

KERNEL

Condensed Consolidated
Financial Statements
for the 3 months ended
31 december 2011



Q2
FY2012

Kernel Holding S.A.

Foreword by Andrey Verevskiy, Chairman of the Board

Dear Shareholders,

We are delighted to report Kernel's financial results for Q2 FY2012 with revenue for the quarter under review increasing year-on-year by 4.8% to USD 594 million, EBITDA increasing by 40% to USD 104 million, and net profit increasing by 25% to USD 65 million.

Notwithstanding the strong financial performance and the fact, that it is the company's best quarter to date, the reported results are still below our expectations. The major reason for that was lower than planned delivery volumes of bulk oil and sugar translating into higher inventory balances.

The bearish mood was prevailing across the soft commodities market throughout the 2Q FY12. At the same time the harsh global macro-economic conditions further deteriorate the broad market sentiment. International grain and edible oil export prices further declined by 13-18% compared to already weak average prices of Q1 FY2012. Under such a price environment, farmers remained sensitive to selling, expecting the prices to rebound in the second half of the marketing year. As widely anticipated, corn was a key driver of export activities in the quarter following the bumper harvest, and insufficient inland storage facilities were forcing the farmers to sell. In total, Ukraine exported approximately 10 million tons of grains and oilseeds in the first half of the 2011/12 marketing year, which is 20% below initial expectations. We foresee the grain exporting activities accelerating in the March-May period when farmers are usually under pressure to finance the sowing campaign and major field works. Spring is also normally a period for destocking in advance of the new harvesting season. All of this has the potential to translate into an additional 10 million tons of grains and oilseeds finding its way through the Ukrainian export infrastructure in the second half of the season, translating into the revised Ukrainian grain exports of 20 million tons in the 2011/12 marketing season.

Lower grain exports were the result of dry weather conditions following the winter crop sowing campaign in autumn and extremely low temperatures in January-February that damaged 30-35% of the winter crops. Consequently, carried forward wheat stocks are expected to be higher, thus reducing overseas grain shipments. Ukraine again set a new record in sunflower oil exports, which totaled over 900,000 tons of oil in September-December 2011, owing to a record sunflower seeds harvest. Nevertheless, the overall poor trading activity in the market led to a relatively low oilseeds cover ratio in the Ukrainian crushing sector, which is not typical for this part of the season. Thus, the plentiful sunflower seed stocks carried by the farmers will keep the price under pressure in the second half of the season, supporting crushing margins.

Of note, Russia exported more than 18 million tons of grains in first half of 2011/12 marketing year, which is also a record high volume. Our strategic goal is to penetrate this market with its huge potential, gradually build our footprint in origination, processing and transshipment capabilities, and become one of the leading players. The management board has made a decision to build a greenfield crushing plant with annual capacity 600,000 tons of sunflower seeds investing around USD 100 million over the next 2 years. At the same time, we are working on several acquisition opportunities to develop our industrial asset base in Russia.

Additionally, we plan to open a number of origination offices before the start of 2012/13 marketing season. These shall be our next steps in building a solid platform, capitalizing on the sizable exports from that country.

In regard to operating performance, the bulk oil segment clearly benefited from a record high sunflower seed harvest in Ukraine, returning a strong operating margin in the quarter under review. All our crushing plants in Ukraine operated to their full capacity to meet the sales volume targets for the full marketing year.

Low international prices for bulk oil have positively impacted our bottled oil segment, with volumes for the period under review increasing by almost 40% year-on-year. In such market circumstances, the shelf price usually tends to adjust to international bulk oil price with some gap in timing, widening the margin premium obtained from the bottled oil sales. Given our dominant market position in bottled oil, we managed to increase the bottled oil production and sales volumes compared to the prior year, highly incentivized by the robust margin.

Considering weak underlying supply conditions throughout the first half of the marketing year, we exported over 1 million tons of grain with over 620,000 tons shipped to external markets in the quarter under review. The operating margin in the grain segment for the quarter under review was above our expectations. This is due to the pressure from the corn crop after a record harvest, providing us with the opportunity to ship significant volumes of corn directly from farm gate to export terminals. This compensated for the disappointing results of the grain segment in Q1 FY2012, putting us back on track with our full-year segment targets. To date, the Company has concluded export contracts and locked in margin on 1.8 million tons of grain, covering 60% of total grain export planned for the financial year. With another six months to operate, and with ambulant grain stocks and especially corn available for export, we feel comfortable we will meet grain segment operating income target. The silo services segment was a clear winner, as the result of Ukraine's corn surplus. The extensive drying and cleaning services required by this crop fueled the segment's performance.

The delivery of sugar under contract to the State Agricultural Reserve Fund has been postponed due to existing technical issues. We plan to deliver the full contracted sugar volume in Q3 and Q4 and will carry forward the remaining balance to the next season. Finally, the company's Russian operations have made their first contribution to our financial results this quarter, meeting our initial expectations.

Outlook

We maintain our guidance for full FY2012, with our forecast for revenue of US\$2.3 billion, EBITDA of US\$370 million, and net profit of US\$255 million.

Financial highlights for the 3-month period ended 31 December 2011(Q2 FY2012)

Total revenue increased 4.8% year-on-year, from USD 567.1 million for the 2nd quarter of financial year 2011 to USD 594.4 million for the 3-month period under review;

Result from operating activities increased 31.6% year-on-year, from USD 65.5 million for the 2nd quarter of financial year 2011 to USD 86.2 million for the 3-month period under review;

Net profit attributable to equity holders of Kernel Holding S.A. increased 25.3% year-on-year, from USD 52.0 million for the 2nd quarter of financial year 2011 to USD 65.2 million for the 3-month period under review.

Production, sales and throughput for the 3-month period ended 31 December

Volume and tonnage	2011	2010
Grain sales, tons	621,147	838,693
Bulk oil sales, tons	227,466	195,070
Bottled oil sales, '000 l.	39,219	28,176
Sunflower seed crush, tons	749,611	529,244
Refined oil production, tons	49,440	34,656
Bottled oil production, tons	44,653	28,953
Export terminals throughput, tons ⁽¹⁾	467,782	775,699
Grain and oilseeds received in inland silos ⁽²⁾	1,794,125	1,200,640
Sugar production, tons ⁽³⁾	119,614	

Review of financial results for the 3-month period ended 31 December 2011 (2Q FY2012)

Total revenue

Kernel reported total revenue of USD 594.4 million for the 3-month period ended 31 December 2011, as compared to USD 567.1 million for the second quarter of FY2011. The marginal 4.8% year-on-year increase reflects first the 20.1% increase in bulk oil sales, resulting from the continuous growth in Group crushing capacity and the 60.9% year-on-year increase in bottled oil sales. However, a decline by 29.3% year-on-year of grain sales on the back of lower volumes off-set revenue growth in bulk and bottled oil segments. Average grain prices declined by the 4.5%, while bulk and bottled oil average prices increased by the 9.8% and 13.6% year-on-year, respectively.

Gross Profit

Gross profit was USD 143.9 million for the 3-month period under review as compared to USD 113.4 million for the second quarter of FY2011. The 26.9% year-on-year increase reflects the strong sales achieved in higher margin bulk and bottled oil segments. Gross margin for the quarter increased year-on-year from 20.0% to 24.2% as a result of improved sales mix and higher margins in all major segments for the 3-month period to 31 December 2011.

Distribution Costs

Distribution costs increased by 31.6% year-on-year, from USD 43.0 million for the second quarter of FY2011 to USD 56.6 million for the quarter under review. While overall sale tonnage of grain declined, the bulk oil and meal together with bottled oil increased year-on-year. At the same time the higher proportion of cargo was delivered on CIF basis, therefore incurring freight expenses to destination countries. Additionally, the average on-ground transportation tariffs increased by estimated 8-10% year-on-year.

General and Administrative Expenses

General and administrative expenses increased from USD 7.6 million for the second quarter of financial year 2011 to USD 17.3 million for the 3-month period under review. A substantial portion of the overall increase relates to the rise of headcount following the recent acquisitions of farming and crushing assets both in Ukraine and Russia, together with the posted professional services expenses associated with those transactions. General and administrative expenses relative to total company revenue totalled 2.9% in the quarter under review versus 1.3% in the last year.

Result from Operating Activities

Result from operating activities increased from USD 65.5 million for the second quarter of FY2011 to USD 86.2 million for the 3 months period under review. Operating margin for the quarter increased year-on-year from 11.6% to 14.5% as a consequence of the improved revenue mix and higher margins in key operating segments.

Finance costs, net

Net finance costs were USD 15.3 million for the quarter under review as compared to USD 12.0 million for the second quarter of FY2011. The USD 3.3 million increase in finance costs primarily reflects the rise in average cost of funding embedded into the debt portfolios of recently acquired assets while the level of working capital on one side and borrowings on the other remained marginally the same year-on-year basis. In relation to sales, financing costs remain stable at around 2% of revenue.

Net profit

Net profit attributable to the shareholders of Kernel Holding S.A. was USD 65.2 million for the quarter under review as compared to USD 52.0 million for the second quarter of FY2011. Net profit margin for the quarter increased year-on-year from 9.2% for the second quarter of FY 2011 to 11.0% in the quarter under review.

Cash Flow

Cash used by operations in the three months ended 31 December 2011 was USD 78.6 million. The negative cash flow from operations was primarily due to a USD 158.2 million increase in inventory, resulting essentially from the 41.6% increase in the crushing operations year-on-year. Cash used by operations in the same period of the previous financial year was USD 228.5 million.

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

(2) Total grain and oilseeds tonnage received in inland silos over the 6-month period from 1 July to 31 December

(3) Total sugar production over the 6-month period from 1 July to 31 December

Review of segmental results for the 3-month period ended 31 December 2011

Bottled Oil

Revenue from bottled oil sales for the 3 months under review was USD 59.0 million, an increase by 60.9% compared to second quarter of financial year 2011. In volume terms, bottled oil sales increased year-on-year from 28.2 million liters to 39.2 million liters as the price differentiation between bulk and bottled oil widened, incentivising the increase in supply of bottled oil. For the same reasons the operating margin of the bottled oil segment substantially improved year-on-year from 12.1% to 18.9%.

Bulk Oil

Revenue from sales of bulk oil was USD 311.9 million for the 3-month period under review, compared to USD 258.1 million for the second quarter of financial year 2011. The 20.8% year-on-year increase in revenue is the result of a 16.6% percent increase in volume of bulk oil delivered over the quarter, together with a 10% increase in average oil price, from 1,044 USD per ton of oil delivered in the second quarter of financial year 2011 to 1,147 USD per ton for the quarter under review. Operating margin returned to its normal level increasing year-on-year from 11.2% percent to 14.8%.

Grain

Revenue from grain sales was USD 188.6 million for the period under review as compared to USD 266.7 million for the second quarter of financial year 2011. The 29.3% year-on-year decrease is the result of the lower volume of grain exported, decreasing from 838,693 tons for the second quarter of financial year 2010 to 621,147 tons for the quarter under review, and from the 4.5% year-on-year decrease in the average price of grain export contracts executed, declining from USD 318 per ton in the second quarter of financial year 2011 to USD 304 per ton of grain delivered in the quarter under review. As a result, operating profit on grain transactions decreased year-on-year from USD 24.7 million to USD 18.0 million, with improved operating margin at 9.6% for the quarter under review.

Silo Services

Revenue from silo services increased by 83.8% year-on-year, totaling USD 20.3 million for the period under review, including intersegment sales totaling USD 7.2 million, as compared to USD 11.1 million for the second quarter of financial year 2011, of which USD 6.9 million were intersegment sales. Operating profit for the quarter under review was USD 7.2 million, translating into a 35.4% operating margin, compared to USD 5.4 million operating profit and 48.8% margin for the second quarter of the previous financial year.

Export Terminals

Revenue generated by the export terminals fell from USD 12.7 million including USD 12.1 million of intersegment sales for the second quarter of financial year 2011 to USD 7.4 million including 6.0 million of intersegment sales for the quarter under review. The tonnage of grain throughput through the Company's Illichevsk terminal reduced year-on-year from 608,000 tons to 293,000 tons for the period under review. Operating profit for the quarter under review was USD 3.3 million, translating into a 44.8% operating margin, compared to USD 6.8 million profit and 53.8% margin for the second quarter of the previous financial year.

Farming

Revenue from the farming segment was USD 46.3 million for the three-month period under review, of which USD 40.7 million were intersegment sales, versus USD 14.5 million in second quarter of the last year, of which US\$13.6 million were intersegment sales. Following the significant expansion of the acreage under production from last year, the underlying operating profit totalled USD 5.6 million with operating margin of 12.2% for the period under review compared to break-even operating result for second quarter of the last financial year.

Sugar

Revenue from the sugar segment was USD14.7 million in the quarter under review, primarily reflecting the sale of sugar beet meal and molasses together with fees charged on tolling for third parties, translating into operating profit of USD 2.2 million. Technical constraints delayed the execution of the supply contract with State Agricultural Fund, thus the segment is expected to contribute in third and fourth quarters, when 75,700 tons out of 120,000 tons of produced sugar would be delivered to the Fund.

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Selected Financial Data

for the 3-months ended 31 December 2011

(in thousands unless otherwise stated)	Thousand USD		Thousand PLN		Thousand EUR	
	2011	2010	2011	2010	2011	2010
I. Revenue	594,396	567,076	1,948,490	1,676,504	440,954	421,669
II. Profit from operating activities	86,245	65,524	282,720	191,870	63,981	48,338
III. Profit before income tax	64,153	52,849	210,302	156,201	47,592	39,289
IV. Net profit	57,015	51,992	186,899	153,499	42,296	38,617
V. Net cash used in operating activities	(147,145)	(228,500)	(482,355)	(672,416)	(109,160)	(169,259)
VI. Net cash used in investing activity	(96,788)	(10,032)	(317,281)	(29,076)	(71,802)	(7,338)
VII. Net cash provided by financing activity	264,001	217,703	865,422	640,742	195,850	161,281
VIII. Total net cash flow	20,067	(20,829)	65,782	(60,750)	14,887	(15,316)
IX. Total assets	2,220,592	1,521,922	7,588,651	4,511,129	1,718,133	1,139,159
X. Current liabilities	825,731	622,734	2,821,853	1,845,846	638,890	466,116
XI. Non-current liabilities	300,161	208,274	1,025,770	617,345	232,243	155,893
XII. Issued capital	2,104	1,933	7,190	5,730	1,628	1,447
XIII. Total equity	1,094,700	690,914	3,741,028	2,047,938	847,000	517,150
XIV. Weighted average number of shares	78,599,820	73,191,000	78,599,820	73,191,000	78,599,820	73,191,000
XV. Profit per ordinary share (in USD/PLN/EUR)	0.82	0.71	2.68	2.10	0.61	0.53
XVI. Diluted number of shares	80,047,690	74,139,554	80,047,690	74,139,554	80,047,690	74,139,554
XVII. Diluted profit per ordinary share (in USD/PLN/EUR)	0.81	0.70	2.67	2.07	0.60	0.52
XVIII. Book value per share (in USD/PLN/EUR)	13.71	9.39	46.85	27.83	10.61	7.03
XIX. Diluted book value per share (in USD/PLN/EUR)	13.64	9.27	46.80	27.47	10.55	6.94

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Statement of Financial Position

as at 31 December 2011

	Notes	31 December 2011 unaudited	30 September 2011 unaudited	30 June 2011 audited	31 December 2010 reviewed
(in US dollars and in thousands unless otherwise stated)					
ASSETS					
Current assets					
Cash		130,248	173,156	115,897	21,587
Trade accounts receivable, net		109,542	122,698	111,586	127,663
Prepayments to suppliers and other current assets, net		153,505	173,832	81,334	47,514
Taxes recoverable and prepaid, net		235,007	216,074	221,274	268,033
Inventory		564,850	385,422	183,668	547,012
Biological assets		11,720	53,144	95,961	4,236
Total current assets		1,204,872	1,124,326	809,720	1,016,045
Non-current assets					
Property, plant and equipment, net	5	677,836	665,364	502,752	387,805
Intangible assets, net	6	82,085	66,778	65,563	30,592
Goodwill		164,616	145,790	85,989	86,000
Other non-current assets		91,183	50,954	97,862	1,480
Total non-current assets		1,015,720	928,886	752,166	505,877
Total assets		2,220,592	2,053,212	1,561,886	1,521,922
LIABILITIES AND EQUITY					
Current liabilities					
Trade accounts payable		43,702	53,799	27,055	46,574
Advances from customers and other current liabilities		331,110	241,229	102,029	28,967
Short-term borrowings	7	383,611	315,544	234,514	510,835
Current portion of long-term borrowings		67,308	48,305	31,392	36,358
Total current liabilities		825,731	658,877	394,990	622,734
Non-current liabilities					
Long-term borrowings	8	269,250	321,294	152,684	172,295
Obligations under finance lease		9,921	9,160	3,373	5,501
Deferred tax liabilities		16,103	19,278	13,396	30,413
Other non-current liabilities		4,887	1,774	153	65
Total non-current liabilities		300,161	351,506	169,606	208,274
Equity attributable to Kernel Holding S.A. equity holders					
Issued capital		2,104	2,104	1,945	1,933
Share premium reserve		463,879	463,879	321,556	317,741
Subscribed capital		-	-	137,354	-
Additional paid-in capital		39,944	39,944	39,944	39,944
Revaluation reserve		15,049	15,049	15,049	11,260
Translation reserve		(159,285)	(161,389)	(162,152)	(161,600)
Retained earnings		715,941	650,769	617,878	477,845
Total equity attributable to Kernel Holding S.A. equity holders		1,077,632	1,010,356	971,574	687,123
Non-controlling interest		17,068	32,473	25,716	3,791
Total equity		1,094,700	1,042,829	997,290	690,914
Total liabilities and equity		2,220,592	2,053,212	1,561,886	1,521,922
Book value		1,077,632	1,010,356	971,574	687,123
Weighted average number of shares		78,599,820	79,462,564	74,684,398	73,191,000
Book value per share (in USD)		13.71	12.71	13.01	9.39
Diluted number of shares		79,027,854	79,955,661	75,572,177	74,139,554
Diluted book value per share (in USD)		13.64	12.64	12.86	9.27

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Income Statement

for the 3 months ended 31 December 2011

(in US dollars and in thousands unless otherwise stated)		3 months ended 31 December 2011 unaudited	6 months ended 31 December 2011 unaudited	3 months ended 31 December 2010 unaudited	6 months ended 31 December 2010 reviewed
	Notes				
Revenue		594,396	985,902	567,076	912,433
Cost of sales		(450,482)	(764,692)	(453,668)	(705,747)
Gross profit		143,914	221,210	113,408	206,686
Other operating income		16,210	16,886	2,711	9,312
OPERATING EXPENSES					
Distribution costs		(56,628)	(91,722)	(43,025)	(75,652)
General and administrative expenses		(17,251)	(29,168)	(7,570)	(15,091)
Profit from operating activities		86,245	117,206	65,524	125,255
Finance costs, net		(15,337)	(27,679)	(12,038)	(20,279)
Foreign exchange (loss)/gain, net		(960)	571	1,825	2,672
Other (expenses)/ income, net		(5,795)	784	(2,462)	(22,161)
Profit before income tax		64,153	90,882	52,849	85,487
Income tax (loss)/benefit	9	(7,139)	(1,888)	(857)	430
Net profit		57,014	88,994	51,992	85,917
NET PROFIT/(LOSS) ATTRIBUTABLE TO:					
Equity holders of Kernel Holding S.A.		65,171	98,062	52,028	86,239
Non-controlling interest		(8,157)	(9,068)	(36)	(322)
Weighted average number of shares		79,683,410	78,599,820	73,191,000	73,191,000
Profit per ordinary share (in USD)		0.82	1.24	0.71	1.18
Diluted number of shares		80,047,690	79,027,854	74,154,172	74,139,554
Diluted profit per ordinary share (in USD)		0.81	1.23	0.70	1.16

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Statement of Comprehensive Income

for the 3 months ended 31 December 2011

	3 months ended 31 December 2011 unaudited	6 months ended 31 December 2011 unaudited	3 months ended 31 December 2010 unaudited	6 months ended 31 December 2010 reviewed
(in US dollars and in thousands unless otherwise stated)				
Net profit	57,014	88,994	33,925	85,917
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	2,098	2,924	621	(990)
Total comprehensive income	59,112	91,918	34,546	84,927
TOTAL COMPREHENSIVE INCOME /(LOSS) ATTRIBUTABLE TO:				
Equity holders of Kernel Holding S.A.	67,275	100,929	34,832	85,261
Non-controlling interest	(8,163)	(9,011)	(286)	(334)

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity

for the 3 months ended 31 December 2011

	Attributable to Kernel Holding S.A. shareholders									
(in US dollars and in thousands unless otherwise stated)	Issued capital	Share premium reserve	Subscribed capital	Additional paid in capital	Re-valuation surplus	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 31 December 2010 (reviewed)	1,933	317,741	-	39,944	11,260	(161,600)	477,845	687,123	3,791	690,914
Profit for the period							77,862	77,862	108	77,970
Other comprehensive income					3,789	166		3,955	2	3,955
Total comprehensive income for the period					3,789	166	77,862	81,817	110	81,927
Effect of changes of non-controlling interest								-	(4)	(4)
Increase of share capital	12							12		12
Increase capital		3,815						3,815		3,815
Balance as at 31 March 2011 (unaudited)	1,945	321,556	-	39,944	15,049	(161,434)	555,707	772,767	3,897	776,664
Profit for the period							62,171	62,171	(11)	62,160
Other comprehensive income						(718)		(718)	267	(451)
Total comprehensive income for the period						(718)	62,171	61,453	256	61,709
Effect of changes of non-controlling interest								-	21,563	21,563
Subscribed capital			137,354					137,354		137,354
Increase of share capital								-		-
Balance as at 30 June 2011 (audited)	1,945	321,556	137,354	39,944	15,049	(162,152)	617,878	971,574	25,716	997,290
Profit for the period							32,891	31,669	(911)	31,980
Other comprehensive income						763		763	63	826
Total comprehensive income for the period						763	32,891	33,654	(848)	32,806
Effect of changes of non-controlling interest								-	7,605	7,605
Subscribed capital			(137,354)					(137,354)		(137,354)
Increase of share capital	159	145,126						145,285		145,285
Issued capital expenses		(2,803)						(2,803)		(2,803)
Balance as at 30 September 2011 (unaudited)	2,104	463,879	-	39,944	15,049	(161,389)	650,769	1,010,356	32,473	1,042,829
Profit for the period							65,172	65,172	(8,157)	57,015
Other comprehensive income						2,104		2,104	(6)	2,098
Total comprehensive income for the period						2,104	65,172	67,276	(8,163)	59,113
Effect of changes of non-controlling interest								-	(7,242)	(7,242)
Subscribed capital								-		-
Increase of share capital								-		-
Issued capital expenses								-		-
Balance as at 31 December 2011 (unaudited)	2,104	463,879	-	39,944	15,049	(159,285)	715,941	1,077,632	17,068	1,094,700

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Statement of Cash Flows

for the 3 months ended 31 December 2011

(in US dollars and in thousands unless otherwise stated)	Notes	3 months ended	6 months ended	3 months ended	6 months ended
		31 December 2011	31 December 2011	31 December 2010	31 December 2010
		unaudited	unaudited	unaudited	reviewed
OPERATING ACTIVITIES:					
Profit before income tax		64,153	90,882	52,849	85,487
Adjustments to reconcile profit before income tax to net cash used in operating activities:					
Amortisation and depreciation	5, 6	17,372	31,542	8,328	16,073
Finance costs, net		15,337	27,679	12,038	20,279
Bad debt expenses and other accruals		1,731	3,543	(1,890)	(848)
Gain/(loss) on disposal of property, plant and equipment		(744)	(1,366)	(425)	(160)
Non-operating foreign exchange loss/(gain)		2,825	2,608	419	560
Loss on sales of equity investments		(550)	(289)	(495)	(495)
Operating profit before working capital changes		100,124	154,599	70,824	120,896
CHANGES IN WORKING CAPITAL:					
Decrease/increase in trade accounts receivable		19,880	5,643	(72,471)	(61,199)
Decrease/increase in prepayments and other current assets		26,039	(61,625)	1,134	49,521
Decrease/(increase) in restricted cash balance		751	5,716	2,118	(4,522)
Decrease/(increase) in trading securities		-	-	119,598	119,598
Decrease/(increase) in taxes recoverable and prepaid		(17,042)	(8,445)	(109,673)	(182,276)
Decrease in biological assets		41,424	84,241	(2,282)	21,895
(Increase) in inventories		(175,001)	(364,896)	(174,030)	(399,225)
Decrease/(increase) in trade accounts payable		(23,618)	(5,623)	455	30,685
Decrease/(increase) in advances from customers and other current liabilities		(37,481)	69,461	(52,191)	(75,522)
Cash used in operations		(64,924)	(120,929)	(216,043)	(380,149)
Finance costs paid		(13,108)	(25,229)	(12,038)	(20,279)
Income tax paid		(538)	(987)	(419)	(752)
Net cash used in operating activities		(78,570)	(147,145)	(228,500)	(401,180)
INVESTING ACTIVITIES:					
Purchase of property, plant and equipment		(12,332)	(33,875)	(10,045)	(22,497)
Proceeds from disposal of property, plant and equipment		88	249	410	507
Purchase of intangible and other non-current assets		13,541	6,286	(397)	(418)
Acquisition of Subsidiaries		(55,368)	(69,448)		
Disposal of Subsidiaries		(4)	-		
Net cash used in investing activities		(54,075)	(96,788)	(10,032)	(22,408)
FINANCING ACTIVITIES:					
Proceeds from short-term and long-term borrowings		884,488	1,448,657	1,024,184	1,475,879
Repayment of short-term and long-term borrowings		(795,874)	(1,191,883)	(805,692)	(1,094,413)
Proceeds from share premium reserve increase		-	4,969		
Issued capital		-	159		
Net cash provided by financing activities		88,614	261,902	218,492	381,466
Translation adjustment		1,875	2,099	(789)	(295)
Net decrease/(increase) in cash and cash equivalents		(42,157)	20,067	(20,829)	(42,417)
Cash at the beginning of the period		172,405	110,181	36,174	57,762
Cash at the end of the period		130,248	130,248	15,343	15,345

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Notes to the Condensed Consolidated Financial Statements

for the 3 months ended 31 December 2011

1. Key Data by Operating Segment for the 3 months ended 31 December 2011:

(in US dollars and in thousands unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Continuing operations
Revenue (external)	59,015	311,923	1,403	5,617	188,646	13,089	14,703	-	-	594,396
Intersegment sales	-	-	5,991	40,704	-	7,239	-	-	(53,934)	-
Total revenue	59,015	311,923	7,394	46,321	188,646	20,328	14,703	-	(53,934)	594,396
Other operating income	-	1,116	2	16,201	(829)	45	(317)	(9)	-	16,210
Operating profit (EBIT)	11,146	46,301	3,311	5,636	18,048	7,198	2,243	(7,638)	-	86,245
Finance costs, net										(15,337)
Foreign exchange gain, net										(960)
Other income, net										(5,795)
Income tax benefit										(7,139)
Net profit										57,015
Total assets	128,800	857,776	128,124	253,639	325,251	121,001	167,865	238,136	-	2,220,592
Capital expenditures	657	20,143	40	2,287	-	561	12,217	1,789	-	37,694
Amortisation and depreciation	682	4,006	901	6,919	-	1,352	1,963	1,549	-	17,372
Liabilities	6,629	39,935	3,807	52,248	23,807	61,493	11,729	932,873	-	1,125,892

During the 3 months ended 31 December 2011 two of the Group's external customers accounted for more than 10% of total external revenue. During the 3 months ended 31 December 2011 export sales c. 88% 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 December 2011 unaudited	As of 31 December 2011 unaudited
Ukraine	570,524	966,220
Russia	23,872	49,500
Total	594,396	1,015,720

Key Data by Operating Segment for the 3 months ended 31 December 2010:

(in US dollars and in thousands unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Other	Re-conciliation	Continuing operations
Revenue (external)	36,673	258,140	589	889	266,653	4,132	-	-	567,076
Intersegment sales	-	-	12,075	13,627	-	6,927	-	(32,629)	-
Total revenue	36,673	258,140	12,664	14,516	266,653	11,059	-	(32,629)	567,076
Other operating income	-	717	-	1,793	94	107	-	-	2,711
Operating profit (EBIT)	4,446	28,975	6,818	-41	24,653	5,398	(4,725)	-	65,524
Write down of VAT receivable									(475)
Finance costs, net									(12,038)
Foreign exchange gain, net									1,825
Other expenses, net									(1,987)
Income tax benefit									(857)
Net profit									51,992
Total assets	136,513	775,537	118,135	46,643	318,422	83,770	42,902	-	1,521,922
Capital expenditures	432	17,731	564	957	1	5,982	-	-	25,637
Amortisation and depreciation	461	2,681	901	2,196	991	639	408		8,277
Liabilities	7,514	43,096	3,603	1,420	25,043	20,687	729,645		831,008

During the 3 months ended 31 December 2010 three of the Group's external customers accounted for more than 10 % of total external revenue. During the 3 months ended 31 December 2010 export sales amounted to 89% of total external sales revenue.

Notes to the Condensed Consolidated Financial Statements

for the 3 months ended 31 December 2011

2. Nature of the Business

Kernel Holding S.A. (hereinafter referred to as the 'Holding') incorporated under the legislation of Luxembourg on 15 June 2005 (number B-109 173 at the Luxembourg Register of Companies) is the holding company for a group of entities (hereinafter referred to as the 'Subsidiaries'), which together form the Kernel Group (hereinafter referred to as the 'Group').

The primary activity of the Group is related to production and sale of bottled sunflower oil, production and subsequent export of bulk sunflower oil and meal, production and sale of sugar, wholesale trade of grain (mainly wheat, barley and corn), farming and provision of logistics and transshipment services.

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

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

As of 31 December 2011, 30 September 2011 and 31 December 2010, the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			31 December 2011	30 September 2011	31 December 2010
Kernel-Capital LLC	Holding companies.	Ukraine	100%	100%	100%
Group Management LLC		Ukraine	100%	100%	100%
Etrecom Investments LLC		Cyprus	100%	100%	100%
Corolex Public Co. Limited		Cyprus	100%	100%	94%
Grain Trading Company 'Allseeds-Ukraine' CJSC		Ukraine	100%	100%	94%
Ukragrobiznes LLC		Ukraine	100%	100%	100%
Jerste BV		Netherlands	100%	100%	100%
Hamalex Developments Ltd.		Cyprus	100%	100%	100%
Chorex Developments Limited		Cyprus	100%	100%	100%
Tsukrovoy Soyuz Ukrros OJSC		Ukraine	71.3%	71.3%	N/A
Sugar Holding Limited		Cyprus	100%	100%	N/A
JE Inerco-Ukraine LLC		Ukraine	0% ⁽¹⁾	0% ⁽¹⁾	100%
Eastern Agro Investments Ltd		Cyprus	100%	0% ⁽²⁾	N/A
Enselco LLC		Ukraine	0% ⁽²⁾	N/A	N/A
Enselco Agroholding LLC		Ukraine	0% ⁽²⁾	N/A	N/A
Nyva Agroholding LLC		Ukraine	0% ⁽²⁾	N/A	N/A
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100%	100%	100%
Restomon S.A.		British Virgin Islands	100%	100%	100%
Lanen S.A.		Panama	100%	100%	100%
Grain Trading Company LLC		Ukraine	100%	100%	94%
Kernel-Trade LLC		Ukraine	100%	100%	100%
Trade Company Russian oil LLC		Russia	100%	100%	N/A
Poltava oil-crushing plant Kernel Group PJS	Production plants.	Ukraine	99.7%	99.7%	99.7%
Vovchansky OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnjansky OEP LLC		Ukraine	100%	100%	100%
Kirovogradoliya JSC		Ukraine	99.2%	99.2%	99.2%
Ekotrans LLC		Ukraine	100%	100%	100%
Bandurskiy oil-crushing plant LLC		Ukraine	100%	100%	100%
Ukrainian Black Sea Industry LLC		Ukraine	100%	0% ⁽³⁾	N/A
Stavropol oil OJSC		Russia	100%	100%	N/A
Nevinnomissky oil-crushing plant CJSC		Russia	100%	100%	N/A
Production Management LLC		Russia	100%	100%	N/A
Ust-Labinsky EMEK Florentina CJSC		Russia	100%	100%	N/A
Transbulkterminal LLC	Provision of grain, oil and meal handling and transshipment services,	Ukraine	100%	100%	100%
Estron Corporation Ltd.		Cyprus	100%	100%	100%
Oiltransterminal LLC		Ukraine	100%	100%	100%
Veselynivske ZPP LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	71.3%	71.3%	N/A
Reshetylivka Hliboproduct LLC		Ukraine	100%	100%	100%
Gulyaypolsky Elevator LLC		Ukraine	71.3%	71.3%	N/A
Mirgorodsky Elevator LLC		Ukraine	100%	100%	100%
Globynsky Elevator HP LLC		Ukraine	100%	100%	100%
Skifiya-Zernotrade LLC		Ukraine	0% ⁽⁴⁾	0% ⁽⁴⁾	94%
Poltavske Khlibopriemalne Pidpriemstvo PJSC		Ukraine	88.2%	88.2%	88.2%
Elevator – 'Grain Trading Company', LLC		Ukraine	0% ⁽⁵⁾	100%	94%

(1) Disposed of on 10 May 2011.

(2) Entity controlled by Kernel Holding.

(3) Entity controlled by Kernel Holding.

(4) Disposed of on 03 August 2011

(5) Disposed of on 23 November 2011.

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

2. Nature of the Business (continued)

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			31 December 2011	30 September 2011	31 December 2010
Gogoleve-Agro LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	0% ⁽⁶⁾	0% ⁽⁶⁾	100%
Sagaydak-Agro LLC		Ukraine	0% ⁽⁷⁾	0% ⁽⁷⁾	100%
Karlivka-Agro LLC		Ukraine	100%	100%	100%
Trykratskiy GPC JSC		Ukraine	0% ⁽⁸⁾	97.7%	86.5%
Zherebkivsky Elevator LLC		Ukraine	0% ⁽⁹⁾	0% ⁽⁹⁾	100%
Kononivsky Elevator LLC		Ukraine	100%	100%	100%
Semenivski Elevator LLC		Ukraine	100%	100%	100%
Kobelyaky Hliboproduct LLC		Ukraine	100%	100%	100%
Sahnovshyna Hliboproduct LLC		Ukraine	0% ⁽¹⁰⁾	0% ⁽¹⁰⁾	100%
Velykoburlutske HPP LLC		Ukraine	0% ⁽¹¹⁾	100%	100%
Gutnansky Elevator LLC		Ukraine	100%	100%	100%
Lykhachivsky KHP LLC		Ukraine	100%	100%	100%
Shevchenkisky KHP LLC		Ukraine	100%	100%	100%
Kovyagivske KHP LLC		Ukraine	100%	100%	100%
Viktorovsky Elevator LLC		Ukraine	100%	100%	100%
Sluch Agro LLC		Ukraine	0% ⁽¹²⁾	N/A	N/A
Vesnianskiy elevator LLC		Ukraine	0% ⁽¹²⁾	N/A	N/A
Poltavaavtotransservis LLC	Trucking company.	Ukraine	100%	100%	100%
MTE-2004 LLC		Ukraine	100%	100%	100%
Chortkivsky tsukrovyy zavod LLC	Production plants. Production of sugar.	Ukraine	73.8%	73.8%	N/A
Tsukrove LLC		Ukraine	71.3%	71.3%	N/A
Palmirsky Tsukrovyy Zavod LLC		Ukraine	72.7%	72.7%	N/A
Orzhytsky Tsukrovyy Zavod LLC		Ukraine	76.2%	76.2%	N/A
Agroservis LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	100%	100%	100%
Zernoservis LLC		Ukraine	100%	100%	100%
Unigrain-Agro (globyno) LLC		Ukraine	100%	100%	100%
Unigrain-Agro (Semenivka) LLC		Ukraine	100%	100%	100%
Mrija-Agro LLC		Ukraine	100%	100%	100%
Lozivske HPP PJSC		Ukraine	100%	100%	100%
Krasnopavlivsky KHP PJSC		Ukraine	100%	100%	100%
Agrofirma Arshytsya LLC		Ukraine	100%	100%	100%
Agrotera-Kolos LLC		Ukraine	100%	100%	100%
Chorna Kamyanka LLC		Ukraine	100%	100%	100%
Govtva LLC		Ukraine	100%	100%	100%
Perebudova PRAC		Ukraine	100%	100%	100%
Manzhurka LLC		Ukraine	100%	100%	100%
Krutenke LLC		Ukraine	100%	100%	100%
Promin LLC		Ukraine	100%	100%	100%
Brovarky PRAC		Ukraine	100%	100%	100%
PRAC by the name of Shorsa		Ukraine	100%	100%	100%
Troyanske LLC		Ukraine	100%	100%	100%
Zorya LLC		Ukraine	100%	100%	100%
Hliborob LLC		Ukraine	100%	100%	100%
AC by the name of T. Shevchenko		Ukraine	100%	100%	100%
Druzhba PRAC		Ukraine	100%	100%	100%
Agrofirma Chkalova LLC		Ukraine	100%	100%	100%
Agrofirma Vitchyzna LLC		Ukraine	100%	100%	100%
Agrofirma Vesna LLC		Ukraine	100%	1%	0%
Osiyivske LLC		Ukraine	100%	100%	N/A
Agrofirma Kuybyshevo LLC		Ukraine	52.6%	52.6%	N/A
Povstynagroalyans LLC		Ukraine	71.3%	71.3%	N/A
Ulyanivske LLC		Ukraine	76.2%	76.2%	N/A
Palmira LLC		Ukraine	81.5%	81.5%	N/A

(6) Merged with Myrgporodsky elevator LLC on 06 September 2011

(7) Merged with Myrgporodsky elevator LLC on 27 June 2011

(8) Disposed of on 25 December 2011

(9) Merged with Kononivsky elevator LLC on 8 April 2011.

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

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

(12) Entity controlled by Kernel Holding

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

2. Nature of the Business (continued)

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			31 December 2011	30 September 2011	31 December 2010
Cherkasky OJSC	Agricultural farms.	Ukraine	53.0%	53.0%	N/A
Agrofirma Zorya LLC	Cultivation of agricultural	Ukraine	64.1%	64.1%	N/A
Agrarny dim im. Gorkogo LLC	products: corn, wheat,	Ukraine	71.5%	71.5%	N/A
Agrarny dim CJSC	sunflower seeds, barley,	Ukraine	35.8%	35.8%	N/A
Druzhba LLC	soya beans and sugar beet.	Ukraine	71.3%	71.3%	N/A
Agropolis LLC		Ukraine	71.6%	71.6%	N/A
Enselco Agro		Ukraine	0% ⁽¹³⁾	N/A	N/A
Nyva Berezneguvate LLC		Ukraine	0% ⁽¹³⁾	N/A	N/A
Nyva Vesnyane		Ukraine	0% ⁽¹³⁾	N/A	N/A
Subsidiary "Ensel" PE		Ukraine	0% ⁽¹³⁾	N/A	N/A
Agro Inter Sluch LLC		Ukraine	0% ⁽¹³⁾	N/A	N/A
Private leased firm "Zlagoda"		Ukraine	0% ⁽¹³⁾	N/A	N/A
Private leased entity "Real"		Ukraine	0% ⁽¹³⁾	N/A	N/A
PE "Getman"		Ukraine	0% ⁽¹³⁾	N/A	N/A
PE "Olymp"		Ukraine	0% ⁽¹³⁾	N/A	N/A
"Zhayvir"		Ukraine	0% ⁽¹³⁾	N/A	N/A
PE "Ladygi"		Ukraine	0% ⁽¹³⁾	N/A	N/A
"Chamatskiy Shlyakh"		Ukraine	0% ⁽¹³⁾	N/A	N/A
Matushevski" farm		Ukraine	0% ⁽¹³⁾	N/A	N/A
Krymashevskiy O.M. &C farm		Ukraine	0% ⁽¹³⁾	N/A	N/A
Agro "Ukraine" LLC		Ukraine	0% ⁽¹³⁾	N/A	N/A
Agro "Skhid" LLC		Ukraine	0% ⁽¹³⁾	N/A	N/A
Private agro entity "Agrarnyk"		Ukraine	0% ⁽¹³⁾	N/A	N/A
"Zolota Nyva" LLC		Ukraine	0% ⁽¹³⁾	N/A	N/A
Troyanda Podillya LLC		Ukraine	0% ⁽¹³⁾	N/A	N/A

These condensed consolidated financial statements were authorised for issue by the Board of Directors of Kernel Holding S.A. on 8 February 2012.

(13) Entity controlled by Kernel Holding

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

3. Change in Issued Capital

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the 'Holding'), whose issued capital as of 31 December 2011 consisted of 79,683,410 ordinary bearer shares without indication of a nominal value, providing 79,683,410 voting rights (as of 31 December 2010 – 73,191,000 shares).

The shares were distributed as follows:

	As of 31 December 2011		As of 31 December 2010	
	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Equity holders				
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the 'Major Equity holder')	30,460,657	38.23%	30,174,250	41.23%
Free-float	49,222,753	61.77%	43,016,750	58.77%
Total	79,683,410	100.00%	73,191,000	100.00%

As of 31 December 2011 and 2010, 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 Company on the Warsaw Stock Exchange ('WSE'), the general meeting of shareholders resolved to split the existing shares of the Company at a split ratio of one to five thousand (1:5,000) and to consequently split the existing nine thousand three hundred and thirty-four (9,334) shares of the Company without indication of a nominal value into 46,670,000 (forty-six million six hundred and seventy thousand) shares of the Company without indication of a nominal value.

On 23 November 2007, the Holding was listed on the Warsaw Stock Exchange. The total size of the Offering was PLN 546,402,000 comprising 22,766,750 shares, of which 16,671,000 were newly issued shares.

On 27 June 2008, an additional 5,400,000 ordinary bearer shares of the Company were admitted to trading on the main market of the WSE.

On 3 June 2010, Kernel issued 4,450,000 new shares, thereby increasing the Company's share capital by USD 117,506.70, to a total amount of USD 1,932,681.54. Following the issuance of new shares, Kernel's share capital was divided into 73,191,000 shares without indication of a nominal value, giving right to 73,191,000 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. Issue price of 1 share was PLN 24. As a result of the increase, the Company's share capital was increased by an amount of USD 12,764 and set at USD 1,945,446.46 divided into 73,674,410 shares without indication of a nominal value. Luxembourg companies are required to allocate to the legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve of an amount of USD 125,000 as of 31 December 2011, unchanged from 31 December 2010, may not be distributed as dividends.

On 30 March 2011, Kernel Holding S.A. announced its intention to issue approximately five million new ordinary shares of the Company through an offering to institutional investors ('the Offering'). The Offering was conducted through an accelerated book build, closed on 31 March 2011. The allocations to institutional investors were announced on 1 April 2011, whereby 5,400,000 ordinary shares were placed at a price of PLN 74 per share. The Offering raised gross proceeds of PLN 399.4 million for the Company. In order to ensure that allottees in the Offering could receive and trade their allocations immediately, Namsen Limited, a company controlled by Andrey Verevskiy, lent shares in Kernel for the purpose of the settlement of shares. The respective capital increase was adopted on 21 July 2011 at the Extraordinary General Meeting of Kernel Holding S.A. Shareholders.

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

This condensed consolidated financial statements for the three months ended 31 December 2011 (the "condensed consolidated financial statements") 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 interim condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2011.

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

Currency	Closing rate as of 31 December 2011	Average rate for the 3 months ended 31 December 2011	Average rate for the 6 months ended 31 December 2011	Closing rate as of 31 December 2010	Average rate for the 3 months ended 31 December 2010	Average rate for the 6 months ended 31 December 2010
UAH/ USD	7.9898	7.9827	7.9772	7.9617	7.9314	7.9160
USD/EUR	0.7737	0.6973	0.7252	0.7485	0.7358	0.7554
USD/PLN	3.4174	3.2780	3.1064	2.9641	2.9200	3.0131

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

5. Property, Plant and Equipment

The following table represents movements in property, plant and equipment for the 6-month period ended 31 December 2011:

	Oil	Export terminals	Farming	Inland silos	Sugar	Other	Total
Net book value as at 1 July 2011	216,664	70,378	75,958	61,133	58,500	20,119	502,752
Land	2,280	3,353	2	1,129	-	46	6,810
Buildings and constructions	118,403	15,046	30,816	41,537	24,892	2,945	233,639
Production machinery and equipment	85,198	51,923	15,288	8,851	33,102	110	194,472
Agricultural vehicles and equipment	18	-	27,058	35	-	4	27,115
Other fixed assets	433	-	2,196	5	-	16,840	19,474
CIP and uninstalled equipment	10,332	56	598	9,576	506	174	21,242
Additions	154,497	(591)	31,656	11,781	945	9,047	207,335
CIP and uninstalled equipment	2,537	(591)	11,493	11,049	945	9,047	34,480
Additions from acquisition of subsidiaries	151,960	-	20,163	732	-	-	172,855
Land	1,132	-	-	-	-	-	1,132
Buildings and constructions	109,156	-	2,671	659	-	-	112,486
Production machinery and equipment	29,663	-	8,484	13	-	-	38,160
Agricultural vehicles and equipment	54	-	6,909	60	-	-	7,023
Other fixed assets	1,428	-	344	-	-	-	1,772
CIP and uninstalled equipment	10,527	-	1,755	-	-	-	12,282
Transfers	-	-	-	-	-	-	-
Land	(68)	568	-	-	-	-	500
Buildings and constructions	803	155	102	6,678	-	1,180	8,918
Production machinery and equipment	1,830	203	58	2,581	453	189	5,314
Agricultural vehicles and equipment	14	-	11,601	(60)	-	21	11,576
Other fixed assets	85	16	34	143	439	6,096	6,813
CIP and uninstalled equipment	(2,664)	(942)	(11,795)	(9,342)	(892)	(7,486)	(33,121)
Disposal (at net book value)	(155)	(4)	(4,643)	(8)	-	(266)	(5,076)
Buildings and constructions	-	-	(601)	-	-	(17)	(618)
Production machinery and equipment	(152)	(4)	(2,915)	(3)	(1)	-	(3,075)
Agricultural vehicles and equipment	-	-	(1,055)	(5)	-	-	(1,060)
Other fixed assets	(3)	-	(72)	-	-	(249)	(324)
Depreciation expense	(7,638)	(1,796)	(8,379)	(2,634)	(3,904)	(2,611)	(26,962)
Buildings and constructions	(2,948)	(237)	(1,548)	(2,070)	(918)	(42)	(7,763)
Production machinery and equipment	(4,559)	(1,558)	(2,360)	(549)	(2,957)	(18)	(12,001)
Agricultural vehicles and equipment	(11)	-	(4,178)	(5)	-	(1)	(4,195)
Other fixed assets	(120)	(1)	(293)	(10)	(29)	(2,550)	(3,003)
Translation difference	(1,521)	1,484	(160)	(95)	(121)	201	(212)
Land	(681)	(8)	-	(3)	-	-	(692)
Buildings and constructions	(564)	(20)	(69)	(107)	(52)	(327)	(1,139)
Production machinery and equipment	(645)	(5)	(44)	(15)	(68)	(16)	(793)
Agricultural vehicles and equipment	(1)	-	9	-	-	-	8
Other fixed assets	(13)	-	(2)	2	(1)	(38)	(52)
CIP and uninstalled equipment	382	1517	(54)	28	-	582	2,456
Net book value as at 31 December 2011	361,847	69,471	94,432	70,177	55,419	26,490	677,836
Land	2,663	3,913	2	1,126	-	46	7,750
Buildings and Constructions	224,850	14,944	31,371	46,697	23,922	3,739	345,523
Production machinery and equipment	111,335	50,559	18,511	10,878	30,529	265	222,077
Agricultural vehicles and equipment	74	-	40,344	25	-	24	40,467
Other fixed assets	1,810	15	2,207	140	409	20,099	24,680
CIP and uninstalled equipment	21,115	40	1,997	11,311	559	2,317	37,339

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

5. Property, Plant and Equipment (continued)

The following table represents movements in property, plant and equipment for the 6-month period ended 31 December 2010:

CIP and uninstalled equipment	Oil	Export terminals	Farming	Inland silos	Other	Total
Net book value as at 1 July 2010	212,695	73,577	20,529	58,618	13,616	379,035
Land	2,289	3,380	2	1,138	46	6,855
Buildings and constructions	84,347	15,648	5,263	47,002	3,362	155,622
Production machinery and equipment	59,821	54,454	275	9,772	66	124,388
Agricultural vehicles and equipment	22	-	14,908	55	-	14,985
Other fixed assets	-	-	-	-	9,838	9,838
CIP and uninstalled equipment	66,216	95	81	651	304	67,347
Additions	16,654	545	255	5,958	1,479	24,891
CIP and uninstalled equipment	16,654	545	255	5,958	1,479	24,891
Transfers	-	-	-	-	-	-
Buildings and constructions	39,062	9	799	83	10	39,963
Production machinery and equipment	29,455	503	82	63	5	30,108
Agricultural vehicles and equipment	-	-	273	-	-	273
Other fixed assets	451	-	-	-	1,109	1,560
CIP and uninstalled equipment	(68,968)	(512)	(1,154)	(146)	(1,124)	(71,904)
Disposal (at net book value)	(99)	-	(75)	(596)	(227)	(997)
Buildings and constructions	(73)	-	(53)	(500)	(3)	(629)
Production machinery and equipment	(26)	-	-	(95)	(8)	(129)
Agricultural vehicles and equipment	-	-	(22)	(1)	-	(23)
Other fixed assets	-	-	-	-	(216)	(216)
Depreciation expense	(5,498)	(1,780)	(2,602)	(2,855)	(1,517)	(14,252)
Buildings and constructions	(2,185)	(238)	(377)	(2,027)	(91)	(4,918)
Production machinery and equipment	(3,302)	(1,542)	(41)	(820)	(3)	(5,708)
Agricultural vehicles and equipment	(2)	-	(2,184)	(8)	-	(2,194)
Other fixed assets	(9)	-	-	-	(1,423)	(1,432)
Translation difference	(623)	8	856	(505)	(608)	(872)
Land	(8)	(23)	-	(8)	-	(39)
Buildings and constructions	(260)	(68)	(38)	(299)	(8)	(673)
Production machinery and equipment	(191)	(9)	(1)	(8)	(1)	(210)
Agricultural vehicles and equipment	-	-	(15)	(1)	-	(16)
Other fixed assets	(2)	-	-	-	(55)	(57)
CIP and uninstalled equipment	(162)	108	910	(189)	(544)	123
Net book value as at 31 December 2010	223,129	72,350	18,963	60,620	12,743	387,805
Land	2,281	3,357	2	1,130	46	6,816
Buildings and Constructions	120,891	15,351	5,594	44,259	3,270	189,365
Production machinery and equipment	85,757	53,406	315	8,912	59	148,449
Agricultural vehicles and equipment	20	-	12,960	45	-	13,025
Other fixed assets	440	-	-	-	9,253	9,693
CIP and uninstalled equipment	13,740	236	92	6,274	115	20,457

As of 31 December 2011, the amount of property plant and equipment includes USD 3,405,000 and the amount of CIP and uninstalled equipment includes USD 191,000 of capitalised interest on borrowing costs (as of 31 December 2010: USD 3,214,000 calculated at a capitalisation rate of 5.27% per annum). Capitalisation rate used to calculate the amount of capitalised interests as at 31 December 2011 is 9.98% per annum.

As of 31 December 2011, CIP and uninstalled equipment contains construction in progress amounting to USD 16,830,000.

The fair value of buildings and constructions (oil) and production machinery and equipment (oil) was revalued on 1 July 2009 by an external independent appraiser.

As of 31 December 2011, property, plant and equipment with the carrying amount of USD 388,739,000 (as of 31 December 2010: USD 231,761,000) was pledged by the Group as collateral against short-term and long-term bank loans (see Notes 7, 8).

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

In order to determine the fair value of buildings and constructions (oil) and production machinery and equipment (oil), the Group retained the services of an independent appraiser FDI 'Bureau Veritas Ukraine' (Ods Certificate no.7100/08 dated 26.05.2008 State Property Fund of Ukraine), which holds a recognised and relevant professional qualification and has recent experience in valuation of assets of similar location and category.

The assessment was conducted in accordance with International Valuation Standards for property. The assessment procedure was carried out for all buildings and constructions and production machinery and equipment used in oil production. Due to the nature of highly specialised buildings and constructions (oil), such objects were evaluated using the replacement cost basis under present-day conditions, adjusted for depreciation. Several items of highly specialised production machinery and equipment (oil) were appraised using the replacement cost basis; fair values of other items of production machinery and equipment (oil) were estimated using the market value comparative approach.

The replacement cost approach involves the estimation of the present value of costs of construction or replacement of the item being assessed and their further adjustment by an ageing percentage.

The market value comparative approach is based on an analysis of market prices for similar objects of property, plant and equipment, taking into account the appropriate adjustments for differences between the object of comparison and the item being assessed.

6. Intangible Assets

The following table represents movements in intangible assets for the 6-month period ended 31 December 2011:

	Trade marks	Land lease rights	Other Intangible assets	Total
Cost as of 1 July 2011	19,363	55,144	2,878	77,385
Additions from acquisition of Subsidiaries	-	19,838	731	20,569
Additions	-	-	828	828
Disposals	-	-	(243)	(243)
Translation difference	(23)	(124)	(134)	(281)
Cost as of 31 December 2011	19,340	74,858	4,060	98,258
Accumulated depreciation as of 30 June 2011	-	(10,453)	(1,369)	(11,822)
Amortisation charge	-	(4,330)	(250)	(4,580)
Disposals	-	-	81	81
Translation difference	-	29	119	148
Accumulated depreciation as of 31 December 2011	-	(14,754)	(1,419)	(16,173)
Net book value as of 31 December 2011	19,340	60,104	2,641	82,085

The following table represents movements in intangible assets for the 6-month period ended 31 December 2010:

	Trade marks	Land lease rights	Other Intangible assets	Total
Cost as of 1 July 2010	18,280	2,047	19,678	40,005
Additions from acquisition of Subsidiaries	-	-	632	632
Additions	-	-	114	114
Disposals	-	-	(28)	(28)
Translation difference	502	89	(733)	(142)
Cost as of 31 December 2010	18,782	2,136	19,663	40,581
Accumulated depreciation as of 30 June 2010	(7,275)	(811)	(77)	(8,163)
Amortisation charge	(1,626)	(182)	(13)	(1,821)
Disposals	-	6	-	6
Translation difference	59	2	(72)	(11)
Accumulated depreciation as of 31 December 2010	(8,842)	(985)	(162)	(9,989)
Net book value as of 31 December 2010	9,940	1,151	19,501	30,592

Included in intangible assets of subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with the value of USD 4,568,745, USD 5,931,537, USD 8,661,027 and USD 178,695 in 2011 (USD 4,612,795, USD 5,988,727, USD 8,661,027 and USD 178,695 respectively in 2010). These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 31 December 2011 and 2010, the trade mark 'Stozhar' was pledged as security for long-term loans (Note 8).

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

6. Intangible Assets (continued)

Management expects the demand for bottled sunflower oil to be stable in the foreseeable future. The Group believes that, as a result of further promotion of the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks sales of bottled oil under these trademarks and the current bottled oil market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them during an indefinite period of time. Accordingly, the trademarks which belong to the Group are considered to have indefinite useful life and thus are not amortised but tested for impairment by comparing their recoverable amount with their carrying amount annually on the 30th of June and whenever there is an indication that the trademarks may be impaired. The impairment testing of the trademarks was performed on 30 June 2011 by the independent appraiser FDI 'Bureau Veritas Ukraine'. No impairment was recognised.

7. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 31 December 2011	As of 31 December 2010
Bank credit lines	381,092	508,339
Interest accrued on short-term loans	953	1,042
Interest accrued on long-term loans	1,566	1,454
Total	383,611	510,835

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3.75%	USD	June 2012	20,000
European bank	Libor + 4.75%	USD	August 2012	165,000
European bank	9.00%	RUB	August 2012	9,319
European bank	9.50%	RUB	March 2012	6,213
European bank	12.00%	RUB	July 2012	6,213
European bank	11.5%	RUB	July 2012	7,144
European bank	Libor + 8.41%	USD	March 2012	30,683
Ukrainian subsidiary of European bank	Libor + 7%	USD	October 2012	20,000
Ukrainian subsidiary of European bank	Libor + 6.5%	USD	March 2012	22,505
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	September 2013	55,000
Ukrainian subsidiary of European bank	Libor + 4.0%	USD	July 2012	29,015
Ukrainian subsidiary of European bank	Libor + 7.0%	USD	October 2012	10,000
Total bank credit lines				381,092
Interest accrued on short-term loans				953
Interest accrued on long-term loans				1,566
Total				383,611

The balances of short-term borrowings as of 31 December 2010 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 2.12%	USD	July 2011	76,850
European bank	Libor + 2%	USD	July 2011	33,746
European bank	Libor + 1%	USD	July 2011	2,061
European bank	Libor + 5.3%	USD	August 2011	260,000
European bank	7.95%	USD	September 2011	80,000
Ukrainian subsidiary of European bank	BBA+4%	USD	June 2011	25,000
Ukrainian subsidiary of European bank	Libor + 8.41%	USD	September 2011	30,682
Total bank credit lines				508,339
Interest accrued on short-term loans				1,042
Interest accrued on long-term loans				1,454
Total				510,835

As of 31 December 2011 the overall maximum credit limit for short-term bank credit lines amounted to USD 1,041,589,192 (as of 31 December 2010 USD 661,812,000).

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

7. Short-term Borrowings (continued)

Short-term loans from banks were secured as follows:

	As of 31 December 2011	As of 31 December 2010
Assets pledged		
Inventory	157,905	350,599
Property, plant and equipment (see Note 5)	122,958	3,357
Total	280,863	353,956

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

As of 31 December 2011			As of 31 December 2010		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
CJSC Nevinimyskiy OEP	March 2012	100%	N/A	N/A	N/A
Agroservis LLC	October 2012	100%			
Zernoservis LLC	October 2012	100%			
Unigrain-Agro LLC	October 2012	100%			
Lozivske HPP PJSC	October 2012	100%			
Krasnopavlivsky KHP PJSC	October 2012	100%			
Agrofirma Arshytsya LLC	October 2012	100%			
Chorna Kamyanka LLC	October 2012	100%			
Govtva LLC	October 2012	100%			
Manzhurka LLC	October 2012	100%			
Promin LLC	October 2012	100%			
Brovarky PRAC	October 2012	100%			
Troyanske LLC	October 2012	100%			
Zorya LLC	October 2012	100%			
Druzhba PRAC	October 2012	100%			
Agrofirma Vesna LLC	October 2012	100%			

8. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 December 2011	As of 31 December 2010
Long-term bank loans	336,558	208,653
Current portion of long-term borrowings	(67,308)	(36,358)
Total	269,250	172,295

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3.52%	USD	April 2015	24,375
European bank	Libor + 8.95%	USD	September 2013	100,000
Ukrainian bank	9%	USD	June 2016	95,050
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	8,618
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	21,765
Ukrainian subsidiary of European bank	Libor + 11.2%	USD	August 2015	6,750
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2013	80,000
Total				336,558

The balances of long-term borrowings as of 31 December 2010 were as follows:

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

	Interest rate	Currency	Maturity	Amount due
European bank	Libor 3m + 3,52%	USD	April 2015	29,690
European bank	Libor 3m+6,75%	USD	September 2012	26,664
Ukrainian subsidiary of European bank	Libor+5,7%	USD	September 2013	57,927
Ukrainian subsidiary of European bank	Libor+5%	USD	November 2013	29,446
Ukrainian subsidiary of European bank	Libor 3m+11,2%	USD	August 2015	5,418
Ukrainian subsidiary of European bank	25%	UAH	September 2012	10,523
Ukrainian subsidiary of European bank	13%	UAH	September 2013	48,985
Total				208,654

Long-term loans as of 31 December 2011 include credit line from banks with the overall maximum credit limit of USD 336,560,157 (as of 31 December 2010: USD 256,637,000).

Long-term loans from banks were secured as follows:

	As of 31 December 2011	As of 31 December 2010
Assets pledged		
Property, plant and equipment (see Note 5)	265,781	228,404
Intangible assets (see Note 6)	5,932	5,952
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	271,713	234,356

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

As of 31 December 2011			As of 31 December 2010		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Vovchansky oep VJSC	November 2013	100%	VJSC "Vovchansk OEP"	November 2013	100%
Kirovogradoliya JSC	September 2013	100%	LLC "Gutnansky elevator"	November 2013	100%
Gutyansky elevator IIC	November 2013	100%	LLC "Prykolotnjansky OEP"	November 2013	100%
Prykolotnjansky oep IIC	November 2013	100%	LLC "Velykoburlutske HPP"	November 2013	100%
Shevchenkisky Khp IIC	November 2013	100%	LLC "Shevchenkisky KHP"	November 2013	100%
Kovyagivske Khp IIC	November 2013	100%	LLC "Kovyagivske KHP"	November 2013	100%
Bandursky oil crushing plant IIC	April 2015	100%	LLC "Bandurskiy oil crushing plant"	April 2015	100%
			LLC "Transbulk Terminal"	September 2012	100%
			JSC "Kirovogradoliya"	September 2013	100%

9. Income Tax

The corporate income tax rate in Ukraine was 23% as of 31 December 2011 and 25% as of 31 December 2010.

The new Tax Code of Ukraine, which was enacted on 2 December 2010, introduced a gradual decrease in income tax rates, from 23% effective 1 April 2011 to 16% effective 1 January 2014, as well as certain changes to the rules of income tax assessment effective from 1 April 2011. Consequently, the deferred income tax assets and liabilities as of 31 December 2011 were measured based on the revised income tax rates of the new Tax Code.

The components of income tax benefit for the year ended 31 December 2011 and 2010 were as follows:

Income tax recognised in profit or loss:

	6 months ended 31 December 2011	6 months ended 31 December 2010
Current income tax charge	(1,793)	(752)
Deferred tax benefit	(95)	1,182
Income tax benefit	(1,888)	430

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

9. Income Tax (continued)

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

	6 months ended 31 December 2011	6 months ended 31 December 2010
Profit before income tax from continuing operations	90,882	85,487
Tax at statutory tax rate of 25% (July 2010 till 31 March 2011) and 23% since 1 April 2011 (2010: 25%)	(20,903)	(21,372)
Expenditures not allowable for income tax purposes and non-taxable income, net	(71,867)	21,802
Income tax benefit	(1,888)	430

As at 31 December 2011, based upon projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Group will realise the benefits of the deferred tax assets of USD 3,349,000 recognised in respect of tax losses carried forward by Group Subsidiaries. The amount of future taxable income required to be generated by Group subsidiaries to utilise the tax benefits associated with net operating loss carry forwards is approximately USD 14,559,000. 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 December 2011	As of 31 December 2010
DEFERRED TAX ASSETS ARISING FROM :		
Tax losses carried forward	6,751	1,988
Valuation of advances from customers	-	9,952
Valuation of property, plant and equipment	1,663	9,716
Valuation of accounts receivable	2,627	1,199
Valuation of inventories	-	71
Valuation of intangible assets	1	214
Valuation of accrued expenses and other temporary differences	819	328
Net deferred tax assets	11,861	23,468
DEFERRED TAX LIABILITY ARISING FROM :		
Valuation of property, plant and equipment	(22,259)	(38,932)
Valuation of intangible assets	(2,697)	(2,319)
Valuation of prepayments to suppliers and prepaid expenses	(3,000)	(12,619)
Valuation of inventories	-	(2)
Valuation of financial investments	(8)	(9)
Deferred tax liability	(27,964)	(53,881)
Net deferred tax liability	(16,103)	(30,413)

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

Movements in temporary differences were as follows:

	31 December 2010	Tax income/(expense) during the period recognised in profit or loss	Deferred taxes acquired in business combination	Currency translation difference	31 December 2011
Valuation of accounts receivable	1,199	1,318	99	11	2,627
Valuation of accrued expenses and other temporary differences	328	487	15	(11)	819
Valuation of advances from customers	9,952	(9,952)	-	-	-
Valuation of financial investments	(9)	1	-	-	(8)
Valuation of intangible assets	(2,105)	448	(1,039)	-	(2,696)
Valuation of inventories	69	(69)	-	-	-
Valuation of prepayments to suppliers and prepaid expenses	(12,619)	9,617	-	2	(3,000)
Valuation of property, plant and equipment	(27,812)	18,789	(11,595)	22	(20,596)
Tax losses carried forward	1,988	4,665	68	30	6,751
Net deferred tax liability	(29,009)	25,304	(12,452)	54	(16,103)

10. Acquisition and Disposal of Subsidiaries

The following entities were acquired during 3-months period ended 31 December 2011:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Enselco LLC		Ukraine		01 October 2011
Enselco Agroholding LLC		Ukraine		01 October 2011
Nyva Agroholding LLC		Ukraine		01 October 2011
Sluch Agro LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine		01 October 2011
Vesnianskyi Elevator LLC		Ukraine		01 October 2011
Enselco Agro	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine		01 October 2011
Nyva Berezneguvate LLC		Ukraine		01 October 2011
Nyva Vesnyane		Ukraine		01 October 2011
Subsidiary "Ensel" PE		Ukraine		01 October 2011
Agro Inter Sluch LLC		Ukraine		01 October 2011
Private leased firm "Zlagoda"		Ukraine		01 October 2011
Private leased entity "Real"		Ukraine		01 October 2011
PE "Getman"		Ukraine		01 October 2011
PE "Olymp"		Ukraine		01 October 2011
"Zhayvir"		Ukraine		01 October 2011
PE "Ladygi"		Ukraine		01 October 2011
"Chamatskiy Shlyakh"		Ukraine		01 October 2011
Matushevski" farm		Ukraine		01 October 2011
Krymashevskiy O.M. &C farm		Ukraine		01 October 2011
Agro LLC "Ukraine"		Ukraine		01 October 2011
Agro LLC "Skhid"		Ukraine		01 October 2011
Private agro entity "Agrarnyk"		Ukraine		01 October 2011
LLC "Zolota Nyva"		Ukraine		01 October 2011
Troyanda Podillya LLC		Ukraine		01 October 2011

Assets acquired include:

29,300 ha leasehold farmland, of which 23,000 ha are located in the western oblast in Khmelnytsky and 6,300 ha located in the regions of Nikolaev and Odessa. The management believes that the acquisition will also strengthen the company's sugar operation in the region of Khmelnytsky by adding a large acreage of prime farm land dedicated to sugar beet production. The acquired assets also include 30,000 tons of grain storage capacity located to service the acquired farm.

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

10. Acquisition and Disposal of Subsidiaries (continued)

Fair value of assets, liabilities and contingent liabilities acquired during the ended 31 December 2011 was as follows:

	Value prior to acquisition	Fair value
ACQUIRED NET ASSETS:		
Cash	762	762
Current financial investments	17	0
Trade accounts receivable, net	3,811	819
Prepayments to suppliers and other current assets, net	39,435	7,416
Taxes recoverable and prepaid, net	2,020	1,893
Inventory	12,648	4,501
Biological current assets	729	21,673
Property, plant and equipment, net	9,952	14,193
Intangible assets, net	29	13,522
Biological non-current assets	6	6
Trade accounts payable	(2,179)	(2,064)
Advances from customers and other current liabilities	(40,350)	(8,278)
Short-term borrowings	(919)	(919)
Long-term borrowings	(49,497)	-
Finance lease long-term	(1,694)	(1,694)
Deferred tax liabilities	-	(50)
Fair value of net assets of acquired Subsidiaries		51,780
Non-controlling interest		51,780
Negative goodwill		(430)
Total cash considerations due and payable		51,350
Less: acquired cash		-
Less: cash paid		-
Net cash due and payable		51,350

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

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

10. Acquisition and Disposal of Subsidiaries (continued)

The following entity was disposed of during the year ended 31 December 2011:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of disposal	Date of disposal
Grain Trading Company LLC	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services. and sugar beet.	Ukraine	100%	09 December 2011

Fair value of assets, liabilities and contingent liabilities disposed of during the year ended 31 December 2011 was as follows:

ASSETS DISPOSED OF, NET:

Cash	1
Inventory	74
Prepayments to suppliers and other current assets, net	1,752
Taxes recoverable and prepaid, net	2
Trade accounts payable	(1)
Advances from customers and other current liabilities	(2,199)
Deferred tax liabilities	(7)
Fair value of net assets of Subsidiaries disposed of	(378)
Non-controlling interest	-
Loss on disposal	(378)
Total cash consideration receivable	172
Less: cash from assets disposed of, net	(1)
Less: accounts receivable from Subsidiaries of	(173)
Net cash inflow from Subsidiary disposed of	-

On 3 August 2011 as a result of the optimization on process of its legal structure the Group relinquished operational control over GTC LLC, and assets of GTC LLC were transferred to the Group's subsidiaries.

11. Transactions with Related Parties

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

The Group had the following balances outstanding with related parties:

	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 December 2011		as of 31 December 2010	
Trade accounts receivable, net	-	109,542	1,100	127,663
Prepayments to suppliers and other current assets, net	34,885	153,505	7,797	47,514
Other non-current assets	82,386	164,616	563	1,480
Trade accounts payable	1,475	43,702	1,112	46,574
Advances from customers and other current liabilities	132	331,110	146	28,967

Prepayments to suppliers and other current assets include a USD 51.3 million loan provided by Kernel to a group of investors for the purchase of Enselco. Transactions with related parties were as follows:

	Amount of operations with related parties	Total category per consolidated income statement	Amount of operations with related parties	Total category per consolidated income statement
	for the 3 months ended 31 December 2011		for the 3 months ended 31 December 2010	
Cost of sales	(95)	(450,483)	(123)	(453,668)
General, administrative and distribution expenses	(126)	(73,878)	(530)	(50,595)
Finance costs	210	(15,337)	-	(12,038)
Other income/(expenses). net	288	(5,795)	202	(2,462)

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

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

As of 31 December 2011 the Board consists of the following seven directors: the Chairman of the Board, two independent directors, four directors employed by Subsidiaries.

Remuneration of the Board (7 Directors) for the 3-month period ended 31 December 2011 amounted to USD 192,250 (for the 3-month period ended 31 December 2010: 6 Directors. amounted USD 151,354).

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

Three directors employed by Subsidiaries are entitled to remuneration for their services as members of the Management Team of the Group. Remuneration of the Management Team of the Group, totalling 14 people, amounting to USD 461,750 for the 3-month period ended 31 December 2011 (3-month period ended 31 December 2010: 14 people, amounted to USD 400,954).

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.

12. Commitments and Contingencies

Operating Environment

The principal business activities of the Group are in Ukraine. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes. As a result, the Group's assets and operations could be at risk if there were any adverse changes in the political and business environments. Taxation Ukrainian tax authorities are increasingly directing their attention to the business community. As a result, the Ukrainian tax environment is subject to frequent change and to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and penalty interest.

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

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

The new Tax Code of Ukraine was published in December 2010 and became effective on 1 January 2011, with some of its provisions taking effect later (such as section III, dealing with corporate income tax, which came into force on 1 April 2011).

Retirement and Other Benefit Obligations

Most employees of the Group receive pension benefits from the pension Fund, and Ukrainian Government organisation in accordance with the applicable laws and regulations. The Group is required to contribute a specified percentage of the payroll to the pension Fund to finance the benefits.

The only obligation of the Group with respect to this pension plan is to make the specified contributions.

As of 31 December 2011 and 31 December 2010 the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Capital Commitments

As of 31 December 2011, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 2,568,000 for supply of equipment and services required for construction of a new silo.

As of 31 December 2010 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 2,219,000 for supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 623,000 for supply of equipment and services required for construction of a new silo.

Contractual Commitments on Sales

As of 31 December 2011, the Group had entered into commercial contracts for export of 919,926 tons of grain and 401,967 tons of sunflower oil and meal, corresponding to an amount of USD 234,814,987 and USD 161,708,735 respectively in prices as of 31 December 2011.

As of 31 December 2011 the Group had negotiated commercial contracts to supply 76 000 MT of sugar, corresponding to an amount of USD 67 000 000 (VAT excluded).

As of 31 December 2010 the Group had entered into commercial contracts for export of 184,000 tons of grain and 582,000 tons of sunflower oil and meal, corresponding to an amount of USD 57,235,000 and USD 529,475,000 respectively in prices as of 31 December 2010.

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

13. Fair Value of Financial Instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement.' Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgement is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realise in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2011 and 2010 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash

For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Trade and Other Accounts Receivable

The carrying amount of trade and other accounts receivable is considered a reasonable estimate of their fair value as the allowance for estimated irrecoverable amounts is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Trade and Other Accounts Payable

The carrying amount of trade and other accounts payable is a reasonable estimate of their fair value.

Short-term Borrowings

For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Long-term Bank Borrowings

The carrying amount of long-term bank borrowings is considered a reasonable estimate of their fair value as the nominal interest rate on long-term bank borrowings is considered to be a reasonable approximation of the fair market rate with reference to loans with similar credit risk level and maturity period at the reporting date.

Long-term Loans from Related Parties

The carrying amount of long-term loans from related parties equals their fair value.

14. Description of significant events for the 3-month period ended 31 December 2011

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

In August 2011, Kernel Holding S.A. executed a share purchase agreement to acquire a 100% interest in Russian Oils, a company with oilseed crushing assets in the Krasnodar and Stavropol regions of Russia. On 19 September 2011, conditions precedent to the purchase of Russian Oils were fulfilled, and the acquisition was finalised.

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

On 26 August 2011, the Antimonopoly Committee of Ukraine approved the acquisition by Kernel of a controlling stake in Ukrros. On 26 August 2011, following the approval, Kernel Holding S.A. executed a call option agreement to acquire such controlling interest.

On 8 September 2011, Kernel Holding S.A. entered into a call option agreement for the purchase of a 100% interest in Enselco, a Ukrainian farming company managing 29,300 ha of leasehold farmland. Subject to approval of the transaction by the Antimonopoly Committee of Ukraine, Kernel will pay a total cash consideration of USD 52.3 million for such acquisition.

On 22 September 2011, Inerco Trade SA, a Subsidiary of Kernel Holding S.A., entered into a USD 150 million secured revolving facility agreement with Natixis, UBS AG and Raiffeisen Bank International AG as arrangers and lenders. The Facility is extended until 30 June 2012 and to be drawn to finance, the purpose of financing the purchase, storage, transportation and transshipment of agricultural commodities such as corn, barley, rapeseed and soya bean.

On 23 September 2011, Kernel received approval from the Antimonopoly Committee of Ukraine for the acquisition of BSI crushing plant. The value of the transaction is USD 140 million on a debt-free and cash-free basis.

On 28 September 2011, Inerco Trade SA entered into a USD 100 million two-year loan extended by European banks for general corporate purposes and secured against corporate guarantees of Kernel Holding S.A. and operational Subsidiaries of the Group.

On 30 September 2011, Kernel Trade, a subsidiary of Kernel Holding S.A., entered into a USD 100 million five-year loan extended by an Ukrainian bank. The loan is a multicurrency UAH/USD facility, and will be drawn to refinance existing Ukrros debt and finance sugar production. The facility will be secured by pledge of sugar plants and corporate guarantee of Kernel Holding S.A.

Notes to the Condensed Consolidated Financial Statements (continued)

for the 3 months ended 31 December 2011

15. Subsequent events

On 21 January 2012, Kernel Holding S.A. exercised its call option agreements to purchase a 100% interest in Black Sea Industries ("BSI"), a company whose primary asset is an oilseed crushing plant located in Illichevsk, Ukraine that has an enterprise value of USD 140 million.

On 26 January 2012 Kernel Trade LLC (the "Borrower"), a subsidiary of Kernel Holding S.A., entered into a USD 100 million medium term loan extended by two European banks. The purpose of the loan is refinancing of the BSI (Black Sea Industries) acquisition. The loan will be secured by pledge of the fixed assets of the acquired crushing plant.

The credit agreement shall come into force from the date of registration of the agreement with the National Bank of Ukraine, expected to be received in February 2012. Documentation in respect of the security structure of the loan is expected to be signed by the Parties in February 2012.

On 08 February 2012 Fitch Ratings has affirmed Kernel Holding S.A. Long-term foreign and local currency Issuer Default Ratings (IDRs) of 'B' and 'B+', respectively. Fitch has also affirmed Kernel's National Long-term rating of 'AA+'(ukr). The Outlooks for the Long-term IDRs and National Long-term rating are Stable.