
CJSC "Globynsky elevator HP"		Ukraine	100%	100%	100%
JSC "Globinsky elevator kliboproductiv"		Ukraine	Disposed of on 06 August 2009	0.0%	0.0%
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	88.2%	88.1%	88.2%
CJSC "Galeschina-Agro"		Ukraine	99.9%	99.8%	99.9%
CJSC "Gogoleve-Agro"		Ukraine	99.9%	99.8%	99.9%
CJSC "Sagaydak-Agro"		Ukraine	100%	100%	100%
CJSC "Karlivka-Agro"		Ukraine	99.9%	99.8%	99.9%
CJSC "Lazorkovski Elevator"		Ukraine	99.9%	99.8%	99.9%
"Zhrebkivsky elevator LTD"		Ukraine	99.9%	99.8%	99.9%
"Kononivsky elevator LTD"		Ukraine	99.9%	99.8%	99.9%
CJSC "Semenivski elevator"		Ukraine	99.9%	99.8%	99.9%
"Kobelyaki hleboproduct", LLC		Ukraine	100%	100%	0.1%
CJSC "Vlasivskiy KHP"		Ukraine	Control relinquished	Control relinquished	In process of liquidation
"Sahnovshina hleboproduct", LLC		Ukraine	100%	100%	100%
CJSC "Velykoburlutske HPP"		Ukraine	100%	100%	100%



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

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2009	30 June 2009	30 September 2008
CJSC "Gutnansky elevator"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	100%	100%
CJSC "Lykhachivsky KHP"		Ukraine	100%	100%	100%
CJSC "Shevchenkisky KHP"		Ukraine	100%	100%	100%
CJSC "Orilske HPP"		Ukraine	100%	100%	100%
CJSC "Kovyagivske KHP"		Ukraine	100%	100%	100%
"Viktorovsky elevator, LLC"		Ukraine	100%	N/A	N/A
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	99.9%	99.8%	99.9%
"Ykragrobiznes", LLC	Holding company.	Ukraine	100%	100%	100%
"Agroservise", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	100%
"Zernoservise", LLC		Ukraine	100%	100%	100%
"Unigrain-Agro" (Globino), LLC		Ukraine	100%	100%	100%
"Unigrain-Agro" (Semenovka), LLC		Ukraine	100%	100%	100%
"Mrija-Agro", LLC		Ukraine	100%	100%	100%
CJSC "Lozivske HPP"		Ukraine	100%	100%	100%
CJSC "Krasnopavlivsky KHP"		Ukraine	100%	100%	100%
CJSC "Agrofirma "Krasnopavlivska"		Ukraine	Disposed of on 06 August 2009	0.0%	0.0%
"Agrofirma "Arshitsa", LLC		Ukraine	100%	100%	100%

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

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2009	30 June 2009	30 September 2008
"Agrotera-Kolos", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	0%
"Chorna Kamyanka", LLC		Ukraine	100%	100%	100%
"Govtva", ALLC		Ukraine	100%	100%	0%
PRAC "Perebudova"		Ukraine	100%	100%	0%
"Manjurka", LLC		Ukraine	100%	100%	0%
"Krutenke", LLC		Ukraine	100%	100%	0%
"Promin", LLC		Ukraine	100%	100%	0%
PRAC "Brovarki"		Ukraine	100%	100%	0%
PRAC by the name of Shorsa		Ukraine	100%	100%	0%
"Troyanske", ALLC		Ukraine	100%	100%	0%
"Zorya", ALLC		Ukraine	100%	100%	0%
"Hleborob", ALLC		Ukraine	100%	100%	0%
AC by the name of T. Shevchenko		Ukraine	100%	100%	0%
PRAC "Drugba"		Ukraine	100%	100%	0%
LLC "Agrofirma "Chkalova"		Ukraine	100%	100%	100%
LLC "Agrofirma "Vitchizna"		Ukraine	100%	100%	100%

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

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2009	30 June 2009	30 September 2008
"Transbulk Terminal", LLC	Provision of grain handling and transshipment services, including services to the Group.	Ukraine	100%	100%	100%
C.F.C Ukraine Ltd		Ukraine	100%	100%	100%
Estron Corporation Ltd		Cyprus	100%	100%	100%
Chorex Developments Limited		Cyprus	100%	100%	100%
Hamalex Developments LTD		Cyprus	100%	100%	100%

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

These consolidated financial statements were authorized for issue by the Board of Directors of Kernel Holding S.A., on 13 November 2009.

**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 30 September 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 30 September 2008 – 68,741,000 shares).

The shares were distributed as follows:

**EQUITY HOLDERS**

	<b>Shares allotted and fully paid as of 30 September 2009</b>	<b>Share owned as of</b>	<b>Shares allotted and fully paid as of 30 September 2008</b>	<b>Share owned as of</b>
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Equity holder")	40 574 250	59.03%	40 574 250	59.03%
Free-float	28 166 750	40.97%	28 166 750	40.97%
<b>Total</b>	<b>68 741 000</b>	<b>100.00%</b>	<b>68 741 000</b>	<b>100.00%</b>

As of 30 September 2009 and 2008 100% of the beneficial interest in the "Majority Equity holder" was held by Verevskiy Andrey Mikhaylovych (hereinafter the "Beneficial Owner").

On 19 November, 2007 Namsen LTD executed a call-option for 1,334 shares (14.29%), held by Evergreen Financial Limited.

In order to perform an initial public offering of the shares of the Company on the Warsaw Stock Exchange, the general shareholders meeting 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 30 September 2009, unchanged from 30 September 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 30 September 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) and Inerco Commodities S.A. (Switzerland). 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 20 as the activities of these subsidiaries are carried out with limited degree of autonomy.

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 30 September 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 30 September 2009	Average rate for the 3 months ended 30 September 2009	Closing rate as of 30 September 2008	Average rate for the 3 months ended 30 September 2008
USD/UAH	8.0100	7.8160	4.8610	4.8468
USD/EUR	0.6833	0.6997	0.6956	0.6660
USD/PLN	2.8852	2.9391	2.3708	2.2016

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

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

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

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

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

Investments in Non-consolidated Subsidiaries and Associates - Investments in corporate shares where the Group owns more than 20% of 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 30 September 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>
<i><b>Bottled sunflower oil</b></i>	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
<i><b>Sunflower oil in bulk</b></i>	Production and sales of sunflower oil in bulk (crude and refined) and meal
<i><b>Grain</b></i>	Sourcing and merchandizing of wholesale grain.
<i><b>Grain handling and transshipment services</b></i>	Grain handling and transshipment services in the port of Ilyichevsk.
<i><b>Grain silo services</b></i>	Provision of cleaning, drying and grain storage services.
<i><b>Farming</b></i>	Agricultural farming. Production of wheat, barley, corn, soybean and sunflower seed.

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

In the financial statements as of 30 September 2009 the segment table reflects continuing operations only. The prior-year figures have been reclassified to ensure comparability.

The reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments.

The segment data is calculated as follows:

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

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

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

The following table represents movements in property, plant and equipment for the 3 months ended 30 September 2009:

	<b>Oil</b>	<b>Port</b>	<b>Farming</b>	<b>Silo services</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>78 985</b>	<b>6</b>	<b>175</b>	<b>762</b>	<b>1 964</b>	<b>81 892</b>
Buildings and Constructions	40 443	6	107	82	2	40 640
Production machinery and equipment	26 751	-	-	680	-	27 431
Agricultural vehicles and equipment	-	-	62	-	-	62
Other fixed assets	-	-	-	-	1 914	1 914
CIP and uninstalled equipment	11 791	-	6	-	48	11 845
<b>Disposals (at NBV)</b>	<b>(52 386)</b>	<b>(2)</b>	<b>(63)</b>	<b>(691)</b>	<b>(739)</b>	<b>(53 881)</b>
Buildings and Constructions	(31 637)	-	-	(8)	-	(31 645)
Production machinery and equipment	(20 651)	-	(13)	(54)	-	(20 718)
Agricultural vehicles and equipment	(97)	-	(32)	-	-	(129)
Other fixed assets	-	-	-	-	(739)	(739)
CIP and uninstalled equipment	(1)	(2)	(18)	(629)	-	(650)
<b>Depreciation expense</b>	<b>(1 379)</b>	<b>(760)</b>	<b>(1 322)</b>	<b>(287)</b>	<b>(285)</b>	<b>(4 033)</b>
Buildings and Constructions	(612)	(30)	(269)	(197)	(33)	(1 141)
Production machinery and equipment	(766)	(730)	(20)	(86)	-	(1 602)
Agricultural vehicles and equipment	(1)	-	(1 033)	(4)	-	(1 038)
Other fixed assets	-	-	-	-	(252)	(252)

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

	<b>Oil</b>	<b>Port</b>	<b>Farming</b>	<b>Silo services</b>	<b>Other</b>	<b>Total</b>
<b>Translation difference</b>	<b>(1 924)</b>	<b>(6)</b>	<b>(426)</b>	<b>(964)</b>	<b>(199)</b>	<b>(3 519)</b>
Land	-	-	-	(32)	-	(32)
Buildings and Constructions	(112)	(5)	(274)	(757)	(34)	(1 182)
Production machinery and equipment	(38)	-	(18)	(155)	(3)	(214)
Agricultural vehicles and equipment	1	-	(134)	(3)	-	(136)
Other fixed assets	-	-	-	-	(162)	(162)
CIP and uninstalled equipment	(1 775)	(1)	-	(17)	-	(1 793)
<b>Net Book Value as at 30 September 2009</b>	<b>131 763</b>	<b>60 714</b>	<b>22 501</b>	<b>19 276</b>	<b>7 975</b>	<b>242 229</b>
Land	700	-	2	646	-	1 348
Buildings and Constructions	42 095	5 767	5 432	15 142	2 097	70 533
Production machinery and equipment	26 771	54 918	349	3 364	-	85 402
Agricultural vehicles and equipment	24	-	16 663	68	-	16 755
Other fixed assets	-	-	-	-	5 815	5 815
CIP and uninstalled equipment	62 173	29	55	56	63	62 376

**6. INTANGIBLE ASSETS, NET**

The following table represents movements in intangible assets for the 3 months ended 30 September 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	2 250
Additions	79	Additions	-
Disposals	(64)	Disposals	-
Translation difference	(1 492)	Translation difference	-
<b>Cost as of 30 September 2009</b>	<b>39 562</b>	<b>Cost as of 30 September 2008</b>	<b>61 752</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	(1 057)	Amortization charge	(1 047)
Disposals	-	Disposals	-
Translation difference	256	Translation difference	-
<b>Accumulated depreciation as of 30 September 2009</b>	<b>(6 154)</b>	<b>Accumulated depreciation as of 30 September 2008</b>	<b>(2 468)</b>
<b>Net book value as of 30 September 2009</b>	<b>33 408</b>	<b>Net book value as of 30 September 2008</b>	<b>59 284</b>

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks with the value of USD 4,557 thousand, USD 5,917 thousand, USD 8,378 thousand and USD 181 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 30 September 2009 and 2008 trade mark "Stozhar" was pledged as security for long-term loans (Note 8).

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

**7. SHORT-TERM BORROWINGS**

The balances of short-term borrowings as of 30 September 2009 and 30 September 2008 were as follows:

	<u>30 September 2009</u>	<u>30 September 2008</u>
Bank credit lines	228 135	285 969
Interest accrued on short-term credits	230	1 904
Interest accrued on long-term credits	422	362
<b>Total</b>	<b><u>228 787</u></b>	<b><u>288 235</u></b>

The balances of short-term borrowings as of 30 September 2009 were as follows:

	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<u><b>Amount due</b></u>
Ukrainian subsidiary of European bank	11.25%	USD	September 2010	7 890
European bank	Libor + 3.25%	USD	September 2010	45 000
European bank	Libor + 4.0%	USD	August 2010	15 000
European bank	Libor + 2%	USD	July 2010	92 245
European bank	Libor + 5%	USD	August 2010	68 000
<b>Total bank credit lines</b>				<b><u>228 135</u></b>
Interest accrued on short-term loans				230
Interest accrued on long-term loans				422
<b>Total</b>				<b><u>228 787</u></b>

The balances of short-term borrowings as of 30 September 2008 were as follows:

	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<u><b>Amount due</b></u>
European bank	Libor + 5; 4.5; 3%	USD	July 2009	33 932
European bank	Libor + 2%	USD	June 2009	4 008
European bank	Libor + 2.2%	USD	July 2009	5 210
European bank	Libor + 2.75%	USD	July 2009	40 000
Ukrainian subsidiary of European bank	Libor + 4.5 %	USD	September 2009	6 700
Ukrainian subsidiary of European bank	7.8%	USD	June 2009	90 000
Ukrainian subsidiary of European bank	14.5%	USD	January 2009	16 119
Ukrainian subsidiary of European bank	15%	USD	May 2009	90 000
<b>Total bank credit lines</b>				<b><u>285 969</u></b>
Interest accrued on short-term loans				1 904
Interest accrued on long-term loans				362
<b>Total</b>				<b><u>288 235</u></b>

As of 30 September 2009 the overall maximum credit limit for short-term bank credit lines amounted to USD 425,224 thousand (as of 30 September 2008 USD 680,185 thousand).

As of 30 September 2009 and 2008 short-term loans from banks were secured as follows:

<b>Assets pledged</b>	<u><b>30 September 2009</b></u>	<u><b>30 September 2008</b></u>
Cash	-	90 000
Inventories	228 135	49 854
Property, plant and equipment (Note 5)	67 618	-
<b>Total</b>	<b><u>295 753</u></b>	<b><u>139 854</u></b>

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

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".

**8. LONG-TERM BORROWINGS**

The balances of long-term borrowings as of 30 September 2009 and 2008 were as follows:

	<u>30 September 2009</u>	<u>30 September 2008</u>
Long-term bank loans	89 575	94 884
Current portion of long-term borrowings	(15 491)	(6 892)
<b>Total</b>	<b><u>74 084</u></b>	<b><u>87 992</u></b>

Long-term bank loans

The balances of long-term borrowings as of 30 September 2009 were as follows:

	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<u><b>Amount due</b></u>
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	39 048
European bank	Libor + 3.75%	USD	September 2013	15 650
European bank	Libor + 3.52%	USD	2015	34 877
<b>Total</b>				<b><u>89 575</u></b>

The balances of long-term borrowings as of 30 September 2008 were as follows:

	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<u><b>Amount due</b></u>
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	48 367
Ukrainian subsidiary of European bank	Libor+5%	USD	November 2013	46 517
<b>Total</b>				<b><u>94 884</u></b>

Long-term loans from Ukrainian banks as of 30 September 2009 included credit lines from two banks with the overall maximum credit limit of USD 110.000 thousand (as of 30 September 2008 USD 162,750 thousand).

<b>Assets pledged</b>	<u><b>30 September 2009</b></u>	<u><b>30 September 2008</b></u>
Property, plant and equipment (Note 5)	132 465	134 959
Intangible assets (Note 6)	5 917	9 385
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
<b>Total</b>	<b><u>138 382</u></b>	<b><u>144 344</u></b>

**8. LONG-TERM BORROWINGS (CONTINUED)**

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 30 September 2009 and 2008:

<b>Name of Subsidiary, in which a stake was pledged</b>	
<b>30 September 2009</b>	<b>30 September 2008</b>
CJSC "Poltava oil crushing plant-Kernel Group"	CJSC "Poltava oil crushing plant-Kernel Group"
CJSC "Reshetylivka Hliboproduct"	CJSC "Reshetylivka Hliboproduct"
CJSC "Globynsky elevator HP"	CJSC "Globynsky elevator HP"
CJSC "Gutnansky elevator"	CJSC "Orilske HPP"
JSC "Poltavske khlibopriemalne pidpriemstvo"	CJSC "Gutnansky elevator"
CJSC "Prykolotne OEP"	JSC "Poltavske khlibopriemalne pidpriemstvo"
CJSC "Velykoburlutske HPP"	CJSC "Prykolotne OEP"
CJSC "Shevchenkisky KHP"	CJSC "Velykoburlutske HPP"
CJSC "Kovyagivske KHP"	CJSC "Shevchenkisky KHP"
CJSC "Poltavaavtotransservis"	CJSC "Kovyagivske KHP"
LLC "Bandurskiy oil crushing plant "	CJSC "Poltavaavtotransservis"
	LLC "Bandurskiy elevator"

**9. INCOME TAX**

As of 30 September 2009 and 2008 the major components of deferred tax assets and liabilities were as follows:

	<u><b>30 September 2009</b></u>	<u><b>30 September 2008</b></u>
<b>Deferred tax assets arising from:</b>		
Valuation of advances from customers	6 322	4 206
Tax losses carried forward	1 309	20
Valuation of accounts receivable	391	276
Valuation of property, plant and equipment	368	371
Valuation of intangible assets	202	-
Valuation of inventories	8	189
Valuation of accrued expenses and other temporary differences	165	2 382
<b>Deferred tax asset</b>	<u><b>8 765</b></u>	<u><b>7 444</b></u>
Less: valuation allowance	(36)	(648)
<b>Net deferred tax asset after valuation allowance</b>	<u><b>8 729</b></u>	<u><b>6 796</b></u>
<b>Deferred tax liability arising from:</b>		
Valuation of property, plant and equipment	(14 698)	(16 596)
Valuation of prepayments to suppliers and prepaid expenses	(8 799)	(12 638)
Valuation of intangible assets	(2 401)	(3 390)
Valuation of inventories	(42)	(69)
Valuation of accounts receivable	(10)	-
Valuation of financial investments	(9)	-
<b>Deferred tax liability</b>	<u><b>(25 959)</b></u>	<u><b>(32 693)</b></u>
<b>Net deferred tax liability</b>	<u><b>(17 230)</b></u>	<u><b>(25 897)</b></u>



**9. INCOME TAX (CONTINUED)**

As of 30 September 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 30 September 2009 and 2008.

The components of income tax expense for the 3 months ended 30 September 2009 and 30 September 2008 were as follows:

	<u>30 September 2009</u>	<u>30 September 2008</u>
Current income tax expenses	182	1 171
Deferred tax benefit/(expense)	182	(348)
<b>Income tax benefit/(expenses)</b>	<b><u>364</u></b>	<b><u>823</u></b>

The income tax charge for the 3 months ended 30 September 2009 and 2008 is reconciled to the profit before income tax per consolidated income statement as follows:

	<u>30 September 2009</u>	<u>30 September 2008</u>
Profit/(loss) before income tax:	38 808	22 403
Tax at the statutory income tax rate in Ukraine of 25%	(9 702)	(5 601)
Expenditures not allowable for income tax purposes and non-taxable income, net	9 454	7 072
Change in valuation allowance	612	(648)
<b>Income tax benefit /(expenses)</b>	<b><u>364</u></b>	<b><u>823</u></b>

**10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

The following entities were disposed of during the year ended 30 September 2009:

Subsidiary	Principal Activity	Country of Incorporation
JSC "Reshetilovski elevator"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services	Ukraine
JSC "Globinsky elevator kliboproduktiv"		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. Fair value of assets, liabilities and contingent liabilities disposed of during the period ended 30 September 2009 was as follows:

**10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)**
**Assets disposed of, net:**

Cash	1
Trade accounts receivable	412
Provision for trade receivables	(1 349)
Prepayments to suppliers and other current assets, net	2 789
Taxes recoverable and prepaid, net	491
Inventory	43
Property, plant and equipment, net (Note 5)	44
Trade payables	(6)
Other non-current liabilities	(99)
Advances from customers and other current liabilities	(3 407)
Deferred tax liabilities	309

<b>Fair value of assets of Subsidiaries disposed of, net</b>	<b>(772)</b>
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<b>Minority interest of Subsidiaries disposed of</b>	772
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<b>Fair value of assets disposed of, net</b>	-
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<b>Gain on disposal of Subsidiaries</b>	-
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<b>Total cash consideration received</b>	-
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Less: cash from assets disposed of, net	-
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Less: accounts receivable for Subsidiaries disposed of	-
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<b>Net cash inflow from Subsidiaries disposed of</b>	-
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The Group consolidated the financial statements of JSC "Reshetilovski elevator", JSC "Horolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC "Agrofirma "Krasnopavlivska, due to the fact that equity holders holding a majority share of the voting rights in these Subsidiaries are related parties of the Group.

Starting with the 3-month period ended 30 September 2009, as a result of the optimization process of its legal structure, the Group relinquished on 6 August 2009 operational control of the companies mentioned above and does not consolidate them further.

**11. TRANSACTIONS WITH RELATED PARTIES**

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

The Group had the following balances outstanding with related parties as of 30 September 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>30 September 2009</b>		<b>30 September 2008</b>	
Prepayments to suppliers and other current assets, net	5 468	29 251	3 005	54 791
Other non-current assets	26 300	36 398	13 500	17 510

Transactions with related parties for the 3-month period ended 30 September 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>3 months ended 30 September 2009</b>		<b>3 months ended 30 September 2008</b>	
Cost of sales	(46)	(179 508)	-	(278 314)
General, administrative and distribution expenses	(2)	(33 116)	(644)	(51 326)
Finance costs	-	(3 081)	(1 674)	(7 742)
Other income/(expenses)	6	(301)	-	1 520

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

**12. COMMITMENTS AND CONTINGENCIES**

**Operating Environment** - The principal business activities of the Group are in Ukraine. Laws and regulations affecting businesses operating in Ukraine can be 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.

## 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of 30 September 2009 and 2008 the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Legal Issues - The Group is involved in litigation and other claims that are in the ordinary course of its business activities. During the period ended 30 September 2009 and 2008 the Group received, in particular, notifications of claims and possible litigation in connection with cases of contaminated Ukrainian oil. Management of the Group believes that the resolution of such legal matters will not have a material impact on its financial position.

Capital commitments - As of 30 September 2009 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 8 million for supply of equipment and services required for the new solvent extraction plant under construction, and for a total amount of USD 2 million for supply of equipment and services required for increase in production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

As of 30 September 2008 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 22 million for supply of equipment and services required for construction of and the new solvent extraction plant under construction, and for a total amount of USD 5 million for supply of equipment and services required for the increasing the production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

Contractual Commitments on Sales - As of 30 September 2009 the Group had entered into commercial contracts for export of 431 thousand tons of grain and 201 thousand tons of sunflower oil and meal, corresponding to an amount of USD 93,567 thousand and USD 84,378 thousand respectively in prices as of 30 September 2009.

As of 30 September 2008 the Group had entered into commercial contracts for export of 287 thousand tons of grain and 83 thousand tons of sunflower oil and meal, corresponding to an amount of USD 74,000 thousand and USD 54,000 thousand respectively in prices as of 30 September 2008.

## 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

As of 30 September 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.

**14. DESCRIPTION OF SIGNIFICANT EVENTS FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2009**

On 17 July 2009 a USD 45 million working capital facility with the Ukrainian subsidiary of a European bank was repaid from the proceeds of a new credit line for general corporate purposes. Fixed assets pledged as security for the loan repaid have been transferred to secure the new facility. The maturity of the new credit line is September 2010. The refinancing was effected in the frame of the company's loan portfolio cost optimization program.

On 28 August 2009 an Addendum in respect of the renewal of 225 million trade finance facility, of which 170 million are committed for 1 year, was registered with the National Bank of Ukraine and came into force. The purpose of the credit agreement is the financing of sunflower seeds procurement, crushing and transportation costs.

On 10 September 2009 Kernel Trade LLC, a Ukrainian subsidiary of Kernel Holding S.A., signed a tolling agreement for the crushing of 230,000 tons of sunflower seeds per year. The agreement, signed with the Ukrainian subsidiary of an international company, expires on 31 August 2010 and can be extended upon mutual agreement.

On 21 September 2009 the Company fully repaid a USD 50 million short-term credit facility provided for the financing of the grain terminal in Illichevsk Commercial Sea Port.

**15. SUBSEQUENT EVENTS**

On 30 September 2009 a USD 40 million credit agreement was signed between Kernel Holding S.A. and a banking syndicate. The purpose of the 3-year credit agreement is the refinancing of the Illichevsk grain terminal of the Group. The disbursement of the loan was effected on 15 October 2009.