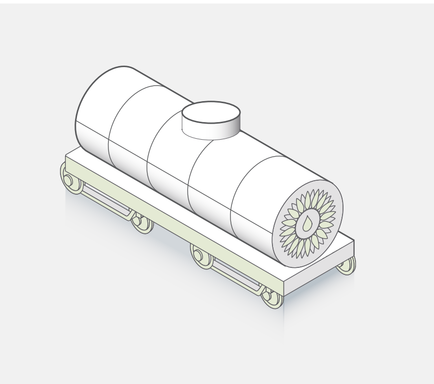
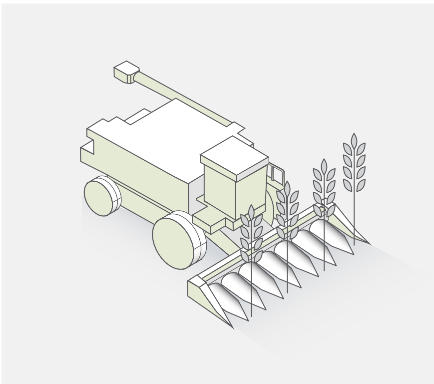
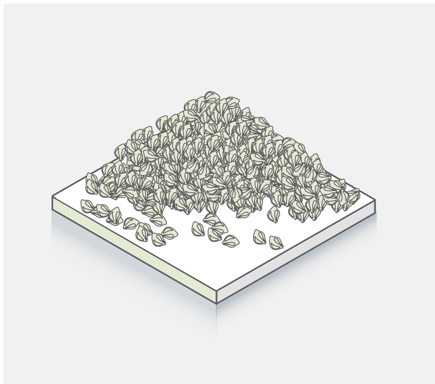
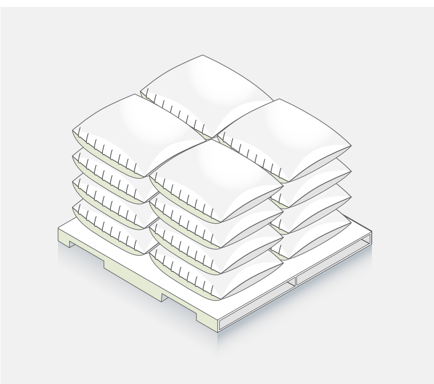


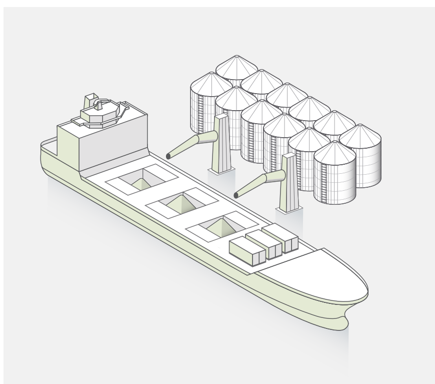




Kernel Holding S.A.

Annual Report and Accounts 2012





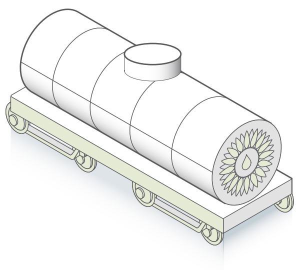
Kernel is a leading diversified agribusiness company in the Black Sea region listed on the Warsaw Stock Exchange.

Our Operating Segments

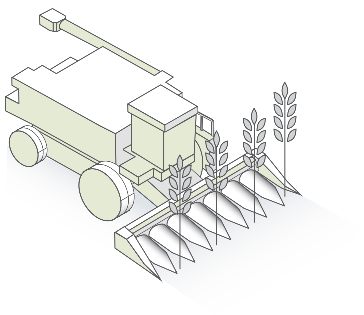
Kernel operates in production, refining, bottling and marketing of bulk and bottled sunflower oil, both internationally and domestically, as well as in farming, origination, handling and international marketing of grain and oilseeds.

As an agricultural products supply chain manager, we operate an extensive asset base with the largest private silo network in Ukraine, oilseed crushing plants across the sunflower belts in both Ukraine and Russia, and deep-water export terminals on the Black Sea for grain, sunflower oil and meal. Our upstream operations include one of the largest landbanks in the world, located in the fertile and water-rich regions of Ukraine. Our business model is supported by leading positions in all our segments, an experienced team of professionals and prudent risk management. Kernel has seven operating segments:

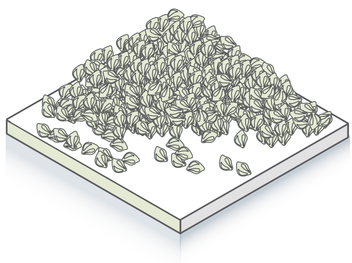
Bulk Oil
Page 16



Farming
Page 18

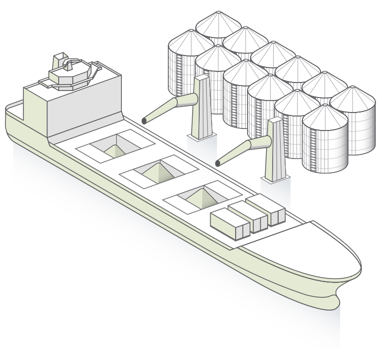


Grain
Page 20

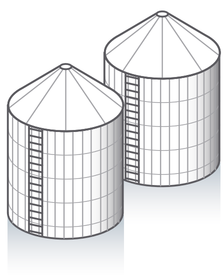


Bottled Oil
Page 22

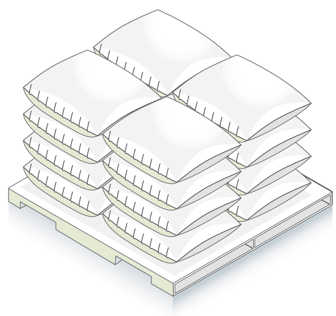
Export Terminals
Page 24



Silo Services
Page 26



Sugar
Page 28



FY2012 Highlights

> Revenue increased 14% y-o-y to USD 2,157.4m (2011: USD 1,899.1m)
> EBITDA(1) increased 4% y-o-y to USD 322.0m (2011: USD 309.6m) with a 14.9% margin (2011: 16.3%)
> Net profit(2) decreased 9% y-o-y to USD 206.7m (2011: USD 226.3m) with a 9.6% margin (2011: 11.9%)
> 4.7 million tons of agricultural products sold in FY2012 (2011: 3.8 million tons)
> Sunflower seed crushing up 25% y-o-y to 2.5 million tons (2011: 2.0 million tons)

Acquisitions Highlights

> Acquisition of a 500,000 tons multi-seed crushing plant in Illichevsk with the ability to load bulk oil and meal directly onto ships
> 410,000 tons crushing capacity in Russia acquired, opening a new growth market for Kernel
> Landbank under management increased to 249,000(3) hectares, as the result of several acquisitions in Ukraine

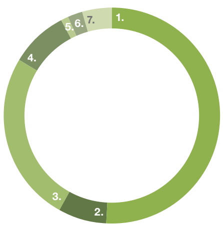
(1) Hereinafter, EBITDA is calculated as a sum of the profit from operating activities plus amortisation and depreciation.
(2) Hereinafter, net profit attributable to equity holders of Kernel Holding S.A.
(3) As of 30 June 2012, 40,000 ha are subject to antitrust clearance. The Company holds an option to purchase another 79,200 ha of leasehold farmland.

Kernel at a Glance

Kernel is one of the largest agribusiness companies in Ukraine and an emerging player in Russia, with extensive operations across the entire supply chain. Incorporated under the laws of Luxembourg, Kernel Holding S.A. is a public limited holding company listed on the Warsaw Stock Exchange since 23 November 2007. Handling about 5 million tons of agricultural commodities per year, Kernel supplies international markets with grain and sunflower oil produced in Ukraine and Russia. Our production assets extend from black soil farmland to oilseed crushing plants and sugar production plants, as well as essential agricultural infrastructure including silos and deep-water export terminals.

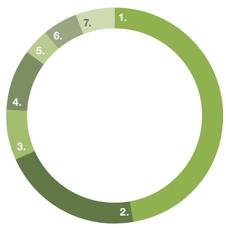
Revenue, FY2012 (Total: USD 2,157m)

1. Bulk oil	50.9%
2. Farming	7.3%
3. Grain	25.5%
4. Bottled oil	8.7%
5. Export terminals	1.2%
6. Silo Services	2.2%
7. Sugar	4.2%



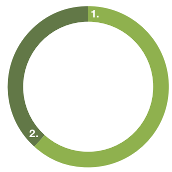
EBITDA, FY2012 (Total: USD 322m)

1. Bulk oil	47.4%
2. Farming	21.0%
3. Grain	7.7%
4. Bottled oil	9.1%
5. Export terminals	3.9%
6. Silo Services	5.2%
7. Sugar	5.7%



Shareholding Structure

1. Free float	61.77%
2. Namsen Limited*	38.23%



* Investment vehicle of Andrey Verevskiy.

Bulk Oil

Page 16

No. 1 sunflower oil producer and exporter in the Black Sea region. We source sunflower seeds from thousands of farmers in Ukraine and Russia mostly at the farm gate and crush them at our seven plants in Ukraine and three in Russia, which are spread across the sunflower belt within the direct proximity of the feedstock. Producing about 7.2% of the world's sunflower oil, we sell it mostly in bulk to all major importing markets, including India, the EU, Egypt and Turkey. Our crushing capacity stands at 3.0 million tons of sunflower seed per year, equivalent to 1.3 million tons per year of bulk sunflower oil and about 1.2 million tons of sunflower meal.

Farming

Page 18

One of the largest farming companies in Ukraine.
Kernel leases 249,000 hectares of prime farmland in Ukraine (as of 30 June 2012) and holds an option to buy another 79,200 hectares of leasehold farmland. Our business model is based on preserving and improving the productive capacity of our soils through investments into technology and convergence to the mini-till and no-till farming practices.

The large-scale operations allow us to centralise machinery and input procurement and decrease operational costs through better utilisation of machinery and reduced fuel costs. Our farming produce is sold to our grain and oil segments and handled by our infrastructure segments, ensuring a margin enhancement through utilisation across the whole supply chain.

Grain

Page 20

Leading grain supply chain operator in Ukraine with a 9.0% market share of grain and oil-bearing crops exported in the 2011/12 season.
We originate grains from thousands of farmers through a vast regional office network and at Kernel's 2.5 million tons silo network. Our sourcing footprint in Ukraine allows us to manage the full logistics from the farm gate to the customer destination. In July 2012, we delivered the first grain to export from Russia, a new market for us which possesses astounding growth opportunities. With the continuous development of grain production in Ukraine and Russia, combined with essentially flat domestic utilisation, Kernel is poised to capture compounded growth of grain exports from the Black Sea breadbasket making the best use of its world class infrastructure.

Bottled Oil

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No. 1 bottled oil producer and marketer in Ukraine.
Our three well-known brands cover about a third of the total sunflower oil consumption in Ukraine and expand to neighbouring markets. The bottled oil segment covers the full process starting from sunflower seed origination and seed crushing, to refining crude oil and bottling, followed by marketing and distribution across the whole Ukraine and export to bordering countries. Over the course of financial year 2012, we sold in excess of 130 million litres of sunflower oil, 62% of which was delivered within Ukraine through nationwide distribution and direct supply to the largest retailers.

Export Terminals

Page 24

Leading operator of grain, oil and meal transshipment facilities.
Export terminals on the Black Sea are a critical infrastructure for the Company's supply chain representing a major bottleneck in delivering agricultural products to consumer markets. Kernel operates best-in-class deep-water grain transshipment facilities on the Black Sea coast in Ukraine and Russia. Both the Illichevsk (Ukraine) and Taman* (Russia) terminals handle ocean-going Panamax vessels, able to load onto over 50,000 tons vessels, securing a substantial cost advantage over shallow-water terminals of Azov Sea. Oiltransterminal, Kernel's oil export terminal in Mykolayiv, Ukraine, serves the Company's sunflower oil and meal export operations.

* Acquired through a 50/50 joint venture in September 2012.

Silo Services

Page 26

Largest private network of grain silos in Ukraine.
Kernel owns and operates a network of grain and oilseed storage facilities with a total capacity of 2.5 million tons. Providing drying, cleaning and storage services both to the Company's other segments and third-party customers, our silo network serves as a crucial component for grain and sunflower oilseed origination across the country.

Sugar

Page 28

Major sugar producer in Ukraine.
Kernel operates four sugar production plants with a combined capacity to produce up to 250,000 tons of sugar. Located in close proximity to our farming operations, the plants process sugar beet grown from Company-owned farms and third-party farmers, as well as provide the ability to process raw cane sugar.

Key Performance Indicators

Expanding Asset Base

Over the course of financial year 2012 we acquired 900,000 tons of crushing capacity and increased landbank under management to 249,000 ha*.

We now operate 2.6 million tons of crushing capacity in Ukraine and 0.4 million tons in Russia, and announced the construction of a facility that will add another 0.6 million tons of crushing capacity in Russia. Our farming operations have become increasingly important and are now the second largest contributor to EBITDA in financial year 2012. Our revenues and EBITDA increased 14% and 4% y-o-y, respectively, in financial year 2012, with most of the growth yet to come from additional assets.

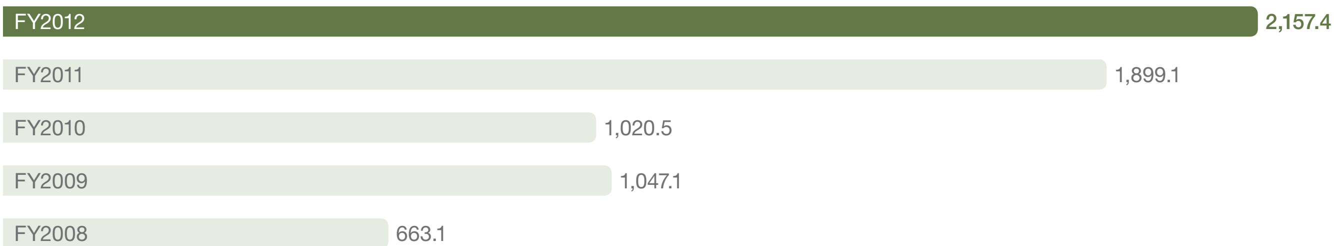
* As of 30 June 2012, 40,000 ha are subject to antitrust clearance. The Company holds an option to purchase another 79,200 ha of leasehold farmland.

Revenue
(USD million)

Source: Kernel

$2,157.4m

Revenue FY2012

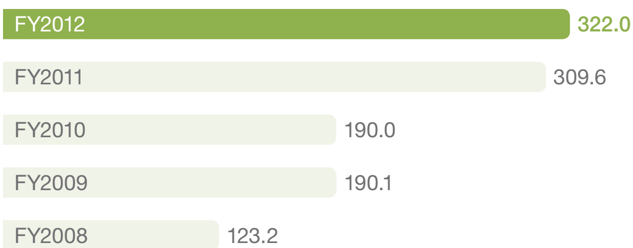


EBITDA
(USD million)

Source: Kernel

$322.0m

EBITDA FY2012

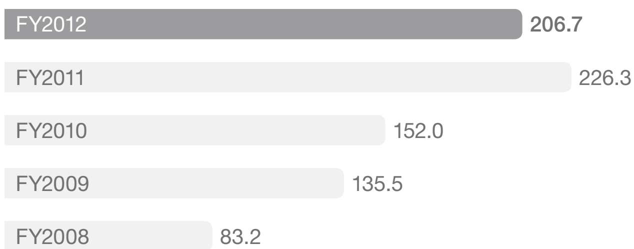


Net income
(USD million)

Source: Kernel

$206.7m

Net Income FY2012



Sunflower seed crush
(tons)

Source: Kernel

2,493,056

FY2012

FY2012	2,493,056
FY2011	1,988,870
FY2010	1,183,894
FY2009	731,069
FY2008	675,156

Bulk oil sales
(tons)

Source: Kernel

828,370

FY2012

FY2012	828,370
FY2011	820,987
FY2010	365,941
FY2009	224,130
FY2008	167,315

Bottled oil sales
(‘000 litres)

Source: Kernel

131,694

FY2012

FY2012	131,694
FY2011	117,976
FY2010	112,400
FY2009	97,776
FY2008	100,894

Grain sales
(tons)

Source: Kernel

2,123,229

FY2012

FY2012	2,123,229
FY2011	1,809,973
FY2010	2,225,133
FY2009	2,259,539
FY2008	316,779

Acreage under crops
(hectares, as of 30 June)

Source: Kernel

248,562

FY2012

FY2012	248,562
FY2011	180,579
FY2010	85,350
FY2009	85,199
FY2008	78,333

Grains and oilseeds received in inland silos
(tons)

Source: Kernel

2,058,909

FY2012

FY2012	2,058,909
FY2011	1,254,000
FY2010	1,261,000
FY2009	1,924,000
FY2008	1,130,000

Our Markets
Sunflower Oil

Global Demand

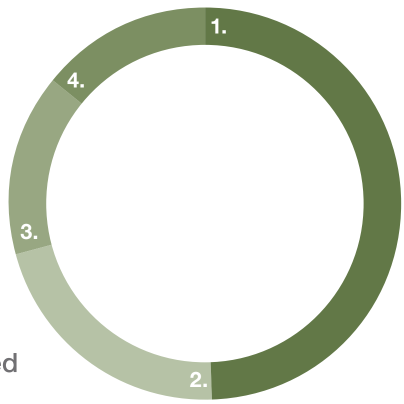
- ➔ 5% CAGR in the global consumption over the last ten years fuelled by growth in production, substituting rapeseed and soybean oil to a large extent.
- ➔ 94% of sunflower oil is used for food.
- ➔ Improving diets in emerging markets and population growth are key growth drivers.
- ➔ India, EU, Egypt, Turkey and Iran are largest importers, accounting for 71% of the total global import in 2011/12.
- ➔ Prices depend on the aggregate global supply-demand balance of all vegetable oils, including soybean, rapeseed and palm oils.

Ukraine: The largest sunflower oil supplier to global markets

- ➔ The largest producer of sunflower oil globally with 4.0 mmt produced in 2011/12; 17% CAGR in production over the last ten years.
- ➔ 3.2 mmt exported in 2011/12; 50% of the total international sunflower oil trade.
- ➔ 24% of country's 28 million hectares of cultivated area were dedicated to oilseeds, including 17% to sunflower seed.
- ➔ Substantially consolidated crushing sector with top eight players accounting for over 80% of sunflower oil output.
- ➔ Processing capacities roughly match sunflower oilseed production.
- ➔ Low-density of sunflower seeds makes long distance transportation costly, thus crushing capacity gravitates to oilseed producing regions.
- ➔ Steadily growing acreage under sunflower seed harvest, with average annual production in the range of 8-9 mmt and crop yields still trailing international peers.
- ➔ Up to 3 mmt of other oilseeds currently exported are available for crushing in the mid-term.

Sunflower oil major exporters, 2011/12 season (thousand tons)

1.	Ukraine	3,230
2.	Russia	1,380
3.	Argentina	980
4.	Other	917



70.8%

of the global trade in sunflower oil is attributed to Ukraine and Russia

Source: USDA, October 2012

Russia: The largest acreage under sunflower seed cultivation globally

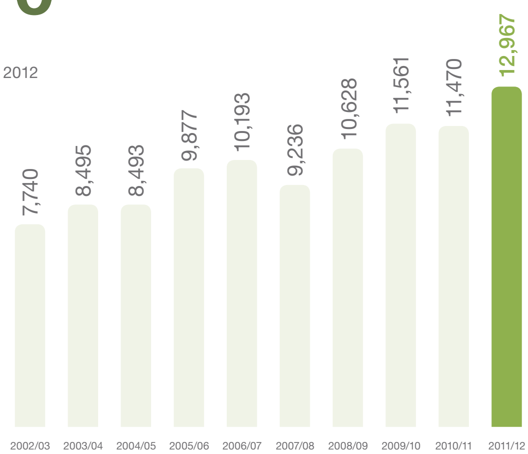
- ➔ 3.6 mmt sunflower oil produced in 2011/12; 14% CAGR in production over the last ten years.
- ➔ 1.4 mmt sunflower oil exported in 2011/12; 21% of the total international trade in sunflower oil.
- ➔ 14% of the country's 77 million hectares of cultivated area were dedicated to oilseeds in 2011/12, including 10% to sunflower seed.
- ➔ Predominantly inefficient, underinvested crushing capacities with processing costs 3-4x higher than Kernel's in Ukraine.
- ➔ Low level of market consolidation implies high operating leverage for existing crushers.
- ➔ Room for consolidation and greenfield development.
- ➔ The largest landbank dedicated to sunflower seeds globally with crop yields well below most of the international peers.

Global sunflower oil consumption (thousand tons)

5.4%

10Y CAGR

Source: USDA, October 2012



The World Sunflower Oil Market Season 2011/2012

Trade Routes

Ukraine

- → 9.5 million tons sunflower seed production
- → 4.0 million tons sunflower oil production
- → 3.2 million tons sunflower oil export

Russia

- → 9.6 million tons sunflower seed production
- → 3.6 million tons sunflower oil production
- → 1.4 million tons sunflower oil export

Argentina

- → 3.3 million tons sunflower seed production
- → 1.4 million tons sunflower oil production
- → 1.0 million tons sunflower oil export

European Union

- → 8.3 million tons sunflower seed production
- → 2.9 million tons sunflower oil production
- → 0.8 million tons sunflower oil net import

Source: USDA, October 2012

Our Markets
Grain

Global Demand

➔ 2% CAGR in global consumption over the last ten years.

➔ Combination of population growth, improving protein-rich diets in emerging markets, and renewable fuels are key growth drivers.

➔ The Black Sea basin is considered one of the few key regions capable to feed the growing demand in the mid-term.

➔ Large and diversified international market: top five importers account for only 30% of global imports, as of 2011/12.

Ukraine:
6th largest global supplier of grains accounting for 8% of international trade flows in 2011/12

➔ 28 million hectares of cultivated area with 57% dedicated to grains in 2011/12.

➔ 57 mmt of grains produced in 2011/12, 4% CAGR over the last ten years. Corn (23 mmt in 2011/12) and wheat (22 mmt in 2011/12) are key crops.

➔ Domestic consumption of approximately 27 mmt of grains per annum.

➔ Export of 22 mmt of grains in 2011/12, including 15 mmt of corn, 5 mmt of wheat and 2 mmt of barley.

➔ Low market consolidation: top five grain exporters account for only 43% of total volume as of 2011/12.

➔ Global cost leadership in production of grains.

➔ Well-developed inland and sea handling and transportation infrastructure efficiently bridges Ukraine with international consumer markets.

➔ Continuous growth in upstream volumes as a result of improving farming technology and production shift to higher-yielding crops.

Russia:
4th largest global supplier of grains accounting for 10% of international trade flows in 2011/12

➔ 77 million hectares of cultivated area with 55% dedicated to grains in 2011/12.

➔ 90 mmt of grains produced in 2011/12, 1% CAGR over the last ten years. Wheat (56 mmt in 2011/12) and barley (17 mmt in 2011/12) are key crops.

➔ Domestic consumption of approximately 60 mmt of grains per annum.

➔ Export of 28 mmt of grains in 2011/12, including 22 mmt of wheat, 4 mmt of barley and 2 mmt of corn.

➔ Low market consolidation: top five grain exporters account for only 41% of the total volumes, as of 2011/12.

➔ Severe logistical bottlenecks in transshipment infrastructure with top four players controlling 85% of the total installed throughput capacity of deep water terminals on the Black Sea, exerting undisputed bargaining power.

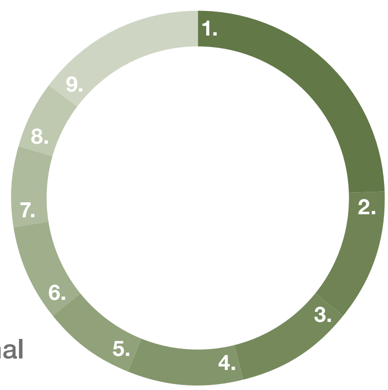
➔ Low efficiency of the farming sector with substantial potential to improve.

➔ Strong state support to the farming sector.

➔ Flat dynamics of domestic consumption should direct excess output toward export.

Grain(1) major exporters (2011/12 season)

1.	United States	24.5%
2.	Argentina	11.4%
3.	Australia	10.5%
4.	Russia	9.9%
5.	EU-27	8.2%
6.	Ukraine	8.1%
7.	Canada	7.0%
8.	Brazil	6.0%
9.	Other	14.5%



18.0%

Ukraine and Russia supplied 18.0% of all grains to the international markets in 2011/12

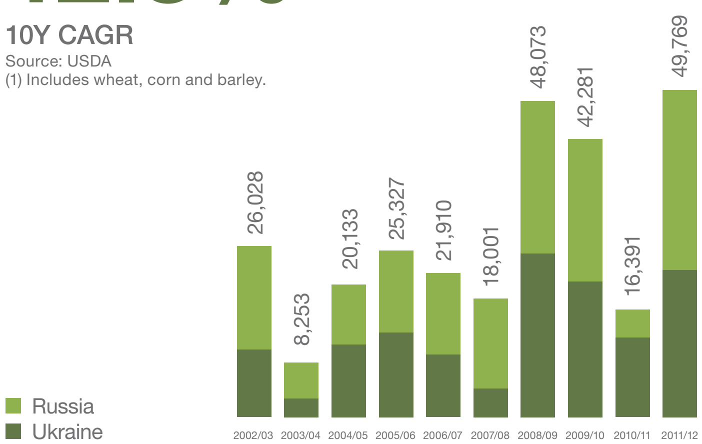
Source: USDA
(1) Includes wheat, corn and barley.

Grain(1) exported from Ukraine and Russia (thousand tons)

12.3%

10Y CAGR

Source: USDA
(1) Includes wheat, corn and barley.



The World Grain Market Season 2011/2012

Trade Routes

Canada

- 17.6 million tons of wheat export
- 1.4 million tons of barley export

USA

- 28.1 million tons of wheat export
- 38.5 million tons of corn export
- 0.2 million tons of barley export

Russia

- 21.6 million tons of wheat export
- 2.2 million tons of corn export
- 3.6 million tons of barley export

Ukraine

- 5.4 million tons of wheat export
- 15.0 million tons of corn export
- 2.2 million tons of barley export

Brazil

- 1.9 million tons of wheat exports
- 12.7 million tons of corn exports

Argentina

- 11.9 million tons of wheat export
- 16.7 million tons of corn export
- 3.6 million tons of barley export

Australia

- 23.0 million tons of wheat export
- 5.8 million tons of barley export

European Union

- 16.4 million tons of wheat export
- 3.2 million tons of corn export
- 3.4 million tons of barley export

USDA, October 2012

Kernel Track Record

Over the last six years, Kernel has evolved from a company exporting about one million tons of agricultural commodities solely from Ukraine to a supplier of nearly five million tons of soft commodities from the entire Black Sea region.
Our growth story is based on our people, shareholders' support and a unique knowledge of the region.

FY2007

1 million tons company

Crushing capacity reaches 680,000 tons following the acquisition of the Evrotek assets, our first important step in M&A activity. Grain export is about 500,000 tons.

$46m

EBITDA

IPO:

16,671,000 new shares placed at WSE raising PLN 400 million (USD 160 million).

November 2007

SPO:

5,400,000 new shares placed with gross proceeds of PLN 194 million (USD 84 million).

March 2008

Transbulkterminal acquisition

Second largest grain export terminal complex acquired. Located in the port of Illichevsk on the Black Sea, it handles all types of grain and cargoes up to a Panamax size. Capacity of up to 4 million tons per annum.

June 2008

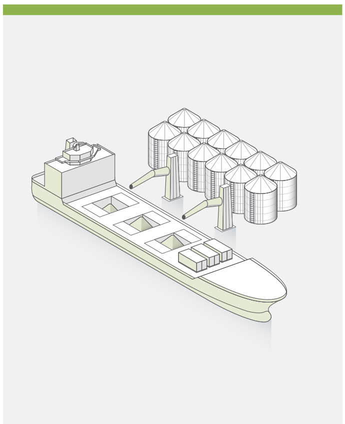
FY2008

IPO fuels growth

An IPO and SPO fuels rapid expansion: 2nd largest grain export terminal in Ukraine acquired, 50,000 hectares of farming operations added, and a greenfield plant construction initiated.

$123m

EBITDA



Crushing expanded

Crushing capacity extended by an additional 250,000 tons through a tolling agreement with the BSI plant and by 100,000 tons through modernisation of the Volchansk plant. The construction of a 510,000 tons greenfield plant is underway.

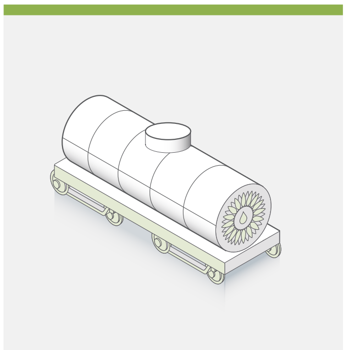
FY2009

Grain export reaches 2 million tons

Following the acquisition of the Transbulkterminal at the end of the previous year, Kernel increased its grain exports to over 2 mmt from about 0.5 mmt exported in preceding years.

$190m

EBITDA



SPO:

4,300,000 new shares raising gross proceeds of PLN 241 million (USD 80 million).

April 2010

Allseeds acquisition

Acquisition of Allseeds adds 565,000 tons of sunflower seed crushing capacity per year and terminals for the transshipment and export of sunflower oil and meal.

June 2010

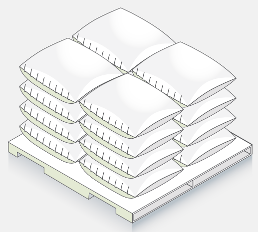
FY2010

Organic capacity growth through modernisation

Following the modernisation of crushing plants, the total capacity reaches 1 million tons of sunflower seed.

$190m

EBITDA



Ukrros acquisition

Ukrros acquisition doubled the landbank and added the sugar business.

June 2011

SPO:

5,400,000 new shares with gross proceeds of PLN 399 million (USD 140 million).

March 2011

Greenfield crushing plant commissioned

A 510,000 tons multi-seed crushing plant in the Mykolaiv region of Ukraine commissioned.

November 2010

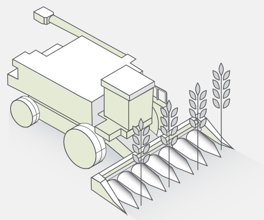
FY2011

A 4 million tons company

Integration of Allseeds crushing and launch of Bandurka plant bumps crushing volumes to 2 mmt. Grain exports stand close to 2 mmt despite the draught that caused a shortfall in Ukraine's production.

$310m

EBITDA



Black Sea Industries acquisition

Acquisition of a 500,000 tons crushing plant in Illichevsk with the ability to dispatch sunflower oil directly onto ships.

September 2011

Entrance to Russian market

Kernel wrote a new page in the history of the Group and entered the Russian market by acquiring Russian Oils. This acquisition further increased the crushing capacity of the Group by 410,000 tons per year and widened the opportunities for successful development of the Group in the new geography.

September 2011

Enselco acquisition

100% stake in Enselco, a farming company managing 29,300 hectares region, purchased. This new farm, equipped with the latest farming technology, expanded the Company's operations in the Khmelnytsk region, rich for black soil and proper rainfall.

October 2011

Landbank reaches 249,000* ha

Following the consolidation of another farming company with operations in the Poltava region, the landbank under the Company's management reached 249,000 hectares as of 30 June 2012. An option to acquire another 79,200 hectares of leasehold farmland was signed.

April 2012

FY2012

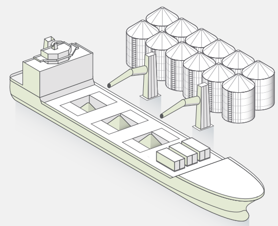
Entry to Russia and expansion of farming

An acquisition of 410,000 tons of sunflower oilseed crushing capacity in Russia earmarked expansion into Russia. The enhancement of the Ukrainian crushing capacity by acquiring the BSI plant has added to the crushing capacity, which reached 3,000,000 tons. Farming becomes the second-largest segment for the Group in terms of EBITDA contribution following sharp landbank expansion during the year.

$322m

EBITDA

FY2013 and beyond



In September 2012, Kernel through a 50/50 joint venture acquired deep water grain export terminal in the Taman port. A key bottleneck element of Russian grain export supply chain, the terminal will serve as a platform for the large scale deployment of Kernel's captive grain export business in the country.

Russia

Replicating a supply chain similar to that in Ukraine: large-scale grain exports and oilseed processing. Mid-term targets include construction of a multi-seed crushing facility that has a capacity of 600,000 tons, establishing a grain silo network, and boosting grain export volumes to leverage and further utilise the access to the Taman terminal.

Ukraine

We target to acquire over 700,000 tons of additional crushing capacities, develop our farmland bank reaching up to 500,000 hectares under management, focus on expanding our origination footprint across the country annually adding in the range of 200,000 tons of greenfield silo capacity bringing up the volumes we source, process and profitably deliver to international markets.

* 40,000 hectares subject to the antitrust clearance.

Strategy Pillars

Our goal is the continuous development of profitable and sustainable business that enhances our leadership position in low-cost production, sourcing, processing and handling of agricultural commodities, bridging the resource-rich Black Sea region with large international consumer markets.

Our Strategy Pillars:

Geographic Focus

We believe the Black Sea region is one of few areas in the world capable to increase the supply of soft commodities to the world in the mid-term perspective with Ukraine and Russia playing a dominant role. We use our local insight and deep specialist expertise to widen our reach and footprint across the region.

Strong Asset Base

We consider our constantly growing and balanced asset base as the vital element to securing the long-term competitive advantage of our business, assuring the captive and smooth flow of a wide spectrum of agricultural commodities across the supply chain, adding to the sustainability of our profitable operations, and improving the quality of our earnings.

Operational Discipline

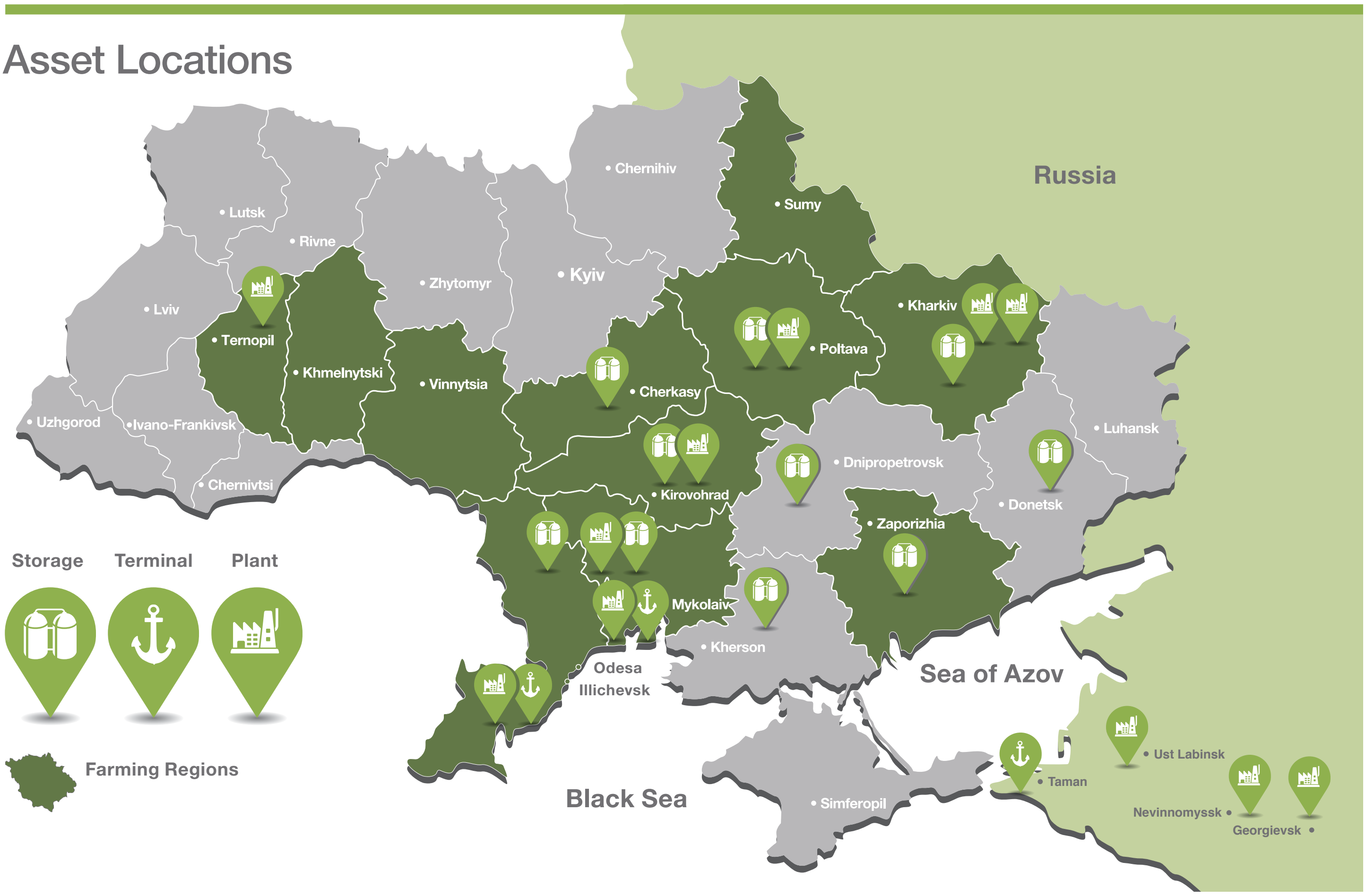
It is our core priority to maintain a low-risk profile of the business. We follow the 'balanced book' policy of locking in margins immediately as we buy or sell agricultural products to limit exposure to the price volatility of soft commodities. We maintain comfortably low levels of debt to preserve the strength of our balance sheet and naturally hedge currency risk by matching revenues with financial obligations. We deal with a wide variety of international customers on a daily basis, properly managing the credit risk by using a standard set of tools provided by world class financial institutions to best guarantee the creditworthiness of our counterparties.

Value Chain Presence

	Upstream	Midstream	Supply chain
Assets [1]	249,000 ha farming [2]	3.0 mmt oilseed processing and 2.0 mmt sugar beet processing capacities	2.5 mmt silo network 5.5 [3] mmt grain export terminals 0.5 mmt edible oil terminal Three bottled oil brands
Products/ Services	*Primary:* Corn, soybean, sunflower	Sunflower crude bulk oil, refined bulk oil and bottled oil High protein sunflower meal	Sourcing and origination Logistics management and commodity financing
	Secondary: Wheat, barley, sugar beet, rapeseed	Sugar and its by-products	Bulk sunflower oil exporting Grain and oilseed exporting Bottled sunflower oil sales on domestic and export markets
Volumes [1]	1.1 mmt grain, oilseed and sugar beet produced in FY2012	2.5 mmt sunflower seed processed 1.2 mmt sugar beets processed	4.6 mmt grain and oilseed sourced 2.1 mmt grain sold mainly to export 0.8 mmt tons bulk oil sold 132 million litres bottled oil sold 2.1 mmt grain and oilseed received in inland silos 1.8 mmt export terminal throughput
Geography	Ukraine	Ukraine, Russia	Ukraine, Russia

(1) As of end of FY2012.
(2) As of 30 June 2012, 40,000 ha are subject to antitrust clearance. The Company holds an option to purchase another 79,200 ha of leasehold farmland.
(3) Including Taman deep-water grain export terminal acquired in September 2012.

Asset Locations



FY2012 Asset Additions

500,000

Tons sunflower oilseed crushing capacity in Ukraine (BSI)

410,000

Tons sunflower oilseed crushing capacity in Russia

160,000

Tons of greenfield grain storage facilities in Ukraine

72,000

Hectares of leasehold farmland in Ukraine

Key Capacities, as of 30 June 2012

3.0 mmt

Sunflower oilseed crushing

4.5 mmt

Grain and edible oil export terminals

2.5 mmt

Silo storage

249,000

Hectares of farmland*

* As of 30 June 2012, 40,000 ha are subject to antitrust clearance. The Company holds an option to purchase another 79,200 ha of leasehold farmland.

Chairman's Statement
Andrey Verevskiy

Revenue for the year increased to USD 2,157 million, up 14% from the previous year. EBITDA increased 4% year-on-year to USD 322 million in financial year 2012 and net income decreased to USD 207 million, down 9% from the previous year.

Dear Shareholders,
The Board of Directors of Kernel Holding S.A. reports results for financial year 2012, ended 30 June 2012.

Revenue for the year increased to USD 2,157 million, up 14% from the previous year. EBITDA increased 4% year-on-year to USD 322 million in financial year 2012 and net income decreased to USD 207 million, down 9% from the previous year. The Company's balance sheet remains strong with net financial debt to EBITDA of 1.9x and liquidity headroom in excess of USD 850 million at the end of financial year 2012.

We acknowledge that fiscal 2012 was far from the easiest year for our business in Ukraine as overall financial performance came in relatively flat. The exceptional volatility of weather conditions and regulatory initiatives affected our grain export business as the segment posted low profitability levels combined with lower than initially planned volumes.

The operating profit margin in the bulk oil segment was healthy for the year. Over the past year we have seen a solid sunflower seed harvest in Ukraine and Russia, providing us with a sufficient resource base for our crushing business for the year and enabling us to rebuild our carried forward stock for crushing into the first quarter of financial year 2013, which is historically the weakest quarter owing to the change between harvests.

In the bottled oil segment, we posted strong sales growth, reflecting the improved pricing in the local market and yet again underlining our flexibility to vary sales through this channel depending on the margin attractiveness versus bulk sales.

Our farming business is under the focus of the management. Two years ago, we made a strategic decision to expand the farming business, which for a long time was just a small but highly profitable part of our business portfolio. Within the last two years we multiplied our farming operations and aspire to develop it further. We now manage one of the largest landbanks in the country, as the segment has become the second-largest contributor to our total operating profit. Fiscal 2012 was especially active for us in acquisitions in the farming business, which is a complimentary addition and profit enhancer to our supply chain management operations. While recently purchased farms have not yet reached the output and profitability levels of existing operations managed by Kernel over the past several years, management works closely in assuring smooth post-acquisition integration, improving farming technology and strengthening performance-linked motivation of our dedicated staff to boost the financial performance to match the profitability levels of our most successful local peers. We have no doubt that our farming segment will become the benchmark of operational excellence industry-wide in the mid-term perspective.

This year was a breakthrough for us as Kernel expanded abroad. About one year ago, we completed the acquisition of Russian Oils, a crushing business in southern Russia, with a firm commitment to roll out scalable and profitable operations across the entire value chain. Executing our Russian strategy, we made a strategic decision to construct a greenfield large-scale crushing plant in the country's sunflower seed belt with the groundbreaking scheduled for next spring.

However, the true game changer for us in Russia is the acquisition of one of the largest grain transshipment facilities in the region – the Taman terminal – in a deal which we closed only about a month ago. Located on the Black Sea coast, this is a best-in-class greenfield deep-water terminal. A highly profitable business on a standalone basis, the Taman terminal is a key component in our gaining a significant and captive market share in grain export from Russia, one of the fastest growing wheat suppliers to international markets. Moreover, it will make our origination efforts more efficient as larger volumes would be sourced through our existing platform. We understand that deep-water transshipment facilities are cost leaders in bridging export and import markets having substantial logistical advantages over shallow-water terminals. Deep-water transshipment infrastructure is a key bottleneck in the grain supply chain in Russia – there is a clear shortage of existing facilities in Black Sea ports and of potential sites for new capacity development. We believe that the recent consolidation upsurge of grain transshipment in Russia, culminating with the state-run United Grain Company privatisation, should be a catalyst for consolidation of the grain export market. We also believe that Kernel will be an active player in this process. Taman was the missing element in our Russian backbone to launch Kernel's transformation from a regional crusher into a large-scale supply chain manager successfully replicating the Ukrainian model.

In the short term, we remain cautiously optimistic as we anticipate the harsh operating conditions that we experienced in FY2012 to spill over into the next season. We reiterate our operating targets to crush 2.6 million tons of sunflower seeds and export 2.1 million tons of grains in FY2013, which we published in our Q4 FY2012 report. At the same time, we are disappointed with the operating performance of our farming segment, where crop yields appeared below management expectations, owing to adverse weather conditions experienced during the season. All this translates into revenue guidance for fiscal year 2013 at USD 2,400 million, EBITDA at USD 350 million and net income at USD 215 million.

Last but not least, we initiated reporting on our corporate attitude to sustainability, which emphasises our business commitment to preservation of the soils we farm, reduction of carbon emissions at our crushing facilities and, of course, fair compensation to our people and a good neighbour policy within our communities.

The Board of Directors is also pleased to suggest its own enhancement. At our annual general meeting of shareholders in November, we will consider the appointment of a third independent director to chair the Audit Committee. This is our pledge in further strengthening of corporate governance diluting the number of executive directors and enhancing the accountability of the firm to our shareholders and stakeholders with whom we interact to advance Kernel's leadership in the Black Sea region.

Finally, the Board of Directors will introduce a formal dividend policy in FY2013, aiming to return value to Company's shareholders who continuously support us in strengthening the dominant role of Kernel in the region. We are in the right market – the Black Sea is ramping up its grain and edible oil supplies to the international consumers with one of the highest growth rates globally. And we are in the right position, having a mix of deep local expertise combined with access to the vital elements of the supply chain, which makes us an ideal stand to drive consolidation process across the industry, both in Ukraine and now in Russia.

Andrey Verevskiy
Chairman of the Board

Business Review
Bulk Oil

Kernel is the No. 1 oilseed crusher in the Black Sea region with an aggregate annual crushing capacity of 3.0 million tons.

Largest Oilseed Crusher in the Black Sea Region
Kernel is the largest producer and exporter of sunflower oil in the Black Sea region, with seven oilseed crushing plants spread across Ukraine's sunflower belt and three plants in southern Russia. The Company processed 2.5 million tons of sunflower seed, the major oil-bearing crop in both Ukraine and Russia, in fiscal year 2012. The majority of the oil produced was exported through Black Sea ports, with freight ordered to the buyer's port or sold onboard in the Black Sea. Producing about 7.2% of the global output of sunflower oil, it is sold mostly in bulk to all major importing markets, including India, the EU, Egypt and Turkey.

Ukraine – the World's Largest Sunflower Oil Exporter
Ukraine supplies about half of the globally traded sunflower oil. The nation's competitive advantage is secured by its long history of sunflower harvesting combined with an ideal blend of weather and soil conditions for sunflower cultivation. Ukraine's domestic production of sunflower oilseed comfortably covers internal demand for vegetable oil, and the majority of output is exported to countries around the world. With slightly more than five million hectares sown with sunflower in 2012, Ukraine is expected to produce in excess of eight million tons of sunflower, supplying ample feedstock for the local crushing industry. At the same time, this supply is far from what farmers are actually capable of producing as the use of modern farming machinery in the country is still low and farmers are gradually moving toward utilising more efficient seeds and technology.

Russia – the World's Largest Sunflower Oilseed Producer
With around seven million hectares planted with sunflower, Russia is the world's largest grower of the crop by acreage and has been a major producer of sunflower oilseed for decades. Though leading in acreage, Russia lags behind most other producers in crop yield.

In southern Russia, Kernel owns three sunflower oilseed processing plants which have an aggregate annual capacity of 410,000 tons of oilseed processing. In fiscal year 2012, the Group made a strategic decision to build a 600,000 tons greenfield plant to take advantage of the country's abundant supply of sunflower and the inefficient capacity for processing at existing facilities.

Sunflower – Ideal for Farmers and Local Processing
Sunflower is the most popular oilseed grown in Ukraine and Russia, with about five and seven million hectares sown, respectively. For most farmers, sunflower is their most profitable crop.

Sunflower also has advantages for processing closer to the farmer rather than to the consumer. The low density of sunflower seed compared to rapeseed and soybean increases the comparable transportation costs for sunflower seed. As a result, 86%* of the global trade tonnage in sunflower seed and oil products consists of oil and meal, while only 14%* is in seed form. On the contrary, rapeseed and soybean crushing is done mainly at the customer market: 57% of global trade in tonnage in both oil crops was done in seed form*.

Sunflower Oilseed Processing is a Margin Driven Business
Kernel's bulk oil business segment encompasses the full production chain for bulk oil: from the origination of sunflower seed and production of crude sunflower oil and meal (an animal feed component) to the marketing and distribution of both products. The Company purchases sunflower seed within close proximity to its plants, mostly from farmers, either at farm gate or at inland grain silos owned by Kernel or third parties. As with grains, we pursue a balanced book policy, purchasing sunflower seeds and selling respective volumes of bulk oil and meal with forward delivery within the same timeframe, locking in the processing margin.

A Green Energy Produced from Waste
The majority of our sunflower oil production plants use energy produced from sunflower hulls, a waste obtained during seed crushing, which eliminates the consumption of natural gas. Around 160,000 tons per year of equivalent CO_2 emissions are saved at our plants and this figure reaches 460,000 tons if pelletised husks sold to third parties are taken into account.

Synergy in Procurement, Technology, Sales and SG&A
The bulk oil segment benefits from synergies with other segments of the Group and increased scale of operations – the Group has grown from a single plant in 2002 to ten in fiscal year 2012 through acquisitions and greenfield projects. A common procurement team originates both sunflower for processing and grain for export, utilising the shifted seasonality in these commodities. Similar synergy is achieved during the sale of the product to customers. Kernel's scale delivers another competitive advantage – amid the logical reduction in SG&A expenses per output, Kernel benefits from accelerated human capital accumulation and multiple logistical advantages.

FY2012 Highlights
Kernel reported revenue of USD 1,191.6 million in the bulk oil segment in FY2012, a 3% year-on-year growth. The average prices in FY2012 stayed at essentially the same level as in FY2011, although intra-season volatility was present. Bulk oil sales volumes have increased a mere 1% year-on-year in FY2012 despite larger crushing volume, as we accumulated larger stocks to be processed and sold first quarter FY2013 to cover the period until the new sunflower seed harvest arrives.

Looking Ahead: Organic and Acquisitive Growth
We target a 100% utilisation ratio of our existing crushing capacities while maintaining profitability levels similar to our historical performance. While we are on track in building a greenfield crushing plant in Russia, we thoroughly investigate brownfield opportunities that arise in the geographies where we operate.

* USDA data for 2010-13.

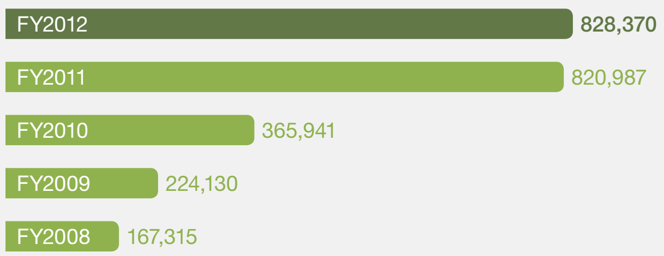
Revenue
+3% (FY2011: $1,158m)

$1,192m

EBITDA
(before head office expenses allocation)
-5% (FY2011: $176m)

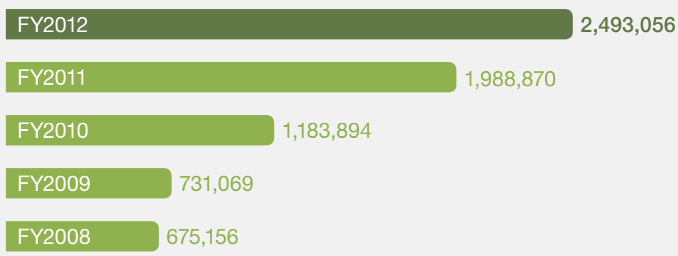
$167m

Bulk oil sales
(tons)



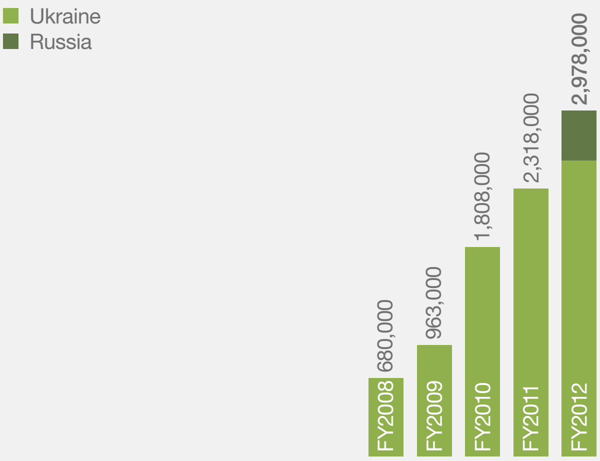
Source: Kernel

Sunflower seed crushed
(tons)



Source: Kernel

Kernel crushing capacity in Ukraine and Russia
(in tons of sunflower seed/year)

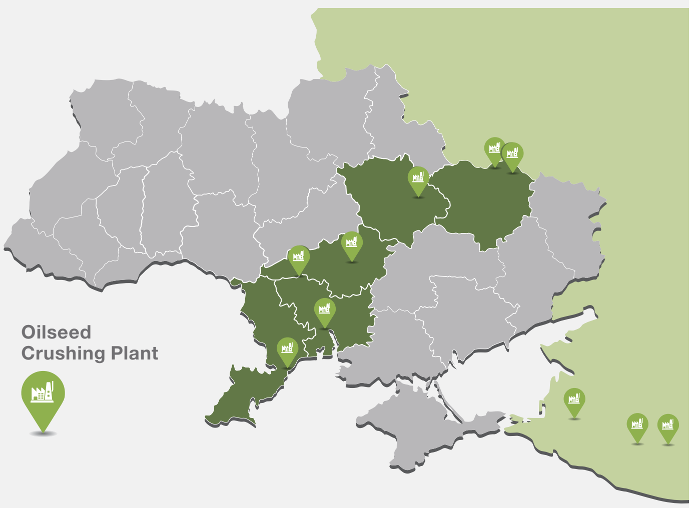


Kernel's crushing capacity

2,978,000

Source: Kernel

Location of Kernel oilseed crushing plants



Source: Kernel

Business Review
Farming

248,562 hectares of black soil agricultural land in Ukraine*, one of the largest landbanks in the country.

Farming Becomes the Second Largest Segment by Operating Profit
Over the course of financial year 2012, the farming business has become the second largest segment in the Company with an EBIT contribution of USD 41.2 million, or 14% of the Group's total operating profit before the head office expense allocation.

As of 30 June 2012, Kernel manages 248,562 hectares and holds an option to buy another 79,200 hectares* of the leasehold farmland in Ukraine, making Kernel one of the largest farming companies globally.

Ukraine Has Among the Most Fertile Land Globally
Ukraine's key advantages over other grain producing countries include higher soil quality and low land lease and labour costs. Land is owned by small holders and the state, and is leased predominantly to farming companies. Ukraine is one of the few countries in the world with a large-scale farming business in place, even though the top ten largest companies operate on less than 10% of the total arable land in the country, thus providing ample room for growth.

Large Cluster Business Model
Kernel operates in six large clusters located across two major geographical zones in the central and western parts of Ukraine. A large cluster model allows cost advantages at many stages, stemming from higher machinery utilisation and lower repair and maintenance costs due to the uniformity of machinery in use, resulting in savings on fuel and security. A knowledge spillover within the clusters is also essential for higher efficiency. Centralised procurement of the major inputs and machinery purchases at the Group level also improves the efficiency of operations.

Location Focus on Central and Western Ukraine
We focus our farming operations in the central and western parts of Ukraine, which are the most favourable areas for farming with sufficient rainfall levels. Our crop structure is diversified with approximately 52% of acreage under grain and the remainder under oilseed and sugar beet. Key crops include corn, sunflower, soybean and wheat.

A Sustainable Approach to Farming
We are committed to preserve and improve the productive capacity of our soils. Kernel applies prudent crop rotation schedules suitable for each productive area and uses balanced fertilisation, as well as integrated pest and weed management to increase the long-term productivity of each area. We plan to gradually increase the share of mini-till and no-till farming technology, which will reduce soil erosion, preserve moisture and decrease carbon emission as less fuel will be used. The usage of the modern machinery also decreases food losses during harvesting.

FY2012 Results
During financial year 2012, we produced over one million tons of agricultural produce. Wheat was the key crop with 30% of the acreage sown, while soybean, sunflower and corn account for 15%-17% each in the acreage structure. In total, we produced 459,000 tons of grain, 139,000 tons of oilseed and 526,000 tons of sugar beet.

Revenue from the farming segment was USD 171.0 million for financial year ended 30 June 2012, of which USD 145.2 million was intersegment sales. A 3.1x year-on-year growth in total revenues was attributed to a more than a twofold larger harvested landbank and a growth in crop yields. Operating profit for the period was USD 41.2 million versus USD 22.8 million a year ago, with growth driven by both volumes and the additional acreage consolidated which resulted in additional future earnings booked as income from the revaluation of biological assets.

Last year was also marked by a significant expansion in our farming segment. In early FY2012, we acquired the farming company Enselco which manages a highly productive 29,300 hectares in the Khmelnytsk region, close to our existing operations. Later in April 2012, we signed an option to purchase two farming companies, one of which manages 40,000 hectares in the Poltava region close to our operations, and another which manages 79,200 hectares of leasehold farmland in the Khmelnytsk region.

Contributing Volumes to the Grain and Oil Segments
Kernel's farming segment sells most of its produce to Kernel's other segments, which allows full utilisation of volumes across the supply chain extending the margin on the crops grown in-house.

Operating Performance Currently Below Management Expectations
While our farming segment delivers solid profitability, we view its results as being far below our expectations. Over the last two years, we added about 160,000 hectares of land, tripling our operations. Though we continue to invest in people and in the organisational turnover at acquired companies improving their operations to the standards of our 'old' enterprises, we understand that the integration of farming enterprises is not achieved in the short term. We see a substantial organic increase in our profitability in the farming business committing our managerial and financial resources into bringing our performance to the highest standards set by the industry.

Mid-term Focus on Landbank Expansion and Integration of Acquired Acreage
We see substantial growth potential in the farming business and aim to expand the farming sector to achieve captive synergies from produce utilisation over the entire value chain; with our mid-term target landbank under operation in the range of 450,000–500,000 hectares of top quality land in Ukraine.

* As of 30 June 2012, 40,000 ha are subject to antitrust clearance. The Company holds an option to purchase another 79,200 ha of leasehold farmland.

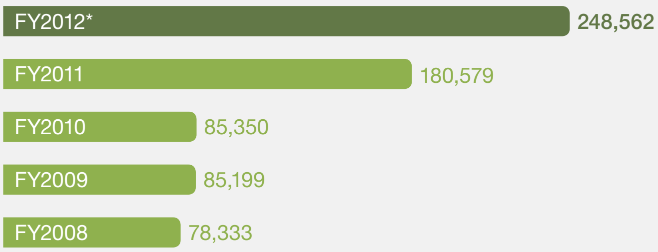
Revenue
(including intersegment sales)
+213% (FY2011: $55m)

$171m

EBITDA
(before head office expenses allocation)
+134% (FY2011: $32m)

$74m

Kernel farming acreage
(sown with crops, hectares*)



Farming acreage, 30 June 2012

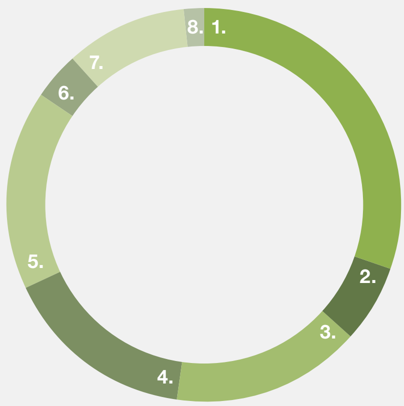
248,562 ha

* As of end of the financial year, June 30. As of 30 June, 2012 40,000 hectares are subject to antitrust clearance. The Company holds an option to purchase another 79,200 hectares of leasehold farmland.

Source: Kernel

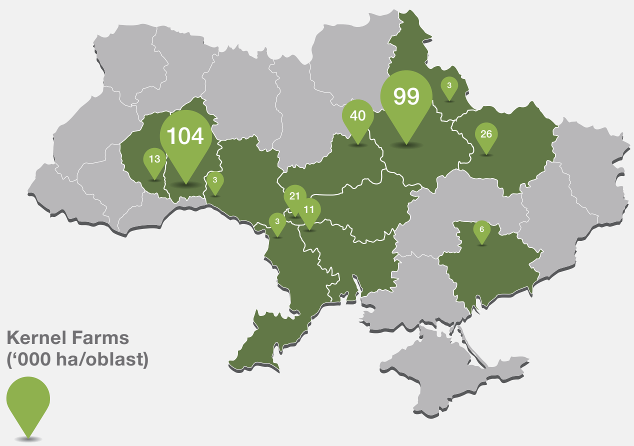
Kernel crop mix
(% of land cultivated, harvest FY2012)

1. Wheat	30.4%
2. Barley	6.5%
3. Corn	15.6%
4. Sunflower	15.7%
5. Soybean	16.5%
6. Rapeseed	3.9%
7. Sugar beets	10.0%
8. Other	1.4%



Source: Kernel

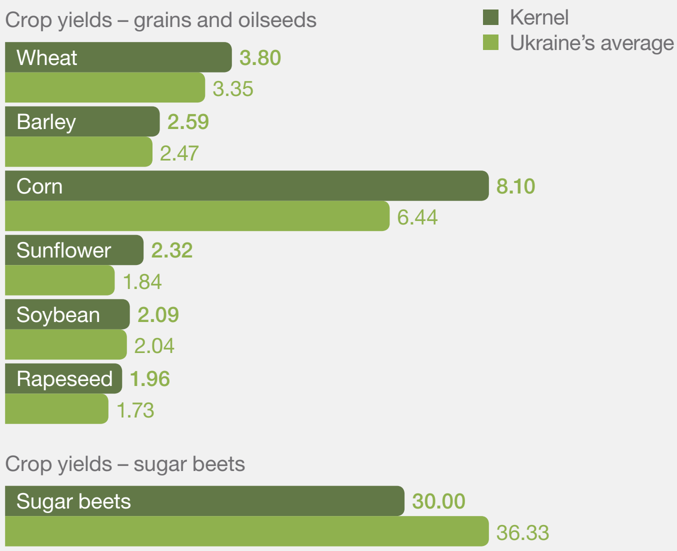
Kernel farming operations
(by region)



* As of 30 June 2012, 40,000 hectares has been subjected to antitrust clearance. 79,200 hectares are subject to purchase option exercise.

Source: Kernel

Crop yields
(tons/ha, gross weight, FY2012)



Source: Kernel, State Statistics Service of Ukraine

Business Review
Grain

Kernel manages the most extensive grain supply chain in the Black Sea region, originating at the farm gate of thousands of farmers and supplying in excess of two million tons of grains to the global markets annually.

Exporting Grain from Ukraine to International Markets
We manage the most extensive grain supply chain in Ukraine, an essential link between the farming sector and the international market. Buying from thousands of farmers throughout the country, Kernel originates and exports millions of tons of farm produce over each season. Our supply chain is based on more than two hundred locations across the country and extensive knowledge of every detail of the grain merchandising process. Logistics within Ukraine are fully under the control of Kernel, from acquiring supply at the farm gate to sales and distribution at grain terminals at the ports. We market and sell the goods essentially in bulk on the international market, where we typically deliver to our customers either free on board Black Sea or charter vessels and deliver directly to the country of final destination.

Ukraine and Russia Supplied 18.0% of the Global International Trade in Grains in 2011/12
Both Ukraine and Russia are net exporters of grains and oilseeds exporting wheat, corn, barley, soybean and rapeseed to international markets primarily through the Black Sea and Sea of Azov ports. With domestic utilisation remaining essentially flat in both countries, the increase in production is allotted to the export markets. The current production of grains and oilseeds in both countries is far from the two countries' potential, in our view. With farming technology and modern machinery utilisation still in the early stages of development, particularly in Russia, we see room for growth in crop yields. A second major driver for grain production growth should be a crop structure reshuffle toward higher-yielding crops like corn which deliver up to double the tonnage per hectare compared to that of wheat and barley. Combined with the acreage growth potential stemming from currently fallow land and land under forage crops, we foresee two countries achieving steady export volumes in excess of 80-90 million tons of grains per annum over the next decade.

Our Risk Management Philosophy
We pursue and strictly follow a risk-averse approach to our grain merchandising business. We are dealing exclusively with physical commodities without entering into any paper hedges. The Company's policy is to limit margin dependence to the soft commodity price movements, purchasing and selling equal amounts of grains in much the same timeframe. Buying at the spot market from the farmer, we sell delivery to our world class international customers on a forward contract with a fixed price and volume guaranteed enabling us to lock in our margin at the stage when we effectively source the feedstock. We also prudently manage all the logistics risk along the supply chain and limit our counterparty risks.

Synergy in Procurement and Sales
Kernel benefits from the synergy between grain procurement and sales with its bulk oil segment. The synergy stems not only from the fact that we are able to work with a farmer on all the crops he produces, unlike pure exporters, but also from a different seasonality in the crops. While wheat and barley are harvested primarily in July, the sunflower harvest is in September-October, allowing continual usage of the working capital and employment of the same procurement team, resulting in a cost advantage in sourcing each unit of feedstock.

FY2012 Highlights
Over the course of financial year 2012, the grain segment posted USD 598.7 million in revenues, a 5% growth y-o-y, driven primarily by 17% volume growth, while average prices have slightly decreased compared to the previous year. The segment posted USD 27.0 million in the operating profit, underperforming management expectations. The export margin squeezed sector-wide as a downward supply shock stemming from the damaged winter crops forced international traders to cover their short positions driving the purchasing prices up.

Leveraging World Class Infrastructure to Increase Volumes
Going forward, we aim to increase volumes we profitably handle and deliver to international markets benefiting from the world class critical infrastructure in our asset portfolio, higher production volumes provided by our agricultural upstream operations, and gaining the share of small-scale and asset-light local exporters who struggle to run sustainable money-making operations.

Revenue
+5% (FY2011: $571m)

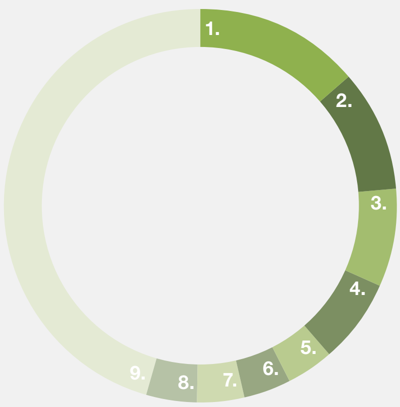
$599m

EBITDA
(before head office expenses allocation)
-59% (FY2011: $66m)

$27m

Major grain exporters from Ukraine
(2011/12, excluding oil-bearing crops)

1.	Khlibinvestbud	14%
2.	Nibulon	10%
3.	Kernel	8%
4.	Louis Dreyfus	7%
5.	Glencore	4%
6.	Toepfer	4%
7.	Cargill	4%
8.	Bunge	4%
9.	Other	46%

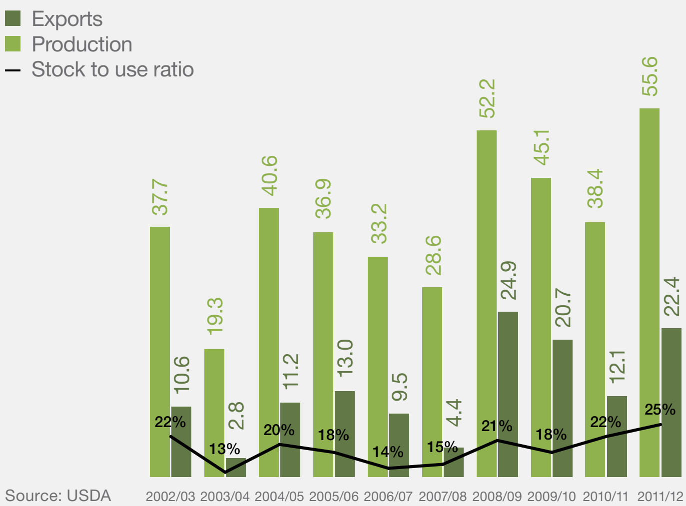


Kernel grain sales

8%

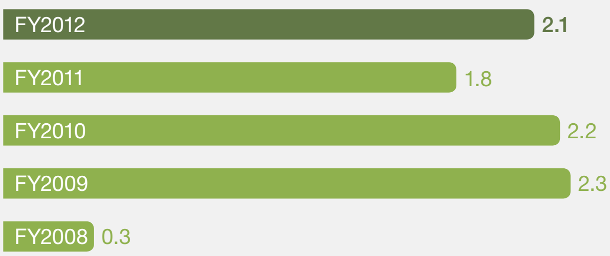
Source: APK-Inform

Ukraine's grain production
(in million tons)



Source: USDA

Kernel's grain and oil-bearing crop sales
(in million tons)

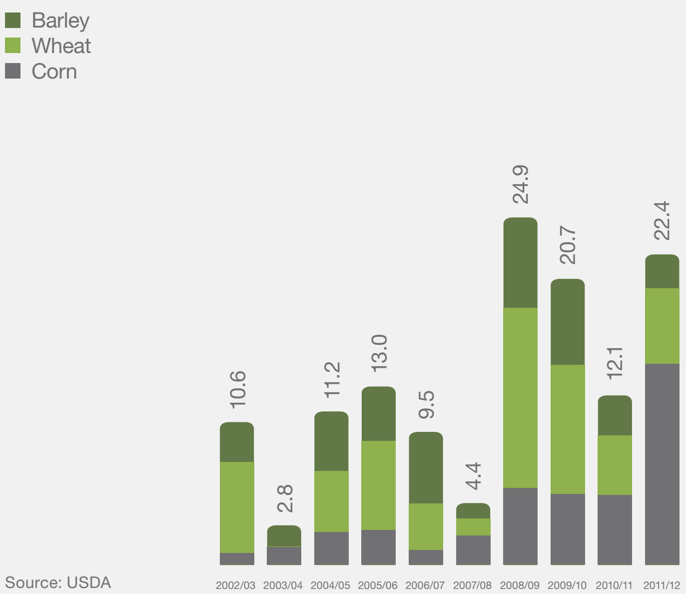


Kernel tonnage FY2012

2,123,229

Source: Kernel

Ukraine's grain export by crop type
(in million tons)



Source: USDA

Business Review
Bottled Oil

Kernel's three brands account for one-third of the total bottled sunflower oil sold in Ukraine.

Strong Brands Across Different Consumer Segments
Kernel sells 70% of its bottled oil under three well-known brands (Schedry Dar, Stozhar and Chumak Zolota) targeted to different consumer segments while private label sales account for only 30% of bottled oil sales. Two of the Group's three brands were rejuvenated at the end of fiscal year 2012, and marketing campaigns were launched to increase consumer loyalty and awareness.

Sunflower Oil – An Important CIS Culinary Mainstay
Sunflower oil is still today, traditionally and culturally, the former Soviet Union's vegetable oil of choice. People have used sunflower oil processed in Ukraine and South Russia for a variety of culinary purposes for decades. Consumers in both Ukraine and Russia continue to buy mostly sunflower oil, while demand for other vegetable oils remains low.

Ukraine's bottled sunflower oil market is consolidated whereby Kernel and Bunge supply over half of the bottled oil sold in the country, with half of the total consumption being attributed to the top five brands.

Although Ukraine does have an existing export market for sales of bottled oil, its success has traditionally depended on the attractiveness of spot transactions.

State-of-the-art Technology and Safety
Kernel delivers its consumers, whether in Ukraine or abroad, with quality oil produced and bottled at the Group's own production facilities. The bottled oil segment is vertically integrated, including the origination and crushing of seed, the refining and deodorisation of the crude oil, bottling, delivery and marketing of branded products to distributors and retailers. Kernel owns and operates oil refining facilities with an annual aggregate capacity of 173,000 tons in Ukraine and an annual bottling capacity of 134,000 tons directly at its Poltava and Prikolotnoe crushing plants. Both of these sites are designed and equipped with state-of-the-art production lines that guarantee a seamless seed-to-bottle production cycle, ensuring efficiency of production, food quality and security.

Counter-cyclical Segment to the Commodity Price
Bottled oil is predominantly a consumer product, with less volatile pricing than commoditised bulk oil. Though changes in the bulk oil price are eventually passed on to consumers, it is not uncommon for the segment to show higher margins during periods when the bulk oil price declines and lower margins when prices increase. Over the long term, we typically seek a higher margin for bottled oil to offset our investments and commitment to the business.

FY2012 Results
Kernel sold 131.7 million litres of bottled sunflower oil mainly to the domestic Ukrainian market in fiscal year 2012. The 12% y-o-y growth in volume was primarily driven by renewed appeal of the bottled channel of sales following the relatively weak FY2011. The segment contributed USD 203.0 million in revenue, which grew 33% y-o-y driven both by volume and pricing. The segment's operating profit was USD 30.1 million, a 23% growth y-o-y. The EBIT margin for the segment stayed at 15%, or two percentage points above the bulk oil segment's margin.

Maintaining Our Premium Margin Over the Bulk Oil Sales
We aim to maintain our profitability premium in our bottled oil operations over the bulk oil by gradually increasing our dominant share in the domestic market and exploring new geographic regions to distribute our top quality products.

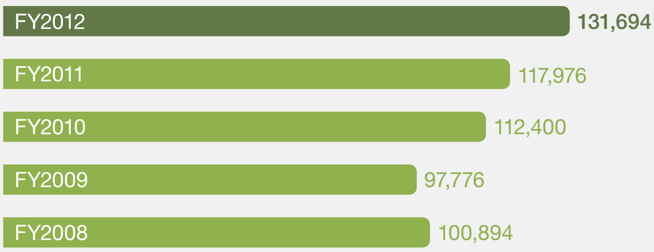
Revenue
+33% (FY2011: $152m)

$203m

EBITDA
(before head office expenses allocation)
+20% (FY2011: $26m)

$32m

Bottled oil sales
(in thousand litres)



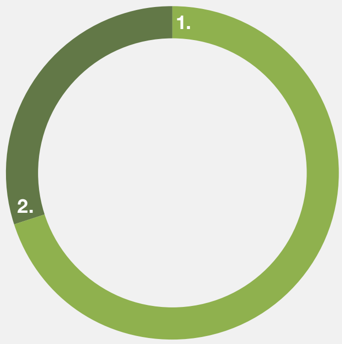
Bottled oil sales FY2012

131,694

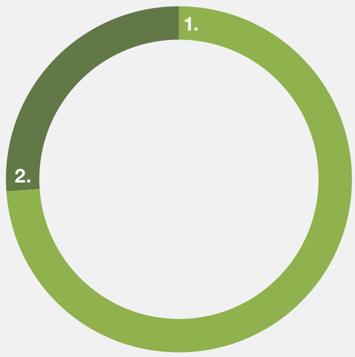
Source: Kernel

Sales channels, FY2012

1. Branded **70%**
2. Private label **30%**



1. Domestic **74%**
2. Export **26%**



Source: Kernel

Kernel operates three export terminals in Ukraine and Russia – a critical infrastructure for the delivery of soft commodities from the Black Sea region to international markets.

Kernel – a Major Operator of Export Infrastructure Assets
Kernel's terminals are key infrastructure assets ensuring the efficiency of export logistics of grain, bulk oil and meal exported by the Company. The Company owns and operates the second largest grain export terminal in Ukraine – Transbulkterminal in Illichevsk and the third largest in Russia – Taman Terminal[1]. These terminals handle Panamax size vessels, loading over 50,000 tons of grain per vessel providing a material freight cost advantage versus approximately 5,000 tons per ship handled in the shallow water terminals of Azov Sea. Oiltransterminal in Nikolayev handles the Company's transshipment of sunflower oil and meal, exclusively serving in-house needs.

The Black Sea – the Key Gateway for Agricultural Commodity Exports from Ukraine and Russia
The Black Sea is a key access point to the global markets for Ukraine and Russia's major agriculture producing regions.

In Ukraine, there are four major deep-water ports directly on the Black Sea: Odessa, Yuzhny, Illichevsk and Sevastopol in Crimea. The country also has a substantial port infrastructure in the estuary of Nikolayev and numerous other smaller port facilities along the Black Sea coast and on the Sea of Azov. Though the country's aggregate grain transshipment capacity is relatively high compared to Russia, only a few terminals, such as the Transbulkterminal, can handle all types of grains and load cost-efficiently onto large ocean-going vessels.

In Russia, only three ports at the Black Sea coast transship agricultural products: Novorossiysk, Tuapse and a newly-built terminal in Taman which have an aggregate annual throughput capacity of 15 mmt, roughly only half of the Russian grain exports in 2011/12 season. Due to the lack of infrastructure at the Black Sea, numerous ports at the shallow water Azov Sea are still operating. Handling a small-sized shallow water ship significantly increases transportation costs over the sea and thus results in high transshipment fees at the deep-water Black Sea ports.

Because of the major bottlenecking situation across the supply chain in the Black Sea region, access to the deep-water port facilities is crucial for grain exporters to ease origination efforts and secure reach to lucrative international markets. For instance, Kernel's export volumes have quadrupled and remained stable since the year following the acquisition of the Transbulkterminal in late FY2008. Over the long term, as exports of agricultural products out of Ukraine and Russia increase, we expect a gradual phase-out of asset-light supply chain managers that have no access to vital elements of the port infrastructure as the region consolidates.

A Landmark Acquisition of a Deep-water Grain Export Terminal in Russia Opens New Horizons for Kernel on the Black Sea
In September 2012, Kernel acquired through a 50/50 joint venture with Renaisco BV, a subsidiary of Glencore International plc., a 100% interest in a deep water grain export terminal in Taman port, Russia.

The third largest deep water grain export terminal on Russia's Black Sea coast, it is strategically located in close proximity to Southern Russia's predominant grain producing region. The grain export terminal has an installed throughput capacity of 3 million tons per annum and was specifically designed to expand its transshipment capacity to 5 million tons.

This key component of the Russian logistical supply chain will serve as a platform for the large-scale deployment of Kernel's captive grain export business from Russia.

FY2012 Results
Over the course of financial year 2012, Kernel's terminals posted total revenues of USD 28.9 million, including USD 20.9 million in intra-group sales. A 12% year-on-year decline in revenues was mostly explained by a 15% year-on-year decline in grain transshipments through the Transbulkterminal as the terminal was adjusting its corn intake system, while wheat and barley export deliveries were temperate during the season. The operating profit from the export terminal segment in financial year 2012 was USD 10.4 million, with a healthy operating margin of 36% versus USD 14.3 million in operating profit in financial year 2011.

Growing Taman's Capacity and Improving Turnover in the Mid-term
In the mid-term, we aim to achieve near full-utilisation of our throughput capacities both in Ukraine and Russia in our agricultural products, improving the returns from the infrastructure base and benefiting from the scale. Moreover, we plan to expand the throughput capacity of the newly acquired Taman terminal from its existing 3 mmt/year to 5 mmt/year over the next few years.

(1) Kernel acquired the deep-water grain export terminal in the Taman port in Russia through a 50/50 joint venture with a subsidiary of Glencore International plc in September 2012.

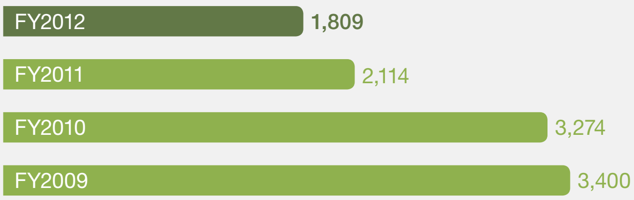
Revenue
(including intersegment sales)
-12% (FY2011: $33m)

$29m

EBITDA
(before head office expenses allocation)
-23% (FY2011: $18m)

$14m

Export terminal throughput
(in thousand tons)

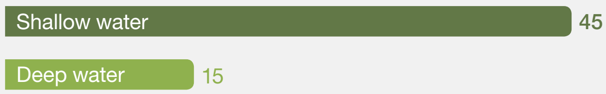


Kernel terminal throughput FY2012

1,809

Source: Kernel

Average freight cost to Mediterranean destinations from Black Sea ports (USD/ton)



Freight cost advantage of deep water ports at the Black Sea vs. shallow water ports at Azov Sea

$30/ton

Source: Kernel

Kernel's export terminals

Source: Kernel

Capacity by terminal
(in mmt)

* Kernel acquired deep-water grain export terminal in Taman Port of Russia through a 50/50 joint venture with a subsidiary of Glencore International Plc in September 2012.

Source: Kernel

Business Review
Silo Services

Kernel operates Ukraine's No. 1 private network of inland grain silos, with an aggregate capacity of 2.5 million tons.

Silo Capacity: No. 1 in Ukraine
Kernel owns and operates Ukraine's largest private network of inland grain silos. Its aggregate capacity is 2.5 million tons, which service both the Company and farmers across all Ukraine.

Essential Infrastructure for the Farming and Grain Export Segments
Whereas the existing storage infrastructure in Ukraine is estimated at approximately 35 million tons, the country now regularly harvests 45-55 million tons of grain and over 10 million tons of oil-bearing crops. The current turnover stands at comparably low levels and we expect it to increase in the future, respectively increasing the profitability of operations and returns.

A Critical Relationship Builder with Farmers
Kernel's silo network is instrumental in the Company's building long-term relationships with farmers and supports the Company's leading positions in the grain and sunflower oil businesses. Company silos operate essentially as providers of services to the Group and to third parties (farmers) who need to clean, dry and store their crops. Grain and oilseeds are brought from the fields directly to the silo and are kept for anywhere from a few weeks to several months. Typically, a portion of a farmer's crop is sold immediately after harvest while the balance is stored and sold over the season. Kernel provides silo services for a monthly fee and the farmer is free to sell his produce to Kernel or to a third party. The Company is, however, in an advantageous position to buy the grain, having good visibility on volumes available for sale and easy access to farmers.

Kernel owns grain silos that are located across the sunflower and corn belts of Ukraine, with the highest concentration in Poltava and Kharkiv, where the Group first began operating. Elevators are located along national railway routes in order to facilitate efficient shipment to our own and third party load ports, but close to our crushing plants so as to supply feedstock to factories via truck deliveries on a daily basis.

160,000 Tons of Storage Capacity Built in FY2012
Kernel has been actively adding new modern facilities and focusing on increasing our presence in the Cherkasy, Kirovohrad and Odessa regions. Through the construction of a greenfield storage capacity, we aim to expand our origination zone for both grains for export and sunflower seed for crush, as well as earn on high-quality services provided to farmers. Over the course of financial year 2012, we added 160,000 tons of newly built storage capacity and another 300,000 tons are scheduled to launch during financial year 2013.

FY2012 Results
The silo segment, in fiscal year 2012, recorded sales of USD 51.0 million, including sales to the third parties. The 92% growth y-o-y was primarily driven by a bumper harvest in Ukraine and record carry-over stocks at the end of the season. The segment's operating profit stood at USD 12.1 million, a 2.5x growth year-on-year. Over the 2011/12 season, Kernel silos received in aggregate 2.1 million tons of grain and oilseed in inland silos, a 64% growth year-on-year.

Improving Turnover and Selective Investments in Greenfield Facilities
While continuously developing our grain storage infrastructure, we also aim to improve returns from the existing base, increasing the turnover and reducing the cost per unit of throughput.

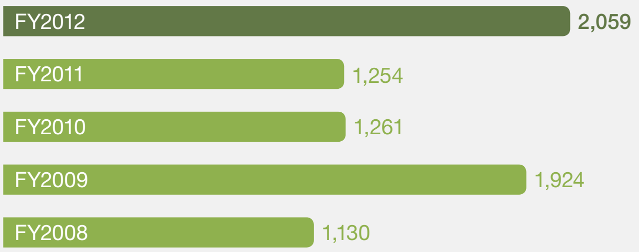
Revenue
(including intersegment sales)
+92% (FY2011: $27m)

$51m

EBITDA
(before head office expenses allocation)
+97% (FY2011: $9m)

$18m

Grains and oilseeds received in inland silos
(in thousand tons)



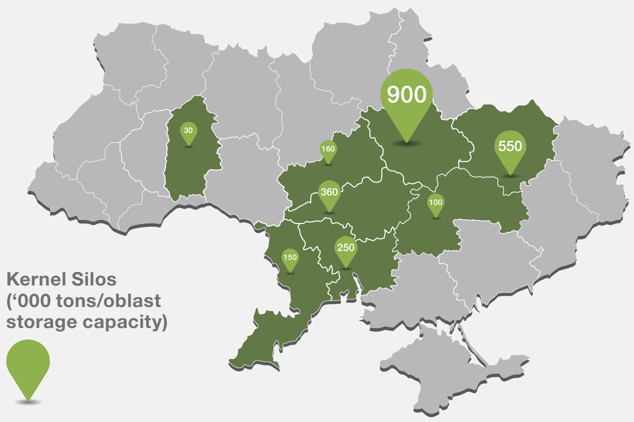
FY2012

2,059

Source: Kernel

Kernel storage capacity
(by region)

Source: Kernel



Highlights

Largest private grain silo network with 2.5 mmt grain storage capacity

Located in Kernel origination areas

All silos connected to railway network

160,000 tons silos commissioned in FY2012

300,000 tons silos to be commissioned in FY2013

160,000

tons of grain storage capacity commissioned in FY2012

Source: Kernel

Kernel operates four sugar plants with combined capacity to process 21,800 tons of sugar beet per day.

One of the Largest Sugar Producers in Ukraine

Kernel operates four sugar production plants across the sugar beet belt in Ukraine with a combined capacity to process 21,800 tons of sugar beet per day. Over the course of financial year 2012, Kernel produced 119,600 tons of sugar, with a 7.0% market share, making us the fourth largest sugar beet processor in the country.

Kernel Acquired Sugar Plants at the End of Financial Year 2011

Kernel acquired sugar plants in the Ukrros acquisition in June 2011 through which 85,000 hectares of high-quality leased farmland managed by Ukrros were integrated into the Company's farming segment, leaving the sugar plants to form a new business line for Kernel.

Sugar is Produced from the Locally Grown Sugar Beet

Kernel's sugar plants process sugar beet supplied within an 80 kilometre radius of the plant, grown either by its own farming segment or third party farmers. The sugar beet processing campaign normally lasts from 60 to 100 days, depending on the supply of sugar beet near the plant. Sugar beet is a spring-sown and autumn-harvested capital-intensive crop that requires higher working capital compared to grains and oilseed as well as more expensive machinery, though it yields higher revenues.

In addition to white sugar, which is a key product of sugar beet processing, sugar plants produce molasses and pelletised pulp as by-products which are sold to the spirit and dairy industries, respectively. The sugar itself is sold domestically, primarily wholesale to various industries, with soft drinks and confectionary producers being the largest consumers.

One of the Group's sugar plants also possesses facilities to process imported raw cane sugar. This flexibility increases capacity utilisation during the break between established sugar production seasons.

Sugar is a Domestic Market with Local Supply-demand Balance Determining Prices

Most of the 1.8-2.0 million tons of sugar consumed in Ukraine annually is sourced from the locally grown and locally processed sugar beets, with only a minor import quota of 260,000 tons of sugar allotted to imported raw cane sugar in years when local production doesn't meet supply. The amount of sugar produced in Ukraine depends largely on the area farmers decide to cultivate under sugar beet, the yield and sugar content of which are subject to weather conditions. Depending on these two variables, the Ukrainian sugar industry produces anywhere from 1.4 to 2.6 million tons of sugar per annum. At the same time, domestic consumption has remained roughly flat over the last several years at about 1.9 million tons. In the years when sugar production is below domestic consumption, local prices are favourable to producers, with excess supply translating into lower prices.

During the 2011/12 production season, sugar plants in Ukraine produced 2.3 million tons of sugar, close to record highs and exceeding local demand for the first time after three consecutive years of underproduction. Approximately 150,000 tons were exported, with the remainder left on the local market. The oversupply pushed down local prices which stayed low for most of the season, except at the very beginning when Kernel fortunately sold most of its sugar output.

FY2012 Results

Financial year 2012 was the first year that Kernel entered the sugar business. Sugar sales were USD 99.1 million with operating profit of USD 16.0 million. The sugar price and industry performance was downwardly affected during the period as near-record sugar production resulted in sugar oversupply. However, Kernel had signed a sugar supply contract with the Ukrainian State Agricultural Fund for a majority of its harvest in advance prior to the price decline, which proved to be quite beneficial during the period.

Narrowing Output Volumes Following the Sector-wide Overproduction

While exploring strategic alternatives for the sugar segment, we intentionally plan to decrease sugar output volumes in the short term, industry-wide trend following last season's overproduction which undermined the segment's profitability.

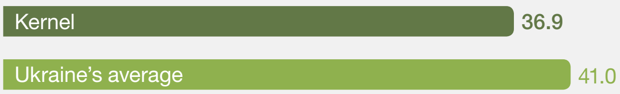
Revenue

$99m

EBITDA
(before head office expenses allocation)

$20m

Natural gas consumption
(cubic metres per ton of sugar beets processed 2011/12*)

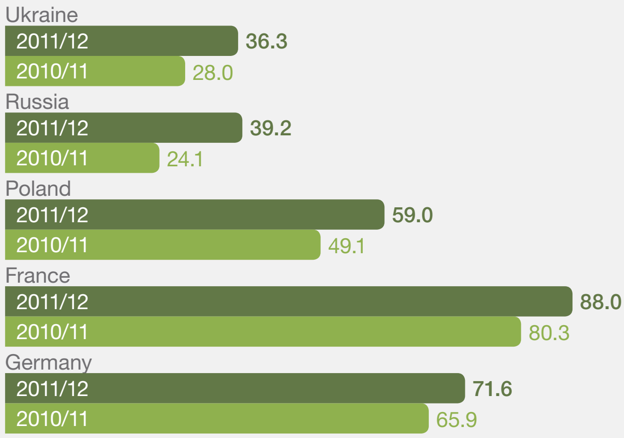


Kernel gas consumption

36.9

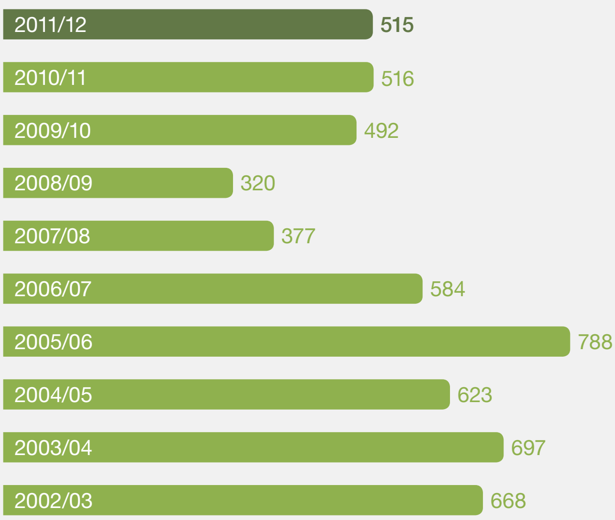
* Natural gas is a key cost component in the sugar beet processing.
Source: Kernel, Ukrtsukor

Sugar beet yields
(country's average, tons/ha)



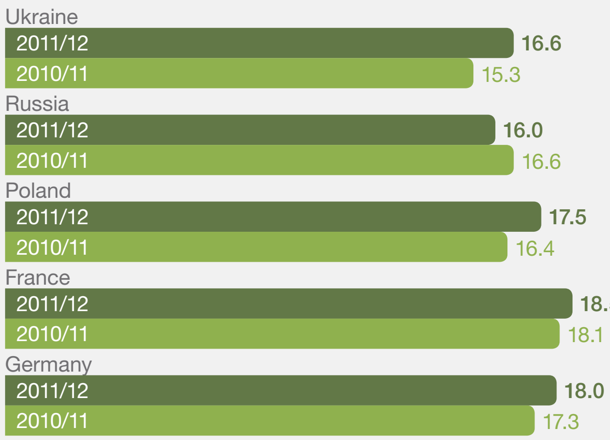
Source: USDA, State Statistics Service of Ukraine,
Russian Federation Federal State Statistics Service

Ukraine's acreage under sugar beets
(harvested, in thousand hectares)



Source: Ukrtsukor

Sugar content
(% of beet weight)



Source: USDA, Ukrtsukor, Soyuzrossahar

Financial Review
Anastasiia Usachova

For the year ending 30 June 2012, Kernel Holding S.A. had revenues of USD 2,157.4 million, a 13.6% y-o-y increase driven primarily by a 3.1x rise in the farming segment sales volume.

Summary

For the year ending 30 June 2012, Kernel Holding S.A. (hereinafter 'Kernel' or 'the Company') had revenues of USD 2,157.4 million, a 13.6% y-o-y increase driven primarily by a 3.1x rise in the farming segment sales volume. In addition, the acquisition of sugar plants drove the revenues in the sugar segment while a mix of larger sale volumes and higher prices fuelled the revenues in the bottled oil arm.

The Company has seven operating segments:

- ➔ *Bulk sunflower oil* – The bulk sunflower oil segment contributed USD 1,191.7 million in revenue (50.9% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 150.1 million to the operating profit to the Company.
- ➔ *Farming* – The farming segment contributed USD 171.0 million in revenue (7.3% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 41.2 million to the operating profit to the Company.
- ➔ *Grain* – The grain segment contributed USD 598.7 million in revenue (25.5% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 27.0 million to the operating profit to the Company.
- ➔ *Bottled sunflower oil* – The bottled sunflower oil segment contributed USD 203.0 million in revenue (8.7% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 30.1 million to the operating profit to the Company.
- ➔ *Export terminals* – The export terminals segment contributed USD 28.9 million in revenue (1.2% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 10.4 million to the operating profit to the Company.
- ➔ *Silo services* – The bottled services segment contributed USD 51.0 million in revenue (2.2% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 12.1 million to the operating profit to the Company.
- ➔ *Sugar* – The sugar segment contributed USD 99.1 million in revenue (4.2% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 16.0 million to the operating profit to the Company.

Kernel handled a total of 4.7 million tons of agricultural commodities across its supply chain. A total of 2.5 million tonnes of sunflower seeds were crushed by the Company during financial year 2012, with sunflower oil exported in bulk or bottled and sold in both domestic and export markets. Wheat, barley, corn, rapeseed and soybean, originated from thousands of farmers across Ukraine and from Company-owned farming enterprises, were exported through the Black Sea grain terminals. Export revenues accounted for 85% of the Company's sales in financial year 2012.

Acquisitions

The following acquisitions were executed or finalised during the financial year ending 30 June 2012:

- ➔ In September 2011, the Company completed an acquisition of a 100% interest in Russian Oils, a company which owns three crushing plants in the Krasnodar and Stavropol regions of the Russian Federation with a total crushing capacity of about 410,000 tons of oilseeds per annum. Kernel paid USD 19.8 million in cash for the transaction and consolidated debt denominated in Russian rubles, equivalent to USD 44 million.
- ➔ In September 2011, the Company acquired a 100% interest in Black Sea Industries, a company whose primary asset is a 500,000 tons oilseed crushing plant in Illichevsk, Ukraine. The transaction was valued at about USD 140 million on a debt-free and cash-free basis. Located adjacent to the Company's Transbulkterminal, the plant is able to ship bulk oil and meal directly onto vessels. Assets of Black Sea Industries have been consolidated since September 2011.
- ➔ In October 2011, the Company acquired a farming company which manages 29,300 ha of leasehold farmland, mostly in the Khmelnitsk region in western Ukraine. Kernel paid total cash consideration of USD 51.4 million for the farm, out of which USD 31.3 million is attributable for the lease rights, machinery and partial working capital, while USD 21 million was for marketable inventories.
- ➔ In April 2012, the Company signed call options to acquire two farming companies with a total landbank under management of 119,200 ha in the Khmelnytsk and Poltava regions and 300,000 tons of owned storage facilities for a cash consideration of USD 98 million for the farmland lease rights, storage capacities, machinery and working capital. The company which manages a 40,000 ha in Poltava region has been consolidated into Company accounts from April 2012.

	Revenue			EBITDA*			EBITDA* margin	
	FY2012 (USD'000)	FY2011 (USD'000)	y-o-y	**FY2012 (USD'000)**	FY2011 (USD'000)	y-o-y	**FY2012 (USD'000)**	FY2011 (USD'000)
Bottled sunflower oil	**202,991**	152,101	33%	**31,831**	26,480	20%	**15.7%**	17.4%
Sunflower oil in bulk	**1,191,627**	1,157,874	3%	**166,638**	175,851	-5%	**14.0%**	15.2%
Grain handling and transshipment services	**28,907**	33,024	-12%	**13,666**	17,861	-23%	**47.3%**	54.1%
Farming	**171,032**	54,672	213%	**73,788**	31,505	134%	**43.1%**	57.6%
Grain	**598,691**	571,143	5%	**27,009**	66,419	-59%	**4.5%**	11.6%
Silo services	**50,983**	26,596	92%	**18,296**	9,270	97%	**35.9%**	34.9%
Sugar	**99,050**	0	n/m	**20,022**	n/a	n/m	**20.2%**	n/m
Other				**-29,275**	-17,757			
Reconciliation	**-185,840**	-96,292	93%					
Total	**2,157,441**	**1,899,118**	**14%**	**321,975**	**309,629**	**4%**	**14.9%**	**16.3%**

* EBITDA calculated as a sum of the profit from operating activities and amortisation and depreciation.

In September 2012, following the close of the financial year 2012, the Company entered into a 50/50 joint venture with Renaisco BV, a subsidiary of Glencore International plc, in which the joint venture has acquired a 100% interest in a deep water grain export terminal in Taman Port, Russia. The enterprise value was USD 265 million, financed via a combination of equity and debt. One of the largest deep water grain export terminals on Russia's Black Sea coast, it is strategically located in close proximity to Southern Russia's main grain producing region. The grain export terminal has an installed throughput capacity of 3 million tons per annum and will serve as a platform for the large scale deployment of Kernel's grain export business from Russia.

Revenue
For the year ending 30 June 2012, Kernel had revenues of USD 2,157.4 million, a 13.6% y-o-y increase driven primarily by 3.1x rise in the farming sale volumes. In addition, the acquisition of sugar plants drove the revenues in the sugar segment while a mix of a larger sale volumes and higher prices fuelled the revenues in the bottled oil arm.

Bottled Sunflower Oil
A remarkable 33% y-o-y growth in bottled sunflower oil segment revenues to USD 203.0 million in financial year 2012 was driven both by volume and price increases y-o-y. Following the lifting of the price cap introduced by the government in financial year 2011, the bottled sunflower oil price markup to bulk oil revived to normal levels, resulting in y-o-y improvement in average prices by 20% y-o-y. Higher margins incentivised us to bottle and sell larger volumes, translating into 131.7 million litres sold in financial year 2012, a 12% y-o-y increase.

Sunflower Oil in Bulk
The Company posted USD 1,191.6 million in revenues from the sunflower oil in the bulk segment in financial year 2012 versus USD 1,157.9 million in financial year 2011. The paltry growth in revenues was marked by a minor growth in volumes sold compared to the previous year which lagged sunflower seed crushing volume growth, which is mostly the result of: (1) abnormally high bulk oil sales during the first quarter of financial year 2011 that created a high base for comparison; and (2) solid carried-forward sunflower seed and oil inventories to meet crushing and sales targets in the first quarter of financial year 2013 prior to the new harvest supply.

Export Terminals
Sales from the grain handling and transshipment services amounted to USD 28.9 million during the year ended 30 June 2012, including intersegment sales. The 12% y-o-y decline was mostly attributed to the lower volumes handled during the period of 1.8 million tons in year ending 30 June 2012 versus 2.1 million tons a year ago, as the terminal was adjusting its corn intake system, while wheat and barley export deliveries trailed initial expectations for the season.

Farming
The farming segment of the Company posted USD 171.0 million in sales during the year ended 30 June 2012, including intersegment sales. A 3.1x growth y-o-y was driven by a 2.2x y-o-y growth in the harvested landbank and improved crop yields. In total, we produced 459,000 tons of grain, 139,000 tons of oilseeds, and 526,000 tons of sugar beets sold in financial year 2012. The average selling price for the period under review declined y-o-y for all key crops following international market trends.

Grain
The revenue from the grain segment was USD 598.7 million in financial year 2012 compared to USD 571.1 million reported in financial year 2011. A 5% y-o-y growth was driven by 17% y-o-y growth in tonnage to 2.1 million tons in the year ended 30 June 2012 following the plentiful harvest in Ukraine and the removal of the grain export restrictions which were in place for most of financial year 2011. Average prices for most of the crops sold by the segment decreased during the period, reflecting global trends.

Silo Services
Total sales from the silo services segment were USD 51.0 million in the year ended 30 June 2012, including intersegment revenues. A 92% y-o-y growth in total revenues was primary volume-driven, with grain and oilseeds received in inland silos up 64% y-o-y in financial year 2012.

Sugar
A new segment for the Company, sugar sales amounted to USD 99.1 million in the financial year ended 2012. The majority of sales were attributed to the execution of the sugar contract with the State Agricultural Reserve Fund in the fourth quarter of financial year 2012. Sugar plants were consolidated as of 30 June 2011 along with other assets acquired in the Ukrros transaction.

Intersegment Transactions
Owing to the high level of vertical integration within the Company, numerous transactions occur between the Company's segments which are eliminated in the consolidated statement of comprehensive income. Intersegment sales are accounted for at an arm-length basis to reflect appropriately the profitability levels of each segment. Sales are executed and accounted on the following basis:

- *Farming.* 85% of the total sales in the farming segment during the year ended 30 June 2012 were sold to other segments of the Company, namely grain (corn, wheat, barley, rapeseed, soybean), bulk and bottled oil (sunflower seed) and sugar (sugar beets). Each of the aforementioned segments pays to the farming segment the price equal to that paid to the third-party providers and that transaction is accounted for as inter-segment revenue for the farming segment and as costs for the grain, bulk oil, bottled oil or sugar segments.
- *Silo services.* Inter-segment sales, mostly to the grain and bulk oil segments, comprised 39% of the total revenues of the silo services segment in financial year 2012. Storage, cleaning, drying and other services are sold to the Company's segments at the same price as to third parties.
- *Export terminals.* The export terminal segment's intra-group sales amounted to 72% of the total revenues of the segment. The services price charged to other segments of the Company – namely grain and bulk oil – are identical to the prices charged to third parties. Segment sales are respectively recognised as revenue for the Company's export terminals segment and as costs for grain and bulk oil segments.

Gross Profit
Gross profit was USD 461.0 million for the year ended 30 June 2012 versus USD 459.5 million a year ago. Nonetheless of the 4% y-o-y growth in EBITDA, a key operating performance used by management, gross profit was flat during the year due to a higher amortisation and depreciation charge on newly consolidated assets as well as larger gains from the revaluation of biological assets which are reported below the gross line.

Other Operating Income
Other operating income was USD 66.0 million for the year ended 30 June 2012, a 2.5x growth y-o-y. Out of this figure, a total of USD 66.0 million was reported in the farming segment in the financial year 2012 (versus USD 24.2 million a year ago), consisting primarily of the VAT grant to farming companies and gains from the revaluation of biological assets. Compared to the previous year, growth was driven mostly by 2.9x y-o-y growth in acreage in the fourth quarter of financial year 2012, when most of the gains are reported.

Distribution Costs
Distribution costs grew 18% y-o-y to USD 200.4 million for financial year 2012, reflecting a 24% y-o-y growth in the total tonnage of agricultural produce handled over the period.

G&A Expenses
General and administrative expenses were USD 70.1 million for the year ended 30 June 2012 versus USD 38.2 million a year ago. A 84% y-o-y growth is mostly due to the consolidation of newly acquired farming companies and crushing plants.

Financial Review (continued)

Profit from Operating Activities

Kernel earned USD 256.5 million in the profit from operating activities during the year ended 30 June 2012, an 8% y-o-y decline. While farming was the main positive contributor to the change in operating profit from the previous year, a decrease in the grain segment's profitability has offset the gains. Higher depreciation and amortisation at the newly consolidated BSI and Russian oils plants, as well as high depreciation and amortisation at the farming segment following landbank expansion, caused operating profit performance to waver from the EBITDA figure that is used by management to assess operating performance.

	Profit from operating activities FY2012 (USD'000)	FY2011 (USD'000)	y-o-y		Tonnage FY2012 (tons)	FY2011 (tons)	y-o-y
Bottled sunflower oil	**30,061**	24,500	23%	Bottled oil sales, '000 litres	**131,694**	117,976	12%
Sunflower oil in bulk	**150,064**	165,764	-9%	Bulk oil sales	**828,370**	820,987	1%
Grain handling and transshipment services	**10,385**	14,311	-27%	Export terminal throughput	**1,809,346**	2,121,371	-15%
Farming	**41,216**	22,783	81%	Farm production, grains and oilseeds	**597,943**	218,354	174%
Grain	**26,963**	65,320	-59%	Grain sales	**2,123,229**	1,809,973	17%
Silo services	**12,084**	4,759	154%	Grain and oilseeds received in inland silos	**2,058,909**	1,253,740	64%
Sugar	**16,039**	n/a	n/m	Sugar production	**119,614**	0	n/m
Other	**-30,342**	-20,169	50%				
Total	**256,470**	**277,268**	**-8%**				

Bottled Sunflower Oil

The bottled oil segment reported USD 30.1 million in operating profit in the year ended 30 June 2012, a 23% increase y-o-y. The top line growth was driven by both volume and price increases following the lifting of the price caps introduced by the government during financial year 2011. Although the operating profit margin decreased by one percentage point y-o-y to 15% in the period, it has improved in dollar terms per ton.

Sunflower Oil in Bulk

The operating profit from the bulk oil sales was USD 150.1 million in financial year 2012 compared to USD 165.8 million a year ago. While the volumes were flat y-o-y, the decline in the operating profit margin is primarily explained by higher depreciation and amortisation charge on the acquired Black Sea Industries and Russian Oils plants.

Export Terminals

The operating profit from the transshipment and handling services provided by the export terminals segment decreased 27% y-o-y to USD 10.4 million. The decrease compared to the previous period primarily reflected a 15% decline in volumes handled.

Farming

Following the expansion of the landbank during financial year 2012, the Company's farming segment increased operating profit to USD 41.2 million, a 81% increase y-o-y. The increase was primarily driven by the larger acreage harvested during the period combined with improved crop yields. In addition, a larger landbank at the end of the financial year resulted in a higher operating profit from the future period reported in the current as a gain from the revaluation of biological assets.

Grain

Over the course of financial year 2012, the grain segment posted USD 27.0 million in operating profit, a 59% y-o-y decline. Although a comparison with the financial 2011 year should take into consideration abnormally high profitability of the financial 2011 year caused by grain export quotas, generally the grain segment underperformed management expectations in financial year 2012. The uncertainty of the grain export duties' removal at the start of the season resulted in grain export operations being breakeven in the first quarter, which is usually the most active part of the season. Following the removal of export duties, grain margins returned to normal levels where they stood until harsh winter frosts in January caused country-wide destruction of winter wheat crops, thus undermining the expectations of the next season's harvest which caused farmers to decrease their grain supply for export and withholding grain in anticipation of higher prices.

This downward supply shock forced international traders to compete more aggressively for volumes, according to our observations, to cover contract deliveries. This squeezed margins across the sector during the second half of the season, resulting in a 5% operating profit margin for grain segment.

Silo Services

The operating profit from silo services segment was USD 12.1 million during the year ended 30 June 2012, a 2.5x y-o-y increase. The profitability surge was caused primarily by a 64% y-o-y increase in the volume of grain and oilseed received in silos to 2.1 million tons in financial year 2012 following the bumper harvest in Ukraine and record carry-over stocks at the end of the season. As the majority of the segment costs are quasi-fixed in nature, the increase in the assets' turnover caused a more than proportional increase in the profitability.

Sugar

The operating profit from the sugar segment, a new segment for the Company since the consolidation of acquired sugar plants on 30 June 2011, was USD 16.0 million during the year ended 30 June 2012. The sugar price and industry performance were downwardly affected during the period as near-record sugar production resulted in sugar oversupply. However, Kernel had signed a sugar supply contract with the Ukrainian State Agricultural Fund for a majority of its harvest in advance prior to the price decline, which proved to be quite beneficial during the period.

Finance Costs

Net finance costs stood at USD 64.4 million during the 12 months ended 30 June 2012 versus USD 42.5 million in financial year 2011. A 52% increase during the year was explained by the increase in working capital due to growing crushing volumes by the Company, a slightly increased operating cycle in bulk oil segment, and the consolidation of the more expensive debt at acquired companies.

Net Profit

Net profit attributable to shareholders of Kernel Holding S.A. was USD 206.7 million for the 12 months ended 30 June 2012, compared to USD 226.3 million a year ago. A 9% y-o-y decrease was primarily attributed to a higher amortisation and depreciation charge following the acquisition of the BSI and Russian oils crushing operations, the Ukrros sugar and farming operations, and another farming operation acquired during the year, as well as higher financing costs during the period under review.

Cash Flow

The following table provides a summary of the Company's cash flow for financial years 2012 and 2011:

	FY2012 (USD'000)	FY2011 (USD'000)
Net cash used by operating activities	**(23,991)**	56,147
incl. change in the working capital	**(242,134)**	(180,109)
Net cash used in investing activities	**(229,236)**	(126,065)
Net cash provided by financing activities	**225,480**	123,551
Net increase/(decrease) in cash and cash equivalents	(27,652)	52,419

Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased by USD 80.1 million y-o-y, reflecting a higher change in the working capital: USD 242.1 million in financial year 2012 compared to USD 180.1 million a year ago.

In particular the change in the working capital was affected by USD 206.8 million increase in inventories during financial year 2012 caused by a combination of abnormally low inventories at the end of financial year 2011, a higher amount of sunflower seeds procured by the Company for crushing and higher bulk oil stocks as of 30 June 2012 accumulated to fulfill contracts in the first quarter of financial year 2013 before new sunflower seed harvests arrive in September.

Net Cash Used in Investing Activities

Net cash used in investing activities increased to USD 229.2 million during financial year 2012 versus USD 126.1 million in 2011.

Liquidity and Credit Metrics

We remain committed to maintaining a strong balance sheet with conservative leverage figures and funding flexibility. Initiatives undertaken in financial year 2012 included refinancing the debt acquired with Ukrros company under more favourable terms and maturities. The Company also improved its liquidity headroom and flexibility of financing, increasing its credit lines available as of 30 June 2012 to USD 1,538.9 million versus USD 984.5 million as of 30 June 2011, which was particularly important considering the recent grain prices growth.

The Company had USD 614.7 million in the net interest-bearing debt as of 30 June 2012, including long-term and short-term borrowings, net of cash and cash equivalents. The following table provides the total outstanding of short- and long-term interest-bearing debt as of 30 June 2012 and 30 June 2011.

	30 June 2012 (USD '000)	30 June 2011 (USD '000)
Short-term borrowings	**167,348**	234,514
Current portion of long-term debt	**98,622**	31,392
Long-term borrowings	**414,238**	152,684
Obligations under finance lease	**12,622**	3,373
Total interest-bearing debt	692,830	421,963

As of 30 June 2012, 63% of the Company's net interest-bearing debt was covered by readily marketable inventories. The adjusted net financial debt (excluding readily marketable inventories) stood at USD 225.2 million as of 30 June 2012, with an adjusted net debt to EBITDA ratio of 0.7 as of 30 June 2012.

	30 June 2012 (USD '000)	30 June 2011 (USD '000)
Cash	**82,529**	115,897
Inventory	**410,182**	183,668
of which: readily marketable inventories	**385,084**	172,700
RMI/Inventories	**94%**	94%
Gross interest-bearing debt	**692,830**	421,963
Net interest-bearing debt	**610,301**	306,066
Adjusted net financial debt(1)	**225,217**	133,366
Shareholders' equity(2)	**1,179,683**	971,574
Net debt/EBITDA(3)	**1.9**	1.0
Adjusted net debt/EBITDA(1),(3)	**0.70**	0.43
EBITDA/Interest	**5.0**	7.3

(1) Excluding readily marketable inventories.
(2) Total equity attributable to Kernel Holding S.A. shareholders.
(3) EBITDA is calculated as a sum of the profit from operating activities and amortisation and depreciation.

Principal Risks and Uncertainties

Kernel management considers the following factors, among others, that could materially influence the Company's financial results:

Low Harvest of Grain or Sunflower Seed in Ukraine

The Company's operations and results are dependent on a steady supply of raw materials. Unfavourable weather and growing conditions can result in significantly lower harvests and consequently to a shortfall in sunflower seed for the oilseed processing activity of the Group and/or to lower grain volumes available for the grain, silo services and export terminals segments, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Product Quality

The Company is subject to grain, sunflower oil and protein meal quality requirements and regulations. Actual or alleged violations of such requirements or alleged or actual contamination of the Company's food products could have a material adverse effect on the Company's reputation and its business, financial condition and results of operations.

The Risk of Unfavourable Changes to, or Interpretations of, the Tax Laws and Regulations in the Countries in Which Kernel Holding S.A. Operates

Regulations introduced by the Ukrainian government concerning agricultural commodities could have a material adverse effect on the Company's business, financial condition and results of operations. In financial year 2012, the Ukrainian government introduced grain export duties effective through early October 2011. Since the start of financial year 2012, the Ukrainian government also abolished the reimbursement of VAT for grain exports. The unstable regulatory environment adversely affected our grain export margin at the beginning of financial year 2012.

Price Controls

Detrimental price controls could be introduced affecting the Company's key products and its operations. Under Ukrainian legislation, local state authorities may regulate prices of certain food products, including bottled sunflower oil. In particular, the local state authorities might occasionally require producers of certain food products, including producers of bottled sunflower oil, to obtain approval from the local officers of the State Price Inspection before increasing the wholesale prices of such products by more than 1% in any given month. Furthermore, the Cabinet of Ministers of Ukraine have introduced in the past a procedure for the determination of prices of food products subject to state regulation. This procedure provides a formula for the calculation of wholesale prices of food products and profits from such sales that appears to be an effort to limit the profit margin charged on such products. If detrimental price controls were introduced to the Company's key products or the Company failed to comply with the Ukrainian price regulation mechanism described above, its business, results of operations and financial condition could be materially adversely affected.

Increased Competition

The Company could face increased competition from current and new operators in the Ukrainian agricultural industry. As the Ukrainian agricultural sector develops and crop production increases, farmers grow stronger and expand their acreage and grain traders and crushers see opportunities to expand business, there is potential to suffer a relative loss in market position which could have a material adverse effect on the Company's business, financial condition and results of operations.

Commodity Price Volatility

Most of the products procured, processed and sold by the Company are widely-traded agricultural commodities, the prices of which can be subject to significant fluctuations in a short time span. Such price movements could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's earnings are to an extent dependent on the prices of the commodities that it sells, including, amongst others, oil-bearing crops, grain, sunflower oil and meal. These fluctuate due to factors beyond the Company's control, including, amongst others, world supply and demand, supply of raw materials, weather, crop yields and governmental regulation. In addition, the price of vegetable oil depends on the production levels and prices of all edible oils as many oils, including sunflower oil, are substitutive by users to various degrees. Any of the above factors could adversely affect the Company's business, results of operations and financial condition.

Further risks identified by the Company include:

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

Sustainability
Sustaining the Environment

Sourcing Green Energy from Sunflower Husks
Seven of our ten oilseed crushing plants use sunflower husks as fuel to produce steam and electricity for their own needs, as well as supplying excess energy to the local communities. Over the last financial year, 83 million cubic metres of natural gas were conserved owing to the burning of the sunflower oilseed husks as a substitute. The excessive supply of the sunflower seed husks is pelletised and supplied to biodiesel plants in the EU. The use of sunflower husks as a fuel saves the equivalent of approximately 160,000 tons of emissions in CO_2 at our plants and the equivalent of approximately 460,000 tons in CO_2 in total.

During the year under review, we also started installing at one of our silos the pilot equipment for the grain drying and cleaning which will use sunflower husks instead of natural gas, the current industry standard. Should the project prove operationally successful, it will mark a new step in the industry toward more ecological fuel usage.

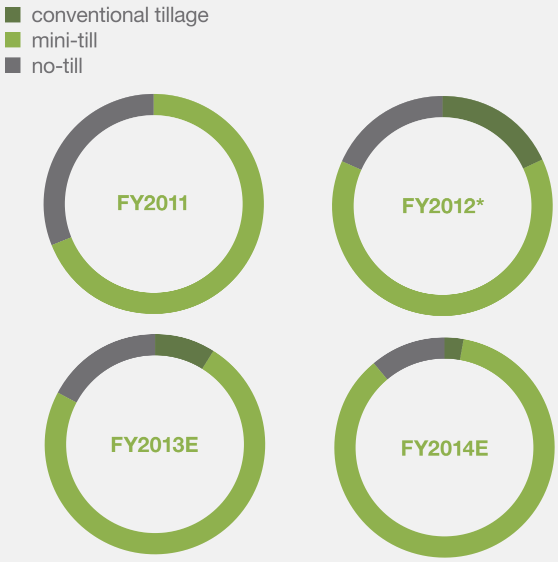
Mini-till and No-till Farming Technology
We have committed the Company to preserving and improving the productive capacity of our soils. Our agricultural production model is based on mini-till and no-till technologies to which we gradually transition all of our farming enterprises to ensure the smooth transformation of production processes. The mini-till and no-till technologies reduce soil erosion, preserve moisture and decrease carbon emissions as these require less motor hours per hectare. We also apply prudent crop rotation schedules suitable for each productive area and use balanced fertilisation, as well as integrated pest and weed management, to increase the long-term productivity of each area.

Over the last financial year, 83 million cubic metres of natural gas were conserved owing to the burning of the sunflower oilseed husks as a substitute.

Use of Modern Machinery to Minimise Food Losses Across the Value Chain
The use of the modern machinery at our farming enterprises not only improves the quality of the soil but also significantly reduces production losses at each stage of the growing campaign. For example, the use of the modern harvesters alone saves up to 7-10% of sunflower seeds, and the results are similar for other crops. Through our investments in modern machinery, we reduce the loss of grains and oilseeds, the savings of which are allotted for food and industrial use, including green energy.

Waste, Water Treatment Under Full Control at All Facilities
All of our production, storage and transshipment facilities conserve resources, and they carefully manage their water and waste treatment to mitigate any potential negative hazards.

Agricultural technique applied
(% of acreage under Kernel management)



* Decrease in mini-till and no-till share due to consolidation of acquired farming companies.
Source: Kernel

Sustainability
Giving Back to Communities

Being a Good Neighbour

Kernel is more than just an employer – the Company is an integral part of the local communities in which it operates. The nature of our business implies that a majority of operations are conducted in rural areas. We are proud to be responsible for the well-being of these regions, and it is very important to us to maintain our social good standing.

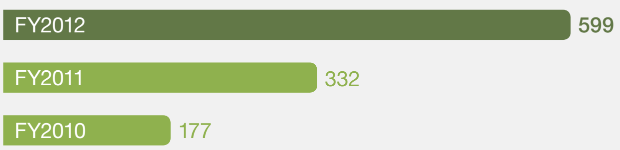
Over the course of financial year 2012, we contributed a total of USD 0.6 million to the local communities in the form of direct donations. In many regions, we sign social partnership agreements with local communities to maximise the efficiency of our involvement.

The Company's donation policy is focused on helping schools and providing critical investments into the infrastructure in rural areas that are vital for the communities. A total of 1,400 projects were supported through our financial donations during the year under review.

Apart from direct contribution, we believe we create a positive knowledge spillover effect for smallholder farming operations in the regions where we operate. In addition, we create direct and indirect employment opportunities: over the course of the last financial year 1,050 new direct workplaces were created and another estimated 750 indirect employment opportunities were established.

Over the course of financial year 2012, we contributed a total of USD 0.6 million to the local communities in the form of direct donations.

Direct donations
(USD thousands)



Source: Kernel

Human Rights Policy and Statement

As a responsible and integral member of society, we demand that our business conduct meets and preferably exceeds the minimum of internationally agreed upon standards, domestic laws and our internal corporate directives. We fully support the United Nations Global Compact's guiding principles on human rights and labour and aim to set an example of good human rights and labour practices throughout our business activities.

We:

- ➔ Support and respect the protection of international human rights within our sphere of influence;
- ➔ Make sure that we are not complicit in any human rights abuses;
- ➔ Are against all forms of exploitation of children;
- ➔ Recognise privacy as a human right;
- ➔ Expect each of our companies to respect and follow laws and regulations concerning human rights practices to the extent that our own principles and regulations are stricter than local laws, wherever a higher standard applies;
- ➔ Provide safe and healthy working conditions;
- ➔ Ensure that wages, salaries and other types of remuneration meet or exceed the levels stipulated in legislative or industry standards; and
- ➔ Abide by the legal and industry standards with respect to applicable working hours.

We Uphold:

- ➔ The freedom of association;
- ➔ The non-discrimination policies in personnel practices;
- ➔ The elimination of all forms of forced and compulsory labour;
- ➔ The impermissibility of any form of harassment;
- ➔ The inadmissibility of child labour; and
- ➔ The elimination of discrimination with respect to employment or occupation.

We adhere to the Universal Declaration of Human Rights as well as The International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work.

We fully support the United Nations Global Compact's guiding principles on human rights and labour.

Sustainability
Being a Responsible Employer

Competitive Reward Strategy
Kernel's success is backed by a workforce of over 17,000 people across our franchise. In our pursuit to be an employer of choice in regions where we operate, our starting point is to offer competitive wages that exceed the average figures in the sector. In addition to competitive wages during financial year 2012, we paid additional retirement benefits which totalled USD 0.7 million.

Training and Development
Along with enhancing people's job opportunities, training serves as a support to organisational integration and transition management. Over the course of financial year 2012, Kernel has invested about USD 0.2 million in the training and development of its workforce. In addition to those investments which covered approximately 3,000 employees, critical knowledge is gained through on-the-job training. Training activities are based on an ongoing partnership with the various internal units to encourage the design and continual improvement of training courses, making them more efficient and consistent with the requirements of employee and corporate objectives.

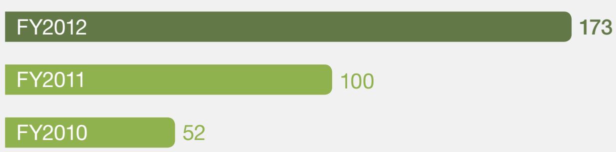
Examples of FY2012 training initiatives	Recipients
Water management and treatment	Technical personnel
Conceptual development of the vegetable oil industry	Managers, office workers
Safety and quality management of food produce in accordance with ISO 22000:2005, ISO 19011:2002, ISO 9001:2008	Technical personnel
Quality, safety, innovation and competitiveness of the oil and fats industry	Managers
Managerial skills	Managers
Effective management of the large-scale farming business	Managers, farming segment
Health, safety and environmental training	Manual workers

Case Study: Smart Farm
One example of an investment into the education of our workforce is a dedicated training centre called 'Smart Farm' which was established at the base of one of our farming clusters. The educational process at the Smart Farm is based on a module principle through which employees acquire knowledge and skills critical to efficient farming operations. The faculty at the centre is comprised of European and Ukrainian specialists and practitioners. The Smart Farm provides dedicated well-equipped classrooms, learning and accommodation facilities, as well as an experimental land plot of 500 hectares. More than 400 of our workers have completed courses taught at the Smart Farm since its inception in 2011.

Direct and Indirect Employment Opportunities
Kernel provides both direct and indirect employment opportunities in many rural areas, as farming operations in those areas are the most labour intensive. As of the end of financial year 2012, Kernel employed over 17,000 people. We operate in many rural areas providing one of the few employment opportunities in these village communities. We embrace this role with great responsibility.

Health and Safety
The health and safety of our workers is of primary importance to us as a company. We provide our workers with all required implementations, well in excess of regulatory requirements. Additionally, Kernel invests in safety-related training for its workers and supports local community clinics in rural areas.

Investments into training
(USD thousands)



Source: Kernel

Board of Directors

The Board of Directors is composed of seven directors, two of whom are independent directors. The directors presently serving on the Board are the following:

1. Andrey Verevskiy
Andrey Verevskiy, 38, was appointed director of the Company on 21 September 2007 and since then has served as Chairman of the Board. Mr. Verevskiy founded the Group's business in 1995, holding various executive positions within the Group; presently, he oversees the strategic development and overall management of the Group. As of 30 June 2012, he indirectly owns 38% of the Company. Mr. Verevskiy graduated from the Ukrainian Agrarian University with a degree in agronomy in 2004 and speaks fluent Russian, Ukrainian and English. Since 2002, Mr. Verevskiy has served as a member of the Ukrainian Parliament.

2. Ton Schurink
Ton Schurink, 66, was appointed as an independent director of the Company on 12 October 2007. Mr. Schurink is a senior executive with extensive experience in trading commodities, risk management, barter, shipping, financial trading and trade and structured finance acquired during a 32-year career with Cargill. In 2001, he founded his own consulting company, CFT Advisory Services, which focuses on overlaps between commodities, finance and trading. In 2008, Mr. Schurink founded, along with several partners, CFT Services & Partners SA. Mr. Schurink also serves on the boards of Navemar SA in Fribourg, Oceana SA in Chur, Amtrada Holding in Amsterdam, and Banque Cantonale de Geneve. He is working with several trading companies, mainly on risk management issues. Recently, he worked closely with a bank and liquidator in the bankruptcy of a trading company. Mr. Schurink is a graduate from Nijenrode Business School in The Netherlands and INSEAD's Advanced Management Programme in Fontainebleau, France. He holds both Dutch and Swiss passports.

3. Andrzej Danilczuk
Andrzej Danilczuk, 49, was appointed as an independent director of the Company on 12 October 2007. Mr. Danilczuk is a senior executive with over 20 years' experience in business development, trading and marketing of agri-commodities. He currently works with Koepta Brokers SARL in Geneva, Switzerland, which specialises in the brokerage of grain, oilseed and vegetable oil in the Black Sea region. Mr. Danilczuk started his career in 1991 at Louis Dreyfus Negoce SA where he reached the position of Vice President responsible for creating and co-managing all of Louis Dreyfus' agribusiness activities in Ukraine, Kazakhstan and Uzbekistan. He was specifically involved in the creation and management of an efficient origination network in Ukraine, trading, risk management, investments and long-term strategic planning. From 2005 till 2007, he worked as General Director of Nastyusha Paris S.A.S., a Russian-owned grain company, trading wheat of Kazakh and Russian origin. In 2007, Mr. Danilczuk joined Risoil S.A. Geneva as General Manager in charge of trading grain and oilseed of Ukrainian, Bulgarian and Russian origin. Mr. Danilczuk has the expertise of coordinating between western corporate culture with his deep knowledge of the local culture and business practices in the Black Sea region. A Polish citizen, he is a graduate of the Moscow State Institute for International Relations.

4. Anastasiia Usachova
Anastasiia Usachova, 41, was appointed director of the Company on 21 September 2007. Ms. Usachova has served the Group since 2003, and today oversees the Group's financial reporting, auditing, budgeting, financial planning and risk assessment. Prior to joining the Group in 2003, Ms. Usachova served for eight years as the chief financial officer of United Grain Group, a Ukrainian-based grain trading company. Ms. Usachova graduated from Poltava University in 1993 with a degree in physics and mathematics and from the High School of Entrepreneurship at Kiev Economic University with a diploma in international business administration in 1994. In 2000, Ms. Usachova completed the Russian Government's Finance Academy programme on practical financial management for finance and credit. In 2006, Ms. Usachova became a certified financial manager/certified management accountant through the Institute of Management Accountants (USA). Ms. Usachova speaks fluent Russian, Ukrainian and English.

4.


5. Konstantin Litvinskyi
Konstantin Litvinskyi, 39, was appointed director of the Company on 7 December 2011. Mr. Litvinskyi joined Kernel in 2005 and serves as Chief Operations Officer. Prior to joining the Group, Mr. Litvinskyi worked for Ramburs. Mr. Litvinskyi graduated from the Odessa Institute of Maritime Fleet Engineers as a marine logistics engineer in 1994 and completed the Maritime Management Course at the College of Central London in the United Kingdom in 1998. In his current position at Kernel, Mr. Litvinskyi is responsible for grain and sunflower oil exports, raw material procurement, grain purchasing, sugar sales and logistics. He also oversees elevator operations.

5.


6. Viktoriia Lukianenko
Viktoriia Lukianenko, 37, was appointed director of the Company on 21 September 2007. Ms. Lukianenko has served as a lawyer for the Group since 2002, and today oversees the Group's corporate and legal issues. Prior to joining the Group, Ms. Lukianenko held senior legal positions with various companies in Ukraine. In 1998 and 1999, Ms. Lukianenko also served as a leading specialist at the legal department for licensing and registration of the License Chamber of Ukraine. Ms. Lukianenko graduated from T. Shevchenko National State University in Kyiv with a diploma in law in 1998 and became a member of the Ukrainian bar in 2003. Ms. Lukianenko speaks fluent Russian, Ukrainian and English.

6.


7. Yuriy Kovalchuk
Yuriy Kovalchuk, 31, was appointed director of the Company on 4 November 2011. Mr. Kovalchuk oversees investor relations and new investment opportunities for the Group. Prior to joining the Group, Mr. Kovalchuk worked for ING Bank N.V. in Corporate Finance in London and Kyiv. Mr. Kovalchuk graduated from the Kyiv National University of Trade and Economics in 2003 as a manager/economist, with a major in business management. He is also a member of the Association of Chartered Certified Accountants since 2007.

7.


Corporate Governance

Kernel Holding S.A. (hereinafter 'the Company') is a public company listed on the Warsaw Stock Exchange and registered in Luxembourg.

Corporate Governance Framework

The Company declares that it follows the non-binding Principles of Corporate Governance as established by the Luxembourg Stock Exchange in October 2009 and the Code of Best Practices for Warsaw Stock Exchange listed companies, where most of the trading in the Company's shares takes place. Whenever there is a conflict, the Company follows the rules of the Luxembourg Stock Exchange, where the Company is registered. While the Company's corporate governance framework is not currently defined as a separate chapter of its Articles of Association, the Company is in the process of preparing appropriate amends to its Articles of Association to incorporate description of main aspects of its corporate governance and commitment to comply with the principles of corporate governance by both Luxembourg and Warsaw Stock Exchanges.

Board of Directors

Composition of the Board

i) The Articles of Association of the Company ('STATUTS COORDONNES') provide that the Board of Directors is composed of at least three directors. The present Board is composed of seven directors and the election of additional director is expected to be considered at the next annual general meeting. A short biography is provided in the Board of Directors section of this annual report.

ii) The Articles of Association further stipulate that at least two directors must be independent from the corporation, from affiliates of the corporation, and from any shareholder(s) holding at least 5% of the total votes in the corporation. The present Board is composed of two independent directors and five directors who either are employed by Subsidiaries of the Company or hold over 5% of votes in the Company. The election of an additional independent director is expected to be considered at the next annual general meeting.

iii) The Company follows the criteria outlined in Annex II of the European Commission Recommendation of 15 February 2005 to assess the independence of a director. The Company declares that independent directors:

(1) are not an executive director (or manager) of the Company or an associated company, and have not been in such a position over the past five years;
(2) are not employees of the Company or an associated company, and have not been in such a position during the past three years;
(3) do not receive, and have not received, significant additional remuneration from the Company or an associated company apart from a fee received as an independent director;
(4) are not and do not represent in any way a strategic shareholder with a 10% or greater holding;
(5) do not have, and have not had within the last financial year, a significant business relationship with the Company or an associated company, either directly or as a partner, shareholder, director or senior employee of a body having such a relationship;
(6) are not, and have not been during the last three years, a partner or employee of the present or former external auditor of the Company or an associated company;
(7) are not executive directors (or managers) at another company in which an executive director (or manager) of the Company is an independent director, and do not have other significant links with executive directors (or managers) of the Company due to positions held at other companies or bodies;
(8) have not served on the Board or supervisory board as independent (or supervisory) directors for more than 12 years; and
(9) are not close family members of an executive director or manager.

iv) All seven directors were elected to the Board by the shareholders at general meetings of the shareholders:

(1) Mr. Andrey Verevskiy was re-elected Chairman of the Board of Directors for a five-year term by the shareholders at the general meeting of shareholders held on 15 November 2010;

(2) Mr. Andrzej Danilczuk and Mr. Ton Schurink, both independent Directors, were re-elected to the Board for a one-year term by the shareholders at the general meeting of shareholders held on 7 December 2011;

(3) Mrs. Viktoriia Lukianenko and Mrs. Anastasiia Usachova were re-elected to the Board for a three-year term by the shareholders at the general meeting of shareholders held on 15 November 2010;

(4) Mr. Konstiantyn Litvinskyi and Mr. Yuriy Kovalchuk were elected to the Board for a three-year term by the shareholders at the general meeting of shareholders held on 7 December 2011;

v) During the financial year 2012 Mr. Patrick Conrad resigned as a member of the Board of Directors, effective as of 1 November 2011.

Meetings

The Board of Directors convenes primarily by conference call, as provided for in the Articles of the Company. Prior to release of financial statements of the Company, the Board will convene to review the results, including issues relating to the general policy and strategy of the Company. The minimum stipulated amount of meetings is equal to four per year in total, and to two in personal presence. The Board of Directors also meets to review and approve the budget of the Company for the next financial year and review the long-term strategic development plan of the Company.

Evaluation of the Board

To date, the Board has primarily contributed to review the financial reports of the Company prior their release, review and approval of the budget for the next financial year and, as appropriate, review of the long-term strategic development of the Company. Senior officers holding executive positions at various Subsidiaries of the Group are responsible for overall and daily management. Going forward, functions of the Board will include review of the supervision of internal controls and the audit function. In the evaluation of its operation, the board examines its composition, its organisation and its effectiveness as a collective body. The evaluation report currently is not presented to the annual general meeting of shareholders. Going forward, the Board plans to report to the annual general meeting of shareholders through a formal report.

Insider Dealing

The Company follows Luxembourg Stock Exchange and Warsaw Stock Exchange rules in regards to the disclosure of insider dealing, which require all Board Members to notify the Company with regards to all transaction in the shares in the Company. Respectively, the Company notifies both stock exchanges via appropriate regulatory filing. The Company is in the process of formulating a set of rules relating to the behaviour and notification obligations in relation to transactions in the Company's shares or other financial instruments carried out for their own account by a broader range of persons, including persons bearing executive responsibilities and persons with a close link to them, as well as all other persons bound by these obligations. At the moment, all executive directors which serve as Board members and independent directors are subject to Luxembourg Stock Exchange and Warsaw Stock Exchange regulations on the insider dealing.

Voting Procedure of the Board

The Articles of Association of the Company provide that decisions will be taken by a majority vote of the directors present. In the event of a tied vote, the Chairman of the meeting will not have a casting vote and the proposed decision will be rejected. The Articles of Association of the Company also stipulate that resolutions can also be taken by a circulated letter, but only if adopted unanimously.

Board of Directors Committees

Audit Committee

i) The primary function of the Audit Committee is to assist the Board of Directors in reviewing the financial reports and other financial information available, and, generally, in reviewing and assessing the auditing, accounting and financial reporting processes of the Company.

ii) At the meeting held on May 2012 the Board decided to establish separate Audit Committee consisting of three independent Directors. The Audit Committee is expected to start working following the election of a new independent Director with an audit background which is expected to be considered on the next annual general meeting of shareholders.

iii) The Audit Committee will assist the Board in monitoring the reliability and integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards applied by the Company, including the consolidation criteria. Additionally, the Audit Committee will assists the Board in formulating a description of the risks specific to the Company, while respective system of risk control to monitor the latter is subsequently implemented by the executive managers of the Company with appropriate identification and disclosure to the Board.

iv) The Audit Committee will have right to invite any other person whose collaboration it deems to be advantageous to assist it in its work and to attend its meetings. In addition, it can meet with any individual outside the presence of any executives. The Audit Committee will be required to evaluate its own effectiveness at the meeting preceding the annual general meeting of shareholders. Following each meeting of the Audit Committee, its chairman is required to report to the Board identifying the issues in respect of which he considers that action or improvement is called and make recommendations for the necessary adjustments in its internal regulations if required. An internal audit function of the Company is reporting to the Audit Committee of the Board and is to be set up following the election of a new independent Director with an audit background which is expected to be considered on the next annual general meeting of shareholders. The Audit Committee will be obliged to make recommendations regarding the internal auditor's work programme, if required, in addition to receiving periodic summaries of its work. The internal and external auditors, in addition to maintaining an effective working relationship with management, will have free access to the audit committee and the board. To this end, the Board of Directors acts as principal contact point at the moment.

Nomination and Remuneration Committee

i) The primary function of the Nomination and Remuneration Committee is to assist the Board of Directors in establishing criteria and remuneration procedures for directors, and in considering any remuneration for directors as well as considering any candidate for appointment or reappointment to the Board of Directors.

ii) The Nomination and Remuneration Committee is composed of Andrey Verevskiy, Chairman of the Board, Andrzej Danilczuk and Ton Schurink, independent Directors. Mr. Ton Schurink acts as the Chairman of the Nomination and Remuneration Committee.

iii) The Nomination and Remuneration Committee currently does not submits proposals to the Board regarding the remuneration of executive managers. The Board is in process to establish activity plan for the Nomination and Remuneration Committee.

iv) To date, as little changes have occurred in directors of the Company since the Company became publicly-listed, the Board has not considered it necessary to establish a separate Nomination Committee. The need to establish such a committee will be assessed annually by the Board. The minutes of Nomination and Remuneration Committee meetings are prepared jointly with the Board meetings.

Corporate Governance (continued)

Executive Management
Kernel Holding S.A. is managed by a Board of Directors and by the senior executive officers employed by Subsidiaries of the Group and responsible for each of the operating segments and each of the support function of the Group.

Compensation
Compensation details of directors and senior executive officers is set out in Note 27 to the financial statements. The policy for remunerating members of the Board and the executive management will be incorporated in the corporate governance chapter of the Articles of Association.

Internal Control and Risk Management
The Board of Directors oversees the internal risk management and control system, reviewing, at least annually, its performance to ensure that main risks are timely identified, properly managed and dutifully disclosed. Management of the Group is devoting appropriate attention and efforts in implementing an effective risk management both on the operational, as well as legal and financial aspects. The management monitors value at risk on the daily basis, pays attention to the counterparty risk and other operational risks that arise in the normal course of the business.

The Group has common accounting policies in place and follows the standard procedures on the financial reporting. While the Group Subsidiaries which are incorporated abroad of Luxembourg follow the locally required accounting principles, for the purpose of the consolidated financial reporting, IFRS standards are used. Standalone financial statements are issued in accordance with Luxembourg accounting standards. The financial statements, as well as the budget and financial guidance are reported to the Board of Directors and reviewed and approved.

Takeover Disclosure
The Group shares are freely transferable, subject only to the provisions of law and the Company's Articles of Association. The Company has a 2.07% weighting in the Warsaw Stock Exchange Top 20 Index as of 19 October 2012 and several other freefloat indices:

- The details of those shareholders with an interest of 5% or more in the issued share capital of the Company, as notified to the Company, are set out on this page below;
- All of the issued and outstanding shares in the Company have equal voting rights and there are no special control rights attaching to the shares;
- There are no agreements between the Company and its Directors or employees providing for compensation on loss of office or employment (whether through resignation, purported redundancy or otherwise) that would occur because of a takeover bid;
- The Company has entered into various agreements in the ordinary course of business around the world with major customers and suppliers. Some of these, either by their nature or value, may represent significant agreements and generally (as with the Company's standard terms and conditions of business) do provide for a right of termination upon a change of control of the Company. The commercial sensitivity of these agreements prevent details being disclosed; and
- Save as disclosed above, there are no other significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control following a takeover of the Company.

Ownership Structure
Kernel Holding S.A. is a publicly-listed company, the shares of which are held primarily by institutional investors and by Namsen Limited, a Cyprus investment vehicle, whose beneficial owner is Andrey Verevskiy, Chairman of the Board. Shares of the Company are traded on the Warsaw Stock Exchange.

As of 30 June 2012, Namsen Limited held 30,460,657 shares in the Company, equivalent to 38.23% of the voting rights in the Company.

On 6 April 2011, Comgest S.A. on behalf of its clients (Investment and Advisory Agreements) notified the Company that the threshold of 5% of the voting rights in Kernel Holding S.A. was crossed. No further notification has been received from Comgest S.A. by the Company.

External Auditor
In accordance with the Luxembourg law on commercial companies, the Company's annual and consolidated accounts are certified by an external auditor appointed by the annual general meeting of shareholders. On 7 December 2011, the shareholders appointed Deloitte Audit S.à r.l., having its registered office at 560, rue du Neudorf, L-2220 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number 67 895 as independent auditors for the audit of the consolidated and unconsolidated annual accounts of Kernel Holding S.A. for a one-year mandate, which shall terminate on the date of the general meeting of shareholders to be held in 2012.

Investor Relations
Kernel Holding S.A. has a dedicated Investor Relations function, the purpose of which is to develop and coordinate the Group's external financial communications and interactions with equity investors, investment analysts, credit rating agencies, financial journalists and other external audiences, to monitor stock market developments and to provide feedback to the Company's directors.

Statement of Management Responsibilities

for the year ended 30 June 2012

We confirm that to the best of our knowledge and belief:

- The consolidated financial statements of Kernel Holding S.A. (the 'Company') presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the assets, liabilities, financial position, cash flows and profit of the Company and the undertakings included within the consolidation taken as a whole; and
- The Management Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

26 October 2012

On behalf of management

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

To the shareholders of Kernel Holding S.A.
65, Boulevard Grande-Duchesse Charlotte
L-1331 Luxembourg

Report of the Reviseur d'Entreprises Agree

Report on the Consolidated Financial Statements

Following our appointment by the General Meeting of the Shareholders dated December 7, 2011, we have audited the accompanying consolidated financial statements of Kernel Holding S.A., which comprise the consolidated statement of financial position as at June 30, 2012, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises Agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Kernel Holding S.A. as of June 30, 2012, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements. The accompanying corporate governance statement on pages 40 to 42, which is the responsibility of the Board of Directors, includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and the description included with respect to Article 68bis paragraphs c and d of the aforementioned law is consistent with the consolidated financial statements.

For Deloitte Audit, Cabinet de révision agréé

Sophie Mitchell,
Réviseur d'entreprises agréé
Partner

October 26, 2012

Selected Financial Data

for the year ended 30 June

		Thousand USD		Thousand Zloty		Thousand EUR	
		FY2012	FY2011	**FY2012**	FY2011	**FY2012**	FY2011
Selected financial data							
I.	Revenue	**2,157,441**	1,899,118	**6,882,021**	5,538,398	**1,613,766**	1,394,522
II.	Operating profit	**256,470**	277,268	**818,114**	808,597	**191,840**	203,598
III.	Profit before income tax	**193,892**	208,418	**618,496**	607,810	**145,031**	153,041
IV.	Net profit	**210,782**	226,047	**672,374**	659,222	**157,665**	165,987
V.	Net cash (used in)/generated by operating activity	**(23,991)**	56,147	**(76,529)**	163,741	**(17,945)**	41,229
VI.	Net cash used in investment activity	**(229,236)**	(126,065)	**(731,240)**	(367,642)	**(171,469)**	(92,571)
VII.	Net cash generated by financial activity	**225,575**	122,337	**719,562**	356,771	**168,730**	89,832
VIII.	Total net cash flow	**(27,652)**	52,419	**(88,207)**	152,870	**(20,684)**	38,490
IX.	Total assets	**2,119,032**	1,572,609	**7,180,340**	4,327,348	**1,685,054**	1,085,415
X.	Current liabilities	**448,798**	394,990	**1,520,752**	1,086,894	**356,884**	272,622
XI.	Non-current liabilities	**459,533**	180,329	**1,557,128**	496,211	**365,421**	124,463
XII.	Share capital	**2,104**	1,945	**7,129**	5,352	**1,673**	1,342
XIII.	Total equity	**1,210,701**	997,290	**4,102,460**	2,744,243	**962,749**	688,330
XIV.	Number of shares	**79,140,131**	74,684,398	**79,140,131**	74,684,398	**79,140,131**	74,684,398
XV.	Profit per ordinary share (in USD/Zloty/EUR)	**2.61**	3.03	**8.33**	8.84	**1.95**	2.22
XVI.	Diluted number of shares	**79,537,486**	75,572,177	**79,537,486**	75,572,177	**79,537,486**	75,572,177
XVII.	Diluted profit per ordinary share (in USD/Zloty/EUR)	**2.60**	2.99	**8.29**	8.73	**1.94**	2.20
XVIII.	Book value per share (in USD/Zloty/EUR)	**14.91**	13.01	**50.51**	35.80	**11.85**	8.98
XIX.	Diluted book value per share (in USD/Zloty/EUR)	**14.83**	12.86	**50.26**	35.38	**11.79**	8.87

Consolidated Statement of Financial Position

as at 30 June 2012

(in US dollars and in thousands unless otherwise stated)	Notes	30 June 2012 audited	30 June 2011 audited
Assets			
Current assets			
Cash	6	**82,529**	115,897
Trade accounts receivable, net	7, 27	**146,362**	111,586
Prepayments to suppliers and other current assets, net	8, 27	**90,335**	81,334
Taxes recoverable and prepaid, net	9	**238,294**	221,274
Inventory	10, 27	**410,182**	183,668
Biological assets	11	**153,338**	95,961
Total current assets		**1,121,040**	**809,720**
Non-current assets			
Property, plant and equipment, net	12	**728,371**	502,752
Intangible assets, net	13	**91,087**	65,563
Goodwill	14	**137,227**	85,989
Deferred tax assets	19	**21,502**	10,723
Other non-current assets	15, 27	**19,805**	97,862
Total non-current assets		**997,992**	762,889
Total assets		**2,119,032**	**1,572,609**
Liabilities and equity			
Current liabilities			
Trade accounts payable	27	**25,490**	27,055
Advances from customers and other current liabilities	16, 27	**157,338**	102,029
Short-term borrowings	17	**167,348**	234,514
Current portion of long-term borrowings	18	**98,622**	31,392
Total current liabilities		**448,798**	**394,990**
Non-current liabilities			
Long-term borrowings	18	**414,238**	152,684
Obligations under finance lease		**12,622**	3,373
Deferred tax liabilities	19	**26,356**	24,119
Other non-current liabilities		**6,317**	153
Total non-current liabilities		**459,533**	**180,329**
Equity attributable to Kernel Holding S.A. equity holders			
Issued capital	2	**2,104**	1,945
Share premium reserve		**463,879**	321,556
Subscribed capital		**–**	137,354
Additional paid-in capital		**39,944**	39,944
Equity-settled employee benefits reserve	31	**1,211**	–
Revaluation reserve		**15,049**	15,049
Translation reserve		**(167,082)**	(162,152)
Retained earnings		**824,578**	617,878
Total equity attributable to Kernel Holding S.A. equity holders		**1,179,683**	**971,574**
Non-controlling interest		**31,018**	25,716
Total equity		**1,210,701**	**997,290**
Total liabilities and equity		**2,119,032**	**1,572,609**
Book value		**1,179,683**	971,574
Weighted average number of shares	32	**79,140,131**	74,684,398
Book value per share (in USD)		**14.91**	13.01
Diluted number of shares	32	**79,537,486**	75,572,177
Diluted book value per share (in USD)		**14.83**	12.86

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Income Statement
for the year ended 30 June 2012

(in US dollars and in thousands unless otherwise stated)	Notes	30 June 2012 audited	30 June 2011 audit
Revenue	20	**2,157,441**	1,899,118
Cost of sales	21, 27	**(1,696,468)**	(1,439,591)
Gross profit		**460,973**	**459,527**
Other operating income	22	**65,993**	26,192
Operating expenses			
Distribution costs	23, 27	**(200,368)**	(170,281)
General and administrative expenses	24, 27	**(70,128)**	(38,170)
Profit from operating activities		**256,470**	**277,268**
Finance costs, net	25, 27	**(64,361)**	(42,452)
Foreign exchange gain, net		**5,269**	1,723
Other expenses, net	26, 27	**(3,486)**	(28,121)
Profit before income tax		**193,892**	**208,418**
Income tax benefit	19	**16,890**	17,629
Net profit		**210,782**	**226,047**
Net profit/(loss) attributable to:			
Equity holders of Kernel Holding S.A.		**206,700**	226,272
Non-controlling interest		**4,082**	(225)
Weighted average number of shares	32	**79,140,131**	74,684,398
Profit per ordinary share (in USD)		**2.61**	3.03
Diluted number of shares	32	**79,537,486**	75,572,177
Diluted profit per ordinary share (in USD)		**2.60**	2.99

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2012

(in US dollars and in thousands unless otherwise stated)	Year ended 30 June 2012 audited	Year ended 30 June 2011 audited
Net profit	**210,782**	**226,047**
Other comprehensive income		
Exchange differences on translating foreign operations	(4,976)	(1,273)
Income tax related to components of other comprehensive income	–	3,789
Other comprehensive (loss)/income, net	**(4,976)**	**2,516**
Total comprehensive income	**205,806**	**228,563**
Total comprehensive income attributable to:		
Equity holders of Kernel Holding S.A.	201,770	228,531
Non-controlling interest	4,036	32

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

(in US dollars and in thousands unless otherwise stated)	Issued capital	Share premium reserve	Subscribed capital	Additional paid in capital	Equity-settled employee benefits reserve	Revaluation surplus	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to Kernel Holding S.A. shareholders										
Balance as of 30 June 2010 (audited)	**1,933**	**317,741**	**–**	**39,944**	**–**	**11,260**	**(160,622)**	**391,606**	**601,862**	**3,029**	**604,891**
Profit for the period	–	–	–	–	–	–	–	226,272	226,272	(225)	226,047
Other comprehensive income	–	–	–	–	–	3,789	(1,530)	–	2,259	257	2,516
Total comprehensive income for the period	–	–	–	–	–	3,789	(1,530)	226,272	228,531	32	228,563
Effect of changes of non-controlling interest	–	–	–	–	–	–	–	–	–	22,655	22,655
Subscribed capital	–	–	137,354	–	–	–	–	–	137,354	–	137,354
Increase of share capital	12	–	–	–	–	–	–	–	12	–	12
Issued capital	–	3,815	–	–	–	–	–	–	3,815	–	3,815
Balance as of 30 June 2011 (audited)	**1,945**	**321,556**	**137,354**	**39,944**	**–**	**15,049**	**(162,152)**	**617,878**	**971,574**	**25,716**	**997,290**
Profit for the period	–	–	–	–	–	–	–	206,700	206,700	4,082	210,782
Other comprehensive income	–	–	–	–	–	–	(4,930)	–	(4,930)	(46)	(4,976)
Total comprehensive income for the period	–	–	–	–	–	–	(4,930)	206,700	201,770	4,036	205,806
Effect of changes of non-controlling interest	–	–	–	–	–	–	–	–	–	1,266	1,266
Recognition of share-based payments	–	–	–	–	1,211	–	–	–	1,211	–	1,211
Subscribed capital	–	–	(137,354)	–	–	–	–	–	(137,354)	–	(137,354)
Increase of share capital	159	142,323	–	–	–	–	–	–	142,482	–	142,482
Balance as of 30 June 2012 (audited)	**2,104**	**463,879**	**–**	**39,944**	**1,211**	**15,049**	**(167,082)**	**824,578**	**1,179,683**	**31,018**	**1,210,701**

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Cash Flows
for the year ended 30 June 2012

(in US dollars and in thousands unless otherwise stated)	Notes	Year ended 30 June 2012 audited	Year ended 30 June 2011 audited
Operating activities:			
Profit before income tax		**193,892**	208,418
Adjustments for:			
Amortisation and depreciation		**65,505**	32,361
Finance costs, net		**64,361**	42,452
Movement in allowance for doubtful receivables		**3,942**	2,244
Other accruals		**3,297**	–
(Gain)/loss on disposal of property, plant and equipment		**(1,083)**	4,601
Non-operating foreign exchange loss		**4,004**	1,892
Write-offs and impairment loss		**3,948**	–
Gain from changes in fair value of biological assets		**(41,660)**	(16,290)
Gain on sales of equity investments		**(1,457)**	(495)
Gain from bargain purchase		**(3,337)**	–
Operating profit before working capital changes		**291,412**	275,183
Changes in working capital:			
Increase in trade accounts receivable		**(9,281)**	(52,080)
Decrease in prepayments and other current assets		**1,181**	18,925
Decrease in restricted cash balance		**5,716**	1,720
Increase in taxes recoverable and prepaid		**(10,247)**	(1,371)
Decrease in biological assets		**11,585**	3,292
Increase in inventories		**(206,817)**	(24,889)
(Increase)/decrease in trade accounts payable		**(23,220)**	4,830
Increase in advances from customers and other current liabilities		**(11,051)**	(130,536)
Cash provided by operations		**49,278**	95,074
Finance costs paid		**(66,753)**	(35,974)
Income tax paid		**(6,516)**	(2,953)
Net cash (used in)/generated by operating activity		**(23,991)**	**56,147**
Investing activities:			
Purchase of property, plant and equipment		**(95,938)**	(50,272)
Proceeds from disposal of property, plant and equipment		**2,810**	2,174
Purchases of intangible and other non-current assets		**(1,572)**	(66,485)
Acquisition of Subsidiaries		**(139,077)**	(11,482)
Disposal of Subsidiaries		**3,321**	–
Proceeds from change in non-controlling interest		**1,220**	–
Net cash used in investing activities		**(229,236)**	**(126,065)**
Financing activities:			
Proceeds from short-term and long-term borrowings		**1,486,476**	2,258,100
Repayment of short-term and long-term borrowings		**(1,266,124)**	(2,275,730)
Proceeds from issued capital increase		**–**	12
Proceeds from share premium reserve increase		**4,969**	3,815
Issued capital		**159**	–
Proceeds from subscribed capital		**–**	137,354
Net cash (used in)/generated by financing activities		**225,480**	**123,551**
Translation adjustment		**95**	(1,214)
Net (decrease)/increase in cash and cash equivalents		**(27,652)**	52,419
Cash and cash equivalents, at the beginning of the period		**110,181**	57,762
Cash and cash equivalents, at the end of the period	6	**82,529**	110,181

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

1. Corporate Information

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

The Group's principal business activity is related to the production and sale of bottled sunflower oil, the production and subsequent export of bulk sunflower oil and meal, the production and sale of sugar, the wholesale trade of grain (mainly wheat, barley and corn), farming and the provision of logistics and transshipment services. The majority of Group's manufacturing facilities are primarily based in Ukraine and Russia. As of 30 June 2012, the Group employs 17,464 people (12,225 people as of 30 June 2011).

The Group's financial year runs from 1 July to 30 June.

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

As of 30 June 2012 and 30 June 2011, the primary subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of 30 June 2012	30 June 2011
Jerste BV	Holding companies.	Netherlands	**100%**	100%
Enselco LLC		Ukraine	**100%**	N/A
Enselco Agroholding LLC		Ukraine	**100%**	N/A
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	**100%**	100%
Restomon Ltd		British Virgin Islands	**100%**	100%
Kernel-Trade LLC		Ukraine	**100%**	100%
Poltava oil-crushing plant Kernel Group PJS	Production plants. Production of sunflower oil and meal.	Ukraine	**99.7%**	99.7%
Bandurskiy oil-crushing plant LLC		Ukraine	**100%**	100%
Vovchansky OEP PJSC		Ukraine	**99.4%**	99.4%
Prykolotnjansky OEP LLC		Ukraine	**100%**	100%
Kirovogradoliya JSC		Ukraine	**99.2%**	99.2%
Ekotrans LLC		Ukraine	**100%**	100%
Ukrainian Black Sea Industry LLC		Ukraine	**100%**	N/A
Stavropol oil OJSC		Russia	**100%**	N/A
Nevinnomissky oil-crushing plant CJSC		Russia	**100%**	N/A
Ust-Labinsky EMEK Florentina CJSC		Russia	**100%**	N/A
Chortkivsky tsukrovy zavod LLC	Production plants. Production of sugar.	Ukraine	**73.8%**	73.8%
Tsukrove LLC		Ukraine	**71.3%**	71.3%
Palmirsky tsukrovy zavod LLC		Ukraine	**72.7%**	72.7%
Orzhytsky tsukrovy zavod LLC		Ukraine	**73.4%**	76.2%
Estron Corporation Ltd.	Provision of grain, oil and meal handling and transshipment services.	Cyprus	**100%**	100%
Poltavske Khlibopriemalne Pidpriemstvo PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	**88.2%**	88.2%
Kononivsky Elevator LLC		Ukraine	**100%**	100%
Unigrain-Agro (Globyno) LLC	Agricultural farms.	Ukraine	**100%**	100%
Unigrain-Agro (Semenivka) LLC	Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beets.	Ukraine	**100%**	100%
Agrofirma Arshytsya LLC		Ukraine	**100%**	100%
Hliborob LLC		Ukraine	**100%**	100%
Agrofirma Kuybyshevo LLC		Ukraine	**52.5%**	76.2%
Palmira LLC		Ukraine	**81.5%**	81.5%
Enselco Agro		Ukraine	**100%**	N/A

These consolidated financial statements were authorised for issue by the Board of Directors of Kernel Holding S.A. on 23 October 2012.

2. Change in Issued Capital

Since 15 June 2005 the parent company of the Group is Kernel Holding S.A. (Luxembourg) (the 'Holding' or the 'Company'), whose issued capital as of 30 June 2012 consisted of 79,683,410 ordinary bearer shares without indication of a nominal value, providing 79,683,410 voting rights (as of 30 June 2011: 73,674,410 shares).

The shares were distributed as follows:

Equity holders	As of 30 June 2012 Shares allotted and fully paid	Share owned	As of 30 June 2011 Shares allotted and fully paid	Share owned
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the 'Major Equity holder')	**30,460,657**	**38.23%**	30,174,250	40.96%
Free-float	**49,222,753**	**61.77%**	43,500,160	59.04%
Total	**79,683,410**	**100.00%**	73,674,410	100.00%

2. Change in Issued Capital (continued)
As of 30 June 2012 and 2011, 100% of the beneficial interest in the 'Major Equity holder' was held by Verevskiy Andrey Mikhaylovich (hereinafter the 'Beneficial Owner').

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

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

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

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

On 5 January 2011, Kernel issued 483,410 new shares without indication of a nominal value. All of the newly issued shares were subscribed to by a stock option beneficiary under the Management Incentive Plan. The issue price of 1 share was PLN 24. As a result of the increase, the Company's share capital was increased by an amount of USD 12,764 and set at USD 1,945,446.46 divided into 73,674,410 shares without indication of a nominal value.

Luxembourg companies are required to allocate to the legal reserve as a minimum of 5% of the annual net income calculated based on stand-alone financial statements of the Company until this reserve equals 10% of the subscribed issued capital. This reserve of an amount of USD 125,000 as of 30 June 2012 unchanged from 30 June 2011), may not be distributed as dividends.

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

On 4 August 2011, Kernel issued 6,009,000 new shares without indication of a nominal value. 5,400,000 newly issued shares have been subscribed by Namsen Limited. The remaining newly issued shares have been subscribed by holders of stock options issued in connection with the Company's management incentive plan. As a result of the increase, the Company's share capital was set at USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value.

3. Basis of Preparation of Financial Statements and Summary of Significant Accounting Policies

Basis of Preparation and Accounting
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS').

The accompanying consolidated financial statements have been prepared in accordance with the requirements of IAS, IFRS and interpretations, issued by the International Financial Reporting Interpretations Committee ('IFRIC'). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment for oil, available-for-sale financial assets, biological assets, agriproduce, financial assets and financial liabilities at fair value through profit or loss.

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's Subsidiaries' accounts prepared under local accounting regulations, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Adoption of New and Revised Standards
The Group has adopted the following new and amended standards:

IFRS 7 Financial Instruments
The new interpretation became effective for annual periods on or after 1 July 2011. Improvements affect the existing credit risk disclosures and improve the disclosure requirements to the transfer of financial assets.

IAS 24 Related Party Disclosures
The improvement to IAS 24 is effective for financial years beginning on or after 1 January 2011. The amendments were made with the purpose of changing the definition of the related party itself and simplifying the disclosure procedures for government-related entities.

IFRIC 14 Prepayment of a Minimum Funding Requirement
The revised version of the Interpretation becomes effective for the financial years starting from 1 January 2011. The amendment outlines procedures per assessment of the recoverable amount of net pension assets and permits an entity to account for the prepayment of a minimum funding requirement as an asset. The issue of the following revised standard did not have a significant impact on the preparation and presentation of financial statements of the Group.

None of the new or revised standards or interpretations have a significant impact on the preparation and presentation of financial statements of the Group.

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

Standards and Interpretations Not Yet Adopted

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

Standard	Effective for annual accounting period beginning on or after
IFRS 9 Financial instruments: classification and measurement	1 January 2015
IFRS 10 Consolidated financial statements	1 January 2013
IFRS 11 Joint arrangements	1 January 2013
IFRS 12 Disclosure of interest in other entities	1 January 2013
IFRS 13 Fair value measurement	1 January 2013
Amendments to IAS 12 Recovery of underlying assets	1 January 2012
IAS 19 Employee Benefits	1 January 2013*
IAS 27 Consolidated and separate financial statements	1 January 2013
IAS 28 Investments in associates	1 January 2013
IAS 1 Presentation of financial statements	1 July 2012*

* Standards and interpretations,which are endorsed by the European Union.

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. The estimates are based on the information available as of the reporting date. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimating uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate their present value.

The carrying amount of goodwill at 30 June 2012 and intangible assets with indefinite useful lives amounted to USD 156,563,000 (30 June 2011: USD 105,352,000). No impairment loss was recognised for the financial years ended 30 June 2012 and 30 June 2011. Details of management assumptions used to assess the recoverable amount of cash-generating units for which goodwill and intangible assets with indefinite useful lives have been allocated to are provided in Note 13 and 14.

Property, Plant and Equipment

Useful lives of property, plant and equipment.

The Group's property, plant and equipment are depreciated using the straight-line method over their estimated useful lives which are based on management's business plans and operational estimates.

The factors that could affect the estimation of the life of a non-current asset and its residual value include the following:

- Changes in technology;
- Changes in maintenance technology;
- Changes in regulations and legislation; and
- Unforeseen operational issues.

Any of the above could affect the prospective depreciation of property, plant and equipment and their carrying and residual values.

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group. Any change in estimated useful life or residual value is recorded on a prospective basis from the date of the change.

Impairment of Property, Plant and Equipment

Management reviews the carrying amounts of assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

The assessment of whether there are indicators of a potential impairment are based on various assumptions including market conditions, asset utilisation and the ability to utilise the asset for alternative purposes. If an indication of impairment exists, the Group estimates the recoverable value (greater of fair value less cost to sell and value in use) and compares it to the carrying value, and records impairment to the extent the carrying value is greater than recoverable amount.

The value in use is based on estimated future cash flows that are discounted to their present value using a pre-tax discount rate. The estimated future cash flows require management to make a number of assumptions including customer demand and industry capacity, future growth rates and the appropriate discount rate. Any change in these estimates may result in impairment in future periods.

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

Fair Value of Biological Assets and Agricultural Produce

Biological assets are recorded at fair value less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Expected crop output;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell; and
- Discount rate.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results.

Functional and Presentation Currency

Starting from 1 January 2007, and in accordance with the resolution of the shareholders dated 31 July 2007, the functional currency of Kernel Holding S.A. is the United States dollar ('USD'). Management utilises the USD as the functional and presentation currency of the accompanying consolidated financial statements of the Holding under International Accounting Standard ('IAS') 21 (The Effects of Changes in Foreign Exchange Rates) as its major assets and sources of finance are denominated in USD. The functional 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), Jerste BV (Netherlands), Corolex Public Co. Limited (Cyprus), Sugar Holding Limited (Cyprus) and Etrecom Investments Ltd (Cyprus). Management has utilised the USD as the functional currency for Inerco Trade S.A., Lanen S.A., Estron Corporation Ltd, Chorex Developments Limited, Hamalex Developments Ltd., Restomon Ltd, Jerste BV, Corolex Public Co. Limited, Sugar Holding Limited and Etrecom Investments Ltd under IAS 21 as their major sources of finance, prices of sales contracts with customers, and prices of significant contracts for purchases of goods and services from suppliers are denominated in USD. From 1 July 2009 and on the basis of IAS 21, management adopted the USD as the functional currency of 'Kernel Trade' LLC, as the major sources of finance, prices of sales contracts with customers, and prices of significant contracts for purchases of goods and services from suppliers are denominated in, or pegged to, the USD. On the basis of IAS 21, the USD was also adopted as the functional currency for CJSC 'Poltava oil crushing plant – Kernel Group', JSC 'Vovchansky OEP', CJSC 'Prykolotnjansky OEP', and from 1 April 2010 JSC 'Kirovogradoliya' and 'Ekotrans' LLC, and from 1 July 2010 'Bandurskiy oil crushing plant' LLC, and from 30 September 2011 Stavropol oil OJSC, Nevinnomissky oil-crushing plant CJSC, Ust-Labinsky EMEK Florentina CJSC and Ukrainian Black Sea Industry LLC, as the activities of these Subsidiaries are carried out with a limited degree of autonomy. Following the changes in functional and presentation currency, reclassification in the Statement of Cash Flows was effected to provide users of the financial statements with clearer and more detailed information. Transactions in currencies other than functional 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 (the 'Subsidiaries') as of 30 June 2012. 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.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal.

All significant intercompany transactions and balances between the Group enterprises are eliminated on consolidation. Unrealised gains and losses resulting from intercompany transactions are also eliminated, except for unrealised losses which cannot be recovered.

Non-controlling interests at the date of the statement of the financial position represent the non-controlling equity holders' portion of the fair values of the identifiable assets and liabilities of the subsidiary at the acquisition date and the non-controlling equity holders' portion of movements in equity since the date of the acquisition. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business Combinations

On the acquisition of a Subsidiary, the business combination is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregated amount of the consideration transferred, measured at the date of acquisition. The consideration paid is allocated to the assets acquired and liabilities assumed on the basis of fair values at the date of acquisition. Acquisition costs are expensed when incurred and included in general and administrative expenses.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at acquisition date; and
- Assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5. Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

In the case that identifiable net assets attributable to the Group, after reassessment, exceed the cost of acquisition, the difference is recognised in profit and loss as a gain on bargain purchase.

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

For each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during the measurement period of 12 months after acquisition date.

Changes in the Group's ownership interests in Subsidiaries that do not result in the Group losing control over the Subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in Subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Holding.

Discontinued Operations

In compliance with IFRS 5 (Non-current Assets held for sale and discontinued operations), non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Non-current Assets are measured at the lower of the previous carrying amount or the fair value less costs to sell.

The result from discontinued operations is presented in the income statement as a separate item after the profit from continuing operations. If the criteria of classification of the disposal group held for sale are met after the statement of financial position date, the disposal group is not presented as held for sale in those financial statements when issued. However, when those criteria are met after the statement of financial position date but before the authorisation of the financial statements for issue, the Group discloses the relevant information in notes to the financial statements.

Foreign Currency Translation

Transactions in currencies other than the functional currencies of the Group companies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Subsequently, monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in 'Translation reserve'.

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

Currency	Closing rate as of 30 June 2012	Average rate for the 12 month ended 30 June 2012	Closing rate as of 30 June 2011	Average rate for the 12 month ended 30 June 2011
USD/UAH	**7.9925**	**7.9831**	7.9723	7.9368
USD/EUR	**0.7952**	**0.7480**	0.6902	0.7343
USD/PLN	**3.3885**	**3.1899**	2.7517	2.9163
USD/RUB	**32.8169**	**30.3890**	28.0758	29.6497

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash with banks, and deposits with a maturity date of three months or less from the date of acquisition.

Financial Instruments

Financial instruments are classified according to the following categories: financial assets or financial liabilities recognised at fair value through profit or loss; held-to-maturity investments; available-for-sale financial assets; trade receivables; loans receivable and other financial liabilities. The classification depends on the nature and purpose of financial assets or financial liabilities and is determined at the time of initial recognition. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

The effect of initial recognition of financial assets and liabilities obtained/incurred at terms below market is recognised net of tax effect as income or expense, except for financial assets and liabilities with shareholders' or entities under common control, whereby the effect is recognised through equity.

Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss

These are financial instruments acquired mainly with the purpose of gaining from short-term price fluctuations or designated as such upon initial recognition. Financial assets or liabilities are recognised 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 recognised 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 amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

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

Available-for-sale Financial Assets
Investments in unquoted 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 recognised directly in the income statement. When such assets are disposed of, the cumulative gain from asset revaluation is included in a calculation of the financial result on the disposal which is included in the profit or loss. The cumulative loss in equity is transferred to the profit or loss immediately.

Loans and Receivables
Loans provided by the Group are financial assets, created by means of grant of money directly to a borrower or participating in the provision of credit services, not including those assets which were created for 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 for the period when the amount was lent, as an adjustment to the loan amount. Loans with fixed maturity terms are measured at amortised cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. Loans provided are reflected in the statement of financial position, 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 in non-current assets, except for those cases when the term of redemption expires within 12 months from the reporting date. Financial assets, which are recognised at fair value through profit or loss are a part of current assets as well as available-for-sale investments if the Group's management has the intent to realise them within 12 months of the reporting date. All acquisitions and sales of financial instruments are registered at the settlement date. Investments in equity securities where fair value cannot be estimated on a reasonable basis are stated at cost less impairment losses.

Other Financial Liabilities
Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of Financial Assets
Financial assets, other than those at FVTPL, are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost, is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- Probability of the borrower filing for bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Derecognition of Financial Assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequent measured at amortised cost using the effective interest method, less provision for impairment.

Taxes Recoverable and Prepaid

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

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises purchase cost and, where applicable, those expenses that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out (FIFO) method. Net realisable 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, soya bean, sunflower seed, sugar beet and other crops produced, and cattle as biological assets. In accordance with IAS 41 (Agriculture), biological assets are measured on initial recognition and at each reporting date at their fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably (at the early stage of an asset's life and when market-determined prices or values are not available).

Biological assets for which market-determined prices or values are not available and for which alternative estimates of fair value are considered 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 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.

Cost of agricultural preparation of fields before seeding is recorded as work-in-progress in inventories. After seeding the cost of field preparation is reclassified as biological assets held at fair value.

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.

Property, Plant and Equipment

Buildings and constructions (oil) and production machinery and equipment (oil), accounted for at revalued amounts, being the fair value, which is determined using external professional expert evaluation. 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 less accumulated impairment losses and is not depreciated.

The fair value was defined as the amount for which an asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. The fair value of marketable assets was determined at their market value. If there is no market-based evidence of fair value because of the specialised nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an income or a depreciated replacement cost approach was used to estimate the fair value. Valuations are performed frequently enough to ensure that the fair value of a re-measured asset does not differ materially from its carrying amount. Property, plant and equipment acquired in a business combination are initially recognised at their fair value which is based on valuations performed by independent professionally qualified appraisers.

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

If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income or loss. However, such increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, such decrease is debited directly to other comprehensive income or loss to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on revalued assets is charged to the profit or loss. On the subsequent sale or retirement of revalued assets, the revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Property, plant and equipment are depreciated over the estimated useful economic lives of assets under the straight-line method.

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

Property, Plant and Equipment (continued)

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	5–20 years
Construction in progress ('CIP') and uninstalled equipment	not depreciated

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible Assets

Trademarks

Intangible assets acquired separately from a business are capitalised at initial cost. The 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks have indefinite useful life and thus are not amortised but are tested for impairment by comparing their recoverable amount with their carrying amount annually on the 30 June and whenever there is an indication that the trademarks may be impaired.

Land Lease Rights

Land lease rights acquired in a business combination are recognised separately from goodwill at their fair value at the acquisition date (which is subsequently regarded as their cost).

Amortisation of land lease rights is calculated on a straight-line basis during the term of a lease contract.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement.

An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of Non-current Assets, Except of Goodwill

At each statement of financial position 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.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, 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 (or a cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

Trade and Other Accounts Payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Contingencies

Contingent liabilities are not recognised 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 recognised in the financial statements but is disclosed when an inflow of economic benefits is probable.

Provisions

A provision is recognised in the statement of financial position 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 and reliable estimate of the obligation amount can be made.

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.

Employee Benefits

Certain entities within the Group participate in a mandatory State defined retirement benefit plan, which provides for early pension benefits for employees working in a certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions. The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date, less adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by actuaries using the Projected Unit Credit Method. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to Income over the employees' expected average remaining working lives.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowings

Borrowings are recorded as 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.

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 capitalisation.

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

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 recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position 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.

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

Issued Capital and Earnings Per Share

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

Repurchase of Issued Capital
When issued capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised 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 International Financial Reporting Standard (IFRS) 2 (Share-based Payment) during the 2008 financial year.

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

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

At each statement of financial position 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 statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

Earnings Per Share
Earnings per share are calculated by dividing net profit attributable to equity holders of the Holding by the weighted average number of shares outstanding during the period.

Revenue Recognition
Revenue is recognised 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 recognised:

Sale of Goods and Finished Products
Revenue is recognised when the significant risks and rewards of ownership of goods for resale and finished products have passed to the buyer, the amount of revenue can be measured reliably and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Rendering of Services
Revenue is recognised in the accounting period in which the services are rendered.

Income Taxes
Income taxes have been provided for in the consolidated financial statements in accordance with legislation currently enacted in law jurisdictions where operating entities are located.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The current income tax charge is the amount expected to be paid to, or recovered from, the taxation authorities with respect to taxable profit or losses for the current or previous periods. It is calculated using tax rates that have been enacted by the reporting date in the countries where the Holding and its subsidiaries operate and generate taxable income. Taxes other than on income are recorded within operating expenses. Some of the Group companies that are involved in agricultural production are exempt from income taxes and pay the Fixed Agricultural Tax instead.

Deferred income tax is calculated 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 their corresponding tax bases used in the computation of taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the recognised amounts of current tax assets and current tax liabilities;
- The Group has an intention to settle on a net basis, or to realise 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.

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.

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

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

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

The measure of profit and loss, and assets and liabilities is based on the Group Accounting Policies which are in compliance with IFRS. In the financial statements as of 30 June 2012, the segment table reflects continuing operations only.

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, amortisation 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.

4. Key Data by Operating Segment

Key Data by Operating Segment for the Year Ended 30 June 2012:

(in US dollars and in thousands unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Continuing operations
Revenue (external)	202,991	1,191,627	8,012	25,814	598,691	31,256	99,050	–	–	2,157,441
Intersegment sales	–	–	20,895	145,218	–	19,727	–	–	(185,840)	–
Total revenue	**202,991**	**1,191,627**	**28,907**	**171,032**	**598,691**	**50,983**	**99,050**	**–**	**(185,840)**	**2,157,441**
Other operating income	–	6,081	15	65,936	(6,437)	304	94	–	–	65,993
Operating profit	**30,061**	**150,064**	**10,385**	**41,216**	**26,963**	**12,084**	**16,039**	**(30,342)**	**–**	**256,470**
Finance costs, net										(64,361)
Foreign exchange gain, net										5,269
Other expenses, net										(3,486)
Income tax benefit										16,890
Net profit										210,782
Total assets	**116,596**	**952,412**	**114,442**	**375,283**	**239,645**	**159,561**	**140,999**	**20,094**	**–**	**2,119,032**
Capital expenditures	114	6,732	958	38,346	–	40,257	951	10,731	–	98,089
Amortisation and depreciation	1,770	16,574	3,281	32,572	46	6,212	3,983	1,067	–	65,505
Liabilities	4,090	24,985	1,037	69,493	11,491	28,247	14,448	754,540	–	908,331

During the year ended 30 June 2012, one of the Group's external customers accounted for more than 15% of total external revenue. During the year ended 30 June 2012, export sales amounted to 85% of total external sales revenue.

The Group operates in two principal geographical areas: Ukraine and Russia. The Group's revenue from continuing operations from external customers based on location of their operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers	Non-current assets
	12 months ended 30 June 2012	As of 30 June 2012
Ukraine	2,053,141	952,529
Russia	104,300	45,463
Total	**2,157,441**	**997,992**

4. Key Data by Operating Segment (continued)
Key Data by Operating Segment for the Year Ended 30 June 2011:

(in US dollars and in thousands unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Continuing operations
Revenue (external)	152,101	1,157,874	3,170	4,309	571,143	10,521	–	–	–	1,899,118
Intersegment sales	–	–	29,854	50,363	–	16,075	–	–	(96,292)	–
Total revenue	**152,101**	**1,157,874**	**33,024**	**54,672**	**571,143**	**26,596**	**–**	**–**	**(96,292)**	**1,899,118**
Other operating income	–	574	–	24,189	467	962	–	–	–	26,192
Operating profit	**24,500**	**165,764**	**14,311**	**22,783**	**65,320**	**4,759**	**–**	**(20,169)**	**–**	**277,268**
Finance costs, net										(42,452)
Foreign exchange gain, net										1,723
Other expenses, net										(28,121)
Income tax benefit										17,629
Net profit										226,047
Total assets	**75,324**	**600,758**	**110,045**	**262,250**	**175,807**	**99,674**	**88,615**	**160,136**	**–**	**1,572,609**
Capital expenditures	832	18,259	563	17,002	39	9,654	7	2,203	–	48,559
Amortisation and depreciation	1,980	10,087	3,550	8,722	1,099	4,511	–	2,412	–	32,361
Liabilities	2,443	18,898	2,542	40,212	8,615	6,596	34,110	461,903	–	575,319

During the year ended 30 June 2011, none of the Group's external customers accounted for more than 10% of total external revenue. During the year ended 30 June 2011, export sales amounted to 89% of total external sales revenue.

5. Acquisition and Disposal of Subsidiaries
The following entities were acquired during the year ended 30 June 2012:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Black Sea Industry group:				
Eastern-Agro Investments LTD	Holding companies.	Cyprus	100%	30 September 2011
BREA Commodities Limited		Cyprus	100%	30 September 2011
Black Sea industry LLC	Production plant. Production of sunflower oil and meal.	Ukraine	100%	30 September 2011
Russian oil group:				
Trade Company Russian oil LLC	Trading in sunflower oil, meal and grain.	Russia	100%	30 September 2011
Stavropol oil OJSC	Production plants.	Russia	100%	30 September 2011
Nevinomissky oil-crushing plant CJSC	Production of sunflower oil and meal.	Russia	100%	30 September 2011
Production Management LLC		Russia	100%	30 September 2011
Ust-Labinsky EMEK Florentina CJSC		Russia	100%	30 September 2011
Enselco group:				
Enselco LLC	Holding companies.	Ukraine	100%	01 October 2011
Enselco Agroholding LLC		Ukraine	100%	01 October 2011
Nyva Agroholding LLC		Ukraine	100%	01 October 2011
Sluch Agro LLC	Grain elevators. Provision of grain and	Ukraine	100%	01 October 2011
Vesnianskyi Elevator LLC	oilseed cleaning, drying and storage services.	Ukraine	100%	01 October 2011
Enselco Agro	Agricultural farms. Cultivation of agricultural	Ukraine	100%	01 October 2011
Nyva Berezneguvate LLC	products: corn, wheat, sunflower seeds,	Ukraine	100%	01 October 2011
Nyva Vesnyane	barley, soya beans and sugar beet.	Ukraine	100%	01 October 2011
Subsidiary 'Ensel' PE		Ukraine	100%	01 October 2011
Agro Inter Sluch LLC		Ukraine	100%	01 October 2011
Private leased firm 'Zlagoda'		Ukraine	100%	01 October 2011
Private leased entity 'Real'		Ukraine	100%	01 October 2011
PE 'Getman'		Ukraine	100%	01 October 2011
PE 'Olymp'		Ukraine	100%	01 October 2011
Zhavyir		Ukraine	100%	01 October 2011
PE 'Ladygi'		Ukraine	100%	01 October 2011
'Chumatskiy Shlyakh'		Ukraine	100%	01 October 2011
Matushevski farm		Ukraine	100%	01 October 2011
Krymashevski O.M. &C farm		Ukraine	100%	01 October 2011
Agro LLC 'Ukraine'		Ukraine	100%	01 October 2011
Agro LLC 'Skhid'		Ukraine	100%	01 October 2011
Priveta agro entity 'Agrarnyk'		Ukraine	100%	01 October 2011
'Zolota Nyva' LLC		Ukraine	100%	01 October 2011
'Troyanda Podillya' LLC		Ukraine	100%	01 October 2011

5. Acquisition and Disposal of Subsidiaries (continued)

The following entities were acquired during the year ended 30 June 2012 (continued):

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Urozhai ALLC	Agricultural farm. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	100%	01 January 2012
Inter-Agro group:				
Inter-Agro Capital LLC	Holding company.	Ukraine	100%	01 April 2012
Juridical Company Decort LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	01 April 2012
LLC Trading House Inter-Agro Ltd		Ukraine	100%	01 April 2012
Mriya LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	100%	01 April 2012
LLC by the name of Shorsa		Ukraine	100%	01 April 2012
Lazirky LLC		Ukraine	100%	01 April 2012
Denysivske LLC		Ukraine	100%	01 April 2012
Savyntsi LLC		Ukraine	100%	01 April 2012
Smotrysivske LLC		Ukraine	100%	01 April 2012
Agrocompany Zorya LLC		Ukraine	100%	01 April 2012
Garant 5 LLC		Ukraine	100%	01 April 2012
Chernyakivske LLC		Ukraine	100%	01 April 2012
Ukraina LLC		Ukraine	100%	01 April 2012
Agrocompany Ukrhlibdar LLC		Ukraine	100%	01 April 2012
Agrocompany Vorskla LLC		Ukraine	100%	01 April 2012
Agro BTK LLC		Ukraine	100%	01 April 2012
Agrosvit LLC		Ukraine	100%	01 April 2012
Phoenyx LLC		Ukraine	100%	01 April 2012
PRAC Nadiya		Ukraine	100%	01 April 2012
PRAC Kolos		Ukraine	100%	01 April 2012
PRAC Vitchyzna		Ukraine	100%	01 April 2012

Through its purchase of a 100% interest in the BSI crushing plant, Kernel increased the crushing capacity of the Group by 500,000 tons/year. Because of the location of this new crushing facility next to the Transbulk terminal, the Management expects to receive additional logistical benefits in terms of cost savings as well as more flexibility in oil and meal loading.

Russian Oil Group assets acquired include:

- 410,000 tons of crushing capacity per year in three production plants, with one plant located in the Krasnodar region and two plants located in the Stavropol region;
- 100,000 tons per year of sunflower oil refining and bottling capacity;
- Access to the world's second largest sunflower seed feedstock base and an opportunity to develop the Group's business model in a new geographic region with strong language, cultural and business environmental affinities with Ukraine.

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

Management believes that the acquisition will also strengthen the Group's sugar operation in the region of Khmelnitsky by adding a large acreage of prime farm land dedicated to sugar beet production. The acquired assets also include 30,000 tons of grain storage capacity located to service the acquired farm.

Urozhai ALLC assets acquired include: 2,589 ha of leasehold farmland located in region of Kirovograd. On the date of acquisition of Subsidiary 'Urozhay', the fair value of land lease rights amounted to USD 876 thousand.

Inter-Agro Group assets acquired include 38,500 ha of leasehold farmland, of which 5,685 ha are located in Kharkiv region and 32,815 ha are located in the region of Poltava.

5. Acquisition and Disposal of Subsidiaries (continued)

Fair value of assets, liabilities and contingent liabilities acquired during the year ended 30 June 2012 was as follows:

Acquired net assets: (In US dollars and in thousands unless otherwise stated)	Black sea industry group	Russian oil group	Enselco group	Urozhai	Inter-Agro group	Total
Cash	166	4,685	762	148	755	**6,516**
Trade accounts receivable, net	15,394	3,720	814	–	6,530	**26,458**
Prepayments to suppliers and other current assets, net	2,052	3,432	7,528	10	6,726	**19,748**
Taxes recoverable and prepaid, net	3,534	36	2,019	–	2,183	**7,772**
Inventory	2,090	7,670	4,519	401	9,041	**23,721**
Biological current assets	–	–	21,432	96	5,774	**27,302**
Property, plant and equipment, net	99,435	48,580	15,221	1,802	21,278	**186,316**
Intangible assets, net	6,995	166	13,522	876	15,544	**37,103**
Biological non-current assets	–	–	6	3	5,693	**5,702**
Deferred tax assets	172	5,245	–	–	2,705	**8,122**
Trade accounts payable	(18,736)	(1,747)	(1,944)	–	(2,349)	**(24,776)**
Advances from customers and other current liabilities	(34,753)	(8,265)	(7,273)	(68)	(34,798)	**(85,157)**
Short-term borrowings	–	(17,823)	(919)	–	(100)	**(18,842)**
Long-term borrowings	–	(26,161)	–	–	–	**(26,161)**
Obligations under finance lease	–	–	(1,694)	–	(1,250)	**(2,944)**
Other non-current liabilities	–	–	–	–	(53)	**(53)**
Deferred tax liabilities	(13,045)	(4,962)	(116)	–	(59)	**(18,182)**
Fair value of net assets of acquired Subsidiaries	63,304	14,576	53,877	3,268	37,620	**172,645**
Non-controlling interest of acquired Subsidiaries	–	–	–	–	–	**–**
Fair value of acquired net assets	63,304	14,576	53,877	3,268	37,620	**172,645**
Goodwill	44,396	5,182	(2,527)	(810)	1,680	**47,921**
Total cash considerations due and payable	107,700	19,758	51,350	2,458	39,300	**220,566**
Less: acquired cash	(166)	(4,685)	(762)	(148)	(755)	**(6,516)**
Less: cash paid	(107,534)	(9,986)	(50,300)	(2,310)	–	**(170,130)**
Net cash payable for acquisition of Subsidiaries	–	5,087	288	–	38,545	**43,920**

During the year ended the Group has finalised accounting for business combinations of Black Sea Industry Group, Russian Oil Group and Enselco Group. The adjustments to provisional values presented in prior periods' financial statements of the Group have been made retrospectively with corresponding change in goodwill or a gain from bargaining purchase. These adjustments have resulted from finalisation of valuation of property plant and equipment, analysis of recoverability of trade receivables and prepayments made, inventory obsolescence and other accruals to be made as of acquisition date with corresponding change in deferred taxes. The most significant adjustments have been made to provisional values related to Russian Oil Group for the following assets and liabilities: decrease of inventory and property, plant and equipment in the amounts of USD 2,099,000 and USD 3,191,000, respectively; increase in prepayments from customers and other short-term liabilities in the amount of USD 2,709,000; recognition of goodwill in the amount of USD 5,182,000 and elimination of a gain from bargaining purchase in the amount of USD 7,724,000.

The purchase consideration consisted only of cash. Expenses related directly to the acquisition of Subsidiaries are reflected in general and administrative expenses.

Net cash outflow on acquisition of subsidiaries for the period included effect of prepayment made as of 30 June 2011 for Black sea industry group in the amount of USD 54,078,000 and payment made in current period for acquisition of Tsukrovy soyuz Ukrros Group in the amount of USD 21,686,000 and Agrofirma Vesna LLC in the amount of USD 1,339,000.

Negative goodwill (amounting USD 3,337,000) arising upon acquisition is accounted for in other expenses in the income statement and disclosed in the line 'other expenses' in Note 26.

Revenue and net profit/(loss) attributable to the additional business acquired as from the date of business combination to 30 June 2012 were as follows:

	Black sea industry	Russian oil group	Enselco group	Urozhai	Inter-Agro group	Total
Revenue	11,152	173,614	17,253	767	4,057	206,843
Net (loss)/profit	(1,044)	(4,971)	(20,158)	308	(904)	(26,769)

From the date of acquisition the above mentioned subsidiaries had transactions predominantly with other entities of the Group and their individual financial statements do not reflect their effective contribution to the net results of the Group.

The Group does not disclose revenue and net profit of acquired subsidiaries as if they have been acquired at the beginning of the reporting period as it is impracticable due to the fact that these companies did not produce IFRS financial information as at 1 June and up to the date of acquisition.

5. Acquisition and Disposal of Subsidiaries (continued)

The following entities were acquired during the year ended 30 June 2011:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of disposal	Date of acquisition
Agrofirma Vesna LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	0%	5 October 2010
Osiyivske LLC		Ukraine	100%	1 April 2011
Tsukrovy soyuz Ukrros Group				
Tsukrovy soyuz Ukrros OJSC	Holding companies.	Ukraine	71.3%	30 June 2011
Sugar Holding Limited		Cyprus	100%	30 June 2011
Veselynivske ZPP LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	71.3%	30 June 2011
Gulyaypolsky elevator LLC		Ukraine	71.3%	30 June 2011
Agrofirma Kuybyshevo LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	76.2%	30 June 2011
Povstynagroalyans LLC		Ukraine	71.1%	30 June 2011
Ulyanivske LLC		Ukraine	76.2%	30 June 2011
Palmira LLC		Ukraine	81.5%	30 June 2011
Cherkasky OJSC		Ukraine	53.0%	30 June 2011
Agrofirma Zorya LLC		Ukraine	64.1%	30 June 2011
Agrarny dim im. Gorkogo LLC		Ukraine	71.5%	30 June 2011
Agrarny dim CJSC		Ukraine	35.8%	30 June 2011
Druzhba LLC		Ukraine	71.3%	30 June 2011
Agropolis LLC		Ukraine	71.6%	30 June 2011
Chortkivsky tsukrovy zavod LLC	Production plants. Production of sugar.	Ukraine	73.8%	30 June 2011
Tsukrove LLC		Ukraine	71.3%	30 June 2011
Palmirsky tsukrovy zavod LLC		Ukraine	72.7%	30 June 2011
Orzhytsky tsukrovy zavod LLC		Ukraine	76.2%	30 June 2011

Fair value of assets, liabilities and contingent liabilities acquired during the year ended 30 June 2011 was as follows:

Acquired net assets: (In US dollars and in thousands unless otherwise stated)	Tsukrovy soyuz Ukrros group	Osiyivske LLC	Arofirma Vesna LLC	Total
Cash	861	36	28	**925**
Trade accounts receivable, net	2,968	58	–	**3,026**
Prepayments to suppliers and other current assets, net	6,715	145	3	**6,863**
Taxes recoverable and prepaid, net	14,429	119	–	**14,548**
Inventory	10,577	415	69	**11,061**
Biological current assets	55,440	1,392	112	**56,944**
Property, plant and equipment, net	109,609	1,625	1,173	**112,407**
Intangible assets, net	35,377	1,161	631	**37,169**
Other non-current assets	2,848	200	–	**3,048**
Trade accounts payable	(12,633)	(281)	–	**(12,914)**
Advances from customers and other current liabilities	(62,501)	(1,403)	(10)	**(63,914)**
Short-term borrowings	(92,983)	–	–	**(92,983)**
Other non-current liabilities	(202)	–	–	**(202)**
Deferred tax liabilities	(6,611)	–	–	**(6,611)**
Fair value of net assets of acquired Subsidiaries	63,894	3,467	2,006	**69,367**
Non-controlling interest of acquired Subsidiaries	(20,538)	–	(2,006)	**(22,544)**
Fair value of acquired net assets	43,356	3,467	–	**46,823**
Goodwill	(3,356)	(985)	427	**(3,914)**
Total cash considerations due and payable	40,000	2,482	(1,579)	**40,903**
Less: acquired cash	(861)	(36)	(28)	**(925)**
Less: cash paid	(9,000)	(2,482)	–	**(11,482)**
Net cash payable for acquisition of Subsidiaries	30,139	–	1,551	**31,690**

With the acquisitions, Kernel acquired a farming business and substantial sugar production assets. Assets acquired include four sugar plants, totalling two million tons of sugarbeet crushing capacity and sugar production capacity of 250,00 tons per year.

5. Acquisition and Disposal of Subsidiaries (continued)
The following entities were disposed during the year ended 30 June 2012:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of disposal	Date of disposal
Skifiya-Zernotrade LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	3 August 2011
Shevchenkisky KHP LLC		Ukraine	100%	23 March 2012
Globynsky Elevator HP LLC		Ukraine	100%	01 February 2012
Kobelyaky Hliboproduct LLC		Ukraine	100%	24 January 2012
Grain Trading Company LLC	Trading in sunflower oil, meal and grain.	Ukraine	100%	9 December 2011
Troyanda Podillya LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	100%	22 June 2012

The net assets of disposed entities as of the date of disposal were equal to USD 3,885,000, the cash consideration is USD 5,342,000.

The following entities were disposed during the year ended 30 June 2011:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of disposal	Date of disposal
Lazorkovski elevator LLC	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100%	10 December 2010
JE Inerco Ukraine LLC	Holding company.	Ukraine	100%	10 May 2011

The net assets of disposed entities as of the date of disposal were equal to USD 134,000, the cash consideration is USD 629,000.

6. Cash
The balances of cash were as follows:

	As of 30 June 2012	As of 30 June 2011
Cash in banks in USD	67,497	105,159
Cash in banks in UAH	12,897	10,009
Cash in banks in other currencies	2,042	687
Cash on transit bank account	60	20
Cash in hand	33	22
Total	82,529	115,897
Less restricted cash on Security bank account and blocked amount	–	(5,716)
Cash for the purposes of cash flow statement	82,529	110,181

As of 30 June 2012, no cash was restricted in use. As of 30 June 2011, cash on a bank account in the amount of USD 5,716,000 was restricted in use based on short-term loan agreements with foreign banks and thus was excluded from cash for the purpose of the cash flow statement.

7. Trade Accounts Receivable
The balances of trade accounts receivable were as follows:

	As of 30 June 2012	As of 30 June 2011
Trade accounts receivable	151,676	116,005
Allowance for estimated irrecoverable amounts	(5,314)	(4,419)
Total	146,362	111,586

As of 30 June 2012, accounts receivable from one Ukrainian customer accounted for approximately 25.2%, and one European customer for 14.1% of the total carrying amount of trade accounts receivable (as of 30 June 2011 one European customer approximately 26.1%).

The average credit period on sales of goods is 25 days. No interest is charged on the outstanding balances of trade receivables. Trade receivables past due more than one month are impaired. Allowances for doubtful debts are recognised against trade receivables which are overdue between 30 and 365 days and are calculated on the basis of the delay in payment by applying a fixed percentage.

7. Trade Accounts Receivable (continued)

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because for these receivables the commodity provisions were created.

Age of receivables that are past due but not impaired:

	As of 30 June 2012	As of 30 June 2011
Past due 31–180 days	**472**	120
Past due 181–365 days	**87**	18
Past due more than one year	**20**	–
Total	**579**	**138**

Movements in the allowance for impairment with respect to trade receivables were as follows:

	As of 30 June 2012	As of 30 June 2011
Balance at 1 July	**(4,419)**	(1,423)
Impairment loss recognised	**(895)**	(2,996)
Balance at 30 June	**(5,314)**	**(4,419)**

As of 30 June 2012 specific allowance was created and amounted USD 38,000 (as of 30 June 2011 no allowance).

As of 30 June 2012, the amount of current trade receivables and receivables past due less than one month accounted for USD 144,479,000 (as of 30 June 2011 USD 104,257,000).

Age of impaired trade receivables was as follows:

	As of 30 June 2012	As of 30 June 2011
Past due 31–180 days	**1,103**	8,148
Past due 181–365 days	**732**	528
Past due more than one year	**4,745**	2,933
Specific allowance	**38**	–
Total	**6,618**	**11,609**

8. Prepayments to Suppliers and Other Current Assets

The balances of prepayments to suppliers and other current assets were as follows:

	As of 30 June 2012	As of 30 June 2011
Prepayments to suppliers (Note 27)	**80,867**	76,979
Other accounts receivable and other current assets	**20,291**	8,095
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	**(10,823)**	(3,740)
Total	**90,335**	**81,334**

9. Taxes Recoverable and Prepaid

The balances of taxes recoverable and prepaid were as follows:

	As of 30 June 2012	As of 30 June 2011
VAT ('value added tax') recoverable and prepaid	**229,761**	217,932
Other taxes recoverable and prepaid	**8,533**	3,342
Total	**238,294**	**221,274**

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on the domestic market in Ukraine. Management expects that these balances will be recovered in the amount of USD 229,761,000 within 12 months after the statement of financial position date. In the absence of previous impairment losses on the value added tax as of 30 June 2012, allowance on VAT is not charged (as of 30 June 2011: allowance on VAT was not charged).

For the year ended 30 June 2012 the amount of VAT refunded by the state was USD 202,404,000 in cash.

10. Inventory

The balances of inventories were as follows:

	As of 30 June 2012	As of 30 June 2011
Finished products	**236,015**	68,573
Raw materials	**100,550**	80,098
Goods for resale	**46,799**	18,687
Agricultural products	**11,108**	933
Fuel	**4,305**	3,377
Packaging materials	**650**	623
Other inventories	**10,755**	11,377
Total	**410,182**	**183,668**

The cost of inventories recognised as an expense includes USD 3,948,000 (year ended 30 June 2011: no allowance) with respect to write-downs of inventory to net realisable value.

As of 30 June 2012, inventories with carrying amount of USD 123,026,000 (as of 30 June 2011: USD 91,640,000) were pledged by the Group as collateral against short-term loans obtained from banks (see Note 17).

Main change in finished products balance was due to increase in crude oil stock, due to the growth in production capacity of the Group in the current period. Significant part of the oil stock was already agreed to be sold per commercial contracts, entered as of 30 June 2012 (Note 28).

11. Biological Assets

The balances of crops in fields were as follows:

	As of 30 June 2012		As of 30 June 2011	
	Hectares	Value	Hectares	Value
Corn crops	**59,440**	**45,492**	27,352	16,457
Soya bean	**54,872**	**26,976**	28,966	9,503
Wheat crops	**57,743**	**26,620**	53,514	20,926
Sunflower seed	**38,361**	**20,672**	28,117	14,743
Sugar beet	**16,027**	**16,798**	18,067	23,988
Forage crops	**10,426**	**6,077**	–	–
Rape seeds	**4,232**	**2,538**	6,458	3,008
Barley crops	**3,001**	**1,066**	11,745	3,070
Peas crops	**179**	**73**	1,708	196
Other crops	**1,108**	**318**	4,652	1,358
Total	**245,389**	**146,630**	**180,579**	**93,249**

The balances of current cattle were as follows:

	As of 30 June 2012		As of 30 June 2011	
	Number of heads	Value	Number of heads	Value
Cattle	**14,808**	**6,708**	14,767	2,712
Total	**14,808**	**6,708**	**14,767**	**2,712**

Cattle balance contains current cows, pigs and other livestock. Change in the balances is mainly represented by change in mix of cattle and variation of prices between reporting dates.

The following table represents the changes in the carrying amounts of biological assets (excluding cattle) during the year ended 30 June 2012 and 2011:

	Capitalised expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2010	**18,649**	**7,482**	**26,131**
Increase due to purchases and subsequent expenditures capitalised in biological assets (harvest 2010)	15,257	–	15,257
Decrease due to harvest (harvest 2010)	(33,906)	(7,482)	(41,388)
Increase due to purchases and subsequent expenditures capitalised in biological assets (harvest 2011)	76,959	–	76,959
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2011)	–	16,290	16,290
As of 30 June 2011	**76,959**	**16,290**	**93,249**
Increase due to purchases and subsequent expenditures capitalised in biological assets (harvest 2011)	73,376	–	73,376
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2011)	–	1,495	1,495
Decrease due to harvest (harvest 2011)	(150,335)	(17,785)	(168,120)
Increase due to purchases and subsequent expenditures capitalised in biological assets (harvest 2012)	107,260	–	107,260
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2012)	–	39,370	39,370
As of 30 June 2012	**107,260**	**39,370**	**146,630**

As a result of business acquisitions, the Group purchased biological assets in the amount of USD 27,302,000 over the 12-month period to 30 June 2012 (as of 30 June 2011: USD 56,944,000) which were included into the "increase due to purchases and subsequent expenditures capitalised in biological assets".

12. Property, Plant and Equipment

The following table represents movements in property, plant and equipment for the year ended 30 June 2012:

	Oil	Export terminals	Farming	Silo services	Sugar	Other	Total
Net book value as at 1 July 2011	**216,664**	**70,378**	**75,958**	**61,133**	**58,500**	**20,119**	**502,752**
Land	2,280	3,353	2	1,129	–	46	**6,810**
Buildings and constructions	118,403	15,046	30,816	41,537	24,892	2,945	**233,639**
Production machinery and equipment	85,198	51,923	15,288	8,851	33,102	110	**194,472**
Agricultural vehicles and equipment	18	–	27,058	35	–	4	**27,115**
Other fixed assets	433	–	2,196	5	–	16,840	**19,474**
Construction in progress (CIP) and uninstalled equipment	10,332	56	598	9,576	506	174	**21,242**
Additions	**6,846**	**958**	**38,346**	**40,257**	**951**	**10,071**	**97,429**
CIP and uninstalled equipment	6,846	958	38,346	40,257	951	10,071	**97,429**
Total additions from acquisition of subsidiaries:	**148,015**	**–**	**24,173**	**14,128**	**–**	**–**	**186,316**
Land	–	–	–	–	–	–	**–**
Buildings and constructions	124,064	–	7,526	2,847	–	–	**134,437**
Production machinery and equipment	12,497	–	9,406	6,686	–	–	**28,589**
Agricultural vehicles and equipment	56	–	5,740	4,483	–	–	**10,279**
Other fixed assets	800	–	469	112	–	–	**1,381**
CIP and uninstalled equipment	10,598	–	1,032	–	–	–	**11,630**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Land	1,761	568	1	–	–	–	**2,330**
Buildings and constructions	(19,027)	15,254	(656)	12,561	–	1,611	**9,743**
Production machinery and equipment	22,401	(14,880)	(572)	3,306	453	712	**11,420**
Agricultural vehicles and equipment	408	–	32,088	24	401	2,200	**35,121**
Other fixed assets	1,749	16	221	506	38	3,283	**5,813**
CIP and uninstalled equipment	(7,292)	(958)	(31,082)	(16,397)	(892)	(7,806)	**(64,427)**
Disposal (at net book value)	**(442)**	**(4)**	**(586)**	**(342)**	**(1)**	**(352)**	**(1,727)**
Land	(7)	–	–	–	–	–	**(7)**
Buildings and constructions	(170)	–	(103)	(308)	–	(17)	**(598)**
Production machinery and equipment	(198)	(4)	(309)	(9)	(1)	(83)	**(604)**
Agricultural vehicles and equipment	(2)	–	(174)	(14)	–	(21)	**(211)**
Other fixed assets	(65)	–	–	(11)	–	(231)	**(307)**
Depreciation expense	**(16,482)**	**(3,336)**	**(19,126)**	**(5,953)**	**(3,372)**	**(5,155)**	**(53,424)**
Buildings and constructions	(6,593)	(472)	(3,423)	(4,147)	(929)	(134)	**(15,698)**
Production machinery and equipment	(9,390)	(2,860)	(5,137)	(1,372)	(2,405)	(388)	**(21,552)**
Agricultural vehicles and equipment	(89)	–	(9,947)	(360)	(33)	(342)	**(10,771)**
Other fixed assets	(410)	(4)	(619)	(74)	(5)	(4,291)	**(5,403)**
Translation difference	**(2,743)**	**(44)**	**(355)**	**1,358**	**(146)**	**(1,045)**	**(2,975)**
Land	(107)	(9)	–	(3)	–	–	**(119)**
Buildings and constructions	(1,315)	(41)	(78)	(606)	(61)	(928)	**(3,029)**
Production machinery and equipment	(1,104)	(17)	(234)	278	(82)	846	**(313)**
Agricultural vehicles and equipment	(23)	–	212	(20)	(1)	329	**497**
Other fixed assets	(59)	25	18	228	–	(1,338)	**(1,126)**
CIP and uninstalled equipment	(135)	(2)	(273)	1,481	(2)	46	**1,115**
Net book value as at 30 June 2012	**351,858**	**67,952**	**118,410**	**110,581**	**55,932**	**23,638**	**728,371**
Land	3,927	3,912	3	1,126	–	46	**9,014**
Buildings and constructions	215,362	29,787	34,082	51,884	23,902	3,477	**358,494**
Production machinery and equipment	109,404	34,162	18,442	17,740	31,067	1,197	**212,012**
Agricultural vehicles and equipment	368	–	54,977	4,148	367	2,170	**62,030**
Other fixed assets	2,448	37	2,285	766	33	14,263	**19,832**
CIP and uninstalled equipment	20,349	54	8,621	34,917	563	2,485	**66,989**

Total cost of property, plant and equipment as of 30 June 2012 was USD 831,925,000 (as of 30 June 2011: USD 560,511,000) and total accumulated depreciation as of 30 June 2012 was USD 103,554,000 (as of 30 June 2011: USD 57,759,000).

12. Property, Plant and Equipment (continued)

The following table represents movements in property, plant and equipment for the year ended 30 June 2011:

	Oil	Export terminals	Farming	Silo services	Sugar	Other	Total
Net book value as at 1 July 2010	**212,695**	**73,577**	**20,529**	**58,618**	**–**	**13,616**	**379,035**
Land	2,289	3,380	2	1,138	–	46	**6,855**
Buildings and constructions	84,347	15,648	5,263	47,002	–	3,362	**155,622**
Production machinery and equipment	59,821	54,454	275	9,772	–	66	**124,388**
Agricultural vehicles and equipment	22	–	14,908	55	–	–	**14,985**
Other fixed assets	–	–	–	–	–	9,838	**9,838**
CIP and uninstalled equipment	66,216	95	81	651	–	304	**67,347**
Additions	**18,936**	**545**	**61,259**	**11,501**	**58,500**	**9,852**	**160,593**
CIP and uninstalled equipment	18,936	545	16,885	9,622	–	2,198	**48,186**
Total additions from acquisition of subsidiaries:	**–**	**–**	**44,374**	**1,879**	**58,500**	**7,654**	**112,407**
Buildings and constructions	–	–	26,330	1,348	24,892	–	**52,570**
Production machinery and equipment	–	–	15,080	305	33,102	–	**48,487**
Agricultural vehicles and equipment	–	–	318	–	–	–	**318**
Other fixed assets	–	–	2,172	–	–	7,654	**9,826**
CIP and uninstalled equipment	–	–	474	226	506	–	**1,206**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Buildings and constructions	41,412	12	33	299	–	11	**41,767**
Production machinery and equipment	32,939	564	21	581	–	59	**34,164**
Agricultural vehicles and equipment	–	–	16,766	–	–	5	**16,771**
Other fixed assets	461	–	25	–	–	2,250	**2,736**
CIP and uninstalled equipment	(74,812)	(576)	(16,845)	(880)	–	(2,325)	**(95,438)**
Disposal (at net book value)	**(3,308)**	**–**	**(436)**	**(3,148)**	**–**	**(551)**	**(7,443)**
Buildings and constructions	(2,728)	–	(65)	(2,828)	–	(261)	**(5,882)**
Production machinery and equipment	(580)	–	(1)	(319)	–	(8)	**(908)**
Agricultural vehicles and equipment	–	–	(370)	(1)	–	–	**(371)**
Other fixed assets	–	–	–	–	–	(282)	**(282)**
Depreciation expense	**(11,569)**	**(3,548)**	**(5,333)**	**(5,392)**	**–**	**(2,893)**	**(28,735)**
Buildings and constructions	(4,590)	(471)	(699)	(3,932)	–	(158)	**(9,850)**
Production machinery and equipment	(6,948)	(3,077)	(84)	(1,444)	–	(9)	**(11,562)**
Agricultural vehicles and equipment	(3)	–	(4,549)	(16)	–	–	**(4,568)**
Other fixed assets	(28)	–	(1)	–	–	(2,726)	**(2,755)**
Translation difference	**(90)**	**(196)**	**(61)**	**(446)**	**–**	**95**	**(698)**
Land	(9)	(27)	–	(9)	–	–	**(45)**
Buildings and constructions	(38)	(143)	(46)	(352)	–	(9)	**(588)**
Production machinery and equipment	(34)	(18)	(3)	(44)	–	2	**(97)**
Agricultural vehicles and equipment	(1)	–	(15)	(3)	–	(1)	**(20)**
Other fixed assets	–	–	–	5	–	106	**111**
CIP and uninstalled equipment	(8)	(8)	3	(43)	–	(3)	**(59)**
Net book value as at 30 June 2011	**216,664**	**70,378**	**75,958**	**61,133**	**58,500**	**20,119**	**502,752**
Land	2,280	3,353	2	1,129	–	46	**6,810**
Buildings and constructions	118,403	15,046	30,816	41,537	24,892	2,945	**233,639**
Production machinery and equipment	85,198	51,923	15,288	8,851	33,102	110	**194,472**
Agricultural vehicles and equipment	18	–	27,058	35	–	4	**27,115**
Other fixed assets	433	–	2,196	5	–	16,840	**19,474**
CIP and uninstalled equipment	10,332	56	598	9,576	506	174	**21,242**

As of 30 June 2012 property, plant and equipment with the carrying amount of USD 428,447,000 (as of 30 June 2011: USD 342,587,000) were pledged by the Group as collateral against short-term and long-term bank loans (see Note 17 and 18).

As of 30 June 2012, the amount of property plant and equipment includes USD 3,763,000 and the amount of CIP and uninstalled equipment includes USD 393,000 of capitalised interest on borrowing costs (as of 30 June 2011: USD 3,405,000 and USD 191,000 calculated at a capitalisation rate of 9.98% per annum). Capitalisation rate used to calculate the amount of capitalised interest as of 30 June 2012 is 7.73% per annum.

The fair value of buildings and constructions (oil) and production machinery and equipment (oil) was revalued on 1 July 2009 for the year ended 30 June 2010 by an external independent appraisal.

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

13. Intangible Assets

The following table represents movements in intangible assets for the year ended 30 June 2012:

	Trade marks	Land lease rights	Other intangible assets	Grand total
Cost as of 30 June 2011	**19,363**	**55,144**	**2,878**	**77,385**
Additions from acquisition of Subsidiaries (land lease rights)	–	36,007	1,096	**37,103**
Additions	–	–	660	**660**
Disposals	–	–	(265)	**(265)**
Translation difference	(27)	(158)	26	**(159)**
Cost as of 30 June 2012	**19,336**	**90,993**	**4,395**	**114,724**
Accumulated depreciation as of 30 June 2011	**–**	**(10,453)**	**(1,369)**	**(11,822)**
Amortisation charge	–	(11,494)	(587)	**(12,081)**
Disposals	–	–	96	**96**
Translation difference	–	38	132	**170**
Accumulated depreciation as of 30 June 2012	–	(21,909)	(1,728)	**(23,637)**
Net book value as of 30 June 2012	**19,336**	**69,084**	**2,667**	**91,087**

The following table represents movements in intangible assets for the year ended 30 June 2011:

	Trade-marks	Land lease rights	Other intangible assets	Total
Cost as of 30 June 2010	**19,450**	**18,280**	**2,275**	**40,005**
Additions from acquisition of Subsidiaries (land lease rights)	–	37,019	150	**37,169**
Additions	–	–	373	**373**
Disposals	–	–	(46)	**(46)**
Translation difference	(87)	(155)	126	**(116)**
Cost as of 30 June 2011	**19,363**	**55,144**	**2,878**	**77,385**
Accumulated depreciation as of 30 June 2010	**–**	**(7,275)**	**(888)**	**(8,163)**
Amortisation charge	–	(3,252)	(374)	**(3,626)**
Disposals	–	–	16	**16**
Translation difference	–	74	(123)	**(49)**
Accumulated depreciation as of 30 June 2011	**–**	**(10,453)**	**(1,369)**	**(11,822)**
Net book value as of 30 June 2011	**19,363**	**44,691**	**1,509**	**65,563**

Included in intangible assets of Subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with the value of USD 4,567,201, USD 5,929,533, USD 8,661,027 and USD 178,695 respectively in 2012 (USD 4,578,773, USD 5,944,557, USD 8,661,027 and USD 178,695, respectively in 2011). These trademarks are used by the Group for the sale of bottled sunflower oil mostly in the Ukrainian market. As of 30 June 2012 and 30 June 2011, the trade mark 'Stozhar' was pledged as security for long-term loans (Note 18).

Management expects the demand for bottled sunflower oil to be stable in the foreseeable future. The Group believes that, as a result of further promotion of the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks, sales of bottled oil under these trademarks and the current bottled oil market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them during an indefinite period of time. Accordingly, the trademarks which belong to the Group are considered to have indefinite useful life and thus are not amortised but tested for impairment by comparing their recoverable amount with their carrying amount annually on the 30 June and whenever there is an indication that the trademarks may be impaired.

The impairment testing of the trademarks was performed on 30 June 2012 by the independent appraiser FDI 'Bureau Veritas Ukraine'. The recoverable amount of trademarks was based on fair value less costs to sell method using royalty approach of valuation. This calculation uses cash flow projections based on financial budgets approved by the management and covering a five-year period. Total amount of the trademarks was allocated to bottled oil segment (as one cash-generating unit). Key assumptions used for the calculation were as follows:

- The royalty rate used was determined at weighted average market level of 5.47%.
- Growth rates used to develop cash flow projections for the period of five years were in range of 2.2% -2.8% and market growth rate for sunflower oil consumption.
- As the bottled oil is predominantly sold within Ukraine the discount rate used was based on weighted average cost of capital rate of 24% for UAH denominated cash flow projections.

As result of testing performed, no impairment was identified as of 30 June 2012.

14. Goodwill
The following table represents movements in goodwill for the 12-month period:

Cost as of 30 June 2011	**85,989**
Goodwill arising on acquisition of Subsidiaries	51,258
Translation differences	(20)
Cost as of 30 June 2012	**137,227**

Goodwill is allocated to the Group's cash-generating units identified by the operating segments.

An operating segment-level summary of the goodwill allocation is as follows:

Segments	As of 30 June 2012	As of 30 June 2011
Sunflower oil in bulk	**92,686**	43,125
Export terminals	**36,300**	36,300
Farming	**6,094**	4,396
Bottled sunflower oil	**2,147**	2,168
Total	**137,227**	**85,989**

The Group reviews individual entities and groups as separate cash generating units. As of 30 June 2012 for the purpose of impairment testing the goodwill in segment Sunflower oil in bulk was allocated mainly to Ukrainian Black Sea Industry LLC plant in the amount of USD 44,396,000, Kirovogradoilya JSG plant in the amount of USD 31,334,000, Ecotrans LLC plant in the amount of USD 9,868,000 and Russian Oils Group in the amount of USD 5,182,000. Amount of goodwill at export terminals segment was fully allocated to Transbulkterminal LLC.

As of 30 June 2012 and 2011, no impairment of goodwill, allocated to oil, export terminals and farming segments was identified. The recoverable amount was estimated based on the value in use model. The key assumptions used in the most recent value in use projection for the goodwill allocated to individual cash-generated units of sunflower oil in bulk segment as of 30 June 2012 were as follows:

- As such sales are predominantly export sales, the discount rate used was based on the weighted average cost of capital rate of 13.8% applied of USD denominated cash flow projections;
- Projections were based on the most recent financial budgets approved by the management and covering five-year period;
- The growth rate used for the projected period was in the range of 2%;
- Long-term growth rate in the terminal period does not exceed the long-term average growth rate for the industry and was 2%;
- The tariffs and expenses were adjusted for inflation on the basis of cumulative producer price index in dollar terms.

Management believes that any reasonable possible change in the key assumptions on which recoverable amount of individual cash-generating units is based would not cause their carrying amount to exceed their recoverable amount.

15. Other Non-current Assets
The balances of other non-current assets were as follows:

	As of 30 June 2012	As of 30 June 2011
Non-current biological assets	**9,417**	3,028
Prepayments for acquisition of subsidiaries	**5,976**	54,076
Prepayments for property, plant and equipment	**2,248**	4,043
Other non-current assets	**2,164**	36,715
Total	**19,805**	**97,862**

Amount of non-current assets include assets due from related parties constituted USD 210,000 (Note 27).

16. Advances from Customers and Other Current Liabilities
The balances of advances from customers and other current liabilities were as follows:

	As of 30 June 2012	As of 30 June 2011
Taxes payable and provision for tax liabilities	**20,724**	19,619
Advances from customers	**17,591**	17,959
Provision for unused vacations and other provisions	**9,959**	7,890
Obligation under finance lease payable within one year	**5,451**	5,538
Accrued payroll, payroll-related taxes and bonuses	**4,266**	3,197
Accounts payable for property, plant and equipment	**354**	2,565
Short-term promissory notes issued	**24**	950
Other current liabilities	**98,969**	44,311
Total	**157,338**	**102,029**

As of 30 June 2012 other current liabilities include a USD 69,003,000 owed to related parties (as of 30 June 2011 USD 31,000,000) (Note 27).

17. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 June 2012	As of 30 June 2011
Bank credit lines	163,000	222,826
Interest accrued on long-term loans	3,959	1,032
Interest accrued on short-term loans	389	10,656
Total	167,348	234,514

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2012	98,000
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	June 2013	55,000
Ukrainian subsidiary of European bank	Libor + 7.0%	USD	October 2012	10,000
Total bank credit lines				163,000
Interest accrued on short-term loans				389
Interest accrued on long-term loans				3,959
Total				167,348

The balances of short-term borrowings as of 30 June 2011 were as follows:

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

As of 30 June 2012, the overall maximum credit limit for short-term bank loans amounted to USD 1,000,000,000 (as of 30 June 2011 USD 754,552,000).

Short-term loans from banks were secured as follows:

Assets pledged	As of 30 June 2012	As of 30 June 2011
Inventory (see Note 10)	123,026	91,640
Property, plant and equipment (see Note 12)	14,421	79,163
Total	137,447	170,803

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

	As of 30 June 2012	
	Maturity	Share in the mortgage
Agroservis LLC	October 2012	100%
Zernoservis LLC	October 2012	100%
Unigrain-Agro LLC	October 2012	100%
Lozivske HPP PJSC	October 2012	100%
Krasnopavlivsky KHP PJSC	October 2012	100%
Agrofirma Arshytsya LLC	October 2012	100%
Chorna Kamyanka LLC	October 2012	100%
Govtva LLC	October 2012	100%
Manzhurka LLC	October 2012	100%
Promin LLC	October 2012	100%
Brovarky PRAC	October 2012	100%
Troyanske LLC	October 2012	100%
Zorya LLC	October 2012	100%
Druzhba PRAC	October 2012	100%
Agrofirma Vesna LLC	October 2012	100%

There were no controlling stakes in the Subsidiaries pledged as of 30 June 2011.

18. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 June 2012	As of 30 June 2011
Long-term bank loans	512,860	184,076
Less: current portion of long-term borrowings	(98,622)	(31,392)
Total	414,238	152,684

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor +5.5%	USD	February 2016	102,600
European bank	Libor + 8.95%	USD	September 2013	100,000
European bank	Libor + 6.25%	USD	January 2015	100,000
Ukrainian bank	9%	USD	June 2016	94,000
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2013	50,000
European bank	Libor + 3.52%	USD	April 2015	21,721
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	17,925
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	January 2017	13,900
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	6,464
Ukrainian subsidiary of European bank	Libor + 11.2%	USD	August 2015	6,250
Total				512,860

The balances of long-term borrowings as of 30 June 2011 were as follows:

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

Long-term loans as of 30 June 2012 include credit lines from banks with the overall maximum credit limit of USD 538,904,000 (as of 30 June 2011: USD 228,956,000).

Long-term loans from banks were secured as follows:

Assets pledged	As of 30 June 2012	As of 30 June 2011
Property, plant and equipment (Note 12)	414,026	263,424
Intangible assets (Note 13)	5,930	5,945
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	419,956	269,369

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

	As of 30 June 2012		As of 30 June 2011		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Vovchansky OEP VJSC	November 2013	100%	Vovchansky OEP VJSC	November 2013	100%
Kirovogradoliya JSC	September 2013	100%	Kirovogradoliya JSC	September 2013	100%
Gutyansky Elevator LLC	November 2013	100%	Gutyansky Elevator LLC	November 2013	100%
Prykolotnjansky OEP LLC	November 2013	100%	Prykolotnjansky OEP LLC	November 2013	100%
Kovyagivske KHP LLC	November 2013	100%	Velykoburlutske HPP LLC	November 2013	100%
Bandursky oil crushing plant LLC	April 2015	100%	Shevchenkisky KHP LLC	November 2013	100%
Ukrainian Black Sea Industry LLC	January 2015	100%	Kovyagivske KHP LLC	November 2013	100%
Transbulkterminal LLC	February 2016	100%	Bandursky oil crushing plant LLC	April 2015	100%
Estron Corporation Ltd.	February 2016	100%	Transbulkterminal LLC	September 2012	100%
Oiltransterminal LLC	February 2016	100%			
Chortkivsky tsukrovy zavod LLC	June 2016	100%			
Tsukrove LLC	June 2016	100%			
Palmirsky Tsukrovy Zavod LLC	June 2016	100%			
Orzhytsky Tsukrovy Zavod LLC	June 2016	100%			

19. Income Tax

The Parent is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 22.05% as of 30 June 2012 and 30 June 2011. The corporate income tax rate in Ukraine, where the main operation of the Group is located, was 21% as of 30 June 2012 and 23% as of 30 June 2011.

The new Tax Code of Ukraine, which was enacted on 2 December 2010, introduced a gradual decrease in income tax rates, from 23% effective 1 April 2011 to 16% effective 1 January 2014, as well as certain changes to the rules of income tax assessment effective from 1 April 2011. Consequently, the deferred income tax assets and liabilities as of 30 June 2012 were measured based on the revised income tax rates of the new Tax Code.

The components of income tax benefit/(expense) for the year ended 30 June 2012 and 2011 were as follows:

	For the year ended 30 June 2012	For the year ended 30 June 2011
Current income tax charge	(3,374)	(4,220)
Deferred income tax relating to changes in tax rates or the imposition of new taxes	4,823	10,589
Deferred income tax benefit reported in the income statement	15,441	11,260
Income tax benefit	**16,890**	**17,629**

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

	For the year ended 30 June 2012	For the year ended 30 June 2011
Profit before income tax from continuing operations	193,892	208,418
Tax at statutory tax rate of 21% (23% since 1 April 2011 till 31 December 2011)	(42,824)	(47,936)
Deferred tax income relating to changes in tax rates or the imposition of new taxes	4,823	10,589
Tax effect of expenses not deductible for tax purposes, net	54,891	54,976
Income tax benefit	**16,890**	**17,629**

Deferred tax arising on income and expenses recognised in other comprehensive income:

	For the year ended 30 June 2012	For the year ended 30 June 2011
Income tax related to components of other comprehensive income	–	3,789
Total income tax recognised in other comprehensive income	**–**	**3,789**

Movements in temporary differences during the year ended 30 June 2012 were as follows:

	30 June 2011	Tax income/ (expense) during the period recognised in profit or loss	Deferred taxes acquired and disposed in business combination	Currency translation difference	30 June 2012
Valuation of accounts receivable	1,221	6,399	2,705	368	10,693
Tax losses carried forward	3,530	926	4,349	314	9,119
Valuation of inventory	–	1,249	–	45	1,294
Valuation of property, plant and equipment	2,035	(1,829)	362	20	588
Valuation of advances and other temporary differences	7,096	(1,220)	162	38	6,076
Deferred tax asset	13,882	5,525	7,578	785	27,770
Valuation of property, plant and equipment	(18,148)	9,378	(14,364)	(2,299)	(25,433)
Valuation of intangible assets	(1,656)	2,073	(1,460)	(37)	(1,080)
Valuation of prepayments to suppliers and other temporary differences	(7,474)	3,288	(1,886)	(39)	(6,111)
Deferred tax liability	(27,278)	14,739	(17,710)	(2,375)	(32,624)
Net deferred tax assets (liabilities)	(13,396)	20,264	(10,132)	(1,590)	(4,854)

As of 30 June 2012, based upon projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Group will realise the benefits of the deferred tax assets of USD 9,119,000 recognised with respect to tax losses carried forward by Group Subsidiaries. The amount of future taxable income required to be generated by Group subsidiaries to utilise the tax benefits associated with net operating loss carry forwards is approximately USD 49,133,000. However, the amount of the deferred tax asset considered realisable could be adjusted in the future if estimates of taxable income are revised.

Unrecognised deferred tax assets arising from tax losses carried forward by Group subsidiaries as at 30 June 2012 were USD 9,431,000 (as of 30 June 2011: USD 14,546,000). The Group does not recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries as it is able to control the timing of the reversal such temporary differences and it is possible that they will not reverse in the foreseeable future.

19. Income Tax (continued)

Movements in temporary differences during the year ended 30 June 2011 were as follows:

	30 June 2010	Tax income/ (expense) during the period recognised in profit or loss	Tax income/ (expense) during the period recognised in other comprehensive income	Deferred taxes acquired and disposed in business combination	Currency translation difference	30 June 2011
Tax losses carried forward	1,266	2,259	–	–	5	3,530
Valuation of property, plant and equipment	967	1,073	–	–	(5)	2,035
Valuation of accounts receivable	296	771	–	151	3	1,221
Valuation of inventory	27	(27)	–	–	–	–
Valuation of advances and other temporary differences	9,108	(2,101)	–	53	36	7,096
Deferred tax asset	11,664	1,975	–	204	39	13,882
Valuation of property, plant and equipment	(31,904)	16,710	3,789	(6,682)	(61)	(18,148)
Valuation of intangible assets	(2,285)	628	–	–	1	(1,656)
Valuation of prepayments to suppliers and other temporary differences	(9,851)	2,536	–	(133)	(26)	(7,474)
Deferred tax liability	(44,040)	19,874	3,789	(6,815)	(86)	(27,278)
Net deferred tax assets (liabilities)	**(32,376)**	**21,849**	**3,789**	**(6,611)**	**(47)**	**(13,396)**

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

	30 June 2012	30 June 2011
Deferred tax assets	**21,502**	10,723
Deferred tax liabilities	**(26,356)**	(24,119)
Net deferred tax liabilities	**(4,854)**	**(13,396)**

20. Revenue

Revenue was as follows:

	For the year ended 30 June 2012	For the year ended 30 June 2011
Revenue from bulk sunflower oil, cake and meal	**1,191,627**	1,157,874
Revenue from grain trade	**598,691**	571,143
Revenue from bottled sunflower oil	**202,991**	152,101
Revenue from sugar	**99,050**	–
Revenue from farming	**25,814**	4,309
Revenue from grain business services	**31,256**	10,521
Revenue from transshipment services	**8,012**	3,170
Total	**2,157,441**	**1,899,118**

For the year ended 30 June 2012, revenue from five European customers accounted for approximately 42% of total revenue (for the year ended 30 June 2011, revenue from five European customers accounted for 39% of total revenue).

21. Cost of Sales

Cost of sales was as follows:

	For the year ended 30 June 2012	For the year ended 30 June 2011
Cost of goods for resale and raw materials used	**1,536,068**	1,358,548
Amortisation and depreciation	**62,374**	30,885
Payroll and payroll-related costs	**49,083**	24,841
Rental expenses	**21,842**	7,513
Other operating costs	**27,101**	17,804
Total	**1,696,468**	**1,439,591**

22. Other Operating Income

Other operating income was as follows:

	For the year ended 30 June 2012	For the year ended 30 June 2011
Gain arising from changes in fair value attributable to physical changes and to changes in the market price for biological assets	**41,660**	16,290
VAT and other farming related exemptions	**24,535**	7,899
Contracts wash-out (price difference settlement)	**1,042**	201
Other operating (expense)/income	**(1,244)**	1,802
Total	**65,993**	**26,192**

Gain arising from changes in fair value attributable to physical changes and to changes in the market price for biological assets include a USD 795,000 change of cattle fair value.

According to the Tax Code of Ukraine, companies that generated not less than 75% of gross revenues for the previous tax year from sales of its own agricultural products are entitled to retain the difference between input VAT paid on items purchased by such companies for their operations and VAT charged on products sold.

In accordance with the Tax Code of Ukraine issued in December 2010 (Notes 19, 28), the VAT rate will be decreased from the current effective 20% to 17% from 1 January 2014. The special VAT regime for the agricultural industry has been prolonged each year since 2004 and will be effective through 1 January 2018.

23. Distribution Costs

Distribution costs were as follows:

	For the year ended 30 June 2012	For the year ended 30 June 2011
Carriage and freight	**162,744**	148,355
Customs expenses	**14,645**	2,693
Certification	**4,185**	3,086
Sanitation services	**1,212**	511
Payroll and payroll related costs	**1,058**	299
Depreciation	**205**	15
Other expenses	**16,319**	15,322
Total	**200,368**	**170,281**

24. General and Administrative Expenses

General and administrative expenses were as follows:

	For the year ended 30 June 2012	For the year ended 30 June 2011
Payroll and payroll related costs	**30,938**	14,419
Insurance	**5,706**	2,117
Audit, legal and other professional fees	**7,908**	6,088
Repairs and material costs	**4,398**	1,622
Bad debts expenses	**3,942**	2,805
Bank services	**2,927**	3,394
Amortisation and depreciation	**2,926**	1,461
Taxes other than income tax	**2,231**	1,262
Rental payments	**2,016**	1,308
Communication expenses	**1,329**	666
Business trip expenses	**620**	248
Other expenses	**5,187**	2,780
Total	**70,128**	**38,170**

The fair value of the share-based payments (see Note 31) as of 30 June 2012 in the amount of USD 1,211,000 (30 June 2011: USD 586,000) is recognised as payroll and payroll-related expenses for the period ended 30 June 2012. The auditors' remuneration for the period ended 30 June 2012 in the amount of USD 509,000 is included in audit, legal and other professional fees (30 June 2011: USD 404,000).

25. Finance Costs

Finance costs were as follows:

	For the year ended 30 June 2012	For the year ended 30 June 2011
Interest expense on bank loans and corporate bonds	**46,607**	31,834
Other finance costs, net	**17,754**	10,618
Total	**64,361**	**42,452**

26. Other Expenses, net

Other expenses, net were as follows:

	For the year ended 30 June 2012	For the year ended 30 June 2011
Gain on sale of equity investments	1,457	495
Gain/(Loss) on disposal of property, plant and equipment	1,083	(4,601)
Other expenses, net	(6,026)	(24,015)
Total	(3,486)	(28,121)

27. Transactions with Related Parties

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

The Group had the following balances outstanding with related parties:

	Related party balances as of 30 June 2012	Total category as per consolidated balance sheet as of 30 June 2012	Related party balances as of 30 June 2011	Total category as per consolidated balance sheet as of 30 June 2011
Trade accounts receivable, net	2,138	146,362	–	111,586
Prepayments to suppliers and other current assets, net	5,782	90,335	4,378	81,334
Other non-current assets	210	19,805	90,641	97,862
Trade accounts payable	–	25,490	265	27,055
Advances from customers and other current liabilities	69,003	157,338	31,082	102,029

As of 30 June 2012 and 30 June 2011, the Group did not create allowance for the trade accounts receivable, prepayments made and other current assets from related parties.

Advances from customers and other current liabilities include amounts due to Namsen Limited. This amount includes:

- USD 39,300,000 for the purchase of Inter-Agro which is interest bearing at 4% per annum;
- USD 20,043,000 of loan provided by Namsen to Inter-Agro Group;
- USD 9,660,000 owed for the purchase of Sugar Holding Limited.

As of 30 June 2012, prepayments to suppliers and other current assets include USD 369,000 due from Namsen Limited. All other balances were with related parties under common control.

Transactions with related parties were as follows:

	Amount of operations with related parties, for year ended 30 June 2012	Total category per consolidated income statement for year ended 30 June 2012	Amount of operations with related parties, for year ended 30 June 2011	Total category per consolidated income statement for year ended 30 June 2011
Cost of sales	(246)	(1,696,468)	(1,217)	(1,439,591)
General, administrative and distribution expenses	(1,604)	(270,496)	(2,795)	(208,451)
Finance costs	1,974	(64,361)	622	(42,452)
Other income	307	(3,486)	232	(28,121)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties. As for the year ended 30 June 2012 finance costs included USD 1,421,000 income incurred in respect of Namsen Limited. All other transactions occurred with related parties under common control.

As of 30 June 2012, the Board consists of the following seven directors: the Chairman of the Board, two independent directors, and four directors employed by Subsidiaries.

Remuneration of the Board (seven Directors) for the year ended 30 June 2012 amounted to USD 1,032,000 (for the year ended 30 June 2011: six directors, USD 935,000). The Chairman of the Board and three directors employed by Subsidiaries are not entitled to remuneration for their services as Board members but are refunded, to a reasonable extent, for any expenses incurred by them in performing their duties, including reasonable travelling expenses.

Four directors employed by Subsidiaries are entitled to remuneration for their services as members of the Management Team of the Group. Remuneration of the Management Team of the Group, totalling 14 people, amounting to USD 1,770,000 for the 12-month period ended 30 June 2012 (12-month period ended 30 June 2011: 14 people, amounted to USD 2,484,168).

The Members of the Board of Directors and the Management Team members are not granted any pensions or retirement or similar benefits by the Group. Management of the Group have been provided with options to purchase the shares of the Holding (Note 31).

28. Commitments and Contingencies

Operating Environment

The principal business activities of the Group are in Ukraine and the Russian Federation. Emerging markets such as Ukraine and the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Ukraine and the Russian Federation and their economies in general.

Laws and regulations affecting businesses in Ukraine continue to change rapidly. Tax, currency and customs legislation within Ukraine and the Russian Federation are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Ukraine. The future economic direction of these countries is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected Ukrainian and Russian financial and capital markets in 2008 and 2009 has receded and Ukrainian and Russian economies returned to growth in 2010. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Ukrainian and Russian economies, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Retirement and Other Benefit Obligations

Most employees of the Group receive pension benefits from the Pension Fund and Ukrainian Government Organisation in accordance with the applicable laws and regulations. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions. As of 30 June 2012 and 30 June 2011, 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 2012, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 5,910,000 for the supply of equipment and services required for the construction of a new silo.

As of 30 June 2011, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 7,000,000 for the supply of equipment and services required for the construction of a new silo.

Contractual Commitments on Sales

As of 30 June 2012, the Group had entered into commercial contracts for the export of 326,372 tons of grain and 391,474 tons of sunflower oil and meal, corresponding to an amount of USD 103,742,000 and USD 208,433,000, respectively, in prices as of 30 June 2012.

As of 30 June 2011, the Group had entered into commercial contracts for the export of 389,000 tons of grain and 205,000 tons of sunflower oil and meal, corresponding to an amount of USD 119,820,000 and USD 127,419,000, respectively, in prices as of 30 June 2011.

Operating Leases

As of 30 June 2012 and 30 June 2011, the Group had outstanding commitments under non-cancellable operating lease agreements with the following maturities:

Lease term	Future minimum lease payment as of 30 June 2012	Future minimum lease payment as of 30 June 2011
Less than 1 year	**22,754**	15,409
From 1 to 5 years	**67,301**	36,917
More than 5 years	**34,824**	22,426
Total	**124,879**	**74,752**

Operating lease payments mainly represent rentals payable by the Group for office premises and land in Ukraine. Rentals for land are determined in accordance with Ukrainian legislation.

Legal Issues

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

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 30 June 2012, the Group's companies had ongoing litigations with the tax authorities mainly related to the disallowance of certain amounts of VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues. According to the assessment performed by the management of the Group, the maximum exposure of the Group to such risks as of 30 June 2012 amounted to USD 70,746,019. Out of this amount, USD 29,169,411 relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favour of the Group. Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

The Group is involved in litigation in connection with the case of contaminated Ukrainian oil happened in April 2008. The Group estimates the amount it could be required to pay in favour of counter party as USD 3,7 million. Management believes than no significant settlement will arise out of the lawsuit and no respective provision is required in the Group's financial statements as of the reporting date.

29. Financial Instruments

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising return to shareholders through a combination of debt and equity capital. In November 2007, the Group was listed on the Warsaw Stock Exchange. Net proceeds of additional capital from the placement constituted USD 152,367,000 after deduction of total subscription cost. In April 2008, the Group increased equity by USD 81,725,000 as a result of a secondary offering of shares. In June 2010, the Group increased equity by USD 81,104,000. In January 2011, the Group increased equity by USD 3,815,000. In August 2011, the Group increased equity by USD 142,323,000.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 17 and 18 and obligations under finance lease, cash and equity attributable to Kernel Holding S.A. shareholders, comprising issued capital, reserves and retained earnings.

Gearing Ratio

The Group's management reviews quarterly the capital structure of the Group, taking into consideration seasonality in the activity of the Group. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Following its listing on the WSE, the Group's management considers that the gearing ratio should not exceed 150%.

	As of 30 June 2012	As of 30 June 2011
Debt liabilities* (see Notes 17, 18)	**698,281**	427,501
Cash (see Note 6)	**(82,529)**	(115,897)
Net debt	**615,752**	311,604
Equity**	**1,179,683**	971,574
Gearing ratio	**52%**	32%

* Debts include short-term and long-term borrowings, corporate bonds issued, and obligations under finance leases.
** Equity includes the share capital, the share-premium reserve, additional paid-in capital, revaluation reserve, retained earnings and translation reserve.

Due to its activity, the Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note provides information on the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Maximum exposure to credit risk was as follows:

	As of 30 June 2012	As of 30 June 2011
Cash (see Note 6)	**82,529**	115,897
Trade accounts receivable, net (see Note 7)	**146,362**	111,586
Total	**228,891**	**227,483**

Maximum exposure to credit risk for trade receivables by geographic region was as follows:

	As of 30 June 2012	As of 30 June 2011
Domestic customers (accounts receivable, net)	**61,856**	24,776
International customers (accounts receivable, net)	**84,506**	86,810
Total	**146,362**	**111,586**

The Group's most significant customers are international customer, accounted for USD 21,359,000 and local customer, accounted for USD 38,210,000 out of the total trade accounts receivables as of 30 June 2012 (as of 30 June 2011 one customer accounted for USD 29,124,000).

29. Financial Instruments (continued)

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 42% of the Group's revenue is attributable to sales transactions with five customers.

The Group's management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references, and also counterparties' recommendations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Group's management. These limits are reviewed quarterly. Customers that fail to meet the Group's benchmark for creditworthiness may transact with the Group only on a prepayment basis. To reduce non-payment risk in international markets, the Group presents title documents via banking channels and uses payment instruments such as letters of credit (LC) and bank guarantees.

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned (controlled) subsidiaries. As of 30 June 2012 as well as at 30 June 2011, no guarantees were outstanding in favour of third parties.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The average credit period on purchases of goods is seven days.

The contractual maturities of financial liabilities, including interest payments, as of 30 June 2012, were as follows:

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Trade accounts payable	25,490	(25,490)	(25,490)	–	–	–
Short-term borrowings (see Note 17)	167,348	(200,382)	(200,382)	–	–	–
Long-term borrowings (see Note 18)	512,860	(537,066)	(98,622)	(236,198)	(202,246)	–
Obligations under finance leases	18,073	(23,403)	(7,206)	(5,394)	(9,469)	(1,334)
Other current liabilities	98,969	(98,969)	(98,969)	–	–	–
Accounts payable for property, plant and equipment	354	(354)	(354)	–	–	–
Short-term promissory notes issued	24	(24)	(24)	–	–	–
Total	823,118	(885,688)	(431,047)	(241,592)	(211,715)	(1,334)

The contractual maturities of financial liabilities, including interest payments, as of 30 June 2011, were as follows:

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Trade accounts payable	27,055	(27,055)	(27,055)	–	–	–
Short-term borrowings (see Note 17)	234,514	(244,855)	(244,855)	–	–	–
Long-term borrowings (see Note 18)	184,076	(199,943)	(39,240)	(35,135)	(125,568)	–
Obligations under finance leases	8,911	(9,801)	(6,125)	(2,663)	(1,013)	–
Other current liabilities	44,311	(44,311)	(44,311)	–	–	–
Accounts payable for property, plant and equipment	2,565	(2,565)	(2,565)	–	–	–
Short-term promissory notes issued	950	(950)	(950)	–	–	–
Total	502,382	(529,480)	(365,101)	(37,798)	(126,581)	–

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group policy is to synchronise future cash flow from sales and payments under financial liabilities and to limit its open inventory position.

29. Financial Instruments (continued)

Currency Risk

The major sources of finance of the Group, prices of sales contracts with customers, and prices of significant contracts for purchase of goods and services from suppliers are denominated in USD.

Interest and principal on borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in USD. This provides the Group with a natural hedge against currency risk and no derivatives are required to cover such risk.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The table below cover USD and EUR denominated assets and liabilities carried by subsidiaries having distinct functional currency.

The Group's exposure to foreign currency risk as at 30 June 2012 was as follows:

	UAH	USD	EUR	Other currencies
Cash	3,917	704	319	896
Trade accounts receivable, net	47,834	232	–	–
Trade accounts payable	(9,277)	(36)	–	–
Short-term borrowings (see Note 17)				
Ukrainian subsidiary of European bank	–	(64)	–	–
Ukrainian subsidiary of US bank	–	(153)	–	–
Long-term borrowings (see Note 18)				
Ukrainian subsidiary of European bank	–	(7,169)	–	–
Ukrainian subsidiary of US bank	–	(13,900)	–	–
Obligations under finance lease	(1,032)	(2,638)	–	–
Net exposure	**41,442**	**(23,024)**	**319**	**896**

A 10% strengthening of the UAH against the USD as of 30 June 2012 would have increased the equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	USD	EUR	Other currencies
USD	(2,302)	32	90

Conversely, a 10% fall of the UAH against the USD as of 30 June 2012 would have had the opposite effect, on the assumption that all other variables remain constant.

The Group's exposure to foreign currency risk as of 30 June 2011 was as follows:

	UAH	USD	EUR	Other currencies
Cash	7,089	5,818	502	–
Trade accounts receivable, net	1,678	316	–	–
Trade accounts payable	(17,425)	(1,212)	–	–
Short-term borrowings (see Note 17)				
Ukrainian subsidiary of European bank	–	(31,035)	–	–
Ukrainian bank	(81,509)	(11,074)	(401)	–
Long-term borrowings (see Note 18)				
Ukrainian subsidiary of European bank	–	(8,312)	–	–
Obligations under finance lease	–	(485)	–	–
Net exposure	**(90,167)**	**(45,984)**	**101**	**–**

A 10% strengthening of the UAH against the USD as of 30 June 2011 would have increased the equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	USD	EUR	Other currencies
USD	(4,598)	10	–

Conversely, a 10% fall of the UAH against the USD as at 30 June 2011 would have had the opposite effect, on the assumption that all other variables remain constant.

Interest rate risk – the risk of changes in interest rates impact primarily borrowings by changing either their fair value (fixed rate debt) or future cash flows (variable rate debt). The Group obtains borrowings with both fixed and variable rates.

29. Financial Instruments (continued)

The interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount 30 June 2012	Carrying amount 30 June 2011
Fixed rate instruments (financial liabilities)	112,778	136,020
Variable rate instruments (financial liabilities)	585,503	291,481
Total	698,281	427,501

The Group does not use any derivatives to manage interest rate risk exposure. The Group borrows on both a fixed and variable rate basis. Group does not use any derivatives to manage interest rate risk exposure.

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2012 would decrease/increase by USD 5,855,030 (2011: decrease/increase by USD 2,914,810). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other Market Price Risk

The Group enters into commodity contracts for the delivery of physical goods only and does not use any hedging tools in respect of price hedging.

30. Fair Value of Financial Instruments

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

As of 30 June 2012 and 2011, 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.

31. Share-Based Payments

On 20 February 2008, in accordance with management and Corporate Governance information provided in the prospectus dated 25 October 2007, Kernel Holding S.A. signed a Management Incentive Plan providing to the management an option to purchase in aggregate up to 2,216,935 shares of Kernel Holding S.A., such number being equal to 3.5% of the issued and outstanding stock of Kernel Holding S.A. as of the adoption date of such plan, at the IPO price (PLN 24). The management considers the IPO date (23 November 2007) as the date of grant of the Management Incentive Plan. The option shall vest and become exercisable as to one third of the shares under option on 23 November 2008, the next one-third of the shares under option on 23 November 2009, and the remaining shares under option on 23 November 2010, and is in force till 23 November 2018. There are no cash settlement alternatives. As of 30 June 2012 and 2011, only 316,705 options out of 2,216,935 were not granted.

On 4 November 2011 the Board of Directors of Kernel Holding S.A. approved the terms and conditions of a new management incentive plan (the 'Management Incentive Plan') providing to Eligible Employees (as defined in the Management Incentive Plan) an option to purchase in aggregate up to 2,550,000 new shares of Kernel Holding S.A., such number being equal to 3.2% of the issued and outstanding stock of Kernel Holding S.A. as at the adoption date of such plan, at the exercise price of 75 PLN per share.

1,550,000 options (seria 1) shall be vested and will become exercisable in the following proportion:

- One third under option will become exercisable on 4 November 2012;
- One third under option will become exercisable on 4 November 2013;
- The remaining shares under option will become exercisable on 4 November 2014.

1,000,000 options (seria 2) shall be vested and will become exercisable in the following proportion:

- One fourth under option will become exercisable on 4 November 2012;
- One fourth under option will become exercisable on 4 November 2013;
- One fourth under option will become exercisable on 4 November 2014;
- The remaining shares under option will become exercisable on 4 November 2015.

	Weighted average fair value in USD, per option		Number of options	
	30 June 2012	30 June 2011	**30 June 2012**	30 June 2011
Beginning of the year	**2.2215**	2.2215	**1,266,820**	1,750,230
Vested during the year	**–**	–	**–**	–
Outstanding at the end of the 12-month period	**2.3809**	2.2215	**3,207,820**	1,266,820

	Number of options				Fair value recognised as an expense during the period
	At the beginning of the period	Granted during the period	Executed during the period	Outstanding at the end of the period	
Management	1,266,820	2,550,000	609,000	3,207,820	1,211

The fair value of the share-based transactions as of 30 June 2012 in the amount of USD 1,211,000 is recognised as an expense (part of the payroll and payroll related expenses) and a corresponding increase in equity over the vesting period (30 June 2011: USD 586,000).

The fair value of employee share-based payments is calculated using the Black-Scholes model using the assumptions noted in the following table. The expected volatility of the shares is based on historical volatility calculated using the daily closing price of the Group shares up to 29 June 2012. It has been assumed that all options will vest. The expected option term of options granted represents the period of time when the options granted are expected to be outstanding and is based on the contractual terms, vesting period and expectations of future employee behaviour. The risk-free interest rate is based on the rate of Polish Treasury zero-coupon bonds with a term equal to the expected option term of the option grants on the date of grant.

Assumptions:	**30 June 2012**
Expected option term (in years) seria 1	**3**
Expected option term (in years) seria 2	**4**
Expected dividend yield	**–**
Expected volatility	**10%**
Risk-free interest rate	**4.75%**

32. Earnings Per Share

Basic earnings per share is computed by dividing net income available to ordinary shareholders by the weighted-average number of ordinary shares outstanding (79,140,131 for the period ended 30 June 2012 and 74,684,398 for the period ended 30 June 2011), excluding any dilutive effects of stock options. Diluted earnings per share is computed in the same way as basic earnings per share, except that the weighted-average number of ordinary shares outstanding is increased to include additional shares from the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options, except those which are not dilutive, were exercised and that the proceeds from such exercise were used to acquire ordinary shares at the average market price during the reporting period. For calculating diluted earnings per share, an average number of 79,537,486 ordinary shares is taken into account (30 June 2011: 75,572,177).

33. Non-cash movements

Non-cash movements for the year ended 30 June 2012 were as follows:

Property, plant and equipment acquired under finance lease agreements	6,305
Non-cash settlement of other non-current assets and other current liabilities	31,000
Non-cash settlement of accrued interest and other current assets	4,948

34. Subsequent Events

On 21 August 2012, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. signed an addendum to a USD 500 million credit agreement ('the Addendum') with a syndicate of banks, with respect to the renewal of a USD 222 million short-term tranche. The USD 500 million Facility is structured as a dual tranche credit, including (1) a USD 278 million long-term tranche available to the Group until 31 July 2014 and (2) a USD 222 million one-year tranche which is renewable subject to the lending syndicate's approval. The purpose of the Facility is to finance the Group's purchase, storage and processing of sunflower seed into sunflower oil and meal for domestic sale or export.

On 27 September 2012, Kernel Group, through a 50-50 joint venture with Renaisco BV (Glencore International PLC subsidiary), has acquired an export grain terminal at Taman, Russia. Enterprise value total deal was USD 265,000,000. The grain export terminal is one of the largest deep sea grain export terminals on Russia's Black Sea coast has an installed throughput capacity of 3 million tonnes per annum and will serve as a platform for the large scale deployment of Kernel's grain export business from Russia.

Certain statements in this document are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this document or to correct any inaccuracies which may become apparent in such forward-looking statements.

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