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# **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR 3 MONTHS ENDED 30 SEPTEMBER 2013**

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# Management Discussion & Analysis

for 3 months ended 30 September 2013

## Key highlights

- EBITDA of USD 3.0 million in Q1 FY2014, down from USD 74.8 million in Q1 FY2013, was the result of weak performance in the bulk oil and farming segments, while grain marketing and related services contributed strong results during the period.
- The sunflower oil business underperformed (USD 4.5 million combined EBITDA from the bulk oil and bottled oil segments in Q1 FY2014 versus USD 45.6 million in Q1 FY2013) due to low crushing volumes (down 51.9% y-o-y) and to the low carry-over stock of sunflower oil, as well as the weak crushing margin caused by low availability of sunflower seed at the end of the 2012/13 marketing year. Margins also were undermined by fixed costs against lower volumes.
- The farming segment's operational performance improved, with crop yields up 17% – 36% y-o-y compared to the previous year's harvest. Integration of acquired farming entities is well on pace, though crop yields steel remain below target. As global prices for soft commodities fell sharply this summer, prices at the farm gate were 16% – 43% lower y-o-y, erasing profits from improved productivity. The segment's EBITDA contribution was negative USD 6.4 million in Q1 FY2014, compared to positive USD 25.9 million in Q1 FY2013.
- The grain segment performed according to management expectations, with grain sales up 73.6% y-o-y to 884,701 tons in Q1 FY2014. Grain exports from the Russian Federation were strong following last year's Taman joint venture deal, while the pace of exports from Ukraine is comparably slower due to delays in harvesting campaign caused by

heavy rains in early autumn. The export terminals and silo services segments' volumes and earnings reflected grain export dynamics.

- Operating profit before working capital changes was USD 11.9 million in Q1 FY2014 versus USD 91.7 million in Q1 FY2013, higher than EBITDA due to a non-cash loss from changes in the fair value of biological assets and a loss from the disposal of the Orzhysa sugar plant assets.

## Corporate events

- On July 18, 2013, the board of directors of Kernel Holding S.A. announced the approval of the dividend policy, adopting the dividend per share approach (DPS). Starting from the FY2014 results announcement, Kernel Holding S.A. intends to maintain a sustainable annual dividend of USD 0.25 per share. The proposed dividend will be declared and paid in US dollars and will be subject to shareholder approval at the general meeting of the shareholders.
- In September 2013, Kernel Holding S.A. divested, via its subsidiaries, the Orzhysa sugar plant property for a total gross consideration of USD 5.1 million.
- In October 2013, Kernel Holding S.A., in accordance with the previously announced strategy to divest remotely located farmland, completed, via its subsidiary, the sale of the farming operations located in southern Ukraine for a total consideration of USD 7.0 million.
- The annual general meeting of shareholders is scheduled to be held on December 10, 2013.

## Financial highlights

Amounts in USD millions, except for EPS and ratios

	Q1 FY2014	Q1 FY2013	% change
Revenue	<b>412.9</b>	515.9	(20.0%)
EBITDA <sup>(1)</sup>	<b>3.0</b>	74.8	(96.0%)
Net profit attributable to equity holders of Kernel Holding S.A.	<b>(33.8)</b>	36.8	n/m
EBITDA margin	<b>0.7%</b>	14.5%	(13.8pp)
Net margin	<b>(8.2%)</b>	7.1%	(15.3pp)
EPS, USD <sup>(2)</sup>	<b>(0.42)</b>	0.46	n/m
Net debt/EBITDA <sup>(3)</sup>	<b>3.3x</b>	2.6x	+0.7x
Adjusted net debt/EBITDA <sup>(4)</sup>	<b>2.0x</b>	0.6x	+1.4x
EBITDA/Interest <sup>(5)</sup>	<b>3.2x</b>	5.0x	(1.8x)

## Production, sales and throughput

	Q1 FY2014	Q1 FY2013	% change
Grain sales, tons	<b>884,701</b>	509,509	73.6%
Bulk oil sales, tons	<b>95,710</b>	198,994	(51.9%)
Bottled oil sales, '000 liters	<b>22,400</b>	26,334	(14.9%)
Sunflower seed crush, tons	<b>232,249</b>	458,095	(49.3%)
Refined oil production, tons	<b>15,888</b>	24,283	(34.6%)
Bottled oil production, tons	<b>15,209</b>	20,313	(25.1%)
Export terminals throughput, tons	<b>778,164<sup>(6)</sup></b>	740,126	5.1%

(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 Q1 FY2014 and Q1 FY2013.

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

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

(6) Including 359,209 tons transshipped through Taman port in Q1 FY2014, 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.

# Segment Results and Discussion

for 3 months ended 30 September 2013

## Segment results summary

	Revenue <sup>(1)</sup> , USD million			EBITDA, USD million			EBITDA, margin %	
	Q1 FY2014	Q1 FY2013	% change	Q1 FY2014	Q1 FY2013	% change	Q1 FY2014	Q1 FY2013
Bottled oil	33.4	43.6	(23.4%)	3.7	7.5	(50.0%)	11.2%	17.1%
Bulk oil	116.5	291.7	(60.1%)	0.8	38.1	(98.0%)	0.7%	13.1%
Export terminal	7.2	13.9	(48.1%)	3.7	8.0	(53.5%)	51.3%	57.2%
Farming	69.9	86.9	(19.5%)	(6.4)	25.9	n/m	(9.2%)	29.8%
Grain	229.0	154.4	48.4%	9.4	5.8	63.7%	4.1%	3.7%
Silo services	9.8	9.3	5.2%	4.6	2.9	60.4%	47.5%	31.2%
Sugar & Discontinued	4.7	4.5	5.4%	(0.2)	(1.2)	(79.4%)	(5.3%)	(26.9%)
Other				(12.6)	(12.0)	5.3%		
Reconciliation	(57.5)	(88.3)	(34.9%)					
<b>Total</b>	<b>412.9</b>	<b>515.9</b>	<b>(20.0%)</b>	<b>3.0</b>	<b>74.8</b>	<b>(96.0%)</b>	<b>0.7%</b>	<b>14.5%</b>

### Bulk oil segment

- The below average sunflower seed harvest in 2012/13 resulted in the low availability of sunflower seed at the end of the marketing year and downwardly affected crushing plant utilization in the seasonally weak first quarter of financial year. As a result, sunflower seed crushing volumes declined 49.3% y-o-y to 232,249 tons and bulk oil sales fell 51.9% y-o-y to 95,710 tons in Q1 FY2014.
- The low availability of sunflower seed at the end of the 2012/13 marketing season resulted in a fierce competition among crushers, with the crushing margin temporarily squeezed to a low one-digit percentage during the quarter. With the further pressure of fixed costs against lower volumes, the bulk oil segment's EBITDA margin declined to 0.7% in Q1 FY2014 versus 13.1% in Q1 FY2013.
- The sunflower seed crushing margin in the 2013/14 harvest is back to normal, with strong utilization and approximately 60% of our annual crushing needs already purchased at the moment of this report's publication.

### Bottled oil segment

- Bottled oil sales amounted to 22.4 million liters in Q1 FY2014 versus 26.3 million liters in Q1 FY2013, down 14.9% y-o-y. Revenues from the bottled oil segment declined 23.4% y-o-y to USD 33.4 million in Q1 FY2014.
- The bottled oil segment EBITDA margin was at 11.2% in Q1 FY2014, with a material premium over sunflower oil sales in bulk. The margin decline compared to Q1 FY2013 is explained by higher prices for sunflower seed at the end of the 2012/13 marketing season.

### Grain segment

- Grain sales increased 73.6% y-o-y to 884,701 tons in Q1 FY2014, a record volume for the first quarter. While Ukrainian farmers were reluctant to sell their crops at the rate that they were harvested, the company significantly increased grain exports from the Russian Federation following last year's acquisition of the Taman grain export terminal on Russia's Black Sea coast. Revenues from grain exports increased 48.4% y-o-y to USD 229.0 million in Q1 FY2014, with an average selling price down 14.6% y-o-y, reflecting lower global wheat and barley prices.
- The grain marketing EBITDA margin was at 4.1% in Q1 FY2014 (3.7% in Q1 FY2013), at USD 10.7/ton in Q1 FY2014 compared to USD 11.3/ton in Q1 FY2013. The total grain segment EBITDA increased 63.7% y-o-y to USD 9.4 million in Q1 FY2014.

### Silo services and export terminals segments

- The strong harvest in Ukraine and at our own farming operations this year contributes well to silo services operations. Although prolonged rains in September delayed the harvest, and thus postponed part of the segment's earnings to the next quarter, revenues from silo services increased 5.2% y-o-y to USD 9.8 million in Q1 FY2014 and EBITDA increased 60.4% y-o-y to USD 4.6 million in Q1 FY2014.
- Export terminals throughput increased 5.1% y-o-y to 778,164 tons in Q1 FY2014, reflecting strong throughput at the Taman terminal in the Russian Federation and slow activity in Ukraine, as the overall speed of grain exports from Ukraine was low in the quarter due to not only farmer's reluctance in selling at lower grain prices but also to weather-related delays of the harvesting campaign. Revenues from export terminals services in Ukraine decreased 48.1% y-o-y to USD 7.2 million in Q1 FY2014, with EBITDA down 53.5% y-o-y to USD 3.7 million, as a result of lower throughput volumes. Earnings from the Russian port, owned via a joint venture, are accounted through the equity method, with the net result of USD 2.0 million being reported below the operating profit.
- Overall, the grain marketing, silo services and export terminals segments are performing well, with seasonality skewed toward the second half of the season, compared to normal.

### Farming segment

- First quarter sales in the farming segment consisted primarily of wheat (9% of total acreage) and minor volumes of other crops, while the company's major crops are harvested mostly during the second quarter. Overall, harvested acreage increased to 391 thousand hectares in FY2014 compared to 247 thousand hectares in FY2013, with a crop structure of 42% of corn in FY2014 (23% in FY2013), sunflower seed of 26% (15%), soybean of 16% (22%) and wheat of 9% (25%).
- FY2014 crop yields are significantly higher than last year, with a net corn yield of 6.2 t/ha in FY2014 (up from 4.6 t/ha in FY2013), sunflower seed net yield of 2.2 t/ha (up from 1.7 t/ha), soybean net yield of 1.5 t/ha (up from 1.3 t/ha) and wheat net yield of 4.4 t/ha (up from 3.4 t/ha). While this year's crop yields are delivering premiums to Ukraine's average, crop yields remain below the company's targets for a fully integrated farming business under normal weather conditions.
- With global prices for soft commodities declining sharply this summer, prices at the farm gate declined by approximately 40 – 45% for corn, 30 – 35% for sunflower seed, 15% – 20% for soybean, and 20% – 25% for wheat, erasing profits from improved productivity. The farming segment sells most of its produce to other segments of the company at arm's length prices.
- The farming segment posted an EBITDA loss of USD 6.4 million in Q1 FY2014 versus positive USD 25.9 million a year ago, due to lower grain prices and a non-cash change in the fair value of biological assets.

Note: Differences are possible due to rounding.

(1) Segment revenue includes intersegment sales reflected in item "Reconciliation"

# Financial Highlights

for 3 months ended 30 September 2013

## Income statement highlights

- Revenues decreased 20.0% y-o-y to USD 412.9 million in Q1 FY2014, reflecting y-o-y lower sunflower oil sales and lower prices across all grains and sunflower oil.
- Net change in fair value of biological assets and agricultural produce (IAS 41) was negative at USD 9.4 million in Q1 FY2014 versus negative USD 12.3 million in Q1 FY2013. Starting from this report, the company is reporting gains/losses from the revaluation of biological assets on a net basis as a separate line in its income statement. The accounting policy change does not affect the historical profit from operating activities or EBITDA, but does affect the gross profit and other operating income lines.
- Gross profit stood at USD 25.8 million in Q1 FY2014, down 77.8% y-o-y. Gross margin declined to 6.2% in Q1 FY2014 versus 22.5% in Q1 FY2013, reflecting low volumes of sunflower oil sales and the weak crushing margin at the end of the 2012/13 marketing season as well as the non-cash net loss from the revaluation of biological assets.
- Other operating income of USD 15.8 million (up 56.2% y-o-y) was represented by farming-related VAT exemptions and the operating foreign exchange gain caused by the discrepancy between the official currency exchange rate (used for accounting purposes for the conversion of payments executed in Ukrainian hryvnia to US dollars, the company's functional currency) and the market exchange rate (at which the company exchanges US dollars to Ukrainian hryvnia).
- Distribution costs were USD 42.1 million in Q1 FY2014, down 21.6% y-o-y due to lower sales and the shift in the destination mix. Relative to revenue, distribution costs stood at 10.2% in Q1 FY2014 versus 10.4% in Q1 FY2013.
- General and administrative expenses totaled USD 22.3 million in Q1 FY2014 versus USD 16.8 million in Q1 FY2013, an increase of 32.9% y-o-y primarily due to the consolidation of acquired farming enterprises.
- Losses from operating activities were USD 22.8 million in Q1 FY2014 versus a profit of USD 55.6 million in Q1 FY2013. In addition to the poor contribution from sunflower oil sales and the non-cash loss in the farming segment, operating profit was dragged down by increased depreciation and amortization charges related to the consolidation of acquired farming enterprises (USD 25.7 million in Q1 FY2014 versus USD 19.3 million in Q1 FY2013).
- Net finance costs decreased 32.5% y-o-y to USD 13.4 million in Q1 FY2014, reflecting lower commodity prices and the lower carried-over inventories from the previous financial year.
- The share of profit of the joint venture stood at USD 2.0 million in Q1 FY2014 (not applicable to Q1 FY2013), reflecting the company's share of profits from grain handling and transshipment services provided by the Taman grain transshipment port facility in the Russian Federation.
- The net loss attributable to the shareholders of Kernel Holding S.A. stood at USD 33.8 million in Q1 FY2014 versus a net profit of USD 36.8 million for Q1 FY2013.

## Cash flow highlights

- Operating profit before working capital changes was USD 11.9 million in Q1 FY2014 versus USD 91.7 million in Q1 FY2013, higher than EBITDA due to a non-cash loss from changes in the fair value of biological assets and a loss from the disposal of the Orzhytsa sugar plant assets.
- The increase in working capital was a mere USD 15.8 million in Q1 FY2014 versus USD 249.6 million in Q1 FY2013, primarily due to (1) rainy weather in September 2013 which shifted the sunflower seed procurement schedule forward and (2) overall lower soft commodity prices.
- Net cash used in investing activities was USD 17.0 million in Q1 FY2014 versus USD 110.6 million in Q1 FY2013, reflecting silo construction, farming-related capex, and the divestment of the Orzhytsa sugar plant assets in Q1 FY2014 (last year cash used in investing activities reflected primarily the acquisition of 50% stake in the Taman deep-water grain transshipment terminal).
- All of the above translated into USD 58.0 million provided by financing activities in Q1 FY2014 (USD 343.4 million in Q1 FY2013).

## Liquidity and credit metrics highlights

- Net debt decreased to USD 711.8 million as of 30 September 2013 versus USD 912.8 million as of 30 September 2012, reflecting the y-o-y lower level of inventories due to lower commodity prices and rainy weather in September 2013 shifting the procurement of sunflower seed and corn. Readily marketable inventories (USD 276.3 million) and biological assets (USD 164.1 million at cost, primarily crops in the fields) covered 62% of net debt as of 30 September 2013 versus 81% a year ago.
- Net debt to EBITDA was 3.3x as of 30 September 2013 versus 2.6x as of 30 September 2012, due to two farming acquisitions completed during last year and lower trailing 12-month EBITDA. Adjusted net debt to EBITDA (net debt excluding readily marketable inventories) was 2.0x as of 30 September 2013 versus 0.6x year ago, for same reasons.

## Credit metrics

Amounts in USD million, except ratios	30 September 2013	30 September 2012
	2013	2012
Gross interest-bearing debt	<b>789.5</b>	1,046.2
Cash	<b>77.7</b>	133.4
Net interest-bearing debt	<b>711.8</b>	912.8
Readily marketable inventories	<b>276.3</b>	684.5
Adjusted net financial debt <sup>(1)</sup>	<b>435.4</b>	228.3
Shareholders' equity	<b>1,300.3</b>	1,221.5
Net debt / EBITDA <sup>(2)</sup>	<b>3.3x</b>	2.6x
Adjusted net debt / EBITDA <sup>(3)</sup>	<b>2.0x</b>	0.6x
EBITDA / Interest <sup>(4)</sup>	<b>3.2x</b>	5.0x

(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.

(2) Net debt / EBITDA is calculated based on trailing 12-month EBITDA.

(3) Adjusted net debt / EBITDA is calculated based on trailing 12-month EBITDA.

(4) EBITDA interest is calculated based on trailing 12-month EBITDA and net finance costs.

## Table of Contents

6	Selected Financial Data
7	Interim Condensed Consolidated Statement of Financial Position
8	Interim Condensed Consolidated Statement of Profit or Loss
9	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
10	Interim Condensed Consolidated Statement of Changes in Equity
11	Interim Condensed Consolidated Statement of Cash Flows
12	Notes to the Interim Condensed Consolidated Financial Statements

## Selected Financial Data

for 3 months ended 30 September

	USD thousand		Zloty thousand		EUR thousand	
	2013	2012	2013	2012	2013	2012
I. Revenue	<b>412,903</b>	515,867	<b>1,324,255</b>	1,706,936	<b>311,742</b>	412,539
II. (Loss)/Profit from operating activities	<b>(22,774)</b>	55,591	<b>(73,040)</b>	183,943	<b>(17,194)</b>	44,456
III. (Loss)/Profit before income tax	<b>(34,407)</b>	40,774	<b>(110,349)</b>	134,916	<b>(25,977)</b>	32,607
IV. (Loss)/Profit from continuing operations	<b>(31,859)</b>	37,796	<b>(102,178)</b>	125,062	<b>(24,054)</b>	30,225
V. Net cash used in operating activities	<b>(35,870)</b>	(182,230)	<b>(115,042)</b>	(602,975)	<b>(27,081)</b>	(145,729)
VI. Net cash used in investing activities	<b>(17,049)</b>	(110,637)	<b>(54,679)</b>	(366,074)	<b>(12,872)</b>	(88,477)
VII. Net cash generated by financing activities	<b>57,945</b>	343,699	<b>185,840</b>	1,137,246	<b>43,748</b>	274,856
VIII. Total net cash flow	<b>5,026</b>	50,832	<b>16,119</b>	168,197	<b>3,795</b>	40,650
IX. Total assets	<b>2,363,803</b>	2,540,408	<b>7,381,448</b>	8,073,416	<b>1,750,632</b>	1,962,465
X. Current liabilities	<b>664,336</b>	996,552	<b>2,074,522</b>	3,167,042	<b>492,007</b>	769,836
XI. Non-current liabilities	<b>382,637</b>	298,407	<b>1,194,861</b>	948,337	<b>283,381</b>	230,520
XII. Issued capital	<b>2,104</b>	2,104	<b>6,570</b>	6,687	<b>1,558</b>	1,625
XIII. Total equity	<b>1,316,830</b>	1,245,449	<b>4,112,065</b>	3,958,037	<b>975,244</b>	962,109
XIV. Number of shares	<b>79,683,410</b>	79,683,410	<b>79,683,410</b>	79,683,410	<b>79,683,410</b>	79,683,410
XV. (Loss)/Profit per ordinary share (in USD/Zloty/EUR)	<b>(0.42)</b>	0.46	<b>(1.36)</b>	1.53	<b>(0.32)</b>	0.37
XVI. Diluted number of shares	<b>79,956,075</b>	80,055,289	<b>79,956,075</b>	80,055,289	<b>79,956,075</b>	80,055,289
XVII. Diluted (loss)/profit per ordinary share (in USD/Zloty/EUR)	<b>(0.42)</b>	0.46	<b>(1.36)</b>	1.52	<b>(0.32)</b>	0.37
XVIII. Book value per share (in USD/Zloty/EUR)	<b>16.32</b>	15.33	<b>50.96</b>	48.72	<b>12.09</b>	11.84
XIX. Diluted book value per share (in USD/Zloty/EUR)	<b>16.26</b>	15.26	<b>50.78</b>	48.50	<b>12.04</b>	11.79

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer



# Interim Condensed Consolidated Statement of Financial Position

(in thousands of US dollars unless otherwise stated)				
	Notes	As of 30 September 2013 (Unaudited)	As of 30 June 2013 (Audited)	As of 30 September 2012 (Unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash		77,731	78,827	133,361
Trade accounts receivable, net		139,383	149,600	149,601
Prepayments to suppliers and other current assets, net	12	133,743	118,353	110,226
Corporate income tax prepaid		19,323	19,323	7,938
Taxes recoverable and prepaid, net		156,129	190,695	252,645
Inventory		327,614	270,248	721,365
Biological assets		209,853	247,268	78,456
Assets classified as held for sale	7	21,445	23,176	-
<b>Total current assets</b>		<b>1,085,221</b>	<b>1,097,490</b>	<b>1,453,592</b>
<b>Non-current assets</b>				
Property, plant and equipment, net	6	774,453	767,317	720,380
Intangible assets, net		154,904	162,287	87,641
Goodwill		157,431	157,431	137,227
Investments in joint ventures	5	96,100	94,026	95,031
Deferred tax assets		17,340	22,850	19,856
Other non-current assets	10,12	78,354	65,541	26,681
<b>Total non-current assets</b>		<b>1,278,582</b>	<b>1,269,452</b>	<b>1,086,816</b>
<b>Total assets</b>		<b>2,363,803</b>	<b>2,366,942</b>	<b>2,540,408</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade accounts payable	12	63,883	51,751	71,910
Advances from customers and other current liabilities	12	174,519	202,051	151,048
Short-term borrowings	8	345,448	398,700	699,696
Current portion of long-term borrowings	9	78,291	50,893	73,898
Liabilities directly associated with assets classified as held for sale	7	2,195	1,909	-
<b>Total current liabilities</b>		<b>664,336</b>	<b>705,304</b>	<b>996,552</b>
<b>Non-current liabilities</b>				
Long-term borrowings	9	340,442	256,630	252,925
Obligations under finance lease		17,410	19,093	14,190
Deferred tax liabilities		19,482	27,721	24,577
Other non-current liabilities		5,303	5,839	6,715
<b>Total non-current liabilities</b>		<b>382,637</b>	<b>309,283</b>	<b>298,407</b>
<b>Equity attributable to Kernel Holding S.A. equity holders</b>				
Issued capital	2	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		3,028	3,028	1,211
Revaluation reserve		40,053	40,053	15,049
Translation reserve		(161,629)	(160,941)	(162,074)
Retained earnings		912,950	946,772	861,367
<b>Total equity attributable to Kernel Holding S.A. equity holders</b>		<b>1,300,329</b>	<b>1,334,839</b>	<b>1,221,480</b>
Non-controlling interest		16,501	17,516	23,969
<b>Total equity</b>		<b>1,316,830</b>	<b>1,352,355</b>	<b>1,245,449</b>
<b>Total liabilities and equity</b>		<b>2,363,803</b>	<b>2,366,942</b>	<b>2,540,408</b>
Book value		1,300,329	1,334,839	1,221,480
Number of shares	2	79,683,410	79,683,410	79,683,410
Book value per share (in USD)		16.32	16.75	15.33
Diluted number of shares		79,956,075	80,035,037	80,055,289
Diluted book value per share (in USD)		16.26	16.68	15.26

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Interim Condensed Consolidated Statement of Profit or Loss

(in thousands of US dollars unless otherwise stated)		3 months ended 30 September 2013 (Unaudited)	3 months ended 30 September 2012 (Unaudited)
	Notes		
<b>Revenue</b>	12	<b>412,903</b>	<b>515,867</b>
Net change in fair value of biological assets and agricultural produce		(9,385)	(12,297)
Cost of sales	12	(377,744)	(387,637)
<b>Gross profit</b>		<b>25,774</b>	<b>115,933</b>
Other operating income	11	15,846	10,142
<b>Operating expenses</b>			
Distribution costs	12	(42,087)	(53,704)
General and administrative expenses	12	(22,307)	(16,780)
<b>(Loss)/Profit from operating activities</b>		<b>(22,774)</b>	<b>55,591</b>
Finance costs, net	12	(13,389)	(19,821)
Foreign exchange gain, net		1,198	9,088
Other expenses, net		(1,404)	(4,084)
Share of profit of joint ventures	5	1,962	-
<b>(Loss)/Profit before income tax</b>		<b>(34,407)</b>	<b>40,774</b>
Income tax benefit/(expenses)		2,548	(2,978)
<b>(Loss)/Profit for the period from continuing operations</b>		<b>(31,859)</b>	<b>37,796</b>
<b>Discontinued operations:</b>			
Loss for the period from discontinued operations		(2,861)	(212)
<b>(Loss)/Profit for the period</b>		<b>(34,720)</b>	<b>37,584</b>
<b>(Loss)/Profit for the period attributable to:</b>			
<b>Equity holders of Kernel Holding S.A.</b>		<b>(33,822)</b>	<b>36,789</b>
Non-controlling interest		(898)	795
<b>Earnings per share</b>			
From continuing and discontinued operations			
Weighted average number of shares	2	79,683,410	79,683,410
(Loss)/Profit per ordinary share (in USD)		(0.42)	0.46
Diluted number of shares		79,956,075	80,055,289
Diluted (loss)/profit per ordinary share (in USD)		(0.42)	0.46

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer



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

(in thousands of US dollars)		3 months ended 30 September 2013 (Unaudited)	3 months ended 30 September 2012 (Unaudited)
<b>(Loss)/Profit for the period</b>		<b>(34,720)</b>	<b>37,584</b>
<b>Other comprehensive (loss)/income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations		(710)	4,982
<b>Other comprehensive (loss)/income, net</b>		<b>(710)</b>	<b>4,982</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(35,430)</b>	<b>42,566</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of Kernel Holding S.A.		(34,510)	41,797
Non-controlling interest		(920)	769

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Interim Condensed Consolidated Statement of Changes in Equity

(in thousands of US dollars)	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 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)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1,433)	32,948	31,515	(1,436)	30,079
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
Total comprehensive income/(loss) for the period	-	-	-	-	-	1,334	(3,440)	(2,106)	(1,504)	(3,610)
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>
Profit/(Loss) for the period	-	-	-	-	-	-	44,967	44,967	(4,165)	40,802
Other comprehensive income/(loss)	-	-	-	-	25,004	1,232	-	26,236	(13)	26,223
Total comprehensive income/(loss) for the period	-	-	-	-	25,004	1,232	44,967	71,203	(4,178)	67,025
Additional non-controlling interests arising on the acquisition of subsidiaries	-	-	-	-	-	-	-	-	11,115	11,115
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(4,967)	(4,967)
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	-	(24)	(24)
Recognition of share-based payments	-	-	-	1,817	-	-	-	1,817	-	1,817
<b>Balance as of 30 June 2013 (audited)</b>	<b>2,104</b>	<b>463,879</b>	<b>39,944</b>	<b>3,028</b>	<b>40,053</b>	<b>(160,941)</b>	<b>946,772</b>	<b>1,334,839</b>	<b>17,516</b>	<b>1,352,355</b>
Loss for the period	-	-	-	-	-	-	(33,822)	(33,822)	(898)	(34,720)
Other comprehensive loss	-	-	-	-	-	(688)	-	(688)	(22)	(710)
Total comprehensive loss for the period	-	-	-	-	-	(688)	(33,822)	(34,510)	(920)	(35,430)
Effect of changes of non-controlling interest	-	-	-	-	-	-	-	-	(95)	(95)
<b>Balance as of 30 September 2013 (unaudited)</b>	<b>2,104</b>	<b>463,879</b>	<b>39,944</b>	<b>3,028</b>	<b>40,053</b>	<b>(161,629)</b>	<b>912,950</b>	<b>1,300,329</b>	<b>16,501</b>	<b>1,316,830</b>

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Interim Condensed Consolidated Statement of Cash Flows

(in thousands of US dollars)		3 months ended 30 September 2013 (Unaudited)	3 months ended 30 September 2012 (Unaudited)
<b>Operating activities:</b>			
<b>(Loss)/Profit before income tax</b>		<b>(38,005)</b>	<b>40,025</b>
<b>Adjustments for:</b>			
Amortization and depreciation		25,749	19,257
Finance costs, net		13,389	19,816
Movement in allowance for doubtful receivables		1,177	(1,995)
Other accruals		(602)	(3)
Loss/(Gain) on disposal of property, plant and equipment		3,147	(226)
Non-operating foreign exchange (gain)/loss		(343)	1,096
Write-offs and impairment (gain)/loss		(46)	1,450
Loss from changes in fair value of biological assets		9,385	12,297
Share of profit of joint ventures		(1,962)	-
<b>Operating profit before working capital changes</b>		<b>11,889</b>	<b>91,717</b>
<b>Changes in working capital:</b>			
Decrease/ (Increase) in trade accounts receivable		4,649	(3,045)
Increase in prepayments and other current assets		(17,106)	(18,081)
Decrease in restricted cash balance		6,193	-
Decrease/(Increase) in taxes recoverable and prepaid		34,566	(24,713)
Decrease in biological assets		23,750	62,585
Increase in inventories		(52,304)	(312,633)
Increase in trade accounts payable		12,132	46,420
Decrease in advances from customers and other current liabilities		(27,638)	(168)
<b>Cash used in operations</b>		<b>(3,869)</b>	<b>(157,918)</b>
Finance costs paid		(13,261)	(15,448)
Income tax paid		(18,740)	(8,864)
<b>Net cash used in operating activities</b>		<b>(35,870)</b>	<b>(182,230)</b>
<b>Investing activities:</b>			
Purchase of property, plant and equipment		(22,518)	(8,422)
Proceeds from disposal of property, plant and equipment		5,643	50
Purchase of intangible and other non-current assets		(174)	(7,234)
Purchase of investment in joint ventures		-	(95,031)
<b>Net cash used in investing activities</b>		<b>(17,049)</b>	<b>(110,637)</b>
<b>Financing activities:</b>			
Proceeds from short-term and long-term borrowings		249,464	446,582
Repayment of short-term and long-term borrowings		(191,506)	(95,383)
Acquisition of non-controlling interest		-	(7,844)
<b>Net cash generated by financing activities</b>		<b>57,958</b>	<b>343,355</b>
Translation adjustment		(13)	344
<b>Net increase in cash and cash equivalents</b>		<b>5,026</b>	<b>50,832</b>
<b>Cash and cash equivalents, at the beginning of the period</b>		<b>72,705</b>	<b>82,529</b>
<b>Cash and cash equivalents, at the end of the period</b>		<b>77,731</b>	<b>133,361</b>

On behalf of the Board

**Andrey Verevskiy**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Notes to the Interim 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 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 30 September 2013, 30 June 2013, and 30 September 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		
			30 September 2013	30 June 2013	30 September 2012
Jerste BV	Holding companies.	Netherlands	100.0%	100.0%	100.0%
Enselco LLC		Ukraine	100.0%	100.0%	100.0%
Tweelingen Ukraine LLC		Ukraine	100.0%	100.0%	N/A
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%	100.0%
Poltava oil-crushing plant Kernel Group PJSC	Production plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Bandurskiy oil-crushing plant LLC		Ukraine	100.0%	100.0%	100.0%
Vovchansky OEP PJSC		Ukraine	99.4%	99.4%	99.0%
Prykolotnjansky OEP LLC		Ukraine	100.0%	100.0%	100.0%
Kirovogradoliya JSC		Ukraine	99.2%	99.2%	99.2%
Ekotrans LLC		Ukraine	100.0%	100.0%	100.0%
Ukrainian Black Sea Industry LLC		Ukraine	100.0%	100.0%	100.0%
Stavropol Oil OJSC		Russian Federation	100.0%	100.0%	100.0%
Nevinnomissky oil-crushing plant CJSC		Russian Federation	100.0%	100.0%	100.0%
Ust-Labinsky EMEK Florentina CJSC		Russian Federation	100.0%	100.0%	100.0%
Estron Corporation Ltd.	Provision of grain, oil and meal handling and transshipment services.	Cyprus	100.0%	100.0%	100.0%
Poltavske Khlibopriemalne Pidpriemstvo PJSC	Grain elevators. Provision of grain and oil-seed cleaning, drying and storage services.	Ukraine	94.0%	94.0%	88.2%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%
Unigrain-Agro (Globyno) LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	100.0%	100.0%	100.0%
Unigrain-Agro (Semenivka) LLC		Ukraine	100.0%	100.0%	100.0%
Agrofirma Arshytsya LLC		Ukraine	100.0%	100.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%	100.0%
Agrofirma Kuybyshevo LLC		Ukraine	65.6%	65.6%	61.2%
Palmira LLC		Ukraine	93.0%	93.0%	89.1%
Enselco Agro LLC		Ukraine	100.0%	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	83.3%	83.3%	N/A

These interim condensed consolidated financial statements were authorized for issue by the board of directors of Kernel Holding S.A. on 28 November 2013.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## 2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg) (the 'Holding' or the 'Company'). The issued capital of the Company as of 30 September 2013 and 2012 consisted of 79,683,410 ordinary bearer shares without indication of a nominal value, providing 79,683,410 voting rights.

The shares were distributed as follows:

	As of 30 September 2013		As of 30 September 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)	30,610,657	38.42%	30,460,657	38.23%
Free-float	49,072,753	61.58%	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 30 September 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 thousand, 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 118 thousand, to a total amount of USD 1,933 thousand. 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 Company.

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 13 thousand and set at USD 1,945 thousand, 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 399,400 thousand 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 thousand, 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 thousand as of 30 September 2013, unchanged from 30 September 2012, may not be distributed as dividends.

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

These interim condensed consolidated financial statements for the 3 months ended 30 September 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 2013, except as required by new and amended standards and changes of the accounting policy, as described below.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## Adoption of New and Revised Standards

The Group has adopted the following new and amended standards:

- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (as revised in 2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IFRS 1 (Government Loans)

The adoption of the new or revised Standards did not have any significant effect on the financial position or performance of the Group and did not result in any significant changes to the Group's accounting policies and the amounts reported in the three-month period ended 30 September 2013 or prior periods.

## Standards and Interpretations Not Yet Adopted

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

Standard	Effective for annual accounting period beginning on or after
IAS 27 Separate Financial Statements	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	1 January 2014
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 11 Joint Arrangements	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014
Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2014
Annual Improvements 2009-2011 Cycle	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*	1 January 2014
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2014
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting' (Amendments to IAS 39)*	1 January 2014
IFRIC 21 Levies*	1 January 2014
IFRS 9 Financial Instruments*	1 January 2015

\* Standards and interpretations not yet adopted by the European Union.

## Investments 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 (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in joint ventures using 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. Under the equity method, an investment in joint ventures is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf 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 recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment in a joint venture. 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 recognized immediately in profit or loss.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## Change of the Accounting Policy

The Group changed its accounting policy regarding presentation of changes in the fair value of biological assets and agricultural produce in the Consolidated Statement of Profit or Loss. This effect was previously presented in two parts as:

- "other operating income" (effect of revaluation of biological assets as of reporting date and agricultural produce as of the date of harvest to fair value); and
- "cost of sales" (reversal of fair value effect related to agricultural produce sold in the reporting period).

In the current reporting period, these effects were presented as a single line item in the Consolidated Statement of Profit or Loss - "Net change in fair value of biological assets and agricultural produce". Following this change, the Group also changed the presentation of the Consolidated Statement of Cash Flows in order to reflect the full effect of the net change in the fair value of biological assets and agricultural produce as an adjustment to the "(Loss)/Profit before income tax" in the cash flows from operating activities.

This approach is most commonly used in the industry and the Group's management believes that this change in the accounting policy will result in the financial statements providing more relevant and reliable information about the effect of transactions on the Group's financial performance.

The effect of the retrospective application of this policy on Interim Condensed Consolidated Statement of Profit or Loss was as follows:

(in thousands of US dollars)	3 months ended 30 September 2013 (Unaudited) New Policy	3 months ended 30 September 2013 (Unaudited) Old Policy	3 months ended 30 September 2013 (Unaudited) Effect	3 months ended 30 September 2012 (Unaudited) New Policy	3 months ended 30 September 2012 (Unaudited) Old Policy	3 months ended 30 September 2012 (Unaudited) Effect
Revenue	412,903	412,903	-	515,867	515,867	-
Net change in fair value of biological assets and agricultural produce	(9,385)	-	(9,385)	(12,297)	-	(12,297)
Cost of sales	(377,744)	(386,429)	8,685	(387,637)	(400,980)	13,343
Gross profit	25,774	26,474	(700)	115,933	114,887	1,046
Other operating income	15,846	15,146	700	10,142	11,188	(1,046)
(Loss)/Profit from operating activities	(22,774)	(22,774)	-	55,591	55,591	-

The effect of retrospective application of this policy on Interim Condensed Consolidated Statement of Cash Flows was as follows:

(in thousands of US dollars)	3 months ended 30 September 2013 (Unaudited) New Policy	3 months ended 30 September 2013 (Unaudited) Old Policy	3 months ended 30 September 2013 (Unaudited) Effect	3 months ended 30 September 2012 (Unaudited) New Policy	3 months ended 30 September 2012 (Unaudited) Old Policy	3 months ended 30 September 2012 (Unaudited) Effect
Operating activities:						
(Loss)/Profit before income tax	(38,005)	(38,005)	-	40,025	40,025	-
Adjustment for:						
Loss from changes in fair value of biological assets	9,385	700	8,685	12,297	-	12,297
Operating profit before working capital changes	11,889	3,204	8,685	91,717	79,420	12,297
Changes in working capital:						
Decrease in biological assets	23,750	32,435	(8,685)	62,585	74,882	(12,297)
Net cash used in operating activities	(35,870)	(35,870)	-	(182,230)	(182,230)	-

The change in accounting policies had no effect on earnings per share in either the current or previous periods.



# Notes to the Interim Condensed Consolidated Financial Statements (continued)

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

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

Currency	Closing rate as of 30 September 2013	Average rate for the 3 months ended 30 September 2013	Closing rate as of 30 September 2012	Average rate for the 3 months ended 30 September 2012
USD/UAH	7.9930	7.9930	7.9930	7.9930
USD/EUR	0.7406	0.7550	0.7725	0.7997
USD/PLN	3.1227	3.2072	3.1780	3.3089

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 and by the National Bank of Ukraine for USD/UAH rate.

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

Segments in the consolidated financial statements are defined in accordance with the type of activity, products sold, or services provided. The operating segments' activities are as follows:

Operating segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil in bulk	Production and sales of sunflower oil in bulk (crude and refined) and meal.
Grain	Sourcing and 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	Marketing and distribution of sugar.
Farming	Agricultural farming. Production of wheat, barley, corn, soya bean, sunflower seed and sugar beet.
Other	Unallocated to other segments income and expenses, related to holding administration.

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

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, amortization 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.

For the purpose of segment reporting, revenue from sale oil cake and meal is allocated to the bottled sunflower oil and sunflower oil in bulk segments in proportion to its production volumes for the period.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## 4. Key Data by Operating Segment

Key data by operating segment for 3 months ended 30 September 2013:

(in thousands of US dollars)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-Discontinued conciliation operations	Continuing operations	
Revenue (external)	33,365	116,450	1,569	23,504	229,010	4,285	4,926	-	-	(206)	412,903
Intersegment sales	-	-	5,661	46,389	-	5,468	-	-	(57,518)	-	
<b>Total revenue</b>	<b>33,365</b>	<b>116,450</b>	<b>7,230</b>	<b>69,893</b>	<b>229,010</b>	<b>9,753</b>	<b>4,926</b>	<b>-</b>	<b>(57,518)</b>	<b>(206)</b>	<b>412,903</b>
Net change in fair value of biological assets and agricultural produce	-	-	-	(9,385)	-	-	-	-	-	-	(9,385)
Other operating income	320	2,174	2	5,363	5,922	39	2,172	-	-	(146)	15,846
<b>Operating income/(loss)</b>	<b>2,674</b>	<b>(4,519)</b>	<b>2,861</b>	<b>(22,788)</b>	<b>9,421</b>	<b>2,607</b>	<b>(216)</b>	<b>(12,782)</b>	<b>-</b>	<b>(32)</b>	<b>(22,774)</b>
Finance costs, net											(13,389)
Foreign exchange gain, net											1,198
Other expenses, net											(1,404)
Share of profit of joint ventures											1,962
Income tax benefit											2,548
Loss for the period											(31,859)
<b>Total assets</b>	<b>96,152</b>	<b>852,722</b>	<b>203,128</b>	<b>721,146</b>	<b>210,440</b>	<b>178,216</b>	<b>59,671</b>	<b>20,883</b>	<b>-</b>	<b>21,445</b>	<b>2,363,803</b>
Capital expenditures	511	2,547	236	13,373	-	8,870	-	239	-	-	25,776
Amortization and depreciation	1,062	5,292	845	16,352	12	2,029	-	157	-	-	25,749
Liabilities	11,634	23,645	64,803	74,917	38,032	27,542	-	804,205	-	2,195	1,046,973

During the 3 months ended 30 September 2013, two of the Group's external customers accounted for more than 10% of total external revenue. Also, during that period, export sales amounted to 87% of total external sales revenue.

(in thousands of US dollars)	Revenue from external customers	Non-current assets
	3 months ended 30 September 2013 unaudited	As of 30 September 2013 unaudited
Ukraine	309,379	1,222,429
Russia	103,524	56,153
<b>Total</b>	<b>412,903</b>	<b>1,278,582</b>

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

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

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

(in thousands of US dollars)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	43,561	291,694	6,150	11,374	154,369	4,290	6,314	-	-	(1,885)	515,867
Intersegment sales	-	-	7,777	75,483	-	4,977	50	-	(88,287)	-	-
<b>Total revenue</b>	<b>43,561</b>	<b>291,694</b>	<b>13,927</b>	<b>86,857</b>	<b>154,369</b>	<b>9,267</b>	<b>6,364</b>	<b>-</b>	<b>(88,287)</b>	<b>(1,885)</b>	<b>515,867</b>
Net change in fair value of biological assets and agricultural produce	-	-	-	(12,297)	-	-	-	-	-	-	(12,297)
Other operating (expenses)/income	-	(199)	1	7,717	2,529	94	(16)	-	-	16	10,142
<b>Operating profit/(loss)</b>	<b>6,938</b>	<b>33,952</b>	<b>7,127</b>	<b>15,826</b>	<b>5,751</b>	<b>747</b>	<b>(2,946)</b>	<b>(12,545)</b>	<b>-</b>	<b>741</b>	<b>55,591</b>
Finance costs, net											(19,821)
Foreign exchange gain, net											9,088
Other expenses, net											(4,084)
Income tax expenses											(2,978)
Profit for the period											37,796
<b>Total assets</b>	<b>108,701</b>	<b>1,288,791</b>	<b>115,193</b>	<b>345,361</b>	<b>338,818</b>	<b>157,654</b>	<b>173,298</b>	<b>12,592</b>	<b>-</b>	<b>-</b>	<b>2,540,408</b>
Capital expenditures	168	1,647	110	2,932	-	3,641	71	931	-	-	9,500
Amortization 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	1,080,040	-	-	1,294,959

During the 3 months ended 30 September 2012, two of the Group's external customers accounted for more than 22% of total external revenue. Also during that period, export sales amounted to 86% 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.

(in thousands of US dollars)	Revenue from external customers		Non-current assets	
	3 months ended 30 September 2012 unaudited		As of 30 September 2012 unaudited	
Ukraine	489,018		1,032,854	
Russia	26,849		53,962	
<b>Total</b>	<b>515,867</b>		<b>1,086,816</b>	

## 5. Acquisition and Disposal of Subsidiaries

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.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## 6. Property, Plant and Equipment, net

During 3 months ended 30 September 2013, the Group acquired property, plant and equipment amounting to USD 25,776 thousand (for the 3 months ended 30 September 2012: USD 9,500 thousand). These purchases were related mainly to the construction of two silos and purchases of agricultural vehicles and equipment for the farming segment. Additionally, there was a decreasing effect on the net book value due to a normal depreciation charge.

## 7. Assets Classified as Held for Sale

In September 2013, the Group disposed property, plant and equipment of Orzhytsky Sugar Plant LLC for a total sale consideration of USD 5,100 thousand. These assets were reclassified as assets held for sale following the approval of directors as of 27 June 2013.

## 8. Short-term Borrowings

The balances of short-term borrowings were as follows:

(in thousands of US dollars)	As of 30 September 2013	As of 30 September 2012
Bank credit lines	342,061	695,670
Interest accrued on short-term loans	775	1,641
Interest accrued on long-term loans	2,612	2,385
<b>Total</b>	<b>345,448</b>	<b>699,696</b>

The balances of short-term borrowings as of 30 September 2013 were as follows:

(in thousands of US dollars)	Interest rate	Currency	Maturity	Amount due
European bank	LIBOR + 4.75%	USD	August 2014	75,000
European bank	LIBOR + 3.75%	USD	June 2014	55,900
Ukrainian subsidiary of European bank	LIBOR + 4.8%	USD	September 2014	55,000
Ukrainian subsidiary of European bank	LIBOR + 7.5%	USD	August 2014	52,800
Ukrainian subsidiary of European bank	LIBOR + 8.0%	USD	July 2014	29,600
Ukrainian subsidiary of European bank	6.0%	USD	November 2013	18,100
Ukrainian subsidiary of European bank	8.0%	UAH	November 2013	16,921
European bank	LIBOR + 3.0%	USD	February 2014	15,000
Ukrainian subsidiary of American bank	LIBOR + 1.0%	USD	June 2014	12,573
Ukrainian subsidiary of European bank	9.75%	USD	October 2013	4,737
Ukrainian subsidiary of European bank	5.50%	USD	October 2013	3,723
Ukrainian subsidiary of European bank	9.50%	USD	October 2013	1,427
Ukrainian subsidiary of European bank	LIBOR + 5.0%	USD	November 2013	1,280
<b>Total bank credit lines</b>				<b>342,061</b>
Interest accrued on short-term loans				775
Interest accrued on long-term loans				2,612
<b>Total</b>				<b>345,448</b>

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

(in thousands of US dollars)	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 + 7.0%	USD	September 2013	80,000
Ukrainian subsidiary of European bank	LIBOR + 4.8%	USD	September 2013	55,000
Ukrainian subsidiary of European bank	LIBOR + 8.0%	USD	January 2013	33,253
Ukrainian subsidiary of European bank	7.5%	USD	June 2013	24,115
Ukrainian subsidiary of European bank	LIBOR + 7.0%	USD	September 2013	20,000
Ukrainian subsidiary of European bank	LIBOR + 5.0%	USD	August 2013	13,101
European bank	SG rate + 3.0%	USD	July 2013	11,815
Ukrainian subsidiary of European bank	LIBOR + 7.0%	USD	October 2012	10,000
Ukrainian subsidiary of European bank	LIBOR + 5.7%	USD	September 2013	5,386
<b>Total bank credit lines</b>				<b>695,670</b>
Interest accrued on short-term loans				1,641
Interest accrued on long-term loans				2,385
<b>Total</b>				<b>699,696</b>

As of 30 September 2013, the overall maximum credit limit for short-term bank credit lines amounted to USD 802,560 thousand (as of 30 September 2012: USD 1,246,190 thousand).

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## 8. Short-term Borrowings (continued)

Short-term loans from banks were secured as follows:

Assets pledged (in thousands of US dollars)	As of 30 September 2013	As of 30 September 2012
Inventory	101,511	592,237
Property, plant and equipment	137,361	100,778
Intangible assets	5,929	-
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
<b>Total</b>	<b>244,801</b>	<b>693,015</b>

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

## 9. Long-term Borrowings

The balances of long-term borrowings were as follows:

(in thousands of US dollars)	As of 30 September 2013	As of 30 September 2012
Long-term bank loans	418,733	326,823
Current portion of long-term borrowings	(78,291)	(73,898)
<b>Total</b>	<b>340,442</b>	<b>252,925</b>

The balances of long-term borrowings as of 30 September 2013 were as follows:

(in thousands of US dollars)	Interest rate	Currency	Maturity	Amount due
European bank	LIBOR + 8.0%	USD	August 2018	120,000
European bank	LIBOR + 5.5%	USD	February 2016	81,000
European bank	LIBOR + 6.25%	USD	January 2015	75,000
Russian bank	LIBOR + 8.35%	USD	August 2016	60,003
Ukrainian subsidiary of European bank	LIBOR + 7.5%	USD	November 2017	46,539
Ukrainian subsidiary of American bank	LIBOR + 4.5%	USD	January 2017	21,875
European bank	LIBOR + 2.65%	USD	April 2015	14,316
<b>Total</b>				<b>418,733</b>

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

(in thousands of US dollars)	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	9.0%	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 + 5.0%	USD	November 2013	2,902
<b>Total</b>				<b>326,823</b>

Long-term loans as of 30 September 2013 include credit lines from banks with the overall maximum credit limit of USD 438,730 thousand (as of 30 September 2012: USD 341,796 thousand).

Long-term loans from banks were secured as follows:

Assets pledged (in thousands of US dollars)	As of 30 September 2013	As of 30 September 2012
Property, plant and equipment	219,231	336,899
Intangible assets	-	5,929
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
<b>Total</b>	<b>219,231</b>	<b>342,828</b>

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

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## 10. Income Tax

The Parent is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 22.47% as of 30 September 2013 (22.05% as of 30 September 2012). The corporate income tax rate in Ukraine, where the main operation of the Group is located, was 19% as of 30 September 2013 and 21% as of 30 September 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 30 September 2013 were measured based on the revised income tax rates of the new Tax Code.

For the three months ended 30 September 2013, the Group prepaid USD 18,740 thousand of income tax which was included in the Interim Condensed Consolidated Statement of Financial Position into the line 'Other non-current assets'.

## 11. Other Operating Income

Other operating income was as follows:

	3 months ended 30 September 2013	3 months ended 30 September 2012
(in thousands of US dollars)		
VAT and other farming related exemptions	7,181	6,409
Contracts wash-out (price difference settlement)	-	68
Other operating income/(expenses)	8,665	3,665
<b>Total</b>	<b>15,846</b>	<b>10,142</b>

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## 12. Transactions with Related Parties

Related parties are the Beneficial Owner, companies under common control of the Beneficial Owner, joint ventures 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
(in thousands of US dollars)	As of 30 September 2013		As of 30 September 2012	
Prepayments to suppliers and other current assets, net	14,276	133,743	6,607	110,226
Other non-current assets	20,695	78,354	210	26,681
Trade accounts payable	4,171	63,883	20	71,910
Advances from customers and other current liabilities	75,045	174,519	60,975	151,048

As of 30 September 2013 and 30 September 2012, the Group did not create an allowance for trade accounts receivable, prepayments made and other current assets from related parties.

Other non-current assets as of 30 September 2013 include a loan provided to Namsen Limited in amount of USD 13,945 thousand, which is interest bearing at 2% per annum.

Advances from customers and other current liabilities as of 30 September 2013 include amounts due to Namsen Limited. This amount includes:

- USD 18,025 thousand for the purchase of Stiom Holding;
- USD 28,916 thousand for the purchase of Inter-Agro which is interest bearing at 4% per annum;
- USD 20,043 thousand is a loan provided by Namsen to Inter-Agro Group.

As of 30 September 2012, advances from customers and other current liabilities included amounts due to Namsen Limited. This amount included:

- USD 39,300 thousand for the purchase of Inter-Agro which is interest bearing at 4% per annum;
- USD 20,043 thousand 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
(in thousands of US dollars)	3 months ended 30 September 2013		3 months ended 30 September 2012	
Cost of sales	(49)	(377,744)	(282)	(387,637)
General, administrative and distribution expenses	(6,417)	(64,394)	(225)	(70,484)
Finance costs, net	123	(13,389)	52	(19,821)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties. As for the three months ended 30 September 2013, distribution expenses included USD 6,324 thousand of services for the transport of goods paid to Zernovoy Terminalny Complex Taman LLC. All other transactions occurred with related parties under common control.

As of 30 September 2013, the Board consists of the following eight directors: the Chairman of the Board, three non-executive independent directors, four directors employed by Subsidiaries. Remuneration of the Board (8 Directors) for three months ended 30 September 2013 amounted to USD 66.3 thousand (for three months ended 30 September 2012: seven Directors, USD 23.8 thousand).

The non-executive directors also are refunded, to a reasonable extent, for any expenses incurred by them in performing their duties, including reasonable travelling expenses. Five 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 564 thousand for three months ended 30 September 2013 (for three months ended 30 September 2012: 14 people, USD 450 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. The Management of the Group has been provided with options to purchase the shares of the Holding.



# Notes to the Interim Condensed Consolidated Financial Statements (continued)

## 13. Commitments and Contingencies

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 30 September 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, 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 2013 amounted to USD 159,654 thousand (30 September 2012: USD 75,982 thousand). Out of this amount, USD 106,998 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 (30 September 2012: USD 30,787 thousand). 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 30 September 2013, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 1,263 thousand (30 September 2012: USD 1,832 thousand) for the supply of equipment and services.

## Contractual Commitments on Sales

As of 30 September 2013, the Group had entered into commercial contracts for the export of 1,438,500 tons of grain and 532,074 tons of sunflower oil and meal, corresponding to an amount of USD 346,196 thousand and USD 257,023 thousand, respectively, at prices as of 30 September 2013.

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.

## 14. Subsequent Events

In October 2013, in accordance with the previously announced strategy to divest remotely located farmland, the Group has completed, via its subsidiary, the sale of the farming operations located in southern Ukraine for a total consideration of USD 7,000 thousand.