KERNEL

Kernel Holding S.A.
and Subsidiaries

Q1 FY2013

Condensed Consolidated
Financial Statements
for the 3 months ended
30 September 2012

Management Discussion & Analysis
for the 3 months ended 30 September 2012

Key highlights
- Strong Q1 FY2013 financial performance: EBITDA of USD 74.1 million, up 64.2% y-o-y
- Financial results supported by strong first-quarter bulk oil sales volumes
- Record Q1 crushing volumes as a result of expanded capacities and sufficient opening balance of sunflower seed inventories
- Grain margin remains under pressure
- Strong margin earned on infrastructure assets

Taman deep water grain transshipment facility acquisition
- 50-50 joint venture formed with Renaisco BV, a subsidiary of Glencore International plc. The joint venture has acquired a 100% interest in a deep water grain export terminal in Taman port, Russia on September 27, 2012 for the enterprise value of USD 265 million, including transaction costs, financed with a combination of equity and debt
- One of the largest deep water grain export terminals on Russia's Black Sea coast, it is strategically located in close proximity to Southern Russia's main grain producing region and will serve as a platform for the large-scale deployment of Kernel`s grain export business from Russia
- Installed throughput capacity of 3,000,000 tons of grains per annum (with future increase to 5,000,000 tons)
- Greenfield best-in-class facility commissioned in summer 2011

Other corporate
- 62,500 tons grain silo commissioned during Q1 FY2013
- Credit lines available as of 30 September 2012 stood at USD 1,588 million versus USD 1,198 million as of 30 September 2011

FY2013 guidance confirmed*
- Revenue: USD 2,400 million
- EBITDA: USD 350 million
- Net Income: USD 215 million

Financial Highlights

Amounts in USD millions, except for EPS and ratios	Q1 FY13	Q1 FY12	% change
Revenue	**517.8**	391.5	32.2%
Profit from operating activities	**54.9**	31.0	77.2%
Net profit attributable to equity holders of Kernel Holding S.A.	**36.8**	32.9	11.9%
EBITDA(1)	**74.1**	45.1	64.2%
EPS(2)	**0.46**	0.41	11.5%
Net debt / EBITDA(3)	**2.6**	1.6	
Adjusted net debt / EBITDA(4)	**0.7**	0.5	
EBITDA / Interest(5)	**5**	6	

Production, sales and throughput

	Q1 FY13	Q1 FY12	% change
Grain sales, tons	**509,509**	416,935	22.2%
Bulk oil sales, tons	**198,994**	105,145	89.3%
Bottled oil sales, '000 liters	**26,344**	31,175	(15.5%)
Sunflower seed crush, tons	**458,095**	285,936	60.2%
Refined oil production, tons	**24,283**	33,123	(26.7%)
Bottled oil production, tons	**20,313**	28,284	(28.2%)
Export terminals throughput, tons	**740,126**	391,231	89.2%

(1) Hereinafter, EBITDA is calculated as a sum of the profit from operating activities plus amortization and depreciation
(2) EPS is measured in US Dollars per share, based on 79.5 million shares as of 30 September 2011 and 79.7 million shares as of 30 September 2012
(3) Net debt / EBITDA is calculated based on FY2012 EBITDA and EBITDA guidance for FY2013
(4) Adjusted net financial debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing debt and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories. Adjusted net debt / EBITDA is calculated based on FY2012 EBITDA and EBITDA guidance for FY2013
(5) EBITDA/Interest is calculated based on 12 months trailing EBITDA and net finance costs

* Issued 29 October 2012

Segment Results and Discussion

for the 3 months ended 30 September 2012

Segment results summary

	Revenue[1], USD million			EBITDA, USD million			EBITDA, margin %	
	Q1 FY13	Q1 FY12	% change	Q1 FY13	Q1 FY12	% change	Q1 FY13	Q1 FY12
Bulk oil	**291.7**	191.6	52.3%	**38.1**	28.0	36.2%	**13.1%**	14.6%
Farming	**86.9**	54.5	59.5%	**25.9**	13.2	96.0%	**29.8%**	24.2%
Grain	**154.4**	123.3	25.2%	**5.8**	(5.4)	n/m	**3.7%**	(4.4%)
Bottled oil	**43.6**	52.5	(17.1%)	**7.5**	8.5	(11.8%)	**17.1%**	16.1%
Export terminal	**13.9**	6.1	129.3%	**8.0**	2.5	220.9%	**57.2%**	40.9%
Silo services	**9.3**	7.7	21.1%	**2.9**	3.1	(7.9%)	**31.2%**	41.0%
Sugar	**6.4**	10.8	(41.1%)	**(1.9)**	1.2	n/m	**(30.5%)**	11.4%
Other & reconciliation	**(88.4)**	(54.8)	61.0%	**(12.0)**	(6.0)	100.6%	**13.6%**	10.9%
Total	517.8	391.5	32.2%	74.1	45.1	64.2%	14.3%	11.5%

Overall, all of our major segments demonstrated solid performance in Q1 FY2013 with volumes driving quarterly EBITDA to USD 74.1 million.

Bulk oil segment

- The solid opening balance of sunflower seed inventories and lower maintenance period for crushing plants allowed us to increase crushing volumes by 60.2% y-o-y to 458,095 tons in Q1 FY2013. Combined with accumulated bulk oil inventories, our crushing volume growth allowed us to increase bulk oil sales by 89.3% y-o-y to 198,994 tons, which were delivered as usual to a diverse customer base across international markets.
- The margin in the bulk oil segment decreased in Q1 FY2013 compared to the margin posted in Q1 FY2012. At the same time, the margin remained relatively stable in absolute terms compared to the full-year figure at USD 191 per ton in Q1 FY2013 versus USD 201 per ton in the full FY2012, essentially reflecting that most of the first quarter contracts were concluded in the previous financial year.

Farming segment

- We posted good Q1 FY2013 financial results in our farming segment as sales consisted primarily of wheat and some minor volumes of other early crops, where harvest yields were largely in line with management expectations. Additionally, high grain prices supported the margin in the quarter under review.
- At the same time, we expect lower contribution from farming operations in FY2013 compared to the prior year results as yields of autumn crops (sunflower, soybean, corn) materially suffered by dry weather conditions.
- As usual, our farming segment sold most of the crops to our grain, oil and sugar segments at arm's-length prices, with volumes earning additional margin through our supply chain.

Grain segment

- The sales volumes of our grain segment increased 22.2% y-o-y. The launch of grain exports from Russia positively contributed to the volume and margin.
- Overall, the margin remains relatively weak compared to general historical levels and we do not expect a trend reversal in FY2013. The season is difficult as lower than expected harvest in Ukraine and Russia combined with anticipation of export ban keep the trading margins under pressure.

Silo services, export terminals segments

- Grain volumes continue to be synergistic with our infrastructure – silo services and export terminals segments – which benefited from higher utilization levels demonstrating solid margins. Export terminal throughput volumes are up 89.2% y-o-y to 740,126 tons, reflecting a faster pace of grain exports from Ukraine; margin improved on the higher turnover and respective fixed cost dilution.
- The silo services segment results are in line with management expectations. 62,500 tons new grain silo commissioned during the first quarter.

Bottled oil segment

- While the volume of bottled oil sales decreased in Q1 FY2013 compared to Q1 FY2012, the EBITDA margin remained strong of 17.1%.

Sugar segment

- Declining sugar prices forced us to build up inventories as sales volumes were insignificant in Q1 FY2013, translating into negative EBITDA as period-related operating expenses exceeded the top-line level.

(1) Segment revenue includes intersegment sales reflected in item "Other & reconciliation". Differences are possible due to rounding

Financial Highlights

for the 3 months ended 30 September 2012

Income statement highlights

- Revenues were up 32.2% y-o-y reaching USD 517.8 million in Q1 FY2013 fueled by robust sale volumes of bulk oil (up 89.3% y-o-y) and higher grain sales (up 22.2% y-o-y). Average prices for grains increased y-o-y owing to the reduced global supply resulting from abnormally volatile weather patterns, while vegetable oil prices continued to trade sideways over the last year following the correction in September 2011.
- Gross profit stood at USD 115.0 million in Q1 FY2013, up 48.7% y-o-y. Gross margin was up to 22.2% in Q1 FY2013 versus 19.7% in Q1 FY2012, the relative increase being the result of higher earnings delivered by our infrastructure assets and improved profitability in the grain segment versus Q1 FY2012.
- Other operating income, mostly represented by government grants attributable to the farming segment, was at USD 11.2 million in Q1 FY2013 versus USD 0.7 million in Q1 FY2012, up mainly on the larger farming operations and the absence of the one-time charge posted in Q1 FY2012.
- Distribution costs were USD 53.9 million in Q1 FY2013 versus USD 35.1 million in Q1 FY2012, a 53.2% y-o-y increase. Relative to revenue, distribution costs increased to 10.4% in Q1 FY2013 from 9.0% in Q1 FY2012, reflecting the shift in the delivery destination mix.
- General and administrative expenses totaled USD 17.4 million in Q1 FY2013 versus USD 11.9 million in Q1 FY2012. Relative to total company revenue, general and administrative expenses amounted to 3.4%, a slight increase over 3.0% in Q1 FY2012, due to a larger share of farming operations in the business structure following last year's acquisitions which are currently being integrated. Profit from operating activities reached USD 54.9 million in Q1 FY2013 versus USD 31.0 million in Q1 FY2012, up 77.2% y-o-y. Operating profit margin recovered to 10.6% versus 7.9% a year ago.
- Finance costs were USD 19.8 million in Q1 FY2013 versus USD 12.3 million in Q1 FY2012. The 61.0% increase reflects larger sales volumes and generally higher soft commodities prices in Q1 FY2013 versus Q1 FY2012, which increased working capital requirements and consequently the financing needs.
- Foreign currency exchange gain is a cash item and attributable to a discrepancy between the interbank US Dollar to the Ukrainian hryvnia exchange rate and the official rate set by the National Bank of Ukraine. A gain of USD 9.1 million was posted in Q1 FY2013, versus USD 1.5 million in Q1 FY2012.
- Net profit attributable to the shareholders of Kernel Holding S.A. was USD 36.8 million in Q1 FY2013 versus USD 32.9 million for Q1 FY2012, translating into a net profit margin of 7.1%.

Cash flow highlights

- A mix of higher sales volumes and surging food prices resulted in a seasonal increase in the working capital level primarily driven by larger readily marketable inventories which translated into USD 157.9 million of cash used in operating activities in Q1 FY2013.
- Net cash used in investing activities was at USD 110.6 million in Q1 FY2013 in principal reflecting the cash paid for the 50% stake in the Taman deep-water grain transshipment terminal.
- All of the above translated into USD 343.4 million provided by financing activities in Q1 FY2013.

Liquidity and credit metrics highlights

- Net debt up to USD 907.3 million as of 30 September 2012 compared to USD 521.1 as of 30 September 2011, primary reflecting USD 343.4 million increase in profitably pre-sold inventories, which are up due to earlier start of sunflower seed procurement activities, and faster pace grain exports in Q1 FY2013 compared to last year. Readily marketable inventories totaled USD 659.5 million covering 73% of the net debt as of 30 September 2012 compared to 68% coverage as of 30 September 2011.
- Net debt to EBITDA at comfortable 2.6x as of 30 September 2012, up from 1.6x as of 30 September 2011, attributing to higher level of inventories. Adjusted net debt to EBITDA (excluding readily marketable inventories) at 0.7x, up from 0.5x as of 30 September 2011 following the Taman acquisition during the quarter under review.
- Liquidity headroom improved to respond to higher grain prices. Credit lines available as of 30 September 2012 stood at USD 1,588 million compared to USD 1,198 million as of 30 September 2011.

Credit metrics

All amounts in USD million, except ratios	30 September 2012	30 September 2011
Cash	**133.4**	173.2
Inventory	**721.4**	385.4
Of which: readily marketable inventories	**659.5**	353.5
RMI/Inventories	**91.4%**	91.7%
Gross interest-bearing debt	**1,040.7**	694.3
Net interest-bearing debt	**907.3**	521.1
Adjusted net financial debt(1)	**247.8**	167.6
Shareholders' equity(2)	**1,221.5**	1,010.4
Net debt / EBITDA(3)	**2.6**	1.6
Adjusted net debt / EBITDA(4)	**0.7**	0.5
EBITDA / Interest(5)	**5**	6

(1) Adjusted net financial debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories
(2) Shareholders' equity attributable to equity holders of Kernel Holding S.A.
(3) Net debt / EBITDA is calculated based on FY2012 EBITDA and EBITDA guidance for FY2013
(4) Adjusted net debt / EBITDA is calculated based on FY2012 EBITDA and EBITDA guidance for FY2013
(5) EBITDA / interest is calculated based on 12 months trailing EBITDA and net finance costs

Table of Contents

Selected Financial Data
for 3 months ended 30 September 2012

(in thousands of US dollars unless otherwise stated)		USD 2012	USD 2011	PLN 2012	PLN 2011	EUR 2012	EUR 2011
I.	Revenue	**517,752**	391,506	**1,713,190**	1,148,992	**414,046**	277,063
II.	Profit from operating activities	**54,850**	30,961	**181,493**	90,865	**43,864**	21,911
III.	Profit before income tax	**40,025**	26,729	**132,439**	78,446	**32,008**	18,916
IV.	Net profit	**37,584**	31,980	**124,362**	93,855	**30,056**	22,632
V.	Net cash used in operating activities	**(182,230)**	(68,575)	**(602,981)**	(201,254)	**(145,730)**	(48,530)
VI.	Net cash used in investing activity	**(110,637)**	(42,713)	**(366,087)**	(125,354)	**(88,476)**	(30,228)
VII.	Net cash generated by financing activity	**343,699**	173,512	**1,137,266**	509,223	**274,856**	122,792
VIII.	Total net cash flow	**50,832**	62,224	**168,198**	182,615	**40,650**	44,034
IX.	Total assets	**2,542,832**	2,065,247	**8,081,120**	6,727,336	**1,964,338**	1,525,058
X.	Current liabilities	**998,976**	658,877	**3,174,746**	2,146,226	**771,710**	486,540
XI.	Non-current liabilities	**298,407**	363,541	**948,337**	1,184,199	**230,519**	268,453
XII.	Issued capital	**2,104**	2,104	**6,687**	6,854	**1,625**	1,554
XIII.	Total equity	**1,245,449**	1,042,829	**3,958,037**	3,396,911	**962,109**	770,065
XIV.	Weighted average number of shares	**79,683,410**	79,462,564	**79,683,410**	79,462,564	**79,683,410**	79,462,564
XV.	Profit per ordinary share (in USD/PLN/EUR)	**0.46**	0.41	**1.53**	1.21	**0.37**	0.29
XVI.	Diluted number of shares	**80,055,289**	79,955,661	**80,055,289**	79,955,661	**80,055,289**	79,955,661
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	**0.46**	0.41	**1.52**	1.21	**0.37**	0.29
XVIII.	Book value per share (in USD/PLN/EUR)	**15.33**	12.71	**48.72**	41.42	**11.84**	9.39
XIX.	Diluted book value per share (in USD/PLN/EUR)	**15.26**	12.64	**48.49**	41.16	**11.79**	9.33

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Statement of Financial Position

(in thousands of US dollars unless otherwise stated)	Notes	As of 30 September 2012 unaudited	As of 30 June 2012 audited	As of 30 September 2011 unaudited
ASSETS				
Current assets				
Cash		**133,361**	82,529	173,156
Trade accounts receivable, net		**149,601**	146,362	122,698
Prepayments to suppliers and other current assets, net		**110,226**	90,335	173,832
Taxes recoverable and prepaid, net		**263,007**	238,294	216,074
Inventory		**721,365**	410,182	385,422
Biological assets		**78,456**	153,338	53,144
Total current assets		**1,456,016**	**1,121,040**	**1,124,326**
Non-current assets				
Property, plant and equipment, net	5	**720,380**	728,371	665,364
Intangible assets, net		**87,641**	91,087	66,778
Goodwill		**137,227**	137,227	145,790
Investments in joint ventures	11	**95,031**	-	-
Deferred tax assets	8	**19,856**	21,502	12,035
Other non-current assets		**26,681**	19,805	50,954
Total non-current assets		**1,086,816**	**997,992**	**940,921**
Total assets		**2,542,832**	**2,119,032**	**2,065,247**
LIABILITIES AND EQUITY				
Current liabilities				
Trade accounts payable		**71,910**	25,490	53,799
Advances from customers and other current liabilities		**153,472**	157,338	241,229
Short-term borrowings	6	**699,696**	167,348	315,544
Current portion of long-term borrowings	7	**73,898**	98,622	48,305
Total current liabilities		**998,976**	**448,798**	**658,877**
Non-current liabilities				
Long-term borrowings	7	**252,925**	414,238	321,294
Obligations under finance lease		**14,190**	12,622	9,160
Deferred tax liabilities	8	**24,577**	26,356	31,313
Other non-current liabilities		**6,715**	6,317	1,774
Total non-current liabilities		**298,407**	**459,533**	**363,541**
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital		**2,104**	2,104	2,104
Share premium reserve		**463,879**	463,879	463,879
Additional paid-in capital		**39,944**	39,944	39,944
Equity-settled employee benefits reserve		**1,211**	1,211	-
Revaluation reserve		**15,049**	15,049	15,049
Translation reserve		**(162,074)**	(167,082)	(161,389)
Retained earnings		**861,367**	824,578	650,769
Total equity attributable to Kernel Holding S.A. equity holders		**1,221,480**	**1,179,683**	**1,010,356**
Non-controlling interest		**23,969**	31,018	32,473
Total equity		**1,245,449**	**1,210,701**	**1,042,829**
Total liabilities and equity		**2,542,832**	**2,119,032**	**2,065,247**
Book value		**1,221,480**	1,179,683	1,010,356
Weighted average number of shares		**79,683,410**	79,140,131	79,462,564
Book value per share (in USD)		**15.33**	14.91	12.71
Diluted number of shares		**80,055,289**	79,537,486	79,955,661
Diluted book value per share (in USD)		**15.26**	14.83	12.64

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Income Statement

(in thousands of US dollars unless otherwise stated)	Notes	3 months ended 30 September 2012 unaudited	3 months ended 30 September 2011 unaudited
Revenue		517,752	391,506
Cost of sales		(402,787)	(314,210)
Gross profit		**114,965**	**77,296**
Other operating income		11,172	676
OPERATING EXPENSES			
Distribution costs		(53,875)	(35,094)
General and administrative expenses		(17,412)	(11,917)
Profit from operating activities		**54,850**	**30,961**
Finance costs, net		(19,816)	(12,342)
Foreign exchange gain, net		9,140	1,531
Other (expenses)/income, net		(4,149)	6,579
Profit before income tax		**40,025**	**26,729**
Income tax (charge)/benefit	8	(2,441)	5,251
Net profit		**37,584**	**31,980**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
Equity holders of Kernel Holding S.A.		36,789	32,891
Non-controlling interest		795	(911)
Weighted average number of shares		79,683,410	79,462,564
Profit per ordinary share (in USD)		0.46	0.41
Diluted number of shares		80,055,289	79,955,661
Diluted profit per ordinary share (in USD)		0.46	0.41

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Statement of Comprehensive Income

(in thousands of US dollars unless otherwise stated)	3 months ended 30 September 2012 unaudited	3 months ended 30 September 2011 unaudited
Net profit	**37,584**	**31,980**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translating foreign operations	4,982	826
Other comprehensive income, net	**4,982**	**826**
Total comprehensive income	**42,566**	**32,806**
TOTAL COMPREHENSIVE INCOME /(LOSS) ATTRIBUTABLE TO:		
Equity holders of Kernel Holding S.A.	41,797	33,654
Non-controlling interest	769	(848)

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity

(in thousands of US dollars unless otherwise stated)	Attributable to Kernel Holding S.A. shareholders									
	Issued capital	Share premium reserve	Additional paid in capital	Equity-settled employee benefits reserve	Re-valuation reserve	Translation reserve	Retained earnings	**Total**	Non-controlling interest	**Total equity**
Balance as of 30 September 2011 (unaudited)	**2,104**	**463,879**	**39,944**	**-**	**15,049**	**(161,389)**	**650,769**	**1,010,356**	**32,473**	**1,042,829**
Profit/(loss) for the period	-	-	-	-	-	-	69,001	**69,001**	(8,754)	**60,247**
Other comprehensive income/(loss)	-	-	-	-	-	2,084	-	**2,084**	(6)	**2,078**
Total comprehensive income/(loss) for the period	-	-	-	-	-	**2,084**	**69,001**	**71,085**	**(8,760)**	**62,325**
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	**-**	49,256	**49,256**
Balance as of 31 December 2011 (reviewed)	**2,104**	**463,879**	**39,944**	**-**	**15,049**	**(159,305)**	**719,770**	**1,081,441**	**72,969**	**1,154,410**
Profit/(loss) for the period	-	-	-	-	-	-	37,193	**37,193**	(3,395)	**33,798**
Other comprehensive income/(loss)	-	-	-	-	-	3,938	-	**3,938**	265	**4,203**
Total comprehensive income/(loss) for the period	-	-	-	-	-	**3,938**	**37,193**	**41,131**	**(3,130)**	**38,001**
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	**-**	730	**730**
Balance as of 31 March 2012 (unaudited)	**2,104**	**463,879**	**39,944**	**-**	**15,049**	**(155,367)**	**756,963**	**1,122,572**	**70,569**	**1,193,141**
Profit/(loss) for the period	-	-	-	-	-	-	67,615	**67,615**	17,142	**84,757**
Other comprehensive income/(loss)	-	-	-	-	-	(11,715)	-	**(11,715)**	(368)	**(12,083)**
Total comprehensive income/(loss) for the period	-	-	-	-	-	**(11,715)**	**67,615**	**55,900**	**16,774**	**72,674**
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	**-**	(56,325)	**(56,325)**
Recognition of share-based payments	-	-	-	1,211	-	-	-	1,211	-	**1,211**
Balance as of 30 June 2012 (audited)	**2,104**	**463,879**	**39,944**	**1,211**	**15,049**	**(167,082)**	**824,578**	**1,179,683**	**31,018**	**1,210,701**
Profit/(loss) for the period	-	-	-	-	-	-	36,789	**36,789**	795	**37,584**
Other comprehensive income/(loss)	-	-	-	-	-	5,008	-	**5,008**	(26)	**4,982**
Total comprehensive income for the period	-	-	-	-	-	**5,008**	**36,789**	**41,797**	**769**	**42,566**
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	**-**	(7,818)	**(7,818)**
Balance as of 30 September 2012 (unaudited)	**2,104**	**463,879**	**39,944**	**1,211**	**15,049**	**(162,074)**	**861,367**	**1,221,480**	**23,969**	**1,245,449**

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Statement of Cash Flows

(in thousands of US dollars unless otherwise stated)	3 months ended 30 September 2012 unaudited	3 months ended 30 September 2011 unaudited
OPERATING ACTIVITIES:		
Profit before income tax	**40,025**	**26,729**
Adjustments to reconcile profit before income tax to net cash used in operating activities:		
Amortisation and depreciation	**19,257**	14,170
Finance costs, net	**19,816**	12,342
Bad debt (income)/expenses	**(1,995)**	1,812
Other accruals	**(3)**	-
Gain on disposal of property, plant and equipment	**(226)**	(622)
Non-operating foreign exchange loss/(gain)	**1,096**	(217)
Write offs and impairment loss	**1,450**	-
Loss on sales of equity investments	**-**	261
Operating profit before working capital changes	**79,420**	**54,475**
Changes in working capital:		
Increase in trade accounts receivable	**(3,045)**	(14,237)
Increase in prepayments and other current assets	**(18,081)**	(87,664)
Decrease in restricted cash balance	**-**	4,965
(Increase)/decrease in taxes recoverable and prepaid	**(24,713)**	8,597
Decrease in biological assets	**74,882**	42,817
Increase in inventories	**(312,633)**	(189,895)
Increase in trade accounts payable	**46,420**	17,995
(Decrease)/increase in advances from customers and other current liabilities	**(168)**	106,942
Cash used in operations	**(157,918)**	**(56,005)**
Finance costs paid	**(15,448)**	(12,121)
Income tax paid	**(8,864)**	(449)
Net cash used in operating activities	**(182,230)**	**(68,575)**
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	**(8,422)**	(21,543)
Proceeds from disposal of property, plant and equipment	**50**	161
Purchase of intangible and other non-current assets	**(7,234)**	(7,255)
Acquisition of Subsidiaries	**-**	(14,080)
Disposal of Subsidiaries	**-**	4
Purchase of investments	**(95,031)**	-
Net cash used in investing activities	**(110,637)**	**(42,713)**
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings	**446,582**	564,169
Repayment of short-term and long-term borrowings	**(95,383)**	(396,009)
Proceeds from share premium reserve increase	**-**	4,969
Issued capital	**-**	159
Acquisition of interest in subsidiaries from non-controlling interest	**(7,844)**	-
Net cash generated by financing activities	**343,355**	**173,288**
Translation adjustment	**344**	224
Net increase in cash and cash equivalents	**50,832**	**62,224**
Cash at the beginning of the period	**82,529**	110,181
Cash at the end of the period	**133,361**	172,405

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Notes to the Condensed Consolidated Financial Statements

1. Corporate information

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 Group`s principal business activity 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 transhipment services. The majority of Group's manufacturing facilities are primarily based in Ukraine and Russia.

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 30 September 2012, 30 June 2012, and 30 September 2011, the primary subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

			Group's effective ownership interest as of		
Subsidiary	Principal activity	Country of incorporation	30 September 2012	30 June 2012	30 September 2011
Jerste BV	Holding companies.	Netherlands	100%	100%	100%
Enselco LLC		Ukraine	100%	100%	N/A
Enselco Agroholding LLC		Ukraine	100%	100%	N/A
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100%	100%	100%
Restomon LTD		British Virgin Islands	100%	100%	100%
Kernel-Trade LLC		Ukraine	100%	100%	100%
Poltava oil-crushing plant Kernel Group PJS	Production plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Bandurskiy oil-crushing plant LLC		Ukraine	100%	100%	100%
Vovchansky OEP PJSC		Ukraine	99%	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%
Ukrainian Black Sea Industry LLC		Ukraine	100%	100%	100%
Stavropol oil OJSC		Russia	100%	100%	100%
Nevinnomissky oil-crushing plant CJSC		Russia	100%	100%	100%
Ust-Labinsky EMEK Florentina CJSC		Russia	100%	100%	100%
Chortkivsky tsukrovy zavod LLC	Production plants. Production of sugar.	Ukraine	84.6%	73.8%	73.8%
Tsukrove LLC		Ukraine	83.1%	71.3%	71.3%
Palmirsky tsukrovy zavod LLC		Ukraine	83.9%	72,7%	72,7%
Orzhytsky tsukrovy zavod LLC		Ukraine	84.4%	73.4%	76.2%
Estron Corporation LTD	Provision of grain, oil and meal handling and transhipment services.	Cyprus	100%	100%	100%
Poltavske Khlibopriemalne Pidpriemstvo PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	88.2%	88.2%	88.2%
Kononivsky Elevator LLC		Ukraine	100%	100%	100%
Unigrain-Agro (Globyno) LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beets.	Ukraine	100%	100%	100%
Unigrain-Agro (Semenivka) LLC		Ukraine	100%	100%	100%
Agrofirma Arshytsya LLC		Ukraine	100%	100%	100%
Hliborob LLC		Ukraine	100%	100%	100%
Agrofirma Kuybyshevo LLC		Ukraine	61.2%	52.5%	52.6%
Palmira LLC		Ukraine	89.1%	81.5%	81.5%
Enselco Agro LLC		Ukraine	100%	100%	N/A

These condensed consolidated financial statements were authorised for issue by the Board of Directors of Kernel Holding S.A. on 26 November 2012.

2. Change in Issued Capital

Since 15 June 2005, the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the 'Holding'), whose issued capital as of 30 September 2012 consisted of 79,683,410 ordinary bearer shares without indication of a nominal value, provided 79,683,410 voting rights (as of 30 September 2011 – 79,683,410 shares).

The shares were distributed as follows:

	As of 30 September 2012		As of 30 September 2011	
Equity holders	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Namsen LTD (limited company registered under the legislation of Cyprus (hereinafter the 'Major Equity holder')	**30,460,657**	**38.23%**	30,460,657	38.23%
Free-float	**49,222,753**	**61.77%**	49,222,753	61.77%
Total	**79,683,410**	**100.00%**	**79,683,410**	**100.00%**

As of 30 September 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.

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.

On 4 August 2011, Kernel issued 6,009,000 new shares without indication of a nominal value. 5,400,000 newly issued shares have been subscribed by 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 increase, the Company's share capital was set at USD 2,104,120.11 divided into 79,683,410 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 30 September 2012, unchanged from 30 September 2011, may not be distributed as dividends.

3. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies

These condensed consolidated financial statements for the 3 months ended 30 September 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 2012.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognised in the Group' s consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

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

Currency	Closing rate as of 30 September 2012	Average rate for the 3 months ended 30 September 2012	Closing rate as of 30 September 2011	Average rate for the 3 months ended 30 September 2011
UAH/USD	**7.9930**	**7.9930**	7.9727	7.9717
USD/EUR	**0.7725**	**0.7997**	0.7384	0.6943
USD/RUB	**30.9169**	**32.0072**	31.8751	29.0461
USD/PLN	**3.1780**	**3.3089**	3.2574	2.7490

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 transhipment services in the ports of Ilyichevsk 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 30 September 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 Septeber – November. Higher revenue is typically expected in second half of financial year when carried forward sugar stock is gradually sold.

Notes to the Condensed Consolidated Financial Statements (continued)

4. Key Data by Operating Segment

Key data by operating segment for 3 months ended 30 September 2012:

(in thousands of US dollars unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	**Continuing operations**
Revenue (external)	43,561	291,694	6,150	11,374	154,369	4,290	6,314	-	-	**517,752**
Intersegment sales	-	-	7,777	75,483	-	4,977	50	-	(88,287)	**-**
Total revenue	**43,561**	**291,694**	**13,927**	**86,857**	**154,369**	**9,267**	**6,364**	**-**	**(88,287)**	**517,752**
Other operating income	-	(199)	1	8,763	2,529	94	(16)	-		**11,172**
Operating profit	**6,938**	**33,952**	**7,127**	**15,826**	**5,751**	**747**	**(2,946)**	**(12,545)**		**54,850**
Finance costs, net										**(19,816)**
Foreign exchange gain, net										**9,140**
Other expenses, net										**(4,149)**
Income tax charge										**(2,441)**
Net profit										**37,584**
Total assets	**108,701**	**1,288,791**	**115,193**	**345,361**	**338,818**	**157,654**	**173,298**	**15,016**	**-**	**2,542,832**
Capital expenditures	168	1,647	110	2,932	-	3,641	71	931	-	**9,500**
Amortisation and depreciation	532	4,139	841	10,028	12	2,143	1,002	560	-	**19,257**
Liabilities	5,450	122,294	4,533	25,481	10,577	28,554	18,030	1,082,464	-	**1,297,383**

During the 3 months ended 30 September 2012, two of the Group's external customers accounted for more than 22% of total external revenue. During the 3 months ended 30 September 2012, export sales amounted to 86% of total external 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 30 September 2012 unaudited	As of 30 September 2012 unaudited
Ukraine	**490,903**	1,032,854
Russia	**26,849**	53,962
Total	**517,752**	**1,086,816**

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

(in thousands of US dollars unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	**Continuing operations**
Revenue (external)	52,521	191,558	2,161	6,820	123,275	4,364	10,807	-	-	**391,506**
Intersegment sales	-	-	3,912	47,630	-	3,286	-	-	(54,828)	**-**
Total revenue	**52,521**	**191,558**	**6,073**	**54,450**	**123,275**	**7,650**	**10,807**	**-**	**(54,828)**	**391,506**
Other operating income	-	135	-	3,903	(3,800)	83	346	9	-	**676**
Operating profit	**7,985**	**25,369**	**1,587**	**7,372**	**(5,422)**	**1,849**	**(711)**	**(7,068)**	**-**	**30,961**
Finance costs, net										**(12,342)**
Foreign exchange gain, net										**1,531**
Other income, net										**6,579**
Income tax benefit										**5,251**
Net profit										**31,980**
Total assets	**163,836**	**846,146**	**116,648**	**311,879**	**397,098**	**55,667**	**61,628**	**112,345**	**-**	**2,065,247**
Capital expenditures	297	1,913	604	10,915	-	5,554	771	2,545	-	**22,599**
Amortisation and depreciation	485	2,605	896	5,819	42	1,289	1,942	1,092	-	**14,170**
Liabilities	9,640	95,605	8,840	70,807	33,824	15,672	100,347	687,683	-	**1,022,418**

During the 3 months ended 30 September 2011, two of the Group's external customers accounted for more than 10% of total external revenue. During the 3 months ended 30 September 2011, export sales amounted to 80% of total external revenue.

As of 30 September 2011 and during 3 months then ended, the Group operated in one geographical area - Ukraine.

5. Property, Plant and Equipment, net

As of 30 September 2012, property, plant and equipment amounted to USD 673,042 thousand and CIP and uninstalled equipment amounted to USD 47,338 thousand (as of 30 September 2011: USD 635,743 thousand and USD 29,621 thousand, accordingly). During the 3 months ended 30 September 2012, there were no additions from acquisitions of Subsidiaries' property, plant and equipment (for the 3 months ended 30 September 2011: USD 141,952 thousand). Disposals for the 3 months ended 30 September 2012 of property, plant and equipment amounted to USD 1,144 thousand (for the 3 months ended 30 September 2011: USD 364 thousand).

Buildings and constructions (oil) and production machinery are in the process of revaluation whereas in accordance with estimated accounting policies of the Group following fixed assets should be valued at its fair value. The Group expects the completion of the revaluation of the assets up to the preparation of the report as of 31 December 2012.

6. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 September 2012	As of 30 September 2011
Bank credit lines	**695,670**	308,226
Interest accrued on short-term loans	**1,641**	619
Interest accrued on long-term loans	**2,385**	6,699
Total	**699,696**	**315,544**

The balances of short-term borrowings as of 30 September 2012 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2013	194,000
European bank	Libor + 3.75%	USD	June 2013	149,000
European bank	Libor + 8.95%	USD	September 2013	100,000
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2013	80,000
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	September 2013	55,000
Ukrainian subsidiary of European bank	Libor + 8%	USD	January 2013	33,253
Ukrainian subsidiary of European bank	7.5%	USD	June 2013	24,115
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2013	20,000
Ukrainian subsidiary of European bank	Libor + 5%	USD	August 2013	13,101
European bank	SG rate + 3%	USD	July 2013	11,815
Ukrainian subsidiary of European bank	Libor + 7%	USD	October 2012	10,000
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	5,386
Total bank credit lines				**695,670**
Interest accrued on short-term loans				1,641
Interest accrued on long-term loans				2,385
Total				**699,696**

6. Short-term Borrowings (continued)

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2012	110,000
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	August 2012	55,000
Ukrainian subsidiary of European bank	Libor + 4%	USD	July 2012	35,000
Ukrainian subsidiary of European bank	Libor + 6.5%	USD	March 2012	20,941
European bank	Libor + 2.12%	USD	June 2012	20,903
Ukrainian subsidiary of European bank	Libor + 7%	USD	October 2011	20,000
European bank	Libor + 6.75%	USD	September 2012	15,995
European bank	SG rate + 3 %	USD	July 2012	12,582
European bank	9.5%	USD	March 2012	9,411
European bank	11.15%	USD	December 2011	6,022
European bank	12.45%	USD	October 2011	1,880
European bank	Libor + 9%	USD	August 2012	492
Total bank credit lines				**308,226**
Interest accrued on short-term loans				619
Interest accrued on long-term loans				6,699
Total				315,544

As of 30 September 2012, the overall maximum credit limit for short-term bank credit lines amounted to USD 1,246,190 thousand (as of 30 September 2011: USD 828,801 thousand).

Short-term loans from banks were secured as follows:

Assets pledged	**As of 30 September 2012**	As of 30 September 2011
Inventory	**592,237**	151,163
Property, plant and equipment	**100,778**	55,860
Controlling stakes in Subsidiaries	**Not quantifiable**	Not quantifiable
Total	**693,015**	207,023

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

As of 30 September 2012			As of 30 September 2011		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Agroservis LLC	**October 2012**	**100%**	Agroservis LLC	October 2011	100%
Zernoservis LLC	**October 2012**	**100%**	Zernoservis LLC	October 2011	100%
Unigrain-agro LLC	**October 2012**	**100%**	Unigrain-agro LLC	October 2011	100%
Lozivske HPP PJSC	**October 2012**	**100%**	Lozivske HPP PJSC	October 2011	100%
Krasnopavlivsky KHP PJSC	**October 2012**	**100%**	Krasnopavlivsky KHP PJSC	October 2011	100%
Agrofirma arshytsya LLC	**October 2012**	**100%**	Agrofirma arshytsya LLC	October 2011	100%
Chorna Kamyanka LLC	**October 2012**	**100%**	Chorna Kamyanka LLC	October 2011	100%
Govtva LLC	**October 2012**	**100%**	Govtva LLC	October 2011	100%
Manzhurka LLC	**October 2012**	**100%**	Manzhurka LLC	October 2011	100%
Promin LLC	**October 2012**	**100%**	Promin LLC	October 2011	100%
Brovarky PRAC	**October 2012**	**100%**	Brovarky PRAC	October 2011	100%
Troyanske LLC	**October 2012**	**100%**	Troyanske LLC	October 2011	100%
Zorya LLC	**October 2012**	**100%**	Zorya LLC	October 2011	100%
Druzhba PRAC	**October 2012**	**100%**	Druzhba PRAC	October 2011	100%
Agrofirma Vesna LLC	**October 2012**	**100%**	Agrofirma Vesna LLC	October 2011	100%
Kirovogradoliya JSC	**September 2013**	**100%**			

7. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 September 2012	As of 30 September 2011
Long-term bank loans	326,823	369,599
Current portion of long-term borrowings	(73,898)	(48,305)
Total	252,925	321,294

The balances of long-term borrowings as of 30 September 2012 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 5.5%	USD	February 2016	99,000
European bank	Libor + 6.25%	USD	January 2015	95,000
Ukrainian bank	9%	USD	June 2016	88,300
European bank	Libor + 3.52%	USD	April 2015	21,721
Ukrainian subsidiary of American bank	Libor + 4,5%	USD	January 2017	13,900
Ukrainian subsidiary of European bank	Libor + 11.2%	USD	August 2015	6,000
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	2,902
Total				326,823

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.95%	USD	September 2013	100,000
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2013	80,000
Ukrainian bank	15%	UAH	June 2016	63,611
Ukrainian subsidiary of European bank	Libor + 8.41%	USD	August 2013	30,682
European bank	Libor + 3.52%	USD	April 2015	25,706
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	23,685
Ukrainian bank	9%	USD	June 2016	10,078
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2016	10,000
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	9,695
Ukrainian bank	20%	UAH	June 2016	8,780
Ukrainian subsidiary of European bank	Libor + 11.2%	USD	August 2013	7,000
Ukrainian bank	6.15%	EUR	June 2016	362
Total				369,599

Long-term loans as of 30 September 2012 include credit lines from banks with the overall maximum credit limit of USD 341,796 thousand (as of 30 September 2011: USD 369,599 thousand).

Long-term loans from banks were secured as follows:

Assets pledged	As of 30 September 2012	As of 30 September 2011
Property, plant and equipment	336,899	285,195
Intangible assets	5,929	5,944
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	342,828	291,139

Notes to the Condensed Consolidated Financial Statements (continued)

7. Long-term Borrowings (continued)

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

As of 30 September 2012			As of 30 September 2011		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Vovchansky OEP PJSC	November 2013	100%	Vovchansky OEP PJSC	November 2013	100%
Gutyansky Elevator LLC	November 2013	100%	Kirovogradoliya JSC	September 2013	100%
Prykolotnjansky OEP LLC	November 2013	100%	Gutyansky Elevator LLC	November 2013	100%
Kovyagivske KHP LLC	November 2013	100%	Prykolotnjansky OEP LLC	November 2013	100%
Ukrainian Black Sea Industry LLC	January 2015	100%	Velykoburlutske HPP LLC	November 2013	100%
Eastern Agro LTD	January 2015	100%	Shevchenkisky KHP LLC	November 2013	100%
Bandursky oil-crushing plant LLC	April 2015	100%	Kovyagivske KHP LLC	November 2013	100%
Transbulkterminal LLC	February 2016	100%	Bandurskiy oil-crushing plant LLC	April 2015	100%
Estron Corporation Ltd.	February 2016	100%	Transbulkterminal LLC	September 2012	100%
Oiltransterminal LLC	February 2016	100%			
Ulyanivske LLC	June 2016	100%			
Cherkasky OJSC	June 2016	100%			

8. Income Tax

The Parent is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 22.05% as of 30 September 2012 and 30 September 2011. The corporate income tax rate in Ukraine, where the main operation of the Group is located, was 21% as of 30 September 2012 and 23% as of 30 September 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 30 September 2012 were measured based on the revised income tax rates of the new Tax Code.

The components of the income tax (charge)/benefit for 3 months ended 30 September 2012 and 2011 were as follows:

Income tax recognised in profit or loss:	3 months ended 30 September 2012	3 months ended 30 September 2011
Current income tax charge	(2,667)	(519)
Income tax benefit reported in the income statement	226	5,770
Income tax (charge)/benefit	**(2,441)**	**5,251**

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

	3 months ended 30 September 2012	3 months ended 30 September 2011
Profit before income tax from continuing operations	40,025	26,729
Tax at statutory tax rate of 21% (23% since 1 April 2011 till 31 December 2011)	(8,405)	(6,148)
Tax effect of expenses not deductible for tax purposes, net	5,964	11,399
Income tax (charge)/benefit	**(2,441)**	**5,251**

As of 30 September 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 6,842 thousand 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 34,616 thousand. However, the amount of the deferred tax assets considered realisable could be adjusted in the future if estimates of taxable income are revised.

8. Income Tax (continued)

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

	As of 30 September 2012	As of 30 September 2011
DEFERRED TAX ASSETS ARISING FROM :		
Valuation of accounts receivable	11,456	1,366
Tax losses carried forward	6,842	3,348
Valuation of inventory	1,573	-
Valuation of property, plant and equipment	550	4,348
Valuation of accrued expenses and other temporary differences	5,367	2,208
Deferred tax assets	25,788	11,270
DEFERRED TAX LIABILITY ARISING FROM :		
Valuation of property, plant and equipment	(24,710)	(28,469)
Valuation of intangible assets	(1,081)	(2,064)
Valuation of other temporary differences	(4,718)	(15)
Deferred tax liability	(30,509)	(30,548)
Net deferred tax liability	(4,721)	(19,278)

9. 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, that represented by members of Board of directors and Management Team of Group.

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 30 September 2012		as of 30 September 2011	
Prepayments to suppliers and other current assets, net	6,607	110,226	53,072	173,832
Other non-current assets	210	26,681	47,063	50,954
Trade accounts payable	20	71,910	265	53,799
Advances from customers and other current liabilities	60,975	153,472	100,417	241,229

As of 30 September 2012 and 30 September 2011, the Group did not create allowance for the trade accounts receivable, prepayments made and other current assets from related parties.

Advances from customers and other current liabilities include amounts due to Namsen Limited. This amount includes:
- USD 39,300,000 for the purchase of Inter-Agro which is interest bearing at 4% per annum;
- USD 20,043,000 of loan provided by Namsen to Inter-Agro Group.

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 30 September 2012		3 months ended 30 September 2011	
Cost of sales	(282)	(402,787)	-	(314,210)
General, administrative and distribution expenses	(225)	(71,287)	-	(47,011)
Finance costs, net	52	(19,816)	878	(12,342)

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

As of 30 September 2012, the Board consists of the following seven directors: the Chairman of the Board, two independent directors, and four directors employed by Subsidiaries.

9. Transactions with Related Parties (continued)

Remuneration of the Board (7 Directors) for the 3-month period ended 30 September 2012 amounted to USD 220 thousand (for the 3-month period ended 30 September 2011: 6 Directors amounted to USD 172 thousand).

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. Four 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, totaling 14 people, amounted to USD 450 thousand for the 3-month period ended 30 September 2012 (3-month period ended 30 September 2011: 14 people, amounted to USD 478 thousand).

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.

10. Commitments and Contingencies

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 30 September 2012, the Group`s 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 30 September 2012 amounted to USD 75,982 thousand. Out of this amount, USD 30,787 thousand 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.

Capital Commitments

As of 30 September 2012, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 781 thousand for the supply of equipment and services required for the construction of a new silo and USD 1,051 thousand for the supply of equipment and services required for the new solvent extraction plant under construction.

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

Contractual Commitments on Sales

As of 30 September 2012, the Group had entered into commercial contracts for the export of 1,183,000 tons of grain and 525,791 tons of sunflower oil and meal, corresponding to an amount of USD 402,118 thousand and USD 330,255 thousand, respectively, at prices as of 30 September 2012.

As of 30 September 2011, the Group had entered into commercial contracts for the export of 713,500 tons of grain and 688,785 tons of sunflower oil and meal, corresponding to an amount of USD 209,220 thousand and USD 258,392 thousand, respectively, in prices as of 30 September 2011.

11. Description of significant events for the 3-month period ended 30 September 2012

On September 27, 2012, a 50-50 joint venture was formed with Renaisco BV, a subsidiary of Glencore International PLC. The joint venture has acquired a 100% interest in a deep water grain export terminal in Taman port, Russia for the enterprise value of USD 265,000 thousand, including transaction costs, financed with a combination of equity and debt.

12. Subsequent events

No subsequent events occurred after the reporting date.