KERNEL

Kernel Holding S.A. and Subsidiaries Condensed Consolidated Interim Financial Statements

for 6 months ended 31 December 2011

Financial Highlights

for the 6 month Period Ended 31 December 2011 (H1 FY 2012)

Total revenue increased 8.1% year-on-year, from USD 912.4 million for the first half of financial year 2011 to USD 985.9 million for the 6-month period under review.

Results from operating activities decreased by 7.1% year-on-year, from USD 125.3 million for the first half of financial year 2011 to USD 116.4 million for the 6-month period under review.

Net profit attributable to equity holders of Kernel Holding S.A. increased 18.1% year-on-year, from USD 86.2 million for the first half of financial year 2011 to USD 101.9 million for the 6-month period under review.

Production, sales and throughput:

Volume and tonnage	H1 FY2012	H1 FY2011	% change
Grain sales, tons	**1,015,181**	1,230,012	(17.5)%
Bulk oil sales, tons	**335,101**	379,511	(11.7)%
Bottled oil sales, '000 liters	**78,189**	61,421	27.3%
Sunflower seed crush, tons	**1,035,546**	821,714	26.0%
Refined oil production, tons	**82,563**	59,824	38.0%
Bottled oil production, tons	**72,938**	51,741	41.0%
Export terminals throughput, tons	**859,013**	1,238,600	(30.7)%
Grain and oilseeds received in inland silos, tons	**1,794,125**	1,200,640	49.4%
Sugar production, tons	**119,614**	-	n/m

Review of Financial Results for the 6-month period ended 31 December 2011

Revenue

Kernel reported total revenue of USD 985.9 million for the first 6 months of the current financial year, versus USD 912.4 million for the first half of FY2011. While grain and bulk oil sales volumes declined by 17.5% and 11.7% respectively, the marginal 8.1% year-on-year revenue increase was achieved owing to the higher prices for bulk and bottled oil, which increased on average by 26% and 43%, respectively, as well as greater bottled oil sales volumes (27.3% year-on-year increase).

Gross Profit

Gross profit was USD 218.9 million for the 6-month period under review versus USD 206.7 million for the first half of FY2011, a 5.9% increase in absolute terms. In relative terms, gross profit margin slightly decreased year-on-year from 22.7% to 22.2%.

Distribution Costs

Distribution costs increased year-on-year from USD 75.7 million for the first half of FY2011 to USD 91.7 million for the 6-month period under review. While the overall sales tonnage of grain and bulk oil declined, bottled oil and meal increased year-on-year. At the same time, a higher proportion of cargo was delivered on CIF basis, incurring higher freight expenses.

Review of Segmental Results for the 6-month Period Ended 31 December 2011

Bottled Oil

Revenue from bottled oil sales for the 6-month period under review was USD 123.5 million, versus USD 71.8 million for the first half of FY2011. Increases were recorded for both the volume of bottled oil sold over the period-up 27.3% year-on-year — and the average sale price for bottled oil - up 43% year-on-year — translating into a 71.9% increase in bottled oil revenue. Operating profit increased by almost 90.7% year-on-year to USD 21.3 million in the period under review, with an improved operating profit margin of 17.2% as the government of Ukraine cancelled price regulation, which had adversely impacted the profitability of the bottled oil segment in H1 FY2011.

Bulk Oil

Revenue from sales of bulk oil was USD 487.8 million for the 6-month period under review, versus USD 440.3 million for the first half of FY2011. The 10.8% year-on-year increase in revenue is the result of the 11.7% decrease in volume of bulk oil delivered over the period, together with a 25.9% increase in the average sales price for oil. The operating profit increased 25.3% year-on-year, from USD 54.2 million to USD 67.9 million, and the operating margin improved from 12.3% percent to 13.9% as a result of the crop pressure following the record high sunflower seed harvest in Ukraine.

Grain

Revenue from grain sales was USD 310.8 million for the period under review versus USD 387.3 million for the first half of FY2011. The 19.8% year-on-year decrease in revenue is primarily the result of the 2.8% decrease in the average price of grain sales contracts executed over the period under review and the 17.5% decline in sales volumes which were the result of a late cancellation of export duties by the Government of Ukraine along with generally weak international prices causing the lower-than-expected activity as farmers reduced supply in anticipation of a price rebound in H2 FY2012. Consequently, the operating profit on grain transactions decreased year-on-year both in absolute terms, from USD 44.9 million to USD 13.2 million, or a severe 70.6% year-on-year decrease, and in relative terms, from 11.6% to 4.3%, as a result of a disappointing performance by the grain segment in Q1 FY2012.

Silo Services

Revenue from silo services increased 61.0% year-on-year, to USD 28 million for the 6-month period under review, including intersegment sales of USD 10.6 million, primarily reflecting a 49.4% surge in the volume of grain and oilseeds received by the silos year-on-year following the plentiful harvest in Ukraine. Operating profit from silo services increased from USD 4.3 million to USD 9.0 million for the period under review.

Export Terminals

Revenue generated by the export terminals fell from USD 20.9 million for the first half of FY2011 to USD 13.5 million for the 6-month period under review, including intersegment sales of USD 9.9 million. The 35.7% fall in revenue primarily reflected the lower throughput at export terminals, decreasing from 1.2 million tons to 0.9 million tons for the 6-month period under review. While the decrease in throughput also resulted in operating results declining year-on-year by 54.2%, from USD 10.7 million to USD 4.9 million for the period under review, the operating margin of the segment has tightened from 51.0% to 36.4% year-on-year.

Farming

Revenue from farming increased from USD 50.8 million for the first half of FY2011 to USD 100.8 million for the 6-month period under review, including intersegment sales of USD 87.1 million, reflecting the two-fold increase in the farmland bank under operation. As a result, operating profit grew from USD 8.0 million in H1 FY2011 to USD 12.4 million, and the operating margin decreased year-on-year from 15.8% to 12.3%, reflecting higher depreciation charge of intangible assets related to recent acquisitions of farming enterprises in Ukraine.

Sugar

Revenue from the sugar segment was USD 27.8 million in H1 FY2012, 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 1.5 million. Technical constraints delayed the execution of the supply contract with the State Agricultural Fund, thus the segment is expected to contribute in H2 FY2012, when 75,700 of 119,600 tons of produced sugar would be delivered to the Fund.

Management Statement

This statement is provided to confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the six month period ended 31 December 2011, and the comparable information, have been prepared in compliance with International Accounting Standard 34 - Interim financial statments (hereinafter, "IAS 34") and give a true, fair and clear view of Kernel Holding S.A. assets, financial standing and net results, and that the directors' report on the operations of Kernel Group of companies truly reflects the development, achievements and situation of the Group, including a description of the key risk factors and threats.

This statement is provided to confirm that DELOITTE Audit S.a.r.l has been appointed in accordance with the applicable laws and performed the review of independed auditor the condensed consolidated interim financial statements of Kernel Holding S.A. for the six month period ended 31 December 2011, and that the entities and the independent auditor performing the review met the conditions necessary to issue an impartial and independent report on the review in accordance with International Standards on review engagements.

February 27, 2012

On behalf of the Management

Anastasiia Usachova
Director

Yuriy Kovalchuk
Director

Statement of Management Responsibilities

Management of KERNEL HOLDING S.A. and its Subsidiaries (Kernel Group or Group) is responsible for preparing the condensed consolidated interim financial statements which reflect in all material aspects the financial position of the Kernel Group as at 31 December 2011, as well as the results of its activities, cash flows and changes in equity for the 6 month ended 31 December 2011 in accordance with IAS 34.

In preparing the condensed consolidated interim financial statements, the Kernel Group's Management is responsible for:

- selecting appropriate accounting policies and their consistent application;
- making reasonable measurement and calculation;
- following principles of IFRS or disclosing all considerable deviations from IFRS in the notes to condensed consolidated interim financial statements;
- preparing condensed consolidated interim financial statements of the Kernel Group on the going concern basis, except for the cases when such assumption is inappropriate;
- accounting and disclosing in the condensed consolidated interim financial statements all the relations and transactions between related parties;
- accounting and disclosing in the condensed consolidated interim financial statements all subsequent events that need to be adjusted or disclosed;
- disclosing all claims related to previous or potential legal proceedings, unless the possibility of an outflow of resources embodying economic benefit is remote;
- disclosing in the condensed consolidated interim financial statements all the loans or guarantees on behalf of the management.

The Kernel Group's Management is also responsible for:

- development, implementation and control over effective and reliable internal control system in the Kernel Group;
- keeping accounting records in compliance with the legislation and accounting standards of the respective country of the Kernel Group's registration;
- taking reasonable steps within its cognizance to safeguard the assets of the Kernel Group;
- detecting and preventing fraud and other irregularities.

To the best of our knowledge and belief, no events have occurred subsequent to the reporting date and through the date of this letter that may require adjustment to or disclosure in the afore mentioned condensed consolidated interim financial statements.

February 27, 2012

On behalf of the Management

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Principal Risks and Uncertainties

Kernel management considers that the following factors, among others, could materially influence the financial results of the Group

Low harvest of grain or sunflower seed in Ukraine

To operate successfully and achieve expected results, the Group requires an uninterrupted supply of raw materials. Unfavorable weather and growing conditions can result in a significantly lower harvests, which in turn can create a shortage in sunflower seeds for the oilseed processing group, or lower grain volumes for the grain, silo services and export terminal segments. Consequently, this could have an adverse material effect on the Group's business, results of operations and overall financial condition.

Product quality

The Group is required to follow requirements regarding the quality of its grain, sunflower oil and protein meal. Should there be any contamination of the Group's food products, or were there to be any alleged or actual violations of the quality requirements, it could have an adverse material effect on the Group business, results of operations and overall financial condition.

Export limitations and restrictions

The Ukranian government is responsible for development and adoption of regulations concerning agricultural commodities, any of which can have an adverse material effect on the Group's business, financial condition and results of operations.

For example, in financial year 2011, a significant rise in grain prices on the international market caused the government of Ukraine to introduce grain export limits. These quotas resulted in lower grain prices on the domestic market than on the international market.

Price controls

The introduction of price controls could be detrimental to the Group's key products and affect its operations. Local state authorities have the authority, under Ukrainian legislation, to regulate prices of certain food products, including crude and bottled sunflower oil. In particular, before the price of these products can be increased by more than 1% in any given month, the local state authorities may require the producers to obtain approval from the local officers of the State Prices Inspection.

Furthermore, the Cabinet of Ministers of Ukraine has in place a procedure to determine the prices of food products, which are subject to state regulation. The procedure provides a formula for the calculation of wholesale prices of food products and profits from sales and seeks to limit the profit margin charged on such products. If detrimental price controls were introduced for the Group's key products or the Group failed to comply with the Ukrainian price regulation mechanism described above, its business, results of operations and financial condition could be materially adversely affected.

Increased competition

The Group could face increased competition from existing as well as new operators in the Ukrainian agricultural industry. As the Ukrainian agricultural sector continues its successful growth and development, and as farms grow and expand, grain traders and crushers will look for opportunities to expand business. This could lead to a relative loss in market position for the Group, and it could have an adverse material effect on the Group's business, financial condition and results of operations.

Commodity price volatility

Most of the products the Group procures, processes and sells are widely-traded agricultural commodities, subject to significant price fluctuations over a short time span. Price movements can have an adverse material effect on the Group's business, financial condition and results of operations. The Group's earnings are to some extent based on the prices of the commodities that it sells, including, among others, oil-bearing crops, grain, sunflower oil and meal. Prices for these fluctuate due to factors beyond the control of the Group's, including, among many, world supply and demand, supply of raw materials, weather, crop yields and governmental regulation. In addition, the price of vegetable oils depends on the production levels and prices of all edible oils, as many oils, including sunflower oil, are substituted by users to various degrees. Any of the above factors could adversely affect the Group's business, results of operations and financial condition.

Further risks identified by the Group include:

- A prolonged period of weak economic growth, either globally or in the Group's key markets
- The risk of protracted weakness or volatility in agricultural commodity prices
- Failure to manage continued growth through acquisitions
- Any loss or diminution of the services of Mr. Andrey Verevskiy, Kernel Holding S.A.'s Chairman of the Board
- The risk that changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of tangible and intangible assets, including goodwill
- The risk that significant capital expenditure and other commitments Kernel Holding S.A. has made in connection with acquisitions may limit its operational flexibility and add to its financing requirements
- Economic policy, political, social and legal risks and uncertainties in certain countries in which Kernel Holding S.A. operates or proposes to operate
- The risk of disruptions to Kernel Holding S.A.'s manufacturing operations
- Damage to Kernel Holding S.A.'s production facilities due to natural disasters
- The risk that Kernel Holding S.A.'s insurance policies may provide inadequate coverage
- The risk of product liability claims
- The risk of potential liabilities from investigations, litigation and fines regarding antitrust matters
- The risk that Kernel Holding S.A.'s governance and compliance processes may fail to prevent regulatory penalties or reputational harm, both at operating subsidiaries and joint ventures
- The risk of unfavorable changes to, or interpretations of, the tax laws and regulations in the countries in which Kernel Holding S.A. operates

Significant Events

Description of significant events for the 6-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 Group's principal shareholder, Namsen limited. The remaining newly issued shares have been subscribed by holders of stock options issued in connection with the Group's management incentive plan. As a result of the capital increase, the Group's share capital is set at USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value, giving the 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 Group of Companies 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 finalized.

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 Group 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 51.3 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 a 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.

On 10 October 2011, the 6,009,000 new ordinary bearer shares of the Group without indication of a nominal value, issued pursuant to the share capital increase referred to in above, were registered in the National Depository for Securities (Krajowy Depozyt Papierow Wartościowych, "NDS") and admitted to trading on the main market of the Warsaw Stock Exchange ("WSE").

On 4 November 2011, Patrick Conrad, Investor Relations Director, resigned from his position within the Group and Yuriy Kovalchuk was appointed as Investor Relations Director. Additionally, Kernel Holding S.A. approved a new management incentive plan (the "Management Incentive Plan") providing to Management Team Members and Eligible Employees (as defined in the Management Incentive Plan) an option to purchase in aggregate up to 2,550,000 new shares of Kernel Holding S.A., such number being equal to 3.2% of the issued and outstanding stock of Kernel Holding S.A. as of the adoption date of such plan, at the exercise price of 75 PLN per share.

On 7 December 2011, Kernel Holding S.A. convened Annual General Meeting of Shareholders, which adopted the following resolutions with immediate effect:

- **RESOLUTION No 1:** Approval of the consolidated financial statements of Kernel Holding S.A. for the financial year ended 30 June 2011;
- **RESOLUTION No 2:** Approval of the Parent Company annual accounts (unconsolidated) for the financial year ended 30 June 2011 ;
- **RESOLUTION No 3:** Appropriation of results for the financial year ended 30 June 2011;
- **RESOLUTION No 4:** Discharge of the Directors;
- **RESOLUTION No 5:** Acknowledgement of the discharge and resignation of Mr. Patrick Conrad as a member of the Board of Directors effective as of 1 November 2011;
- **RESOLUTION No 6:** Statutory election of independent Directors of the Board Andrzej Danilczuk and Ton Schurink;
- **RESOLUTION No 7:** Statutory election of new Board members Kostiantyn Lytvynskyi and Yuriy Kovalchuk;
- **RESOLUTION No 8:** Statutory remuneration of independent Directors of the Board;
- **RESOLUTION No 9:** Termination of the mandates of the independent auditors Baker Tilly Ukraine and TEAMAUDIT S.A. and the appointment of DELOITTE Audit S.a.r.l., having its registered office at 560, rue du Neudorf, L-2220 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number 67 895 as new independent auditors for the audit of the consolidated and unconsolidated annual accounts of Kernel Holding S.A. for a one-year term mandate, which shall terminate on the date of the general meeting of shareholders to be held in 2012

Significant Events (continued)

Additionally on 7 December 2011, Kernel Holding S.A. convened an Extraordinary Meeting of Shareholders, which adopted the following resolutions with immediate effect:

- **RESOLUTION No 1:** authorization to the Board of Directors to issue, from time to time, up to two million five hundred fifty thousand (2,550,000) new shares without indication of nominal value;
- **RESOLUTION No 2:** Approval of amendments of the articles of incorporation of the company to comply with provisions of the law of 24 May 2011 implementing the Directive 2007/36 EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders of listed companies;
- **RESOLUTION No 3:** Approval of the amendment of article 5 of the articles of incorporation of the company following the increase of authorized capital;
- **RESOLUTION No 4:** Approval of insertion of new article 6 in the articles of incorporation of the company regarding free transferability of the shares;
- **RESOLUTION No 5:** Approval of the amendment of article 13 of incorporation of the company regarding the convening of annual general meeting of shareholders of the company and respective powers;
- **RESOLUTION No 6:** Approval of amendment of article 17 of incorporation of the company regarding the governing law;
- **RESOLUTION No 7:** Approval to proceed to a renumbering of the articles and of the cross references within the articles of incorporation of the Company further to the insertion of a new article 6 of the articles of incorporation;

On 23 December 2011, a subsidiary of Kernel Holding S.A. entered into a preliminary agreement to purchase the farming enterprise for a total consideration equivalent to USD 2.5 million.

Deloitte Audit
Société à responsabilité limitée

560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

To the Shareholders of
Kernel Holding S.A.
65, boulevard Grand-Duchesse Charlotte
L-1331 Luxembourg

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Kernel Holding S.A. as at December 31, 2011, and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity, condensed consolidated interim statement of cash flows for the six-month period then ended, and the notes to the condensed consolidated interim financial statements as at December 31, 2011 ("interim financial information"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the consolidated interim financial position of Kernel Holding S.A. as at December 31, 2011, and its consolidated interim financial performance for the six-month period then ended in accordance with those requirements of IAS 34 "Financial Interim Reporting".

For Deloitte Audit, *Cabinet de révision agréé*

Sophie Mitchell, *Réviseur d'entreprises agréé*
Partner

February 29, 2012

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Selected Financial Data
for 6 months ended 31 December

		Thousand USD		Thousand PLN		Thousand EUR	
(in thousands unless otherwise stated)		**2011**	2010	**2011**	2010	**2011**	**2010**
I.	Revenue	**985,902**	912,433	**3,062,606**	2,749,252	**715,078**	689,252
II.	Profit from operating activities	**116,377**	125,255	**361,514**	377,406	**84,409**	94,618
III.	Profit before income tax	**92,183**	85,487	**286,357**	257,581	**66,861**	64,577
iV.	Net profit	**92,227**	85,917	**286,494**	258,877	**66,893**	64,902
V.	Net cash used in operating activity	**(54,573)**	(401,180)	**(169,526)**	(1,208,795)	**(39,582)**	(303,051)
Vi.	Net cash used in investing activity	**(189,263)**	(22,408)	**(587,926)**	(67,518)	**(137,273)**	(16,927)
Vii .	Net cash provided by financing activity	**263,424**	381,171	**818,300**	1,148,506	**191,062**	287,936
Viii.	Total net cash flow	**19,588**	(42,417)	**60,848**	(127,807)	**14,207**	(32,042)
iX.	Total assets	**2,193,900**	1,521,922	**7,497,434**	4,511,129	**1,697,481**	1,139,159
X.	Current liabilities	**741,065**	622,734	**2,532,516**	1,845,846	**573,381**	466,116
Xi.	Non-current liabilities	**298,425**	208,274	**1,019,838**	617,345	**230,900**	155,893
Xii.	Issued capital	**2,104**	1,933	**7,190**	5,730	**1,628**	1,447
Xiii.	Total equity	**1,154,410**	690,914	**3,945,080**	2,047,938	**893,200**	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)	**1.30**	1.18	**4.03**	3.55	**0.94**	0.89
XVi.	Diluted number of shares	**79,027,854**	74,139,554	**79,027,854**	74,139,554	**79,027,854**	74,139,554
XVii.	Diluted profit per ordinary share (in USD/PLN/EUR)	**1.29**	1.16	**4.01**	3.50	**0.94**	0.88
XViii.	Book value per share (in USD/PLN/EUR)	**13.76**	9.39	**47.02**	27.83	**10.65**	7.03
XiX.	Diluted book value per share (in USD/PLN/EUR)	**13.68**	9.27	**46.76**	27.47	**10.59**	6.94

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Financial Position

(in US dollars and in thousands unless otherwise stated)	Notes	As at 31 December 2011 reviewed	As at 30 June 2011 audited	As at 31 December 2010 reviewed
ASSETS				
Current assets				
Cash	5	**129,769**	115,897	21,587
Trade accounts receivable, net	19	**116,051**	111,586	127,663
Prepayments to suppliers and other current assets, net	10, 19	**122,681**	81,334	47,514
Taxes recoverable and prepaid, net		**235,007**	221,274	268,033
Inventory	6	**561,271**	183,668	547,012
Biological assets	7	**15,795**	95,961	4,236
Total current assets		**1,180,574**	**809,720**	**1,016,045**
Non-current assets				
Property, plant and equipment, net		**678,173**	502,752	387,805
Intangible assets, net		**81,407**	65,563	30,592
Goodwill	9	**131,739**	85,989	86,000
Other non-current assets	11, 19	**122,007**	97,862	1,480
Total non-current assets		**1,013,326**	**752,166**	**505,877**
Total assets		**2,193,900**	**1,561,886**	**1,521,922**
LIABILITIES AND EQUITY				
Current liabilities				
Trade accounts payable	19	**43,046**	27,055	46,574
Advances from customers and other current liabilities	19	**247,100**	102,029	28,967
Short-term borrowings	13	**383,611**	234,514	510,835
Current portion of long-term borrowings	14	**67,308**	31,392	36,358
Total current liabilities		**741,065**	**394,990**	**622,734**
Non-current liabilities				
Long-term borrowings	14	**269,250**	152,684	172,295
Obligations under finance lease		**9,921**	3,373	5,501
Deferred tax liabilities	15	**14,367**	13,396	30,413
Other non-current liabilities		**4,887**	153	65
Total non-current liabilities		**298,425**	**169,606**	**208,274**
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital		**2,104**	1,945	1,933
Share premium reserve		**463,879**	321,556	317,741
Subscribed capital		**-**	137,354	–
Additional paid-in capital		**39,944**	39,944	39,944
Revaluation reserve		**15,049**	15,049	11,260
Translation reserve		**(159,305)**	(162,152)	(161,600)
Retained earnings		**719,770**	617,878	477,845
Total equity attributable to Kernel Holding S.A. equity holders		**1,081,441**	**971,574**	**687,123**
Non-controlling interest		**72,969**	25,716	3,791
Total equity		**1,154,410**	**997,290**	**690,914**
Total liabilities and equity		**2,193,900**	**1,561,886**	**1,521,922**
Book value		**1,081,441**	971,574	687,123
Weighted average number of shares		**78,599,820**	74,684,398	73,191,000
Book value per share (in USD)		**13.76**	13.01	9.39
Diluted number of shares		**79,027,854**	75,572,177	74,139,554
Diluted book value per share (in USD)		**13.68**	12.86	9.27

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Income Statement

(in US dollars and in thousands unless otherwise stated)	Notes	6 months ended 31 December 2011 reviewed	6 months ended 31 December 2010 reviewed
Revenue	16	**985,902**	912,433
Cost of sales	17, 19	**(767,044)**	(705,747)
Gross profit		**218,858**	**206,686**
Other operating income		**18,382**	9,312
OPERATING EXPENSES			
Distribution costs	19	**(91,722)**	(75,652)
General and administrative expenses	19	**(29,141)**	(15,091)
Profit from operating activities		**116,377**	**125,255**
Finance costs, net	19	**(27,679)**	(20,279)
Foreign exchange gain, net		**572**	2,672
Other income/(expenses), net	19	**2,913**	(22,161)
Profit before income tax		**92,183**	**85,487**
Income tax benefit	15	**44**	430
Net profit		**92,227**	**85,917**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
Equity holders of Kernel Holding S.A.		**101,892**	86,239
Non-controlling interest		**(9,665)**	(322)
Weighted average number of shares		**78,599,820**	73,191,000
Profit per ordinary share (in USD)		**1.30**	1.18
Diluted number of shares		**79,027,854**	74,139,554
Diluted profit per ordinary share (in USD)		**1.29**	1.16

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Comprehensive Income

(in US dollars and in thousands unless otherwise stated)	6 months ended 31 December 2011 reviewed	6 months ended 31 December 2010 reviewed
Net profit	**92,227**	**85,917**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translating foreign operations	2 904	(990)
Other comprehensive income/(loss), net	**2,904**	**(990)**
Total comprehensive income	**95,131**	**84,927**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Equity holders of Kernel Holding S.A.	104,739	85,261
Non-controlling interest	(9,608)	(334)

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Changes in Equity

for the financial year 2011 and 6 month ended 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 30 June 2010 (audited)	**1,933**	**317,741**	**–**	**39,944**	**11,260**	**(160,622)**	**391,606**	**601,862**	**3,029**	**604,891**
Profit for the period	–	–	–	–	–	–	86,239	**86,239**	(322)	**85,917**
Other comprehensive income/(loss)	–	–	–	–	–	(978)	–	**(978)**	(12)	**(990)**
Total comprehensive income/(loss) for the period	–	–	–	–	–	(978)	86,239	**85,261**	(334)	**84,927**
Effect of changes of non-controlling interest	–	–	–	–	–	–	–	**–**	1,096	1,096
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	–	–	–	–	–	–	140,033	**140,033**	97	**140,130**
Other comprehensive income/(loss)	–	–	–	–	3,789	(552)	–	**3,237**	269	**3,506**
Total comprehensive income/(loss) for the period	–	–	–	–	3,789	(552)	140,033	**143,270**	366	**143,636**
Effect of changes of non-controlling interest	–	–	–	–	–	–	–	**–**	21,559	**21,559**
Subscribed capital	–	–	137,354	–	–	–	–	**137,354**	–	**137,354**
Increase of share capital	12	–	–	–	–	–	–	**12**	–	**12**
Issued capital	–	3,815	–	–	–	–	–	**3,815**	–	**3,815**
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/(loss) for the period	–	–	–	–	–	–	101,892	**101,892**	(9,665)	**92,227**
Other comprehensive income	–	–	–	–	–	2,847	–	**2,847**	57	**2,904**
Total comprehensive income/(loss) for the period	–	–	–	–	–	2,847	101,892	**104,739**	(9,608)	**95,131**
Effect of changes of non-controlling interest	–	–	–	–	–	–	–	**–**	56,861	**56,861**
Subscribed capital	–	–	(137,354)	–	–	–	–	**(137,354)**	–	**(137,354)**
Increase of share capital	159	145,126	–	–	–	–	–	**145,285**	–	**145,285**
Issued capital	–	(2,803)	–	–	–	–	–	**(2,803)**	–	**(2,803)**
Balance as at 31 December 2011 (reviewed)	**2,104**	**463,879**	**–**	**39,944**	**15,049**	**(159,305)**	**719,770**	**1,081,441**	**72,969**	**1,154,410**

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Cash Flows

(in US dollars and in thousands unless otherwise stated)	Notes	6 months ended 31 December 2011 reviewed
OPERATING ACTIVITIES:		
Profit before income tax		**92,183**
Adjustments to reconcile profit before income tax to net cash used in operating activities:		
Amortisation and depreciation		**32,250**
Finance costs, net		**27,679**
Bad debt expenses and other accruals		**3,543**
Gain on disposal of property, plant and equipment		**(1,366)**
Non-operating foreign exchange loss		**2,608**
Gain from changes in fair value of biological assets		**(1,495)**
Gain on sales of equity investments		**(289)**
Gain on acquisition of subsidiaries		**(8,154)**
Operating profit before working capital changes		**146,959**
Changes in working capital:		
Decrease in trade accounts receivable		**630**
Increase in prepayments and other current assets		**(30,974)**
Decrease in restricted cash balance		**5,716**
Increase in taxes recoverable and prepaid		**(8,445)**
Decrease in biological assets		**101,839**
Increase in inventories		**(359,822)**
Increase in trade accounts payable		**14,077**
Increase in advances from customers and other current liabilities		**101,663**
Cash used in operating activities		**(28,357)**
Finance costs paid		**(25,229)**
Income tax paid		**(987)**
Net cash used in operating activities		**(54,573)**
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment		**(36,676)**
Proceeds from disposal of property, plant and equipment		**249**
Purchase of intangible and other non-current assets		**(24,127)**
Acquisition of Subsidiaries		**(128,709)**
Net cash used in investing activities		**(189,263)**
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings		**1,448,657**
Repayment of short-term and long-term borrowings		**(1,191,456)**
Proceeds from share premium reserve increase		**4,969**
Proceeds from subscribed capital		**159**
Net cash provided by financing activities		**262,329**
Translation adjustment		**1,095**
Net increase in cash and cash equivalents		**19,588**
Cash and cash equivalents, at the beginning of the period		**110,181**
Cash and cash equivalents, at the end of the period	5	**129,769**

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Cash Flows (continued)

(in US dollars and in thousands unless otherwise stated)	Notes	6 months ended 31 December 2010 reviewed
OPERATING ACTIVITIES:		
Profit before income tax		**85,487**
Adjustments to reconcile profit before income tax to net cash used in operating activities:		
Amortisation and depreciation		16,073
Finance costs, net		20,279
Bad debt expenses and other accruals		(848)
Gain on disposal of property, plant and equipment		(160)
Non-operating foreign exchange loss		560
Gain on sales of equity investments		(495)
Operating profit before working capital changes		**120,896**
Changes in working capital:		
Increase in trade accounts receivable		(61,199)
Decrease in prepayments and other current assets		49,521
Increase in restricted cash balance		(4,522)
Decrease in trading securities		119,598
Increase in taxes recoverable and prepaid		(182,276)
Decrease in biological assets		21,895
Increase in inventories		(399,225)
Increase in trade accounts payable		30,685
Decrease in advances from customers and other current liabilities		(75,522)
Cash used in operations		**(380,149)**
Finance costs paid		(20,279)
Income tax paid		(752)
Net cash used in operating activities		**(401,180)**
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment		(22,497)
Proceeds from disposal of property, plant and equipment		507
Purchase of intangible and other non-current assets		(418)
Net cash used in investing activities		**(22,408)**
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings		1,475,879
Repayment of short-term and long-term borrowings		(1,094,413)
Net cash provided by financing activities		**381,466**
Translation adjustment		(295)
Net decrease in cash and cash equivalents		**(42,417)**
Cash and cash equivalents, at the beginning of the period		57,762
Cash and cash equivalents, at the end of the period	5	15,345

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Notes to the Condensed Consolidated Interim Financial Statements

1. Key Data by Operating Segment

Key data by operating segment for 6 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)	123,498	487,841	3,564	15,030	310,752	17,428	27,789	–	–	**985,902**
Intersegment sales	–	–	9,903	89,879	–	10,550	–	–	(110,332)	–
Total revenue	**123,498**	**487,841**	**13,467**	**104,909**	**310,752**	**27,978**	**27,789**	**–**	**(110,332)**	**985,902**
Other operating income	–	1,252	2	21,600	(4,629)	128	29	–	–	**18,382**
Profit from operating activities	**21,278**	**67,897**	**4,897**	**12,997**	**13,210**	**9,046**	**1,531**	**(14,479)**	**–**	**116,377**
Finance costs, net										**(27,679)**
Foreign exchange gain, net										**572**
Other income, net										**2,913**
Profit before income tax										**92,183**
Income tax benefit										**44**
Net profit										**92,227**
Total assets	**147,972**	**996,076**	**168,511**	**248,585**	**319,325**	**121,001**	**165,225**	**27,205**	**–**	**2,193,900**
Capital expenditures	657	20,143	40	2,287	–	561	12,217	1,789	–	**37,694**
Amortisation and depreciation	1,173	6,651	1,797	13,399	26	2,641	3,906	2,657	–	**32,250**
Liabilities	7,832	135,623	3,807	50,743	23,807	11,728	61,493	744,457	–	**1,039,490**

During 6 months ended 31 December 2011 two of the Group's external customers accounted for more than 10% of total external revenue. Also, during that period export sales amounted to 82% 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 non-current assets are detailed below.

	Revenue from external customers	Non-current assets
	6 months ended 31 December 2011	As at 31 December 2011
Ukraine	962,030	963,489
Russia	23,872	49,837
Total	985,902	1,013,326

The most significant revenue positions are embodied direct sales of bulk oil and grain in amount of USD 171,544,000 and USD 141,825,000 accordingly, which compound 21% and 17% from total sales volume for the period from 1 July 2011 till 31 December 2011 (2010: USD 94,292 of bulk oil and USD 74,822 for grain), which arose from sales to the Group's largest customers. No other single customers contributed 10% or more to the Group's revenue for both 2011 and 2010.

1. Key Data by Operating Segment (continued)

Key data by operating segment for 6 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)	71,828	440,274	2,509	3,190	387,349	7,283	–	–	**912,433**
Intersegment sales	–	–	18,419	47,654	–	10,096	–	(76,169)	–
Total revenue	**71,828**	**440,274**	**20,928**	**50,844**	**387,349**	**17,379**	–	**(76,169)**	**912,433**
Other operating income	–	793	–	7,740	467	312	–	–	**9,312**
Profit from operating activities	**11,161**	**54,172**	**10,681**	**8,020**	**44,914**	**4,332**	**(8,025)**	–	**125,255**
Finance costs, net									**(20,279)**
Foreign exchange gain, net									**2,672**
Other expenses, net									**(22,161)**
Profit before income tax									**85,487**
Income tax benefit									**430**
Net profit									**85,917**
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	927	1	5,982	–	–	**25,637**
Amortisation and depreciation	939	4,780	1,780	4,293	1,003	2,041	1,237	–	**16,073**
Liabilities	7,514	43,096	3,603	1,420	25,043	20,687	729,645	–	**831,008**

During the 6 months period ended 31 December 2010 two of the Group's external customers accounted for more than 10% of total external revenue. Five subsidiaries of one international trading house accounted for 12 % of total external revenue. Also, during that period export sales amounted to 87% of total external sales revenue.

As of 31 December 2010 and during 6 month then ended, the Group operated in one geographical area - Ukraine.

The most significant revenue positions are embodied from direct sales of bulk oil and grain in amount of USD 94,292,000 and USD 74,822,000 accordingly, which compound 14% and 11% from total sales volume for the period from 1 July 2010 till 31 December 2010 (2009: for grain USD 49,489 or 13% of total sales volume), which arose from sales to the Group's largest customers. No other single customers contributed 10% or more to the Group's revenue for 2009.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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

			Group's effective ownership interest as of		
Subsidiary	Principal activity	Country of incorporation	31 December 2011	30 June 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%
Tsukrovy 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%	N/A	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%	N/A	N/A
Poltava oil-crushing plant Kernel Group PJS	Production plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Vovchansky OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnjansky OEP LLC		Ukraine	100%	100%	100%
Kirovogradoliya JSC		Ukraine	99.2%	99.2%	99.2%
Ekotrans LLC		Ukraine	100%	100%	100%
Bandurskiy oil-crushing plant LLC		Ukraine	100%	100%	100%
Ukrainian Black Sea Industry LLC		Ukraine	100%	N/A	N/A
Stavropol oil OJSC		Russia	100%	N/A	N/A
Nevinnomissky oil-crushing plant CJSC		Russia	100%	N/A	N/A
Production Management LLC		Russia	100%	N/A	N/A
Ust-Labinsky EMEK Florentina CJSC		Russia	100%	N/A	N/A
Transbulkterminal LLC	Provision of grain, oil and meal handling and transhipment 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%(3)	100%	94%
Poltavske Khlibopriemalne Pidpriemstvo PJSC		Ukraine	88.2%	88.2%	88.2%
Elevator – 'Grain Trading Company', LLC		Ukraine	0%(4)	100%	94%

(1) Disposed of on 10 May 2011
(2) Entity controlled by the Group
(3) Disposed of on 03 August 2011
(4) Disposed of on 23 November 2011

2. Nature of the Business (continued)

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of 31 December 2011	30 June 2011	31 December 2010
Gogoleve-Agro LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	0%(5)	100%	100%
Sagaydak-Agro LLC		Ukraine	0%(6)	0%(6)	100%
Karlivka-Agro LLC		Ukraine	100%	100%	100%
Trykratskiy GPC JSC		Ukraine	0%(7)	97,7%	86.5%
Zherebkivsky Elevator LLC		Ukraine	0%(8)	0%(8)	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%(9)	0%(9)	100%
Velykoburlutske HPP LLC		Ukraine	0%(10)	100%	100%
Gutyansky 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%(11)	N/A	N/A
Vesnianskyi elevator LLC		Ukraine	0%(11)	N/A	N/A
Poltavaavtotransservis LLC	Trucking company.	Ukraine	100%	100%	100%
MTE-2004 LLC		Ukraine	100%	100%	100%
Chortkivsky tsukrovy zavod LLC	Production plants. Production of sugar.	Ukraine	73.8%	73.8%	N/A
Tsukrove LLC		Ukraine	71.3%	71.3%	N/A
Palmirsky Tsukrovy Zavod LLC		Ukraine	72.7%	72.7%	N/A
Orzhytsky Tsukrovy 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%	76.2%	N/A
Povstynagroalyans LLC		Ukraine	71.3%	71.1%	N/A
Ulyanivske LLC		Ukraine	76.2%	76.2%	N/A
Palmira LLC		Ukraine	81.5%	81.5%	N/A

(5) Merged with Myrgporodsky elevator LLC on 06 September 2011
(6) Merged with Myrgporodsky elevator LLC on 27 June 2011
(7) Disposed of on 25 December 2011
(8) Merged with Kononivsky elevator LLC on 8 April 2011
(9) Merged with Kobelyaky Hliboproduct LLC on 11 May 2011
(10) Merged with Gutnansky Elevator LLC on 19 December 2011
(11) Entity controlled by the Group

2. Nature of the Business (continued)

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			31 December 2011	30 June 2011	31 December 2010
Cherkasky OJSC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	53.0%	53.0%	N/A
Agrofirma Zorya LLC		Ukraine	64.1%	64.1%	N/A
Agrarny dim im. Gorkogo LLC		Ukraine	71.5%	71.5%	N/A
Agrarny dim CJSC		Ukraine	35.8%	35.8%	N/A
Druzhba LLC		Ukraine	71.3%	71.3%	N/A
Agropolis LLC		Ukraine	71.6%	71.6%	N/A
Enselco Agro		Ukraine	0%(12)	N/A	N/A
Nyva Berezneguvate LLC		Ukraine	0%(12)	N/A	N/A
Nyva Vesnyane		Ukraine	0%(12)	N/A	N/A
Subsidiary "Ensel" PE		Ukraine	0%(12)	N/A	N/A
Inter Sluch LLC		Ukraine	0%(12)	N/A	N/A
Private leased firm "Zlagoda"		Ukraine	0%(12)	N/A	N/A
Private leased entity "Real"		Ukraine	0%(12)	N/A	N/A
PE "Getman"		Ukraine	0%(12)	N/A	N/A
PE "Olymp"		Ukraine	0%(12)	N/A	N/A
"Zhayvir"		Ukraine	0%(12)	N/A	N/A
PE "Ladygi"		Ukraine	0%(12)	N/A	N/A
"Chamatskiy Shlyakh"		Ukraine	0%(12)	N/A	N/A
Matushevski" farm		Ukraine	0%(12)	N/A	N/A
Krymashevskiy O.M. &C farm		Ukraine	0%(12)	N/A	N/A
Agro "Ukraine" LLC		Ukraine	0%(12)	N/A	N/A
Agro "Skhid" LLC		Ukraine	0%(12)	N/A	N/A
Private agro entity "Agrarnyk"		Ukraine	0%(12)	N/A	N/A
"Zolota Nyva" LLC		Ukraine	0%(12)	N/A	N/A
Troyanda Podillya LLC		Ukraine	0%(12)	N/A	N/A

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors of Kernel Holding S.A. on 27 February 2012.

(12) Entity controlled by the Group

3. Change in Issued Capital

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg), 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	
Equity holders	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the 'Major Equity holder')	**30,460,657**	**38.23%**	30,174,250	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 Group on the Warsaw Stock Exchange ('WSE'), the general meeting of shareholders resolved to split the existing shares of the Group at a split ratio of one to five thousand (1:5,000) and to consequently split the existing nine thousand three hundred and thirty-four (9,334) shares of the Group without indication of a nominal value into 46,670,000 (forty-six million six hundred and seventy thousand) shares of the Group without indication of a nominal value.

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

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

On 3 June 2010, Kernel issued 4,450,000 new shares, thereby increasing the Group's share capital by USD 117,506.70, to a total amount of USD 1,932,681.54. Following the issuance of new shares, Kernel's share capital was divided into 73,191,000 shares without indication of a nominal value, giving right to 73,191,000 voting rights at the General Meeting of the Group.

On 5 January 2011, Kernel issued 483,410 new shares without indication of a nominal value. All the newly issued shares were subscribed by a stock option beneficiary under the Management Incentive plan. 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

These condensed consolidated interim financial statements for the 6 months ended 31 December 2011 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 2011.

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

IAS 24 "Related Party Disclosures" (amendment) effective 1 January 2011
IFRIC 14 "Prepayments of a Minimum Funding Requirement" (amendment) effective 1 January 2011
IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amendment) effective 1 July 2011
IFRS 7 "Financial instruments: Disclosures" (amendment) effective 1 July 2011

In the current period, the Group also adopted amendments to a number of Standards resulting from annual improvements to IFRS that are effective for annual periods beginning on or after 1 July 2010. Adoption of these amendments, as well as adoption of other Standards and Interpretations did not have any significant impact on the amounts reported in these condensed consolidated interim financial statements but may affect the accounting for future transactions and arrangements.

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

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

Currency	**Closing rate as of 31 December 2011**	**Average rate for the 6 months ended 31 December 2011**	Closing rate as of 31 December 2010	Average rate for the 6 months ended 31 December 2010
USD/UAH	**7.9898**	**7.9772**	7.9617	7.9160
USD/EUR	**0.7737**	**0.7253**	0.7485	0.7554
USD/PLN	**3.4174**	**3.1064**	2.9641	3.0131

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

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

Operating segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil in bulk	Production and sales of sunflower oil in bulk (crude and refined) and meal.
Grain	Sourcing and merchandising of wholesale grain.
Export terminals	Grain handling and transhipment services in the ports of Ilyichevsk and Nikolayev.
Silo services	Provision of grain cleaning, drying and storage services.
Sugar	Production, marketing and distribution of sugar.
Farming	Agricultural farming. Production of wheat, barley, corn, soya bean, sunflower seed and sugar beet.

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

In the financial statements as of 31 December 2011, the segment table reflects continuing operations only.

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

Segment data is calculated as follows:

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

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

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

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

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

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

5. Cash

The balances of cash were as follows:

	As of 31 December 2011	As of 30 June 2011	As of 31 December 2010
Cash with banks in USD	**83,489**	105,159	13,164
Cash with banks in UAH	**33,237**	10,009	8,103
Cash with banks in other currencies	**13,007**	687	313
Cash on transit bank account	**2**	20	–
Cash in hand	**34**	22	7
Total	**129,769**	**115,897**	**21,587**
Less restricted cash on security bank account and blocked amount	**–**	(5,716)	(6,242)
Cash for the purposes of cash flow statement	**129,769**	**110,181**	**15,345**

6. Inventory

As at 31 December 2011, 30 June 2011 and as at 31 December 2010 inventories USD 561,271 thousand, USD 183,668 thousand and USD 547,012 thousand respectively, were on the balance sheet, of them were in the as a security for short term borrowings pledge USD 157,905 thousand, USD 91,640 thousand and on USD 350,599 thousand respectively.

7. Biological Assets

The balances of biological assets were as follows:

	As of 31 December 2011		As of 31 December 2010	
Agricultural	Hectares	Value	Hectares	Value
Wheat crops	**58,652**	**10,785**	30,181	2,286
Sunflower seed crops	**23,735**	**-**	13,626	167
Soya crops	**45,224**	**-**	18,047	232
Barley crops	**3,049**	**346**	2,382	194
Corn crops	**43,919**	**-**	11,923	122
Peas crops	**211**	**-**	1,832	32
Rape seeds	**6,258**	**1,952**	9,037	1,203
Sugar beet	**19,799**	**-**	-	-
Other crops	**7,855**	**9**	-	-
Total	**208,702**	**13,092**	**87,028**	**4,236**

	As of 31 December 2011		As of 31 December 2010	
Live stock	Number of heads	Value	Number of heads	Value
Live stock	**12 ,751**	**2,703**	-	-
Total	**12,751**	**2,703**	**-**	**-**

The following table represents the changes in the carrying amounts of biological assets during 6 months ended 31 December 2011 and 2010:

	Capitalised expenditures	Effect of biological transformation	Fair value of biological assets
As of 31 December 2010	**4,236**	–	**4,236**
Increase due to purchases and subsequent expenditures capitalised in biological assets (2011 harvest)	72,723	–	72,723
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, harvest 2011)	-	16,290	16,290
As of 30 June 2011	**76,959**	**16,290**	**93,249**
Decrease due to harvest (2011 harvest)	(76,959)	(16,290)	(93,249)
Increase due to purchases and subsequent expenditures capitalised in biological assets (2012 harvest)	13,092	–	13,092
As of 31 December 2011	**13,092**	–	**13,092**

8. Property, Plant and Equipment, net

During the six months ended 31 December 2011, the Group acquired property, plant and equipment with net book value of USD 207,334 thousand (31 December 2010: USD 24,891 thousand) and disposed of property, plant and equipment with net book value of USD 5,082 thousand (31 December 2010: USD 997 thousand).

9. Goodwill

The following table represents movements in goodwill for the 6-month periods:

	2011	2010
As of 1 January	**86,000**	**44,772**
Goodwill arising on acquisition of Subsidiaries	-	41,202
Translation differences	(11)	84
As of 30 June	**85,989**	**86,058**
Goodwill arising on acquisition of Subsidiaries (Note 18)	45,770	-
Translation differences	(20)	(58)
As of 31 December	**131,739**	**86,000**

The reasons for goodwill recognized were as follows:
Through the purchase of a 100% interest in the BSI crushing plant, Kernel increased the crushing capacity of the Group to 460,000 tons/year and became undisputed sector leader. Because of the location of this new crushing facility next to the Transbulk terminal, Management expects to receive additional logistical benefits in terms of cost savings as well as increased flexibility in oil and meal loading.

10. Prepayments to suppliers and other current assets,net

Increased prepayments to suppliers and other non-current assets from USD 47.5 million as of 31 December 2010 to USD 122.7 million as of 31 December 2011 is mainly a technical increase caused by the Ukrros acquisition with corresponding increased advances from customers and other non-current assets.

11. Other non-current assets

The rise in non-current assets from USD 1.5 million as of 31 December 2010 to USD 122 million as of 31 December 2011 is mainly related to a USD 50,3 million loan, granted to a group of investors (note 19) to buy the Enselco enterprise.

12. Current liabilities

The increase in advances from customers and other current liabilities from USD 28.967 million as of 31 December 2010 to USD 247.10 million as of 31 December 2011 is mainly related to the following outstanding liabilities of the Group:

- USD 31.00 million for the acquisition of Ukrros
- USD 53.60 million for the acquisition of BSI
- USD 33.68 million of prepayment for sugar received by the Group from Ukrainian State Agricultural Fund

13. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 31 December 2011	As of 30 June 2011	As of 31 December 2010
Bank credit lines	**381,092**	222,826	508,339
Interest accrued on short-term loans	**953**	10,656	1,042
Interest accrued on long-term loans	**1,566**	1,032	1,454
Total	383,611	234,514	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	August 2012	**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 30 June 2011 were as follow:s:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	Libor + 8.41%	USD	September 2011	30,682
Ukrainian bank	15%	UAH	September 2011	63,613
Ukrainian bank	20%	UAH	September 2011	8,780
Ukrainian bank	Euro Libor +4.5%	EUR	September 2011	243
Ukrainian bank	6 %	EUR	September 2011	144
Ukrainian bank	9 %	USD	September 2011	10,078
European bank	Libor + 5.3%	USD	August 2011	75,000
European bank	7.95%	USD	September 2011	34,286
Total bank credit lines				**222,826**
Interest accrued on short-term loans				10,656
Interest accrued on long-term loans				1,032
Total				234,514

13. Short-term Borrowings (continued)

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 30 June 2011 USD 754,552,000 and of 31 December 2010 USD 661,812,000).

Short-term loans from banks were secured as follows:

Assets pledged	As of 31 December 2011	As of 30 June 2011	As of 31 December 2010
Inventory	**157,905**	91,640	350,599
Property, plant and equipment	**122,958**	79,163	3,357
Controlling stakes in Subsidiaries	**not quantifiable**	-	-
Total	**280,863**	**170,803**	**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 30 June 2011			As of 31 December 2010		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage		Maturity	Share in the mortgage
CJSC Nevinimysskiy OEP	March 2012	100%	N/A	N/A	N/A	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%						

14. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 December 2011	As of 30 June 2011	As of 31 December 2010
Long-term bank loans	**336,558**	184,076	208,653
Current portion of long-term borrowings	**(67,308)**	(31,392)	(36,358)
Total	**269,250**	**152,684**	**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 30 June 2011 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3.52%	USD	April 2015	27,034
European bank	Libor + 6.75%	USD	September 2012	18,664
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	55,772
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	25,606
Ukrainian subsidiary of European bank	Libor +11.2%	USD	August 2015	7,000
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2013	50,000
Total				**184,076**

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor 3m + 3.52%	USD	April 2015	29,691
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	29,445
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				**208,653**

14. Long-term Borrowings (continued)

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 30 June 2011: USD 228,956,000 and as of 31 December 2010: USD 256,637,000).

Long-term loans from banks were secured as follows:

Assets pledged	As of 31 December 2011	As of 30 June 2011	As of 31 December 2010
Property, plant and equipment	**265,781**	263,424	228,404
Intangible assets	**5,932**	5,945	5,952
Controlling stakes in Subsidiaries	**not quantifiable**	not quantifiable	not quantifiable
Total	**271,713**	**269,369**	**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 30 June 2011			As of 31 December 2010		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage		Maturity	Share n the mortgage
Vovchansky OEP PJSC	November 2013	100%	Vovchansky OEP PJSC	November 2013	100%	Vovchansky OEP PJSC	November 2013	100%
Kirovogradoliya JSC	September 2013	100%	Gutyansky Elevator LLC	November 2013	100%	Gutyansky Elevator LLC	November 2013	100%
Gutyansky elevator LLC	November 2013	100%	Prykolotnjansky OEP LLC	November 2013	100%	Prykolotnjansky OEP LLC	November 2013	100%
Prykolotnjansky oep LLC	November 2013	100%	Velykoburlutske HPP LLC	November 2013	100%	Velykoburlutske HPP LLC	November 2013	100%
Shevchenkisky KHP LLC	November 2013	100%	Shevchenkisky KHP LLC	November 2013	100%	Shevchenkisky KHP LLC	November 2013	100%
Kovyagivske KHP LLC	November 2013	100%	Kovyagivske KHP LLC	November 2013	100%	Kovyagivske KHP LLC	November 2013	100%
Bandursky oil crushing plant LLC	April 2015	100%	Bandurskiy oil crushing plant LLC	April 2015	100%	Bandurskiy oil crushing plant LLC	April 2015	100%
			Transbulk Terminal LLC	September 2012	100%	Transbulk Terminal LLC	September 2012	100%
			Kirovogradoliya JSC	September 2013	100%	Kirovogradoliya JSC	September 2013	100%

15. 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 expense 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)
Income tax benefit reported in the income statement	**1 837**	1,182
Income tax benefit	**44**	**430**

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	**92,183**	85,487
Tax at statutory tax rate of 25% (July 2010 till 31 March 2011) and 23% since 1 April 2011 (2010: 25%)	**(21,202)**	(21,372)
Expenditures not allowable for income tax purposes and non-taxable income, net	**21,246**	21,802
Income tax benefit	**44**	**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 7,014,000 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 30,500,000. However, the amount of the deferred tax asset considered realisable could be adjusted in the future if estimates of taxable income are revised.

15. Income Tax (continued)

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

	As at 31 December 2011	As at 31 December 2010
DEFERRED TAX ASSETS ARISING FROM:		
Tax losses carried forward	**7,014**	1,988
Valuation of advances from customers	**-**	9,952
Valuation of property, plant and equipment	**2,424**	9,716
Valuation of accounts receivable	**3,715**	1,199
Valuation of inventories	**-**	71
Valuation of intangible assets	**1**	214
Valuation of accrued expenses and other temporary differences	**818**	328
Net deferred tax asset after valuation allowance	**13,972**	**23,468**
DEFERRED TAX LIABILITY ARISING FROM:		
Valuation of property, plant and equipment	**(22,344)**	(38,932)
Valuation of intangible assets	**(2,697)**	(2,319)
Valuation of prepayments to suppliers and prepaid expenses	**(3,290)**	(12,619)
Valuation of financial investments	**(8)**	(9)
Valuation of inventories	**-**	(2)
Deferred tax liability	**(28,339)**	**(53,881)**
Net deferred tax liability	**(14,367)**	**(30,413)**

16. Revenue

Revenue was as follows:

	6 months ended 31 December 2011	6 months ended 31 December 2010
Revenue from bulk sunflower oil, cake and meal	487,841	440,274
Revenue from bottled sunflower oil	123,498	71,828
Revenue from farming	15,030	3,190
Revenue from grain trade	310,752	387,349
Revenue from sugar	27,789	-
Revenue from grain silo services	17,428	7,283
Revenue from transhipment services	3,564	2,509
Total	985,902	912,433

17. Cost of Sales

Cost of sales was as follows:

	6 months ended 31 December 2011	6 months ended 31 December 2010
Cost of goods for resale and raw materials used	668,522	661,890
Payroll and payroll-related costs	26,343	14,183
Amortisation and depreciation	29,883	15,273
Rental payments	23,727	5,190
Other operating costs	18,569	9,211
Total	767,044	705,747

18. Acquisition and Disposal of Subsidiaries

The following entities were acquired during 6-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
Trade Company Russian oil LLC	Trading in sunflower oil, meal and grain	Russia	100%	30 September 2011
Stavropol oil OJSC	Production plants. Production of sunflower oil and meal.	Russia	100%	30 September 2011
Nevinnomissky oil-crushing plant CJSC		Russia	100%	30 September 2011
Production Management LLC		Russia	100%	30 September 2011
Ust-Labinsky EMEK Florentina CJSC		Russia	100%	30 September 2011

Assets acquired include:

- 400,000 tons of crushing capacity per year in three production plants, with one plant located in the Krasnodar region and two plants located in the Stavropol region;
- 100,000 tons per year of sunflower oil refining and bottling capacity;
- Access to the world's second largest sunflower seed feedstock base and an opportunity to develop the Group's business model in a new geographic region with strong language, cultural and business environmental affinities with Ukraine.

Fair value of assets, liabilities and contingent liabilities acquired during the 6 months ended 31 December 2011 was as follows:

	Value prior to acquisition	Fair value
ACQUIRED NET ASSETS:		
Cash	4,685	4,685
Trade accounts receivable, net	3,700	3,700
Prepayments to suppliers and other current assets, net	5,450	5,450
Taxes recoverable and prepaid, net	35	35
Inventory	9,769	9,769
Property, plant and equipment, net	37,836	51,771
Intangible assets, net	52	166
Deferred tax assets	2,244	-
Deferred tax liabilities	-	(565)
Trade accounts payable	(1,747)	(1,747)
Advances from customers and other current liabilities	(5,556)	(5,556)
Short-term borrowings	(17,823)	(17,823)
Long-term borrowings	(26,161)	(26,161)
Fair value of net assets of acquired Subsidiaries		**23,724**
Non-controlling interest		-
Fair value of acquired net assets		**23,724**
Excess of fair value of net assets acquired over the acquisition costs		(7,724)
Total cash considerations due and payable		**16,000**
Less: acquired cash		(4,685)
Less: cash paid		(9,333)
Net cash due and payable		**1,982**

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

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

18. Acquisition and Disposal of Subsidiaries (continued)

The following entity was acquired during 6-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
Ukrainian Black Sea Industry LLC	Production plants. Production of sunflower oil and meal.	Ukraine	100%	30 September 2011
Eastern Agro Investments Ltd	Holding companies.	Cyprus	100%	30 September 2011

Fair value of assets, liabilities and contingent liabilities acquired during the 6 months ended 31 December 2011 was as follows:

	Value prior to acquisition	Fair value
ACQUIRED NET ASSETS:		
Cash	113	113
Trade accounts receivable, net	15,392	15,392
Prepayments to suppliers and other current assets, net	547	547
Taxes recoverable and prepaid, net	3,371	3,371
Inventory	2,090	2,090
Property, plant and equipment, net	24,252	99,527
Intangible assets, net	643	7,252
Deferred tax assets	155	-
Deferred tax liabilities	-	(12,905)
Trade accounts payable	(18,721)	(18,721)
Advances from customers and other current liabilities	(34,736)	(34,736)
Fair value of net assets		**61,930**
Non-controlling interest		-
Goodwill		45,770
Total cash considerations due and payable		**107,700**
Less: acquired cash		(113)
Less: cash paid		(69,076)
Net cash due and payable		**38,511**

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

Through its purchase of a 100% interest in the BSI crushing plant, Kernel increased the crushing capacity of the Group by 460,000 tons/year, and became undisputed sector leader. Because of the location of this new crushing facility next to the Transbulk terminal, the Management expects to receive additional logistical benefits in terms of cost savings as well as more flexibility in oil and meal loading.

18. Acquisition and Disposal of Subsidiaries (continued)

The following entities were acquired during 6-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	Holding companies.	Ukraine	0%	01 October 2011
Enselco Agroholding LLC		Ukraine	0%	01 October 2011
Nyva Agroholding LLC		Ukraine	0%	01 October 2011
Sluch Agro LLC	Grain elevators. Provisionof grain and oilseed cleaning,drying and storage services.	Ukraine	0%	01 October 2011
Vesnianskyi Elevator LLC		Ukraine	0%	01 October 2011
Enselco Agro	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	0%	01 October 2011
Nyva Berezneguvate LLC		Ukraine	0%	01 October 2011
Nyva Vesnyane		Ukraine	0%	01 October 2011
Subsidiary "Ensel" PE		Ukraine	0%	01 October 2011
Agro Inter Sluch LLC		Ukraine	0%	01 October 2011
Private leased firm "Zlagoda"		Ukraine	0%	01 October 2011
Private leased entity "Real"		Ukraine	0%	01 October 2011
PE "Getman"		Ukraine	0%	01 October 2011
PE "Olymp"		Ukraine	0%	01 October 2011
"Zhayvir"		Ukraine	0%	01 October 2011
PE "Ladygi"		Ukraine	0%	01 October 2011
"Chamatskiy Shlyakh"		Ukraine	0%	01 October 2011
Matushevski" farm		Ukraine	0%	01 October 2011
Krymashevskiy O.M. &C farm		Ukraine	0%	01 October 2011
Agro LLC "Ukraine"		Ukraine	0%	01 October 2011
Agro LLC "Skhid"		Ukraine	0%	01 October 2011
Private agro entity "Agrarnyk"		Ukraine	0%	01 October 2011
"Zolota Nyva" LLC		Ukraine	0%	01 October 2011
"Troyanda Podillya" LLC		Ukraine	0%	01 October 2011

Assets acquired include 29,300 ha of leasehold farmland, of which 23,000 ha are located in the western region of Khmelnitsky and 6,300 ha located in the regions of Nikolaev and Odessa.

Management believes that the acquisition will also strengthen the company's sugar operation in the region of Khmelnitsky 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.

18. Acquisition and Disposal of Subsidiaries (continued)

Fair value of assets, liabilities and contingent liabilities acquired during 6-months period ended 31 December 2011 was as follows:

	Value prior to acquisition	Fair value
ACQUIRED NET ASSETS:		
Cash	762	762
Trade accounts receivable, net	819	819
Prepayments to suppliers and other current assets, net	7,416	7,416
Taxes recoverable and prepaid, net	1,893	1,893
Inventory	26,180	26,174
Property, plant and equipment, net	9,952	14,193
Intangible assets, net	29	13,522
Trade accounts payable	(2,064)	(2,064)
Advances from customers and other current liabilities	(25,272)	(8,278)
Short-term borrowings	(919)	(919)
Finance lease long-term	(1,694)	(1,694)
Deferred tax liabilities	-	(50)
Fair value of net assets		**51,780**
Non-controlling interest		51,780
Excess of fair value of net assets acquired over the acquisition costs		(430)
Total cash considerations due and payable		**51,350**
Less: acquired cash		(762)
Less: cash paid		(50,300)
Net cash due and payable		**288**

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

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

The following entities were disposed of during 6-months period ended 31 December 2011:

- on 3 August 2011, the Group disposed of 100% of the share capital of Skifiya-Zernotrade LLC, net assets of which as of the date of disposal were equal to USD 267 thousand, to a third party for a cash consideration of USD 6 thousand.
- on 9 December 2011, the Group disposed of 100% of the share capital of Grain Trading Company LLC, net liabilities of which as of the date of disposal were equal to negative USD 378 thousand, to a third party for a cash consideration of USD 172 thousand.

19. 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 at 31 December 2011		as at 31 December 2010	
Trade accounts receivable, net	-	116,051	1,100	127,663
Prepayments to suppliers and other current assets, net	8,429	122,681	8,496	47,514
Other non-current assets	108,842	122,007	563	1,480
Trade accounts payable	1,475	43,046	1,112	46,574
Advances from customers and other current liabilities	84,964	247,100	146	28,967

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
	6 months ended 31 December 2011		6 months ended 31 December 2010	
Cost of sales	(95)	(767,044)	(233)	(705,747)
General, administrative and distribution expenses	(126)	(120,863)	(948)	(90,743)
Finance costs, net	1,088	(27,679)	-	(20,279)
Other income/(expenses), net	288	2,913	202	(22,161)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.
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 6-month period ended 31 December 2011 amounted to USD 364,500 (for the 6-month period ended 31 December 2010: 6 Directors. amounted USD 302,708).

The Chairman of the Board and four directors employed by Subsidiaries are not entitled to remuneration for their services as Board members but are refunded, to a reasonable extent, for any expenses incurred by them in performing their duties, including reasonable travelling expenses.
Three directors employed by Subsidiaries are entitled to remuneration for their services as members of the Management Team of the Group.
Remuneration of the Management Team of the Group, totalling 14 people, amounted to USD 939,750 for the 6-month period ended 31 December 2011 (6-month period ended 31 December 2010: 14 people, amounted to USD 749,400).

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.

20. Commitments and Contingencies

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2011, the Group companies had ongoing litigations with the tax authorities mainly related to disallowance of certain amounts of VAT refund claimed by the Group, deductibility of certain expenses for corporate income tax purposes and other tax issues. According to the assessment performed by the management of the Group, the maximum exposure of the Group to such risks as of 31 December 2011 amounted to USD 35.3 million. Out of this amount USD 21.3 million relates to cases where court hearings took place and where the court of either first or second instance already ruled in favor of the Group. Management believes that based on past history of court resolutions of similar lawsuits by the Group it is unlikely that significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of reporting date.

In August 2011, the Group entered into commercial contracts with the Ukrainian State Agricultural Fund to supply 75 700 MT of sugar, corresponding to an amount of USD 67,362,856 (VAT excluded). As per the Contracts, the Fund effected 50% of prepayment, but did not fulfill other obligations, whereof the Group informed the Fund that the goods will be supplied as soon as other contractual obligations of the Funds are fulfilled. The Fund reclaimed the prepayment via court action, and the Group initiated a claim to force the Fund to fulfill the contractual obligations. Management expects to receive the final court decision by the end of the financial year (30 June 2012), and believes that, as the result of the court's decision, the Fund will fulfill the contractual obligations.

Contractual Commitments on Sales

As of 31 December 2011, the Group had entered into commercial contracts for export of 895,639 tons of grain and 399,547 tons of sunflower oil and meal, corresponding to an amount of USD 228,721,782 and USD 156,726,920 respectively in prices as of 31 December 2011.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

21. 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.

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.