

Q3

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2011



KERNEL HOLDING S.A.

KERNEL

FOREWORD BY ANDREY VEREVSKYY, Chairman of the Board

DEAR SHAREHOLDERS:

We are pleased to report robust results for the 3rd quarter under review. As anticipated, top line results were strongly supported by both the development of our crushing capacity and the significant increases in soft commodity prices. In addition, notwithstanding the continued restrictions imposed by the government of Ukraine on the export of grain, the Company managed to execute close to 400 000 tons of grain export contracts throughout the quarter. Altogether, revenue has grown year-on-year by 91.3%, from USD 269.4 million to USD 515.4 million for the 3rd quarter under review, EBITDA has grown 79.5%, from USD 50.2 million to USD 90.1 million for quarter under review, and Net income has grown 94.8%, from USD 40 million to USD 77.9 million for the quarter under review. With this strong set of quarterly results, we are confident that our yearly guidance, as revised on 14 February, is firmly within reach.

The 3-month period under review was affected by market uncertainty resulting from the government's dithering on allocation of grain quotas and future export policies. The initial policy of grain export quotas, introduced in October 2010, while leaving most market operators dissatisfied, did enable the government to keep domestic prices for grain relatively low in comparison to prices on the international market. In March 2011, the government intended to allow a further 2 million tons of corn to be exported, and was considering the possibility of selling such allocation of export rights through auction. Eventually, corn was completely freed from export restrictions in the beginning of May. Today, with less than two months to go before the beginning of the new harvest, the market is waiting for the government to decide on the grain export policy it will implement in the new season. We believe there is a high probability the state will levy a duty on the export of wheat, barley and corn, possibly as early as 1 June. While we clearly view the free export of grain as the best option available to both farmers and market operators, we nevertheless understand the government's concern and interest in keeping inflation under control. To achieve this goal, we consider the introduction of reasonable grain export duties as an acceptable mechanism to counter the increase in food prices in the country.

As usual, the size and quality of the coming harvest is the essential factor, which will influence our next financial year. In our semi-annual report released on 2 May, we forecasted, on a very preliminary basis, grain export from Ukraine be-

tween 22 and 24 million tons including carry-over stocks, on the back of a wheat, corn and barley harvest between 42 and 49 million tons. The United States Department of Agriculture ("USDA") released on 11 May its much awaited initial forecast for the 2011 harvest of all major producing countries, projecting a total grain production in Ukraine of 43.5 million tons and export of 18.5 million tons. While our harvest estimate is broadly in line with the USDA projection, we believe Ukraine will have the potential to export above 20 million tons of grain, provided of course weather conditions remain favorable and provided the government does not restrict export volumes over the next season.

Assuming a reasonable crop in 2011, our expectations for the next financial year are the following:

- In the bulk oil sector, we would expect to crush in the range of 2.2 million tons of sunflower seed on the basis of the present processing capacity of the Group. Opportunities to further increase sales volume in our bulk oil segment would depend on the successful completion of the acquisitions we are contemplating, both in Ukraine and in Russia.
- Our grain business is expected to fully capitalize on the good harvest forecasted and the large carry-over stocks. As the possible introduction of an export duty on grain will have virtually no effect on the volume of export, and barring any unfavorable weather conditions, we plan to export 2.5 million tons of grain over the next season. Other measures to restrict the export of grain could, however, bring us to review our grain export plans.
- Business segments providing services related to grain are also expected to benefit strongly from the sizable harvest: with a grain export volume possibly in excess of 20 million tons, our grain export terminal is expected to handle 3 million tons over next season. As our inland silo network also takes advantage of the larger harvest, we plan silo revenue to increase 20% year-on-year.
- Farming business is expected to increase twofold thanks to the Ukrros transaction. Future acquisitions, on which the Company is presently working, are also expected to contribute significantly to the growth of the segment.
- We plan to start operating the sugar production assets acquired from Ukrros as soon as the new sugar beet crop will be harvested. While this business is new to Kernel, we view the fundamentals of the sugar industry in Ukraine as healthy based on vertical integration and a high level of own-production feedstock.

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FINANCIAL HIGHLIGHTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2011

Total revenue increased 91.3% year-on-year, from USD 269.4 million for the 3-month period to 31 March 2010 to USD 515.4 million for the 3-month period under review;

Result from operating activities increased 80.2% year-on-year, from USD 45.4 million for the 3-month period to 31 March 2010 to USD 81.8 million for the 3-month period under review;

Net profit attributable to equity holders of Kernel Holding S.A. increased 94.8% year-on-year, from USD 40.0 million for the 3-month period to 31 March 2010 to USD 77.9 million for the 3-month period under review.

Return on shareholders' equity was 31%.

Credit lines available as of 31 March 2011: USD 878 642 thousand (31 March 2010: USD 529 600 thousand).

Production, sales and throughput:

Volume and tonnage	3 months ended 31 March 2011 (unaudited)	3 months ended 31 March 2010 (unaudited)	% change
Grain sales, tons	393 328	763 176	(48.5)%
Bulk oil sales, tons	224 136	85 203	163.1%
Bottled oil sales, '000 liters	22 755	26 260	(13.4)%
Sunflower seed crush, tons	608 184	286 471	112.3%
Refined oil production, tons	27 758	26 903	3.2%
Bottled oil production, tons	20 440	26 426	(22.7)%
Export terminals throughput, tons ⁽¹⁾	509 878	956 760	(46.7)%

⁽¹⁾ Q3 FY2010 tonnage reflects throughput at Illichevsk grain terminal; Q3 FY2011 tonnage reflects total throughput at Illichevsk grain terminal, Nikolayev oil terminal and Nikolayev bulk cargo terminal for meal

REVIEW OF FINANCIAL RESULTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2011

Total Revenue

Kernel reported total revenue of USD 515.4 million for the 3-month period under review, as compared to USD 269.4 million for the 3 months ended 31 March 2010. The 91.3% year-on-year revenue increase is primarily the result of the expanded crushing capacity of the Group compounded by the significant price increase in oil on the international market, altogether translating into a 163.1% year-on-year increase in bulk oil sales.

Gross Profit

Gross profit was USD 148.6 million for the quarter under review, as compared to USD 88.7 million for the 3 months ended 31 March 2010, a 67.5% increase in absolute terms. In relative terms, gross margin decreased year-on-year from 32.9% to 28.8% as a result of the increased competition for feedstock in a rising oil market.

Distribution Costs

Distribution costs increased from USD 39.0 million for the 3 months ended 31 March 2010, to USD 58.2 million for the quarter under review. While increasing year-on-year by 49.2% in absolute terms, distribution costs relative to revenue decreased from 14.5% to 11.3% for the quarter under review.

General and Administrative Expenses

General and administrative expenses increased from USD 5.5 million for the 3rd quarter of FY2010, to USD 9.1 million for the 3-month period under review, the increase reflecting primarily increased expenses incurred by the Company following the acquisition of Allseeds productions assets.

Profit from Operating Activities

Result from operating activities increased from USD 45.4 million for the 3 months ended 31 March 2010, to USD 81.8 million for the 3-month period under review, equivalent to a 80.2% year-on-year increase. In relative terms, operating margin decreased year-on-year from 16.9% to 15.9% as a result of increased competition for purchase of seed in a well supported oil market.

Finance costs, net

Net finance costs increased from USD 5.1 million for the 3rd quarter of FY2010 to USD 14.0 million for the 3-month period under review, the USD 8.9 million increase resulting primarily from the increase in working capital for the period under review and the additional long-term debt incurred following the acquisition of the Allseeds production assets.

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Net profit

Net profit attributable to the shareholders of Kernel Holding S.A. increased from USD 40.0 million for the 3 months ended 31 March 2010, to USD 77.9 million for the period under review, equivalent to a 94.8% year-on-year increase. In relative terms, net margin remained stable at a level of 15%.

Cash Flow

Net cash provided by operations in the quarter under review was USD 188.5 million as the Company draws down sunflower seed and grain inventories in execution of its export contracts, compared to net cash provided by operations of USD 111.0 million in the same period of the previous financial year.

REVIEW OF SEGMENTAL RESULTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2011

Bottled Oil

Revenue from bottled oil sales for the quarter under review was USD 33.0 million, as compared to USD 28.6 million for the 3 months ended 31 March 2010. The 15.4% year-on-year increase in revenue was primarily driven by the overall price increase in vegetable oil: while volume of bottled oil delivered to the market decreased year-on-year by 13.4%, the actual average sale price of bottled oil increased from USD 1 033 per ton for the 3rd quarter of FY2010 to USD 1 333 per ton for quarter under review. Profit from operating activities fell year-on-year from USD 7.1 million to USD 3.5 million and operating profit margin decreased from 24.8% to 10.7% as pressure from the government of Ukraine to cap price increases limited our ability to pass on the rising cost of sunflower seed to the consumer.

Bulk Oil

Revenue from bulk oil sales increased 304.3% year-on-year, from USD 87.6 million for the 3rd quarter of FY2010 to USD 354.2 million for the quarter under review. The substantial increase in revenue is the result of the 163.1% percent increase in volume of bulk oil delivered over the period, together with a 57.9% increase in the average sale price for oil, from 817 USD per ton of oil delivered in the 3rd quarter of FY2010 to 1 290 USD per ton for the quarter under review. The substantial increases in both prices and volumes translated into a 269.9% year-on-year increase in profit from operating activities, from USD 18.6 million for the 3rd quarter of FY2010 to USD 68.8 million for the quarter under review. Operating margin came slightly under pressure and decreased year-on-year from 21.2% to 19.4%.

Grain

Revenue from grain sales was USD 126.0 million for the quarter under review as compared to USD 146.5 million for the 3rd quarter of FY2010. While the average price per ton of grain delivered increased year-on-year by 66.8%, from

USD 192.0 to USD 320.2 per ton, volumes fell year-on-year by 48.5% primarily as a result of grain export restrictions. As a consequence of lower volumes, profit from operating activities decreased in absolute terms, from USD 14.5 million for the 3rd quarter of FY2010 to USD 12.8 million for the quarter under review. Operating margin remained stable at 10.2% for the quarter under review, compared to 9.9% for the 3rd quarter of FY2010.

Silo Services

Revenue from silo services was USD 5.8 million for the period under review as compared to USD 4.8 million for the 3 months ended 31 March 2010. Profit from operating activities decreased from USD 2.0 million for the 3rd quarter of FY2010 to USD 0.2 million for the quarter under review due to higher amortization and running expenses.

Export Terminals

Revenue from export terminals decreased from USD 15.3 million for the 3rd quarter of FY2010 to USD 7.7 million for the quarter under review, a 49.7% year-on-year decrease in revenue. The drop in revenue is a consequence of the grain export restrictions and the resulting lower throughput, decreasing year-on-year from 956.8 thousand tons to 509.9 thousand tons for the 3-month period under review. While the lower volume resulted in a decrease in operating profit from USD 6.8 million for the 3rd quarter of FY2010 to USD 2.8 million for the quarter under review, operating margin remained healthy at 36.4%.

Farming

In line with Company policy, the crop is sold to the grain department shortly after harvest, resulting in farming revenue posted primarily in the 1st and 2nd quarters of the financial year. With only marginal revenue of USD 1.2 million for the quarter under review, the farming segment shows a USD 1.7 million loss from operating activities.

Table of Contents

6	Selected Financial Data
7	Condensed Consolidated Statement of Financial Position
8	Condensed Consolidated Income Statement
9	Condensed Consolidated Statement of Comprehensive Income
10	Condensed Consolidated Statement of Changes in Equity
11	Condensed Consolidated Statement of Cash Flows
13	Notes to the Condensed Consolidated Financial Statements

SELECTED FINANCIAL DATA

for the 3-month period ended 31 March (in thousands unless otherwise stated)		thousand USD		thousand PLN		thousand EUR	
		2011	2010	2011	2010	2011	2010
I.	Revenue	515 416	269 449	1 488 367	777 118	376 975	194 650
II.	Profit from operating activities	81 814	45 394	236 254	130 921	59 839	32 793
III.	Profit before income tax	66 182	39 981	191 114	115 309	48 406	28 882
IV.	Profit from continuing operations	77 970	40 056	225 155	115 526	57 027	28 936
V.	Net cash flow provided by operating activity	188 464	111 029	544 227	320 219	137 843	80 207
VI.	Net cash flow provided by/(used in) investment activity	474	(54 643)	1 369	(157 596)	347	(39 474)
VII.	Net cash flow provided by/(used in) financial activity	(158 330)	(92 711)	(457 210)	(267 388)	(115 804)	(66 974)
VIII.	Total net cash flow	30 608	(36 325)	88 386	(104 765)	22 386	(26 241)
IX.	Total assets	1 403 085	849 581	3 960 769	2 439 997	987 211	631 748
X.	Current liabilities	447 685	197 011	1 263 770	565 816	314 991	146 497
XI.	Non-current liabilities	178 736	160 871	504 554	462 021	125 759	119 624
XII.	Issued capital	1 945	1 815	5 491	5 213	1 369	1 350
XIII.	Total equity	776 664	491 699	2 192 445	1 412 160	546 461	365 627
XIV.	Weighted average number of shares	73 647 252	68 741 000	73 647 252	68 741 000	73 647 252	68 741 000
XV.	Profit per ordinary share (in USD/PLN/EUR)	1.06	0.58	3.05	1.67	0.77	0.42
XVI.	Diluted number of shares	74 558 063	69 512 754	74 558 063	69 512 754	74 558 063	69 512 754
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	1.04	0.58	3.02	1.67	0.76	0.42
XVIII.	Book value per share (in USD/PLN/EUR)	10.54	7.14	29.74	20.51	7.41	5.31
XIX.	Diluted book value per share (in USD/PLN/EUR)	10.40	7.06	29.36	20.28	7.32	5.25

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in US dollars and in thousands unless otherwise stated)	Notes	31 March 2011 unaudited	31 December 2010 reviewed	30 June 2010 audited	31 March 2010 unaudited
ASSETS					
<i>Current Assets</i>					
Cash		59 334	21 587	59 482	14 789
Trade accounts receivable, net		116 850	127 663	65 483	42 404
Prepayments to suppliers and other current assets, net		49 064	47 514	94 233	29 666
Taxes recoverable and prepaid, net		264 969	268 033	205 584	151 802
Inventory		388 892	547 012	147 787	190 513
Biological assets		7 155	4 236	26 131	6 597
Total current assets		886 264	1 016 045	598 700	435 771
<i>Non-Current Assets</i>					
Property, plant and equipment, net	5	384 350	387 805	379 035	258 315
Intangible assets, net	6	29 736	30 592	31 842	32 288
Goodwill		86 000	86 000	86 058	44 836
Other non-current assets		16 735	1 480	29 138	78 371
Total non-current assets		516 821	505 877	526 073	413 810
TOTAL ASSETS		1 403 085	1 521 922	1 124 773	849 581
LIABILITIES AND EQUITY					
<i>Current Liabilities</i>					
Trade accounts payable		22 104	46 574	10 913	15 724
Advances from customers and other current liabilities		28 220	28 967	131 386	19 517
Short-term borrowings	7	366 219	510 835	169 098	131 128
Current portion of long-term borrowings		31 142	36 358	40 764	30 642
Total current liabilities		447 685	622 734	352 161	197 011
<i>Non-Current Liabilities</i>					
Long-term borrowings	8	160 257	172 295	127 454	135 276
Obligations under finance lease		4 321	5 501	7 796	8 910
Deferred tax liabilities	9	14 093	30 413	32 376	16 367
Other non-current liabilities		65	65	95	318
Total non-current liabilities		178 736	208 274	167 721	160 871
<i>Equity attributable to Kernel Holding S.A. equity holders</i>					
Issued capital		1 945	1 933	1 933	1 815
Share premium reserve		321 556	317 741	317 741	236 637
Additional paid-in capital		39 944	39 944	39 944	39 944
Revaluation reserve		15 049	11 260	11 260	11 260
Translation reserve		(161 434)	(161 600)	(160 622)	(160 920)
Retained earnings		555 707	477 845	391 606	362 056
Total equity attributable to Kernel Holding S.A. equity holders		772 767	687 123	601 862	490 792
Non-controlling interest		3 897	3 791	3 029	907
Total equity		776 664	690 914	604 891	491 699
TOTAL LIABILITIES AND EQUITY		1 403 085	1 521 922	1 124 773	849 581
Book value		772 767	687 123	601 862	490 792
Weighted average number of shares		73 339 741	73 191 000	69 070 178	68 741 000
Book value per share (in USD)		10.54	9.39	8.71	7.14
Diluted number of shares		74 289 989	74 139 554	73 891 365	69 512 754
Diluted book value per share (in USD)		10.40	9.27	8.15	7.06

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

CONDENSED CONSOLIDATED INCOME STATEMENT

(in US dollars and in thousands unless otherwise stated)	Notes	3 months ended 31 March 2011 (unaudited)	9 months ended 31 March 2011 (unaudited)	3 months ended 31 March 2010 (unaudited)	9 months ended 31 March 2010 (unaudited)
Revenue		515 416	1 427 849	269 449	781 973
Cost of sales		(366 869)	(1 072 616)	(180 714)	(538 181)
Gross profit		148 547	355 233	88 735	243 792
Other operational income		632	9 944	1 108	7 951
<i>Operating expenses</i>					
Distribution costs		(58 223)	(133 875)	(38 966)	(106 747)
General and administrative expenses		(9 142)	(24 233)	(5 483)	(17 691)
Profit from operating activities		81 814	207 069	45 394	127 305
Write down of vat receivable		-	(16 784)	-	-
Finance costs, net		(14 045)	(34 324)	(5 094)	(13 973)
Foreign exchange gain, net		(191)	2 481	969	10 778
Other expenses, net		(1 396)	(6 773)	(1 288)	(1 943)
Profit before income tax from continuing operations		66 182	151 669	39 981	122 167
Income tax benefit	9	11 788	12 218	75	419
Profit from continuing operations		77 970	163 887	40 056	122 586
NET PROFIT/ (LOSS) ATTRIBUTABLE TO:					
Equity holders of Kernel Holding S.A.		77 862	164 101	40 007	122 455
Non-controlling interest		108	(214)	49	131
Weighted average number of shares		73 647 252	73 339 741	68 741 000	68 741 000
Profit per ordinary share (in USD)		1.06	2.24	0.58	1.78
Diluted number of shares		74 558 063	74 289 989	69 512 754	69 326 703
Diluted profit per ordinary share (in USD)		1.04	2.21	0.58	1.77

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in US dollars and in thousands unless otherwise stated)	3 months ended 31 March 2011 (unaudited)	9 months ended 31 March 2011 (unaudited)	3 months ended 31 March 2010 (unaudited)	9 months ended 31 March 2010 (unaudited)
Net Profit	77 970	163 887	40 056	122 586
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	168	(822)	2 417	1 236
Gain on property revaluation	-	-	-	15 154
Income tax related to components of other comprehensive income	3 789	3 789	-	(3 789)
Other comprehensive income, net	3 957	2 967	2 417	12 601
Total comprehensive income	81 927	166 854	42 473	135 187
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of Kernel Holding S.A.	81 817	167 078	42 418	134 963
Non-controlling interest	110	(224)	55	224

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in US dollars and in thousands)	Attributable to Kernel Holding S.A. shareholders								
	Issued capital	Share pre-mium reserve	Addi-tional paid-in capital	Revalu-ation reserve	Trans-lation reserve	Re-tained earn-ings	Total	Non-con-trolling interest	Total equity
Balance at 31 March 2010	1 815	236 637	39 944	11 260	(160 920)	362 056	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	-	-	-	-	298	29 550	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	11 260	(160 622)	391 606	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	-	-	-	-	621	34 211	34 832	(286)	34 546
Effect of changes on minority interest	-	-	-	-	-	-	-	(798)	(798)
Balance at 30 September 2010	1 933	317 741	39 944	11 260	(160 001)	425 817	636 694	1 945	638 639
Profit for the period	-	-	-	-	-	52 028	52 028	(36)	51 992
Other comprehensive income	-	-	-	-	(1 599)	-	(1 599)	(12)	(1 611)
Total comprehensive income for the period	-	-	-	-	(1 599)	52 028	50 429	(48)	50 381
Effect of changes on minority interest	-	-	-	-	-	-	-	1 894	1 894
Balance at 31 December 2010	1 933	317 741	39 944	11 260	(161 600)	477 845	687 123	3 791	690 914
Profit for the period	-	-	-	-	-	77 862	77 862	108	77 970
Other comprehensive income	-	-	-	3 789	166	-	3 955	2	3 957
Total comprehensive income for the period	-	-	-	3 789	166	77 862	81 817	110	81 927
Effect of changes on minority interest	-	-	-	-	-	-	-	(4)	(4)
Increase of share capital	12	-	-	-	-	-	12	-	12
Issued capital and IPO expenses	-	3 815	-	-	-	-	3 815	-	3 815
Balance at 31 March 2011	1 945	321 556	39 944	15 049	(161 434)	555 707	772 767	3 897	776 664

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in US dollars and in thousands)	Notes	3 months ended 31 March 2011 unaudited	9 months ended 31 March 2011 unaudited
OPERATING ACTIVITIES:			
Profit before income tax		66 182	151 669
<i>Adjustments to reconcile profit before income tax to net cash used in operating activities:</i>			
Amortization and depreciation	5, 6	8 326	24 399
Finance costs		14 045	34 324
Bad debt expenses and other accruals		1 138	290
Loss on disposal of property, plant and equipment		(193)	(353)
Non-operating foreign exchange loss, net		336	896
Write down of VAT receivable		-	16 784
Gain on sales of equity investments		-	(495)
Operating profit before working capital changes		89 834	227 514
<i>Changes in working capital:</i>			
Decrease/(increase) in trade accounts receivable		9 921	(51 278)
(Increase)/decrease in prepayments and other current assets		(13 310)	36 211
Increase in restricted cash balance		(7 139)	(11 661)
Decrease in trading securities		-	119 598
Decrease/(increase) in taxes recoverable and prepaid		3 064	(195 996)
(Increase)/decrease in biological assets		(2 919)	18 976
Decrease/(increase) in inventories		158 120	(241 105)
(Decrease)/increase in trade accounts payable		(7 281)	23 404
Decrease in advances from customers and other current liabilities		(27 320)	(102 842)
Cash provided by/(used in) operations		202 970	(177 179)
Finance costs paid		(14 045)	(34 324)
Income tax paid		(461)	(1 213)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		188 464	(212 716)
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(269)	(22 766)
Proceeds from disposal of property, plant and equipment		825	1 332
Purchase of intangible and other non-current assets		(82)	(500)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		474	(21 934)
FINANCING ACTIVITIES:			
Proceeds from short-term and long-term borrowings		534 424	2 010 303
Repayment of short-term and long-term borrowings		(696 632)	(1 791 045)
Proceeds from share capital increase		12	12
Proceeds from share premium reserve increase		3 815	3 815
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		(158 381)	223 085
Translation adjustment		51	(244)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		30 608	(11 809)
Cash and cash equivalents, at the beginning of the period		15 345	57 762
Cash and cash equivalents, at the end of the period		45 953	45 953

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

(in US dollars and in thousands)	3 months ended 31 March 2010 unaudited	9 months ended 31 March 2010 unaudited
OPERATING ACTIVITIES:		
Profit before income tax	39 981	122 167
<i>Adjustments to reconcile profit before income tax to net cash used in operating activities:</i>		
Amortization and depreciation	4 852	14 753
Finance costs	5 094	13 973
Bad debt expenses and other accruals	117	783
Loss on disposal of property, plant and equipment	51	191
Non-operating foreign exchange loss/(gain), net	(198)	5 853
Gain on sales of equity investments	-	(640)
Operating profit before working capital changes	49 897	157 080
<i>Changes in working capital:</i>		
Decrease/(increase) in trade accounts receivable	16 630	(9 741)
Increase in prepayments and other current assets	(5 117)	(7 796)
(Increase)/decrease in restricted cash balance	(806)	23 570
Increase in taxes recoverable and prepaid	(13 851)	(80 048)
(Increase)/decrease in biological assets	(2 980)	12 335
Decrease/(increase) in inventories	78 468	(86 455)
(Decrease)/increase in trade accounts payable	(2 624)	8 314
Decrease in advances from customers and other current liabilities	(3 288)	(605)
Cash provided by operations	116 329	16 654
Finance costs paid	(5 094)	(13 973)
Income tax paid	(206)	(662)
NET CASH PROVIDED BY OPERATING ACTIVITIES	111 029	2 019
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(8 877)	(37 764)
Proceeds from disposal of property, plant and equipment	37	205
Purchase of intangible and other non-current assets	(45 803)	(59 835)
Disposal of Subsidiaries	-	586
NET CASH USED IN INVESTING ACTIVITIES	(54 643)	(96 808)
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings	50 593	514 183
Repayment of short-term and long-term borrowings	(143 404)	(504 550)
Corporate bonds issued/(repaid)	-	(1 993)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(92 811)	7 640
Translation adjustment	100	(3 755)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36 325)	(90 904)
Cash and cash equivalents, at the beginning of the period	43 493	98 072
Cash and cash equivalents, at the end of the period	7 168	7 168

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2011

1. Key Data by Operating Segment

Key data by operating segment for the 3 months ended 31 march 2011:

(In US dollars and in thousands)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Other	Reconc- iliation	Continuing operations
Revenue (external)	32 974	354 226	47	152	125 960	2 057	-	-	515 416
Intersegment sales	-	-	7 683	1 087	-	3 792	-	(12 562)	-
Total revenue	32 974	354 226	7 730	1 239	125 960	5 849	-	(12 562)	515 416
Other operational income	-	555	-	26	-	51	-	-	632
Operating profit (EBIT)	3 533	68 829	2 822	(1 677)	12 758	217	(4 668)	-	81 814
Finance costs net									(14 045)
Foreign exchange gain, net									(191)
Other expenses, net									(1 396)
Income tax benefit									11 788
Profit from continuing operations									77 970
Total assets	106 995	764 677	117 229	53 826	211 440	90 518	58 400	-	1 403 085
Capital expenditures	286	493	50	2 852	1	201	689	-	4 572
Amortization and depreciation	478	2 820	882	2 118	22	1 312	694	-	8 326
Liabilities	3 642	27 977	4 558	1 901	13 897	8 793	565 652	-	626 420

During the 3 months ended 31 March 2011 two of the Group's external customers accounted for more than 10 % of total external revenue. During the 3 months ended 31 March 2011 export sales amounted to 89% of total external sales revenue.

Key data by operating segment for the 3 months ended 31 march 2010:

(In US dollars and in thousands)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Other	Reconc- iliation	Continuing operations
Revenue (external)	28 649	87 560	4 733	205	146 507	1 795	-	-	269 449
Intersegment sales	-	-	10 541	255	-	2 963	-	(13 759)	-
Total revenue	28 649	87 560	15 274	460	146 507	4 758	-	(13 759)	269 449
Other operational income	-	576	-	38	238	39	217	-	1 108
Operating profit (EBIT)	7 112	18 584	6 815	(618)	14 488	1 956	(2 943)	-	45 394
Finance costs net									(5 094)
Foreign exchange gain, net									969
Other expenses, net									(1 288)
Income tax benefit									75
Profit from continuing operations									40 056
Total assets	135 107	236 529	98 482	55 693	173 934	39 025	110 811	-	849 581
Capital expenditures	463	14 402	539	1 097	12	691	1 067	-	18 271
Amortization and depreciation	359	1 030	774	2 162	70	324	133	-	4 852
Liabilities	3 101	6 943	1 418	1 573	11 946	3 557	329 344	-	357 882

During the 3 months ended 31 March 2010 none of the Group's external customers accounted for more than 10% of total external revenue. During the 3 months ended 31 March 2010 export sales amounted to 81% of total external sales revenue.

2. Nature of the Business

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

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

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

The principal operating office of the Group is located at the following address: 92-94 Dmitrievskaya str., 01135 Kyiv, Ukraine.

As of 31 March 2011, 31 December 2010 and 31 March 2010 the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 March 2011	31 December 2010	31 March 2010
Kernel-Capital LLC	Holding company	Ukraine	100%	100%	100%
Group Management LLC		Ukraine	100%	100%	N/A
Etrecom Investments LLC		Cyprus	100%	100%	100%
Corolex Public Co. Limited		Cyprus	94%	94%	N/A
Grain Trading Company "Allseeds-Ukraine" CJSC		Ukraine	94%	94%	N/A
Ukragrobiznes LLC		Ukraine	100%	100%	100%
Jerste BV		Netherlands	100%	100%	100%
Hamalex Developments LTD		Cyprus	100%	100%	100%
Chorex Developments Limited		Cyprus	100%	100%	100%
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%
Poltava oil crushing plant -Kernel Group PJSC	Production plants.	Ukraine	99.7%	99.7%	98.2%
Vovchansky OEP PJSC	Production of sunflower oil and meal.	Ukraine	99.4%	99.4%	99.4%
Prykolotnjansky OEP LLC		Ukraine	100%	100%	100%
Kirovogradoliya JSC		Ukraine	99.2%	99.2%	N/A
Ekotrans LLC		Ukraine	100%	100%	N/A
Bandurskiy oil crushing plant LLC		Ukraine	100%	100%	100%
JE Inerco-Ukraine LLC	Holding company. No significant activity since the date of foundation.	Ukraine	100%	100%	100%
Transbulkterminal, LLC	Provision of grain, oil and meal handling and transshipment services, including services to the Group.	Ukraine	100%	100%	100%
C.F.C Ukraine LTD		Ukraine	0% *	0% *	100%
Estron Corporation LTD		Cyprus	100%	100%	100%
Oiltransterminal, LLC		Ukraine	100%	100%	N/A

* Disposed of on 15 January 2010

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 March 2011	31 December 2010	31 March 2010
Reshetylivka Hliboproduct LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	100%	100%
Horol-Elevator LLC		Ukraine	0% *	0% *	100%
Mirgorodsky elevator LLC		Ukraine	100%	100%	100%
Globynsky elevator HP LLC		Ukraine	100%	100%	100%
Skifiya-Zernotrade LLC		Ukraine	94%	94%	N/A
Poltavske khibopriemalne pidpriemstvo JSC		Ukraine	88.2%	88.2%	88.2%
Elevator – "Grain Trading Company", LLC		Ukraine	94%	94%	N/A
Gogoleve- Agro LLC		Ukraine	100%	100%	99.9%
Sagaydak-Agro LLC		Ukraine	100%	100%	100%
Karlivka-Agro LLC		Ukraine	100%	100%	99.9%
Trykratskiy GPC JSC		Ukraine	86.5%	86.5%	N/A
Lazorkovski Elevator LLC		Ukraine	0% **	0% **	99.9%
Zherebkivsky elevator LLC		Ukraine	100%	100%	99.9%
Kononivsky elevator LLC		Ukraine	100%	100%	99.9%
Semenivski elevator LLC		Ukraine	100%	100%	99.9%
Kobelyaki Hliboproduct LLC		Ukraine	100%	100%	100%
Sahnovshina Hliboproduct 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%
Kovyagivske KHP LLC		Ukraine	100%	100%	100%
Viktorovsky elevator LLC		Ukraine	100%	100%	100%
Poltavaavtotransservis CJSC	Trucking company.	Ukraine	100%	100%	100%
MTE-2004 LLC		Ukraine	100%	100%	N/A
Agroservice LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	100%
Zernoservice 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%
Lozivske HPP PJSC		Ukraine	100%	100%	100%
Krasnopavlivsky KHP PJSC		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%
Perebudova PRAC		Ukraine	100%	100%	100%
Manjurka LLC		Ukraine	100%	100%	100%
Krutenke LLC		Ukraine	100%	100%	100%
Promin LLC		Ukraine	100%	100%	100%
Brovarki PRAC		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%
Drugba PRAC		Ukraine	100%	100%	100%
Agrofirma "Chkalova" LLC		Ukraine	100%	100%	100%
Agrofirma "Vitchizna", LLC		Ukraine	100%	100%	100%
Agrofirma "Vesna" LLC		Ukraine	0%	0%	N/A

* Merged with Semenivski elevator LLC on 15 December 2010

** Disposed of on 10 December 2010

3. Changes in Issued Capital

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose issued capital as of 31 March 2011 consisted of 73 674 410 ordinary bearer shares without indication of a nominal value, providing 73 674 410 voting rights (as of 31 March 2010 — 68 741 000 shares).

The shares were distributed as follows:

Equity holders	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
	as of 31 March 2011		as of 31 March 2010	
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Major Equity holder")	30 174 250	40.96%	37 074 250	53.93%
Free-float	43 500 160	59.04%	31 666 750	46.07%
Total	73 674 410	100.00%	68 741 000	100.00%

As of 31 March 2011 and 2010 100% of the beneficial interest in the "Major 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 was 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.

On 5 January 2011 Kernel issued of 483 410 new shares without indication of a nominal value. All the newly issued shares were subscribed by Apalax Investments Limited in connection with the exercise of options granted under the Management Incentive Plan. Issue price of 1 share was PLN 24. As a result of the increase, the Company's share capital was increased by an amount of USD 12 764 and set at USD 1 945 446.46 divided into 73 674 410 shares without indication of a nominal value.

Luxembourg companies are required to allocate to the legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve of an amount of USD 125 thousand as of 31 March 2011, unchanged from 31 March 2010, 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.

Adoption of new and revised standards

The Group has adopted the following new and amended standards:

IFRS 1 First-time adoption of International Financial Reporting standards

The Group has adopted IAS 1 Presentation of Financial Statements (revised), with effect from 1 July 2009. 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.

IFRS 2 Share based payment

The standard was amended in 2009 by “Amendments to IFRS 2 Group cash-settled share-based payment transactions” applicable to annual reporting periods beginning on or after 1 January 2010. The amendments expand IFRS 2 to bring group cash-settled share-based payment transactions into the scope of the standard. The adoption of this amendment did not have any impact on the reported results.

IFRS 3 Business combinations

The revised standard was issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. The Group has adopted IFRS 3 with effect from 1 July 2009. Changes affect the measurement of non-controlling interests at the date of acquisition, the accounting for transaction cost, the recognition and subsequent accounting for contingent consideration.

IAS 27 Consolidated and Separate Financial Statements

The revised standard was issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. The Group has adopted IAS 27 with effect from 1 July 2009.

IAS 28 Investment in associates

The revised standard was issued on 22 May 2008 and became effective for financial years beginning on or after 1 July 2009. The principle adopted requires, in case the investor loses significant influence over an associate, that all amounts are recognised in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associate. The adoption of this interpretation did not have any impact on the reported results.

IAS 32 Financial instruments: classification and measurement

The amendment to IAS 32 is effective for financial years periods beginning on or after 1 February, 2010 and addresses the accounting for rights issues (rights, options and warrants) that are denominated in a currency other than functional currency of the issuer. The adoption of this interpretation did not have any impact on the reported results.

IFRIC 17 Distribution of non-cash assets to owners

IFRIC 17 is effective for financial years beginning on or after 1 July 2009 and provides guidance on distribution of non-cash assets to owners, and distribution in which the owners are given the choice of receiving either non-cash assets or a cash alternative. The adoption of this interpretation did not have any impact on the reported results.

IFRIC 18 Transfers of assets from customers

IFRIC 18 is effective for financial years beginning on or after 1 July 2009 and provides guidance on transfer of property, plan and equipment for entities that receive such contribution from their customers. The adoption of this interpretation did not have any impact on the reported results.

IFRIC 19 Extinguishing financial liabilities with equity instruments

IFRIC 19 is effective for financial years beginning on or after 1 July 2010. The interpretation addresses the issue in respect of the accounting by the debtor in a debt for equity swap transaction. The adoption of this interpretation did not have any impact on the reported results.

Standards and Interpretations not yet adopted

The Group has not yet applied the following revised and amended standards, which are issued, but not yet effective

Standard	Effective for annual accounting period beginning on or after
IAS 24 Related party disclosures	1 January 2011
IFRS 9 Financial instruments: classification and measurement	1 January 2013
IFRIC 14 Prepayment of a minimum funding requirement	1 January 2011

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 are 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 are 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 "Vovchansky OEP", CJSC "Prykolotnjansky OEP", and from 1 April 2010 JSC "Kirovogradoliya" and "Ekotrans"

LLC, and from 1 July 2010 "Bandurskiy oil crushing plant " 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 31 March 2011. 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.

Non-controlling 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.

Discontinued operations — In compliance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The result from discontinued operations is presented in the income statement of as a separate item after the profit from continuing operations.

If the criteria of classification of the disposal group held for sale are met after the balance sheet date, disposal group is not presented as held for sale in those financial statements when issued. However, when those criteria are met after the balance sheet date but before the authorization of the financial statements for issue, the Group discloses the respective information in notes to the financial statements.

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

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

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

Currency	Closing rate as of 31 March 2011	Average rate for the 3 months ended 31 March 2011	Average rate for the 9 months ended 31 March 2011	Closing rate as of 31 March 2010	Average rate for the 3 months ended 31 March 2010	Average rate for the 9 months ended 31 March 2010
USD/UAH	7.9600	7.9450	7.9255	7.9250	7.9877	7.9311
USD/EUR	0.7036	0.7314	0.7476	0.7436	0.7224	0.6991
USD/PLN	2.8229	2.8877	2.9719	2.8720	2.8841	2.8835

Cash and cash equivalents – cash and cash equivalents include cash on hand, cash with banks, deposits with a maturity date of three months or less from the date of acquisition.

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.

Investments in Non-consolidated Subsidiaries and Associates — Investments in corporate shares where the Group owns more than 20% of issued capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the financial statements taken as a whole, or the Group intends to resell such investments in the nearest future, as well as investments in corporate shares where the Group owns less than 20% of issued capital, are accounted for at fair value or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary. As of 31 March 2011 and 2010 there were no investments in non-consolidated subsidiaries and associates.

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

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.

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

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

Property, Plant and Equipment — Buildings and constructions (oil) and production machinery and equipment (oil), accounted for at fair value, which is determined using external professional expert evaluation. 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.

If there is no data about the market value of property, plant and equipment due to the highly specialized nature of machinery and equipment, such objects are evaluated according to acquisition expenses under present-day conditions, adjusted by an ageing percentage.

Valuations are performed frequently enough to ensure that the fair value of a re-measured asset does not differ materially from its carrying amount.

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.

Depreciation on revalued assets is charged to the profit or loss. On the subsequent sale or retirement of revalued assets, the revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

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.

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.

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.

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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.

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. Financial liabilities, which do not have a fixed maturity, are subsequently carried at fair value.

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 statement of financial position 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.

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

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

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

Held-to-maturity investments and the Group's trade receivables and loans receivable are included in the complement of 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.

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 statement of financial position 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.

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.

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.

Operating Segments — Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision makers in order to allocate resources to the segment and to assess its performance. The Management and the members of the Board of Directors of the Group are identified as the chief operating decision makers.

Segments in the consolidated financial statements are defined in accordance with the type of activity, products sold or services provided.

The operating segments' activities are as follows:

Operating Segments	Activities
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 whole-sale grain.
Export terminals	Grain handling and transshipment 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 31 March 2011 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

The following table represents movements in property, plant and equipment for the 9-month period ended 31 March 2011:

	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	18 854	578	3 030	6 151	682	29 295
CIP and uninstalled equipment	18 854	578	3 030	6 151	682	29 295
Transfers	-	-	-	-	-	-
Buildings and Constructions	38 914	12	798	197	10	39 931
Production machinery and equipment	30 587	561	91	380	38	31 657
Agricultural vehicles and equipment	-	-	2 310	-	5	2 315
Other fixed assets	-	-	-	-	2 054	2 054
CIP and uninstalled equipment	(69 501)	(573)	(3 199)	(577)	(2 107)	(75 957)
Disposals (at NBV)	(181)	-	(405)	(851)	(537)	(1 974)
Buildings and Constructions	(79)	-	(53)	(598)	(261)	(991)
Production machinery and equipment	(102)	-	(1)	(252)	(8)	(363)
Agricultural vehicles and equipment	-	-	(351)	(1)	-	(352)
Other fixed assets	-	-	-	-	(268)	(268)

	Oil	Export terminals	Farming	Inland silos	Other	Total
Depreciation expense	(8 519)	(2 661)	(3 874)	(4 233)	(2 373)	(21 660)
Buildings and Constructions	(3 374)	(354)	(544)	(3 006)	(136)	(7 414)
Production machinery and equipment	(5 142)	(2 307)	(63)	(1 215)	(6)	(8 733)
Agricultural vehicles and equipment	(3)	-	(3 267)	(12)	-	(3 282)
Other fixed assets	-	-	-	-	(2 231)	(2 231)
Translation difference	(2 587)	(141)	301	743	1 339	(345)
Land	(8)	(22)	-	(7)	-	(37)
Buildings and Constructions	(199)	(65)	(37)	(288)	(8)	(597)
Production machinery and equipment	(194)	(8)	(2)	(3)	(1)	(208)
Agricultural vehicles and equipment	-	-	(13)	(3)	-	(16)
Other fixed assets	-	-	-	-	78	78
CIP and uninstalled equipment	(2 186)	(46)	353	1 044	1 270	435
Net Book Value as at 31 March 2011	220 261	71 353	19 581	60 428	12 727	384 350
Land	2 281	3 358	2	1 131	46	6 818
Buildings and Constructions	119 609	15 241	5 427	43 307	2 967	186 551
Production machinery and equipment	84 969	52 700	300	8 682	89	146 740
Agricultural vehicles and equipment	19	-	13 587	39	5	13 650
Other fixed assets	-	-	-	-	9 471	9 471
CIP and uninstalled equipment	13 383	54	265	7 269	149	21 120

As of 31 March 2011 amount of property plant and equipment includes USD 3 214 thousand and amount of CIP and uninstalled equipment includes USD 160 thousand of capitalized interest on borrowing costs (as of 31 March 2010: USD 2 435 thousand calculated at a capitalization rate of 11.67 % per annum). Capitalization rate used to calculate the amount of capitalized interests as at 31 March 2011 is 5.27 % per annum.

The fair value of buildings and constructions (oil) and production machinery and equipment (oil) has been revalued as at 1 July 2009 by an external independent appraiser.

In order to determine the fair value of buildings and constructions (oil) and production machinery and equipment (oil), the Group retained the services of an independent appraiser FDI "Bureau VERITAS Ukraine" (ODS Certificate No.7100/08 dated 26.05.2008 State Property Fund of Ukraine), who holds a recognized and relevant professional qualification and has recent experience in valuation of assets of similar location and category.

The assessment was conducted in accordance with International Valuation Standards for property. The assessment procedure was carried out for all buildings and constructions and production machinery and equipment used in oil production. Due to the nature of highly specialized buildings and constructions (oil), such objects were evaluated using replacement cost basis under present-day conditions, adjusted for depreciation. Several items of highly specialized production machinery and equipment (oil) were appraised using replacement cost basis, fair values of other production machinery and equipment (oil) items were estimated using market value comparative approach.

The replacement cost approach involves the estimation of present value of costs of construction or replacement of the objects adjusted for depreciation.

The market value comparative approach is based on an analysis of market prices for similar objects of property, plant and equipment.

6. Intangible Assets, Net

The following table represents movements in intangible assets for the 9-month period ended 31 March 2011 and 2010:

Cost as of 1 July 2010	40 005	Cost as of 1 July 2009	41 039
Additions from acquisition of Subsidiaries	632	Additions from acquisition of Subsidiaries	-
Additions	282	Additions	274
Disposals	(157)	Disposals	(122)
Translation difference	(133)	Translation difference	(1 610)
Cost as of 31 March 2011	40 629	Cost as of 31 March 2010	39 581
Accumulated depreciation as of 1 July 2010	(8 163)	Accumulated depreciation as of 1 July 2009	(5 353)
Amortization charge	(2 739)	Amortization charge	(2 663)
Disposals	12	Disposals	15
Translation difference	(3)	Translation difference	708
Accumulated depreciation as of 31 March 2011	(10 893)	Accumulated depreciation as of 31 March 2010	(7 293)
Net book value as of 31 March 2011	29 736	Net book value as of 31 March 2010	32 288

Included in intangible assets of Subsidiaries are the «Schedry Dar», «Stozhar», «Zolota» and «Domashnya» trademarks with the value of USD 4 586 thousand, USD 5 954 thousand, USD 8 661 thousand and USD 179 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 31 March 2011 and 2010 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 31 March 2011 and 2010 were as follows:

	31 March 2011	31 March 2010
Bank credit lines	363 856	129 546
Interest accrued on short-term credits	1 047	375
Interest accrued on long-term credits	1 316	1 207
Total	366 219	131 128

The balances of short-term borrowings as of 31 March 2011 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor +2,12%	USD	July 2011	1 998
European bank	Libor +2%	USD	July 2011	9 064
European bank	Refinancing Rate + 5,5 %	USD	August 2011	15 541
European bank	Libor +5,3%	USD	August 2011	215 000
European bank	7,95%	USD	September 2011	68 571
Ukrainian subsidiary of European bank	BBA +4%	USD	June 2011	23 000
Ukrainian subsidiary of European bank	Libor +8,41%	USD	September 2011	30 682
Total bank credit lines				363 856
Interest accrued on short-term loans				1 047
Interest accrued on long-term loans				1 316
Total				366 219

The balances of short-term borrowings as of 31 March 2010 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	7 890
European bank	Libor +4.0%	USD	August 2010	15 000
European bank	Libor +2%	USD	July 2010	55 656
European bank	Libor +5%	USD	August 2010	51 000
Total bank credit lines				129 546
Interest accrued on short-term loans				375
Interest accrued on long-term loans				1 207
Total				131 128

As of 31 March 2011 the overall maximum credit limit for short-term bank credit lines amounted to USD 641 384 thousand (as of 31 March 2010 USD 334 600 thousand).

As of 31 March 2011 and 2010 short-term loans from banks were secured as follows:

Assets pledged	31 March 2011	31 March 2010
Inventories	204 209	153 578
Property, plant and equipment (Note 5)	3 358	6 736
Total	207 567	160 314

8. Long-Term Borrowings

The balances of long-term borrowings as of 31 March 2011 and 2010 were as follows:

	31 March 2011	31 March 2010
Long-term bank loans	191 399	165 918
Current portion of long-term borrowings	(31 142)	(30 642)
Total	160 527	135 276

The balances of long-term borrowings as of 31 March 2011 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3,52%	USD	April 2015	28 363
European bank	Libor + 6,75%	USD	September 2012	22 664
Ukrainian subsidiary of European bank	Libor + 5,7%	USD	September 2013	56 850
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	27 527
Ukrainian subsidiary of European bank	Libor + 11,2%	USD	August 2015	7 000
Ukrainian subsidiary of European bank	13%	UAH	September 2013	48 995
Total				191 399

The balances of long-term borrowings as of 31 March 2010 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	35 209
European bank	Libor + 5.7%	USD	September 2013	16 161
European bank	Libor + 3.52%	USD	2015	33 548
European bank	Libor + 6.75%	USD	September 2012	36 000
European bank	Libor + 5.7%	USD	July 2011	45 000
Total				165 918

Long-term loans as of 31 March 2011 include credit line from banks with the overall maximum credit limit of USD 237 258 thousand (as of 31 March 2010: USD 195 000 thousand).

Assets pledged	31 March 2011	31 March 2010
Cash	-	4 580
Property, plant and equipment (Note 5)	222 671	205 665
Intangible assets (Note 6)	5 954	5 980
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	228 625	216 225

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 31 March 2011 and 2010:

31 March 2011	31 March 2010
Vovchansky OEP VJSC	Poltava oil crushing plant-Kernel Group CJSC
Gutnansky elevator LLC	Reshetylivka Hliboproduct CJSC
Prykolotnjansky OEP LLC	Globynsky elevator HP CJSC
Velykoburlutske HPP LLC	Gutnansky elevator CJSC
Shevchenkisky KHP LLC	Poltavske khlibopriemalne pidpriemstvo JSC
Kovyagivske KHP LLC	Prykolotnjansky OEP CJSC
Bandurskiy oil crushing plant LLC	Velykoburlutske HPP CJSC
Transbulkterminal LLC	Shevchenkisky KHP CJSC
Kirovogradoliya JSC	Kovyagivske KHP CJSC
	Poltavaavtotransservis CJSC
	Bandurskiy oil crushing plant LLC

9. Income Tax

The corporate income tax rate in Ukraine was 25% as of 31 March 2011 and 2010.

The new Tax Code of Ukraine, which was enacted on 2 December 2010, introduced a gradual decrease in income tax rates, from 23% effective 1 April 2011 to 16% effective 1 January 2014, as well as certain changes to the rules of income tax assessment effective from 1 April 2011. Consequently, the deferred income tax assets and liabilities as of 31 March 2011 were measured based on the revised income tax rates of the new Tax Code. Management is currently assessing the full impact of the changes introduced by the new Tax Code.

As of the date of release of the present financial statements, additional clarifications and guidance on application of the new tax rules had not been published and certain revisions were being proposed for consideration to the Ukrainian Parliament. As a result, interpretation of the new tax rules could be subject to change.

The components of income tax expense for the 3-month period ended 31 March 2011 and 2010 were as follows:

	31 March 2011	31 March 2010
Current income tax expenses	(461)	(206)
Deferred tax benefit	12 249	281
Income tax benefit	11 788	75

The income tax charge for the 3-month period ended 31 March 2011 and 2010 is reconciled to the profit before income tax per consolidated income statement as follows:

	31 March 2011	31 March 2010
Profit before income tax:	66 182	39 981
Tax at the statutory income tax rate in Ukraine of 25%	(16 546)	(9 995)
Effect of changes in tax rates and laws	10 589	-
Expenditures not allowable for income tax purposes and non-taxable income, net	17 745	10 070
Change in valuation allowance	-	-
Income tax benefit	11 788	75

As of 31 March 2011 and 2010 the major components of deferred tax assets and liabilities were as follows:

	31 March 2011	31 March 2010
<i>Deferred tax assets arising from:</i>		
Tax losses carried forward	3 238	1 070
Valuation of advances from customers	-	7 431
Valuation of accounts receivable	1 110	452
Valuation of property, plant and equipment	2 224	693
Valuation of intangible assets	-	376
Valuation of accrued expenses and other temporary differences	425	215
Deferred tax asset	6 997	10 237
Less: valuation allowance	-	-
Net deferred tax asset after valuation allowance	6 997	10 237
<i>Deferred tax liability arising from:</i>		
Valuation of property, plant and equipment	(17 909)	(14 121)
Valuation of prepayments to suppliers and prepaid expenses	(919)	(10 174)
Valuation of intangible assets	(2 254)	(2 293)
Valuation of inventories	-	(2)
Valuation of accounts receivable	-	(5)
Valuation of financial investments	(8)	(9)
Deferred tax liability	(21 090)	(26 604)
Net deferred tax liability	(14 093)	(16 367)

Income tax recognized in other comprehensive income for the 3-month period ended:

	31 March 2011	31 March 2010
<i>Deferred tax arising on income and expenses recognized in other comprehensive income:</i>		
Exchange differences on translating foreign operations	-	-
Gain on property revaluation	3 789	-
Total income tax recognised in other comprehensive income	3 789	-

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 31 March 2011 and 2010:

	Related party balances as of	Total category as per consolidated balance sheet as of	Related party balances as of	Total category as per consolidated balance sheet as of
	31 March 2011		31 March 2010	
Inventory	29	388 892	-	190 513
Trade accounts receivable, net	-	116 850	1 211	42 404
Prepayments to suppliers and other current assets, net	6 943	49 064	12 193	29 666
Other non-current assets	16 563	16 735	71 863	78 371
Trade accounts payable, net	266	22 104	909	15 724
Advances from customers and other current liabilities	103	28 220	76	19 517

Transactions with related parties for the 3-month period ended 31 March 2011 and 2010 were as follows:

	Amount of operations with related parties, for the	Total category per consolidated income statement for the	Amount of operations with related parties, for the	Total category per consolidated income statement for the
	3 months ended 31 March 2011		3 months ended 31 March 2010	
Revenue	-	515 416	614	269 449
Cost of sales	(858)	(366 869)	(36)	(180 714)
General, administrative and distribution expenses	(892)	(67 365)	(11)	(44 449)
Financial costs, net	307	(14 045)	-	(5 094)
Other expenses, net	15	(1 396)	9	(1 288)

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.

The new Tax Code of Ukraine was published in December 2010 and became effective on 1 January 2011, with some of its provisions taking effect later (such as Section III, dealing with corporate income tax, which came into force on 1 April 2011).

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 31 March 2011 and 31 March 2010 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 31 March 2011 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 1 694 thousand for supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 7 000 thousand for supply of equipment and services required for construction of a new silo.

As of 31 March 2010 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 10 500 thousand for supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 2 600 thousand for supply of equipment and services required for construction of the new silo.

Contractual Commitments on Sales — As of 31 March 2011 the Group had entered into commercial contracts for export of 37 thousand tons of grain and 401 thousand tons of sunflower oil and meal, corresponding to an amount of USD 16 888 thousand and USD 308 171 thousand respectively in prices as of 31 March 2011.

As of 31 March 2010 the Group had entered into commercial contracts for export of 134 thousand tons of grain and 226 thousand tons of sunflower oil and meal, corresponding to an amount of USD 28 861 thousand and USD 104 479 thousand respectively, in prices as of 31 March 2010.

12. Fair Value of Financial Instruments

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

As of 31 March 2011 and 2010 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 31 March 2011

On 5 January 2011 Kernel Holding S.A issued 483 410 new shares without indication of a nominal value. All the newly issued shares were subscribed by Apalax Investments Limited in connection with the exercise of options granted under the Management Incentive Plan. Issue price of 1 share was PLN 24. As a result of the increase, the Company's share capital was increased by an amount of USD 12 764 and set at USD 1 945 446.46 divided into 73 674 410 shares without indication of a nominal value.

On 18 February 2011, a Share Loan Agreement was concluded by and between Namsen Limited, a company controlled by Andrey Verevskiy, Chairman of the Board, and Sayfon Investments Limited an option holder under the Management Incentive Plan. In accordance with the terms and conditions of the Share Loan Agreement, Namsen Limited will lend up to 200 000 shares in Kernel Holding S.A. to Sayfon Investments Limited in order to facilitate the exercise of the share option granted to Sayfon Investments Limited. Sayfon Investments Limited will return the borrowed shares to Namsen Limited upon exercise of the option in accordance with the Management Incentive Plan.

On 18 February 2011, a Share Loan Agreement was concluded by and between Namsen Limited, a company controlled by Andrey Verevskiy, Chairman of the Board and Crouston Investments Limited an option holder under the

Management Incentive Plan. In accordance with the terms and conditions of the Share Loan Agreement, Namsen Limited will lend up to 200 000 shares in Kernel Holding S.A. to Crouston Investments Limited in order to facilitate the exercise of the share option granted to Crouston Investments Limited. Crouston Investments Limited will return the borrowed shares to Namsen Limited, after receipt of the shares issued upon exercise of the option in accordance with the Management Incentive Plan.

On 28 February 2011 and 1 March 2011 Apalax Investments Limited sold a total of 247 153 shares in Kernel Holding S.A. at an average price of 80.45 PLN per share.

On 4 March 2011 Apalax Investments Limited sold a total of 50 000 shares in Kernel Holding S.A. at an average price of 83.00 PLN per share.

During the period from 3 March 2011 to 11 March 2011 Crouston Investments Limited sold a total of 13 650 shares in Kernel Holding S.A. at an average price of 82.49 PLN per share.

During the period from 3 March 2011 to 11 March 2011 Sayfon Investments Limited sold a total of 17 050 shares in Kernel Holding S.A. at an average price of 82.39 PLN per share.

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On 16 and 17 March 2011 Apalax Investments Limited sold a total of 36 257 shares in Kernel Holding S.A. at an average price of 80.90 PLN per share.

On 21 March 2011 the Company entered into a call option agreement for the purchase of a 71% controlling stake in Ukrros, a company with extensive farming operations, grain silos and sugar production facilities in Ukraine. Subject to exercise of the call option, the new acquisition will add in the range of 100 000 ha of farm land, 87 000 tons of grain stor-

age capacity, and 22 000 tons/day of sugar beet processing capacity to Kernel. Subject to approval of the transaction by the Antimonopoly Committee of Ukraine, Kernel shall pay a cash consideration of USD 42 million for the acquisition of the 71% controlling interest in Ukrros.

During period from 21 March 2011 to 27 March 2011 Crouston Investments Limited, sold a total of 10 000 shares in Kernel Holding S.A. at an average price of 80.20 PLN per share.

14. Subsequent Events

On 1 April 2011 5 400 000 ordinary shares were placed with investors at a price of PLN 74.00 per share. The Offering raised gross proceeds of PLN 399.4 million. The Company intends to use the proceeds of the Offering principally to finance the Company's growth strategy, including potential acquisitions. Allottees in the Offering received shares on 6 April 2011. In order to effect this, Namsen Limited agreed to lend shares in Kernel for the purposes of settlement.