Condensed Consolidated Financial Statements for the 3 months ended 30 September 2010

Kernel Holding S.A.

Foreword by Andrey Verevskyy, Chairman of the Board

Dear Shareholders:

Season 2010/2011 started with some quite positive elements, in particular the large sunflower seed harvest in Ukraine and a buoyant international market for oil, but also with a challenging environment in our grain business, as the government of Ukraine sought to contain grain price increases on the domestic market by slowing down the flow of export and eventually introducing wheat, barley and corn quotas. Whereas the 3-month period to end September is typically our weakest quarter, the Company succeeded in delivering solid year-on-year growth both in revenue and operating income, while net income was lower due to a one-off charge related to the VAT bonds. I briefly review below the major factors, positive and negative, impacting the quarter under review.

First, our grain business performed strongly in a generally uncertain grain market environment. World grain markets were taken by surprise by the severe drought in Central Europe in general and Russia in particular, leading to suddenly tight supplies and higher international prices for wheat and corn, up by 35 to 45 percent over the quarter. As to Ukraine, the country harvested 39 million tons of grain in 2010, a production level which will easily cover domestic consumption, typically around 24 million tons per year, and leave a surplus in the range of 15 million tons, of which approximately 5 million tons have already been exported. The recent strong price increases, however, led the government of Ukraine to seek ways to contain wheat, barley and corn price increases on the domestic market. By hindering the process of export, the government of Ukraine forced grain export operators to scale back their procurement programs, and effectively put a cap on grain prices inside the country, while international grain prices continued to be well supported. As to Kernel, while grain export volumes for the quarter under review fell year-on-year by a third, the Company managed to take advantage of price distortions between the international and local market prices and achieved a strong 16.8 percent operating margin in the grain segment, compared to 7.2 percent in the 1st quarter of financial year 2010.

Second, the lower grain export volumes had, as anticipated, an immediate impact on the grain exported through our terminal in Illichevsk, with throughput for the quarter under review decreasing by approximately 50 percent year-on-year. While the fall in throughput was significant, we note that 75 percent of the volume was provided by the Group's grain export sales. The strong performance of our grain segment provided welcome support and critical volumes to our export terminal business, highlighting once again the value of our business model, both integrated and diversified.

Third, our bulk oil segment fully capitalized on the Company's significant oilseed crushing capacity increase and large 2010 sunflower seed harvest in Ukraine. As a result, the volume of bulk oil delivered to the international market increased by 138 percent year-on-year and provided the main driver of growth in the quarter under review.

Fourth, following an application to receive bonds from the State of Ukraine covering VAT refunds owed to the Company, Ukrainian subsidiaries of Kernel were issued so-called VAT bonds for a total amount equivalent to USD 135 million. Initially, the bonds were trading at a heavy 20 percent discount to face value. We viewed such low price as unattractive and therefore considered keeping this financial instrument on the books of the Company until redeemed semi-annually by the State. Markets however have improved markedly for Ukraine since the VAT bonds were issued. Recently, we were offered to sell the bonds at a 12 percent discount to face value, which, in our view, essentially reflects current inflation in the country and implied possible devaluation of the local currency versus the dollar. We therefore took this opportunity, which, we believe, while negatively impacting our first quarter, substantially strengthens our balance sheet and reduces our currency risk.

In conclusion, we feel the Company handled to its best advantage a challenging first quarter environment, especially in the grain business, and took full advantage of the swift integration of new crushing capacity. As we look to the following three quarters, we see good reasons to be confident in our plan and estimate for the result of the year. Oil segments will undoubtedly remain the major driver of growth throughout the season. Ukraine harvested in the range of 7.5 million tons of sunflower seed in 2010. These good crop results and well-supported international oil markets should enable the Company to reach its target in terms of sunflower seed volume processed over the season and to achieve planned bulk oil operating margins, in line with previous years or possibly higher. As of today, the Company has purchased over half the feedstock required for the season and sold the relevant oil volume to lock in its margin. In the grain segment, as the quotas continue to create price distortions in the Ukrainian grain market, the Company is confident margins will remain strong. In respect of volumes, on 12 November the Company was allocated a quota to export 436 000 tons of grain over the period to end December. Overall, for the season 2010/2011, Management is confident the Company will complete its annual grain export plan.

Outlook

In view of the above, we maintain our guidance for the full financial year 2011, with revenue forecasted at USD 1 300 million, EBITDA of USD 255 million and Net income of USD 195 million.

Financial highlights for the 3-month period ended 30 September 2010

Total revenue was USD 345.4 million for the 3-month period under review as compared to USD 240.3 million for the 1st quarter of financial year 2010, a 43.7 percent year-on-year increase;

Result from operating activities was USD 59.7 million for the 3-month period under review as compared to USD 30.7 million for the 1st quarter of financial year 2010, a 94.5 percent year-on-year increase;

Net profit attributable to equity holders of Kernel Holding S.A. decreased from USD 39.2 million for the 1st quarter of financial year 2010 to USD 34.2 million for the quarter under review, a 12.8 percent decrease following a USD 16.3 million one-off charge to reflect the fair value of Ukraine State bonds received in lieu of VAT;

Production, sales and throughput: Volume and tonnage for the 3-month period ended 30 September

	Q1 FY2010	Q1 FY2011
Grain sales, tons	590 120	391 319
Bulk oil sales, tons	77 467	184 441
Bottled oil sales, ‘000 liters	28 910	33 245
Sunflower seed crush, tons	156 502	292 470
Refined oil production, tons	26 684	25 168
Bottled oil production, tons	23 376	22 788
Export terminals throughput, tons	887 000	462 901
Grain and oilseeds store in inland silos, tons	771 000	721 357

Review of financial results for the 3-month period ended 30 September 2010

Total revenue

Kernel reported total revenue of USD 345.4 million for the 3-month ended 30 September 2010, as compared to USD 240.3 million for the first quarter of FY2010. The 43.7 percent year-on-year increase reflects primarily both the 42 percent average increase in grain prices, which largely compensated the decrease in grain export volumes, and the 138 percent year-on-year increase in volume of executed bulk oil sales contracts resulting from the Company's significant increase in oilseed crushing capacity.

Gross Profit

Gross profit was USD 93.3 million for the 3-month period ended 30 September 2010 as compared to USD 60.7 million for the first quarter of FY2010. In addition to the fact that gross profit in the 1st quarter of FY2010 was impacted by the difference between the commercial and official exchange rate as established by the National Bank of Ukraine, resulting in foreign exchange gains, the 53.7 percent year-on-year increase in gross profit reflects the significantly larger contribution of the oil segments to revenue for the quarter under review, translating into an increase in gross margin from 25.3 percent for the 1st quarter of FY2010 to 27.0 percent for the 1st quarter of FY2011.

Other Operating Income

Other operating income was USD 6.6 million for the 3-month period ended 30 September 2010 as compared to USD 3.0 million for the first quarter of FY2010, the USD 3.6 million increase reflecting primarily an increase in amounts of VAT exemption related to farming activity as a result of higher commodity prices.

Distribution Costs

Distribution costs were USD 32.6 million for the quarter under review as compared to USD 27.7 million for the 1st quarter of FY2010, a 17.7 percent year-on-year increase. Relative to revenue, distribution costs have decreased from 11.5 percent for the 1st quarter of FY2011 to 9.4 percent for the quarter under review, reflecting both a larger share of bulk oil sales in overall revenue for the quarter under review and the higher proportion of cargo delivered Free on Board Black Sea.

General and Administrative Expenses

General and administrative expenses were USD 7.5 million for the quarter under review as compared to USD 5.4 million for the 1st quarter of FY2010, representing a 38.9 percent year-on-year increase primarily as a consequence of the acquisitions effected by the Company and increase in overall size of the Group. Relative to total Company revenue, general and administrative expenses remained stable at 2.2 percent of total revenue.

Result from Operating Activities

Result from operating activities were USD 59.7 million for the quarter under review as compared to USD 30.7 million for the 1st quarter of FY2010, representing a 94.5 percent year-on-year increase in operating profit, and reflecting primarily the increased proportion of bulk oil sales versus grain sales. The strong operating margin posted by the bottled oil segment, grain segment and farming also contributed to a healthy 17.3 percent operating margin for the quarter under review, well above the average first quarter operating margin achieved by the Company over the previous 3 years.

Write down of State bonds

In the course of the quarter under review, Ukrainian subsidiaries of the Company were issued Ukraine State bonds in reimbursement of VAT for a total face value of UAH 1 072 562 thousand. While the Company initially considered holding the bonds to maturity, these were eventually sold to third parties in the course of the 2nd quarter for a total amount of UAH 943 255 thousand, representing a 12 percent discount to par value. To reflect the fair value of the asset as at 30 September 2010, a one-off charge has consequently been recorded for the quarter under review.

Finance costs, net

Finance costs were USD 8.2 million for the quarter under review as compared to USD 3.1 million for the 1st quarter of FY2010. The USD 5.1 million increase in finance costs reflects first the twofold increase in working capital from USD 336.4 million for the 1st quarter of FY2010 to USD 620.3 million for the quarter under review, and secondly the USD 203 million purchase of the Allseeds production assets.

Net profit

Net profit attributable to the shareholders of Kernel Holding S.A. was USD 34.2 million for the quarter under review as compared to USD 39.2 million for the 1st quarter of FY2010. The 12.8 percent year-on-year decrease in net profit is primarily the result of the one-off charge recorded to reflect the fair value of the State bonds issued to the Company in payment of VAT.

Cash Flow

Cash used by operations in the three months ended 30 September was USD 172.7 million. As can be expected in our first financial quarter, the negative cash flow from operations was primarily due to increased working capital, when harvest pressure enables the Company to purchase large quantities of agricultural commodities, in particular feedstock for its expanded crushing capacity. In addition to the substantial volumes bought, working capital requirements for the period under review have been compounded by the higher year-on-year agricultural commodity prices.

Review of segmental results for the 3-month period ended 30 September 2010

Bottled Oil

Revenue from bottled oil sales was USD 35.2 million for the period under review, as compared to USD 27.1 million for the same period of financial year 2010. The 29.9 percent year-on-year increase in revenue reflects primarily a 15 percent increase in bottled oil volumes delivered over the period under review, in particular due to strong export sales of bottled oil. Operating profit increased year-on-year from USD 3.3 million to USD 6.7 million, with operating margin a healthy 19.0 percent.

Bulk Oil

Revenue from sales of bulk oil was USD 182.1 million for the period under review, as compared to USD 77.1 million for the first quarter of financial year 2010. The 136.2 percent year-on-year increase in revenue is primarily the result of the 138 percent increase in volume of bulk oil sales contracts delivered over the quarter, reflecting the significant expansion in crushing capacity of the Company. In line with increase in revenue, bulk oil operating profit increased year-on-year from USD 11.3 million to USD 25.2 million, a 123.1 percent increase in bulk oil operating profit. Operating margin decreased modestly year-over-year from 14.7 percent to 13.8 percent for the quarter under review, essentially reflecting the lower margins typically achieved for oil contracts concluded in the last quarter of a financial year and delivered in the first quarter of the following financial year.

Grain

Revenue from grain sales was USD 120.7 million for the period under review as compared to USD 123.5 million for the first quarter of financial year 2010. The lower harvest and subsequent grain export containment measures applied by the Ukrainian government resulted in a 33.7 percent decrease in volume of grain sales contracts executed over the period under review, such decrease being largely compensated by grain prices being up by close to 45 percent year-on-year. Grain operating profit grew 128.1 percent year-on-year, from USD 8.9 million to USD 20.3 million, and resulted in a healthy 16.8 percent operating margin for the quarter under review, the increase in operating margin being essentially a consequence of price distortions resulting from the grain export limitation measures.

Silo Services

Revenue from silo services was USD 6.3 million for the period under review, including USD 3.2 million of intersegment sales, as compared to USD 6.7 million for the first quarter of financial year 2010, of which USD 2.8 million were intersegment sales. While revenue remained flat year-on-year, operating result for the quarter was a negative USD 1.1 million, as the Company incurred higher operating expenses due to its increased network of inland silos.

Export Terminals

Revenue from services provided by the export terminals segment, including services provided by the grain terminal in Illichevsk and services provided by the oil and meal export terminals in Nikolayev, was USD 8.3 million for the three-month period under review, of which USD 6.3 million were intersegment sales, as compared to USD 12.5 million for the first quarter of financial year 2010, of which USD 5.9 million of intersegment sales, the fall in revenue reflecting primarily the year-on-year decrease in overall grain export from Ukraine. In line with the fall in revenue, export terminals operating profit decreased year-on-year from USD 6.6 million to USD 3.9 million for the period under review. Notwithstanding the 47.8 percent fall in throughput volumes, operating profit margin remained a healthy 47 percent level for the quarter under review.

Farming

Revenue from farming was USD 36.3 million for the three-month period under review, of which USD 34.0 million were intersegment sales, as compared to USD 19.0 million for the first quarter of financial year 2010, of which USD 17.2 million were intersegment sales. While acreage under production remained unchanged with 85 000 ha under management, and total production decreased from 260 000 tons harvested in 2009 to 218 361 tons harvested in 2010, prices of crops produced increased significantly year-on-year and resulted in an increase in operating profit from USD 760 thousand in the first quarter of financial year 2010 to 8.1 million for the quarter under review. Operating margin for the quarter under review was 22.3 percent, as compared to 4.0 percent for the first quarter of the previous year.

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2010

SELECTED FINANCIAL DATA AS OF 30 SEPTEMBER 2010
(in thousands unless otherwise stated)

		thousand USD		thousand PLN		thousand EUR	
	for the 3-month period ended 30 September 2010	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
I.	Revenue	345 357	240 255	1 072 748	706 133	267 583	168 116
II.	Operating profit/(loss)	59 731	30 674	185 536	90 154	46 280	21 464
III.	Profit/(loss) before income tax	32 638	38 808	101 380	114 061	25 288	27 156
IV.	Net profit/(loss)	33 925	39 172	105 378	115 130	26 285	27 410
V.	Net cash flow from operating activity	(172 680)	(82 422)	(536 379)	(242 247)	(133 792)	(57 674)
VI.	Net cash flow from investment activity	(12 376)	(10 251)	(38 442)	(30 129)	(9 589)	(7 173)
VII.	Net cash flow from financial activity	163 468	40 942	507 764	120 333	126 655	28 649
VIII.	Total net cash flow	(21 588)	(51 731)	(67 057)	(152 043)	(16 726)	(36 198)
IX.	Total assets	1 310 525	796 587	3 833 286	2 298 313	961 401	544 303
X.	Current liabilities	511 564	293 900	1 496 325	847 961	375 283	200 820
XI.	Non-current liabilities	160 322	101 655	468 942	293 294	117 612	69 460
XII.	Share capital	1 933	1 815	5 654	5 237	1 418	1 240
XIII.	Total equity	638 639	401 032	1 868 019	1 157 058	468 506	274 023
XIV.	Weighted average number of shares	73 191 000	68 741 000	73 191 000	68 741 000	73 191 000	68 741 000
XV.	Profit/(loss) per ordinary share (in USD/PLN/EUR)	0,47	0,57	1,45	1,67	0,36	0,40
XVI.	Diluted number of shares	74 125 085	69 144 393	74 125 085	69 144 393	74 125 085	69 144 393
XVII.	Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	0,46	0,57	1,43	1,67	0,36	0,40
XVIII.	Book value per share (in USD/PLN/EUR)	8,70	5,82	25,44	16,80	6,38	3,98
XIX.	Diluted book value per share (in USD/PLN/EUR)	8,59	5,79	25,12	16,70	6,30	3,96

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

(in US dollars and in thousands unless otherwise stated)	Notes	30 September 2010 (unaudited)	30 June 2010 (audited)	30 September 2009 (unaudited)
ASSETS				
CURRENT ASSETS:				
Cash		44 534	59 482	53 750
Trade accounts receivable, net		53 825	65 483	41 510
Prepayments to suppliers and other current assets, net		46 099	94 233	29 251
Trading securities		119 598	-	-
Taxes recoverable and prepaid, net		159 064	205 584	108 724
Inventory		372 982	147 787	204 636
Biological assets		1 954	26 131	1 935
Total current assets		**798 056**	**598 700**	**439 806**
NON-CURRENT ASSETS:				
Property, plant and equipment, net	5	383 191	379 035	242 229
Intangible assets, net	6	30 990	31 842	33 408
Goodwill		86 111	86 058	44 746
Other non-current assets		12 177	29 138	36 398
Total non-current assets		**512 469**	**526 073**	**356 781**
TOTAL ASSETS		**1 310 525**	**1 124 773**	**796 587**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Trade accounts payable		43 628	10 913	28 215
Advances from customers and other current liabilities		89 632	131 386	21 407
Short-term borrowings	7	347 662	169 098	228 787
Current portion of long-term borrowings		30 642	40 764	15 491
Total current liabilities		**511 564**	**352 161**	**293 900**
NON-CURRENT LIABILITIES:				
Long-term borrowings	8	122 956	127 454	74 084
Obligations under finance lease		6 660	7 796	10 321
Deferred tax liabilities	9	30 642	32 376	17 230
Other non-current liabilities		64	95	20
Total non-current liabilities		**160 322**	**167 721**	**101 655**
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital		1 933	1 933	1 815
Share premium reserve		317 741	317 741	236 637
Additional paid-in capital		39 944	39 944	39 944
Revaluation reserve		11 260	11 260	11 260
Translation reserve		(160 001)	(160 622)	(168 185)
Retained earnings		425 817	391 606	278 753
Total equity attributable to Kernel Holding S.A. equity holders		**636 694**	**601 862**	**400 224**
Non-controlling interest		1 945	3 029	808
Total equity		**638 639**	**604 891**	**401 032**
TOTAL LIABILITIES AND EQUITY		**1 310 525**	**1 124 773**	**796 587**
Book value		636 694	601 862	400 224
Weighted average number of shares		73 191 000	69 070 178	68 741 000
Book value per share (in USD)		8.70	8.71	5.82
Diluted number of shares		74 125 085	73 891 365	69 144 393
Diluted book value per share (in USD)		8.59	8.15	5.79

On behalf of the Board

Andrey Verevskiy ________________________
Chairman of the Board

Anastasiia Usachova_______________________
CFO

The notes on pages 17 to 39 form an integral part of these consolidated financial statements

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2010

(in US dollars and in thousands unless otherwise stated)	Notes	3 months ended 30 September 2010 (unaudited)	3 months ended 30 September 2009 (unaudited)
REVENUE		345 357	240 255
COST OF SALES		(252 079)	(179 508)
GROSS PROFIT		**93 278**	**60 747**
OTHER OPERATIONAL INCOME		6 601	3 043
OPERATING EXPENSES			
Distribution costs		(32 627)	(27 717)
General and administrative expenses		(7 521)	(5 399)
RESULT FROM OPERATING ACTIVITIES		**59 731**	**30 674**
Write down of VAT receivable		(16 309)	-
Finance costs, net		(8 241)	(3 081)
Foreign exchange (loss)/gain, net		847	11 516
Other (expenses)/income, net		(3 390)	(301)
PROFIT/(LOSS) BEFORE INCOME TAX		**32 638**	**38 808**
INCOME TAX	9	1 287	364
PROFIT FROM CONTINUING OPERATIONS		**33 925**	**39 172**
NET PROFIT/(LOSS) ATTRIBUTABLE TO			
Equity holders of Kernel Holding S.A.		34 211	39 152
Non-controlling interest		(286)	20
Weighted average number of shares		73 191 000	68 741 000
Profit/(loss) per ordinary share (in USD)		0,47	0,57
Diluted number of shares		74 125 085	69 144 393
Diluted profit/(loss) per ordinary share (in USD)		0,46	0,57

On behalf of the Board

Andrey Verevskiy ________________________ Anastasiia Usachova______________________

Chairman of the Board CFO

The notes on pages 17 to 39 form an integral part of these consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2010

	3 months ended 30 September 2010 (unaudited)	**3 months ended 30 September 2009** (unaudited)
NET PROFIT	**33 925**	**39 172**
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	621	(6 035)
Gain on property revaluation	-	15 154
Income tax related to components of other comprehensive income	-	(3 789)
OTHER COMPREHENSIVE INCOME NET	**621**	**5 330**
TOTAL COMPREHENSIVE INCOME	**34 546**	**44 502**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of Kernel Holding S.A.	34 832	44 390
Non-controlling interest	(286)	112

On behalf of the Board

Andrey Verevskiy _________________________ Anastasiia Usachova______________________
Chairman of the Board CFO

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2010
(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 reserve**	**Translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 30 September 2009	**1 815**	**236 637**	**39 944**	**278 753**	**11 260**	**(168 185)**	**400 224**	**808**	**401 032**
Profit for the period				43 296			43 296	62	43 358
Other comprehensive income						4 854	4 854		4 854
Total comprehensive income for the period				**43 296**		**4 854**	**48 150**	**62**	**48 212**
Effect of changes on minority interest								(23)	(23)
Balance at 31 December 2009	**1 815**	**236 637**	**39 944**	**322 049**	**11 260**	**(163 331)**	**448 374**	**847**	**449 221**
Profit for the period				40 007			40 007	49	40 056
Other comprehensive income						2 411	2 411	6	2 417
Total comprehensive income for the period				**40 007**		**2 411**	**42 418**	**55**	**42 473**
Effect of changes on minority interest								5	5
Balance at 31 March 2010	**1 815**	**236 637**	**39 944**	**362 056**	**11 260**	**(160 920)**	**490 792**	**907**	**491 699**
Profit for the period				29 550			29 550	(426)	29 124
Other comprehensive income						298	298	(2)	296
Total comprehensive income for the period				**29 550**		**298**	**29 848**	**(428)**	**29 420**
Effect of changes on minority interest								2 550	2 550
Increase of share capital	118						118		118
Issued capital and IPO expenses		81 104					81 104		81 104
Balance at 30 June 2010	**1 933**	**317 741**	**39 944**	**391 606**	**11 260**	**(160 622)**	**601 862**	**3 029**	**604 891**

Balance at 30 June 2010	**1 933**	**317 741**	**39 944**	**391 606**	**11 260**	**(160 622)**	**601 862**	**3 029**	**604 891**
Profit for the period				34 211			34 211	(286)	33 925
Other comprehensive income						621	621		621
Total comprehensive income for the period				**34 211**		**621**	**34 832**	**(286)**	**34 546**
Effect of changes on minority interest								(798)	(798)
Balance at 30 September 2010	**1 933**	**317 741**	**39 944**	**425 817**	**11 260**	**(160 001)**	**636 694**	**1 945**	**638 639**

On behalf of the Board

Andrey Verevskiy ___________________________
Chairman of the Board

Anastasiia Usachova ___________________________
CFO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2010

(in US dollars and in thousands unless otherwise stated)	**Notes**	**3 months ended 30 September 2010** (unaudited)
OPERATING ACTIVITIES:		
Profit/(loss) before income tax		32 638
Adjustments to reconcile profit before income tax to net cash used in operating activities:		
Amortization and depreciation	5, 6	7 745
Finance costs		8 241
Bad debt expenses and other accruals		1 042
Loss/(gain) on disposal of property, plant and equipment		265
Non-operating foreign exchange loss/(gain), net		141
Write down of VAT receivable		16 309
Operating profit before working capital changes		**66 381**
Changes in working capital:		
Decrease/(increase) in trade accounts receivable		11 272
Decrease/(increase) in prepayments and other current assets		48 387
Decrease/(increase) in restricted cash balance		(6 640)
Decrease/(increase) in taxes recoverable and prepaid		(89 387)
Decrease/(increase) in biological assets		24 177
Decrease/(increase) in inventories		(225 195)
Increase/(decrease) in trade accounts payable		30 230
Increase/(decrease) in advances from customers and other current liabilities		(23 331)
Cash obtained from/(used in) operations		**(164 106)**
Finance costs paid		(8 241)
Income tax paid		(333)
Net cash provided by/(used in)operating activities		**(172 680)**
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment		(12 452)
Proceeds from disposal of property, plant and equipment		97
Sales/(Purchase) of intangible and other non-current assets		(21)
Net cash used in investing activities		**(12 376)**
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings		451 695
Repayment of short-term and long-term borrowings		(288 721)
Net cash provided by financing activities		**162 974**
TRANSLATION ADJUSTMENT		494
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(21 588)
CASH AND CASH EQUIVALENTS, at the beginning of the period		**57 762**
CASH AND CASH EQUIVALENTS, at the end of the period		**36 174**

On behalf of the Board

Andrey Verevskiy ________________________	Anastasiia Usachova______________________
Chairman of the Board	CFO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2009

(in US dollars and in thousands unless otherwise stated)	**Notes**	**3 months ended 30 September 2009**
OPERATING ACTIVITIES:		(unaudited)
Profit/(loss) before income tax		38 808
Adjustments to reconcile profit before income tax to net cash used in operating activities:		
Amortization and depreciation	5, 6	5 090
Finance costs		3 081
Bad debt expenses and other accruals		84
Loss/(gain) on disposal of property, plant and equipment		(49)
Foreign exchange losses/(gain), net		5 373
Operating profit before working capital changes		**52 387**
Changes in working capital:		
Decrease/(increase) in trade accounts receivable		(10 483)
Decrease/(increase) in prepayments and other current assets		(5 097)
Decrease/(increase) in restricted cash balance		23 781
Decrease/(increase) in taxes recoverable and prepaid		(35 853)
Decrease/(increase) in biological assets		16 997
Decrease/(increase) in inventories		(119 458)
Increase/(decrease) in trade accounts payable		20 676
Increase/(decrease) in advances from customers and other current liabilities		(22 109)
Cash obtained from/(used in) operations		**(79 159)**
Finance costs paid		(3 081)
Income tax paid		(182)
Net cash provided by operating activities		**(82 422)**
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment		(9 434)
Proceeds from disposal of property, plant and equipment		40
Sale/(Purchase) of intangible and other non-current assets		(16)
Effect of changes on minority interest		(841)
Net cash used in investing activities		**(10 251)**
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings		392 717
Repayment of short-term and long-term borrowings		(346 408)
Corporate bonds issued		(1 993)
Net cash provided by financing activities		**44 316**
TRANSLATION ADJUSTMENT		(3 375)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(51 732)
CASH AND CASH EQUIVALENTS, at the beginning of the period		**98 072**
CASH AND CASH EQUIVALENTS, at the end of the period		**46 340**

On behalf of the Board

Andrey Verevskiy ________________________
Chairman of the Board

Anastasiia Usachova______________________
CFO

The notes on pages 17 to 39 form an integral part of these consolidated financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2010
(in US dollars and in thousands unless otherwise stated)

1. KEY DATA BY OPERATING SEGMENT FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2010

	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	35 155	182 134	1 920	2 301	120 696	3 151	-	-	345 357
Intersegment sales	-	-	6 344	34 027	-	3 169	-	(43 540)	-
Total	**35 155**	**182 134**	**8 264**	**36 328**	**120 696**	**6 320**		**(43 540)**	**345 357**
Other operating income		76		5 947	373	205			6 601
Operating profit (EBIT)	**6 715**	**25 197**	**3 863**	**8 061**	**20 261**	**(1 066)**	**(3 300)**		**59 731**
Write down of VAT receivable									(16 309)
Finance costs net									(8 241)
Foreign exchange (loss)/gain, net									847
Other (expenses)/income, net									(3 390)
Income tax									1 287
Net profit									**33 925**
Total assets	**131 766**	**614 473**	**117 565**	**51 473**	**298 228**	**72 923**	**24 097**		**1 310 525**
Capital expenditures	277	8 323	313	149	-	395	2 073		11 530
Amortization and depreciation	478	2 099	879	2 097	12	1 402	778		7 745
Liabilities	10 504	59 927	4 249	2 645	29 431	21 425	543 705		671 886

During the 3months ended 30 September 2010 three of the Group's external customers accounted for more than 10 % of total external revenue. During the 3 months ended 30 September 2010 export sales amounted to 89% of total external sales revenue.

1. KEY DATA BY OPERATING SEGMENT FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
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)	-
Total	**27 058**	**77 079**	**12 536**	**19 039**	**123 546**	**6 747**	**125**	**(25 875)**	**240 255**
Other operating income	-	168	34	2 411	19	411	-	-	3 043
Operating profit (EBIT)	**3 295**	**11 291**	**6 594**	**760**	**8 885**	**2 328**	**(2 479)**	**-**	**30 674**
Finance costs net									(3 081)
Foreign exchange (loss)/gain, net									11 516
Other (expenses)/ income, net									(301)
Income tax									364
Net profit									**39 172**
Total assets	**147 215**	**228 061**	**103 822**	**59 370**	**158 400**	**35 778**	**63 941**	**-**	**796 587**
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 months ended 30 September 2009 none of the Group's external customers accounted for more than 10% of total external revenue. During the 3 months ended 30 September 2009 export sales amounted to 79% 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 transhipment 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 2010, 30 June 2010 and 30 September 2009 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 2010	**30 June 2010**	**30 September 2009**
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in	Ukraine	100%	100%	99.9%
"Group Management", LLC	Holding company	Ukraine	100%	94%	N/A
"Etrecom Investments", LLC	Holding company	Cyprus	100%	100%	100%
Corolex Public Co. Limited	Holding company	Cyprus	94%	94%	N/A
CJSC "Grain Trading Company Allseeds-Ukraine"	Holding company	Ukraine	94%	94%	N/A
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	100%	100%	100%
Inerco Commodities S.A.		Switzerland	100%	100%	100%
Restomon LTD		British Virgin Islands	100%	100%	100%
Lanen S.A.		Panama	100%	100%	100%
"Grain Trading Company", LLC		Ukraine	94%	94%	N/A
"Kernel-Trade", LLC		Ukraine	100%	100%	100%
Jerste BV	Holding company	Netherlands	100%	100%	100%
PJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	98.3%	98.3%	98.2%
PJSC "Vovchansky V OEP"		Ukraine	99.4%	99.4%	99.3%
"Prykolotnjansky OEP",LLC		Ukraine	100%	100%	100%
JSC "Kirovogradoliya"		Ukraine	99.2%	93.2%	N/A
"Ekotrans", LLC		Ukraine	100%	94%	N/A
"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%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2010	30 June 2010	30 September 2009
"Reshetylivka Hliboproduct", LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	100%	100%
JSC "Reshetilovski elevator"		Ukraine	Control relinquished	Control relinquished	Disposed of on 06 August 2009
"Horol-Elevator", LLC		Ukraine	100%	100%	100%
JSC "Horolskiy elevator"		Ukraine	Control relinquished	Control relinquished	Disposed of on 06 August 2009
"Mirgorodsky elevator", LLC		Ukraine	100%	100%	100%
"Globynsky elevator HP", LLC		Ukraine	100%	100%	100%
Globinsky elevator kliboproduktiv", LLC		Ukraine	Control relinquished	Control relinquished	Disposed of on 06 August 2009
"Skifiya-Zernotrade", LLC		Ukraine	94%	94%	N/A
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	88.2%	88.2%	88.2%
"Galeschina-Agro", LLC		Ukraine	Disposed of on 18 December 2009	Disposed of on 18 December 2009	99.9%
"Elevator - Grain Tading Company", LLC		Ukraine	94%	94%	N/A
"Gogoleve-Agro", LLC		Ukraine	99.9%	99.9%	99.9%
"Sagaydak-Agro", LLC		Ukraine	100%	100%	100%
"Karlivka-Agro", LLC		Ukraine	99.9%	99.9%	99.9%
JSC "Trykratskiy GPC"		Ukraine	86.5%	86.5%	N/A
"Lazorkovski Elevator", LLC		Ukraine	99.9%	99.9%	99.9%
"Zherebkivsky elevator ", LLC		Ukraine	99.9%	99.9%	99.9%
"Kononivsky elevator ", LLC		Ukraine	99.9%	99.9%	99.9%
"Semenivski elevator",LLC		Ukraine	99.9%	99.9%	99.9%
"Kobelyaki hleboproduct", LLC		Ukraine	100%	100%	100%
"Sahnovshina hleboproduct", LLC		Ukraine	100%	100%	100%
"Velykoburlutske HPP", LLC		Ukraine	100%	100%	100%
"Gutnansky elevator", LLC		Ukraine	100%	100%	100%
"Lykhachivsky KHP", LLC		Ukraine	100%	100%	100%
"Shevchenkisky KHP", LLC		Ukraine	100%	100%	100%
"Orilske HPP", LLC		Ukraine	Disposed of on 28 October 2009	Disposed of on 28 October 2009	100%
"Kovyagivske KHP", LLC		Ukraine	100%	100%	100%
"Viktorovsky elevator, LLC		Ukraine	100%	100%	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2010	30 June 2010	30 September 2009
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	100%	100%	99.9%
"MTE-2004", LLC		Ukraine	100%	94%	N/A
"Ukragrobiznes", 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%
PJSC "Lozivske HPP"		Ukraine	100%	100%	100%
PJSC "Krasnopavlivsky KHP"		Ukraine	100%	100%	100%
"Agrofirma "Arshitsa", LLC		Ukraine	100%	100%	100%
"Agrotera-Kolos", LLC		Ukraine	100%	100%	100%
"Chorna Kamyanka", LLC		Ukraine	100%	100%	100%
"Govtva", ALLC		Ukraine	100%	100%	100%
PRAC "Perebudova"		Ukraine	100%	100%	100%
"Manjurka", LLC		Ukraine	100%	100%	100%
"Krutenke", LLC		Ukraine	100%	100%	100%
"Promin", LLC		Ukraine	100%	100%	100%
PRAC "Brovarki"		Ukraine	100%	100%	100%
PRAC by the name of Shorsa		Ukraine	100%	100%	100%
"Troyanske", ALLC		Ukraine	100%	100%	100%
"Zorya", ALLC		Ukraine	100%	100%	100%
"Hleborob", ALLC		Ukraine	100%	100%	100%
AC by the name of T. Shevchenko		Ukraine	100%	100%	100%
PRAC "Drugba"		Ukraine	100%	100%	100%
"Agrofirma "Chkalova", LLC		Ukraine	100%	100%	100%
"Agrofirma "Vitchizna", LLC		Ukraine	100%	100%	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2010	30 June 2010	30 September 2009
"Transbulk Terminal", LLC	Provision of grain, oil and meal handling and transhipment services, including services to the Group.	Ukraine	100%	100%	100%
C.F.C Ukraine Ltd		Ukraine	Disposed of on 15 January 2010	Disposed of on 15 January 2010	100%
Estron Corporation Ltd		Cyprus	100%	100%	100%
Chorex Developments Limited		Cyprus	100%	100%	100%
Hamalex Developments LTD		Cyprus	100%	100%	100%
"Oiltransterminal", LLC		Ukraine	100%	94%	N/A

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 2010 consisted of 73 191 000 (seventy three million one hundred and ninety one thousand) ordinary bearer shares without indication of a nominal value, providing 73 191 000 voting rights (as of 30 September 2009: 68 741 000 shares).

The shares were distributed as follows:

EQUITY HOLDERS	Shares allotted and fully paid as of 30 September 2010	Share owned as of 30 September 2010	Shares allotted and fully paid as of 30 September 2009	Share owned as of 30 September 2009
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Equity holder")	30 174 250	41.23%	40 574 250	59.03%
Free-float	43 016 750	58.77%	28 166 750	40.97%
Total	**73 191 000**	**100.00%**	**68 741 000**	**100.00%**

As of 30 September 2010 and 2009 100% of the beneficial interest in the “Majority Equity holder” was held by Verevskiy Andrey Mikhaylovych (hereinafter the “Beneficial Owner”).

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

On 23 November 2007 the Holding was listed on the Warsaw Stock Exchange (WSE). The total size of the Offering was PLN 546 402 000 comprising 22 766 750 shares, of which 16 671 000 were newly issued shares.

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

On 3 June 2010, Kernel issued 4 450 000 new shares, thereby increasing the Company's share capital by USD 117 506.70, to a total amount of USD 1 932 681.54. Following the issuance of new shares, Kernel’s share capital is divided into 73 191 000 shares without indication of a nominal value, giving right to 73 191 000 votes at the General Meeting of the Company.

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 2010, unchanged from 30 September 2009, 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 2010. 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. Additionally from 1 July 2009 Group has adopted IFRS 3 Business combinations (revised) and IAS 27 Consolidated and separate financial statements (revised).

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 (Cyprus), Chorex Developments Limited (Cyprus), Hamalex Developments LTD (Cyprus), Restomon LTD (British Virgin Islands), Inerco Commodities S.A. (Switzerland), Jerste BV (Netherlands), Corolex Public Co.Limited (Cyprus) and Etrecom (Cyprus). Management has utilized USD as the measurement currency for Inerco Trade S.A., Lanen S.A., Estron Corporation Ltd, Chorex Developments Limited, Hamalex Developments LTD, Restomon LTD, Inerco Commodities S.A., Jerste BV, Corolex Public Co.Limited and Etrecom 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. From 1 July 2009 and on the basis of IAS No.21, management adopted USD as the measurement currency of "Kernel-Trade" LLC, 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, or pegged to, the USD. On the basis of IAS No.21 USD was also adopted as the measurement currency for CJSC "Poltava oil crushing plant — Kernel Group", JSC "Vovchansk OEP", CJSC "Prykolotne OEP", and from 1 April 2010 JSC "Kirovogradoliya" and "Ekotrans" LLC, as the activities of these subsidiaries are carried out with a limited degree of autonomy. Following the changes in measurement and presentation currency, reclassification in the Statement of Cash Flows was effected to provide users of the financial statements with clearer and more detailed information. Transactions in currencies other than measurement currencies of the Group companies are treated as transactions in foreign currencies.

Basis of Consolidation - The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Group (the "Subsidiaries") as of 30 September 2010. Control is achieved where the parent company has the power to govern the financial and operating policies of an investee enterprise, either directly or indirectly, so as to obtain benefits from its activities.

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

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

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

Minority interest at the balance sheet date represents the minority 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.

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

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 initial 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 2010	Average rate for the 3 months ended 30 September 2010	Closing rate as of 30 September 2009	Average rate for the 3 months ended 30 September 2009
USD/UAH	7.9135	7.9006	8.0100	7.8160
USD/EUR	0.7336	0.7748	0.6833	0.6997
USD/PLN	2.9250	3.1062	2.8852	2.9391

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

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

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

Loans - Loans provided by the Group are financial assets, created by means of grant of money directly to a borrower or participating in provision of credit services, not including those assets, which were created with the purpose of immediate sale or sale during a short-term period or classified as investments held for trading. For loans, given at a rate and on terms which are different from market terms and conditions, the difference between the par value of the resources provided and the fair value of the amount lent is reflected in the income statement in the period, when such amount was lent, as an adjustment to the loan amount. Loans with fixed maturity terms are measured at amortized cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. Loans provided are reflected in the balance sheet, less allowance for estimated non-recoverable amounts.

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

Held-to-maturity investments and the Group’s trade receivables and loans receivable are included in the complement of non-current assets, except for 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 2010 and 2009 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 (IFRS) 2 ‘Share-based Payment’ during the financial year 2008.

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

Fair value is calculated using the Black-Scholes model. No expense is recognized for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management’s best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement, with a corresponding entry in equity.

Earnings per share - Are calculated by dividing net profit attributable to 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.

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

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 and 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 reserve.

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 reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

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.

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.

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

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.

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.

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

The operating segments' activities are as follows:

Operating Segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil in bulk	Production and sales of sunflower oil in bulk (crude and refined) and meal
Grain	Sourcing and merchandizing of wholesale grain.
Export terminals	Grain, oil and meal handling and transhipment services in the ports of Ilyichevsk and Nikolayev.
Grain silo services	Provision of grain cleaning, drying and storage services.
Farming	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 2010 the segment table reflects continuing operations only.

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 (CONTINUED)

The following table represents movements in property, plant and equipment for the 3-month period ended 30 September 2010:

	Oil	Export terminals	Farming	Inland silos	Other	Total
Net Book Value as at 1 July 2010	**212 695**	**73 577**	**20 529**	**58 618**	**13 616**	**379 035**
Land	2 289	3 380	2	1 138	46	6 855
Buildings and Constructions	84 347	15 648	5 263	47 002	3 362	155 622
Production machinery and equipment	59 821	54 454	275	9 772	66	124 388
Agricultural vehicles and equipment	22	-	14 908	55	-	14 985
Other fixed assets	-	-	-	-	9 838	9 838
CIP and uninstalled equipment	66 216	95	81	651	304	67 347
Additions	**8 585**	**295**	**134**	**336**	**2 064**	**11 414**
Land	-	-	-	-	-	-
Buildings and Constructions	41	8	30	83	-	162
Production machinery and equipment	236	-	5	82	2	325
Agricultural vehicles and equipment	-	-	-	-	-	-
Other fixed assets	-	-	-	-	904	904
CIP and uninstalled equipment	8 308	287	99	171	1 158	10 023
Disposals (at NBV)	**(56)**	**(39)**	**(61)**	**(155)**	**(43)**	**(354)**
Buildings and Constructions	(24)	-	(17)	(20)	(3)	(64)
Production machinery and equipment	(10)	-	-	(37)	-	(47)
Agricultural vehicles and equipment	-	-	(11)	(11)	-	(22)
Other fixed assets	-	-	-	-	(40)	(40)
CIP and uninstalled equipment	(22)	(39)	(33)	(87)	-	(181)
Depreciation expense	**(2 566)**	**(879)**	**(1 269)**	**(1 397)**	**(740)**	**(6 851)**
Buildings and Constructions	(1 030)	(118)	(183)	(993)	(46)	(2 370)
Production machinery and equipment	(1 535)	(761)	(17)	(400)	(41)	(2 754)
Agricultural vehicles and equipment	(1)	-	(1 069)	(4)	-	(1 074)
Other fixed assets	-	-	-	-	(653)	(653)

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

	Oil	Export terminals	Farming	Inland silos	Other	Total
Translation difference	**(2 135)**	**(33)**	**24**	**142**	**1 949**	**(53)**
Land	(1)	(2)	-	(1)	-	(4)
Buildings and Constructions	(5)	(8)	(4)	(1 493)	2 000	490
Production machinery and equipment	(3)	(2)	-	289	1 479	1 763
Agricultural vehicles and equipment	-	-	94	1	-	95
Other fixed assets	-	-	-	-	(1 529)	(1 529)
CIP and uninstalled equipment	(2 126)	(21)	(66)	1 346	(1)	(868)
Net Book Value as at 30 September 2010	**216 523**	**72 921**	**19 357**	**57 544**	**16 846**	**383 191**
Land	2 288	3 378	2	1 137	46	6 851
Buildings and Constructions	83 329	15 530	5 089	44 579	5 313	153 840
Production machinery and equipment	58 509	53 691	263	9 706	1 506	123 675
Agricultural vehicles and equipment	21	-	13 922	41	-	13 984
Other fixed assets	-	-	-	-	8 520	8 520
CIP and uninstalled equipment	72 376	322	81	2 081	1 461	76 321

As of 30 September 2010 CIP and uninstalled equipment includes USD 2 224 thousand of capitalized interest on borrowing costs (as of 30 September 2009 USD 2 313 thousand calculated at a capitalization rate of 11.67 % per annum). Capitalization rate used to calculate the amount of capitalized interests as at 30 September 2010 is 5.27 % per annum.

6. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the 3-month period ended 30 September 2010 and 2009:

Cost as of 30 June 2010	**40 005**	**Cost as of 30 June 2009**	**41 039**
Additions from acquisition of Subsidiaries	-	Additions from acquisition of Subsidiaries	-
Additions	116	Additions	79
Disposals	(55)	Disposals	(64)
Translation difference	44	Translation difference	(1 492)
Cost as of 30 September 2010	**40 110**	**Cost as of 30 September 2009**	**39 562**
Accumulated depreciation as of 30 June 2010	**(8 163)**	**Accumulated depreciation as of 30 June 2009**	**(5 353)**
Amortization charge	(894)	Amortization charge	(1 057)
Disposals	2	Disposals	-
Translation difference	(65)	Translation difference	256
Accumulated depreciation as of 30 September 2010	**(9 120)**	**Accumulated depreciation as of 30 September 2009**	**(6 154)**
Net book value as of 30 September 2010	**30 990**	**Net book value as of 30 September 2009**	**33 408**

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks with the value of USD 4 613 thousand, USD 5 989 thousand, USD 8 661 thousand and USD 179 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 30 September 2010 and 2009 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 2010 and 2009 were as follows:

	30 September 2010	30 September 2009
Bank credit lines	346 151	228 135
Interest accrued on short-term credits	540	230
Interest accrued on long-term credits	971	422
Total	**347 662**	**228 787**

The balances of short-term borrowings as of 30 September 2010 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+2,12%	USD	July 2011	70 787
European bank	Libor+2%	USD	July 2011	45 024
European bank	Libor+5%	USD	August 2011	112 000
European bank	Libor w+1%	USD	July 2011	2 543
European bank	2,5%	USD	July 2011	3 984
Ukrainian subsidiary of European bank	25%	UAH	December 2010	10 620
Ukrainian subsidiary of European bank	Libor+10,4%	USD	October 2010	30 701
Ukrainian subsidiary of European bank	Libor+4%	USD	June 2011	25 000
Ukrainian subsidiary of European bank	9,75%	UAH	October 2010	45 492
Total bank credit lines				**346 151**
Interest accrued on short-term loans				540
Interest accrued on long-term loans				971
Total				**347 662**

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

	Interest rate	Currency	Maturity	Amount due
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	July2010	92 245
European bank	Libor+5%	USD	August 2010	68 000
Total bank credit lines				**228 135**
Interest accrued on short-term loans				230
Interest accrued on long-term loans				422
Total				**228 787**

As of 30 September 2010 the overall maximum credit limit for short-term bank credit lines amounted to USD 582 269 thousand (as of 30 September 2009 USD 425 224 thousand).

As of 30 September 2010 and 2009 short-term loans from banks were secured as follows:

Assets pledged	30 September 2010	30 September 2009
Inventories	268 936	228 135
Property, plant and equipment (Note 5)	11 980	67 618
Trading securities	54 780	-
Total	**335 696**	**295 753**

8. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 30 September 2010 and 2009 were as follows:

	30 September 2010	30 September 2009
Long-term bank loans	153 598	89 575
Current portion of long-term borrowings	(30 642)	(15 491)
Total	**122 956**	**74 084**

Long-term bank loans

The balances of long-term borrowings as of 30 September 2010 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+ 3,52%	USD	April 2015	31 020
European bank	Libor3m+6,76%	USD	September 2012	29 332
Ukrainian subsidiary of European bank	Libor+5,7%	USD	September 2013	59 004
Ukrainian subsidiary of European bank	Libor+5%	USD	November 2013	31 369
Ukrainian subsidiary of European bank	Libor3m+11,2%	USD	August 2015	2 873
Total				**153 598**

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

	Interest rate	Currency	Maturity	Amount due
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	April 2015	34 877
Total				**89 575**

Long-term loans as of 30 September 2010 include credit line from banks with the overall maximum credit limit of USD 157 723 thousand (as of 30 September 2009 USD 110 000 thousand).

Assets pledged	30 September 2010	30 September 2009
Property, plant and equipment (Note 5)	215 958	132 465
Intangible assets (Note 6)	5 989	5 917
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	**221 947**	**138 382**

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 2010 and 2009:

Name of Subsidiary	
30 September 2010	**30 September 2009**
VJSC "Vovchansk VOEP"	CJSC "Poltava oil crushing plant-Kernel Group"
LLC "Gutnansky elevator"	CJSC "Reshetylivka Hliboproduct"
LLC "Prykolotnjansky OEP"	CJSC "Globynsky elevator HP"
LLC "Velykoburlutske HPP"	CJSC "Gutnansky elevator"
LLC "Shevchenkisky KHP"	JSC "Poltavske khlibopriemalne pidpriemstvo"
LLC "Kovyagivske KHP"	CJSC "Prykolotnjansky OEP"
LLC "Bandurskiy oil crushing plant"	CJSC "Velykoburlutske HPP"
LLC "Transbulk Terminal"	CJSC "Shevchenkisky KHP"
	CJSC "Kovyagivske KHP"
	CJSC "Poltavaavtotransservis"
	LLC "Bandurskiy oil crushing plant "

9. INCOME TAX

As of 30 September 2010 and 2009 the major components of deferred tax assets and liabilities were as follows:

	30 September 2010	30 September 2009
Deferred tax assets arising from:		
Tax losses carried forward	1 077	1 309
Valuation of advances from customers	9 846	6 322
Valuation of accounts receivable	1 154	391
Valuation of property, plant and equipment	880	368
Valuation of intangible assets	291	202
Valuation of inventories	12	8
Valuation of accrued expenses and other temporary differences	255	165
Deferred tax asset	**13 515**	**8 765**
Less: valuation allowance		(36)
Net deferred tax asset after valuation allowance	**13 515**	**8 729**
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(30 924)	(14 698)
Valuation of prepayments to suppliers and prepaid expenses	(10 917)	(8 799)
Valuation of intangible assets	(2 283)	(2 401)
Valuation of inventories	-	(42)
Valuation of accounts receivable	-	(10)
Valuation of financial investments	(33)	(9)
Deferred tax liability	**(44 157)**	**(25 959)**
Net deferred tax liability	**(30 642)**	**(17 230)**

9. INCOME TAX (CONTINUED)

As of 30 September 2010 and 2009 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 2010 and 2009.

The components of income tax expense for the 3-month period ended 30 September 2010 and 2009 were as follows:

	30 September 2010	**30 September 2009**
Current income tax expenses	(333)	(182)
Deferred tax benefit/(expense)	1 620	546
Income tax benefit/(expenses)	**1 287**	**364**

The income tax charge for the 3-month period ended 30 September 2010 and 2009 is reconciled to the profit before income tax per consolidated income statement as follows:

	30 September 2010	**30 September 2009**
Profit/(loss) before income tax:	32 638	38 808
Tax at the statutory income tax rate in Ukraine of 25%	(8 160)	(9 702)
Expenditures not allowable for income tax purposes and non-taxable income, net	9 411	9 454
Change in valuation allowance	36	612
Income tax benefit /(expenses)	**1 287**	**364**

10. 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 2010 and 2009:

	Related party balances as of	Total category as per consolidated balance sheet as of	Related party balances as of	Total category as per consolidated balance sheet as of
	30 September 2010		30 September 2009	
Inventory	15	372 982	-	204 636
Trade accounts receivable, net	475	53 825	-	41 510
Prepayments to suppliers and other current assets, net	17 222	46 099	5 468	29 251
Other non-current assets	8 863	12 177	26 300	36 398
Advances from customers and other current liabilities	26 487	89 632	-	21 407

Transactions with related parties for the 3-month period ended 30 September 2010 and 2009 were as follows:

	Amount of operations with related parties, for the	Total category per consolidated income statement for the	Amount of operations with related parties, for the	Total category per consolidated income statement for the
	3 months ended 30 September 2010		3 months ended 30 September 2009	
Cost of sales	(110)	(252 079)	(46)	(179 508)
General, administrative and distribution expenses	(418)	(40 148)	(2)	(33 116)
Other income/(expenses)	-	(3 390)	6	(301)

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

11. COMMITMENTS AND CONTINGENCIES

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

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

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

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

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

As of 30 September 2010 and 30 September 2009 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.

Capital commitments – As of 30 September 2010 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 10 551 thousand for supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 1 056 thousand for supply of equipment and services required for construction of a new silo.

As of 30 September 2009 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 8 000 thousand for supply of equipment and services required for the new solvent extraction plant under construction, and for a total amount of USD 2 000 thousand for supply of equipment and services required for increase in production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

Contractual Commitments on Sales - As of 30 September 2010 the Group had entered into commercial contracts for export of 453 thousand tons of grain and 318 thousand tons of sunflower oil and meal, corresponding to an amount of USD 143 805 thousand and USD 192 452 thousand respectively in prices as of 30 September 2010.

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.

12. 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 2010 and 2009 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.

13. DESCRIPTION OF SIGNIFICANT EVENTS FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2010

On 12 July 2010 4 450 000 new ordinary bearer shares of Kernel Holding S.A. (the "Company" or "Kernel") were registered by the National Depository for Securities (Krajowy Depozyt Papierow Wartościowych, "NDS") and admitted to trading on the main market of the Warsaw Stock Exchange ("WSE"), following which the total number of Kernel Holding S.A. shares outstanding is 73 191 000.

On 11 August 2010, a Syndicated Secured Financing Facility in favour of Kernel Trade LLC, a subsidiary of the Company, was signed with a banking syndicate led by ING Bank N.V and UniCredit Bank AG, together the Co-ordinating Mandated Lead Arrangers of the Financing Facility. The Financing Facility amounts to USD 260 million. The proceeds are used to finance the Borrower's sunflower seed purchases, their storage period and their processing into oil and sunflower meal, which are sold on the domestic market or exported.

On 2 September 2010, as the credit agreement was registered with the National Bank of Ukraine, the USD 260 000 thousand Financing Facility came into force and the security package related to the loan signed

14. SUBSEQUENT EVENTS

On 5 October 2010, Fitch Ratings assigned Kernel Long-term foreign and local currency Issuer Default Ratings (IDRs) of 'B' and 'B+', respectively. Fitch also assigned Kernel a National Long-term rating of 'AA+'(ukr). The Outlooks for the Long-term IDRs and National Long-term rating are Stable.

On 8 October 2010 a Subsidiary of Kernel Holding S.A. entered into a preliminary agreement to purchase a farming enterprise for a total consideration equivalent to USD 1 600 thousand. The assets of the farming enterprise include lease rights on 2 356 ha of land in the region of Kirovograd with lease tenor up to 7 years and value of the lease rights estimated at USD 265 per hectare, plus farming equipment, inventory and biological assets. The transaction is to be finalized by January 2011.

On 7 October 2010, ING Bank N.V. London Branch sold 696 920 shares in Kernel, constituting 0.95% of the share capital and representing 696 920 votes at the general meeting of the Company, such votes constituting 0.95 % of the overall number of votes. Prior to the sale of shares transaction, ING owned 4 335 575 shares in the Company, constituting 5.92% of the share capital and representing 4 335 575 votes at the general meeting of the Company, such votes constituting 5.92% of the overall number of votes. Following the sale of shares transaction, ING held 3 638 655 shares in the Company, constituting 4.97% of the share capital and representing 3 638 655 votes at the general meeting of the Company, such votes constituting 4.97% of the overall number of votes. ING has no intention to increase shareholding in 12 months.

Following the issuance to Ukrainian subsidiaries of the Company of State bonds for a total value of UAH 1 072 562 thousand, a new financing facility in favour of Kernel Trade LLC, a subsidiary of Kernel Holding S.A., was signed with a bank for a total maximum amount equivalent to USD 100 million. The facility has a 3-year tenor and is secured by a parent company guarantee and by the State government bonds issued in payment of VAT.

In November 2010, the Company sold the Ukraine State bonds issued to Ukrainian subsidiaries of the Company in reimbursement of VAT for a total face value of UAH 1 072 562 thousand, representing the entire position in State bonds held by the Company. The bonds were sold to third parties for a total amount of UAH 943 255 thousand, representing a 12 % discount to par value.