

**KERNEL**

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



**Q3**  
**FY2012**

Condensed Consolidated  
Financial Statements  
for the 3 months ended  
**31 March 2012**

# Foreword by Andrey Verevskiy, Chairman of the Board

## Dear Shareholders:

Today, we report our Q3 FY2012 results: revenue increased year-on-year 16.2% to USD 599 million, EBITDA decreased 30.6% to USD 62.5 million, and net profit fell 52.2% to USD 37.2 million. This weak performance is definitely below management's expectations. As our FY2012 is nearly complete, we are downwardly revising our guidance. Having good visibility for the season, I would like to discuss the overall performance in FY2012 to explain the major challenges which we faced during the year.

The biggest disappointment in FY2012 was the grain segment which had a material impact on the financial result that led to the overall decrease in our profitability versus FY2011. In absolute terms, we expect that the grain segment's full-year EBITDA contribution will decrease from USD 66 million in FY2011 to USD 23 million this financial year, down more than 65% year-on-year. Although the company should deliver nearly the same export volume as in FY2011, margins will be substantially lower. We had initially anticipated lower grain export margins this season and planned for higher export volumes to offset weaker profitability. Unfortunately, margins fell to abnormally low levels and grain export volumes missed our estimates for the season as Ukraine's grain exports are coming in 20% below the initial forecast. In particular, Ukraine's wheat and barley export volumes trailed the projections, due to weak prices and negative news about winter crop conditions. These factors motivated farmers to retain their inventories in anticipation of a future price rebound (because of constrained supply) to the extent that the country's carrying forward stock of wheat is expected to reach a record-high of 7 million tons, far in excess of the typical 2-3 million tons.

At the same time, the higher risk appetite of international exporters, combined with weak underlying supply conditions, adversely impacted grain trading margins. This combination caused extreme challenges to maintaining high profitability by operating only on the spot market without taking price risk positions.

Finishing with the grain segment, the cancelation of the VAT refund for grain exports, combined with the abnormally low margins and weak export volumes, have made this season exceptionally unusual. This is the first time that the grain segment's margins have hit such historical and unprecedented lows, and we need to see how the segment performs in the future before we form a view on its profitability going forward.

The bulk oil segment met our guidance. Operating margins were relatively stable at 14-15 %, mostly because of the plentiful supply of sunflower seeds. Despite this year's acquisitions of additional crushing capacity, we expect no material growth in this segment versus last season. The total crushing volume should reach 2.5 million tons in Ukraine and Russia, which is approximately 80% of installed capacities. For the current season, we have nearly 100% of the sunflower seed supply necessary to meet our targeted crushing volumes and build sufficient carried forward stocks to assure full utilization of our crushing facilities until the new harvest arrives. We aim to utilize 2.9 million tons of crushing capacities in Ukraine and Russia next season to produce and sell record-high volumes.

Additionally, Q3 FY2012 results were adversely affected by the postponed execution of the sugar supply contract with the State Reserve Fund. In accordance with the recently signed settlement agreement, the delivery of sugar will commence in Q4 FY2012. As a result, the sugar segment will contribute no revenues to Q3 FY2012.

All other segments are performing as planned.

Now, I would like to discuss the farming segment in more detail as it has become increasingly important to our business. As you know, we recently acquired 119,000 hectares of top quality agricultural land under long-term lease contracts, expanding the total farmland under the management to 330,000 hectares. The management team pays close attention to the development of our farming segment, and continuously works to improve technology, operational control, quality management, and process optimizations to unlock the full potential of our farmland to outperform our competitors. Moreover, we continue to source and evaluate opportunities to continue growing this segment by increasing our land bank, specifically targeting locations adjacent to our existing operations to enhance efficiency by operating large-scale and highly concentrated farmland holdings.

The farming segment is synergetic to our strong asset base, providing additional feedstock in excess of 1.2 million tons of owned production annually that we utilize across our value chain. The segment improves not only the resilience of our business model, but also the returns from our infrastructure and the quality of our earnings. This season, the growth of the farming segment's contribution should largely compensate for the setback in the grain segment.

## Outlook:

This season is nearly complete. We downgrade our FY2012 guidance to revenue of USD 2,300 million, EBITDA of USD 330 million, and net income of USD 215 million.

All of our attention is now focused on the coming season.

At the moment, any detailed discussion of the upcoming season's harvest would be premature as the sowing campaign is currently underway; therefore, we shall provide you with the detailed harvest report in June. However, the current expectation for sunflower crops in Ukraine and Russia appears to be pretty high since the winter crops that were destroyed by unfavourable weather conditions have been replanted in most cases with oilseeds.

We are optimistic about the prospects for the new season. In Russia, we are diligently working on securing the right infrastructural assets to bring the operations to the same levels as our Ukrainian business, on driving consolidation of the crushing sector, and on launching grain exports. We also see interesting opportunities in our home market of Ukraine, mainly in the farming and crushing sectors.

# Financial Highlights

## for the 3 month Period Ended 31 March 2012 (Q3 FY2012)

For the 3-month period under review (Q3 FY2012) versus the same period that ended on 31 March 2011 (Q3 FY2011), year-on-year results were as follows: total revenue increased 16.2% to USD 598.9 million from USD 515.4 million; result from operating activities decreased 45.3% to USD 44.8 million from USD 81.8 million; and net profit attributable to equity holders of Kernel Holding S.A. decreased 52.2% to USD 37.2 million.

Credit lines available as of 31 March 2012 amounted to USD 1,578,934 thousand versus USD 878,642 thousand on 31 March 2011.

### Production, sales and throughput:

	Q3 FY2012	Q3 FY2011	% change
Grain sales, tons	831,578	393,328	111.42%
Bulk oil sales, tons	224,590	224,136	0.20%
Bottled oil sales, '000 liters	29,274	22,755	28.65%
Sunflower seed crush, tons	730,561	608,184	20.12%
Refined oil production, tons	30,441	27,758	9.67%
Bottled oil production, tons	28,861	20,440	41.20%
Export terminals throughput, tons <sup>(1)</sup>	595,235	509,878	16.74%
Grain and oilseeds received in inland silos, tons <sup>(2)</sup>	1,965,392	1,232,000	59.53%

### Review of Financial Results for the 3-month period ended 31 March 2012

#### Total Revenue

Kernel reported total revenue of USD 598.9 million in Q3 FY2012 versus USD 515.4 million in Q3 FY2011. The 16.2% year-on-year revenue increase is primarily the result of higher grain trading volumes.

#### Gross Profit

Gross profit was USD 113.7 million in Q3 FY2012 versus USD 148.6 million in Q3 FY2011, a 23.5% decrease in absolute terms. In relative terms, the gross margin decreased year-on-year from 28.8% to 19.0% as a result of the exceptionally slim grain trading margin recorded in Q3 FY2012. The abnormally high bulk oil margin posted in Q3 FY2011 returned to its normal level in the quarter under review, reducing the gross profit margin.

#### Distribution Costs

Distribution costs slightly declined year-on-year to USD 56.4 million in Q3 FY2012 from USD 58.2 million in Q3 FY2011. Distribution costs declined 3.1% year-on-year in absolute terms. In relative terms as a percentage of revenues, distribution costs tumbled to 9.4% in Q3 FY2012 versus 11.3% in Q3 FY2011. While the overall sale tonnage of grains shipped increased, the change of the delivery basis mix reduced the general distribution expenses in the quarter under review.

#### General and Administrative Expenses

General and administrative expenses increased to USD 16.4 million in Q3 FY2012 from USD 9.1 million in Q3 FY2011. A substantial portion of the overall increase relates to the increased headcount as a result of the recent acquisitions of farming and crushing assets in Ukraine and Russia as well as relevant professional charges paid as a result of those transactions. General and administrative expenses relative to total company revenue totalled 2.7% in Q3 FY2012 versus 1.8% in Q3 FY2011.

#### Profit from Operating Activities

The operating profit in Q3 FY2012 fell 45.3% year-on-year to USD 44.8 million from USD 81.8 million in Q3 FY2011. In relative terms, the operating margin decreased year-on-year from 15.9% to 7.5% as a result of the weak grain trading margin and stabilisation of the bulk oil margin.

#### Finance costs, net

Net finance costs increased to USD 17.0 million in Q3 FY2012 from USD 14.0 million in Q3 FY2011. The USD 3.0 million increase in finance costs primarily reflects the rise in the average cost of funding embedded in the debt portfolios of recently acquired assets as well as the higher level of working capital on one side and borrowings on the other. In relation to sales, financing costs remained stable at approximately 3% of revenue.

#### Net profit

The net profit attributable to the shareholders of Kernel Holding S.A. decreased 52.2% year-on-year to USD 37.2 million in Q3 FY2012 from USD 77.9 million in Q3 FY2011. In relative terms, the net margin slid from 15.1% to 6.2%.

#### Cash Flow

Net cash provided by operations in Q3 FY2012 was negative USD 96.3 million as the Company accumulated readily marketable inventories to execute its forward export contracts. In Q3 FY2011, there was a surplus of USD 188.5 million.

(1) Throughput tonnage through the Illichevsk grain terminal and the Nikolayev oil and meal terminals

(2) Total grain and oilseeds tonnage received at inland silos over the 9-month period from 1 July 2011 to 31 March 2012

## Review of Segmental Results for the 3-month period ended 31 March 2012

### *Bottled Oil*

Revenue from bottled oil sales in Q3 FY2012 was USD 44.5 million versus USD 33.0 million in Q3 FY2011. The 35.1% year-on-year increase in revenue was primarily driven by the sales volume growth while the price of bottled oil delivered to the market remained flat.

Profit from operating activities increased year-on-year to USD 5.8 million from USD 3.5 million, and the operating profit margin increased to 13.0% from 10.7% as the Ukrainian government lifted the price cap that it had introduced in the prior financial year.

### *Bulk Oil*

Revenue from bulk oil sales decreased 9.3% year-on-year to USD 321.3 million in Q3 FY2012 from USD 354.2 million in Q3 FY2011, while crushing volumes increased 20.1% year-on-year.

The decrease in revenue is the result of the 14.1% decrease in the average sales price (per ton of oil delivered) to USD 1,108 in Q3 FY2012 from USD 1,290 in Q3 FY2011. As the volume of bulk oil delivered over the period remained flat, the operating profit fell 37.1% year-on-year to USD 43.3 million in Q3 FY2012 from USD 68.8 million in Q3 FY2011. The operating margin declined year-on-year to 13.5% from 19.4% because of a higher depreciation charge following the acquisitions of the BSI and Russian Oils plants and also the abnormally high margin posted in Q3 FY2011.

### *Grain*

Revenue from grain sales was USD 222.2 million in Q3 FY2012 versus USD 126.0 million in Q3 FY2011. While the average price per ton of grain delivered decreased 16.6% year-on-year to USD 267.2 from USD 320.2, volumes increased 111.4% year-on-year primarily as a result of the removal of grain export restrictions that had been implemented by the Ukrainian government in the previous financial year. At the same time, unusually slim market trading margins prevailing in Q3 FY2012 caused a substantial decline in operating profit to USD 6.9 million in Q3 FY2012 from USD 12.8 million in Q3 FY2011 (in absolute terms), which led to an abnormally low operating margin of 3.1% in Q3 FY2012 from 10.2% in Q3 FY2011.

### *Silo Services*

Revenue from silo services was USD 9.9 million in Q3 FY2012 versus USD 5.8 million in Q3 FY2011. Operating profit increased to USD 2.2 million in Q3 FY2012 from USD 0.2 million in Q3 FY2011, because of the overall bumper harvest in Ukraine and high carried forward stocks at this time of the year.

### *Export Terminals*

Revenue from export terminals increased 29.8% year-on-year to USD 10.0 million in Q3 FY2012 from USD 7.7 million in Q3 FY2011, as the result of higher throughput which increased year-on-year to 595.2 thousand tons from 509.9 thousand tons for the 3-month periods under review. While the higher volume and better mix resulted in higher operating profit to USD 4.6 million in Q3 FY2012 from USD 2.8 million in Q3 FY2011, the operating margin improved to 45.8%.

### *Farming*

Following the Company's policy, crops are sold to the grain department shortly after harvest, resulting in farming revenue being posted primarily in the first two quarters of the financial year. With revenue of USD 12.7 million in Q3 FY2012, primarily reflecting the intersegment sales of insignificant carrying stock, the farming segment showed a USD 8.0 million operating loss primarily because of depreciation charges and administrative costs.

### *Sugar*

Marginal revenue from the sugar segment of USD 1.5 million in Q3 FY2012 resulted in an operating loss of USD 1.6 million. Following the signing of the settlement agreement with the State Reserve Fund, the delivery of sugar under the supply contract will be executed in Q4 FY2012.

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# Selected Financial Data

## for 3 months ended 31 March 2012

(in thousands unless otherwise stated)	Thousand USD		Thousand PLN		Thousand EUR	
	2012	2011	2012	2011	2012	2011
I. Revenue	<b>598,927</b>	515,416	<b>1,933,650</b>	1,488,367	<b>456,709</b>	376,975
II. Profit from operating activities	<b>44,776</b>	81,814	<b>144,560</b>	236,254	<b>34,144</b>	59,839
III. Profit before income tax	<b>33,617</b>	66,182	<b>108,534</b>	191,114	<b>25,635</b>	48,406
IV. Net profit	<b>33,798</b>	77,970	<b>109,119</b>	225,155	<b>25,773</b>	57,027
V. Net cash (used in)/obtained from operating activities	<b>(96,272)</b>	188,464	<b>(310,816)</b>	544,227	<b>(73,411)</b>	137,843
VI. Net cash (used in)/obtained from investing activity	<b>(23,867)</b>	474	<b>(77,055)</b>	1,369	<b>(18,200)</b>	347
VII. Net cash provided by/(used in) financing activity	<b>75,766</b>	(158,330)	<b>244,612</b>	(457,210)	<b>57,775</b>	(115,804)
VIII. Total net cash flow	<b>(44,373)</b>	30,608	<b>(143,259)</b>	88,386	<b>(33,836)</b>	22,386
IX. Total assets	<b>2,243,267</b>	1,403,085	<b>6,996,974</b>	3,960,769	<b>1,681,318</b>	987,211
X. Current liabilities	<b>737,791</b>	447,685	<b>2,301,244</b>	1,263,770	<b>552,970</b>	314,991
XI. Non-current liabilities	<b>312,335</b>	178,736	<b>974,204</b>	504,554	<b>234,094</b>	125,759
XII. Issued capital	<b>2,104</b>	1,945	<b>6,563</b>	5,491	<b>1,577</b>	1,369
XIII. Total equity	<b>1,193,141</b>	776,664	<b>3,721,526</b>	2,192,445	<b>894,254</b>	546,461
XIV. Weighted average number of shares	<b>79,683,410</b>	73,647,252	<b>79,683,410</b>	73,647,252	<b>79,683,410</b>	73,647,252
XV. Profit per ordinary share (in USD/PLN/EUR)	<b>0.47</b>	1.06	<b>1.51</b>	3.05	<b>0.36</b>	0.77
XVI. Diluted number of shares	<b>80,062,915</b>	74,558,063	<b>80,062,915</b>	74,558,063	<b>80,062,915</b>	74,558,063
XVII. Diluted profit per ordinary share (in USD/PLN/EUR)	<b>0.46</b>	1.04	<b>1.50</b>	3.02	<b>0.35</b>	0.76
XVIII. Book value per share (in USD/PLN/EUR)	<b>14.09</b>	10.54	<b>43.94</b>	29.74	<b>10.56</b>	7.41
XIX. Diluted book value per share (in USD/PLN/EUR)	<b>14.02</b>	10.40	<b>43.73</b>	29.36	<b>10.51</b>	7.32

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Condensed Consolidated Statement of Financial Position

(in US dollars and in thousands unless otherwise stated)	Notes	As of 31 March 2012 unaudited	As of 31 December 2011 reviewed	As of 30 June 2011 audited	As of 31 March 2011 unaudited
<b>ASSETS</b>					
<b>Current assets</b>					
Cash		91,857	129,769	115,897	59,334
Trade accounts receivable, net		186,894	116,051	111,586	116,850
Prepayments to suppliers and other current assets, net		136,647	122,681	81,334	49,064
Taxes recoverable and prepaid, net		252,099	235,007	221,274	264,969
Inventory		588,567	561,271	183,668	388,892
Biological assets		19,186	15,795	95,961	7,155
<b>Total current assets</b>		<b>1,275,250</b>	<b>1,180,574</b>	<b>809,720</b>	<b>886,264</b>
<b>Non-current assets</b>					
Property, plant and equipment, net		680,782	678,173	502,752	384,350
Intangible assets, net		80,289	81,407	65,563	29,736
Goodwill		131,742	131,739	85,989	86,000
Other non-current assets		75,204	122,007	97,862	16,735
<b>Total non-current assets</b>		<b>968,017</b>	<b>1,013,326</b>	<b>752,166</b>	<b>516,821</b>
<b>Total assets</b>		<b>2,243,267</b>	<b>2,193,900</b>	<b>1,561,886</b>	<b>1,403,085</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade accounts payable		52,761	43,046	27,055	22,104
Advances from customers and other current liabilities		168,588	247,100	102,029	28,220
Short-term borrowings	6	439,918	383,611	234,514	366,219
Current portion of long-term borrowings	7	76,524	67,308	31,392	31,142
<b>Total current liabilities</b>		<b>737,791</b>	<b>741,065</b>	<b>394,990</b>	<b>447,685</b>
<b>Non-current liabilities</b>					
Long-term borrowings	7	275,637	269,250	152,684	160,257
Obligations under finance lease		14,776	9,921	3,373	4,321
Deferred tax liabilities	8	16,474	14,367	13,396	14,093
Other non-current liabilities		5,448	4,887	153	65
<b>Total non-current liabilities</b>		<b>312,335</b>	<b>298,425</b>	<b>169,606</b>	<b>178,736</b>
<b>Equity attributable to Kernel Holding S.A. equity holders</b>					
Issued capital		2,104	2,104	1,945	1,945
Share premium reserve		463,879	463,879	321,556	321,556
Subscribed capital		-	-	137,354	-
Additional paid-in capital		39,944	39,944	39,944	39,944
Revaluation reserve		15,049	15,049	15,049	15,049
Translation reserve		(155,367)	(159,305)	(162,152)	(161,434)
Retained earnings		756,963	719,770	617,878	555,707
<b>Total equity attributable to Kernel Holding S.A. equity holders</b>		<b>1,122,572</b>	<b>1,081,441</b>	<b>971,574</b>	<b>772,767</b>
Non-controlling interest		70,569	72,969	25,716	3,897
<b>Total equity</b>		<b>1,193,141</b>	<b>1,154,410</b>	<b>997,290</b>	<b>776,664</b>
<b>Total liabilities and equity</b>		<b>2,243,267</b>	<b>2,193,900</b>	<b>1,561,886</b>	<b>1,403,085</b>
Book value		1,122,572	1,081,441	971,574	772,767
Weighted average number of shares		79,683,410	78,599,820	74,684,398	73,339,741
Book value per share (in USD)		14.09	13.76	13.01	10.54
Diluted number of shares		80,062,915	79,027,854	75,572,177	74,289,989
Diluted book value per share (in USD)		14.02	13.68	12.86	10.40

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Condensed Consolidated Income Statement

(in US dollars and in thousands unless otherwise stated)	Notes	3 months ended 31 March 2012 unaudited	9 months ended 31 March 2012 unaudited	3 months ended 31 March 2011 unaudited	9 months ended 31 March 2011 unaudited
Revenue		598,927	1,584,829	515,416	1,427,849
Cost of sales		(485,217)	(1,252,261)	(366,869)	(1,072,616)
<b>Gross profit</b>		<b>113,710</b>	<b>332,568</b>	<b>148,547</b>	<b>355,233</b>
Other operating income		3,881	22,263	632	9,944
<b>OPERATING EXPENSES</b>					
Distribution costs		(56,444)	(148,166)	(58,223)	(133,875)
General and administrative expenses		(16,371)	(45,512)	(9,142)	(24,233)
<b>Profit from operating activities</b>		<b>44,776</b>	<b>161,153</b>	<b>81,814</b>	<b>207,069</b>
Finance costs, net		(17,012)	(44,691)	(14,045)	(34,324)
Foreign exchange gain/(loss), net		9,067	9,639	(191)	2,481
Other expenses, net		(3,214)	(301)	(1,396)	(23,557)
<b>Profit before income tax</b>		<b>33,617</b>	<b>125,800</b>	<b>66,182</b>	<b>151,669</b>
Income tax benefit	8	181	225	11,788	12,218
<b>Net profit</b>		<b>33,798</b>	<b>126,025</b>	<b>77,970</b>	<b>163,887</b>
<b>NET PROFIT/(LOSS ) ATTRIBUTABLE TO:</b>					
Equity holders of Kernel Holding S.A.		37,193	139,085	77,862	164,101
Non-controlling interest		(3,395)	(13,060)	108	(214)
Weighted average number of shares		79,683,410	79,683,410	73,647,252	73,339,741
Profit per ordinary share (in USD)		0.47	1.75	1.06	2.24
Diluted number of shares		80,062,915	79,372,269	74,558,063	74,289,989
Diluted profit per ordinary share (in USD)		0.46	1.75	1.04	2.21

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer



# Condensed Consolidated Statement of Comprehensive Income

(in US dollars and in thousands unless otherwise stated)	3 months ended 31 March 2012 unaudited	9 months ended 31 March 2012 unaudited	3 months ended 31 March 2011 unaudited	9 months ended 31 March 2011 unaudited
<b>Net profit</b>	<b>33,798</b>	<b>126,025</b>	<b>77,970</b>	<b>163,887</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
Exchange differences on translating foreign operations	4,203	7,107	168	(822)
Income tax related to components of other comprehensive income	-	-	3,789	3,789
<b>Other comprehensive income/(loss), net</b>	<b>4,203</b>	<b>7,107</b>	<b>3,957</b>	<b>2,967</b>
<b>Total comprehensive income</b>	<b>38,001</b>	<b>133,132</b>	<b>81,927</b>	<b>166,854</b>
<b>TOTAL COMPREHENSIVE INCOME /(LOSS ) ATTRIBUTABLE TO:</b>				
Equity holders of Kernel Holding S.A.	41,131	145,870	81,817	167,078
Non-controlling interest	(3,130)	(12,738)	110	(224)

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Condensed Consolidated Statement of Changes in Equity

(in US dollars and in thousands unless otherwise stated)	Attributable to Kernel Holding S.A. shareholders								Non-controlling interest	Total equity
	Issued capital	Share premium reserve	Subscribed capital	Additional paid in capital	Re-valuation surplus	Translation reserve	Retained earnings	Total		
<b>Balance as of 31 March 2011 (unaudited)</b>	<b>1,945</b>	<b>321,556</b>	<b>-</b>	<b>39,944</b>	<b>15,049</b>	<b>(161,434)</b>	<b>555,707</b>	<b>772,767</b>	<b>3,897</b>	<b>776,664</b>
Profit for the period	-	-	-	-	-	-	62,171	<b>62,171</b>	(11)	<b>62,160</b>
Other comprehensive income/(loss)	-	-	-	-	-	(718)	-	<b>(718)</b>	267	<b>(451)</b>
Total comprehensive income/(loss) for the period	-	-	-	-	-	<b>(718)</b>	<b>62,171</b>	<b>61,453</b>	<b>256</b>	<b>61,709</b>
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	-	21,563	<b>21,563</b>
Subscribed capital	-	-	137,354	-	-	-	-	<b>137,354</b>	-	<b>137,354</b>
<b>Balance as of 30 June 2011 (audited)</b>	<b>1,945</b>	<b>321,556</b>	<b>137,354</b>	<b>39,944</b>	<b>15,049</b>	<b>(162,152)</b>	<b>617,878</b>	<b>971,574</b>	<b>25,716</b>	<b>997,290</b>
Profit/(loss) for the period	-	-	-	-	-	-	32,891	<b>32,891</b>	(911)	<b>31,980</b>
Other comprehensive income	-	-	-	-	-	763	-	<b>763</b>	63	<b>826</b>
Total comprehensive income/(loss) for the period	-	-	-	-	-	<b>763</b>	<b>32,891</b>	<b>33,654</b>	<b>(848)</b>	<b>32,806</b>
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	-	7,605	<b>7,605</b>
Subscribed capital	-	-	(137,354)	-	-	-	-	<b>(137,354)</b>	-	<b>(137,354)</b>
Increase of share capital	159	145,126	-	-	-	-	-	<b>145,285</b>	-	<b>145,285</b>
Issued capital expenses	-	(2,803)	-	-	-	-	-	<b>(2,803)</b>	-	<b>(2,803)</b>
<b>Balance as of 30 September 2011 (unaudited)</b>	<b>2,104</b>	<b>463,879</b>	<b>-</b>	<b>39,944</b>	<b>15,049</b>	<b>(161,389)</b>	<b>650,769</b>	<b>1,010,356</b>	<b>32,473</b>	<b>1,042,829</b>
Profit for the period	-	-	-	-	-	-	69,001	<b>69,001</b>	(8,754)	<b>60,247</b>
Other comprehensive income/(loss)	-	-	-	-	-	2,084	-	<b>2,084</b>	(6)	<b>2,078</b>
Total comprehensive income/(loss) for the period	-	-	-	-	-	<b>2,084</b>	<b>69,001</b>	<b>71,085</b>	<b>(8,760)</b>	<b>62,325</b>
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	-	49,256	<b>49,256</b>
<b>Balance as of 31 December 2011 (reviewed)</b>	<b>2,104</b>	<b>463,879</b>	<b>-</b>	<b>39,944</b>	<b>15,049</b>	<b>(159,305)</b>	<b>719,770</b>	<b>1,081,441</b>	<b>72,969</b>	<b>1,154,410</b>
Profit/(loss) for the period	-	-	-	-	-	-	37,193	<b>37,193</b>	(3,395)	<b>33,798</b>
Other comprehensive income	-	-	-	-	-	3,938	-	<b>3,938</b>	265	<b>4,203</b>
Total comprehensive income/(loss) for the period	-	-	-	-	-	<b>3,938</b>	<b>37,193</b>	<b>41,131</b>	<b>(3,130)</b>	<b>38,001</b>
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	-	730	<b>730</b>
<b>Balance as of 31 March 2012 (unaudited)</b>	<b>2,104</b>	<b>463,879</b>	<b>-</b>	<b>39,944</b>	<b>15,049</b>	<b>(155,367)</b>	<b>756,963</b>	<b>1,122,572</b>	<b>70,569</b>	<b>1,193,141</b>

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Condensed Consolidated Statement of Cash Flows

(in US dollars and in thousands unless otherwise stated)	3 months ended 31 March 2012 unaudited	9 months ended 31 March 2012 unaudited	3 months ended 31 March 2011 unaudited	9 months ended 31 March 2011 unaudited
<b>OPERATING ACTIVITIES:</b>				
Profit before income tax	33,617	125,800	66,182	151,669
<b>Adjustments to reconcile profit before income tax to net cash used in operating activities:</b>				
Amortisation and depreciation	17,761	50,011	8,326	24,399
Finance costs, net	17,012	44,691	14,045	34,324
Bad debt expenses and other accruals	2,055	5,598	1,138	290
Loss/(gain) on disposal of property, plant and equipment	139	(1,227)	(193)	(353)
Non-operating foreign exchange (gain)/loss	(220)	2,388	336	896
Gain from changes in fair value of biological assets	(1,670)	(3,165)	-	-
Gain on sales of equity investments	-	(289)	-	(495)
Gain on acquisition of subsidiaried	(852)	(9,006)	-	-
Operating profit before working capital changes	67,842	214,801	89,834	210,730
<b>Changes in working capital:</b>				
(Increase)/decrease in trade accounts receivable	(70,060)	(69,430)	9,921	(51,278)
(Increase)/decrease in prepayments and other current assets	(19,972)	(50,946)	(13,310)	36,211
(Increase) in restricted cash balance	(6,461)	(745)	(7,139)	(11,661)
Decrease in trading securities	-	-	-	119,598
(Increase)/decrease in taxes recoverable and prepaid	(17,842)	(26,287)	3,064	(179,212)
(Increase)/decrease in biological assets	(3,295)	98,544	(2,919)	18,976
(Increase)/decrease in inventories	(25,227)	(385,049)	158,120	(241,105)
Increase/(decrease) in trade accounts payable	1,188	15,265	(7,281)	23,404
(Decrease)/increase in advances from customers and other current liabilities	(4,653)	97,010	(27,320)	(102,842)
Cash used in operations	(78,480)	(106,837)	202,970	(177,179)
Finance costs paid	(16,231)	(41,460)	(14,045)	(34,324)
Income tax paid	(1,561)	(2,548)	(461)	(1,213)
<b>Net cash (used in)/obtained from operating activities</b>	<b>(96,272)</b>	<b>(150,845)</b>	<b>188,464</b>	<b>(212,716)</b>
<b>INVESTING ACTIVITIES:</b>				
Purchase of property, plant and equipment	(16,724)	(53,400)	(269)	(22,766)
Proceeds from disposal of property, plant and equipment	161	410	825	1,332
Purchase of intangible and other non-current assets	(8,309)	(32,436)	(82)	(500)
Acquisition of Subsidiaries	(2,310)	(131,019)	-	-
Disposal of Subsidiaries	3,315	3,315	-	-
<b>Net cash (used in)/obtained from investing activities</b>	<b>(23,867)</b>	<b>(213,130)</b>	<b>474</b>	<b>(21,934)</b>
<b>FINANCING ACTIVITIES:</b>				
Proceeds from short-term and long-term borrowings	1,052,747	2,501,404	534,424	2,010,303
Repayment of short-term and long-term borrowings	(975,704)	(2,167,160)	(696,632)	(1,791,045)
Proceeds from share capital increase	-	-	12	12
Proceeds from share premium reserve increase	-	4,969	3,815	3,815
Issued capital	-	159	-	-
<b>Net cash provided by/(used in) financing activities</b>	<b>77,043</b>	<b>339,372</b>	<b>(158,381)</b>	<b>223,085</b>
Translation adjustment	(1,277)	(182)	51	(244)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(44,373)</b>	<b>(24,785)</b>	<b>30,608</b>	<b>(11,809)</b>
Cash at the beginning of the period	129,769	110,181	15,345	57,762
Cash at the end of the period	85,396	85,396	45,953	45,953

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Notes to the Condensed Consolidated Financial Statements

## 1. Key Data by Operating Segment

Key data by operating segment for 3 months ended 31 March 2012:

(in US dollars and in thousands unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Continuing operations
Revenue (external)	44,539	321,262	2,708	2,723	222,208	3,982	1,505	-	-	598,927
Intersegment sales	-	-	7,326	9,997	-	5,953	-	-	(23,276)	-
<b>Total revenue</b>	<b>44,539</b>	<b>321,262</b>	<b>10,034</b>	<b>12,720</b>	<b>222,208</b>	<b>9,935</b>	<b>1,505</b>	<b>-</b>	<b>(23,276)</b>	<b>598,927</b>
Other operating income	-	832	-	2,919	-	67	63	-	-	3,881
<b>Profit from operating activities</b>	<b>5,778</b>	<b>43,299</b>	<b>4,595</b>	<b>(8,036)</b>	<b>6,917</b>	<b>2,224</b>	<b>(1,580)</b>	<b>(8,421)</b>	<b>-</b>	<b>44,776</b>
Finance costs, net										(17,012)
Foreign exchange gain, net										9,067
Other expenses, net										(3,214)
<b>Profit before income tax</b>										<b>33,617</b>
Income tax benefit										181
Net profit										33,798
<b>Total assets</b>	<b>108,217</b>	<b>1,118,464</b>	<b>171,538</b>	<b>253,773</b>	<b>285,865</b>	<b>146,341</b>	<b>139,504</b>	<b>19,565</b>	<b>-</b>	<b>2,243,267</b>
Capital expenditures	652	20,685	49	1,331	-	16,996	579	2,385	-	42,677
Amortisation and depreciation	913	5,174	903	7,079	5	1,299	942	1,446	-	17,761
Liabilities	8,396	92,903	5,067	16,256	24,615	8,497	47,600	846,792	-	1,050,126

During the 3 months ended 31 March 2012, two of the Group's external customers accounted for more than 10% of total external revenue.

During the 3 months ended 31 March 2012, export sales c. 92.5% of total external sales revenue.

The Group operates in two principal geographical areas Ukraine and Russia. The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from external customers	Non-current assets
	3 months ended 31 March 2012 unaudited	As of 31 March 2012 unaudited
Ukraine	568,554	913,882
Russia	30,373	54,135
<b>Total</b>	<b>598,927</b>	<b>968,017</b>

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

(in US dollars and in thousands unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Other	Re-conciliation	Continuing operations
Revenue (external)	32,974	354,226	47	152	125,960	2,057	-	-	515,416
Intersegment sales	-	-	7,683	1,087	-	3,792	-	(12,562)	-
<b>Total revenue</b>	<b>32,974</b>	<b>354,226</b>	<b>7,730</b>	<b>1,239</b>	<b>125,960</b>	<b>5,849</b>	<b>-</b>	<b>(12,562)</b>	<b>515,416</b>
Other operating income	-	555	-	26	-	51	-	-	632
<b>Profit from operating activities</b>	<b>3,533</b>	<b>68,829</b>	<b>2,822</b>	<b>(1,677)</b>	<b>12,758</b>	<b>217</b>	<b>(4,668)</b>	<b>-</b>	<b>81,814</b>
Finance costs, net									(14,045)
Foreign exchange gain, net									(191)
Other expenses, net									(1,396)
<b>Profit before income tax</b>									<b>66,182</b>
Income tax benefit									11,788
Net profit									77,970
<b>Total assets</b>	<b>106,995</b>	<b>764,677</b>	<b>117,229</b>	<b>53,826</b>	<b>211,440</b>	<b>90,518</b>	<b>58,400</b>	<b>-</b>	<b>1,403,085</b>
Capital expenditures	286	493	50	2,852	1	201	689	-	4,572
Amortisation and depreciation	478	2,820	882	2,118	22	1,312	694	-	8,326
Liabilities	3,642	27,977	4,559	1,901	13,897	8,793	565,652	-	626,421

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

During the 3 months ended 31 March 2011, export sales amounted to 89% of total external sales revenue.

# Notes to the Condensed Consolidated Financial Statements

## 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 the production and sale of bottled sunflower oil, the production and subsequent export of bulk sunflower oil and meal, the production and sale of sugar, the wholesale trade of grain (mainly wheat, barley and corn), farming, and the provision of logistics and transshipment services.

The majority of the Group's operations are located in Ukraine. The Group's financial year runs from 1 July to 30 June.

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

As of 31 March 2012, 31 December 2011, and 31 March 2011, the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			31 March 2012	31 December 2011	31 March 2011
Kernel-Capital LLC	Holding companies.	Ukraine	100%	100%	100%
Group Management LLC		Ukraine	100%	100%	100%
Etrecom Investments LLC		Cyprus	100%	100%	100%
Corolex Public Co. Limited		Cyprus	100%	100%	94%
Grain Trading Company 'Allseeds-Ukraine' CJSC		Ukraine	100%	100%	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%	71.3%	N/A
Sugar Holding Limited		Cyprus	100%	100%	N/A
JE Inerco-Ukraine LLC		Ukraine	0% <sup>(1)</sup>	0% <sup>(1)</sup>	100%
Eastern Agro Investments Ltd		Cyprus	100%	100%	N/A
Enselco LLC		Ukraine	0% <sup>(2)</sup>	0% <sup>(2)</sup>	N/A
Enselco Agroholding LLC	Ukraine	0% <sup>(2)</sup>	0% <sup>(2)</sup>	N/A	
Nyva Agroholding LLC	Ukraine	0% <sup>(2)</sup>	0% <sup>(2)</sup>	N/A	
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100%	100%	100%
Restomon S.A.		British Virgin Islands	100%	100%	100%
Lanen S.A.		Panama	100%	100%	100%
Grain Trading Company LLC		Ukraine	100%	100%	100%
Kernel-Trade LLC		Ukraine	100%	100%	100%
Trade Company Russian LLC		Russia	100%	100%	N/A
Poltava oil-crushing plant Kernel Group PJS	Production plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Vovchansky OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnjansky OEP LLC		Ukraine	100%	100%	100%
Kirovogradoliya JSC		Ukraine	99.2%	99.2%	99.2%
Ekotrans LLC		Ukraine	100%	100%	100%
Bandurskiy oil-crushing plant LLC		Ukraine	100%	100%	100%
Ukrainian Black Sea Industry LLC		Ukraine	100%	100%	N/A
Stavropol oil OJSC		Russia	100%	100%	N/A
Nevinnomissky oil-crushing plant CJSC		Russia	100%	100%	N/A
Production Management LLC		Russia	100%	100%	N/A
Ust-Labinsky EMEK Florentina CJSC		Russia	100%	100%	N/A
Transbulkterminal LLC	Provision of grain, oil and meal handling and transshipment services.	Ukraine	100%	100%	100%
Estron Corporation Ltd.		Cyprus	100%	100%	100%
Oiltransterminal LLC		Ukraine	100%	100%	100%
Veselynivske ZPP LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	71.3%	71.3%	N/A
Reshetylivka Hliboproduct LLC		Ukraine	0% <sup>(3)</sup>	100%	100%
Gulyaypolsky Elevator LLC		Ukraine	71.3%	71.3%	N/A
Mirgorodsky Elevator LLC		Ukraine	100%	100%	100%
Globynsky Elevator HP LLC		Ukraine	0% <sup>(4)</sup>	100%	100%
Skifiya-Zernotrade LLC		Ukraine	0% <sup>(5)</sup>	0% <sup>(5)</sup>	94%
Poltavske Khlipopriemalne Pidpriemstvo PJSC		Ukraine	88.2%	88.2%	88.2%
Elevator – 'Grain Trading Company', LLC		Ukraine	0% <sup>(6)</sup>	0% <sup>(6)</sup>	94%

(1) Disposed of on 10 May 2011.

(2) Entity controlled by the Group

(3) Merged with Kononivsky Elevator LLC on 24 January 2012

(4) Disposed of on 01 February 2012

(5) Disposed of on 03 August 2011

(6) Disposed of on 23 November 2011

# Notes to the Condensed Consolidated Financial Statements (continued)

## 2. Nature of the Business (continued)

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			31 March 2012	31 December 2011	31 March 2011
Gogoleve-Agro LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	0% <sup>(7)</sup>	0% <sup>(7)</sup>	100%
Sagaydak-Agro LLC		Ukraine	0% <sup>(8)</sup>	0% <sup>(8)</sup>	100%
Karlivka-Agro LLC		Ukraine	100%	100%	100%
Trykratskiy GPC JSC		Ukraine	0% <sup>(9)</sup>	0% <sup>(9)</sup>	86.5%
Zherebkivsky Elevator LLC		Ukraine	0% <sup>(10)</sup>	0% <sup>(10)</sup>	100%
Kononivsky Elevator LLC		Ukraine	100%	100%	100%
Semenivsky Elevator LLC		Ukraine	100%	100%	100%
Kobelyaky Hliboproduct LLC		Ukraine	0% <sup>(11)</sup>	100%	100%
Sahnovshyna Hliboproduct LLC		Ukraine	0% <sup>(12)</sup>	0% <sup>(12)</sup>	100%
Velykoburlutske HPP LLC		Ukraine	0% <sup>(13)</sup>	0% <sup>(13)</sup>	100%
Gutnansky Elevator LLC		Ukraine	100%	100%	100%
Lykhachivsky KHP LLC		Ukraine	100%	100%	100%
Shevchenkivsky KHP LLC		Ukraine	0% <sup>(14)</sup>	100%	100%
Kovyagivske KHP LLC		Ukraine	100%	100%	100%
Viktorovsky Elevator LLC		Ukraine	100%	100%	100%
Sluch Agro LLC		Ukraine	0% <sup>(15)</sup>	0% <sup>(15)</sup>	N/A
Vesnianskiy elevator LLC		Ukraine	0% <sup>(15)</sup>	0% <sup>(15)</sup>	N/A
Poltavaavtotransservis LLC	Trucking company.	Ukraine	100%	100%	100%
MTE-2004 LLC		Ukraine	100%	100%	100%
Chortkivsky tsukrovyy zavod LLC	Production plants. Production of sugar.	Ukraine	73.8%	73.8%	N/A
Tsukrove LLC		Ukraine	71.3%	71.3%	N/A
Palmirsky Tsukrovyy Zavod LLC		Ukraine	72.7%	72.7%	N/A
Orzhyttsky Tsukrovyy Zavod LLC		Ukraine	73.4%	76.2%	N/A
Agroservis LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beets.	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 Vitshyzna LLC		Ukraine	100%	100%	100%
Agrofirma Vesna LLC		Ukraine	100%	100%	0%
Osiyivske LLC		Ukraine	100%	100%	N/A
Agrofirma Kuybyshevo LLC		Ukraine	52.6%	52.6%	N/A
Povstynagroalyans LLC		Ukraine	71.3%	71.3%	N/A
Ulyanivske LLC		Ukraine	73.5%	76.2%	N/A
Palmira LLC		Ukraine	81.5%	81.5%	N/A

(7) Merged with Myrghporodsky Elevator LLC on 06 September 2011

(8) Merged with Myrghporodsky Elevator LLC on 27 June 2011

(9) Disposed of on 25 December 2011

(10) Merged with Kononivsky Elevator LLC on 8 April 2011.

(11) Disposed of on 24 January 2012

(12) Merged with Kobelyaky Hliboproduct LLC on 11 May 2011.

(13) Merged with Gutnansky Elevator LLC on 19 December 2011.

(14) Disposed of on 23 March 2012

(15) Entity controlled by the Group



# Notes to the Condensed Consolidated Financial Statements (continued)

## 2. Nature of the Business (continued)

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			31 March 2012	31 December 2011	31 March 2011
Cherkasky OJSC	Agricultural farms.	Ukraine	53.0%	53.0%	N/A
Agrofirma Zorya LLC	Cultivation of agricultural	Ukraine	64.1%	64.1%	N/A
Agrarny dim im. Gorkogo LLC	products: corn, wheat,	Ukraine	71.5%	71.5%	N/A
Agrarny dim CJSC	sunflower seeds, barley,	Ukraine	35.8%	35.8%	N/A
Druzhba LLC	soya beans and sugar beets.	Ukraine	71.3%	71.3%	N/A
Agropolis LLC		Ukraine	71.6%	71.6%	N/A
Enselco Agro		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Nyva Berezneguvate LLC		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Nyva Vesnyane		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Subsidiary "Ensel" PE		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Agro Inter Sluch LLC		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Private leased firm "Zlagoda"		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Private leased entity "Real"		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
PE "Getman"		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
PE "Olymp"		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
"Zhayvir"		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
PE "Ladygi"		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
"Chamatskiy Shlyakh"		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Matushevski" farm		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Krymashevskiy O.M. &C farm		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Agro "Ukraine" LLC		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Agro "Skhid" LLC		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Private agro entity "Agrarnyk"		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
"Zolota Nyva" LLC		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Troyanda Podillya LLC		Ukraine	0% <sup>(16)</sup>	0% <sup>(16)</sup>	N/A
Urozhai ALLC		Ukraine	100%	N/A	N/A

These condensed consolidated financial statements were authorised for issue by the Board of Directors of Kernel Holding S.A. on 10 May 2012.

<sup>(16)</sup> Entity controlled by the Group

# Notes to the Condensed Consolidated Financial Statements (continued)

## 3. Change in Issued Capital

Since 15 June 2005, the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the 'Holding'), whose issued capital as of 31 March 2012 consisted of 79,683,410 ordinary bearer shares without indication of a nominal value, provided 79,683,410 voting rights (as of 31 March 2011 – 73,674,410 shares).

The shares were distributed as follows:

	As of 31 March 2012		As of 31 March 2011	
	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Equity holders				
Namsen LTD (limited company registered under the legislation of Cyprus (hereinafter the 'Major Equity holder'))	30,460,657	38.23%	30,174,250	40.96%
Free-float	49,222,753	61.77%	43,500,160	59.04%
<b>Total</b>	<b>79,683,410</b>	<b>100.00%</b>	<b>73,674,410</b>	<b>100.00%</b>

As of 31 March 2012 and 2011, 100% of the beneficial interest in the 'Major Equity holder' was held by Verevskiy Andrey Mikhaylovich (hereinafter the 'Beneficial Owner').

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

On 23 November 2007, the Holding was listed on the Warsaw Stock Exchange. 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 Group were admitted to trading on the main market of the WSE.

On 3 June 2010, Kernel issued 4,450,000 new shares, thereby increasing the Group'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 voting rights at the General Meeting of the Group.

On 5 January 2011, Kernel issued 483,410 new shares without indication of a nominal value. All of the newly issued shares were subscribed by a stock option beneficiary under the Management Incentive plan. The issue price of 1 share was PLN 24. As a result of the increase, the Company's share capital was increased by 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 125,000 as of 31 December 2011, unchanged from 31 December 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 offering which, closed on 31 March 2011. 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. In order to ensure that allottees in the Offering could receive and trade their allocations immediately, Namsen Limited, a company controlled by Andrey Verevskiy, 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 Kernel Holding S.A. Shareholders.

## 4. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies

These condensed consolidated financial statements for the 3 months ended 31 March 2012 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, and do not include all of the information and disclosures required in the annual financial statements.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2011.

Adoption of new and revised International Financial Reporting Standards – The following new and revised Standards and Interpretations have been adopted in the current year:

IAS 24 "Related Party Disclosures" (amendment) effective 1 January 2011

IFRIC 14 "Prepayments of a Minimum Funding Requirement" (amendment) effective 1 January 2011

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amendment) effective 1 July 2011

IFRS 7 "Financial instruments: Disclosures" (amendment) effective 1 July 2011

In the current period, the Group also adopted amendments to a number of Standards resulting from annual improvements to IFRS that are effective for annual periods beginning on or after 1 July 2011. Adoption of these amendments, as well as adoption of other Standards and Interpretations did not have any significant impact on the amounts reported in these condensed consolidated interim financial statements but may affect the accounting for future transactions and arrangements.

# Notes to the Condensed Consolidated Financial Statements (continued)

## 4. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies (continued)

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

Currency	Closing rate as of 31 March 2012	Average rate for the 3 months ended 31 March 2012	Average rate for the 9 months ended 31 March 2012	Closing rate as of 31 March 2011	Average rate for the 3 months ended 31 March 2011	Average rate for the 9 months ended 31 March 2011
UAH/USD	7.9867	7.9882	7.9809	7.9600	7.9450	7.9255
USD/EUR	0.7495	0.7625	0.7375	0.7036	0.7314	0.7476
USD/PLN	3.1191	3.2285	3.1468	2.8229	2.8877	2.9719

Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision makers, including Management and the members of the Board of Directors of the Group, to allocate resources to each segment and for performance assessment.

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.
Export terminals	Grain handling and transshipment services in the ports of Ilychevsk and Nikolayev.
Farming	Agricultural farming. Production of wheat, barley, corn, soya bean, sunflower seed and sugar beets.
Grain	Sourcing and merchandising of wholesale grain.
Silo services	Provision of grain cleaning, drying and storage services.
Sugar	Production, marketing and distribution of sugar.

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

In the financial statements as of 31 March 2012, the segment table reflects continuing operations only.

The reconciliation eliminates intersegment items and reflects income and expenses that cannot be attributed to segments.

Segment data is calculated as follows:

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

Since financial management of Group companies is centralized, financial liabilities are not allocated directly to respective operating segments. Consequently, the liabilities shown for individual segments exclude financial liabilities.

The operating segments have different seasonality patterns.

Bottled oil and oil in bulk segments do not have pronounced seasonality in earnings, but are highly seasonal in terms of working capital requirements. The highest level of working capital is required in December – April, when the Group has significant raw material in storage.

The grain segment has the same seasonal requirements in working capital in December – April and the lowest revenues routinely in the fourth quarter of the Group's financial year (ending on 30 June).

The farming segment, in the first half of the Group's financial year due to seasonality and the implications of IAS 41, mainly reflects the sale of crops and the effects of the revaluation of agri produce carried forward, while financial performance during the second half of the financial year reflects the effects of the revaluation of biological assets and the sale of carried-forward agri produce.

The sugar segment is highly seasonal, as sugar plants normally operate during September – December processing sugar beets harvested in September–November. Higher revenue is typically expected in H2 when carried forward sugar stock is gradually sold.

# Notes to the Condensed Consolidated Financial Statements (continued)

## 5. Property, Plant and Equipment, net

As of 31 March 2012, property, plant and equipment amounted to USD 638,570 thousand and CIP and uninstalled equipment amounted to 42,212 thousand (as of 31 March 2011: USD 363,230 thousand and USD 21,120 thousand, accordingly). Disposals for the 9 months ended 31 March 2012 of property, plant and equipment amounted to USD 3,660 thousand (for the 9 months ended 31 March 2011: USD 1,974 thousand).

## 6. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 31 March 2012	As of 31 March 2011
Bank credit lines	436,687	363,856
Interest accrued on short-term loans	1,437	1,047
Interest accrued on long-term loans	1,794	1,316
<b>Total</b>	<b>439,918</b>	<b>366,219</b>

The balances of short-term borrowings as of 31 March 2012 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3.75%	USD	June 2012	50,000
European bank	Libor + 4.75%	USD	August 2012	159,000
European bank	9.00%	RUB	August 2012	10,229
European bank	12.00%	RUB	July 2012	13,640
European bank	11.5%	RUB	July 2012	17,048
European bank	11.8%	RUB	December 2012	5,488
Ukrainian subsidiary of European bank	Libor + 8%	USD	August 2012	30,600
Ukrainian subsidiary of European bank	Libor + 8.41%	USD	April 2012	30,682
Ukrainian subsidiary of European bank	Libor + 7%	USD	October 2012	10,000
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	September 2012	55,000
Ukrainian subsidiary of European bank	Libor + 4.0%	USD	July 2012	35,000
Ukrainian subsidiary of European bank	Libor + 7.0%	USD	October 2012	20,000
<b>Total bank credit lines</b>				<b>436,687</b>
Interest accrued on short-term loans				1,437
Interest accrued on long-term loans				1,794
<b>Total</b>				<b>439,918</b>

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 2.12%	USD	July 2011	1,998
European bank	Libor + 2%	USD	July 2011	9,064
European bank	Refinancing Rate + 5.5%	USD	August 2011	15,541
European bank	Libor + 5.3%	USD	August 2011	215,000
European bank	7.95%	USD	September 2011	68,571
Ukrainian subsidiary of European bank	BBA+4%	USD	June 2011	23,000
Ukrainian subsidiary of European bank	Libor + 8.41%	USD	September 2011	30,682
<b>Total bank credit lines</b>				<b>363,856</b>
Interest accrued on short-term loans				1,047
Interest accrued on long-term loans				1,316
<b>Total</b>				<b>366,219</b>

As of 31 March 2012, the overall maximum credit limit for short-term bank credit lines amounted to USD 960,716,000 (as of 31 March 2011 USD 641,384,000).

# Notes to the Condensed Consolidated Financial Statements (continued)

## 6. Short-term Borrowings (continued)

Short-term loans from banks were secured as follows:

	As of 31 March 2012	As of 31 March 2011
Assets pledged		
Inventory	219,056	204,209
Property, plant and equipment	122,328	3,358
<b>Total</b>	<b>341,384</b>	<b>207,567</b>

In addition, controlling stakes in the following Subsidiaries were pledged to secure the short-term bank loans of the Group:

As of 31 March 2012			As of 31 March 2011		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
CJSC Nevinimyskiy OEP	March 2012	100%	N/A	N/A	N/A
Agroservis LLC	October 2012	100%			
Zernoservis LLC	October 2012	100%			
Unigrain-Agro LLC	October 2012	100%			
Lozivske HPP PJSC	October 2012	100%			
Krasnopavlivsky KHP PJSC	October 2012	100%			
Agrofirma Arshytsya LLC	October 2012	100%			
Chorna Kamyanka LLC	October 2012	100%			
Govtva LLC	October 2012	100%			
Manzhurka LLC	October 2012	100%			
Promin LLC	October 2012	100%			
Brovarky PRAC	October 2012	100%			
Troyanske LLC	October 2012	100%			
Zorya LLC	October 2012	100%			
Druzhba PRAC	October 2012	100%			
Agrofirma Vesna LLC	October 2012	100%			

## 7. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 March 2012	As of 31 March 2011
Long-term bank loans	352,161	191,399
Current portion of long-term borrowings	(76,524)	(31,142)
<b>Total</b>	<b>275,637</b>	<b>160,257</b>

The balances of long-term borrowings as of 31 March 2012 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3.52%	USD	April 2015	24,376
European bank	Libor + 8.95%	USD	September 2012	100,000
Ukrainian bank	9%	USD	June 2016	100,000
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	7,541
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	19,844
Ukrainian subsidiary of European bank	Libor + 11.2%	USD	August 2015	6,500
Ukrainian subsidiary of European bank	7%	USD	September 2013	80,000
American bank	Libor + 4.5%	USD	March 2017	13,900
<b>Total</b>				<b>352,161</b>

# Notes to the Condensed Consolidated Financial Statements (continued)

## 7. Long-term Borrowings (continued)

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3.52%	USD	April 2015	28,363
European bank	Libor + 6.75%	USD	September 2012	22,664
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	56,850
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	27,527
Ukrainian subsidiary of European bank	Libor + 11.2%	USD	August 2015	7,000
Ukrainian subsidiary of European bank	13%	UAH	September 2013	48,995
<b>Total</b>				<b>191,399</b>

Long-term loans as of 31 March 2012 include credit lines from banks with the overall maximum credit limit of USD 478,218,000 (as of 31 March 2011: USD 237,258,000).

Long-term loans from banks were secured as follows:

	As of 31 March 2012	As of 31 March 2011
Assets pledged		
Property, plant and equipment	273,530	222,671
Intangible assets	5,934	5,954
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
<b>Total</b>	<b>279,464</b>	<b>228,625</b>

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group:

As of 31 March 2012			As of 31 March 2011		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Vovchansky oep VJSC	November 2013	100%	Vovchansky OEP PJSC	November 2013	100%
Kirovogradoliya JSC	September 2013	100%	Gutyansky Elevator LLC	November 2013	100%
Gutyansky elevator IIC	November 2013	100%	Prykolotnjansky OEP LLC	November 2013	100%
Prykolotnjansky oep IIC	November 2013	100%	Velykoburlutske HPP LLC	November 2013	100%
Shevchenkisky Khp IICC	November 2013	100%	Shevchenkisky KHP LLC	November 2013	100%
Kovyagivske Khp IIC	November 2013	100%	Kovyagivske KHP LLC	November 2013	100%
Bandursky oil crushing plant IIC	April 2015	100%	Bandurskiy oil crushing plant LLC	April 2015	100%
			Transbulk Terminal LLC	September 2012	100%
			Kirovogradoliya JSC	September 2013	100%

## 8. Income Tax

The corporate income tax rate in Ukraine was 21% as of 31 March 2012 and 25% as of 31 March 2011.

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 1 April 2011. Consequently, the deferred income tax assets and liabilities as of 31 March 2012 were measured based on the revised income tax rates of the new Tax Code.

The components of the income tax benefit for 3 months ended 31 March 2012 and 2011 were as follows:

	3 months ended 31 March 2012	3 months ended 31 March 2011
Income tax recognised in profit or loss:		
Current income tax charge	(1,297)	(461)
Income tax benefit reported in the income statement	1,478	12,249
<b>Income tax benefit</b>	<b>181</b>	<b>11,788</b>



# Notes to the Condensed Consolidated Financial Statements (continued)

## 8. Income Tax (continued)

The income tax benefit is reconciled to the profit before income tax per condensed consolidated income statement as follows:

	3 months ended 31 March 2012	3 months ended 31 March 2011
Profit before income tax from continuing operations	33,617	66,182
Tax at statutory tax rate of 21% ( 23% since 1 April 2011 till 31 December 2011)	(7,060)	(16,546)
Deferred taxable income relating to changes in tax rates or the imposition of new taxes	-	10,589
Expenditures not allowable for income tax purposes and non-taxable income, net	7,241	17,745
<b>Income tax benefit</b>	<b>181</b>	<b>11,788</b>

As of 31 March 2012, based upon projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Group will realise the benefits of the deferred tax assets of USD 6,769,000 recognised in respect of tax losses carried forward by Group Subsidiaries. The amount of future taxable income required to be generated by Group subsidiaries to utilise the tax benefits associated with net operating loss carry forwards is approximately USD 32,234,000. However, the amount of the deferred tax assets considered realisable could be adjusted in the future if estimates of taxable income are revised.

The major components of deferred tax assets and liabilities were as follows:

	As of 31 March 2012	As of 31 March 2011
<b>DEFERRED TAX ASSETS ARISING FROM :</b>		
Tax losses carried forward	6,769	3,238
Valuation of property, plant and equipment	3,166	2,224
Valuation of accounts receivable	2,847	1,110
Valuation of intangible assets	3	-
Valuation of accrued expenses and other temporary differences	824	425
<b>Net deferred tax assets</b>	<b>13,609</b>	<b>6,997</b>
<b>DEFERRED TAX LIABILITY ARISING FROM :</b>		
Valuation of property, plant and equipment	(25,487)	(17,909)
Valuation of intangible assets	(1,406)	(2,254)
Valuation of prepayments to suppliers and prepaid expenses	(3,169)	(919)
Valuation of financial investments	(21)	(8)
Deferred tax liability	(30,083)	(21,090)
<b>Net deferred tax liability</b>	<b>(16,474)</b>	<b>(14,093)</b>

# Notes to the Condensed Consolidated Financial Statements (continued)

## 9. Acquisition and Disposal of Subsidiaries

The following entities were acquired during the 3 month period ended 31 March 2012:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Urozhai ALLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beets.	Ukraine	100%	January 2012

Assets acquired include:

2,589 ha of leasehold farmland is located in the Kirovogradska region. On the date of acquisition of Subsidiary "Urozhay", the fair value of land lease rights amounted to USD 876 thousand. The management believes that the acquisition will have a positive effect on the company's performance.

The Company is currently under operating management of the Group. The acquisition transaction should be formally executed within 12 months following the commencement of the administration of this company.

Fair value of assets, liabilities and contingent liabilities acquired during the 3 month period ended 31 March 2012 was as follows:

	Value prior to acquisition	Fair value
<b>ACQUIRED NET ASSETS:</b>		
Cash	148	148
Prepayments to suppliers and other current assets, net	10	10
Inventory	401	401
Biological current assets	96	96
Property, plant and equipment, net	1,000	1,844
Intangible assets, net	-	876
Other non-current assets	3	3
Advances from customers and other current liabilities	(68)	(68)
<b>Fair value of net assets of acquired Subsidiaries</b>		<b>3,310</b>
Non-controlling interest		-
Excess of fair value of net assets acquired above the acquisition costs		(852)
<b>Total cash considerations due and payable</b>		<b>2,458</b>
Less: acquired cash		(148)
Less: cash paid		(2,310)
<b>Net cash due and payable</b>		<b>0</b>

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

The negative goodwill recognised reflects the ability of the management of the Group to negotiate favorable terms on the acquisition of companies.

The following entities were disposed of during 3 months ended 31 March 2012:

- on 23 March 2012, the Group disposed of 100% of the share capital of Shevchenkisky KHP LLC, the net liabilities of which as of the date of disposal were equal to negative USD 317 thousand, to a third party for a cash consideration of USD 2,504 thousand.
- on 01 February 2012, the Group disposed of 100% of the share capital of Globynsky Elevator HP LLC, the net liabilities of which as of the date of disposal were equal to negative USD 146 thousand, to a third party for a cash consideration of USD 521 thousand.
- on 24 January 2012, the Group disposed of 100% of the share capital of Kobelyaky Hliboproduct LLC, the net assets of which as of the date of disposal were equal to USD 5,627 thousand, to a third party for a cash consideration of USD 2,139 thousand.

# Notes to the Condensed Consolidated Financial Statements (continued)

## 10. Transactions with Related Parties

Related parties are the Beneficial Owner, companies under common control of the Beneficial Owner and the Group's key management personnel. The Group had the following balances outstanding with related parties:

	Related party balances	Total category as per consolidated statement of financial position	Related party balances	Total category as per consolidated statement of financial position
	as of 31 March 2012		as of 31 March 2011	
Prepayments to suppliers and other current assets, net	8,614	136,647	6,943	49,064
Other non-current assets	69,911	75,204	16,563	16,735
Trade accounts payable	1	52,761	266	22,104
Advances from customers and other current liabilities	32,111	168,588	103	28,220

Prepayments to suppliers and other current assets include a USD 50.6 million loan provided by Kernel to a group of investors for the purchase of Enselco. Transactions with related parties were as follows:

	Amount of operations with related parties	Total category per consolidated income statement	Amount of operations with related parties	Total category per consolidated income statement
	3 months ended 31 March 2012		3 months ended 31 March 2011	
Cost of sales	(81)	(485,217)	(858)	(366,869)
General, administrative and distribution expenses	(12)	(72,815)	(892)	(67,365)
Finance costs, net	269	(17,012)	307	(14,045)
Other income/(expenses), net	11	(3,214)	15	(1,396)

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

As of 31 March 2012, the Board consists of the following seven directors: the Chairman of the Board, two independent directors, and four directors employed by Subsidiaries.

Remuneration of the Board (7 Directors) for the 3-month period ended 31 March 2012 amounted to USD 220,000 (for the 3-month period ended 31 March 2011: 6 Directors. amounted USD 145,150).

The Chairman of the Board and four directors employed by Subsidiaries are not entitled to remuneration for their services as Board members but are refunded, to a reasonable extent, for any expenses incurred by them in performing their duties, including reasonable travelling expenses.

Three directors employed by Subsidiaries are entitled to remuneration for their services as members of the Management Team of the Group. Remuneration of the Management Team of the Group, totalling 14 people, amounted to USD 440,500 for the 3-month period ended 31 March 2012 (3-month period ended 31 March 2011: 14 people, amounted to USD 373,442).

The Members of the Board of Directors and the Management Team members are not granted any pensions or retirement or similar benefits by the Group.

## 11. Commitments and Contingencies

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 March 2012, the Group companies had ongoing litigations with the tax authorities mainly related to the disallowance of certain amounts of VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues. According to the assessment performed by the management of the Group, the maximum exposure of the Group to such risks as of 31 March 2012 amounted to USD 35.3 million. Out of this amount, USD 23.9 million relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group. Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

In August 2011, the Group entered into commercial contracts with the Ukrainian State Agricultural Fund to supply 75,700 MT of sugar, corresponding to an amount of USD 67,362,856 (VAT excluded). As per the Contracts, the Fund effected 50% of the prepayment, but did not fulfill other obligations, whereof the Group informed the Fund that the goods will be supplied as soon as other contractual obligations of the Funds are fulfilled. The Fund reclaimed the prepayment via court action, and the Group initiated a claim to force the Fund to fulfill the contractual obligations. In March 2012, the Group signed the settlement agreement with the Ukrainian State Agricultural Fund. Management expects the contract to be executed by the end of financial year 2012.

### Capital Commitments

As of 31 March 2012, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 13,159,279 for the supply of equipment and services required for the construction of a new silo.

As of 31 March 2011, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 1,694,000 for the supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 700,000 for the supply of equipment and services required for the construction of a new silo.

### Contractual Commitments on Sales

As of 31 March 2012, the Group had entered into commercial contracts for the export of 259,000 tons of grain and 624,000 tons of sunflower oil and meal, corresponding to an amount of USD 73,604,000 and USD 319,518,000, respectively, at prices as of 31 March 2012.

As of 31 March 2011, the Group had entered into commercial contracts for the export of 37,000 tons of grain and 401,000 tons of sunflower oil and meal, corresponding to an amount of USD 16,888,000 and USD 388,171,000, respectively, at prices as of 31 March 2011.

## 12. Subsequent events

Kernel Holding S.A. negotiated a call option agreement for the amount of USD 98 million on purchasing 119,200 ha of leasehold farmland in the Khmelnytsk and Poltava regions. The following agreement enables an additional 325,000 tons of grain storage capacity.