

Q4

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2011



KERNEL HOLDING S.A.

KERNEL

FOREWORD BY ANDREY VEREVSKYY, Chairman of the Board

DEAR SHAREHOLDERS:

We are pleased to release 4th quarter and 12-month unaudited results largely confirming our yearly guidance: revenue reached USD 1 906 million, EBITDA USD 309 million and net income USD 218 million, translating into a 87% year-on-year growth in revenue and 43% growth in net profit. I take this opportunity to now comment on the most relevant aspects of the past year, which set the stage for the strong results posted by Kernel.

Financial year 2011 started with a strong rally in agricultural commodities. Very poor weather conditions in Russia and Kazakhstan, both usually large wheat exporters, were the initial driver to the important price increases we witnessed in agricultural commodities, with the strongest increases seen in the first half of the financial year. Notwithstanding the drought, Ukraine harvested 39 million tons of grain in 2010, which would typically provide an export surplus in the range of 15 million tons. However, due to the substantial increase in grain prices on the domestic market, the government of Ukraine decided to limit the export of grain by introducing quotas. These regulatory measures affected primarily our grain and terminals businesses. Though export of grain was limited to quota allocations, we nevertheless succeeded in exporting 1.8 million tons over the season, out of total grain, soy and rapeseed export from Ukraine in the range of 13 million tons, well in excess of the 10% share Kernel typically exports. While grain export quotas negatively affected volume, they had a positive effect on our operating margin, thanks to the price distortions between domestic and international prices created by regulations. As expected initially, grain handled by Transbulkterminal was lower than in previous years. We nevertheless managed to achieve 1.8 million tons of grain throughput for the year, thanks to the volumes

exported by the Group, a further confirmation of the strong benefits of our integrated and diversified business model. Our bulk oil business posted impressive results for the year: Kernel's crushing capacity increase, together with the record sunflower seed crop harvested by Ukraine in 2010, enabled the Company to deliver significantly higher volumes of oil to the market: over season 2010/2011, Kernel sold 930 000 tons of bulk and bottled oil, compared to 470 000 tons in financial year 2010. Altogether, strong performance in both the grain and bulk oil businesses was the key value driver for this year.

Focusing now on the quarter under review, the following points should be highlighted:

- Company operations remained strong throughout the quarter: We continued to crush sunflower seed at close to full capacity and delivered to the market the same volume as in the previous quarter, hence achieving 52% year-on-year increase in volume terms.
- In our grain segment, we delivered 186 600 tons of grain over the quarter and reached our volume target for the full year. Grain margins remained strong and supported by the persistent price differential between domestic and international prices.
- In support of our pipeline of future acquisitions, we offered 5.4 million new shares to investors and raised USD 140 million for the Company to partially finance these transactions. Shortly afterwards, we closed a first transaction and bought a 100% interest in the Black Sea Industries crushing plant. This transaction was followed in August by the acquisition of Russian Oils, a crusher, refiner and bottler in the south of Russia. While this last transaction is relatively small, it is quite important for the company, as a first investment abroad to develop production outside Ukraine.

OUTLOOK FOR FINANCIAL YEAR 2012

Export of grain has so far been well below export levels reached in previous years: for the months of July and August 2011, export of wheat and barley was 600 000 tons, compared to 2 000 000 tons on average in seasons 2008/2009 and 2009/2010. As farmers hope for changes to grain export duties or a return to the previous VAT regime, they have

been reluctant to sell at prices negatively impacted by both changes introduced this year by the government. As a consequence, grain origination and export has been slow for exporters in general and Kernel in particular.

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We are nevertheless confident that our expanded operations will be well supported by the sizable harvest in Ukraine. In line with our earlier estimate of the crop, issued on 10 August, the consensus expects a grain crop close to 50 million tons, the 2nd largest crop on record in Ukraine. Together with the large carry-over stock, estimated in the range of 5 million tons, harvest 2011 should allow Ukraine to export in excess of 20 million tons over season 2011/2012, of which 9 million tons of wheat and at least 9 million tons of corn, the highest corn surplus ever delivered by Ukrainian farmers. While corn is still in the fields and due to be harvested mostly in September, we estimate the risk of a harvest shortfall at this stage to be relatively low. The sunflower harvest is also due to start shortly, and both Ukraine and Russia are expected to deliver a record crop in excess of 8 million tons for each country.

Expanded operations and a good harvest are expected to impact our business segments as follows:

- Crushing activity will increase 35% year-on-year, from 2 million tons crushed in season 2010/2011, to 2.7 million tons in the new season, including our new Russian operation; bulk oil operating margin is expected to remain in line with the average margin achieved over previous years; operating margin in bottled oil is expected to improve significantly over season 2010/2011.
- The grain segment is forecasted to export 2.5 million tons over season 2011/2012, some 40% higher than in the previous year; grain margins are expected to be lower than in financial year 2011.

- The terminals segment should benefit strongly from the country's large grain export potential, translating into a total throughput in the range of 3.3 million tons for the season; operating margin is expected to remain stable.
- Inland silos are expected to capitalize not only on the large harvest, but also on the record corn crop, typically generating strong revenue and income from the cleaning and drying services required for this crop.
- With the consolidation of Ukrros farm operations, Kernel agricultural production will increase twofold year-on-year; in addition, management expects to announce in the near future new M&A transactions to acquire farms, which will also be fuelling growth in the farming segment; production; with 70% of Kernel's harvest sold forward at fixed prices, margins in this segment are also expected to be quite solid as strong.
- The new sugar segment is expected to produce and sell in the range of 120 000 tons of sugar over the season.

On the basis of the elements provided above, we expect Kernel to post the following results for the full year 2012: USD 2 300 million revenue, USD 370 million EBITDA and net income of USD 255 million.

FINANCIAL HIGHLIGHTS FOR THE 3-MONTH PERIOD ENDED 30 JUNE 2011

- Revenue increased 100.5% year-on-year, from USD 238.5 million for the 3-month period to 30 June 2010 to USD 478.3 million for the 3-month period under review.
- Result from operating activities increased 73.9% year-on-year, from USD 40.2 million for the 3-month period to 30 June 2010 to USD 69.9 million for the 3-month period under review.
- Net profit attributable to equity holders of Kernel Holding S.A. increased 82.4% year-on-year, from USD 29.6 million for the 3-month period to 30 June 2010 to USD 54.0 million for the 3-month period under review.
- Return on shareholders' equity was 28%.
- Credit lines available as of 30 June 2011: USD 984 508 thousand (30 June 2010: USD 560 473 thousand).

Production, sales and throughput:

Volume and tonnage	3 months ended 30 June 2011 (unaudited)	3 months ended 30 June 2010 (unaudited)	% change
Grain sales, tons	186 633	168 050	+ 11.1%
Bulk oil sales, tons	217 340	139 136	+ 56.2%
Bottled oil sales, '000 liters	33 800	20 800	+ 62.5%
Sunflower seed crush, tons	558 972	471 357	+ 18.6%
Refined oil production, tons	36 281	27 807	+ 30.5%
Bottled oil production, tons	33 041	22 369	+ 47.7%
Export terminals throughput, tons ⁽¹⁾	392 893	334 380	+ 17.5%

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Production, sales and throughput:

Volume and tonnage	12 months ended 30 June 2011 (unaudited)	12 months ended 30 June 2010 (audited)	% change
Grain sales, tons	1 809 973	2 225 133	- 18.7%
Bulk oil sales, tons	820 987	365 941	+ 124.3%
Bottled oil sales, '000 liters	117 976	112 400	+ 5.0%
Sunflower seed crush, tons	1 988 870	1 200 000	+ 65.7%
Refined oil production, tons	123 863	119 729	+ 3.5%
Bottled oil production, tons	105 222	103 930	+ 1.2%
Export terminals throughput, tons ⁽¹⁾	2 121 371	3 274 000	- 34.6%
Inland silos grain and oilseeds throughput, tons	1 253 740	1 261 000	- 0.6%
Farm production, tons	218 354	269 000	- 18.8%

(1) Q4 and 12-month FY2010 tonnage reflects throughput at Illichevsk grain terminal; Q4 and 12-month 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 30 JUNE 2011

Total Revenue

Kernel reported revenue of USD 478.3 million for the 3-month period under review, as compared to USD 238.5 million for the 3 months ended 30 June 2010. The 100.5% year-on-year increase in revenue reflects primarily the 52.5% year-on-year increase in the tonnage of bulk oil delivered over the quarter under review, as well as the year-on-year increase in prices of both grain and oil.

Gross Profit

Gross profit increased year-on-year from USD 67.3 million for the 3-month period to 30 June 2010, to USD 103.7 million for the 3-month period ending 30 June 2011. As for increase in revenue, the 54.1% year-on-year gross profit increase reflects primarily the increase in bulk oil sales. Gross margin decreased year-on-year from 28.2% to 21.7%, primarily as a result of increased competition for sunflower seed in the 2nd half of the season, leading to lower margins in the bulk and bottled oil segments.

Distribution Costs

Distribution costs increased from USD 27.6 million for the 3 months ended 30 June 2010, to USD 36.4 million for the quarter under review, reflecting the increase in grain and oil tonnage delivered over the quarter under review.

General and Administrative Expenses

General and administrative expenses increased from USD 9.0 million for the 3 months ended 30 June 2010, to USD 13.6 million for the 3-month period under review, reflecting both an increase in the overall activity of the Group and the integration of Ukrros.

Profit from Operating Activities

Result from operating activities increased from USD 40.2 million for the 3 months ended 30 June 2010, to USD 69.9 million for the 3-month period under review, equivalent to a 73.9% year-on-year increase, and reflecting primarily the increase in volume delivered to the market. In relative terms, operating margin decreased year-on-year from 16.9% to 14.6%, as increased competition for seed impacted bulk oil margins, and government control on bottle oil prices continued to limit our capacity to pass on price increases to the consumer.

Finance costs, net

Net finance costs expenses increased marginally year-on-year, from USD 8.8 million for the 3 months ended 30 June 2010, to USD 9.6 million for the 3-month period under review.

Net profit

Net profit attributable to the shareholders of Kernel Holding S.A. increased from USD 29.6 million for the 3 months ended 30 June 2010, to USD 54.1 million for the period under review, equivalent to a 82.8% year-on-year increase. Net margin decreased year-on-year from 12.4% to 11.3%.

Cash Flow

Net cash provided by operations in the quarter under review was USD 269.2 million, compared to USD 82.8 million in the 4th quarter of financial year 2010, reflecting in particular a USD 212.8 million decrease in inventories as the company processes sunflower seed in stock in execution of oil contracts, and delivers the remaining grain contracted in the season, and a USD 58 million decrease in taxes recoverable and prepaid.

REVIEW OF SEGMENTAL RESULTS FOR THE 3-MONTH PERIOD ENDED 30 JUNE 2011

Bottled Oil

Revenue from bottled oil sales for the quarter under review was USD 47.3 million, as compared to USD 21.1 million for the 3 months ended 30 June 2010. The 124.2% year-on-year increase in revenue was driven by a 62.5% year-on-year increase in volume, from 20.8 million liters in the 4th quarter of financial year 2010, to 33.8 million liters delivered over the quarter under review, compounded by the increase in price of bottled oil from USD 931 per ton of bottled oil in the 4th quarter of financial year 2010, to USD 1287 per ton for the period under review. Though the price per liter increased year-on-year by 38.2%, profitability in the bottled oil segment remained low as the government continued to apply pressure on domestic producers to cap price increases; as a consequence, operating profit increased only moderately from USD 3.8 million in the 4th quarter of FY2010 to USD 4.9 million for the period under review, and operating margin decreased year-on-year from 17.9% to 10.4%.

Bulk Oil

Revenue from bulk oil sales increased from USD 169.2 million for the 4th quarter of FY2010 to USD 366.0 million for the quarter under review. The 116.3% increase in revenue is the result of the 52.5% percent increase in volume of bulk oil, increasing from 139 136 tons delivered in the 4th quarter of FY2010 to 212 136 tons delivered over the period under review, together with price increasing from USD 832 per ton of bulk oil in the 4th quarter of financial year 2010, to USD 1 338 per ton for the period under review. While operating profit increased from USD 32.2 million for the 4th quarter of financial year 2010 to USD 51.7 million for the period under review, operating margin decreased from 19.0% to 14.1%.

Grain

Revenue from grain sales was USD 62.2 million for the quarter under review, as compared to USD 44.5 million for the 4th quarter of FY2010. While the Company delivered 186 633 tons of grain over the quarter, only slightly higher than in the 4th quarter of financial year 2010, prices for grain increased 25.8% year-on-year from USD 265 to USD 333 per ton. Profit from operating activities increased 127.2% year-on-year, from USD 3.3 million for the 4th quarter of FY2010 to USD 7.5 million for the quarter under review. Operating margin increased year-on-year from 7.4% to 12.1%.

Export Terminals

Export terminals revenue decreased year-on-year from USD 7.9 million for the 3-month period to 30 June 2010 to USD 4.4 million for the 3-month period under review, including USD 3.8 million intersegment sales. The 44.3% decrease reflects primarily the limitations on grain export resulting from export quotas, eventually lifted towards the end of the season and replaced by export duties. Operating profit was USD 0.8 million and margin 18.2%, compared to operating profit of USD 1.7 million and margin of 21.5% in 4th quarter of financial year 2010.

Silo Services

Silo services generated marginal revenue of USD 3.4 million for the quarter under review, including intersegment sales of USD 2.2 million, compared to USD 2.3 million for the 4th quarter of financial year 2010, reflecting the typically low volume of grain in stock handled by inland silos at the end of a season. Profit from operating activity was a negative USD 2.1 million.

Farming

Farming revenue for the period under review was USD 2.6 million, including intersegment sales of USD 1.6 million. The low level of revenue reflects Company policy requiring crops to be delivered to the grain segment immediately after harvest. As a result, farming revenue typically shows in the first 2 quarters of the financial year. Other operating income of USD 16.4 million for the quarter under review reflects primarily biological assets revaluation gain.

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SELECTED FINANCIAL DATA

for the 3-month period ended 30 June (in thousands unless otherwise stated)		thousand USD		thousand PLN		thousand EUR	
		2011	2010	2011	2010	2011	2010
I.	Revenue	478 305	238 498	1 314 860	751 496	332 069	187 461
II.	Profit from operating activities	69 907	40 179	192 174	126 602	48 534	31 581
III.	Profit before income tax	53 262	29 426	146 417	92 720	36 978	23 129
IV.	Profit from continuing operations	53 709	29 115	147 646	91 740	37 288	22 885
V.	Net cash flow provided by operating activity	269 226	82 777	740 102	260 826	186 913	65 063
VI.	Net cash flow provided by/(used in) investment activity	(89 286)	(28 841)	(245 447)	(90 877)	(61 988)	(22 669)
VII.	Net cash flow provided by/(used in) financial activity	(115 712)	(3 342)	(318 092)	(10 530)	(80 334)	(2 627)
VIII.	Total net cash flow	64 228	50 594	176 563	159 419	44 591	39 767
IX.	Total assets	1 551 235	1 124 773	4 268 533	3 818 154	1 070 720	920 964
X.	Current liabilities	397 160	352 161	1 092 865	1 195 445	274 134	288 349
XI.	Non-current liabilities	167 938	167 721	462 115	569 346	115 917	137 330
XII.	Issued capital	1 945	1 933	5 352	6 562	1 343	1 583
XIII.	Total equity	986 137	604 891	2 713 553	2 053 363	680 669	495 285
XIV.	Weighted average number of shares	78 834 410	69 070 178	78 834 410	69 070 178	78 834 410	69 070 178
XV.	Profit per ordinary share (in USD/PLN/EUR)	0.69	0.43	1.89	1.35	0.48	0.34
XVI.	Diluted number of shares	79 604 897	71 024 390	79 604 897	71 024 390	79 604 897	71 024 390
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	0.68	0.43	1.87	1.35	0.47	0.34
XVIII.	Book value per share (in USD/PLN/EUR)	12.90	8.71	35.50	29.58	8.90	7.13
XIX.	Diluted book value per share (in USD/PLN/EUR)	12.75	8.15	35.08	27.65	8.80	6.67

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	30 June 2011 unaudited	31 March 2011 unaudited	31 December 2010 reviewed	30 June 2010 audited
ASSETS					
<i>Current Assets</i>					
Cash		115 897	59 334	21 587	59 482
Trade accounts receivable, net		132 825	116 850	127 663	65 483
Prepayments to suppliers and other current assets, net		73 044	49 064	47 514	94 233
Taxes recoverable and prepaid, net		221 739	264 969	268 033	205 584
Inventory		188 085	388 892	547 012	147 787
Biological assets		76 491	7 155	4 236	26 131
Total current assets		808 081	886 264	1 016 045	598 700
<i>Non-Current Assets</i>					
Property, plant and equipment, net	5	505 959	384 350	387 805	379 035
Intangible assets, net	6	53 344	29 736	30 592	31 842
Goodwill		85 989	86 000	86 000	86 058
Other non-current assets		97 862	16 735	1 480	29 138
Total non-current assets		743 154	516 821	505 877	526 073
TOTAL ASSETS		1 551 235	1 403 085	1 521 922	1 124 773
LIABILITIES AND EQUITY					
<i>Current Liabilities</i>					
Trade accounts payable		26 585	22 104	46 574	10 913
Advances from customers and other current liabilities		109 725	28 220	28 967	131 386
Short-term borrowings	7	229 458	366 219	510 835	169 098
Current portion of long-term borrowings	8	31 392	31 142	36 358	40 764
Total current liabilities		397 160	447 685	622 734	352 161
<i>Non-Current Liabilities</i>					
Long-term borrowings	8	152 684	160 257	172 295	127 454
Obligations under finance lease		3 373	4 321	5 501	7 796
Deferred tax liabilities	9	11 728	14 093	30 413	32 376
Other non-current liabilities		153	65	65	95
Total non-current liabilities		167 938	178 736	208 274	167 721
<i>Equity attributable to Kernel Holding S.A. equity holders</i>					
Issued capital		1 945	1 945	1 933	1 933
Share premium reserve		321 556	321 556	317 741	317 741
Subscribed capital	3	137 354	-	-	-
Additional paid-in capital		39 944	39 944	39 944	39 944
Revaluation reserve		15 049	15 049	11 260	11 260
Translation reserve		(162 145)	(161 434)	(161 600)	(160 622)
Retained earnings		609 798	555 707	477 845	391 606
Total equity attributable to Kernel Holding S.A. equity holders		963 501	772 767	687 123	601 862
Non-controlling interest		22 636	3 897	3 791	3 029
Total equity		986 137	776 664	690 914	604 891
TOTAL LIABILITIES AND EQUITY		1 551 235	1 403 085	1 521 922	1 124 773
Book value		963 501	772 767	687 123	601 862
Weighted average number of shares		74 684 398	73 339 741	73 191 000	69 070 178
Book value per share (in USD)		12.90	10.54	9.39	8.71
Diluted number of shares		75 572 177	74 289 989	74 139 554	73 891 365
Diluted book value per share (in USD)		12.75	10.40	9.27	8.15

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 30 June 2011 (unaudited)	12 months ended 30 June 2011 (unaudited)	3 months ended 30 June 2010 (unaudited)	12 months ended 30 June 2010 (audited)
Revenue		478 305	1 906 154	238 498	1 020 471
Cost of sales		(374 617)	(1 447 233)	(171 233)	(709 414)
Gross profit		103 688	458 921	67 265	311 057
Other operational income		16 248	26 192	9 596	17 547
<i>Operating expenses</i>					
Distribution costs		(36 406)	(170 281)	(27 641)	(134 388)
General and administrative expenses		(13 623)	(37 856)	(9 041)	(26 732)
Profit from operating activities		69 907	276 976	40 179	167 484
Write down of VAT receivable		-	(16 784)	-	-
Finance costs, net		(9 148)	(43 472)	(8 811)	(22 784)
Foreign exchange gain/ (loss), net		(898)	1 583	179	10 957
Other expenses, net		(6 599)	(13 372)	(2 121)	(4 064)
Profit before income tax from continuing operations		53 262	204 931	29 426	151 593
Income tax benefit (expenses)	9	447	12 665	(311)	108
Profit from continuing operations		53 709	217 596	29 115	151 701
NET PROFIT/ (LOSS) ATTRIBUTABLE TO:					
Equity holders of Kernel Holding S.A.		54 091	218 192	29 550	152 005
Non-controlling interest		(382)	(596)	(435)	(304)
Weighted average number of shares		78 834 410	74 684 398	70 076 000	69 070 178
Profit per ordinary share (in USD)		0.69	2.92	0.43	2.20
Diluted number of shares		79 604 897	75 572 177	71 024 390	73 891 365
Diluted profit per ordinary share (in USD)		0.68	2.89	0.43	2.06

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 30 June 2011 (unaudited)	12 months ended 30 June 2011 (unaudited)	3 months ended 30 June 2010 (unaudited)	12 months ended 30 June 2010 (audited)
Profit from continuing operations	53 709	217 596	29 115	151 701
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	(716)	(1 538)	296	1 532
Gain on property revaluation	-	-	-	15 154
Income tax related to components of other comprehensive income	-	3 789	-	(3 789)
Other comprehensive income, net	(716)	2 251	296	12 897
Total comprehensive income	52 993	219 847	29 411	164 598
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of Kernel Holding S.A.	53 380	220 458	29 843	164 806
Non-controlling interest	(387)	(611)	(432)	(208)

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-premium reserve	Subscribed capital	Additional paid-in capital	Revaluation surplus	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
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	-	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
Profit for the period	-	-	-	-	-	-	54 091	54 091	(382)	53 709
Other comprehensive income	-	-	-	-	-	(711)	-	(711)	(5)	(716)
Total comprehensive income for the period	-	-	-	-	-	(711)	54 091	53 380	(387)	52 993
Effect of changes on minority interest	-	-	-	-	-	-	-	-	19 126	19 126
Subscribed capital	-	-	137 354	-	-	-	-	137 354	-	137 354
Balance at 30 June 2011	1 945	321 556	137 354	39 944	15 049	(162 145)	609 798	963 501	22 636	986 137

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 30 June 2011 unaudited	12 months ended 30 June 2011 unaudited
OPERATING ACTIVITIES:			
Profit before income tax		53 262	204 931
<i>Adjustments to reconcile profit before income tax to net cash used in operating activities:</i>			
Amortization and depreciation	5, 6	7 950	32 349
Finance costs		9 148	43 472
Bad debt expenses and other accruals		1 628	1 918
Loss on disposal of property, plant and equipment		4 954	4 601
Non-operating foreign exchange loss, net		996	1 892
Write down of VAT receivable		-	16 784
Gain from changes in value of biological assets		(16 290)	(16 290)
Gain on acquisition of equity investments		-	(495)
Operating profit before working capital changes		61 648	289 162
<i>Changes in working capital:</i>			
Increase in trade accounts receivable		(1 212)	(52 490)
(Increase)/decrease in prepayments and other current assets		(17 020)	19 191
Decrease/(increase) in restricted cash balance		7 665	(3 996)
Decrease in trading securities		-	119 598
Decrease/(increase) in taxes recoverable and prepaid		57 987	(138 009)
(Increase)/decrease in biological assets		(13 194)	5 782
Decrease/(increase) in inventories		212 815	(28 290)
Decrease/(increase) in trade accounts payable		(8 539)	14 865
Decrease in advances from customers and other current liabilities		(21 492)	(124 334)
CASH PROVIDED BY/ (USED IN) OPERATIONS		278 658	101 479
Finance costs paid		(7 692)	(42 016)
Income tax paid		(1 740)	(2 953)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		269 226	56 510
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(20 391)	(43 157)
Proceeds from disposal of property, plant and equipment		842	2 174
Purchase of intangible and other non-current assets		(58 255)	(58 755)
Acquisition of Subsidiaries		(11 482)	(11 482)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(89 286)	(111 220)
FINANCING ACTIVITIES:			
Proceeds from short-term and long-term borrowings		247 800	2 258 103
Repayment of short-term and long-term borrowings		(500 795)	(2 291 840)
Proceeds from share capital increase		-	12
Proceeds from share premium reserve increase		-	3 815
Proceeds from subscribed capital		137 354	137 354
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		(115 641)	107 444
Translation adjustment		(71)	(315)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		64 228	52 419
Cash and cash equivalents, at the beginning of the period		45 953	57 762
Cash and cash equivalents, at the end of the period		110 181	110 181

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

(in US dollars and in thousands)	3 months ended 30 June 2010 unaudited	12 months ended 30 June 2010 audited
OPERATING ACTIVITIES:		
Profit before income tax	29 426	151 593
<i>Adjustments to reconcile profit before income tax to net cash used in operating activities:</i>		
Amortization and depreciation	7 787	22 540
Finance costs	8 811	22 784
Bad debt expenses and other accruals	2 536	3 319
Loss on disposal of property, plant and equipment	(19)	172
Non-operating foreign exchange loss/(gain), net	61	5 914
Loss/(gain) on sales of equity investments	62	(578)
Operating profit before working capital changes	48 664	205 744
<i>Changes in working capital:</i>		
Decrease in trade accounts receivable	15 244	5 503
Decrease/(increase) in prepayments and other current assets	7 122	(674)
Decrease in restricted cash balance	5 901	29 471
Increase in taxes recoverable and prepaid	(20 401)	(100 449)
Increase in biological assets	(19 534)	(7 199)
Decrease/(increase) in inventories	70 321	(16 134)
Decrease in trade accounts payable	(26 079)	(17 765)
Increase in advances from customers and other current liabilities	10 492	9 887
CASH PROVIDED BY/ (USED IN) OPERATIONS	91 730	108 384
Finance costs paid	(8 811)	(22 784)
Income tax paid	(142)	(804)
NET CASH PROVIDED BY OPERATING ACTIVITIES	82 777	84 796
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(18 762)	(56 526)
Proceeds from disposal of property, plant and equipment	116	321
Purchase of intangible and other non-current assets	60 603	768
Acquisition of Subsidiaries	(70 798)	(70 798)
Disposal of Subsidiaries	-	586
NET CASH USED IN INVESTING ACTIVITIES	(28 841)	(125 649)
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings	316 062	830 245
Repayment of short-term and long-term borrowings	(400 941)	(905 491)
Corporate bonds issued/(repaid)	-	(1 993)
Proceeds from share capital increase	118	118
Proceeds from share premium reserve increase	81 104	81 104
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(3 657)	3 983
Translation adjustment	315	(3 440)
NET DECREASE IN CASH AND CASH EQUIVALENTS	50 594	(40 310)
Cash and cash equivalents, at the beginning of the period	7 168	98 072
Cash and cash equivalents, at the end of the period	57 762	57 762

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 JUNE 2011

1. Key Data by Operating Segment

Key data by operating segment for the 3 months ended 30 June 2011:

(In US dollars and in thousands)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Reconc- iliation	Continuing operations
Revenue (external)	47 297	366 037	644	967	62 179	1 181	-	-	-	478 305
Intersegment sales	-	-	3 752	1 622	-	2 187	-	-	(7 561)	-
Total revenue	47 297	366 037	4 396	2 589	62 179	3 368	-	-	(7 561)	478 305
Other operational income	-	(774)	-	16 423	-	599	-	-	-	16 248
Operating profit (EBIT)	4 936	51 664	808	16 453	7 543	(2 140)	-	(9 357)	-	69 907
Finance costs net										(9 148)
Foreign exchange gain, net										(898)
Other expenses, net										(6 599)
Income tax benefit										447
Profit from continuing operations										53 709
Total assets	88 227	589 565	115 158	224 762	198 465	108 938	79 253	146 867	-	1 551 235
Capital expenditures	119	58	-	13 819	37	3 701	516	1 459	-	19 709
Amortization and depreciation	563	2 487	884	2 306	74	1 157	-	479	-	7 950
Liabilities	4 325	27 091	3 496	18 962	12 121	11 768	26 097	461 238	-	565 098

During the 3 months ended 30 June 2011 two of the Group's external customers accounted for more than 10% of total external revenue. During the 3 months ended 30 June 2011 export sales amounted to 85% of total external sales revenue.

Key data by operating segment for the 3 months ended 30 June 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)	21 064	169 224	2 185	819	44 506	700	-	-	238 498
Intersegment sales	-	-	5 713	561	-	1 604	-	(7 878)	-
Total revenue	21 064	169 224	7 898	1 380	44 506	2 304	-	(7 878)	238 498
Other operational income	-	1 440	2	7 646	107	401	-	-	9 596
Operating profit (EBIT)	3 776	32 159	1 684	6 193	3 305	(596)	(6 342)	-	40 179
Finance costs net									(8 811)
Foreign exchange gain, net									179
Other expenses, net									(2 121)
Income tax benefit									(311)
Profit from continuing operations									29 115
Total assets	105 089	410 664	120 734	67 486	297 373	81 676	41 751	-	1 124 773
Capital expenditures	1 279	78 839	6 076	1 562	60	52 407	5 707	-	145 930
Amortization and depreciation	480	2 506	895	2 214	44	1 503	145	-	7 787
Liabilities	4 782	43 177	4 590	2 459	14 378	19 240	431 256	-	519 882

During the 3 months ended 30 June 2010 none of the Group's external customers accounted for more than 10% of total external revenue. During the 3 months ended 30 June 2010 export sales amounted to 85% 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 and sale of bottled sunflower oil, production and subsequent export of bulk sunflower oil and meal, production and sale of sugar, 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 30 June 2011, 31 March 2011 and 30 June 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		
			30 June 2011	31 March 2011	30 June 2010
Kernel-Capital LLC	Holding company	Ukraine	100%	100%	100%
Group Management LLC		Ukraine	100%	100%	94%
Etrecom Investments LLC		Cyprus	100%	100%	100%
Corolex Public Co. Limited		Cyprus	100%	94%	94%
Grain Trading Company "Allseeds-Ukraine" CJSC		Ukraine	100%	94%	94%
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%
Tsukrovoy soyuz Ukrros OJSC		Ukraine	71.3%	N/A	N/A
Sugar Holding Limited		Cyprus	100%	N/A	N/A
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	100%	100%	100%
Inerco Commodities S.A.		Switzerland	100%	100%	100%
Restomon LTD		British Virgin Islands	100%	100%	100%
Lanen S.A.		Panama	100%	100%	100%
Grain Trading Company LLC		Ukraine	100%	94%	94%
Kernel-Trade LLC		Ukraine	100%	100%	100%
Poltava oil crushing plant -Kernel Group PJSC	Production plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	98.3%
Vovchansky OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnjansky OEP LLC		Ukraine	100%	100%	100%
Kirovogradoliya JSC		Ukraine	99.2%	99.2%	93.2%
Ekotrans LLC		Ukraine	100%	100%	94%
Bandurskiy oil crushing plant LLC		Ukraine	100%	100%	100%
JE Inerco-Ukraine LLC	Holding company. No significant activity since the date of foundation.	Ukraine	0% *	100%	100%

* Disposed of on 10 May 2011

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2011	31 March 2011	30 June 2010
Transbulkterminal LLC	Provision of grain, oil and meal handling and transshipment services, including services to the Group.	Ukraine	100%	100%	100%
Estron Corporation LTD		Cyprus	100%	100%	100%
Oiltransterminal LLC		Ukraine	100%	100%	94%
Veselynivske ZPP LLC	Grain elevators.	Ukraine	71.3%	N/A	N/A
Reshetylivka Hliboproduct LLC	Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	100%	100%
Gulyaypolsky elevator LLC		Ukraine	71.3%	N/A	N/A
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	100%	94%	94%
Poltavske khlibopriemalne pidpriemstvo PJSC		Ukraine	88.2%	88.2%	88.2%
Elevator – "Grain Trading Company", LLC		Ukraine	100%	94%	94%
Gogoleve- Agro LLC		Ukraine	100%	100%	99.9%
Sagaydak-Agro LLC		Ukraine	0% **	100%	100%
Karlivka-Agro LLC		Ukraine	100%	100%	99.9%
Trykratskiy GPC JSC		Ukraine	97.7%	86.5%	86.5%
Lazorkovsky Elevator LLC		Ukraine	0% ***	0% ***	99.9%
Zherebkivsky elevator LLC		Ukraine	0% ****	100%	99.9%
Kononivsky elevator LLC		Ukraine	100%	100%	99.9%
Semenivsky elevator LLC		Ukraine	100%	100%	99.9%
Kobelyaky Hliboproduct LLC		Ukraine	100%	100%	100%
Sahnovshyna Hliboproduct LLC		Ukraine	0% *****	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 LLC	Trucking company.	Ukraine	100%	100%	100%
MTE-2004 LLC		Ukraine	100%	100%	94%

* Merged with Semenivsky elevator LLC on 15 December 2010

** Merged with Myrgporodsky elevator LLC on 27 June 2011

*** Disposed of on 10 December 2010

**** Merged with Kononivsky elevator LLC on 8 April 2011

***** Merged with Kobelyaky Hliboproduct LLC on 11 May 2011

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2011	31 March 2011	30 June 2010
Chortkivsky tsukrovyy zavod LLC	Production plants. Production of sugar.	Ukraine	73.8%	N/A	N/A
Tsukrove LLC		Ukraine	71.3%	N/A	N/A
Palmirsky tsukrovyy zavod LLC		Ukraine	72.7%	N/A	N/A
Orzhytsky tsukrovyy zavod LLC		Ukraine	76.2%	N/A	N/A
Agroservis LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	100%
Zernoservis LLC		Ukraine	100%	100%	100%
Unigrain-Agro (Globyno) LLC		Ukraine	100%	100%	100%
Unigrain-Agro (Semenivka) 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 Arshytsya LLC		Ukraine	100%	100%	100%
Agrotera-Kolos LLC		Ukraine	100%	100%	100%
Chorna Kamyanka LLC		Ukraine	100%	100%	100%
Govtva LLC		Ukraine	100%	100%	100%
Perebudova PRAC		Ukraine	100%	100%	100%
Manzhurka LLC		Ukraine	100%	100%	100%
Krutenke LLC		Ukraine	100%	100%	100%
Promin LLC		Ukraine	100%	100%	100%
Brovarky PRAC		Ukraine	100%	100%	100%
PRAC by the name of Shorsa		Ukraine	100%	100%	100%
Troyanske LLC		Ukraine	100%	100%	100%
Zorya LLC		Ukraine	100%	100%	100%
Hliborob LLC		Ukraine	100%	100%	100%
AC by the name of T. Shevchenko		Ukraine	100%	100%	100%
Druzhba PRAC		Ukraine	100%	100%	100%
Agrofirma Chkalova LLC		Ukraine	100%	100%	100%
Agrofirma Vitchyzna LLC		Ukraine	100%	100%	100%
Agrofirma Vesna LLC		Ukraine	1%	0%	N/A
Osiyivske LLC		Ukraine	100%	N/A	N/A
Agrofirma Kuybyshevo LLC		Ukraine	76.2%	N/A	N/A
Povstynagroalyans LLC		Ukraine	71.1%	N/A	N/A
Ulyanivske LLC		Ukraine	76.2%	N/A	N/A
Palmira LLC		Ukraine	81.5%	N/A	N/A
Cherkasky OJSC		Ukraine	53.0%	N/A	N/A
Agrofirma Zorya LLC		Ukraine	64.1%	N/A	N/A
Agrarny dim im. Gorkogo LLC		Ukraine	71.5%	N/A	N/A
Agrarny dim CJSC		Ukraine	35.8%	N/A	N/A
Druzhba LLC		Ukraine	71.3%	N/A	N/A
Agropolis LLC		Ukraine	71.6%	N/A	N/A

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 30 June 2011 consisted of 73 674 410 ordinary bearer shares without indication of a nominal value, providing 73 674 410 voting rights (as of 30 June 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 30 June 2011		as of 30 June 2010	
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Major Equity holder")	30 174 250	40.96%	30 174 250	41.23%
Free-float	43 500 160	59.04%	43 016 750	58.77%
Total	73 674 410	100.00%	73 191 100	100.00%

As of 30 June 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 30 June 2011, unchanged from 30 June 2010, may not be distributed as dividends.

On 30 March 2011, Kernel Holding S.A. announced its intention to issue approximately five million new ordinary shares of the Company through an offering to institutional investors ("the Offering"). The Offering was conducted through an accelerated book build, closed on 31 March, 2011, 18:00 London time. The allocations to institutional investors were announced on 1 April, 2011, whereby 5,400,000 ordinary shares were placed at a price of PLN 74 per share. The Offering raised gross proceeds of PLN 399.4 million for the Company.

Allottees in the Offering received shares on or around 6 April, 2011.

In order to ensure that allottees in the Offering could receive and trade their allocations immediately, Namsen Limited, a company controlled by Andrey Verevskyy, lent shares in Kernel for the purpose of the settlement of shares.

The respective capital increase was adopted on 21 July 2011 at the Extraordinary General Meeting of the Kernel Holding S.A. Shareholders (the "EGM") and completed on 3 August 2011.

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.

IAS 24 Related party disclosures

The amendment to IAS 24 was issued in November 2009 and became effective for financial years beginning on or after 1 January 2011. The revised standard simplifies the disclosure requirements for government-related entities and provides clarifications to the definition of a related party. The adoption of this interpretation did not have any impact on the reported results.

IAS 14 Prepayment of a minimum funding requirement

The amendment to IAS 14 is effective for financial years beginning on or after 1 January 2011. The revised standard provides guidance on assessing the recoverable amount of net pension assets and permits an entity to treat the prepayment of a minimum funding requirement as asset. 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 standard, which is issued, but not yet effective

Standard	Effective for annual accounting period beginning on or after
IFRS 9 Financial instruments: classification and measurement	1 January 2013

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), **Sugar Holding 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 Develop-

ments 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 30 June 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.

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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.

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

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

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

Currency	Closing rate as of 30 June 2011	Average rate for the 3 months ended 30 June 2011	Average rate for the 12 months ended 30 June 2011	Closing rate as of 30 June 2010	Average rate for the 3 months ended 30 June 2010	Average rate for the 12 months ended 30 June 2010
USD/UAH	7.9723	7.9710	7.9368	7.9070	7.9224	7.9289
USD/EUR	0.6902	0.6943	0.7343	0.8188	0.7860	0.7203
USD/PLN	2.7517	2.7490	2.9163	3.3946	3.1510	2.9502

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. Classi-

fied 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,

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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 30 June 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.

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 (at the early stage of an asset life and when market-determined prices or values are not available).

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.

Cost of agricultural preparation on fields before seeding is recorded as work-in-progress in inventories. After seeding the cost of field preparation is reclassified as biological assets held at fair value.

Crops are measured at their fair value less estimated point-of-sale costs. At initial recognition (after seeding) the crops are measured at cost as the market-determined values are not available for such biological assets. The crops are measured at fair value once the fair value becomes reliably measurable. Usually the fair value of a crop can be reliably measured only immediately before harvest. This does not create a significant limitation in valuation of crop balances at year-end, as the main increase in fair value is attributable to the same accounting period when the crop is harvested.

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.

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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 30 June 2004 is recognized as an asset and carried at cost less any accumulated impairment losses. The goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that operation are treated as assets and liabilities of the foreign operation. Therefore, they are expressed in the measurement currency of the foreign operation and are translated at the closing rate.

Excess of Group's interest in the adjusted net fair value of identifiable assets, liabilities and contingent liabilities of the acquired Subsidiaries over cost of acquisition is recognized immediately in the income statement of the period when the acquisition takes place.

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 at cost 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 state-

ment 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.

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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.
Sugar	Production and sales of sugar
Farming	Agricultural farming. Production of wheat, barley, corn, soybean and sunflower seed.

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

In the financial statements as of 30 June 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'slength 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 year ended 30 June 2011:

	Oil	Export terminals	Farming	Inland silos	Sugar	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	18 943	545	69 273	12 603	52 501	10 539	164 404
CIP and uninstalled equipment	18 943	545	17 360	9 849	509	2 197	49 403
Total additions from acquisition of subsidiaries:	-	-	51 913	2 754	51 992	8 342	115 001
Land	-	-	-	-	-	-	-
Buildings and Constructions	-	-	32 160	2 222	22 462	-	56 844
Production machinery and equipment	-	-	17 190	532	29 530	-	47 252
Agricultural vehicles and equipment	-	-	2 559	-	-	-	2 559
Other fixed assets	-	-	4	-	-	8 342	8 346
Transfers	-	-	-	-	-	-	-
Buildings and Constructions	41 412	12	32	298	-	11	41 765
Production machinery and equipment	32 947	564	21	581	-	59	34 172
Agricultural vehicles and equipment	-	-	16 767	-	-	5	16 772
Other fixed assets	461	-	25	-	-	2 249	2 735
CIP and uninstalled equipment	(74 820)	(576)	(16 845)	(879)	-	(2 324)	(95 444)
Disposal (at NBV)	(3 308)	-	(442)	(3 148)	-	(554)	(7 452)
Buildings and Constructions	(2 728)	-	(65)	(2 828)	-	(264)	(5 885)
Production machinery and equipment	(580)	-	(1)	(319)	-	(8)	(908)
Agricultural vehicles and equipment	-	-	(376)	(1)	-	-	(377)
Other fixed assets	-	-	-	-	-	(282)	(282)
Depreciation expense	(11 569)	(3 548)	(5 325)	(5 392)	-	(2 889)	(28 723)
Buildings and Constructions	(4 590)	(471)	(699)	(3 932)	-	(158)	(9 850)
Production machinery and equipment	(6 948)	(3 077)	(84)	(1 444)	-	(9)	(11 562)
Agricultural vehicles and equipment	(3)	-	(4 541)	(16)	-	-	(4 560)
Other fixed assets	(28)	-	(1)	-	-	(2 722)	(2 751)
Translation difference	(95)	(196)	(58)	(1 017)	(3)	64	(1 305)
Land	(9)	(27)	-	(9)	-	-	(45)
Buildings and Constructions	(38)	(143)	(43)	(779)	-	(9)	(1 012)
Production machinery and equipment	(40)	(18)	(2)	(186)	-	2	(244)
Agricultural vehicles and equipment	(1)	-	(15)	(3)	-	1	(18)
Other fixed assets	-	-	-	5	-	73	78
CIP and uninstalled equipment	(7)	(8)	2	(45)	(3)	(3)	(64)
Net Book Value as at 30 June 2011	216 666	70 378	83 977	61 664	52 498	20 776	505 959
Land	2 280	3 353	2	1 129	-	46	6 810
Buildings and Constructions	118 403	15 046	36 648	41 983	22 462	2 942	237 484
Production machinery and equipment	85 200	51 923	17 399	8 936	29 530	110	193 098
Agricultural vehicles and equipment	18	-	29 302	35	-	6	29 361
Other fixed assets	433	-	28	5	-	17 498	17 964
CIP and uninstalled equipment	10 332	56	598	9 576	506	174	21 242

As of 30 June 2011 amount of property plant and equipment includes USD 3 405 thousand and amount of CIP and uninstalled equipment includes USD 191 thousand of capitalized interest on borrowing costs (as of 30 June 2010: USD 3 136 thousand calculated at a capitalization rate of 7.1 % per annum). Capitalization rate used to calculate the amount of capitalized interests as at 30 June 2011 is 9.98% 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 year ended 30 June 2011 and 2010:

Cost as of 1 July 2010	40 005	Cost as of 1 July 2009	41 039
Additions from acquisition of Subsidiaries	24 866	Additions from acquisition of Subsidiaries	532
Additions	515	Additions	347
Disposals	(105)	Disposals	(284)
Translation difference	(116)	Translation difference	(1 629)
Cost as of 30 June 2011	65 165	Cost as of 30 June 2010	40 005
Accumulated depreciation as of 1 July 2010	(8 163)	Accumulated depreciation as of 1 July 2009	(5 353)
Amortization charge	(3 626)	Amortization charge	(3 580)
Disposals	17	Disposals	15
Translation difference	(49)	Translation difference	755
Accumulated depreciation as of 30 June 2011	(11 821)	Accumulated depreciation as of 30 June 2010	(8 163)
Net book value as of 30 June 2011	53 344	Net book value as of 30 June 2010	31 842

Included in intangible assets of Subsidiaries are the «Schedry Dar», «Stozhar», «Zolota» and «Domashnya» trademarks with the value of USD 4 583 thousand, USD 5 945 thousand, USD 8 661 thousand and USD 179 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 30 June 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 30 June 2011 and 2010 were as follows:

	30 June 2011	30 June 2010
Bank credit lines	222 826	166 491
Interest accrued on short-term credits	5 634	1 213
Interest accrued on long-term credits	998	1 394
Total	229 458	169 098

The balances of short-term borrowings as of 30 June 2011 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	Libor + 8,41%	USD	September 2011	30 682
Ukrainian bank	15%	UAH	September 2011	63 614
Ukrainian bank	20%	UAH	September 2011	8 780
Ukrainian bank	Euro Libor +4.5%	EUR	September 2011	243
Ukrainian bank	6 %	EUR	September 2011	144
Ukrainian bank	9 %	USD	September 2011	10 078
European bank	Libor + 5,3%	USD	August 2011	75 000
European bank	7,95%	USD	September 2011	34 286
Total bank credit lines				222 827
Interest accrued on short-term loans				5 634
Interest accrued on long-term loans				997
Total				229 458

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor +4.0%	USD	August 2010	15 000
European bank	Libor +2.12%	USD	July 2010	11 273
European bank	Libor +2%	USD	July 2010	9 438
European bank	Libor +5%	USD	August 2010	77 000
Ukrainian subsidiary of European bank	Libor +10.4%	USD	July 2010	30 682
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	7 907
Ukrainian subsidiary of European bank	25%	UAH	October 2010	15 191
Total bank credit lines				166 491
Interest accrued on short-term loans				1 213
Interest accrued on long-term loans				1 394
Total				169 098

As of 30 June 2011 the overall maximum credit limit for short-term bank credit lines amounted to USD 754 552 thousand (as of 30 June 2010 USD 350 473 thousand).

As of 30 June 2011 and 2010 short-term loans from banks were secured as follows:

Assets pledged	30 June 2011	30 June 2010
Inventories	91 640	91 234
Property, plant and equipment (Note 5)	79 085	33 793
Total	170 725	125 027

8. Long-Term Borrowings

The balances of long-term borrowings as of 30 June 2011 and 2010 were as follows:

	30 June 2011	30 June 2010
Long-term bank loans	184 076	168 218
Current portion of long-term borrowings	(31 392)	(40 764)
Total	152 684	127 454

The balances of long-term borrowings as of 30 June 2011 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3,52%	USD	April 2015	27 034
European bank	Libor + 6,75%	USD	September 2012	18 664
Ukrainian subsidiary of European bank	Libor + 5,7%	USD	September 2013	55 772
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	25 606
Ukrainian subsidiary of European bank	Libor + 11,2%	USD	August 2015	7 000
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2013	50 000
Total bank credit lines				184 076

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 5.7%	USD	September 2013	15 081
European bank	Libor + 3.52%	USD	April 2015	32 220
European bank	Libor + 6.75%	USD	September 2012	32 000
European bank	Libor + 5.7%	USD	July 2011	45 000
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	33 288
Ukrainian subsidiary of European bank	25%	UAH	August 2012	10 629
Total				168 218

Long-term loans as of 30 June 2011 include credit line from banks with the overall maximum credit limit of USD 228 956 thousand (as of 30 June 2010: USD 210 000 thousand).

As of 30 June 2011 and 2010 long-term loans from banks were secured as follows:

Assets pledged	30 June 2011	30 June 2010
Property, plant and equipment (Note 5)	263 412	219 577
Intangible assets (Note 6)	5 945	5 994
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	269 357	225 571

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 30 June 2011 and 2010:

30 June 2011	30 June 2010
Vovchansky OEP PJSC	Vovchansky OEP PJSC
Kirovogradoliya JSC	Reshetylivka Hliboproduct LLC
Gutyansky elevator LLC	Globynsky elevator HP LLC
Prykolotnjansky OEP LLC	Gutyansky elevator LLC
Velykoburlutske HPP LLC	Poltavske khlibopriemalne pidpriemstvo PJSC
Shevchenkisky KHP LLC	Prykolotnjansky OEP LLC
Kovyagivske KHP LLC	Velykoburlutske HPP LLC
Bandursky oil crushing plant LLC	Shevchenkisky KHP LLC
Transbulkterminal LLC	Kovyagivske KHP LLC
	Poltavaavtotransservis LLC
	Bandurskiy oil crushing plant LLC

9. Income Tax

The corporate income tax rate in Ukraine was 23% as of 30 June 2011 and 25% as of 30 June 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 30 June 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 30 June 2011 and 2010 were as follows:

	30 June 2011	30 June 2010
Current income tax expenses	(3 007)	(142)
Deferred tax benefit/(expenses)	3 454	(169)
Income tax benefit/(expenses)	447	(311)

The income tax charge for the 3-month period ended 30 June 2011 and 2010 is reconciled to the profit before income tax per consolidated income statement as follows:

	30 June 2011	30 June 2010
Profit before income tax:	53 262	29 426
Tax at the statutory income tax rate in Ukraine of 23 %	(12 250)	-
Tax at the statutory income tax rate in Ukraine of 25%	-	(7 357)
Expenditures not allowable for income tax purposes and non-taxable income, net	15 704	7 046
Income tax benefit	3 454	(311)

As of 30 June 2011 and 2010 the major components of deferred tax assets and liabilities were as follows:

	30 June 2011	30 June 2010
<i>Deferred tax assets arising from:</i>		
Tax losses carried forward	3 693	1 266
Valuation of advances from customers	-	8 568
Valuation of accounts receivable	7 679	296
Valuation of property, plant and equipment	3 595	967
Valuation of intangible assets	3	216
Valuation of inventories	-	27
Valuation of accrued expenses and other temporary differences	509	324
Deferred tax asset	15 479	11 664
Net deferred tax asset after valuation allowance	15 479	11 664
<i>Deferred tax liability arising from:</i>		
Valuation of property, plant and equipment	(24 053)	(31 904)
Valuation of prepayments to suppliers and prepaid expenses	(882)	(9 824)
Valuation of intangible assets	(2 264)	(2 285)
Valuation of inventories	-	(18)
Valuation of financial investments	(8)	(9)
Deferred tax liability	(27 207)	(44 040)
Net deferred tax liability	(11 728)	(32 376)

10. Acquisition and Disposal of Subsidiaries

The following entities were acquired during the 3-month period ended 30 June 2011

Subsidiary	Principal activity	Country of Incorporation	Group's Effective Ownership Interest as at 30 June 2011	Date of acquisition
Tsukrovy soyuz Ukrros OJSC	Holding company	Ukraine	71.3%	30 June 2011
Sugar Holding Limited		Cyprus	100%	30 June 2011
Veselynivske ZPP LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	71.3%	30 June 2011
Gulyaypolsky elevator LLC		Ukraine	71.3%	30 June 2011
Agrofirma Kuybyshevo LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	76.2%	30 June 2011
Povstynagroalyans LLC		Ukraine	71.1%	30 June 2011
Ulyanivske LLC		Ukraine	76.2%	30 June 2011
Palmira LLC		Ukraine	81.5%	30 June 2011
Cherkasky OJSC		Ukraine	53.0%	30 June 2011
Agrofirma Zorya LLC		Ukraine	64.1%	30 June 2011
Agrarny dim im. Gorkogo LLC		Ukraine	71.5%	30 June 2011
Agrarny dim CJSC		Ukraine	35.8%	30 June 2011
Druzhba LLC		Ukraine	71.3%	30 June 2011
Agropolis LLC		Ukraine	71.6%	30 June 2011
Chortkivsky tsukrovy zavod LLC	Production plants. Production of sugar.	Ukraine	73.8%	30 June 2011
Tsukrove LLC		Ukraine	71.3%	30 June 2011
Palmirsky tsukrovy zavod LLC		Ukraine	72.7%	30 June 2011
Orzhytsky tsukrovy zavod LLC		Ukraine	76.2%	30 June 2011

The Group assigned provisional values of the assets and liabilities acquired based on estimates of the independent appraisal. The Group will finalise the purchase price allocation within 12 month from the acquisition date.

Independent appraisers are finalizing the appraisal of Ukrros assets, with preliminary results obtained being reviewed by company management, including appropriate allocation of price paid for the acquisition.

In accordance with IFRS 3, the Group does not disclose revenue and profit or loss of the acquired subsidiaries for the 12 month period prior to 30 June 2011, as they formed part of a larger group and their financial statements for such period would not reflect the effective economic contribution to the Group.

Fair value of assets, liabilities and contingent liabilities acquired during the year ended 30 June 2011 was as follows:

ACQUIRED NET ASSETS:	
Cash	861
Trade accounts receivable, net	15 325
Prepayments to suppliers and other current assets, net	6 677
Taxes recoverable and prepaid, net	14 638
Inventory	11 593
Biological assets, current	38 460
Property, plant and equipment, net	113 468
Intangible assets, net	146
Leasing land rights	22 985
Biological non-current assets	2 830
Other non-current assets	18
Deferred tax liabilities	1 251
Trade accounts payable	(12 598)
Advances from customers and other current liabilities	(69 318)
Short-term borrowings	(88 034)
Obligations under finance lease	(114)
Other non-current liabilities	(88)
Fair value of net assets of acquired Subsidiaries	58 100
Non-controlling interest	(17 877)
Fair value of acquired net assets	40 223
Negative goodwill	(223)
Total cash considerations	40 000
less: acquired cash	(861)
less: cash paid	(9 000)
Net cash due and payable	30 139

The following entities were acquired during the 3-month period ended 30 June 2011

Subsidiary	Principal activity	Country of Incorporation	Group's Effective Ownership Interest as at 30 June 2011	Date of acquisition
Osiyivske LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	1 April 2011

Fair value of assets, liabilities and contingent liabilities acquired during the year ended 30 June 2011 was as follows:

ACQUIRED NET ASSETS:	
Cash	36
Trade accounts receivable, net	58
Prepayments to suppliers and other current assets, net	145
Taxes recoverable and prepaid, net	119
Inventory	415
Biological assets, current	1 392
Property, plant and equipment, net	1 569
Intangible assets, net	3
Leasing land rights	1 185
Biological non-current assets	189
Other non-current assets	11
Trade accounts payable	(281)
Advances from customers and other current liabilities	(1 403)
Fair value of net assets of acquired Subsidiaries	3 438
Non-controlling interest	-
Fair value of acquired net assets	3 438
Negative goodwill	(956)
Total cash considerations	2 482
less: acquired cash	(36)
Net cash outflow due to the acquisition of Subsidiary	2 446

On 10 May 2011 as a results of the optimisation process of its legal structure, the Group relinquished operational control over JE Inerco-Ukraine LLC, its assets were transferred to the Group's subsidiaries.

11. Transactions with Related Parties

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

The Group had the following balances outstanding with related parties as of 30 June 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
	30 June 2011		30 June 2010	
Inventory	63	188 085	-	147 787
Trade accounts receivable, net	-	132 825	476	65 483
Prepayments to suppliers and other current assets, net	4 378	73 044	78 271	94 233
Other non-current assets	90 641	97 862	-	29 138
Trade accounts payable, net	265	26 585	42	10 913
Advances from customers and other current liabilities	31 082	109 725	73 489	131 386

Other non-current assets include a USD 54 million loan provided by Kernel to a group of investors for the purchase of BSI. Advances from customers and other current liabilities include a USD 31 million owed to the group of investors for the purchase of Ukrros.

Transactions with related parties for the 3-month period ended 30 June 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 30 June 2011		3 months ended 30 June 2010	
Cost of sales	(126)	(374 617)	(69)	(171 233)
General, administrative and distribution expenses	(955)	(50 029)	(39)	(36 682)
Financial costs, net	315	(9 148)	-	(8 811)
Other expenses, net	15	(6 599)	7	(2 121)

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

12. Commitments and Contingencies

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

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

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

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

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 30 June 2011 and 30 June 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 30 June 2011 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 7 000 thousand for supply of equipment and services required for construction of a new silo.

As of 30 June 2010 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 4 989 thousand for supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 600 thousand for supply of equipment and services required for construction of a new silo.

Contractual Commitments on Sales — As of 30 June 2011 the Group had entered into commercial contracts for export of 389 thousand tons of grain and 205 thousand tons of sunflower oil and meal, corresponding to an amount of USD 119 820 thousand and USD 127 419 thousand respectively in prices as of 30 June 2011.

As of 30 June 2010 the Group had entered into commercial contracts for export of 116 thousand tons of grain and 183 thousand tons of sunflower oil and meal, corresponding to an amount of USD 16 353 thousand and USD 96 573 thousand respectively, in prices as of 30 June 2010.

13. 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 30 June 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.

14. Description of Significant Events

for the 3-month Period Ended 30 June 2011

On 1 April 2011, 5,400,000 ordinary shares in Kernel Holding S.A. were placed with investors at a price of PLN 74.00 per share. The Offering raised gross proceeds of PLN 399.4 million, primarily for the purpose of financing the Company's growth strategy, including financing of acquisitions. Allottees in the Offering received shares on 6 April 2011. Shares delivered were listed and traded on the Warsaw Stock Exchange immediately after the settlement of the Offering. Namsen Limited, a company controlled by Andrey Verevskyy and Kernel's principal shareholder, agreed to lend shares in Kernel for the purpose of the settlement. To this effect, on 4 April 2011, Namsen Limited temporarily disposed of 5,400,000 shares in Kernel Holding S.A., and ING Bank N.V. temporarily acquired 5,400,000 shares in Kernel Holding S.A. As a result, Namsen Limited decreased its shareholding in the Company from 40.69% of total votes in the Company to 33.37%. The transfer of shares was made

off the regular market. On 6 April 2011, ING Bank N.V. disposed of 5,400,000 shares in the Company as a result of the sale transactions made on the Warsaw Stock Exchange to institutional investors in execution of the Offering.

On 6 April 2011, Comgest S.A. increased its shareholding in Kernel Holding S.A. from 550,000 shares to 4,750,000 shares in the Company, equivalent to 6.45% of the total outstanding stock of 73,674,410 shares.

On 27 June 2011, Kernel Holding S.A. entered into a call option agreement providing the Company the right to purchase a 100% interest in the Black Sea Industries ("BSI") crushing plant, located in Illichevsk. The exercise of the call option is subject to approval by the Antimonopoly Committee of Ukraine. The value of the transaction is set at USD 140 million on a debt free and cash free basis.

15. Subsequent Events

On 3 August 2011, Kernel Holding S.A. increased share capital by an amount of USD 158,673.65 by the issue of 6,009,000 new shares without indication of a nominal value, of which 5,400,000 newly issued shares have been subscribed by the Company's principal shareholder, Namsen Limited. The remaining newly issued shares have been subscribed by holders of stock options issued in connection with the Company's management incentive plan. As a result of the capital increase, the Company's share capital is set at USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value, giving right to 79,683,410 votes at the General Meeting of the Company.

In August 2011, Kernel Holding S.A. executed a share purchase agreement to acquire a 100% interest in the company Russian Oils, a company with oilseed crushing assets in the Krasnodar and Stavropol regions of southern Russia. Completion of the share purchase agreement is subject to certain standard conditions precedent, expected to be lifted

in September 2011. The acquisition of Russian Oils will add a total of 400 000 tons of sunflower seed crushing capacity per year and 100 000 tons per year of oil refining and bottling capacity to the Company.

On 17 August 2011, Kernel Trade LLC, a subsidiary of Kernel Holding S.A., entered into a USD 500 million credit agreement with a syndicate of banks led by ING Bank N.V, UniCredit Bank AG and Deutsche Bank AG. The working capital facility will be drawn to finance Kernel Trade LLC's sunflower seed purchases, storage and processing into sunflower oil and meal to be sold on the domestic market or exported.

On 23 August 2011 the Antimonopoly Committee of Ukraine approved the acquisition by Kernel of a controlling stake in Ukrros. On 26 August 2011 the company executed the call option agreement to acquire a 71% controlling interest in Ukrros.