

Opening statement by Andrey Verevskyy, Chairman of the Board

Dear Shareholders:

With our financial year 2010 having come to a close, I would like to give a few introductory comments on the year gone by, followed by some comments on the most relevant moments of the fourth quarter:

Though we delivered largely flat results in financial year 2010, I feel this has to be viewed in the context of overall difficult market conditions. Throughout the year, Kernel operated in an environment of largely flat agricultural commodity prices. Furthermore, compared to financial year 2009, prices in both the grain and oil markets were down by 35% on average. We nevertheless compensated this year-on-year fall in prices by successfully leveraging our industrial assets. In the grain business, we managed to export the same amount than in financial year 2009, though overall grain volumes available for export from Ukraine were down by some 30% when compared to season 2008/2009. Our grain terminal also handled the same volume than in the previous year and therefore had a second successful year under the management of our Company. Strongly supporting the development of our oil businesses, we initiated and concluded in financial year 2010 the acquisition of Allseeds, so far our largest M&A transaction. We increased sunflower seed crush by 62% year-on-year thanks to the commissioning in late 2009 of the capacity increase at our Poltava plant, and to the fast integration of the Allseeds crushing plants of Kirovograd and Nikolayev. Overall, and to conclude on the year, I believe the Company managed to steer a successful course while facing headwinds throughout the season.

Focusing now on our fourth quarter, I would like to quickly highlight the two most important factors of the period under review:

First, the Allseeds acquisition, disclosed early January 2010, came to a close with the successful integration of the Allseeds production assets. The acquired assets were immediately put to contribution and we thus managed to increase our crushing activity more than twofold year-on-year, resulting in a large year-on-year increase in bulk oil production. Executed bulk oil sales contracts are also up substantially year-on-year, equivalent to an 84% increase in bulk oil sales for the period under review.

Second, markets in both grain and oil were lackluster throughout most of the fourth quarter. Prices on the international markets remained largely flat until the very last days of June, when the intense drought, suffered especially by Russia, suddenly and dramatically changed the mood of the market. In a matter of weeks, prices for wheat and barley increased by over 50% and have remained at those levels since. If any positive effect is to be found in the very unusual weather pattern witnessed this year in Central and Eastern Europe, the drought has certainly highlighted the strategic importance of Russia, Ukraine and Kazakhstan as major exporters in the global grain trade.

Financial highlights for the 3-month period ending 30 June 2010

Revenue increased 31.6% year-on-year, from USD 181.2 million for the 3-month period to 30 June 2009 to USD 238.5 million for the 3-month period ending 30 June 2010;

Operating profit increased 67.7% year-on-year, from USD 24.4 million for the 3-month period to 30 June 2009 to USD 40.9 million for the 3-month period under review;

Net profit attributable to equity holders increased 40.6% year-on-year, from USD 21.7 million for the 3-month period to 30 June 2009 to USD 30.5 million for the 3-month period under review;

Available bank lines and trade finance facilities totaled USD 560 million at 30 June 2010, of which USD 345 million were utilized;

Return on shareholders' equity: 31%

Production, throughput and sales volume and tonnage for the 3-month period ending 30 June 2010

	3-month period ended 30 June 2009	3-month period ended 30 June 2010
Sunflower seed crush, tons	208 846	468 839
Bottled oil sales, thousand liters	16 224	20 599
Refined oil production, tons	17 804	27 807
Bottled oil production, tons	16 701	22 369
Bulk crude and refined oil sales, tons	73 532	135 500
Grain terminal throughput, tons	800 588	321 453
Grain sales, tons	455 637	169 575

Review of financial results for the 3-month period ending 30 June 2010

Revenue increased year-on-year from USD 181.2 million for the 3-month period to 30 June 2009 to USD 238.5 million for the 3-month period ending 30 June 2010. The 31.6% year-on-year revenue increase reflects primarily the 84.3% year-on-year increase in executed bulk oil sales contracts for the period under review, largely compensating the fall in grain sales contracts executed over the period.

Gross profit increased year-on-year from USD 48.9 million for the 3-month period to 30 June 2009, to USD 68.9 million for the 3-month period ending 30 June 2010. As for increase in revenue, the 41.0% year-on-year gross profit increase reflects primarily the increase in bulk oil sales. Consolidated gross margin increased slightly year-on-year from 27% to 28.9%, mostly as a result of the increased relative weight of bulk oil sales versus grain sales in the period under review.

Distribution costs have increased from USD 25.8 million for the 3-month period to 30 June 2009, to USD 29.2 million for the 3-month period ending 30 June 2010, reflecting the increase in volume of bulk oil transported to load ports over the period under review.

Operating profit increased year-on-year from USD 24.4 million for the 3-month period to 30 June 2009, to USD 40.9 million for the 3-month period ending 30 June 2010. Operating margin increased year-on-year from 13.5% to 17.1%, due to the increased importance of bulk oil sales.

Net profit attributable to equity holders increased year-on-year from USD 21.7 million for the 3-month period to 30 June 2009 to USD 30.5 million for the 3-month period ending 30 June 2010. Net margin remained unchanged year-on-year at 12.0%.

Prepayments to suppliers and other current assets include a USD 70 million loan provided by Kernel to a group of investors for the purchase of Allseeds. In the course of the reporting period, Kernel exercised its option to acquire Allseeds from the group of investors, resulting in USD 70 million owed to the group of investors, such amount due being accounted for under Advances from customers and other current liabilities. In the course of the first quarter of financial year 2011 mutual obligations by and between Kernel and the group of investors will be fully offset.

Taxes recoverable and prepaid increased year-on-year from USD 72.9 million for the 3-month period to 30 June 2009, to USD 206.0 million for the 3-month period ending 30 June 2010. The year-on-year increase reflects primarily VAT owed by the State to the Company, due to be partially refunded through the issuance of so-called VAT bonds, and includes USD 33,6 million of VAT receivables owed previously by the State to Allseeds.

Inventories have increased year-on-year from USD 99.1 million for the 3-month period to 30 June 2009 to USD 147.8 million for the 3-month period to 30 June 2010. The increase reflects primarily the significant build-up in sunflower seed and oil inventories following the integration of the Allseeds productions facilities.

Segmental review

Bottled oil for the quarter under review increased both in terms of revenue and volume: revenue increased year-on-year from USD 16.8 million for the 3-month period to 30 June 2009 to USD 21.1 million for the 3-month period ending 30 June 2010, and sales volume increased year-on-year from 16.2 million liters to 20.6 million liters for the period under review. Though price per liter on the Ukraine market remained mostly unchanged year-on-year, volumes have picked up and tend to show a modest improvement in consumer purchasing power.

Bulk oil revenue increased year-on-year from USD 55.5 million for the 3-month period to 30 June 2009 to USD 169.2 million for the 3-month period ending 30 June 2010. The 205% year-on-year revenue increase reflects primarily the integration of the Kirovograd and Nikolayev crushing plants at the start of the fourth quarter, enabling the Company to increase the crushing program from 208.8 thousand tons to 468.8 thousand tons of sunflower seed for the quarter under review, a 125% year-on-year increase in production. Operating margin decreased slightly year-on-year from 20.5% to 19.5% for the period under review.

Grain handling and transshipment services revenue decreased year-on-year from USD 14.1 million for the 3-month period to 30 June 2009 to USD 6.1 million for the 3-month period ending 30 June 2010, the decrease in revenue reflecting primarily the lower 2009 crop, compared to 2008, and consequently the lower volume of grain to be handled by the grain terminal for export. As of 1 April 2010, the segment also includes the recently acquired oil terminal, following integration of Allseeds production assets.

Grain revenue decreased year-on-year from USD 90.5 million for the 3-month period to 30 June 2009 to USD 44.5 million for the 3-month period ending 30 June 2010, primarily as a result of the significant year-on-year decrease in volume of grain exported, falling from 455 637 tons to 169 575 tons of grain for the period under review. Operating margin improved year-on-year from 6.5% to 12.2% for the period under review.

Silo services and farming were mostly uneventful as both business segments typically have low revenue in the last financial quarter and are preparing for the new season.

Outlook

With the previous financial year behind us, our attention is now of course focused on the new financial year 2011 and, in particular, on the 2010 grain and oilseed crop. The projections we provided mid-August on the Ukrainian crop have not changed: we estimate Ukraine to have harvested in 2010 17 million tons of feed and milling wheat, 9 million tons of barley and in the range of 1.5 million tons of rapeseed. The corn harvest is still a few weeks away, but there is little doubt that the crop has suffered from the recent heat wave. Our forecast for corn production this year is therefore at best 10 million tons. Regarding grain export volumes, the measures the government of Ukraine intends to take to regulate grain export in this season are of course key to correctly assess the overall grain export potential of the country. These measures are meant as much to protect the domestic market from inflation, as to enable the building of strategic wheat stocks at a price acceptable to the State. Needless to say, the de facto price cap on wheat and barley imposed by the government certainly does not satisfy farmers, desperate to compensate the shortfall in volumes by price increases. We, as one of the largest grain exporters in the country, always prefer free market practices. In these unusual circumstances, however, and though we will undoubtedly export less grain than originally planned, we expect to benefit from relatively lower purchase prices, as the grain export quotas limit demand for grain on the domestic market, while prices on the international market remain strong, and therefore improve margins in the grain segment over this season, which we expect will more than compensate the shortfall in grain volumes handled and exported.

Whereas grain volumes were reduced due to the long spell of hot and dry weather leading to the wheat, barley and rapeseed harvest, the sunflower seed harvest, which has already started, is expected to deliver in excess of 7 million tons. This should bode well for our bulk oil and bottled oil segments and enable us to use our extended crushing capacities close to full capacity.

We are also looking at further expansion of our company, including possible M&A transactions up to USD 200 million for the year.

With the considerable increase in origination reach and production capacity of the Company, and taking into consideration the lower grain volumes available for this season and the likelihood of grain export quotas, we feel confident to provide the following outlook for our financial year 2011:

In light of the expected grain export quotas to be introduced, we have revised downwards our grain export volumes from 2.3 million tons originally planned for the season to 1.3 million tons. As already mentioned, we expected the significant fall in volume to be fully compensated by the higher margins we see today. Our grain terminal business, due to the lower 2010 harvest and introduction of grain export quotas, is expected to handle less volume than in financial year 2010, in the range of 1.7 million to 2 million tons of grain throughput over the season. Inland silos, on the other hand, are expected to handle up to 30% more than in financial year 2010, due to the increase from 1.7 million to 2.3 million tons in overall grain storage capacity. In respect of our bulk and bottled oil businesses, we plan to crush in the range of 1.8 million tons of sunflower seed, giving us a total crude oil production of 810,000 tons and sales of 700,000 tons of bulk oil and 110,000 tons of bottled oil. Finally, our farming activity should benefit from the recent price increases in agricultural commodities.

On the basis of the elements provided above, our guidance for the full financial year 2011 is as follows: Revenues of USD 1 300 million, EBITDA of USD 255 million and Net profit of USD 195 million.

Kernel Holding S.A. and Subsidiaries

Condensed Consolidated Financial Statements

For the 3 months ended 30 June 2010

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SELECTED FINANCIAL DATA AS AT 30 JUNE 2010 (unaudited)
(in thousands unless otherwise stated)

SELECTED FINANCIAL DATA for the 3 months ended 30 June 2010	thousand USD		thousand PLN		thousand EUR	
	2010	2009	2010	2009	2010	2009
I. Revenue	238 480	181 217	751 450	591 692	187 450	133 096
II. Operating profit(loss)	40 853	24 367	128 728	79 561	32 111	17 897
III. Profit/(loss) before income tax	30 388	22 155	95 753	72 338	23 886	16 272
IV. Net profit/(loss)	30 080	21 687	94 782	70 810	23 644	15 928
V. Net cash flow from operating activity	89 400	20 528	281 699	67 026	70 270	15 077
VI. Net cash flow from investment activity	30 706	(35 699)	96 755	(116 561)	24 136	(26 219)
VII. Net cash flow from financial activity	(69 512)	23 077	(219 032)	75 349	(54 638)	16 949
VIII. Total net cash flow	50 594	7 906	159 422	25 814	39 768	5 807
IX. Total assets	1 126 260	699 706	3 823 202	2 220 377	922 187	496 791
X. Current liabilities	352 419	195 051	1 196 322	618 956	288 562	138 486
XI. Non-current liabilities	167 656	147 192	569 125	467 084	137 277	104 506
XII. Issued capital	1 933	1 815	6 562	5 760	1 583	1 289
XIII. Total equity	606 185	357 463	2 057 755	1 134 337	496 348	253 799
XIV. Weighted average number of shares	69 070 178	68 741 000	69 070 178	68 741 000	69 070 178	68 741 000
XV. Profit/(loss) per ordinary share (in USD/PLN/EUR)	0,44	0,32	1,37	1,03	0,34	0,23
XVI. Diluted number of shares	69 770 544	68 741 000	69 770 544	68 741 000	69 770 544	68 741 000
XVII. Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	0,43	0,32	1,35	1,03	0,34	0,23
XVIII. Book value per share (in USD/PLN/EUR)	8,73	5,18	29,64	16,43	7,15	3,68
XIX. Diluted book value per share (in USD/PLN/EUR)	8,65	5,18	29,35	16,43	7,08	3,68

On behalf of the Board

 Andrey Verevskiy
 Chairman of the Board

 Anastasiia Usachova
 CFO

The notes on pages 10 to 35 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010
(in US dollars and in thousands unless otherwise stated)

	Notes	30 June 2010 (unaudited)	31 March 2010 (unaudited)	31 December 2009 (reviewed)	30 June 2009 (audited)
ASSETS					
<i>CURRENT ASSETS:</i>					
Cash		59 482	14 789	50 308	129 263
Trade accounts receivable, net		64 946	42 404	58 594	32 419
Prepayments to suppliers and other current assets, net		95 843	29 666	25 906	25 810
Taxes recoverable and prepaid, net		205 997	151 802	137 951	72 871
Inventory		147 787	190 513	268 367	99 086
Biological assets		26 137	6 597	3 617	18 932
Total current assets		600 192	435 771	544 743	378 381
<i>NON-CURRENT ASSETS:</i>					
Property, plant and equipment, net	5	379 036	258 315	252 687	221 770
Intangible assets, net	6	31 842	32 288	32 957	35 686
Goodwill		86 058	44 836	44 772	45 166
Other non-current assets		29 132	78 371	32 597	18 703
Total non-current assets		526 068	413 810	363 013	321 325
TOTAL ASSETS		1 126 260	849 581	907 756	699 706
LIABILITIES AND EQUITY					
<i>CURRENT LIABILITIES:</i>					
Trade accounts payable		10 913	15 724	18 348	7 539
Advances from customers and other current liabilities		131 644	19 517	23 493	25 806
Short-term borrowings	7	169 098	131 128	217 162	148 483
Short-term corporate bonds		-	-	-	1 993
Current portion of long-term borrowings		40 764	30 642	31 994	11 230
Total current liabilities		352 419	197 011	290 997	195 051
<i>NON-CURRENT LIABILITIES:</i>					
Long-term borrowings	8	127 454	135 276	142 246	121 369
Obligations under finance lease		7 796	8 910	9 280	11 491
Deferred tax liabilities	9	32 311	16 367	16 012	14 207
Other non-current liabilities		95	318	-	125
Total non-current liabilities		167 656	160 871	167 538	147 192
<i>Equity attributable to Kernel Holding S.A. equity holders</i>					
Issued capital		1 933	1 815	1 815	1 815
Share premium reserve		318 959	236 637	236 637	236 637
Additional paid-in capital		39 944	39 944	39 944	39 944
Revaluation reserve		11 260	11 260	11 260	-
Translation reserve		(161 474)	(160 920)	(163 331)	(162 163)
Retained earnings		392 565	362 056	322 049	239 601
Total equity attributable to Kernel Holding S.A. equity holders		603 187	490 792	448 374	355 834
<i>Non-controlling interest</i>		2 998	907	847	1 629
Total equity		606 185	491 699	449 221	357 463
TOTAL LIABILITIES AND EQUITY		1 126 260	849 581	907 756	699 706
Book value		603 187	490 792	448 374	355 834
Weighted average number of shares		69 070 178	68 741 000	68 741 000	68 741 000
Book value per one share (in USD)		8,73	7,14	6,52	5,18
Diluted number of shares		69 770 544	69 512 754	69 213 500	68 741 000
Diluted book value per share (in USD)		8,65	7,06	6,48	5,18

On behalf of the Board

 Andrey Verevskiy
 Chairman of the Board

 Anastasiia Usachova
 CFO

The notes on pages 10 to 35 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 30 JUNE 2010
(in US dollars and in thousands unless otherwise stated)

	3 months	12 months	3 months	12 months
	ended 30 June 2010		ended 30 June 2009	
CONTINUING OPERATIONS	(unaudited)	(unaudited)	(unaudited)	(audited)
REVENUE	238 480	1 020 453	181 217	1 047 113
COST OF SALES	(169 543)	(707 724)	(132 307)	(730 309)
GROSS PROFIT	68 937	312 729	48 910	316 804
OTHER OPERATIONAL INCOME	9 596	17 547	3 675	16 880
OPERATING EXPENSES:				
Distribution costs	(29 181)	(135 928)	(25 794)	(143 301)
General and administrative expenses	(8 499)	(26 190)	(2 424)	(23 735)
RESULT FROM OPERATING ACTIVITIES	40 853	168 158	24 367	166 648
Finance costs, net	(8 648)	(22 621)	(3 042)	(32 239)
Foreign exchange (loss)/gain, net	178	10 956	4 168	(3 095)
Other (expenses)/income, net	(1 995)	(3 938)	(3 338)	(4 451)
PROFIT/(LOSS) BEFORE INCOME TAX	30 388	152 555	22 155	126 863
INCOME TAX	(308)	111	(468)	5 119
PROFIT FROM CONTINUING OPERATIONS	30 080	152 666	21 687	131 982
NET PROFIT/(LOSS) ATTRIBUTABLE TO:				
Equity holders of Kernel Holding S.A.	30 509	152 964	21 700	135 548
Non-controlling interest	(429)	(298)	(13)	(3 566)
Net profit/(loss) attributable to equity holders of Kernel Holding S.A.	30 509	152 964	21 700	135 548
Weighted average number of shares	70 076 000	69 070 178	68 741 000	68 741 000
Profit/(loss) per ordinary share (in USD)	0,44	2,21	0,32	1,97
Diluted number of shares	71 024 390	69 770 544	68 741 000	68 741 000
Diluted profit/(loss) per ordinary share (in USD)	0,43	2,19	0,32	1,97

On behalf of the Board

 Andrey Verevskiy
 Chairman of the Board

 Anastasiia Usachova
 CFO

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3 MONTHS ENDED 30 JUNE 2010
(in US dollars and in thousands unless otherwise stated)

	3 months	12 months	3 months	12 months
	ended 30 June 2010		ended 30 June 2009	
	(unaudited)	(unaudited)	(unaudited)	(audited)
NET PROFIT	30 080	152 666	21 687	131 982
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	(551)	685	21 893	(175 340)
Gain on property revaluation	-	15 154	-	-
Income tax related to components of other comprehensive income	-	(3 789)	-	-
OTHER COMPREHENSIVE INCOME NET	(551)	12 050	21 893	(175 340)
TOTAL COMPREHENSIVE INCOME	29 529	164 716	43 580	(43 358)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of Kernel Holding S.A.	29 955	164 918	43 739	(38 787)
Non-controlling interest	(426)	(202)	(159)	(4 571)

On behalf of the Board

 Andrey Verevskiy
 Chairman of the Board

 Anastasiia Usachova
 CFO

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED 30 JUNE 2010
(in US dollars and in thousands unless otherwise stated)
Attributable to Kernel Holding S.A. equity holders

	Issue capital	Share premium reserve	Additional paid-in capital	Retained earnings	Revaluation reserve	Translation reserve	Total	Non-controlling interest	Total equity
Balance at 30 June 2009	1 815	236 637	39 944	239 601	-	(162 163)	355 834	1 629	357 463
Profit for the period	-	-	-	39 152	-	-	39 152	20	39 172
Other comprehensive income	-	-	-	-	11 260	(6 022)	5 238	92	5 330
Total comprehensive income for the period	-	-	-	39 152	11 260	(6 022)	44 390	112	44 502
Effect of changes on minority interest	-	-	-	-	-	-	-	(933)	(933)
Balance at 30 September 2009	1 815	236 637	39 944	278 753	11 260	(168 185)	400 224	808	401 032
Profit for the period	-	-	-	43 296	-	-	43 296	62	43 358
Other comprehensive income	-	-	-	-	-	4 854	4 854	-	4 854
Total comprehensive income for the period	-	-	-	43 296	-	4 854	48 150	62	48 212
Effect of changes on minority interest	-	-	-	-	-	-	-	(23)	(23)
Balance at 31 December 2009	1 815	236 637	39 944	322 049	11 260	(163 331)	448 374	847	449 221
Profit for the period	-	-	-	40 007	-	-	40 007	49	40 056
Other comprehensive income	-	-	-	-	-	2 411	2 411	6	2 417
Total comprehensive income for the period	-	-	-	40 007	-	2 411	42 418	55	42 473
Effect of changes on minority interest	-	-	-	-	-	-	-	5	5
Balance at 31 March 2010	1 815	236 637	39 944	362 056	11 260	(160 920)	490 792	907	491 699
Profit for the period	-	-	-	30 509	-	-	30 509	(429)	30 080
Other comprehensive income	-	-	-	-	-	(554)	(554)	-	(554)
Total comprehensive income for the period	-	-	-	30 509	-	(554)	29 955	(429)	29 526
Effect of changes on minority interest	-	-	-	-	-	-	-	2 520	2 520
Increase of share capital	118	-	-	-	-	-	118	-	118
Issued capital	-	82 322	-	-	-	-	82 322	-	82 322
Balance at 30 June 2010	1 933	318 959	39 944	392 565	11 260	(161 474)	603 187	2 998	606 185

On behalf of the Board

 Andrey Verevskiy
 Chairman of the Board

 Anastasiia Usachova
 CFO

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3 MONTHS ENDED 30 JUNE 2010 (unaudited)**

<i>(in US dollars and in thousands unless otherwise stated)</i>	3 months	12 months
	30 June 2010	
	<i>(unaudited)</i>	<i>(unaudited)</i>
OPERATING ACTIVITIES:		
Profit/(loss) before income tax	30 388	152 555
<i>Adjustments to reconcile profit before income tax to net cash used in operating activities:</i>		
Amortization and depreciation	7 787	22 540
Finance costs	8 648	22 621
Bad debt expenses and other accruals	2 481	3 264
Loss/(gain) on disposal of property, plant and equipment	(48)	143
Non-operating foreign exchange loss/(gain), net	63	5 916
Loss/(gain) on sales of equity investments	62	(578)
Operating profit before working capital changes	49 381	206 461
<i>Changes in working capital:</i>		
Decrease/(increase) in trade accounts receivable	15 244	5 503
Decrease/(increase) in prepayments and other current assets	(63 676)	(71 472)
Decrease/(increase) in restricted cash balance	5 901	29 471
Decrease/(increase) in taxes recoverable and prepaid	(20 634)	(100 682)
Decrease/(increase) in biological assets	(19 540)	(7 205)
Decrease/(increase) in inventories	71 519	(14 936)
Increase/(decrease) in trade accounts payable	(26 141)	(17 827)
Increase/(decrease) in advances from customers and other current liabilities	86 136	85 531
Cash obtained from/(used in) operations	98 190	114 844
Finance costs paid	(8 648)	(22 621)
Income tax paid	(142)	(804)
Net cash provided by/(used in) operating activities	89 400	91 419
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(18 682)	(56 446)
Proceeds from disposal of property, plant and equipment	116	321
Sales/(Purchase) of intangible and other non-current assets	49 272	(10 563)
Disposal of Subsidiaries	-	586
Net cash used in investing activities	30 706	(66 102)
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings	301 128	815 311
Repayment of short-term and long-term borrowings	(453 195)	(957 745)
Corporate bonds issued/(repaid)	-	(1 993)
Proceeds from share capital increase	118	118
Proceeds from share premium reserve increase	82 322	82 322
Net cash provided by financing activities	(69 627)	(61 987)
TRANSLATION ADJUSTMENT	115	(3 640)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	50 594	(40 310)
CASH AND CASH EQUIVALENTS, at the beginning of the period	7 168	98 072
CASH AND CASH EQUIVALENTS, at the end of the period	57 762	57 762

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3 MONTHS ENDED 30 JUNE 2009 (audited)**
(in US dollars and in thousands unless otherwise stated)

	3 months	12 months
	30 June 2009	
	(unaudited)	(audited)
OPERATING ACTIVITIES:		
Profit/(loss) before income tax	22 155	126 863
<i>Adjustments to reconcile profit before income tax to net cash used in operating activities:</i>		
Amortization and depreciation	5 221	23 408
Finance costs	3 042	32 239
Bad debt expenses and other accruals	(1 438)	(1 202)
Loss/(gain) on disposal of property, plant and equipment	4 625	4 306
Foreign exchange loss/(gain), net	(4 168)	3 095
Income from "DAK asset"	(460)	(194)
Loss/(gain) on sales of equity investments	-	(345)
Operating profit before working capital changes	28 977	188 170
<i>Changes in working capital:</i>		
Decrease/(increase) in trade accounts receivable	3 426	15 449
Decrease/(increase) in prepayments and other current assets	14 709	(1 150)
Decrease/(increase) in restricted cash balance	2 662	(1 474)
Decrease/(increase) in taxes recoverable and prepaid	(22 721)	(49 173)
Decrease/(increase) in biological assets	(10 602)	23 489
Decrease/(increase) in inventories	3 274	(7 341)
Increase/(decrease) in trade accounts payable	(1 893)	1 941
Increase/(decrease) in advances from customers and other current liabilities	5 799	(6 713)
Cash obtained from/(used in) operations	23 631	163 198
Finance costs paid	(3 042)	(32 239)
Income tax paid	(61)	(1 670)
Net cash provided by/(used in) operating activities	20 528	129 289
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(35 977)	(91 531)
Proceeds from disposal of property, plant and equipment	108	2 885
Sales/(Purchase) of intangible and other non-current assets	(204)	(1 216)
Acquisition of Subsidiaries	-	(5 825)
Disposal of Subsidiaries	374	374
Net cash used in investing activities	(35 699)	(95 313)
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings	65 030	541 093
Repayment of short-term and long-term borrowings	(41 520)	(476 532)
Corporate bonds issued/(repaid)	36	(28 991)
Net cash provided by financing activities	23 546	35 570
TRANSLATION ADJUSTMENT	(469)	(30 287)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7 906	39 259
CASH AND CASH EQUIVALENTS, at the beginning of the period	90 166	58 813
CASH AND CASH EQUIVALENTS, at the end of the period	98 072	98 072

On behalf of the Board

 Andrey Verevskiy
Chairman of the Board

 Anastasiia Usachova
CFO

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 JUNE 2010 (unaudited)
(in US dollars and in thousands unless otherwise stated)
1. KEY DATA BY OPERATING SEGMENT FOR THE 3-MONTH PERIOD ENDED 30 JUNE 2010 (unaudited)

	Bottled sunflower oil	Sunflower oil in bulk	Grain handling and transshipment services	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	21 068	169 219	2 185	819	44 489	700	-		238 480
Intersegment sales			3 913	561		1 604	-	(6 078)	
Total	21 068	169 219	6 098	1 380	44 489	2 304	-	(6 078)	238 480
Other operating income	-	1 440	2	7 646	107	401	-		9 596
Operating profit (EBIT)	3 776	32 966	(116)	6 193	5 406	(3 084)	(4 288)		40 853
Finance costs net									(8 648)
Foreign exchange (loss)/gain, net									178
Other (expenses)/ income, net									(1 995)
Income tax									(308)
Net profit									30 080
Total assets	105 158	410 825	120 734	67 486	297 631	81 722	42 704		1 126 260
Capital expenditures	1 279	78 839	6 076	1 562	60	52 407	5 709		145 932
Amortization and depreciation	480	2 506	895	2 214	44	1 503	145		7 787
Liabilities	4 782	43 112	4 590	2 459	15 060	19 240	430 832		520 075

During the 3-month period ended 30 June 2010 none of the Group's customers accounted for more than 10% of the total external revenue. During the 3-month period ended 30 June 2010 export sales amounted to 85 % of total external sales revenue.

1. KEY DATA BY OPERATING SEGMENT (CONTINUED) FOR THE 3-MONTH PERIOD ENDED 30 JUNE 2009 (unaudited)

	Bottled sunflower oil	Sunflower oil in bulk	Grain handling and transshipment services	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	16 782	55 536	10 104	3 296	90 508	2 588	2 403		181 217
Intersegment sales			4 029	990		1 522		(6 541)	
Total	16 782	55 536	14 133	4 286	90 508	4 110	2 403	(6 541)	181 217
Other operating income	-	-	1 937	(890)	2 787	(159)	-		3 675
Operating profit (EBIT)	3 227	11 398	5 653	(998)	5 918	1 593	(2 424)		24 367
Finance costs, net									(3 042)
Foreign exchange (loss)/gain, net									4 168
Other (expenses)/income, net									(3 338)
Income tax									(468)
Net profit									21 687
Total assets	108 131	155 975	102 217	70 248	124 785	62 163	76 187		699 706
Capital expenditures	15 513	19 359	19	434	1 582	424	-		37 331
Amortization and depreciation	1 535	965	893	1 190	79	557	2		5 221
Liabilities	2 662	5 630	1 103	3 170	7 841	6 656	315 181		342 243

During the 3-month period ended 30 June 2009 one of the Group's customer accounted for around 13% of the total external revenue. During the 3-month period ended 30 June 2009 export sales amounted to 79 % of total external sales revenue.

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 of bottled sunflower oil, production and subsequent export of bulk sunflower oil and meal, wholesale trade of grain (mainly wheat, barley and corn), farming and provision of logistics and trans-shipment services.

The majority of the Group operations are located in Ukraine. Financial year of the Group runs from 1st of July to 30th of June.

The principal operating office of the Group is located at the following address: 35 Olesya Gonchara str., 01034 Kyiv, Ukraine.

As of 30 June 2010, 31 March 2010, and 30 June 2009 the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2010	31 March 2010	30 June 2009
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine.	Ukraine	100%	100%	99.8%
"Group Management", LLC	Holding company	Ukraine	94%	N/A	N/A
"Etrecom Investments", LLC	Holding company	Cyprus	100%	100%	100%
Corolex Public Co. Limited	Holding company	Cyprus	94%	N/A	N/A
CJSC "Grain Trading Company Allseeds-Ukraine"	Holding company	Ukraine	94%	N/A	N/A
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	100%	100%	100%
Inerco Commodities S.A.		Switzerland	100%	100%	100%
Restomon LTD		British Virgin Islands	100%	100%	100%
Lanen S.A.		Panama	100%	100%	100%
"Grain Trading Company", LLC		Ukraine	94%	N/A	N/A
"Kernel-Trade", LLC		Ukraine	100%	100%	100%
Jerste BV		Holding company	Netherlands	100%	100%
PJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	98.3%	98.2%	73.05%
PJSC "Vovchansky V OEP"		Ukraine	99.4%	99.4%	99.3%
"Prykolotnjansky OEP", LLC		Ukraine	100%	100%	100%
JSC "Kirovogradoliya"		Ukraine	93.2%	N/A	N/A
"Ekotrans", LLC		Ukraine	94%	N/A	N/A
"Bandurskiy oil crushing plant", LLC		Ukraine	100%	100%	100%
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100%	100%	100%

KERNEL HOLDING S.A. AND SUBSIDIARIES

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2010	31 March 2010	30 June 2009
"Reshetylivka Hliboproduct", LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	100%	100%
JSC "Reshetilovski elevator"		Ukraine	Control relinquished	Control relinquished	0.0%
"Horol-Elevator", LLC		Ukraine	100%	100%	100%
JSC "Horolskiy elevator"		Ukraine	Control relinquished	Control relinquished	0.0%
"Mirgorodsky elevator", LLC		Ukraine	100%	100%	100%
"Globynsky elevator HP", LLC		Ukraine	100%	100%	100%
"Globinsky elevator kliboproduktiv", LLC		Ukraine	Control relinquished	Control relinquished	0.0%
"Skifiya-Zernotrade", LLC		Ukraine	94%	N/A	N/A
JSC "Poltavske khibopriemalne pidpriemstvo"		Ukraine	88.2%	88.2%	88.1%
"Galeschina-Agro", LLC		Ukraine	Disposed of on 18 December 2009	Disposed of on 18 December 2009	99.8%
"Elevator - Grain Tading Company", LLC		Ukraine	94%	N/A	N/A
"Gogoleve-Agro", LLC		Ukraine	99.9%	99.9%	99.8%
"Sagaydak-Agro", LLC		Ukraine	100%	100%	100%
"Karlivka-Agro", LLC		Ukraine	99.9%	99.9%	99.8%
JSC "Trykratskiy GPC"		Ukraine	86.5%	N/A	N/A
"Lazorkovski Elevator", LLC		Ukraine	99.9%	99.9%	99.8%
"Zhrebkivsky elevator ", LLC		Ukraine	99.9%	99.9%	99.8%
"Kononivsky elevator ", LLC		Ukraine	99.9%	99.9%	99.8%
"Semenivski elevator", LLC	Ukraine	99.9%	99.9%	99.8%	
"Kobelyaki hleboproduct", LLC	Ukraine	100%	100%	100%	

KERNEL HOLDING S.A. AND SUBSIDIARIES

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2010	31 March 2010	30 June 2009
"Sahnovshina hleboproduct", LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	100%	100%
"Velykoburlutske HPP", LLC		Ukraine	100%	100%	100%
"Gutnansky elevator", LLC		Ukraine	100%	100%	100%
"Lykhachivsky KHP", LLC		Ukraine	100%	100%	100%
"Shevchenkisky KHP", LLC		Ukraine	100%	100%	100%
"Orilske HPP", LLC		Ukraine	Disposed of on 28 October 2009	Disposed of on 28 October 2009	100%
"Kovyagivske KHP", LLC		Ukraine	100%	100%	100%
"Viktorovsky elevator, LLC		Ukraine	100%	100%	100%
CJSC "Poltavaavtotransservis"		Trucking company.	Ukraine	100%	100%
"MTE-2004", LLC	Ukraine		94%	N/A	N/A
"Ukragrobiznes", LLC	Holding company.	Ukraine	100%	100%	100%
"Agroservice", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	100%
"Zemoservice", LLC		Ukraine	100%	100%	100%
"Unigrain-Agro" (Globino), LLC		Ukraine	100%	100%	100%
"Unigrain-Agro" (Semenovka), LLC		Ukraine	100%	100%	100%
"Mrija-Agro", LLC		Ukraine	100%	100%	100%
PJSC "Lozivske HPP"		Ukraine	100%	100%	100%

KERNEL HOLDING S.A. AND SUBSIDIARIES

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2010	31 March 2010	30 June 2009
PJSC "Krasnopavlivsky KHP"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	100%
CJSC "Agrofirma "Krasnopavlivska"		Ukraine	Control relinquished	Control relinquished	0.0%
"Agrofirma "Arshitsa", LLC		Ukraine	100%	100%	100%
"Agrotera-Kolos", LLC		Ukraine	100%	100%	100%
"Chorna Kamyanka", LLC		Ukraine	100%	100%	100%
"Govtva", ALLC		Ukraine	100%	100%	100%
PRAC "Perebudova"		Ukraine	100%	100%	100%
"Manjurka", LLC		Ukraine	100%	100%	100%
"Krutenke", LLC		Ukraine	100%	100%	100%
"Promin", LLC		Ukraine	100%	100%	100%
PRAC "Brovarki"		Ukraine	100%	100%	100%
PRAC by the name of Shorsa		Ukraine	100%	100%	100%
"Troyanske", ALLC		Ukraine	100%	100%	100%
"Zorya", ALLC		Ukraine	100%	100%	100%
"Hleborob", ALLC		Ukraine	100%	100%	100%
AC by the name of T. Shevchenko		Ukraine	100%	100%	100%
PRAC "Drugba"	Ukraine	100%	100%	100%	

KERNEL HOLDING S.A. AND SUBSIDIARIES

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2010	31 March 2010	30 June 2009
"Agrofirma "Chkalova", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	100%
"Agrofirma "Vitchizna", LLC		Ukraine	100%	100%	100%
"Transbulk Terminal", LLC	Provision of grain handling and transshipment services, including services to the Group.	Ukraine	100%	100%	100%
"Oiltransterminal", LLC		Ukraine	94%	N/A	N/A
C.F.C Ukraine Ltd		Ukraine	Disposed of on 15 April 2010	100%	100%
Estron Corporation Ltd		Cyprus	100%	100%	100%
Chorex Developments Limited		Cyprus	100%	100%	100%
Hamalex Developments LTD		Cyprus	100%	100%	100%

In August 2009 "Bandurskiy elevator", LLC was renamed "Bandurskiy oil crushing plant ", LLC.

These consolidated financial statements were authorized for issue by the Board of Directors of Kernel Holding S.A. on 26 August 2010.

3. CHANGE IN ISSUED CAPITAL

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose issued capital as of 30 June 2010 consisted of 73 191 000 (seventy three million one hundred and ninety one thousand) ordinary bearer shares without indication of a nominal value, providing 73 191 000 voting rights (as of 30 June 2009 – 68 741 000 shares).

The shares were distributed as follows:

EQUITY HOLDERS

	Shares allotted and fully paid as of <u>30 June 2010</u>	Share owned as of	Shares allotted and fully paid as of <u>30 June 2009</u>	Share owned as of
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Equity holder")	30 174 250	41.23%	40 574 250	59.03%
Free-float	43 016 750	58.77%	28 166 750	40.97%
Total	<u>73 191 000</u>	<u>100.00%</u>	<u>68 741 000</u>	<u>100.00%</u>

As of 30 June 2010 and 2009 100% of the beneficial interest in the "Majority Equity holder" was held by Verevskiy Andrey Mikhaylovych (hereinafter the "Beneficial Owner").

In order to perform an initial public offering of the shares of the Company on the Warsaw Stock Exchange, the general shareholders meeting resolved to split the existing shares of the Company at a split ratio of one to five thousand (1:5 000) and to consequently split the existing nine thousand three hundred thirty-four (9 334) shares of the Company without indication of a nominal value into 46 670 000 (forty-six million six hundred seventy thousand) shares of the Company without indication of a nominal value.

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

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

On 3 June, 2010 Kernel increased the Company's share capital by an amount of USD 117 506.70, that is, up to USD 1 932 681.54, by the issue of 4 450 000 new shares without indication of a nominal value. The Kernel's share capital of USD 1 932 681.54 is divided now into 73 191 000 shares without indication of a nominal value, giving right to 73 191 000 votes at the General Meeting of the Company.

Luxembourg companies are required to allocate to legal reserve a minimum of 5% of the annual net income until this reserve equals up to 10% of subscribed issued capital. This reserve of an amount of USD 125 thousand as of 30 June 2010, unchanged from 30 June 2009, may not be distributed as dividends.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting - The accompanying consolidated financial statements are prepared under the historical cost convention in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB"), and interpretations, issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Group Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group Subsidiaries' local statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The present financial statements have been prepared in accordance with amendments to IFRS which became effective on 30 June 2010. The Group has adopted IFRS 8 Operating Segments in advance of its effective date, with effect from 1 July 2008. From 1 July 2009 the Group has adopted IAS 1 Presentation of Financial Statements (Revised). The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: presenting all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group has chosen to present two statements.

Accounting Estimates - The application of IFRS requires the use of reasonable assumptions and estimates. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from these estimates.

Measurement and Presentation Currency - Starting from 01 January 2007, and in accordance with the resolution of the shareholders dated 31 July 2007, the measurement currency of Kernel Holding S.A. is the United States dollar ("USD"). Management utilizes the USD as the measurement and reporting currency of the accompanying consolidated financial statements of the Holding under International Accounting Standard ("IAS") No. 21 "The Effects of Changes in Foreign Exchange Rates" as its major assets and sources of finance are denominated in USD. The measurement currencies for the Subsidiaries of the Group are mainly local currencies of the countries, where the Group Subsidiaries are incorporated and operate, with the exception of Inerco Trade S.A. (Switzerland), Lanen S.A. (Panama), Estron Corporation Ltd (Cyprus), Chorex Developments Limited (Cyprus), Hamalex Developments LTD (Cyprus), Restomon LTD (British Virgin Islands), Inerco Commodities S.A. (Switzerland), Jerste BV (Netherlands), Corolex Public Co.Limited (Cyprus) and Etrecom(Cyprus). Management has utilized USD as the measurement currency for Inerco Trade S.A., Lanen S.A., Estron Corporation Ltd, Chorex Developments Limited, Hamalex Developments LTD, Restomon LTD, Inerco Commodities S.A., Jerste BV, Corolex Public Co.Limited and Etrecom under IAS No. 21 as their major sources of finance, prices of sales contracts with customers and also prices of significant contracts for purchases of goods and services from suppliers were denominated in USD. Starting from 01 July 2009 Management adopted USD as the measurement currency of: "Kernel-Trade" LLC, based on IAS No. 21 as the major sources of finance, prices of sales contracts with customers and also prices of significant contracts for purchases of goods and services from suppliers were denominated in USD; CJSC "Poltava oil crushing plant — Kernel Group", JSC "Vovchansk OEP", CJSC "Prykolotne OEP", additionally from 01 April 2010 JSC "Kirovogradoliya" and "Ekotrans" LLC, under IAS 21 as the activities of these subsidiaries are carried out with limited degree of autonomy.

The reclassification in the Statement of Cash Flows was done for the purpose of users of the financial statements with clearer and more detailed information. Transactions in currencies other than measurement currencies of the Group companies are treated as transactions in foreign currencies.

Basis of Consolidation - The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Group ("its Subsidiaries") made up as of 30 June 2010. Control is achieved where the parent company has the power to govern the financial and operating policies of an investee enterprise, either directly or indirectly, so as to obtain benefits from its activities.

The purchase method of accounting is used for acquired businesses. The equity attributable to minority owners' interests is shown separately in the consolidated balance sheet. On acquisition, the assets and liabilities of a Subsidiary are measured at their fair values at the date of acquisition. The interest of minority owners is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

Where necessary, adjustments are made to the financial statements of Subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between the Group enterprises are eliminated on consolidation. Unrealized gains and losses resulting from intercompany transactions are also eliminated unless for unrealized losses which cannot be recovered.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minority interest at the balance sheet date represents the minority equity holders' portion of the pre-acquisition fair values of the identifiable assets and liabilities of the Subsidiary at the acquisition date, and the minorities' portion of movements in equity since the date of the acquisition.

Goodwill - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the adjusted net fair value of identifiable assets, liabilities and contingent liabilities of the Subsidiary on the date of acquisition. Goodwill arising from business combinations for which the agreement date is on or after 31 March 2004 is recognized as an asset and carried at cost less any accumulated impairment losses. The goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that operation are treated as assets and liabilities of the foreign operation. Therefore, they are expressed in the measurement currency of the foreign operation and are translated at the closing rate.

Excess of Group's interest in the adjusted net fair value of identifiable assets, liabilities and contingent liabilities of the acquired Subsidiaries over cost of acquisition is recognized immediately in the income statement of the period when the acquisition takes place.

Intangible Assets - Intangible assets acquired separately from a business are capitalized at primary cost. Amortization of intangible assets except for the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks is calculated on a straight-line basis over 2-10 years, and is included in "General and administrative expenses". The "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks have indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually and whenever there is an indication that the trademarks may be impaired.

Foreign Currencies Translation - Transactions in currencies other than the measurement currencies of the Group companies are initially recorded at the exchange rates valid on the dates of the transactions. Subsequently, monetary assets and liabilities denominated in such currencies are translated at the rates valid on the balance sheet date.

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates valid on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in equity and included in "Cumulative translation adjustment".

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

Currency	Closing rate	Average rate	Average rate	Closing rate	Average rate	Average rate
	as of 30 June 2010	for the 3 months ended 30 June 2010	for the 12 months ended 30 June 2010	as of 30 June 2009	for the 3 months ended 30 June 2009	for the 12 months ended 30 June 2009
USD/UAH	7.9070	7.9224	7.9289	7.6303	7.6562	6.5948
USD/EUR	0.8188	0.7860	0.7203	0.7100	0.7345	0.7348
USD/PLN	3.3946	3.1510	2.9502	3.1733	3.2651	2.9393

Financial instruments - financial instruments are classified according to the following categories: financial assets or financial liabilities recognized at fair value through profit or loss; held-to-maturity investments; available-for-sale financial assets; and also the Group's trade receivables, as well as loans receivable.

Financial assets or financial liabilities at fair value through profit or loss - Are financial instruments, acquired, mainly, with the purpose of proceeds from short-term price fluctuations or designated as such upon initial recognition. Financial assets or liabilities are recognized at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Classified by the Group as an instrument at the moment of initial recognition, they are measured at fair value with any resultant gain or loss recognized in profit or loss.

Held-to-maturity investments - This category is for fixed maturity financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity except for the Group's trade or loan receivables. Held-to-maturity investments are measured at amortized cost using the effective interest method.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale financial assets - Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in equity. When such assets are disposed the cumulative gain from assets revaluation are included in a calculation of the financial result on the disposal which is registered in income statement. The cumulative loss in equity is transferred to income statement immediately.

Loans - Loans provided by the Group are financial assets, created by means of grant of money directly to a borrower or participating in provision of credit services, not including those assets, which were created with the purpose of immediate sale or sale during a short-term period or classified as investments held for trading. For loans, given at a rate and on terms which are different from market terms and conditions, the difference between the par value of the resources provided and the fair value of the amount lent is reflected in the income statement in the period, when such amount was lent, as an adjustment to the loan amount. Loans with fixed maturity terms are measured at amortized cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. Loans provided are reflected in the balance sheet, less allowance for estimated non-recoverable amounts.

Held-to-maturity investments and the Group's trade receivables and loans receivable are included in the complement of intangible assets, except of those cases when the term of redemption expires within 12 months from the date of balance. Financial assets which are recognized at fair value through profit or loss is a part of current assets as well as available-for-sale investments if the Group's management has intent to realize them during 12 months from the date of balance. All acquisitions and sales of investments are registered at the date of calculation. Investments in equity securities where fair value cannot be estimated on a reasonable basis are stated at cost using the effective interest method less impairment losses.

Borrowing costs - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

Investments in Non-consolidated Subsidiaries and Associates - Investments in corporate shares where the Group owns more than 20% of issued capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the financial statements taken as a whole, or the Group intends to resell such investments in the nearest future, as well as investments in corporate shares where the Group owns less than 20% of issued capital, are accounted for at fair value or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary. As of 30 June 2010 and 2009 there were no investments in non-consolidated subsidiaries and associates.

Issued capital and earnings per share

Ordinary shares - Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

Repurchase of issued capital - When issued capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Equity-settled transactions - The Group has adopted Financial Reporting Standard (FRS) 20 'Share-based Payment' during the financial year 2008.

The cost of equity-settled transactions with employees are measured by reference to the fair value at the grant date and are recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is calculated using the Black-Scholes model. No expense is recognized for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement, with a corresponding entry in equity.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share - Are calculated by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period.

Inventories - Inventories are stated at the lower of cost or net realizable value. Cost comprises purchase cost and, where applicable, those expenses that have been incurred in bringing the inventory to their present location and condition. Cost is calculated using FIFO method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Biological Assets - The Group classifies wheat, barley, corn, soy, sunflower seeds and other crops, which it produces, and cattle as biological assets. In accordance with IAS No. 41 "Agriculture", biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs, except for the case where the fair value cannot be measured reliably. Biological assets, for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, are measured using the present value of expected net cash flows from the sale of an asset discounted at a current market-determined pre-tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition.

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets. All of the Group's biological assets, except cattle, were classified as current as their average useful life is less than one year.

Taxes Recoverable and Prepaid - Taxes recoverable and prepaid are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Property, Plant and Equipment - Buildings and constructions (oil) and production machinery and equipment (oil), are shown at fair value, based on periodic, valuations by external independent appraisal, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Except for land, all other property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Land is carried at cost and is not depreciated.

Property, plant and equipment acquired in a business combination is initially recognized at fair value determined based on valuations performed by independent professionally qualified appraisers.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to income statement as incurred.

Increases in the carrying amount arising on revaluation of buildings (oil) and production machinery and equipment (oil) are recognized in other comprehensive income and accumulated in equity under the heading of revaluation reserve.

Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Decreases in the carrying amount as a result of a revaluation are recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

Property, plant and equipment are depreciated over the estimated remaining useful economic lives of assets mostly determined by independent appraisals under the straight-line method. Remaining useful lives of property, plant and equipment are as follows:

Buildings and constructions	20-50 years
Production machinery and equipment	10-20 years
Agricultural vehicles and equipment	3-10 years
Other fixed assets	4-20 years
Construction in progress ("CIP") and uninstalled equipment	not depreciated

Construction in progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets commences when the assets are put into operation.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Non-Current Assets - At each balance sheet date the Group reviews the carrying amounts of the Group's non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using effective interest rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Trade and Other Accounts Payable - Trade and other accounts payable are stated at their nominal value.

Short-term and Long-term Borrowings - Short-term and long-term borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including payments at origination and settlement, are accounted for on an accrual basis and are added to the carrying amount of the liability to the extent that they are not settled in the period in which they arise.

The difference between nominal amount of consideration received and the fair value of loans obtained from related parties of the Group at other than market terms is recognized in the period the loan is obtained as initial recognition adjustment discounting the loan based on market rates at inception.

Revenue Recognition - Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods and finished products - Revenue is recognized when the significant risks and rewards of ownership of goods for resale and finished products have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services - Revenue is recognized when services are rendered.

Classification of administrative expenses - The Group includes all expenses related to the administration of the Group in General and administrative expenses except for payroll expenses related to administration of elevators. Such expenses are included in Cost of sales.

Income Taxes - Income taxes have been computed in accordance with the laws currently enacted in the countries, where the Holding and its Subsidiaries are incorporated.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against deductible temporary differences.

Deferred tax is calculated at rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred income tax assets and liabilities are offset when:

- the Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- the Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are included in expenses for the period to which they relate on a straight-line basis over the term of the relevant lease.

Contingencies - Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statement but disclosed when an inflow of economic benefits is probable.

Provisions - A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Operating Segments - Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision makers in order to allocate resources to the segment and to assess its performance. The Management and the members of the Board of Directors of the Group are identified as the chief operating decision makers. Segments in the consolidated financial statements are defined in accordance with the type of activity, products sold or services provided.

The operating segments' activities are as follows:

Operating Segments	Activities
<i>Bottled sunflower oil</i>	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
<i>Sunflower oil in bulk</i>	Production and sales of sunflower oil in bulk (crude and refined) and meal
<i>Grain</i>	Sourcing and merchandizing of wholesale grain.
<i>Grain handling and transshipment services</i>	Grain handling and transshipment services in the port of Ilyichevsk.
<i>Grain silo services</i>	Provision of grain and oilseed cleaning, drying and storage services.
<i>Farming</i>	Agricultural farming. Production of wheat, barley, corn, soybean and sunflower seed.

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 30 June 2010 the segment table reflects continuing operations only. The prior-year figures have been reclassified to ensure comparability.

The reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments.

The segment data is calculated as follows:

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

Since financial management of Group companies is carried out centrally, financial liabilities are not allocated directly to the respective operating segments. Consequently, the liabilities shown for the individual segments do not include financial liabilities.

5. PROPERTY, PLANT AND EQUIPMENT, NET

The following table represents movements in property, plant and equipment for the 12 months ended 30 June 2010:

	<u>Oil</u>	<u>Grain terminal</u>	<u>Farming</u>	<u>Inland silos</u>	<u>Other</u>	<u>Total</u>
Net Book Value as at 30 June 2009	108 467	61 476	24 137	20 456	7 234	221 770
Land	700	-	2	678	-	1 380
Buildings and Constructions	34 013	5 796	5 868	16 022	2 162	63 861
Production machinery and equipment	21 475	55 648	400	2 979	3	80 505
Agricultural vehicles and equipment	121	-	17 800	75	-	17 996
Other fixed assets	-	-	-	-	5 054	5 054
CIP and uninstalled equipment	52 158	32	67	702	15	52 974
Additions	139 744	15 534	4 642	43 698	9 845	213 463
Land	1 584	3 371	-	483	47	5 485
Buildings and Constructions	54 235	10 041	550	33 815	1 393	100 034
Production machinery and equipment	42 878	1 810	6	7 787	69	52 550
Agricultural vehicles and equipment	-	-	1 513	-	-	1 513
Other fixed assets	-	-	-	-	7 821	7 821
CIP and uninstalled equipment	41 047	312	2 573	1 613	515	46 060
Disposals (at NBV)	(27 213)	(290)	(2 757)	(2 641)	(1 040)	(33 941)
Buildings and Constructions	(1 027)	-	(19)	(786)	-	(1 832)
Production machinery and equipment	(594)	(42)	(44)	(236)	-	(916)
Agricultural vehicles and equipment	-	-	(133)	(1)	-	(134)
Other fixed assets	-	-	-	-	(811)	(811)
CIP and uninstalled equipment	(25 592)	(248)	(2 561)	(1 618)	(229)	(30 248)
Depreciation expense	(6 724)	(3 179)	(5 170)	(2 263)	(1 624)	(18 960)
Buildings and Constructions	(2 802)	(213)	(928)	(1 574)	(170)	(5 687)
Production machinery and equipment	(3 919)	(2 966)	(73)	(673)	(3)	(7 634)
Agricultural vehicles and equipment	(3)	-	(4 169)	(16)	-	(4 188)
Other fixed assets	-	-	-	-	(1 451)	(1 451)

5. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

	<u>Oil</u>	<u>Grain terminal</u>	<u>Farming</u>	<u>Inland silos</u>	<u>Other</u>	<u>Total</u>
Translation difference	(1 580)	36	(323)	(630)	(799)	(3 296)
Land	5	9	-	(23)	(1)	(10)
Buildings and Constructions	(73)	24	(208)	(473)	(23)	(753)
Production machinery and equipment	(19)	4	(14)	(85)	(3)	(117)
Agricultural vehicles and equipment	(96)	-	(103)	(3)	-	(202)
Other fixed assets	-	-	-	-	(775)	(775)
CIP and uninstalled equipment	(1 397)	(1)	2	(46)	3	(1 439)
Net Book Value as at 30 June 2010	212 694	73 577	20 529	58 620	13 616	379 036
Land	2 289	3 380	2	1 138	46	6 855
Buildings and Constructions	84 346	15 648	5 263	47 004	3 362	155 623
Production machinery and equipment	59 821	54 454	275	9 772	66	124 388
Agricultural vehicles and equipment	22	-	14 908	55	-	14 985
Other fixed assets	-	-	-	-	9 838	9 838
CIP and uninstalled equipment	66 216	95	81	651	304	67 347

As of 30 June 2010 amount of CIP and uninstalled equipment includes USD 3 136 thousand of capitalized interest on borrowing costs (as of 30 June 2009 USD 2 313 thousand calculated at a capitalization rate of 11.67 % per annum). Capitalization rate used to calculate the amount of capitalized interests as at 30 June 2010 is 7.1 % per annum.

Additions for the period also include gain on revaluation of property, plant and equipment in the amount of USD 15 154 thousand.

6. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the 12 months ended 30 June 2010 and 2009:

Cost as of 30 June 2009	41 039	Cost as of 30 June 2008	59 502
Additions from acquisition of Subsidiaries	532	Additions from acquisition of Subsidiaries	2 252
Additions	347	Additions	1 216
Disposals	(284)	Disposals	(3)
Translation difference	(1 629)	Translation difference	(21 928)
Cost as of 30 June 2010	40 005	Cost as of 30 June 2009	41 039
Accumulated depreciation as of 30 June 2009	(5 353)	Accumulated depreciation as of 30 June 2008	(1 421)
Amortization charge	(3 580)	Amortization charge	(5 204)
Disposals	15	Disposals	-
Translation difference	755	Translation difference	1 272
Accumulated depreciation as of 30 June 2010	(8 163)	Accumulated depreciation as of June 2009	(5 353)
Net book value as of 30 June 2010	31 842	Net book value as of 30 June 2009	35 686

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks with the value of USD 4 617 thousand, USD 5 994 thousand, USD 8 661 thousand and USD 179 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 30 June 2010 and 2009 trade mark "Stozhar" was pledged as security for long-term loans (Note 8).

Management of the Group expects the demand for bottled sunflower oil to be stable in the foreseeable future. The Group believes that, as a result of further promotion of the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks sales of bottled oil under these trademarks and the current bottled oil market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them during an indefinite period of time. Accordingly, the trademarks which belong to the Group are considered to have indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually and whenever there is an indication that the trademarks may be impaired.

7. SHORT-TERM BORROWINGS

The balances of short-term borrowings as of 30 June 2010 and 30 June 2009 were as follows:

	<u>30 June 2010</u>	<u>30 June 2009</u>
Bank credit lines	166 491	147 635
Interest accrued on short-term credits	582	502
Interest accrued on long-term credits	2 025	346
Total	<u>169 098</u>	<u>148 483</u>

The balances of short-term borrowings as of 30 June 2010 were as follows:

	Interest rate	Currency	Maturity	<u>Amount due</u>
European bank	Libor + 4.0%	USD	August 2010	15 000
European bank	Libor + 2%	USD	July 2010	20 711
European bank	Libor + 5%	USD	August 2010	77 000
Ukrainian subsidiary of European bank	Libor + 10.4%	USD	July 2010	30 682
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	7 907
Ukrainian subsidiary of European bank	25%	UAH	October 2010	15 191
Total bank credit lines				<u>166 491</u>
Interest accrued on short-term loans				582
Interest accrued on long-term loans				2 025
Total				<u>169 098</u>

The balances of short-term borrowings as of 30 June 2009 were as follows:

	Interest rate	Currency	Maturity	<u>Amount due</u>
European bank	Libor + 2.6%	USD	August 2009	30 000
European bank	Libor + 2.75%	USD	September 2009	50 000
European bank	Libor + 2.0%	USD	July 2009	5 098
Ukrainian subsidiary of European bank	Libor + 4.5%	USD	September 2009	1 737
Ukrainian subsidiary of European bank	7.8%	USD	August 2009	30 400
Ukrainian subsidiary of European bank	15%	USD	July 2009	30 400
Total bank credit lines				<u>147 635</u>
Interest accrued on short-term loans				502
Interest accrued on long-term loans				346
Total				<u>148 483</u>

As of 30 June 2010 the overall maximum credit limit for short-term bank credit lines amounted to USD 350 473 thousand (as of 30 June 2009 USD 634 323 thousand).

As of 30 June 2010 and 2009 short-term loans from banks were secured as follows:

Assets pledged	<u>30 June 2010</u>	<u>30 June 2009</u>
Cash	-	30 400
Inventories	91 234	36 835
Property, plant and equipment (Note 5)	33 793	61 811
Total	<u>125 027</u>	<u>129 046</u>

7. SHORT-TERM BORROWINGS (CONTINUED)

In August 2009 Kernel Trade LLC signed a loan agreement with a syndicate of European banks for a total amount of USD 170 000 thousand. The loan to Kernel Trade LLC is secured by guarantees provided by Kernel-Capital LLC, PJSC "Volchanskiy oil extraction plant", LLC "Prikolotnjansky oil extraction plant", and PJSC "Poltava Oil Crushing Plant – Kernel Group".

8. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 30 June 2010 and 2009 were as follows:

	<u>30 June 2010</u>	<u>30 June 2009</u>
Long-term bank loans	168 218	132 599
Current portion of long-term borrowings	(40 764)	(11 230)
Total	<u>127 454</u>	<u>121 369</u>

Long-term bank loans

The balances of long-term borrowings as of 30 June 2010 were as follows:

	Interest rate	Currency	Maturity	<u>Amount due</u>
European bank	Libor + 5.7%	USD	September 2013	15 081
European bank	Libor + 3.52%	USD	2015	32 220
European bank	Libor + 6.75%	USD	September 2012	32 000
European bank	Libor + 6.75%	USD	July 2011	45 000
Ukrainian subsidiary of European bank	Libor + 5.75%	USD	November 2013	33 288
Ukrainian subsidiary of European bank	25%	UAH	August 2012	10 629
Total				<u>168 218</u>

The balances of long-term borrowings as of 30 June 2009 were as follows:

	Interest rate	Currency	Maturity	<u>Amount due</u>
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	51 750
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	40 972
Ukrainian subsidiary of European bank	Libor + 3.75%	USD	September 2013	5 000
European bank	Libor + 3.52%	USD	2015	34 877
Total				<u>132 599</u>

Long-term loans as of 30 June 2010 include credit line from banks with the overall maximum credit limit of USD 210 000 thousand (as of 30 June 2009 USD 163 750 thousand).

Assets pledged

	<u>30 June 2010</u>	<u>30 June 2009</u>
Property, plant and equipment (Note 5)	219 577	119 398
Intangible assets (Note 6)	5 994	6 211
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	<u>225 571</u>	<u>125 609</u>

8. LONG-TERM BORROWINGS (CONTINUED)

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 30 June 2010 and 2009:

30 June 2010	Name of Subsidiary	30 June 2009
VJSC "Vovchansk VOEP"		CJSC "Poltava oil crushing plant-Kernel Group"
LLC "Reshetylivka Hliboproduct"		CJSC "Reshetylivka Hliboproduct"
LLC "Globynsky elevator HP"		CJSC "Globynsky elevator HP"
LLC "Gutnansky elevator"		CJSC "Gutnansky elevator"
JSC "Poltavske khlibopriemalne pidpriemstvo"		JSC "Poltavske khlibopriemalne pidpriemstvo"
LLC "Prykolotnjansky OEP"		CJSC "Prykolotnjansky OEP"
LLC "Velykoburlutske HPP"		CJSC "Velykoburlutske HPP"
LLC "Shevchenkisky KHP"		CJSC "Shevchenkisky KHP"
LLC "Kovyagivske KHP"		CJSC "Kovyagivske KHP"
CJSC "Poltavaavtotransservis"		CJSC "Poltavaavtotransservis"
		LLC "Bandurskiy elevator"

9. INCOME TAX

As of 30 June 2010 and 2009 the major components of deferred tax assets and liabilities were as follows:

	30 June 2010	30 June 2009
Deferred tax assets arising from:		
Valuation of advances from customers	8 568	6 401
Tax losses carried forward	1 266	1 321
Valuation of accounts receivable	296	658
Valuation of property, plant and equipment	967	690
Valuation of intangible assets	216	301
Valuation of inventories	27	1
Valuation of accrued expenses and other temporary differences	324	215
Deferred tax asset	11 664	9 587
Less: valuation allowance		(828)
Net deferred tax asset after valuation allowance	11 664	8 759
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(31 839)	(11 644)
Valuation of prepayments to suppliers and prepaid expenses	(9 824)	(8 775)
Valuation of intangible assets	(2 285)	(2 511)
Valuation of financial investments	(9)	(9)
Valuation of inventories	(18)	(27)
Deferred tax liability	(43 975)	(22 966)
Net deferred tax liability	(32 311)	(14 207)

9. INCOME TAX (CONTINUED)

As of 30 June 2010 and 2009 all deferred taxes arose from temporary differences in value related to assets and liabilities of Subsidiaries. The corporate income tax rate in Ukraine was 25% as of 30 June 2010 and 2009.

The components of income tax expense for the 3 months ended 30 June 2010 and 2009 were as follows:

	<u>30 June 2010</u>	<u>30 June 2009</u>
Current income tax expenses	(142)	(61)
Deferred tax benefit/(expense)	(166)	(407)
Income tax benefit/(expenses)	(308)	(468)

The income tax charge for the 3 months ended 30 June 2010 and 2009 is reconciled to the profit before income tax per consolidated income statement as follows:

	<u>30 June 2010</u>	<u>30 June 2009</u>
Profit/(loss) before income tax:	30 388	22 155
Tax at the statutory income tax rate in Ukraine of 25%	(7 597)	(5 539)
Expenditures not allowable for income tax purposes and non-taxable income, net	7 289	5 582
Change in valuation allowance		(511)
Income tax benefit /(expenses)	(308)	(468)

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following entities were acquired during the 3 month ended 30 June 2010:

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of
			30 June 2010
Corolex Public Co.Limited	Holding company	Cyprus	94%
"Group Management", LLC		Ukraine	94%
CJSC"Grain Trading Company Allseeds-Ukraine"		Ukraine	94%
"Grain Trading Company", LLC	Trade of sunflower oil, meal and grain.	Ukraine	94%
JSC "Kirovogradoliya"	Production plants. Production of sunflower oil and meal.	Ukraine	93.2%
"Ekotrans", LLC		Ukraine	94%
"Skifiya-Zernotrada", LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94%
"Elevator - Grain Tading Company", LLC		Ukraine	94%
JSC "Trykratskiy GPC"		Ukraine	86.5%
"MTE-2004", LLC	Trucking company.	Ukraine	94%
"Oiltransterminal", LLC	Provision of grain handling and transshipment services, including services to the Group.	Ukraine	94%

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

These acquisitions have been fully consolidated starting from the acquisition dates. Fair value of assets, liabilities and contingent liabilities were as follows:

Acquired net assets:

Cash	1 853
Trade accounts receivable, net	38 758
Prepayments to suppliers and other current assets, net	3 175
Taxes recoverable and prepaid, net	33 623
Inventory	29 010
Property, plant and equipment, net	119 421
Intangible assets	532
Trade accounts payable	(21 687)
Advances from customers and other current liabilities	(24 155)
Short-term borrowings	(104 031)
Current portion of long-term borrowings	(20 326)
Long-term borrowings	(5 048)
Obligations under finance lease	(734)
Deferred tax liabilities	(16 208)
Fair value of net assets of acquired Subsidiaries	34 183
Minority interest of acquired Subsidiaries	(2 734)
Fair value of acquired net assets	31 449
Goodwill	41 202
Total cash considerations due and payable	72 651
Less: acquired cash	(1 853)
Net cash payable due to the acquisition of Subsidiaries	70 798
Goodwill attributable to minority shareholders	(199)
Net cash payable for acquisition of Subsidiaries attributable to Kernel Holding S.A. shareholders	70 599

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Fair value of assets, liabilities and contingent liabilities disposed of during the 3 months ended 30 June 2010 was as follows:

Assets disposed of, net:

Cash	1
Taxes recoverable and prepaid, net	62
Fair value of assets of Subsidiaries disposed of, net	63
Minority interest of Subsidiaries disposed of	-
Fair value of assets disposed of, net	63
Gain on disposal of Subsidiaries	(62)
Total cash consideration received	1
Less: cash from assets disposed of, net	(1)
Net cash inflow from Subsidiaries disposed of	-

The Group consolidated the financial statements of "C.F.C Ukraine" Ltd, due to the fact that equity holders holding a majority share of the voting rights in this Subsidiary are related parties of the Group.

Starting with the 3-month period ended 30 June 2010, as a result of the optimization process of its legal structure, the Group relinquished on 15 April 2010 operational control over company mentioned above and does not consolidate it further.

11. TRANSACTIONS WITH RELATED PARTIES

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

The Group had the following balances outstanding with related parties as of 30 June 2010 and 2009:

	Related party balances as of	Total category as per consolidated balance sheet as of	Related party balances as of	Total category as per consolidated balance sheet as of
	30 June 2010		30 June 2009	
Trade accounts receivable, net	476	64 946	-	32 419
Prepayments to suppliers and other current assets, net	79 489	95 843	6 327	25 810
Other non-current assets	-	29 132	16 300	18 703
Trade accounts payable	42	10 913	-	7 539
Advances from customers and other current liabilities	73 489	131 644	-	25 806

Prepayments to suppliers and other current assets include USD 70 million loan provided by Kernel to a group of investors for the purchase of Allseeds. In the course of the reporting period, Kernel exercised its option to acquire Allseeds from the group of investors, resulting in USD 70 million owed to the group of investors, such amount due being accounted for under advances from customers and other current liabilities. In the course of the first quarter of FY 2011 mutual obligations will be fully offset by the parties.

Transactions with related parties for the 3-month period ended 30 June 2010 and 2009 were as follows:

	Amount of operations with related parties, for the	Total category per consolidated income statement for the	Amount of operations with related parties, for the	Total category per consolidated income statement for the
	3 months ended 30 June 2010		3 months ended 30 June 2009	
Cost of sales	(69)	(169 543)	-	(132 307)
General, administrative and distribution expenses	(39)	(37 680)	(179)	(28 218)
Finance costs	-	(8 648)	(970)	(3 042)
Other income/(expenses)	7	(1 995)	-	(3 338)

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

12. COMMITMENTS AND CONTINGENCIES

Operating Environment - The principal business activities of the Group are in Ukraine. Laws and regulations affecting businesses operating in Ukraine can be subject to rapid changes. As a result, the Group's assets and operations could be at risk if there were any adverse changes in the political and business environments.

Taxation - Ukrainian tax authorities are increasingly directing their attention to the business community. As a result, the Ukrainian tax environment is often changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and penalty interest.

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

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Retirement and Other Benefit Obligations - Most employees of the Group receive pension benefits from the Pension Fund, Ukrainian Government organization in accordance with the applicable laws and regulations. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions.

As of 30 June 2010 and 2009 the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Capital commitments - As of 30 June 2010 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 4 989 thousand for supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 600 thousand for supply of equipment and services required for construction of a new silo.

As of 30 June 2009 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 11 000 thousand for supply of equipment and services required for the new solvent extraction plant under construction, and for a total amount of USD 4 500 thousand for supply of equipment and services required for increase in production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

Contractual Commitments on Sales - As of 30 June 2010 the Group had entered into commercial contracts for export of 116 thousand tons of grain and 183 thousand tons of sunflower oil and meal, corresponding to an amount of USD 16 353 thousand and USD 96 573 thousand respectively in prices as of 30 June 2010.

As of 30 June 2009 the Group had entered into commercial contracts for export of 97 thousand tons of grain and 137 thousand tons of sunflower oil and meal, corresponding to an amount of USD 22 600 thousand and USD 56 000 thousand respectively in prices as of 30 June 2009.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

As of 30 June 2010 and 2009 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

Trade and Other Accounts Payable - The carrying amount of trade and other accounts payable is a reasonable estimate of their fair value.

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

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

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

14. DESCRIPTION OF SIGNIFICANT EVENTS FOR THE 3-MONTH PERIOD ENDED 30 JUNE 2010

In the period from 1 April to 12 April 2010, Apalax Investments Limited ("Apalax"), a company controlled by a manager of the Kernel Holding S.A. group of companies, exercised share options and sold to this effect a total of 150 000 shares in Kernel Holding S.A. at an average price of PLN 55.13 per share. To facilitate the exercise of the share options, pursuant to a share loan agreement by and between Apalax and Namsen Limited ("Namsen"), a company controlled by Andrey Verevskyy, Namsen lent 150 000 shares to Apalax for the purpose of Apalax selling the 150 000 share options in the market. The shares were transferred from Namsen to Apalax without any remuneration. 150 000 shares in Kernel Holding S.A., subsequently subscribed by Apalax on 3 June 2010 at a price of 24 PLN per share in accordance with the Management Incentive Plan exercise price, will be returned to Namsen within the terms and conditions of the share loan agreement.

On 28 April 2010 Kernel Holding S.A. raised gross proceeds of PLN 241 million (equivalent to USD 81.4 million) through an offering (the "Offering") to institutional investors of 4 300 000 ordinary shares of the Company at a price of PLN 56 per share. The Offering represented approximately 6.25% of the issued share capital before the Offering. To ensure that shares were listed and tradable on the Warsaw Stock Exchange immediately after the settlement of the Offering on 5 May 2010, Namsen lent, pursuant to a share loan agreement by and between Namsen and ING Bank N.V., London Branch ("ING"), 4 300 000 shares in Kernel Holding S.A. to ING to facilitate the settlement of the Offering of the Company's shares to institutional investors.

On 3 June 2010 Kernel increased the Company's share capital and issued 4 450 000 new shares, 4 300 000 of which were subscribed by and thereby returned to Namsen. Following the issue of 4 450 000 new shares, the Company's share capital is divided into 73 191 000 ordinary shares, giving right to 73 191 000 votes at the General Meeting of the Company. On 3 June 2010, following the issue of 4 450 000 new shares, Namsen owned 37 074 250 shares in the Company, representing 50.65% of the share capital.

On 18 June 2010 Namsen disposed of 6 900 000 shares of Kernel, constituting 9.43% of the share capital, in connection with a derivative transaction with ING, and entered into a lock-up agreement with ING, restricting additional disposals by Namsen for a period of 18 months. The shares were transferred off the regulated market as collateral under a transfer of title financial collateral agreement made by and between Namsen and ING to secure Namsen's obligations under the derivative transaction. Following disposal of 6 900 000 shares, Namsen's holding in Kernel and voting control over the Company has been reduced from 50.65% to 41.23%.

Prior to the derivative transaction, ING owned 330 000 shares in the Company, constituting 0.45% of the share capital. As a result of the transaction, ING holds 7 230 000 shares in Kernel, constituting 9.80% of the share capital and representing 7 230 000 votes at the general meeting of the Company, and constituting 9.80% of the overall number of votes.

On 22 June 2010 Kernel executed the call option agreements to acquire 94% of Allseeds Group of Companies.

15. SUBSEQUENT EVENTS

On 12 July 2010 4 450 000 new ordinary bearer shares of Kernel 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"), following which the total number of Kernel Holding S.A. shares outstanding is 73 191 000.

The Shares were registered in the NDS pursuant to resolution no. 395/2010 of the Management Board of the NDS dated 5 July 2010 and admitted to trading on the WSE pursuant to resolution no. 642/2010, the Management Board of the WSE dated 7 July 2010.

On 11 August 2010, a Syndicated Secured Financing Facility in favour of Kernel Trade LLC, a subsidiary of the Company, was signed with a banking syndicate led by ING Bank N.V and UniCredit Bank AG, together the Co-ordinating Mandated Lead Arrangers of the Financing Facility. The Financing Facility amounts to USD 260 million. The proceeds shall be used to finance the Borrower's sunflower seed purchases, their storage period and their processing into oil and sunflower meal, which are to be sold on the domestic market or exported.

The credit agreement shall come into force from the date of registration of the agreement with the National Bank of Ukraine, as evidenced by the NBU certificate, expected to be received by end of August 2010. Documentation in respect of the security structure of the loan is expected to be signed by the Parties by end of August 2010.