

**KERNEL**

Kernel Holding S.A.  
and Subsidiaries



**Q3**  
**FY2013**

Condensed Consolidated  
Financial Statements  
for 3 months ended  
**31 March 2013**

# Management Discussion & Analysis

for 3 months ended 31 March 2013

## Key highlights

- Revenues amounted to USD 597.9 million in Q3 FY2013, flat compared to a year ago, with lower bulk oil and grain sales compensated by higher grain prices and high sunflower meal deliveries.
- EBITDA is down 30.0% y-o-y to USD 43.8 million in Q3 FY2013, primarily reflecting low bulk oil sales due to a significant amount of bulk oil contracts signed with delivery terms in Q4 FY2013 and to tighter profitability in the bulk oil segment.
- Reported net loss of USD 3.4 million in Q3 FY2013 versus net profit of USD 37.2 million in Q3 FY2012 caused by a shift in bulk oil deliveries towards the fourth quarter translating into a higher level of carrying inventories and larger amount of financing costs.
- Strong cash flow generated from operations at USD 294.4 million in Q3 FY2013 versus the use of USD 96.3 million in Q3 FY2012 driven by a decrease in working capital during the quarter.

## Corporate subsequent events

- In early April, Kernel Holding S.A. entered into a share purchase agreement to acquire an 80% interest in a farming business that manages 108,000 hectares of leasehold farmland and operates 100,000 tons of grain storage capacity. With a highly concentrated and fully-farmed land bank in the southern Chernihiv and Sumy regions and the northern Poltava region, the business is self-sufficient in working capital and is fully-equipped with modern farming machinery.
- Continuing optimization of current landbank: added 1,500 hectares in Khmelnytsk to enlarge the existing cluster and divested 6,000 hectares remotely located land in southern Ukraine in April 2013.
- In May, Kernel Holding S.A., via its subsidiaries, sold the Chortkiv sugar plant property and its participatory interest in the local sugar trading entity for a gross consideration of USD 32.5 million.

- Ievgen Osypov was appointed as general manager of the farming division. With fifteen years of managerial and operational experience in the farming business, Ievgen is the former CEO of Industrial Milk Company, which under his leadership developed into one of the largest and most efficient farming businesses in Ukraine.

## FY 2013 outlook

- Based on 9M FY2013 results, management now expects full-year FY2013 EBITDA to be USD 310 million.

## FY 2014 crop outlook

- Considering an early stage of farming season, it is yet premature to make a conclusive judgments on 2014 crop outlook.
- Planting campaign is complete in Ukraine and Russia with sufficient and timely rainfall supporting proper development of crops.
- In Ukraine the planted area under sunflower seeds is estimated around 5.5 million hectares translating into anticipated production in excess of 9.3 million tons.
- In Russia, the planted area under sunflower seeds is estimated around 6.5 million hectares translating into anticipated production in excess of 9.2 million tons.
- As of now, we estimate grain export potential of Ukraine in the range of 25-27 million tons and Russia 17-19 million tons for the 2013/14 season.
- Kernel's farming division spring sowing campaign was successfully completed in May. Both winter and spring crops are in good condition with favorable weather patterns observed during the spring sowing campaign. Kernel's crop structure shifted mainly towards corn, sunflower and soybean which share accounts for 42%, 27% and 16% respectively in FY2014.

## Financial highlights

Amounts in USD million, except for EPS and ratios	Q3 FY2013	Q3 FY2012	% change	9M FY2013	9M FY2012	% change
Revenue	597.9	598.9	(0.2%)	2,072.1	1,584.8	30.7%
Profit from operating activities	24.5	44.8	(45.2%)	143.5	161.2	(10.9%)
Net profit attributable to equity holders of Kernel Holding S.A.	(3.4)	37.2	n/m	66.3	139.1	(52.3%)
EBITDA <sup>(1)</sup>	43.8	62.5	(30.0%)	201.5	211.2	(4.6%)
EPS <sup>(2)</sup>	(0.04)	0.47	n/m	0.83	1.75	
Net debt / EBITDA <sup>(3)</sup>	3.0	2.5		3.0	2.5	
Adjusted net debt / EBITDA <sup>(4)</sup>	0.9	0.7		0.9	0.7	
EBITDA / Interest <sup>(5)</sup>	3.7	5.5		3.7	5.5	

## Production, sales and throughput

	Q3 FY2013	Q3 FY2012	% change	9M FY2013	9M FY2012	y-o-y
Grain sales, tons	653,745	831,559	(21.4%)	2,230,830	1,846,759	20.8%
Bulk oil sales, tons	173,976	224,590	(22.5%)	750,062	559,691	34.0%
Bottled oil sales, '000 liters	23,153	29,274	(20.9%)	84,197	107,463	(21.7%)
Sunflower seed crush, tons	679,311	730,561	(7.0%)	1,897,550	1,766,107	7.4%
Refined oil production, tons	26,274	30,441	(13.7%)	85,065	113,004	(24.7%)
Bottled oil production, tons	25,166	28,861	(12.8%)	77,300	101,799	(24.1%)
Export terminals throughput, tons	625,623 <sup>(6)</sup>	595,235	5.1%	2,589,360 <sup>(6)</sup>	1,454,248	78.1%

(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 79.7 million shares for Q3 FY2013 and 79.7 million shares for Q3 FY2012.

(3) Net debt / EBITDA is calculated based on 12 months trailing EBITDA.

(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 12 months trailing EBITDA.

(5) EBITDA / Interest is calculated based on 12 months trailing EBITDA and net finance costs.

(6) Including 33,955 tons trans-shipped through Taman port in Q3 FY2013 and 234,998 tons in 9M FY2013, which represents 50% of the total throughput volume of the Taman facility. Taman port is owned through a 50%-50% joint venture between Kernel Holding S.A. and a subsidiary of Glencore International Plc.

# Segments Results and Discussion

for 3 months ended 31 March 2013

## Bulk oil segment

- Bulk oil sales decreased 22.5% y-o-y to 174 thousand tons in Q3 FY2013 due to the significant amount of contracts signed with delivery terms in Q4 FY2013. 9M FY2013 bulk oil sales increased 35.0% y-o-y and are in line with production levels.
- The sunflower seed crushing volume stood at 679 thousand tons in Q3 FY2013 slightly below last year.
- The crushing margin continues to be below the previous season's levels due to a lower harvest and slight increase in crushing capacity in Ukraine.

## Farming segment

- As usual, seasonally low revenues were due to a majority of the sales of the farming segment being executed in the first and second quarters of the financial year.
- Fixed costs amid seasonally low sales resulted in the segment's negative EBITDA at USD 3.5 million in Q3 FY2013 versus USD 1.0 million in Q3 FY2012.

## Grain segment

- 654 thousand tons of grains were exported in Q3 FY2013, down 21.4% y-o-y. A combination of low crop size in Ukraine and solid international commodity prices in the first half of 2012/13 season translated into larger merchandising activities during Q1 and Q2 FY2013. This resulted in the overall weaker volumes in Q3 FY2013.

- The grain merchandizing margin remains weak in the quarter under review.
- 9M FY2013 grain sales are at 2.2 million tons, up 20.8% y-o-y improving the contribution from infrastructure.

## Export terminals segment

- Despite declining grain export volumes and weaker merchandising activity, transshipment volumes remained flat in Q3 FY2013 compared to last year.
- Profitability remains strong with USD 8.5/ton earned in the terminals segment in Q3 FY2013, marginally down from USD 9.2/ton in Q3 FY2012.
- 9M FY2013 transshipment volumes increased 78.1% y-o-y to 2.6 million tons.

## Silo services segment

- EBITDA of USD 5.3 million earned in Q3 FY2013, grew 50.3% y-o-y.
- Strong 49.9% EBITDA margin during the quarter under review.

## Bottled oil segment

- EBITDA decreased 13.2% y-o-y to USD 5.8 million in Q3 FY2013, along with a 20.9% y-o-y decline in volumes sold through the bottled oil channel in the period under review.

## Sugar segment

- Sugar sales kept at minimum in the quarter under review due to a depressed domestic sugar price environment caused by two consecutive years of the sugar overproduction in Ukraine and limited export opportunities.

## Q3 FY2013 segment results summary

	Revenue <sup>(1)</sup> , USD million			EBITDA, USD million			EBITDA margin, %	
	Q3 FY2013	Q3 FY2012	% change	Q3 FY2013	Q3 FY2012	% change	Q3 FY2013	Q3 FY2012
Bulk oil	303.0	321.3	(5.7%)	36.5	48.5	(24.7%)	12.0%	15.1%
Farming	12.0	12.7	(5.4%)	(3.5)	(1.0)	n/m	(29.3%)	(7.5%)
Grain	239.2	222.2	7.6%	4.8	6.9	(30.1%)	2.0%	3.1%
Bottled oil	40.4	44.5	(9.3%)	5.8	6.7	(13.2%)	14.4%	15.0%
Export terminal	9.0	10.0	(9.8%)	5.0	5.5	(8.2%)	55.8%	54.8%
Silo services	10.6	9.9	6.9%	5.3	3.5	50.3%	49.9%	35.5%
Sugar	8.2	1.5	446.8%	(0.1)	(0.6)	n/m	(1.8%)	(42.4%)
Other & reconciliation	(24.6)	(23.3)		(10.0)	(7.0)			
<b>Total</b>	<b>597.9</b>	<b>598.9</b>	<b>(0.2%)</b>	<b>43.8</b>	<b>62.5</b>	<b>(30.0%)</b>	<b>7.3%</b>	<b>10.4%</b>

## 9M FY2013 segment results summary

	Revenue <sup>(1)</sup> , USD million			EBITDA, USD million			EBITDA margin, %	
	9M FY2013	9M FY2012	% change	9M FY2013	9M FY2012	% change	9M FY2013	9M FY2012
Bulk oil	1,121.2	809.1	38.6%	138.4	123.0	12.5%	12.3%	15.2%
Farming	162.9	117.6	38.4%	9.9	25.4	(61.2%)	6.1%	21.6%
Grain	733.5	533.0	37.6%	18.1	20.2	(10.0%)	2.5%	3.8%
Bottled oil	137.8	168.0	(18.0%)	21.3	29.1	(27.0%)	15.4%	17.3%
Export terminal	38.9	23.5	65.6%	23.3	12.2	91.2%	59.9%	51.9%
Silo services	42.3	37.9	11.6%	17.7	15.2	16.3%	41.8%	40.1%
Sugar	22.6	29.3	(22.7%)	0.8	4.8	(83.9%)	3.4%	16.4%
Other & reconciliation	(187.2)	(133.6)		(27.9)	(18.8)			
<b>Total</b>	<b>2,072.1</b>	<b>1,584.8</b>	<b>30.7%</b>	<b>201.5</b>	<b>211.2</b>	<b>(4.6%)</b>	<b>9.7%</b>	<b>13.3%</b>

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

# Financial Highlights and Analysis

for 3 months ended 31 March 2013

## Income statement highlights

- Revenues decreased by 0.2% y-o-y to USD 597.9 million in Q3 FY2013 versus USD 598.9 million in Q3 FY2012. Revenues were close to flat across most segments, with slight price-driven growth in the grain segment and a comparable volume-driven decrease in the bulk oil segments.
- Gross profit fell 7.7% y-o-y to USD 105.0 million in Q3 FY2013 from USD 113.7 million posted in Q3 FY2012, a 1.4pp y-o-y gross margin decline.
- Other operating income amounted to USD 9.3 million during Q3 FY2013 versus USD 3.9 million in Q3 FY2012, or 1.6% of revenues in Q3 FY2013 versus 0.6% a year ago.
- Distribution costs stood at USD 69.9 million in Q3 FY2013 versus USD 56.4 million in Q3 FY2012, a 23.8% y-o-y increase mostly driven by the delivery mix and higher storage costs on larger carrying stock.
- General and administrative expenses totaled USD 19.9 million in Q3 FY2013 versus USD 16.4 million in Q3 FY2012, with growth mostly explained by the consolidation of recently acquired farming entities.
- Profit from operating activities amounted to USD 24.5 million in Q3 FY2013, a 45.2% y-o-y decline from USD 44.8 million in Q3 FY2012. The operating profit margin stood at 4.1% in Q3 FY2013 versus 7.5% a year ago, reflecting tighter profitability in the bulk oil and grain segments, as well as a higher depreciation charge in the expanded farming segment which seasonally has close to zero sales in the third quarter.
- Income tax expense amounted to USD 5.3 million in Q3 FY2013 versus an income tax benefit of USD 0.2 million in Q3 FY2012.
- Finance costs were USD 23.0 million in Q3 FY2013 versus USD 17.0 million in Q3 FY2012, up 35.3% y-o-y, driven by a higher debt level as a result of sizable carrying inventories and recently completed acquisitions.
- Net loss attributable to the shareholders of Kernel Holding S.A. amounted to USD 3.4 million in Q3 FY2013 versus a net profit of USD 37.2 million reported in Q3 FY2012. A combination of significant volumes being shifted out of the quarter to the future period, tighter margins in bulk oil and grain segments, acquisition and working capital driven increases in the interest payments, and higher taxation caused the net profit to decline during the quarter.

## Cash flow highlights

- Operating profit before working capital changes stood at USD 48.6 million in Q3 FY2013 versus USD 67.8 million in Q3 FY2012, with dynamics largely following EBITDA movements.
- Cash flow from operations reached USD 294.5 million in Q3 FY2013 versus negative USD 96.3 million a year ago. The decrease in inventories, release of receivables and release of recoverable tax assets were key drivers for the decrease in the working capital levels in Q3 FY2013.
- Net cash used in investing activities of USD 50.4 million in Q3 FY2013 reflects USD 25.1 million in purchases of new farming machinery and silo equipment, as well as USD 17.4 million for the acquisition of the Stiom Holding, a farming company with a landbank primarily in Khmelnytsk region in Ukraine.
- All of the above translated into USD 184.1 million in repayments in financing activities in Q3 FY2013 versus USD 77.0 million provided by financing activities in Q3 FY2012.
- Net debt increased to USD 938.0 million as of 31 March 2013 versus USD 715.0 as of 31 March 2012, primarily reflecting the USD 146.1 million increase in readily marketable inventories, higher sugar stocks, and additional leverage due to recently completed acquisitions in farming and the joint venture in the export terminal. Readily marketable inventories totaled USD 649.1 million covering 69.2% of the net debt as of 31 March 2013 versus 70.3% coverage as of 31 March 2012.
- For the same reasons, net debt to trailing 12 month EBITDA increased to 3.0x as of 31 March 2013 versus 2.5x as of 31 March 2012. Adjusted for readily marketable inventories, net debt to trailing 12 months EBITDA increased to 0.9x as of 31 March 2013 versus 0.7x as of 31 March 2012, following the Taman and Stiom acquisitions during the period under review.

## Credit metrics

All amounts in USD million, except ratios	31 Mar 2013	31 Mar 2012
Cash	106.5	91.9
Inventory	802.0	588.6
Of which: readily marketable inventories	649.1	503.0
RMI/Inventories	80.9%	85.5%
Gross interest-bearing debt	1,044.5	806.9
Net interest-bearing debt	938.0	715.0
Adjusted net financial debt <sup>(1)</sup>	288.9	212.0
Shareholders' equity <sup>(2)</sup>	1,261.8	1,122.6
Net debt / EBITDA <sup>(3)</sup>	3.0	2.5
Adjusted net debt / EBITDA <sup>(4)</sup>	0.9	0.7
EBITDA / Interest <sup>(5)</sup>	3.7	5.5

(1) 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 12 months trailing EBITDA

(2) Total equity attributable to Kernel Holding S.A. shareholders

(3) Net debt / EBITDA is calculated based on 12 months trailing EBITDA.

(4) Adjusted net debt / EBITDA is calculated based on 12 months trailing EBITDA.

(5) EBITDA interest is calculated based on 12 months trailing EBITDA and net finance costs.

# Condensed Consolidated Financial Statements

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# Selected Financial Data

for 3 months ended 31 March

	USD		PLN		EUR	
	2013	2012	2013	2012	2013	2012
(in thousands of US dollars unless otherwise stated)						
I. Revenue	597,937	598,927	1,882,067	1,933,636	452,877	456,682
II. Operating profit	24,542	44,776	77,248	144,559	18,588	34,142
III. Profit before income tax	343	33,617	1,080	108,534	260	25,633
IV. (Loss)/Profit for the period	(4,976)	33,798	(15,662)	109,118	(3,769)	25,771
V. Net cash generated by/(used in) operating activities	294,446	(96,272)	926,798	(310,814)	223,013	(73,407)
VI. Net cash used in investing activities	(50,404)	(23,867)	(158,652)	(77,055)	(38,176)	(18,199)
VII. Net cash (used in)/generated by financing activities	(184,088)	75,766	(579,435)	244,611	(139,428)	57,772
VIII. Total net cash flow	59,954	(44,373)	188,711	(143,258)	45,409	(33,834)
IX. Total assets	2,557,786	2,256,102	8,335,825	7,037,008	1,995,585	1,690,948
X. Current liabilities	922,743	737,791	3,007,219	2,301,244	719,924	552,974
XI. Non-current liabilities	357,654	325,170	1,165,595	1,014,238	279,042	243,714
XII. Issued capital	2,104	2,104	6,857	6,563	1,642	1,577
XIII. Total equity	1,277,389	1,193,141	4,163,011	3,721,526	996,619	894,260
XIV. Weighted average number of shares	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410
XV. (Loss)/profit per ordinary share (in USD/PLN/EUR)	(0.04)	0.47	(0.14)	1.51	(0.03)	0.36
XVI. Diluted number of shares	80,037,406	80,062,915	80,037,406	80,062,915	80,037,406	80,062,915
XVII. Diluted (loss)/profit per ordinary share (in USD/PLN/EUR)	(0.04)	0.46	(0.14)	1.50	(0.03)	0.35
XVIII. Book value per share (in USD/PLN/EUR)	15.84	14.09	51.61	43.94	12.35	10.56
XIX. Diluted book value per share (in USD/PLN/EUR)	15.77	14.02	51.38	43.73	12.30	10.51

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 31 March 2013 (Unaudited)	As of 31 December 2012 (Unaudited)	As of 30 June 2012 (Audited)	As of 31 March 2012 (Unaudited)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash		106,521	45,903	82,529	91,857
Trade accounts receivable, net		109,905	223,354	146,362	186,894
Prepayments to suppliers and other current assets, net		95,195	134,893	90,335	136,647
Taxes recoverable and prepaid, net		250,787	269,908	238,294	252,099
Assets classified as held for sale		21,068	-	-	-
Inventory		802,021	907,713	410,182	588,567
Biological assets		45,790	17,286	153,338	19,186
<b>Total current assets</b>		<b>1,431,287</b>	<b>1,599,057</b>	<b>1,121,040</b>	<b>1,275,250</b>
<b>Non-current assets</b>					
Property, plant and equipment, net	6	716,237	727,282	728,371	680,782
Intangible assets, net		113,392	83,756	91,087	80,289
Goodwill		139,455	137,227	137,227	131,742
Investments in joint ventures		97,132	93,188	-	-
Deferred tax assets	9	20,780	19,679	21,502	12,835
Other non-current assets		39,503	33,154	19,805	75,204
<b>Total non-current assets</b>		<b>1,126,499</b>	<b>1,094,286</b>	<b>997,992</b>	<b>980,852</b>
<b>Total assets</b>		<b>2,557,786</b>	<b>2,693,343</b>	<b>2,119,032</b>	<b>2,256,102</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade accounts payable		49,264	33,752	25,490	52,761
Advances from customers and other current liabilities		155,789	122,622	157,338	168,588
Short-term borrowings	7	656,676	852,557	167,348	439,918
Current portion of long-term borrowings	8	61,014	74,351	98,622	76,524
<b>Total current liabilities</b>		<b>922,743</b>	<b>1,083,282</b>	<b>448,798</b>	<b>737,791</b>
<b>Non-current liabilities</b>					
Long-term borrowings	8	312,809	287,662	414,238	275,637
Obligations under finance lease		14,028	12,822	12,622	14,776
Deferred tax liabilities	9	26,397	24,388	26,356	29,309
Other non-current liabilities		4,420	4,214	6,317	5,448
<b>Total non-current liabilities</b>		<b>357,654</b>	<b>329,086</b>	<b>459,533</b>	<b>325,170</b>
<b>Equity attributable to Kernel Holding S.A. equity holders</b>					
Issued capital		2,104	2,104	2,104	2,104
Share premium reserve		463,879	463,879	463,879	463,879
Additional paid-in capital		39,944	39,944	39,944	39,944
Equity-settled employee benefits reserve		1,211	1,211	1,211	-
Revaluation reserve		15,049	15,049	15,049	15,049
Translation reserve		(162,173)	(163,507)	(167,082)	(155,367)
Retained earnings		901,805	905,245	824,578	756,963
<b>Total equity attributable to Kernel Holding S.A. equity holders</b>		<b>1,261,819</b>	<b>1,263,925</b>	<b>1,179,683</b>	<b>1,122,572</b>
Non-controlling interest		15,570	17,050	31,018	70,569
<b>Total equity</b>		<b>1,277,389</b>	<b>1,280,975</b>	<b>1,210,701</b>	<b>1,193,141</b>
<b>Total liabilities and equity</b>		<b>2,557,786</b>	<b>2,693,343</b>	<b>2,119,032</b>	<b>2,256,102</b>
Book value		1,261,819	1,263,925	1,179,683	1,122,572
Weighted average number of shares		79,683,410	79,683,410	79,140,131	79,683,410
Book value per share (in USD)		15.84	15.86	14.91	14.09
Diluted number of shares		80,037,406	80,051,981	79,537,486	80,062,915
Diluted book value per share (in USD)		15.77	15.79	14.83	14.02

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Condensed Consolidated Statement of Profit or Loss

(in thousands of US dollars unless otherwise stated)	Notes	3 months ended 31 March 2013 (Unaudited)	9 months ended 31 March 2013 (Unaudited)	3 months ended 31 March 2012 (Unaudited)	9 months ended 31 March 2012 (Unaudited)
Revenue		597,937	2,072,065	598,927	1,584,829
Cost of sales		(492,935)	(1,733,703)	(485,217)	(1,252,261)
<b>Gross profit</b>		<b>105,002</b>	<b>338,362</b>	<b>113,710</b>	<b>332,568</b>
Other operating income		9,300	45,867	3,881	22,263
<b>OPERATING EXPENSES</b>					
Distribution costs		(69,870)	(184,987)	(56,444)	(148,166)
General and administrative expenses		(19,890)	(55,707)	(16,371)	(45,512)
<b>Operating profit</b>		<b>24,542</b>	<b>143,535</b>	<b>44,776</b>	<b>161,153</b>
Finance costs, net		(23,011)	(64,327)	(17,012)	(44,691)
Foreign exchange gain, net		75	1,479	9,067	9,639
Other expenses, net		(1,254)	(5,740)	(3,214)	(301)
Share of losses of joint venture		(9)	(1,728)	-	-
<b>Profit before income tax</b>		<b>343</b>	<b>73,219</b>	<b>33,617</b>	<b>125,800</b>
Income tax (expenses)/benefit	9	(5,319)	(9,095)	181	225
<b>(Loss)/Profit for the period</b>		<b>(4,976)</b>	<b>64,124</b>	<b>33,798</b>	<b>126,025</b>
<b>(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Equity holders of Kernel Holding S.A.		(3,440)	66,297	37,193	139,085
Non-controlling interest		(1,536)	(2,173)	(3,395)	(13,060)
Weighted average number of shares		79,683,410	79,683,410	79,683,410	79,683,410
(Loss)/Profit per ordinary share (in USD)		(0.04)	0.83	0.47	1.75
Diluted number of shares		80,037,406	80,047,307	80,062,915	79,372,269
Diluted (loss)/profit per ordinary share (in USD)		(0.04)	0.83	0.46	1.75

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

(in thousands of US dollars unless otherwise stated)	3 months ended 31 March 2013 (Unaudited)	9 months ended 31 March 2013 (Unaudited)	3 months ended 31 March 2012 (Unaudited)	9 months ended 31 March 2012 (Unaudited)
<b>(Loss)/Profit for the period</b>	<b>(4,976)</b>	<b>64,124</b>	<b>33,798</b>	<b>126,025</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	1,366	4,911	4,203	7,107
<b>Other comprehensive income, net</b>	<b>1,366</b>	<b>4,911</b>	<b>4,203</b>	<b>7,107</b>
<b>Total comprehensive income</b>	<b>(3,610)</b>	<b>69,035</b>	<b>38,001</b>	<b>133,132</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:</b>				
Equity holders of Kernel Holding S.A.	(2,106)	71,206	41,131	145,870
Non-controlling interest	(1,504)	(2,171)	(3,130)	(12,738)

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							Total	Non-controlling interest	Total equity
	Issued capital	Share premium reserve	Additional paid-in capital	Equity-settled employee benefits reserve	Re-valuation reserve	Translation reserve	Retained earnings			
<b>Balance as of 31 March 2012 (unaudited)</b>	<b>2,104</b>	<b>463,879</b>	<b>39,944</b>	<b>-</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>
Profit for the period	-	-	-	-	-	-	67,615	67,615	17,142	84,757
Other comprehensive loss	-	-	-	-	-	(11,715)	-	(11,715)	(368)	(12,083)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,715)</b>	<b>67,615</b>	<b>55,900</b>	<b>16,774</b>	<b>72,674</b>
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	-	(56,325)	(56,325)
Recognition of share-based payments	-	-	-	1,211	-	-	-	1,211	-	1,211
<b>Balance as of 30 June 2012 (audited)</b>	<b>2,104</b>	<b>463,879</b>	<b>39,944</b>	<b>1,211</b>	<b>15,049</b>	<b>(167,082)</b>	<b>824,578</b>	<b>1,179,683</b>	<b>31,018</b>	<b>1,210,701</b>
Profit for the period	-	-	-	-	-	-	36,789	36,789	795	37,584
Other comprehensive income/(loss)	-	-	-	-	-	5,008	-	5,008	(26)	4,982
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,008</b>	<b>36,789</b>	<b>41,797</b>	<b>769</b>	<b>42,566</b>
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	-	(7,818)	(7,818)
<b>Balance as of 30 September 2012 (unaudited)</b>	<b>2,104</b>	<b>463,879</b>	<b>39,944</b>	<b>1,211</b>	<b>15,049</b>	<b>(162,074)</b>	<b>861,367</b>	<b>1,221,480</b>	<b>23,969</b>	<b>1,245,449</b>
Profit/(Loss) for the period	-	-	-	-	-	-	32,948	32,948	(1,432)	31,516
Other comprehensive loss	-	-	-	-	-	(1,433)	-	(1,433)	(4)	(1,437)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,433)</b>	<b>32,948</b>	<b>31,515</b>	<b>(1,436)</b>	<b>30,079</b>
Effect of changes of non-controlling interest	-	-	-	-	-	-	10,930	10,930	(5,483)	5,447
<b>Balance as of 31 December 2012 (unaudited)</b>	<b>2,104</b>	<b>463,879</b>	<b>39,944</b>	<b>1,211</b>	<b>15,049</b>	<b>(163,507)</b>	<b>905,245</b>	<b>1,263,925</b>	<b>17,050</b>	<b>1,280,975</b>
Loss for the period	-	-	-	-	-	-	(3,440)	(3,440)	(1,536)	(4,976)
Other comprehensive income	-	-	-	-	-	1,334	-	1,334	32	1,366
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,334</b>	<b>(3,440)</b>	<b>(2,106)</b>	<b>(1,504)</b>	<b>(3,610)</b>
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	-	24	24
<b>Balance as of 31 March 2013 (unaudited)</b>	<b>2,104</b>	<b>463,879</b>	<b>39,944</b>	<b>1,211</b>	<b>15,049</b>	<b>(162,173)</b>	<b>901,805</b>	<b>1,261,819</b>	<b>15,570</b>	<b>1,277,389</b>

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 31 March 2013 (Unaudited)	9 months ended 31 March 2013 (Unaudited)	3 months ended 31 March 2012 (Unaudited)	9 months ended 31 March 2012 (Unaudited)
<b>OPERATING ACTIVITIES:</b>				
<b>Profit before income tax</b>	<b>343</b>	<b>73,219</b>	33,617	125,800
<b>Adjustments for:</b>				
Amortisation and depreciation	19,248	57,998	17,761	50,011
Finance costs, net	23,011	64,327	17,012	44,691
Movement in allowance for doubtful receivables	1,800	1,056	2,055	5,598
Other accruals	12	12	-	-
(Gain)/Loss on disposal of property, plant and equipment	(55)	(245)	139	(1,227)
Non-operating foreign exchange (income)/loss	(475)	(555)	(220)	2,388
Loss/(Gain) from changes in fair value of biological assets	1,682	1,688	(1,670)	(3,165)
Loss/(Gain) on sales of equity investments	-	103	-	(289)
Gain on acquisition of subsidiar	-	(2,196)	(852)	(9,006)
Other losses	3,019	3,019	-	-
Share of loss of joint ventures	9	1,728	-	-
<b>Operating profit before working capital changes</b>	<b>48,594</b>	<b>200,154</b>	<b>67,842</b>	<b>214,801</b>
<b>Changes in working capital:</b>				
Decrease/(Increase) in trade accounts receivable	112,834	36,295	(70,060)	(69,430)
Decrease/(Increase) in prepayments and other current assets	37,176	1,179	(19,972)	(50,946)
Increase in restricted cash balance	(664)	(664)	(6,461)	(745)
Decrease/(Increase) in taxes recoverable and prepaid	31,535	23,096	(17,842)	(26,287)
(Increase)/Decrease in biological assets	(30,186)	108,756	(3,295)	98,544
Decrease/(Increase) in inventories	102,673	(398,243)	(25,227)	(385,049)
Increase in trade accounts payable	15,512	22,818	1,188	15,265
Increase/(Decrease) in advances from customers and other current liabilities	7,959	(38,142)	(4,653)	97,010
<b>Cash generated by/(used in) operations</b>	<b>325,433</b>	<b>(44,751)</b>	<b>(78,480)</b>	<b>(106,837)</b>
Finance costs paid	(18,170)	(55,750)	(16,231)	(41,460)
Income tax paid	(12,817)	(32,605)	(1,561)	(2,548)
<b>Net cash generated by/(used in) operating activities</b>	<b>294,446</b>	<b>(133,106)</b>	<b>(96,272)</b>	<b>(150,845)</b>
<b>INVESTING ACTIVITIES:</b>				
Purchase of property, plant and equipment	(26,154)	(69,909)	(16,724)	(53,400)
Proceeds from disposal of property, plant and equipment	515	999	161	410
Purchase of intangible and other non-current assets	(6,388)	(10,458)	(8,309)	(32,436)
Acquisition of Subsidiaries	(17,377)	(17,377)	(2,310)	(131,019)
Disposal of Subsidiaries	-	403	3,315	3,315
Purchase of investment in joint venture	(1,000)	(95,907)	-	-
<b>Net cash used in investing activities</b>	<b>(50,404)</b>	<b>(192,249)</b>	<b>(23,867)</b>	<b>(213,130)</b>
<b>FINANCING ACTIVITIES:</b>				
Proceeds from short-term and long-term borrowings	224,774	1,084,900	1,052,747	2,501,404
Repayment of short-term and long-term borrowings	(408,845)	(733,580)	(975,704)	(2,167,160)
Proceeds from share premium reserve increase	-	-	-	4,969
Proceeds from subscribed capital	-	-	-	159
Acquisition of non-controlling interest	-	(2,371)	-	-
<b>Net cash (used in)/generated by financing activities</b>	<b>(184,071)</b>	<b>348,949</b>	<b>77,043</b>	<b>339,372</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(17)	(266)	(1,277)	(182)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>59,954</b>	<b>23,328</b>	<b>(44,373)</b>	<b>(24,785)</b>
Cash at the beginning of the period	45,903	82,529	129,769	110,181
Cash at the end of the period	105,857	105,857	85,396	85,396

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 transshipment services. The majority of the 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 31 March 2013, 31 December 2012, and 31 March 2012, the primary subsidiaries 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 2013	31 December 2012	31 March 2012	
Jerste BV	Holding companies.	Netherlands	100%	100%	100%	
Enselco LLC		Ukraine	100%	100%	100%	
Enselco Agroholding LLC		Ukraine	100%	100%	100%	
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100%	100%	100%	
Restomon S.A.		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	99.4%	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%	
Ukrainian Black Sea Industry LLC		Ukraine	100%	100%	100%	
Stavropol oil OJSC		Russian Federation	100%	100%	100%	
Nevinnomissky oil-crushing plant CJSC		Russian Federation	100%	100%	100%	
Ust-Labinsky EMEK Florentina CJSC		Russian Federation	100%	100%	100%	
Chortkivsky tsukrovyy zavod LLC		Production plants. Production of sugar.	Ukraine	90.1%	90.1%	73.8%
Tsukrove LLC			Ukraine	100%	100%	71.3%
Palmirsky Tsukrovyy Zavod LLC			Ukraine	89.1%	89.1%	72.7%
Orzhytsky Tsukrovyy Zavod LLC	Ukraine		90%	90%	73.4%	
Estron Corporation Ltd.	Provision of grain, oil and meal handling and transshipment services.	Cyprus	100%	100%	100%	
Poltavske Khlіbopriemalne Pidpriemstvo PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94%	94%	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 beet.	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	65.7%	65.7%	52.6%	
Palmira LLC		Ukraine	93%	93%	81.5%	
Enselco Agro LLC		Ukraine	100%	100%	100%	

The condensed consolidated financial information for 3 months ended 31 March 2013 and 2012 were not audited or reviewed.

These condensed consolidated financial statements were authorised for issue by the Board of Directors of Kernel Holding S.A. on 27 May 2013.

# Notes to the Condensed Consolidated Financial Statements (continued)

## 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 31 March 2013 consisted of 79,683,410 ordinary bearer shares without indication of a nominal value, provided 79,683,410 voting rights (as of 31 March 2012 – 79,683,410 shares).

The shares were distributed as follows:

	As of 31 March 2013		As of 31 March 2012	
	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%	30,460,657	38.23%
Free-float	49,222,753	61.77%	49,222,753	61.77%
<b>Total</b>	<b>79,683,410</b>	<b>100.00%</b>	<b>79,683,410</b>	<b>100.00%</b>

As of 31 March 2013 and 2012, 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 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 an amount of USD 12,764 and set at USD 1,945,446.46, divided into 73,674,410 shares without indication of a nominal value.

On 30 March 2011, Kernel Holding S.A. announced its intention to issue approximately five million new ordinary shares of the Company through an offering to institutional investors ('the Offering'). The Offering was conducted through an accelerated book build 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 31 December 2012, unchanged from 31 December 2011, may not be distributed as dividends.

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

These condensed consolidated interim financial statements for the 3 months ended 31 March 2013 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 interim 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, except as required by new and amended standards, as described below.

The Group has adopted the following new and amended standards:

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12). The amendments become effective to annual periods beginning on or after 1 January 2012.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) become effective to annual periods beginning on or after 1 July 2012. Amends IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented.

The adoption of the amendments did not have any impact on the financial position or performance of the Group.

# Notes to the Condensed Consolidated Financial Statements (continued)

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

### 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 a 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.

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 a 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 31 March 2013	Average rate for the 3 months ended 31 March 2013	Average rate for the 9 months ended 31 March 2013	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
UAH/USD	7.9930	7.9930	7.9930	7.9867	7.9882	7.9809
USD/EUR	0.7802	0.7574	0.7762	0.7495	0.7625	0.7375
RUB/USD	31.0834	30.4142	31.1715	29.3282	30.2642	30.1799
PLN/USD	3.2590	3.1476	3.2095	3.1191	3.2285	3.1468

The average exchange rates for each period are calculated as the arithmetic mean of exchange rates for all trading days during this period. The sources of exchange rates are the official rates set by the National Bank of Poland for USD/PLN and USD/EUR, by the National Bank of Ukraine for USD/UAH and by the Central Bank of Russian Federation for USD/RUB rates.

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

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

In the financial statements as of 31 March 2013 and 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 the Group Companies is centralized, financial liabilities are not allocated directly to respective operating segments. Consequently, the liabilities shown for individual segments exclude financial liabilities.

# Notes to the Condensed Consolidated Financial Statements (continued)

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

The operating segments have different seasonality patterns.

The 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 second half when carried forward sugar stock is gradually sold.

## 4. Key Data by Operating Segment

Key data by operating segment for 3 months ended 31 March 2013:

(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)	40,413	303,012	585	3,676	239,154	2,867	8,230	-	-	597,937
Intersegment sales	-	-	8,461	8,351	-	7,751	-	-	(24,563)	-
<b>Total revenue</b>	<b>40,413</b>	<b>303,012</b>	<b>9,046</b>	<b>12,027</b>	<b>239,154</b>	<b>10,618</b>	<b>8,230</b>	<b>-</b>	<b>(24,563)</b>	<b>597,937</b>
Other operating income/(expenses)	417	5,004	-	(454)	4,208	122	3	-	-	9,300
<b>Operating profit/(loss)</b>	<b>5,214</b>	<b>31,972</b>	<b>4,221</b>	<b>(13,074)</b>	<b>4,818</b>	<b>3,383</b>	<b>(1,121)</b>	<b>(10,871)</b>	<b>-</b>	<b>24,542</b>
Finance costs, net										(23,011)
Foreign exchange gain, net										75
Other expenses, net										(1,254)
Share of losses of joint venture										(9)
Income tax expenses										(5,319)
Loss for the period										(4,976)
<b>Total assets</b>	<b>88,986</b>	<b>1,100,853</b>	<b>257,038</b>	<b>401,948</b>	<b>427,146</b>	<b>174,026</b>	<b>101,500</b>	<b>6,289</b>	<b>-</b>	<b>2,557,786</b>
Capital expenditures	6	18	23	17,243	-	7,810	-	253	-	25,353
Amortisation and depreciation	596	4,517	825	9,546	21	1,911	975	857	-	19,248
Liabilities	1,520	41,658	4,245	79,405	16,223	22,911	12,991	1,101,444	-	1,280,397

During the 3 months ended 31 March 2013, none of the Group's external customers accounted for more than 10% of total external revenue.

Also during that period, export sales amounted to 92% of total external sales revenue.

	Revenue from external customers	Non-current assets
	3 months ended 31 March 2013 unaudited	As of 31 March 2013 unaudited
Ukraine	568,040	1,071,794
Russia	29,897	54,705
<b>Total</b>	<b>597,937</b>	<b>1,126,499</b>

# Notes to the Condensed Consolidated Financial Statements (continued)

## 4. Key Data by Operating Segment (continued)

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

(in thousands of US dollars unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Reconciliation	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>Operating profit</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)
Income tax benefit										181
Profit for the period										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>32,400</b>	<b>-</b>	<b>2,256,102</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	859,627	-	1,062,961

During the 3 months ended 31 March 2012, two of the Group's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 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		926,717	
Russia	30,373		54,135	
<b>Total</b>	<b>598,927</b>		<b>980,852</b>	

## 5. Acquisition and Disposal of Subsidiaries

In April 2012, the Group entered into a call option agreement with the purpose to acquire 100% of Stiom Holding ("Stiom") - a farming business located in the Khmelnytsk region of Ukraine with 79,200 ha of land under management. As of 31 March 2013, the consideration paid for Stiom Holding by the Group and the related parties comprised USD 35,402 thousand. In the meantime, the final settlement on the purchase deal is subject to the ultimate resolution of the legal case between the Group and the Sellers. The management of the Group does not expect any additional consideration to be paid to the Sellers. In the consolidated Financial Statements this transaction was accounted for a business combination. As of 31 March 2013, the initial accounting for the acquisition of Stiom has only been provisionally estimated: the necessary fair values and other calculations are subject to finalization by independent appraisers.

As of 31 March 2013, the provisional fair values of assets, liabilities and contingent liabilities acquired were as follows:

	Stiom Holding Fair value
<b>ACQUIRED NET ASSETS:</b>	
Intangible assets	33,174
Fair value of net assets of acquired Subsidiaries	33,174
<b>Non-controlling interest of acquired Subsidiaries</b>	<b>-</b>
Fair value of acquired net assets	33,174
<b>Goodwill</b>	<b>2,228</b>
Total cash considerations due and payable	35,402
less: acquired cash	-
less: cash paid	(17,377)
<b>Net cash payable for acquisition of Subsidiaries</b>	<b>18,025</b>



# Notes to the Condensed Consolidated Financial Statements (continued)

## 5. Acquisition and Disposal of Subsidiaries (continued)

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>-</b>

The Group assigned provisional values to the assets and liabilities acquired based on estimates attained 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 favourable 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)

## 6. Property, Plant and Equipment, net

During 3 months ended 31 March 2013, the Group acquired property, plant and equipment amounting to USD 25,353 thousand (31 March 2012: USD 8,015 thousand). These purchases were related mainly to the construction of two silos and purchases of agricultural vehicles and equipment for farming segment. Additionally, there was a decreasing effect on the net book value due to a normal depreciation charge. As at 31 March 2013, the Group classified the fixed assets of Chortkivsky tsukrovyy zavod LLC as assets held for sale in the amount of USD 21,068 thousand. Over the next 12 months, the Group is planning to sell these assets.

## 7. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 31 March 2013	As of 31 March 2012
Bank credit lines	653,273	436,687
Interest accrued on short-term loans	1,379	1,437
Interest accrued on long-term loans	2,024	1,794
<b>Total</b>	<b>656,676</b>	<b>439,918</b>

The balances of short-term borrowings As of 31 March 2013 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2013	159,000
European bank	Libor + 8.95%	USD	September 2013	100,000
European bank	Libor + 3.75%	USD	June 2013	90,000
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
Russian bank	12%	RUB	June 2013	54,692
Ukrainian subsidiary of European bank	7.5%	USD	July 2013	35,000
European bank	Libor + 7.5%	USD	November 2013	30,000
Ukrainian subsidiary of European bank	Libor + 8%	USD	December 2013	30,000
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	8,962
Russian bank	13%	RUB	August 2013	7,322
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	3,297
<b>Total bank credit lines</b>				<b>653,273</b>
Interest accrued on short-term loans				1,379
Interest accrued on long-term loans				2,024
<b>Total</b>				<b>656,676</b>

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2012	159,000
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	September 2013	55,000
European bank	Libor + 3.75%	USD	June 2012	50,000
Ukrainian subsidiary of European bank	Libor + 4%	USD	July 2012	35,000
Ukrainian subsidiary of European bank	Libor + 8.41%	USD	April 2012	30,682
Ukrainian subsidiary of European bank	Libor + 8%	USD	August 2012	30,600
Ukrainian subsidiary of European bank	Libor + 7%	USD	October 2012	20,000
European bank	11.5%	RUB	July 2012	17,048
European bank	12%	RUB	July 2012	13,640
European bank	9%	RUB	August 2012	10,229
Ukrainian subsidiary of European bank	Libor + 7%	USD	October 2012	10,000
European bank	11.8%	RUB	December 2012	5,488
<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>

As of 31 March 2013, the overall maximum credit limit for short-term bank credit lines amounted to USD 1,394,858 thousand (as of 31 March 2012: USD 960,716 thousand).

# Notes to the Condensed Consolidated Financial Statements (continued)

## 7. Short-term Borrowings (continued)

Short-term loans from banks were secured as follows:

Assets pledged	As of 31 March 2013	As of 31 March 2012
Inventory	281,926	219,056
Property, plant and equipment	123,670	122,328
Intangible assets	5,929	-
Controlling stakes in Subsidiaries	Not quantifiable	-
<b>Total</b>	<b>411,525</b>	<b>341,384</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 2013			As of 31 March 2012		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Vovchansky OEP VJSC	October 2013	100%	Nevinnomissky oil-crushing plant CJSC	March 2012	100%
Prykolotnjansky OEP LLC	October 2013	100%	Agroservis LLC	October 2012	100%
Gutyansky elevator LLC	October 2013	100%	Zernoservis LLC	October 2012	100%
Kovyagivske KHP LLC	October 2013	100%	Unigrain-Agro LLC	October 2012	100%
Kirovogradoliya JSC	September 2013	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%

## 8. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 March 2013	As of 31 March 2012
Long-term bank loans	373,823	352,161
Current portion of long-term borrowings	(61,014)	(76,524)
<b>Total</b>	<b>312,809</b>	<b>275,637</b>

The balances of long-term borrowings as of 31 March 2013 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 5.5%	USD	February 2016	90,000
European bank	Libor + 6.25%	USD	January 2015	85,000
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	November 2017	82,447
Russian bank	Libor + 8.35%	USD	March 2019	52,860
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	January 2017	25,000
European bank	Libor + 3.52%	USD	April 2015	19,062
Ukrainian subsidiary of American bank	Libor + 1%	USD	November 2017	14,104
Ukrainian subsidiary of European bank	Libor + 11.2%	USD	August 2015	5,350
<b>Total</b>				<b>373,823</b>

# Notes to the Condensed Consolidated Financial Statements (continued)

## 8. Long-term Borrowings (continued)

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

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

Long-term loans as of 31 March 2013 include credit lines from banks with the overall maximum credit limit of USD 420,967 thousand (as of 31 March 2012: USD 478,218 thousand).

Long-term loans from banks were secured as follows:

	As of 31 March 2013	As of 31 March 2012
Assets pledged		
Property, plant and equipment	220,243	273,530
Intangible assets	-	5,934
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
<b>Total</b>	<b>220,243</b>	<b>279,464</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 2013			As of 31 March 2012	
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Ukrainian Black Sea Industry LLC	January 2015	100%	Vovchansky OEP VJSC	November 2013	100%
Eastern Agro LTD	January 2015	100%	Kirovogradoliya JSC	September 2013	100%
Bandursky oil-crushing plant LLC	April 2015	100%	Gutyansky elevator LLC	November 2013	100%
Transbulkterminal LLC	February 2016	100%	Prykolotnjansky OEP LLC	November 2013	100%
Estron Corporation Ltd.	February 2016	100%	Shevchenkisky KHP LLC	November 2013	100%
Oiltransterminal LLC	February 2016	100%	Kovyagivske KHP LLC	November 2013	100%
Tsukrovy Soyuz Ukrros OJSC	November 2017	100%	Bandursky oil-crushing plant LLC	April 2015	100%

# Notes to the Condensed Consolidated Financial Statements (continued)

## 9. Income Tax

Corporate Income Tax of the Parent is in compliance with Luxemburg tax legislation. The Corporate income tax rate in Luxemburg as of 31 March 2013 and 31 March 2012 was 21%. The corporate income tax rate in Ukraine, where the main operation of the Group is located, was 19% as of 31 March 2013 and 21% as of 31 March 2012.

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 2013 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 31 March 2013 and 2012 were as follows:

	3 months ended 31 March 2013	3 months ended 31 March 2012
Current income tax charge	(4,217)	(1,297)
Deferred tax (expenses)/benefit	(1,102)	1,478
<b>Income tax (expenses)/benefit</b>	<b>(5,319)</b>	<b>181</b>

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

	3 months ended 31 March 2013	3 months ended 31 March 2012
Profit before income tax from continuing operations	343	33,617
Tax at statutory tax rate of 19% (since 1 January 2013 till 31 December 2013) and 23% since 1 April 2011 till March 2012	(65)	(7,060)
Expenditures not deductible for tax purposes and non-taxable income, net	(5,254)	7,241
<b>Income tax (expenses)/ benefit</b>	<b>(5,319)</b>	<b>181</b>

As of 31 March 2013, 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 deferred tax assets of USD 7,759 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 39,086 thousand. However, the amount of the deferred tax asset 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 2013	As of 31 March 2012
<b>DEFERRED TAX ASSETS ARISING FROM:</b>		
Valuation of accounts receivable	11,145	2,847
Tax losses carried forward	7,759	6,769
Valuation of property, plant and equipment	867	3,166
Valuation of intangible assets	31	3
Valuation of inventories	193	-
Valuation of advances	4,309	-
Valuation of accrued expenses and other temporary differences	748	824
<b>Deferred tax assets</b>	<b>25,052</b>	<b>13,609</b>

### DEFERRED TAX LIABILITIES ARISING FROM:

Valuation of property, plant and equipment	(24,839)	(25,487)
Valuation of prepayments to suppliers and prepaid expenses	(4,735)	(3,169)
Valuation of intangible assets	(1,095)	(1,406)
Valuation of financial investments	-	(21)
Deferred tax liabilities	(30,669)	(30,083)
<b>Net deferred tax liabilities</b>	<b>(5,617)</b>	<b>(16,474)</b>

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) as they are presented in the consolidated statement of financial position:

	As of 31 March 2013	As of 31 March 2012
Deferred tax assets	20,780	12,835
Deferred tax liabilities	(26,397)	(29,309)
<b>Net deferred tax liabilities</b>	<b>(5,617)</b>	<b>(16,474)</b>

# 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 2013		As of 31 March 2012	
Prepayments to suppliers and other current assets, net	12,734	95,195	8,614	136,647
Other non-current assets	17,246	39,503	69,911	75,204
Trade accounts payable	3,425	49,264	1	52,761
Advances from customers and other current liabilities	85,910	155,789	32,111	168,588

As of 31 March 2013 and 31 March 2012, 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 as of 31 March 2013 include amounts due to Namsen Limited. This amount includes:

- USD 18 million for the purchase of Stiom Holding;
- USD 39.3 million for the purchase of Inter-Agro which is interest bearing at 4% per annum;
- USD 20 million is a loan provided by Namsen to Inter-Agro Group.

As of 31 March 2012 prepayments to suppliers and other current assets include a USD 50.6 million of loan provided by Kernel to related parties for the purchase of Enselco. As of 31 March 2012 advances from customers and other current liabilities include a USD 31 million which was provided to related parties for the purchase of 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 31 March 2013		3 months ended 31 March 2012	
Cost of sales	(61)	(492,935)	(81)	(485,217)
General, administrative and distribution expenses	(4,515)	(89,760)	(12)	(72,815)
Finance costs, net	118	(23,011)	269	(17,012)
Other expenses, net	-	(1,254)	11	(3,214)

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

As of 31 March 2013, the Board consists of the following eight directors: the Chairman of the Board, three independent directors, four directors employed by Subsidiaries. Remuneration of the Board (8 Directors) for the 3 months ended 31 March 2013 amounted to USD 247,000 (for the 3 months ended 31 March 2012: 7 Directors, amounted to USD 220,000).

The remuneration of the Chairman of the Board and four directors employed by Subsidiaries for their services as Board members amounted to nil for the 3 months ended 31 March 2013 (for the 3 months ended 31 March 2012: nil). The Members of the Board of Directors 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 449,700 for the 3 months ended 31 March 2013 (3 months ended 31 March 2012: 14 people, amounted to USD 440,500).

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.

# Notes to the Condensed Consolidated Financial Statements (continued)

## 11. Commitments and Contingencies

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 March 2013, the Group companies had ongoing litigation with the tax authorities mainly related to the disallowance of a certain amount of VAT refunds claimed by the Group, 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 2013 amounted to USD 135,456 thousand. Out of this amount, USD 64,165 thousand relates to cases where court hearings took place and where the court in either the first or second instance already ruled in favor of the Group. Management believes that based on 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 31 March 2013, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 9,600 thousand (31 March 2012: USD 13,159 thousand) for the supply of equipment and services required for the construction of a new silo.

### Contractual Commitments on Sales

As of 31 March 2013, the Group had entered into commercial contracts for the export of 607,199 tons of grain and 204,717 tons of sunflower oil and meal, corresponding to an amount of USD 195,532 thousand and USD 110,725 thousand, respectively, at prices as of 31 March 2013.

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.

## 12. Subsequent events

In April 2013, the Group entered into a share purchase agreement to acquire a farming business that manages 108,000 hectares of leasehold farmland in the southern Chernihiv and Sumy regions and the northern Poltava region and operates 100,000 tons of grain storage capacity. Kernel will pay USD 68 million for the 80% interest in the business which has a current net debt of USD 101 million. Closing is subject to approval by the Antimonopoly Committee of Ukraine.

In April 2013, the Group entered into an agreement to purchase a farming enterprise with 1,500 ha of leasehold land in the Khmelnytsk region of western Ukraine, near the company's existing large-scale operations, for a total consideration of USD 1.0 million.

In April 2013, the Group entered into agreement to sell the most remotely located farming enterprise with 6,000 ha of leasehold land in the Zaporizhia region in south-eastern Ukraine for a total consideration of USD 4.4 million.

Both transactions are the result of the Group's strategy to enlarge existing clusters and divest remotely located parcels of land.

In May 2013, the Group completed the sale of the Chortkiv sugar plant property and its participatory interest in the local sugar trading entity for a gross consideration up to USD 32.5 million.