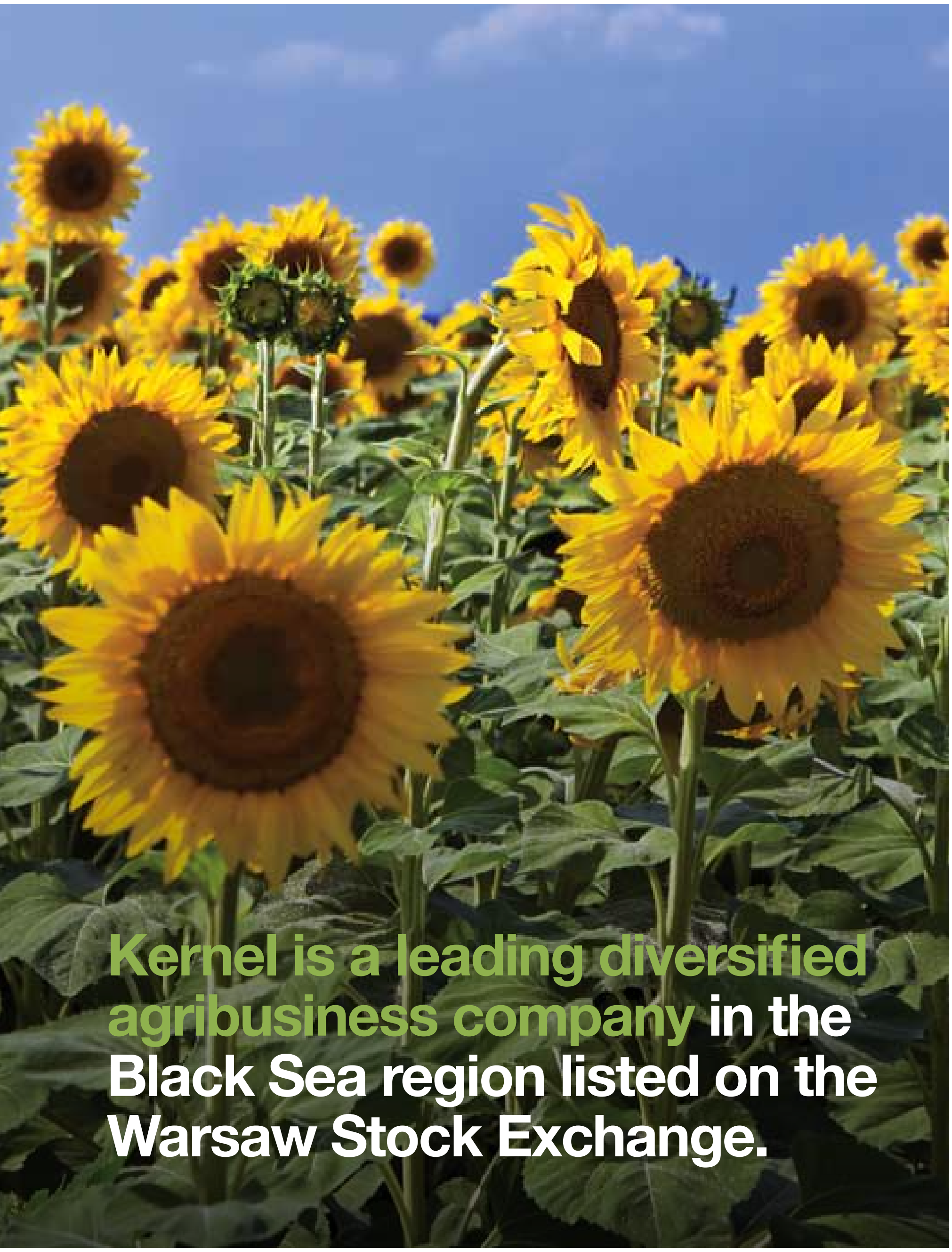
KERNEL

2013

Kernel Holding S.A.

Annual Report and Accounts 2013



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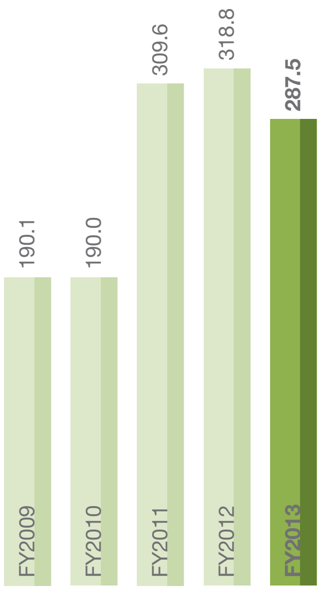
› FINANCIAL HIGHLIGHTS

USD million except ratios and EPS	FY2013	FY2012	y-o-y
Income statement highlights			
Revenue	**2,796.8**	2,071.8	35.0%
EBITDA[1]	**287.5**	318.8	(9.8%)
Net profit attributable to equity holders of Kernel Holding S.A.	**111.3**	206.7	(46.2%)
EBITDA margin	**10.3%**	15.4%	(5.1pp)
Net margin	**4.0%**	10.0%	(6.0pp)
EPS, USD	**1.40**	2.61	(46.5%)
Cash flow highlights			
Operating profit before working capital changes	**260.4**	291.4	(10.6%)
Changes in working capital	**156.9**	(242.1)	n/m
Cash obtained from/(used in) operations	**417.3**	49.3	8.5x
Net cash obtained from/(used in) operating activities	**297.7**	(24.0)	n/m
Net cash obtained from/(used in) investing activities	**(259.9)**	(229.2)	13.4%
Liquidity position and credit metrics			
Net interest-bearing debt	**655.4**	615.8	6.4%
of which: readily marketable inventories	**175.1**	385.1	(54.5%)
Adjusted net debt[2]	**480.3**	230.7	2.1x
Shareholders' equity	**1,334.8**	1,179.7	13.2%
Net debt/EBITDA	**2.3x**	1.9x	+0.4x
Adjusted net debt/EBITDA[2]	**1.7x**	0.7x	+1.0x
EBITDA/Interest	**3.8x**	5.1x	(1.3x)

Note: Financial year ends 30 June.
(1) Hereinafter, EBITDA is calculated as a sum of the profit from operating activities plus amortization and depreciation.
(2) Adjusted net financial debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing debt and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories.

EBITDA (USD million)

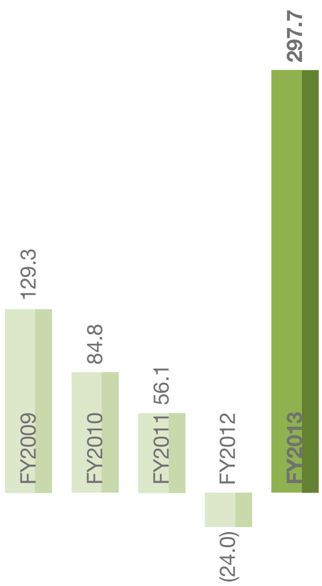
$287.5m



EBITDA is calculated as a sum of the profit from operating activities plus amortization and depreciation.

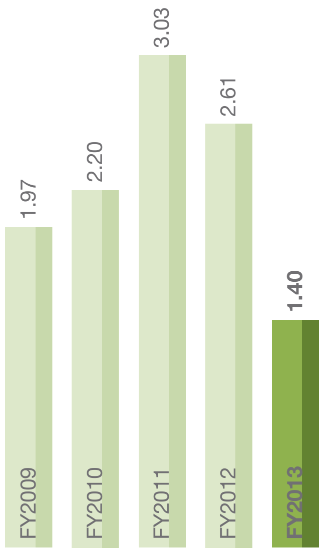
Net cash from operations (USD million)

$297.7m



EPS (USD)

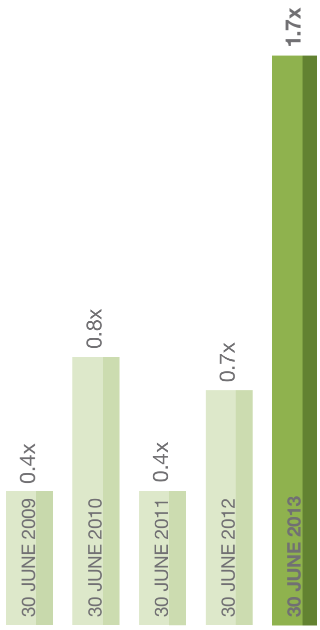
$1.40



Earnings per share based on net income attributable to equity holders of Kernel Holding S.A. and 79.7 million shares for FY2013 and 79.1 million shares for FY2012.

Adjusted net debt/ EBITDA

1.7x



Adjusted net financial debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing debt and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories.

CHAIRMAN'S STATEMENT
ANDREY VEREVSKIY

Andrey Verevskiy
Chairman

Dear Shareholders,

For the year ended 30 June 2013, we generated USD 2,797 million in revenues, up 35% y-o-y, USD 288 million in EBITDA, down 10% y-o-y, and USD 111 million in net income, down 46% y-o-y.

The previous season opened with a significant decline in Ukraine's harvest. Ukraine produced 8.4 million tons of sunflower seed, down 1.5 million tons from normalized levels. The grain harvest stood at 46 million tons, or 9 million tons below the forecast.

While a lower sunflower seed crop and the newly added capacities decreased our crushing margin as expected, as the year proceeded, it became apparent that the sunflower seed supply was even lower than our forecast at the beginning of the season. As a result, our crushing margin and utilization level toward the end of the season declined and we crushed only 2.3 million tons of seed out of our capacity of 3.0 million tons. Moreover, we were unable to accumulate our usual carry-forward stock for crushing in the first quarter of the next season.

Our grain business, we believe, performed relatively well during the year, given the poor marketing margin environment we faced. Despite grain marketing profitability reaching historical lows, our infrastructure-based business model proved successful as we captured incremental market share in grain export volumes and handled a record three million tons of grain, up over 40% from the previous year amidst a basically flat market. This additional volume went through our grain port and inland silos, thus generating stable infrastructure earnings which offset the low marketing margins.

In Russia, the Taman deep water grain terminal joint venture became the milestone transaction to anchor our grain business there. Although the asset added no earnings in FY2013 due to the poor harvest and late completion date of the deal, we expect the port to fuel our grain export volume growth from Russia in FY2014.

Our farming division's FY2013 results were disappointing. Dragged down by integration issues of acquired entities and poor weather conditions, our last autumn's crop yields and profits fell short of expectations. However, at the moment of this report's publication, we are close to completing our FY2014 harvest and crop yields are up a strong 20–50% from FY2013.

Over the last year, we've been working on improving the organizational structure of our farming division. After a focused search for the most capable executive to lead this division, we hired Ievgen Osypov

› CHAIRMAN'S STATEMENT CONTD ANDREY VEREVSKIY

to head our expanded farming operations. In April 2013, we also acquired Druzhba Nova, a farming company with 105,900 hectares of landbank in close proximity to our existing operations. Concurrently, we concentrated our landbank by divesting non-core land holdings in remote regions. With our landbank now standing at about 405,000 hectares of leasehold farmland, we are one of the largest farmers in the country.

The above-mentioned performance led us to post EBITDA of USD 288 million in FY2013, which is below our guidance from a year ago mainly due to two factors: (1) lower than initially estimated sunflower seed availability, which decreased our crushing volumes and margins at the end of the marketing year, and (2) the dramatic decline of crop prices this summer, which reduced the contribution from the farming segment that we traditionally post in the fourth quarter of the financial year. At the same time, we generated strong operating cash flow of USD 298 million in FY2013.

We enhanced our board of directors during the year by inviting Sergei Shibaev to join our team as a new non-executive independent director. As his broad executive experience in finance and strategy will enhance our board's strategic capabilities, he will also lead the board's audit committee.

As we report these results, the new financial year is well underway. The new season began with soft commodity prices continuing their decline. With nearly ideal weather conditions and record acreage planted in both North and South America, grain and oilseed production globally grew in the double digits causing soft commodity prices to fall 20–40% during the summer. Although our crushing and grain business earnings remain largely immune to soft commodity price volatility, low prices will negatively affect our farming segment earnings.

Despite mixed weather conditions in Ukraine, the country should produce a good sunflower seed harvest this year of 10.0–10.5 million tons. With Ukraine's sunflower seed supply far ahead of the capacity commissioned this year, we are looking for better profitability and close to full utilization of our crushing plants in the second through fourth quarters of FY2014. However, first quarter volumes and margins still reflect the previous year's harvest, characterized by low carry-over stocks and poor margins toward the end of the marketing season. Also, the new season's crop supply was delayed due to rainy weather in September.

The decent grain harvest in Ukraine is driving up our grain export sales as well as providing throughput to our silo and port infrastructure. Ukraine's grain harvest is estimated at 56–60 million tons, of which 26–30 million tons should be available for export, a growth of 15–35% from the previous year. Our own farming operations should deliver a record crop of about 1.6 million tons of grains and oilseed, of which virtually all is directed through our grain supply chain and crushing plants, adding to incremental earnings. In Russia, despite a still vague outlook for the whole season, we are seeing a healthy utilization of the Taman grain terminal and pretty strong grain marketing margin in the first half of the season. However, we expect activity in the second half to be weaker as the result of excessive rains this autumn. As the rains caused a decrease in winter wheat plantings, next year's crop will yield less and farmers are withholding selling their crops in anticipation of higher prices. With a majority of our throughput in Taman being our own grain export operations, we are on schedule to achieve our goal of having a fully integrated export and terminal business in Russia. While our view on Russia's grain export in the mid-term is cautiously optimistic, we are actively working on expanding the storage capacity of the Taman facility to increase the total annual throughput potential of the terminal to five million tons. As port infrastructure is a key bottleneck in the Russian grain supply chain, controlling it is essential to be a leader in Russian grain export in the long-term perspective.

A combination of these drivers leads us to expect our grain export volumes to reach a record 4.0–4.5 million tons in FY2014 versus 3.0 million tons last year. Our inland silo and port transshipment facilities will be bolstered with increased throughput, which also reflects an additional 300,000 tons of greenfield silo capacity along with the Taman port operations.

In farming, as mentioned earlier, we are currently seeing solid 20–50% improvements in crop yields from the previous year, despite excessive rain in the harvesting period affecting our performance. Although our operating results are strong, our farming is expected to underperform financially this year due to the sharp decline in grain and oilseed prices that occurred this summer, which has a direct and adverse impact on farmers globally. With the price of corn, our key crop, down 45% from the previous year's level, combined with other crop prices declining by more than 20% y-o-y and a high cost base for this year's harvest, our farming is expected to be largely breakeven this year. However, to offset this slightly, our 1.6 million tons of production will contribute to earnings in the silo services, export terminals, grain marketing and crushing segments.

At the same time, the ongoing integration of acquired farming entities has moved into the next stage. While our crop yields over the previous several years were dragged down by integration issues and were on par with Ukraine's average, this season's crop yields are showing decent premiums to the country's average and are almost in line with our expectations. However, corn and soybeans are falling short of our targets for this year by 10–15%.

In sum, across all segments, we estimate our asset base to deliver EBITDA of USD 250 million in FY2014, with two factors explaining the deviation from normalized levels: (1) no contribution from farming this season and (2) a poor crushing contribution in the first quarter. At the same time, we remain long in the significant portion of our farming produce this year, and further crop price changes will affect our final results.

Following last year's expansion through several acquisitions, we plan to be less active this year, thus strengthening our balance sheet. Total capex for next year is budgeted at USD 85 million, with USD 40 million for maintenance, USD 30 million for silo construction, and the remainder for farming and crushing. We are pleased with our progress in exiting the sugar business, where we have already unlocked nearly USD 40 million of capital by divesting sugar plants and are gradually unraveling another USD 60 million in working capital that has been tied up in sugar stock carried forward from last year.

As a milestone in our history, the board of directors approved the dividend policy this summer, adopting a DPS approach. With the dividend set at USD 0.25 per share and the first distribution to be made from FY2014 profits, the board aims to provide stable cash flow to our shareholders while keeping the balance sheet strong to pursue selective growth opportunities in our markets.

Our long-term strategy remains unchanged. The Black Sea region is one of the fastest growing suppliers of grains and edible oils to the global marketplace. Our asset base and earnings will remain diversified across margin-driven oilseed crushing and grain export businesses along with farming production.

We clearly see that the current global low soft commodity cycle is pushing the agricultural sector in the Black Sea region into difficult times. Our goal is to find a balance of using this opportunity to develop the future of our company while upholding prudent risk management throughout the entire spectrum of our activities.

Andrey Verevskiy
Chairman

25 October, 2013

› KERNEL AT A GLANCE

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

Our integrated value chain encompasses a countrywide grain and oilseed origination network, 405,000 leasehold hectares under farming, 3 million tons of sunflower seed crushing capacity, 2.8 million tons of silo storage capacity and 6 million tons of capacity at our deep-water export terminals at the Black Sea basin, and a centralized logistics and sales team.

Revenue, FY2013
(including intersegment sales)

- 57.0% Sunflower oil
- 35.6% Grain
- 7.4% Farming

Total: $2,796.8m

EBITDA, FY2013
(before head office expenses allocation)

- 61.9% Sunflower oil
- 18.3% Grain
- 19.8% Farming

Total: $287.5m

Shareholding structure, 30 June 2013

- 38.4% Namsen Limited
- 61.6% Free float

› KERNEL AT A GLANCE CONTD

Sunflower oil

Being the largest producer of sunflower oil in the Black Sea region, we produced in excess of one million tons of sunflower oil in FY2013. With over 90% of the output sold to international markets, we supply an estimated one sixth of the global international trade of sunflower oil. Our business model is export-oriented, with both inputs and outputs being priced in hard currency. A margin-driven business, our sunflower oil production benefits from a strong and growing supply of sunflower seed in Ukraine and Russia supporting our leading market position and natural logistical advantage in crushing sunflower seed in proximity to its production area.

With our prominent position both on international (reported as the bulk oil segment) and domestic markets (reported as the bottled oil segment), our business model is designed to limit exposure to commodity price volatility through physical hedging. By buying sunflower seed from farmers and selling output through forward contracts, we lock in the margin at the moment of input procurement.

FOR MORE INFO ON OUR **SUNFLOWER OIL** BUSINESS PLEASE SEE PAGES 08-11

Grain

As one of the largest grain exporters in the Black Sea region, we exported 3 million tons of grain from the region in FY2013, of which approximately 20% is produced by our farming division, while the remaining part is originated from thousands of farmers across Ukraine and southern Russia.

Our grain supply chain business is based on controlling the critical extent of infrastructure assets: we operate the largest private silo network in Ukraine with a total storage capacity of 2.8 million tons of grain and two deep-water grain terminals at the Black Sea, including the 4 million tons/year Transbulkterminal facility in Ukraine and the 3 million tons/year Taman terminal, the latter owned in a 50/50 joint venture. Our infrastructure is a crucial element in securing captive origination and destination to support our future expansion.

With horizontal synergies with our sunflower business and vertical synergies with our farming production, our grain supply chain is well positioned to capture growing grain exports from Ukraine and Russia, which are one of the fastest developing grain suppliers to the world.

FOR MORE INFO ON OUR **GRAIN** BUSINESS PLEASE SEE PAGES 12-15

Farming

Our farming division produced 0.6 million tons of grains and oilseed in FY2013, which were subsequently exported by our grain division or crushed by our sunflower oil division. Following acquisitive expansion during the year, our acreage stands currently at 405,000 hectares of black-soil land in Ukraine, making us the third largest producer in the country.

Our large-scale farming business model allows numerous cost advantages, spurs knowledge spillover, increases utilization of modern farming machinery and spreads sustainable technology to improve profitability while reducing our carbon footprint.

As our farming acreage expanded five-fold through acquisitions over the last four years, the integration of each acquired landbank dragged down our performance in the first year of added operations, as is standard in the farming industry. With integration at the late stage, our crop yields improved in FY2014, with 15%–25% premiums to Ukraine's averages and 22%–48% growth from the previous year. Ukraine's strong fundamentals for the farming business and our ongoing improvement initiatives are the key pillars for our positive outlook on the segment. However, global soft commodity price fluctuations will always influence earnings volatility in the segment.

FOR MORE INFO ON OUR **FARMING** BUSINESS PLEASE SEE PAGES 16-19

› ASSET LOCATIONS

Our strategy pillars:

Geographic focus

We operate in the Black Sea region, as we believe that:

- ➔ Ukraine and Russia are among the fastest growing grain exporters, with crop yields still low but improving amid the surge of investment in the farming industry over recent years.
- ➔ Margin traditionally expanding toward origination.
- ➔ Sunflower seed is structurally profitable to crush in proximity to the areas of its production.
- ➔ Ukraine and Russia are low-cost producers of soft commodities.

Strong asset base

We focus our business model on a strong asset base across the value chain, as we believe that:

- ➔ Controlling key assets is crucial to achieve volume flow.
- ➔ An integrated asset base improves overall return on invested capital.
- ➔ An asset-based business model delivers lower margin volatility.
- ➔ With growing volumes outside the region, infrastructure becomes a vital element of improving profitability and expanding the existing business yet maintaining high barriers to entry.

Operational discipline

With a priority of maintaining a low-risk profile of the business, we:

- ➔ Follow the “balanced book” policy to limit exposure to soft commodity price volatility in our grain and sunflower oil business by selling volumes forward while buying on a spot basis.
- ➔ Preserve comfortable debt levels.
- ➔ Naturally hedge currency risk by matching revenues with financial obligations and costs.
- ➔ Maintain conservative counterparty credit risk guidelines.
- ➔ Limit upstream exposure to below 25% of the business portfolio.

› OPERATING HIGHLIGHTS

	FY2013	FY2012	y-o-y
Volumes			
Grain sales, tons	**3,021,704**	2,123,229	42.3%
Bulk oil sales, tons	**1,040,332**	828,370	25.6%
Bottled oil sales, 000 liters	**108,227**	131,694	(17.8%)
Sunflower seed crush, tons	**2,314,789**	2,493,056	(7.2%)
Refined oil production, tons	**107,007**	139,839	(23.5%)
Bottled oil production, tons	**100,190**	125,885	(20.4%)
Export terminals throughput, tons(1)	**2,910,365**	1,809,346	60.9%
Farm production, tons	**613,551**	549,991	11.6%
Grains received in inland silos, tons	**1,736,625**	2,058,909	(15.7%)
Sugar production, tons	**101,292**	129,985	(22.1%)

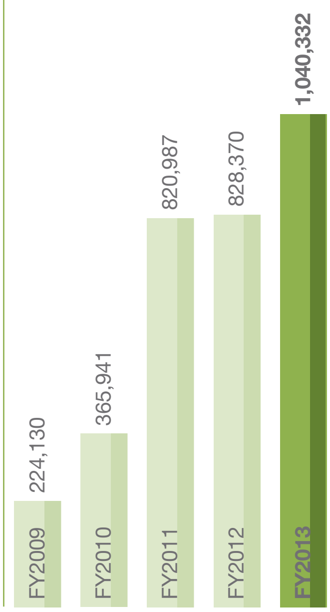
(1) Excludes volumes transshipped through Taman port, owned via 50%–50% joint venture.

Segment results summary	Revenue			EBITDA			EBITDA margin	
USD million	FY2013	FY2012	y-o-y	FY2013	FY2012	y-o-y	FY2013	FY2012
Bottled sunflower oil	**182.6**	203.0	(10.0%)	**25.8**	31.8	(19.0%)	**14.1%**	15.7%
Sunflower oil in bulk	**1,527.7**	1,191.6	28.2%	**173.2**	166.6	3.9%	**11.3%**	14.0%
Export terminals	**49.1**	28.9	69.8%	**27.1**	13.7	98.2%	**55.2%**	47.3%
Farming	**193.1**	171.0	12.9%	**67.7**	73.8	(8.3%)	**35.0%**	43.1%
Grain	**972.3**	598.7	62.4%	**12.5**	27.0	(53.7%)	**1.3%**	4.5%
Silo services	**46.4**	51.0	(9.1%)	**19.4**	18.3	5.8%	**41.8%**	35.9%
Sugar & Discontinued operations(1)	**29.3**	13.4	118.3%	**(4.0)**	16.9	n/m	**(13.6%)**	n/m
Other	**–**	–	–	**(34.1)**	(29.3)	16.4%	**–**	–
Reconciliation	**(203.7)**	(185.8)	9.6%	**–**	–	–	**–**	–
Total	**2,796.8**	**2,071.8**	**35.0%**	**287.5**	**318.8**	**(9.8%)**	**10.3%**	**15.4%**

Note: Differences are possible due to rounding.
(1) Discontinued operations from sugar and assets held for sale.

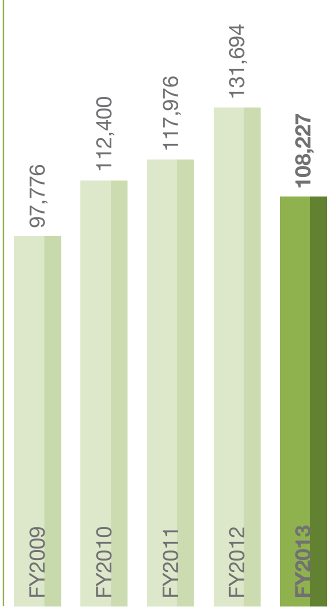
Bulk oil sales (tons)

1,040,332



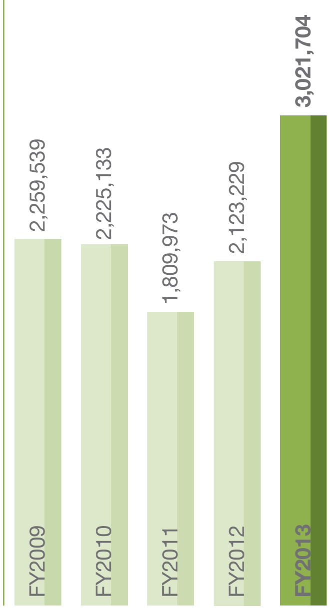
Bottled oil sales (‘000 litres)

108,227



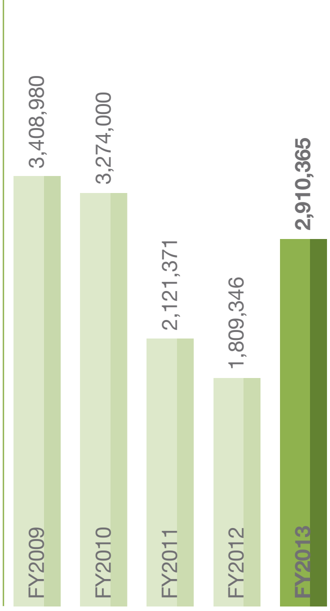
Grain sales (tons)

3,021,704



Export terminals throughput (tons)

2,910,365



› SUNFLOWER OIL BUSINESS

Kernel is the largest oilseed crusher in the Black Sea region, with the capacity to crush 3 million tons of sunflower seed per year.

Each year we supply in excess of 1 million tons of sunflower oil to the international markets and 100,000 tons to domestic consumers, being ranked #1 both globally and domestically.

Revenue

$1,710.3m

+22.6% y-o-y

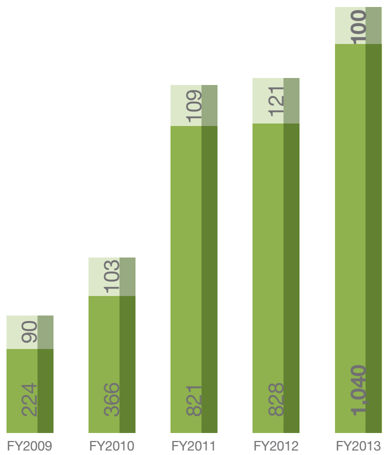
EBITDA
(before head office expenses allocation)

$199.0m

+0.3% y-o-y

Sunflower oil sales
(in thousand tons)

1,140



Sold in bulk
Sold bottled

Source: Kernel.

› SUNFLOWER OIL BUSINESS CONTD

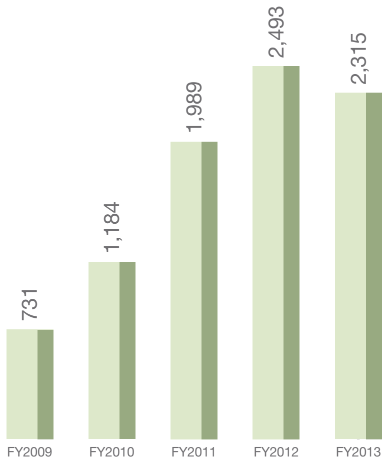
Global exporters of sunflower oil 2012/13 (thousand tons)

- 1,040 Kernel
- 2,455 Other Ukrainian producers
- 1,000 Other Russian producers
- 660 Argentina
- 877 Other

Source: Kernel, based on USDA, September 2013.

17.2% of the global trade in sunflower oil was attributed to Kernel in 2012/13.

Kernel's sunflower seed crushing (thousand tons)



Source: Kernel.

Sunflower oil contributed 62% to EBITDA in FY2013

Sales of sunflower oil and its by-products accounted for USD 1,710.3 million in revenues in FY2013, 57% of the total, and USD 199.0 million in EBITDA in FY2013, 62% of the total. Kernel is the largest producer of sunflower oil and meal in Ukraine, and the largest exporter of sunflower oil and meal from the Black Sea region, supplying an estimated one sixth of the international trade in sunflower oil.

Sunflower seed is the natural crop in Ukraine and Russia

Ukraine and Russia are global leaders in growing sunflower seed and producing sunflower oil. Both countries annually produce 8 to 11 million tons of sunflower seed each, crushing virtually all the volumes domestically to produce 3 to 4 million tons of sunflower oil.

In Ukraine, where most of Kernel's crushing facilities are located, sunflower seed is the key oilseed crop grown in the country, with 16% of the total arable land dedicated to the crop as of 2013. Due to local weather patterns, for a majority of the farmers in Ukraine, sunflower seed has the highest crop yield among the oilseed crops, which results in sunflower seed being the most profitable crop to grow for many farmers. Superior profitability, relatively low working capital, and sustainable demand from the local crushing industry are behind the continuing growth in acreage under sunflower seed. At the same time, Ukrainian crop yields still lag the averages of other major producers like Argentina or the EU due to the still early stage of adoption of modern farming technology and modest penetration of hi-tech machinery in Ukraine. This situation is rapidly improving with the recent surge of investment into the farming sector.

Sunflower seed is the dominant oilseed crop in Russia as well, with annual production of 8 to 9 million tons.

Kernel is the largest sunflower seed crusher in Ukraine

Approximately 95%–97% of sunflower seed produced in Ukraine and Russia is crushed domestically, due to the strong crushing asset base and to the logistical advantages of exporting processed products rather than raw material. Due to the low density of sunflower seed, the delivery cost per ton of seed is 3 to 4 times higher than it is for the respective amount of sunflower oil.

Kernel is the largest crusher of sunflower seed in Ukraine, operating approximately a quarter of the total capacity in the country. The crushing sector in Ukraine has gone through the first stage of consolidation with Kernel playing a leading role in the process, but remains relatively unconsolidated as the top five producers account for only 55% of the total installed capacity.

In Russia, where Kernel is a young player with just two years of operating history, we run 0.4 million tons of sunflower seed crushing capacity in the southern regions of the country, which represents a mere 4% of the country's industrial capacity.

Over 90% of sunflower oil and meal is exported

For every ton of sunflower seed crushed, approximately 44% becomes sunflower oil, 39% becomes sunflower meal, and the remainder becomes sunflower husks. Sunflower oil is thereafter sold in bulk to export markets or refined and bottled for domestic and some international sales. Bulk oil is transported by railcars to the Black Sea ports and loaded into specialized oil tankers which then deliver the product to the final consumer markets. Producing 1.0–1.1 million tons of sunflower oil per annum, Kernel sells only approximately 100,000 tons of sunflower oil domestically (see the case study on page 11 for details), while most of the produce is exported.

Sunflower meal, which is used as a protein component in feedstock for animal husbandry, is pelletized at the crushing plant and then exported through the Black Sea ports or via railcars to neighboring markets. Sunflower husks are a solid biomass used for in-house steam production and sold to third parties.

Sunflower seed crushing is a margin-driven business

Sunflower oil is an internationally traded commodity for which the price is set by the global supply/demand balance for edible oils (other major oils include palm, soybean and rapeseed oils). Given that more than 80% of Ukraine's production of sunflower oil is exported to international markets, the pricing for sunflower seed closely correlates with the international price of sunflower oil. Respectively, crushing business economics are margin-driven. Applying net back pricing and accounting for the required margin level, logistic and processing costs, crushers in Ukraine are price-takers of export market quotations for sunflower oil and meal, and price-givers to farmers for sunflower seed supplies. This export-driven market structure results in most of the volatility of international prices for sunflower oil and meal being passed through to the farmers, while the crushing margin in absolute terms is less volatile and is primarily determined by the country's local balance between the sunflower seed supply and the installed crushing capacity, as crushers are inclined to accept lower margins when the sunflower seed harvest is low and vice versa.

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SUNFLOWER OIL BUSINESS CONTD

Global demand for sunflower oil

The growth of population and improving diets in the emerging markets have caused the global consumption of sunflower oil to increase at a 5% CAGR over the last ten years. Reputed to be one of the healthiest edible oils, it is well-positioned to capture market share from soybean and rapeseed oils.

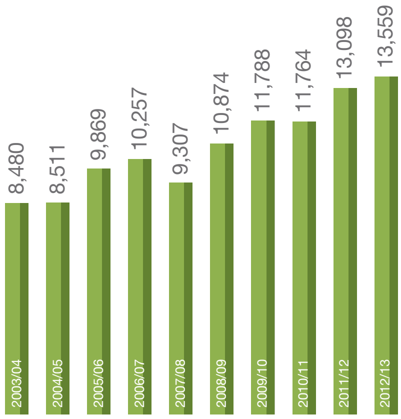
Among edible oils, sunflower oil accounts for only 8% of total edible oil consumption, ranking #4 after palm oil, soybean oil, and rapeseed oil. While palm oil is the cheapest and considered by the majority to be the lowest quality (due to its high saturated fat content), the other three oils – soybean, rapeseed and sunflower seed oils – consist mostly of monosaturated and polyunsaturated fats and are generally interchangeable. Among the three, sunflower oil stands out for its high content of vitamin E, regarded as a protective antioxidant, and its light taste and smoke, the latter making it the most preferable oil for frying. As a result, nearly 97% of sunflower oil sold is being consumed for food use, according to FAO, the highest share after premium-priced olive oil.

Over the last ten years, the consumption of sunflower oil has grown at a 5% CAGR compared to the average of 3% for all edible oils, with the difference explained by the consumer shift mostly from soybean oil.

India, the European Union, and the MENA region are key importers of sunflower oil, each accounting for approximately a quarter of the global import total. Kernel's market share in the international sunflower oil trade stood at an estimated 17% of the global trade in 2012/13.

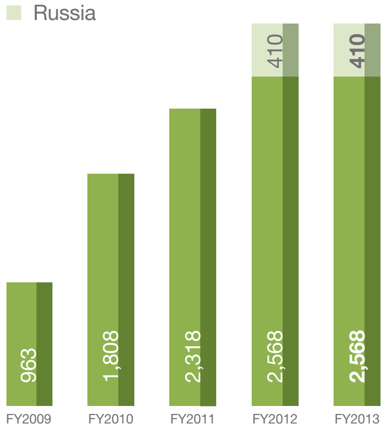
Source: USDA data for global consumption, FAO data for food/industrial use split.

Global sunflower oil consumption (thousand tons)



Source: USDA, September 2013.

Kernel crushing capacity (in thousand tons of sunflower seed/year)



Source: Kernel.

Prudent risk management strategy

Our origination team purchases sunflower seed from farmers within close proximity of plants, either at the farm gate or at the company's wide network of silos. As with grain sales, we follow a balanced booking policy, purchasing sunflower seed on a spot basis and selling sunflower oil and meal respectively through forward contracts within the same timeframe, thus locking in the margin and limiting the exposure to commodity price fluctuations.

We are risk-averse in regard to counterparty risk, paying farmers primarily after retaining the title for the purchased feedstock and selling internationally either against letters of credit or accepting the counterparty risk of established global traders. Our currency exposure is naturally limited to US dollars, as sunflower oil and meal prices are quoted primarily in US dollars, while sunflower seed prices are directly linked to US dollars.

Sunflower husks provide a green energy source

During FY2013, we installed a modern boiler at our the most recently acquired crushing plant, making it the ninth out of ten of our crushing plants to almost fully substitute the use of natural gas with the burning of sunflower husks to produce the steam and heat required for the production process. For our internal use, we burn approximately one third of the sunflower husk obtained during the production process, while the remaining two thirds are sold to third-party energy plants. Over the year, we saved approximately 75 million cubic meters of natural gas at our plants consumption, equivalent to 148 thousand tons of CO_2, and if third-party utilization of sunflower seed husks is taken into account, the total CO_2 equivalent of green energy would stand at 400 thousand tons of CO_2. Our next initiatives include installation of electricity turbines at our plants to produce green electricity and testing the still revolutionary technology to substitute conventional grain dryers at our silos which use natural gas with equipment fueled by sunflower husks.

FY2013 performance

During FY2013, the company crushed 2.3 million tons of sunflower seeds, down 7.2% y-o-y, underutilizing its installed capacity, as the sunflower seed harvest both in Ukraine and Russia was below average due to a prolonged drought in summer 2012 in key producing regions. During the period, we sold 1,040,332 tons of sunflower oil in bulk, up 25.6% y-o-y driven by the larger-than-normal stocks at the beginning of the period, and 108.2 million liters of bottled oil, down 17.8% y-o-y as some volumes were directed for sales in bulk. With a limited volatility of sunflower oil and meal prices during the period versus the previous year, we earned USD 1,710.3 million in revenues from selling bulk and bottled oil, up 22.6% y-o-y (see note 4 to the accounts for the separate reporting of the bulk oil and bottled oil segments).

On the profitability side, a combination of the lower sunflower seed harvest and commissioning of new capacities put pressure on the crushing margin sector-wide in Ukraine. As a result, our sunflower oil segments achieved an 11.6% EBITDA margin during FY2013 versus 14.2% a year ago, while the total EBITDA increased 0.3% y-o-y to USD 199.0 million, driven by higher sales volumes.

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FY2014 outlook and strategy

The soon to be completed sunflower seed harvest is estimated at 10.0–10.5 million tons in Ukraine, up 18%–24% y-o-y. The new harvest should provide an ample supply to utilize our crushing capacity in 2Q–4Q. At the same time, 1Q volumes and margin are poor due to lower carry-over stocks of sunflower seed from the previous season, as the below average sunflower seed harvest in 2012/13 resulted in the low availability of sunflower seed at the end of the marketing year which downwardly affected our crushing plants' utilization in 4Q of the previous year and 1Q of FY2014. For full FY2014, we expect to crush 2.4 million tons of sunflower seed, up from 2.3 million tons in FY2013, while the ample harvest should relieve pressure on the margin observed over the last year. Looking ahead, we expect farmers to deliver further growth in production of sunflower seed both in Ukraine and Russia, as industrialized farmers already show crop yields significantly above current averages as the recent surge of investments into the farming business drives the sector's operational performance.

With its leading crushing asset base in Ukraine and focus on maintaining leadership on the cost curve, Kernel is well-positioned to capture sunflower seed supply growth both organically and through further market consolidation.

Bottled oil sales are primarily to the domestic market

Kernel sells bottled oil in Ukraine under three key brands, which together account for about one quarter of the country's consumption. With our flexibility to direct sales to export or domestic markets, we view the domestic market as a premium margin market with a relatively low size in the overall sales structure.

Out of its 1.0–1.1 million tons of sunflower oil production, Kernel refines and bottles approximately 100,000 tons of oil. Due to higher transportation costs for bottled oil versus bulk oil and import duties in many consuming countries, bottled oil sales are meaningful only for the domestic market and export to selected nearby countries. In Ukraine, Kernel sells 70%–90% of its bottled sunflower oil production, with approximately 80% for branded sales and the remaining 20% for private label sales. Branded sales are primarily executed under three key brands – Schedriy Dar, Chumak Zolota and Stozhar, which are targeted for the middle and upper income segments. Although domestic bottled oil prices largely fluctuate along with the global price for sunflower oil, bottled oil price movements have lower volatility and naturally lag the commodity price fluctuations, as occurs for any consumer product. On average, bottled sunflower oil sales deliver about a 2pp premium in EBITDA margin over sales in bulk, which matches the additional investments in the bottled oil business. Kernel's leadership in both the domestic and export bottled oil market makes us flexible in fluctuating volumes sold via either market.

› GRAIN BUSINESS

Revenue
(including intersegment sales)

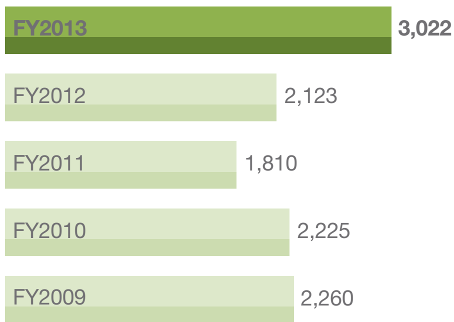
$1,067.7m
+57.3% y-o-y

EBITDA
(before head office expenses allocation)

$59.0m
flat y-o-y

Kernel grain and oil-bearing crops sales
(in thousand tons)

3,022



Source: Kernel.

One of the largest grain exporters in the Black Sea region, we exported 3 million tons of grain in FY2013.

Our vast grain silo storage network and deep-water grain transshipment terminals on the Black Sea in Ukraine and Russia position us to be the market leader with the ability to capture an estimated 6% CAGR of grain export volumes from the Black Sea basin over the next ten years.

GRAIN BUSINESS CONTD

Grain major exporters
(2012/13 season)

- 18.5% United States
- 11.6% Argentina
- 11.2% European Union
- 10.0% Brazil
- 9.2% Australia
- 9.2% Canada
- 8.7% Ukraine
- 6.0% Russia
- 15.6% Other

Note: all grains excluding rice.
Source: USDA, September 2013.

Kernel's grain export volume by crop, FY2013

- 42% Corn
- 39% Wheat
- 11% Barley
- 5% Soybean
- 2% Other

Source: Kernel.

18% of EBITDA in FY2013

Grain sales and related silo and export terminals services contributed USD 1,067.7 million in revenues in FY2013, or 36% of the total, and USD 59.0 million in EBITDA in FY2013, or 18% of the total. Kernel operates 2.8 million tons of inland storage capacity and 5.5 million tons of port grain transshipment capacity. The company is one of the largest grain exporters from the Black Sea region, supplying 3 million tons of grain to export markets in FY2013.

Vertically integrated export supply chain

Kernel operates the most sophisticated grain export supply chain in Ukraine and has recently expanded into the Russian grain export market. Our grain storage and export terminals asset base is a vital element in our supply chain, and this vertical integration provides a long-term competitive advantage as it secures captive origination and decreases earnings volatility compared to the asset-light business model. Essentially a logistics business, our grain supply chain provides earnings at three stages: (1) **the silo services segment** performs grain drying, cleaning, handling, and storage services, (2) **the grain segment** performs merchandizing, and (3) **the export terminals segment** performs handling and transshipment services.

The largest grain origination network in the country

Kernel's origination network is spread across most of the grain and oilseed producing regions in Ukraine and in southern Russia, allowing us to maintain daily contact with both small and large farms. Each year we buy grain from about two thousand farmers, purchasing grain either at our vast silo network or at the farm gate. We are the largest single buyer of grains and oilseed in Ukraine, contributing much to the efficiency of our origination platform and making us the preferred buyer for our suppliers.

Operating the largest private silo network in Ukraine

As of 30 June 2013, Kernel owns 2.8 million tons of grain storage capacity, which serves as a vital element for our supply chain business. As the largest private grain storage network in Ukraine that provides cleaning, drying and storage services for grain and oilseed purchased from third-party farmers, we serve our own farming division as well.

The silo services segment is a highly profitable business on its own: our EBITDA margin is 35%–50%, with higher margins observed in good crop seasons when a larger harvest competes for access to the infrastructure. In FY2013, our silos received 1.7 million tons, a 15.7% y-o-y decrease resulting from a lower harvest in Ukraine in the 2012/13 season. Despite the overall low harvest, operational improvements and a change in the mix of asset utilization led to an EBITDA increase to USD 11.1/t of throughput in FY2013 versus USD 8.9/t in FY2012, equivalent to a 41.8% EBITDA margin in FY2013 versus 35.9% in FY2012.

As part of our long-term strategy, we are continuing to invest in greenfield grain storage capacity in the areas where we farm. During FY2013, we completed construction of 300,000 tons of greenfield silo capacity, adding facilities in the locations where we believe we can generate growth both organically by leveraging our upstream business and of grain going through our supply chain.

Managing the logistics of the most sophisticated commodity flow

Our logistics department serves the needs of the whole business, managing one of the most sophisticated commodity flows in Ukraine with annual delivery of about 6 million tons of grain, sunflower oil and meal

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The Taman grain transshipment facility acquisition

One of only five deep-water grain terminals on Russia's Black Sea coast, the Taman grain terminal adds 1.5 million tons of efficient grain transshipment capacity to our portfolio.

In September 2012, a 50/50 joint venture formed by Kernel and a global commodity trader acquired a 100% interest in the Taman grain transshipment facility. A best-in-class facility, the Taman terminal is located on the Black Sea coast of the Russian Federation and is one of the five deep-water grain terminals able to service large vessels. Commissioned a year prior to the acquisition, the Taman terminal has installed throughput capacity of 3 million tons of grain per annum and is designed for 5 million tons, a capacity expansion which we have already commenced.

Owning a deep-water terminal secures a key bottleneck in the grain export supply chain in Russia, because the total capacity of the deep-water grain transshipment is insufficient to process the country's grain exports during the average season. The lack of deep-water transshipment capacity forces significant grain flows to go through inefficient shallow-water terminals of the Sea of Azov, which increases the profitability of deep-water terminals and the bargaining power of grain traders with access to efficient transshipment facilities.

A highly profitable business on a stand-alone basis, the Taman grain terminal serves as a platform for the large-scale deployment of Kernel's grain export business from the Russian Federation, one of the fastest-growing grain suppliers in the world.

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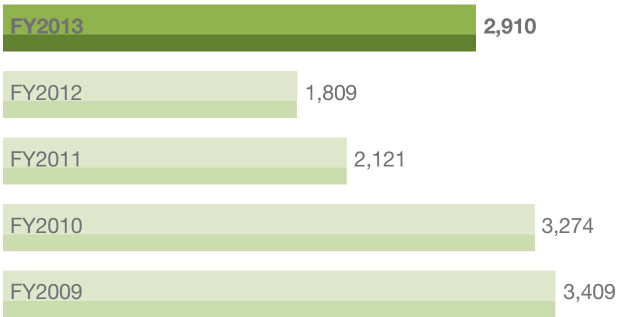
Export terminal throughput
(in thousand tons)

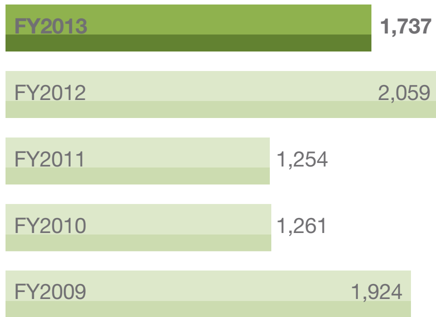
2,910



Source: Kernel.

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

1,737



Source: Kernel.

from hundreds of inland locations to Black Sea ports (primarily) and further to the customer's port destination. While most of the truck and railcar fleet used by Kernel is leased, our approach to ownership/leasing of inland transportation assets is route-specific. For routes which allow high utilization of the fleet, such as utilization of trucks to transport sunflower seed from farmers' fields to the crushing plant, we operate our own fleet, while the leased fleet is used for more unique routes. Typically, grain produced more than 200 km from the nearest port would be delivered by truck to the nearest silo and then transported by railcar for delivery to the port. Grain produced close to the port would normally be delivered directly by trucks.

Owned deep-water ports secure the export gateway

As maritime freight is indisputably the cheapest method of long distance grain transportation, virtually all Ukrainian and Russian grain export goes through the ports located on the Black Sea and the Sea of Azov. In Ukraine, Kernel owns Transbulkterminal, the second largest grain transshipment facility in the country, located in the port of Illichevsk, and also owns a smaller oil and meal terminal in the city of Nikolayev, which is used for sunflower oil export operations. In Russia, Kernel exports grain through its 50/50 owned Taman grain transshipment facility, a 3 million ton of capacity modern deep-water terminal located on the Black Sea. These terminals jointly provide Kernel with 5.5 million tons of annual grain transshipment capacity, which Kernel uses both for in-house produced and purchased grain for export, while excess capacity is sold to third parties through take-or-pay agreements. Both grain terminals are deep-water ports which allow them to load large panamax vessels. Panamax-size transport currently saves approximately USD 30/t for seaborne delivery compared to smaller vessels loaded at the shallow-water ports on the Sea of Azov and river-based ports.

As the supply of grain transshipment capacity in Ukraine is limited, operating its own terminal gives Kernel a natural competitive advantage in origination as it secures our ability to provide a steady flow of soft commodities to the global markets and provides a solid platform for further growth. In Russia, where natural constraints makes the supply of deep-water transshipment capacity a key bottleneck in the whole supply chain, our access to the terminal serves as a backbone for our grain export development.

Prudent risk management approach

The sustainability of our supply chain business model lies in our "balanced book" policy for the sales and purchase of grain. While we buy grain from farmers mostly on a spot basis, we sell similar grain volumes through forward contracts, fixing the price and volume concurrently to lock in the margin at the moment of purchase. Our financial hedging is limited to select corn contracts because of their liquidity and minimal risk of supply chain disruption.

Own farming provides additional throughput

Our own farming division produced 550,000 tons of grain available for export in FY2013, or approximately 18% of the company's total export volume. With further investment in the farming business made during the year, our own farming division is expected to increase production by 2.6x y-o-y, providing a steady flow to our supply chain.

Record volumes behind FY2013 results

During FY2013, we exported a record 3.0 million tons of grain, a 42.3% growth y-o-y and well above initial management expectations. Even though the total availability of grain for export from Ukraine was flat y-o-y and decreased in Russia, we capitalized on the opportunity to increase our market share in a low grain marketing margin environment which favored asset-based grain exporters. This is a clear testament to the ability of our business to offset a shrinking grain export margin with higher throughput volumes and a larger contribution from our asset base.

Our revenues from grain sales, silo services and export terminal services amounted to USD 1,067.7 million in FY2013, up 57.3% y-o-y driven by a strong 42.3% growth in grain export volumes and robust grain prices during the season. Silo and export terminal services' profitability improved compared to the previous year due to a better mix of silo asset utilization and higher throughput at export terminals (USD 11.1/t and USD 9.3/t in FY2013 for silo services and export terminals, respectively, versus USD 8.9/t and USD 7.6/t a year ago), while grain marketing margins decreased in FY2013 contrary to our initial expectations (USD 4.1/t in FY2013 versus USD 12.7/t in FY2012 and USD 10–30/t seen historically). The relatively weak grain marketing margin forced smaller asset-light players to reduce activities and thus released additional volumes to the market, which we took as an opportunity to increase our market share and generate profits through our supply chain. As a result, our combined EBITDA from grain, silo services and the export terminal services segments stayed flat y-o-y at USD 59.0 million.

Strategy

With a focus on the Black Sea region and an aim to continue being the leading grain supplier in the region, our strategy is volume- and margin-driven, relying on the control of key assets across the supply chain. We see our unique network of silos

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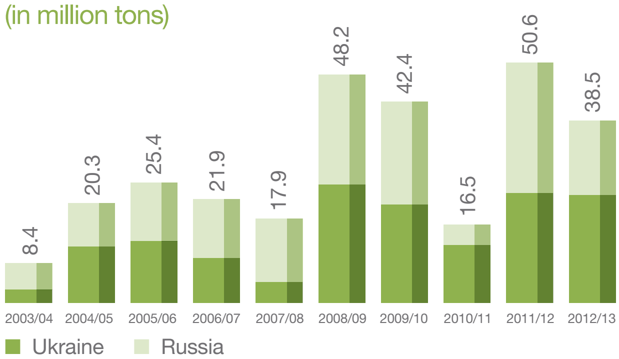
› GRAIN BUSINESS CONTD

and port transshipment facilities, as well as selective investments in new greenfield silos in locations that provide synergies both with our grain and farming operations, as being the fundamental backbone for our grain export operations. With improving volumes of grain marketing production both in Ukraine and Russia, and limited domestic demand growth, both countries are among the fastest-growing grain suppliers to the global market, with our estimated grain export surplus growth at 6%–8% CAGR in Ukraine and 9%–15% CAGR in Russia over the next five years. Our owned farming division, where we have made significant investments over the last three years, is expected to further push our grain export volumes and infrastructure utilization.

FY2014 outlook
We expect FY2014 to be a year of significant volume growth for our grain supply chain, with three key drivers. First, a record grain harvest in Ukraine in 2013/14, estimated at 56–60 million tons (up from 46 million tons a year ago), should provide 15%–35% y-o-y growth of the country's total grain exports, which in turn should support higher grain sales volumes as well as higher throughput at our grain silo network and export terminals in Ukraine. Second, our enlarged farming production, with 58% y-o-y acreage growth and improved crop yields, provides an additional boost to volumes: grains and oilseed produced in-house and available for export are expected to increase by approximately 0.7 million tons y-o-y. Third, FY2014 should be the first full year of our operations at the Taman grain transshipment terminal acquired last year, where we expect good utilization already in the first full year of operations.

Grain export from Ukraine and Russia
(in million tons)



Source: USDA, September 2013.

Ukraine's grain market

Consuming only half of the grains produced by the country and possessing vast acreages of highly fertile black-soil farmland, Ukraine is positioned as one of the key growth regions for global grain production. The recent surge of investments into the country's farming business nourishes future supply growth.

With 31 million hectares of arable land, Ukraine is #8 globally by the size of its arable landbank. Of this, 28 million hectares are cultivated, with 0.5% annual growth in the cultivated acreage and 1.0% growth in the acreage under grains and oilseed over the last ten years. Each year the country produces 45–60 million tons of grains and 12–15 million tons of oilseeds, with corn, wheat and barley being the primary grain crops grown, and sunflower being the key oilseed crop. Between 25 and 28 million tons of grains produced in the country are consumed domestically, while the remaining 20–32 million tons are exported to international markets, with a total export supply reaching up to 35 million tons if 2–3 million tons of rapeseed and soybean are taken into account. The well-developed inland and sea handling and transportation infrastructure links Ukraine with international markets, with Black Sea ports serving as a key gateway. An ongoing consolidation of the farming business, where the top ten players still control under 10% of the country's landbank, improves technology and provides gradual investment into modern farming machinery, which increases crop yields and shifts acreage toward higher-yielding crops, thus boosting overall production. A combination of acreage growth, crop yield improvement and acreage shifts leads us to estimate a 4–6% CAGR in the country's grain production over the next five years, assuming normal weather conditions. Combined with our estimates of moderate growth of domestic consumption, we expect a 6–8% CAGR for the country's grain surplus available for export over the next five years.

Russia's grain market

With the third largest arable landbank in the world, Russian grain production is ranked #7 globally, primarily due to the very early stage of modern technology and machinery penetration.

Being already a remarkable grain exporter, Russia's vast acreage, enormous crop yield growth potential, and stagnant domestic consumption makes the country one of the fastest growing grain exporters. Out of Russia's vast territory, 77 million hectares are cultivated, with 55% of this acreage dedicated to grains. Wheat and barley are the key grains produced in the Russian Federation, with approximately 25 million and 8 million hectares under each grain, respectively. With total grain production varying in the range of 61 million tons to 108 million tons per season over the last five years, Russia consumes 62–74 million tons. The country's average crop yield lags global averages and most of its comparable peers, mostly because of the low penetration of modern technology and machinery. A new level of grain prices observed during the last several years boosted investments in the farming business in Russia, especially in the regions within a reasonable distance to the Black Sea export gate. Slow but inevitable technology dissemination and machinery improvement drives the country's output, subject to weather shocks. With little to no growth of domestic consumption, each extra 1% of output provides about a 4% increase in export supply, making Russia one of the fastest-growing and largest grain suppliers to international markets.

That said, severe logistical bottlenecks are present in the transshipment infrastructure with a limited amount of the installed capacity at the deep-water terminals on the Black Sea coast, a key gateway to the international markets.

› FARMING BUSINESS

Revenue
(including intersegment sales)

$222.4m

+20.6% y-o-y

EBITDA
(before head office expenses allocation)

$63.7m

-29.8% y-o-y

Kernel farming acreage
(harvested hectares)

246,776

FY2013	**246,776**
FY2012	182,333
FY2011	84,512
FY2010	84,552
FY2009	78,333

Source: Kernel.

One of the largest crop producers in Ukraine, we produced 0.6 million tons of grain and oilseed in FY2013 and further expanded our acreage to produce approximately 1.6 million tons in FY2014.

Our large-scale cluster farming business model provides cost advantages and spurs knowledge spillover, while the natural vertical integration with our grain supply chain business and sunflower seed crushing enhances our earnings power.

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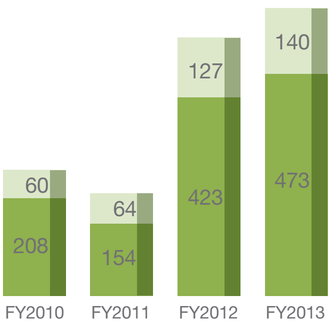
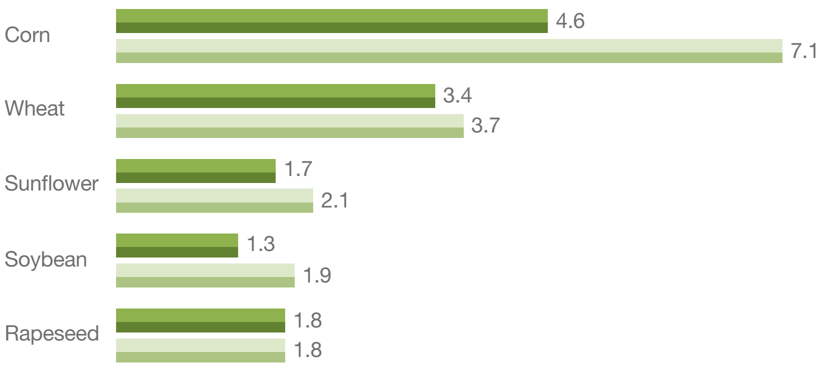
Kernel's farming output
(in thousand tons)



Source: Kernel.

Crop yields
(tons/hectare, net weight)



Source: Kernel.

Farming contributed 20% of EBITDA in FY2013

Our farming business contributed USD 63.7 million in EBITDA in FY2013, or 20% of the total. Including inter-segment revenues, total revenues amounted to USD 222.4 million in FY2013, or 7% of the company's total. During the year, the company produced 613,551 tons of grain and oilseed (up 11.6% y-o-y), harvesting 246,776 hectares of land in Ukraine (up 35.3% y-o-y), and produced 101,292 tons of sugar (down 22.1% y-o-y) from its own and third-party sugar beets.

One of the largest farmers in Ukraine

Following the recent acquisitions, our landbank grew to 405,000 leasehold hectares as of the moment of this publication, making us one of the largest farmers in the country. Kernel farms black-soil land located primarily in the central and western regions of Ukraine, known for plentiful rainfall and proper growing conditions for corn, soybean and sunflower seed, the company's key crops. Our crop structure is diversified, with 40%–50% corn, 15%–25% sunflower seed, 15%–25% soybean and 10%–20% wheat.

Efficient large-scale cluster farming business model

Kernel's farming operations are divided into large clusters. While strategic decision-making, sales, and procurement of key items are centralized at the head office, operations and daily management are delegated to clusters. Our clusters comprise adjacent farmlands to ensure the most efficient utilization of machinery and key labor while keeping the management structure flat and efficient. Large-scale farming allows cost advantages at many stages, while knowledge spillover improves operational efficiency.

FY2013 operating results below management expectations

During FY2013, we harvested 246,776 hectares of land (up 35.3% y-o-y), producing 473,336 tons of grain and 140,215 tons of oilseed (up 11.9% and 10.5% y-o-y, respectively). The weather conditions proved to be unfavorable during the season, which dragged down crop yields across Ukraine. Combined with the early stage of post-acquisition integration of our landbank (with 26% of the landbank acquired in the middle of the production season, 40% farmed only for the second year, and only 34% farmed for three or more years), our crop yields came in below management expectations and generally on par with the Ukrainian average.

Integration improves profitability

Our farming division is naturally integrated with our grain and oil businesses. Given that we grow grains which are exportable and sunflower seed which is crushed at our plants, virtually all output goes either through the grain export supply chain or, in the case of sunflower seed, is crushed and exported as sunflower oil and meal in such a way as to contribute incremental earnings for other segments.

Acquisition of Druzhba Nova increased landbank to 405,000 hectares

In April 2013, we completed the acquisition of Druzhba Nova, a farming company that manages 105,900 hectares of a leasehold landbank in the Poltava region and in the southern district of the neighboring Chernihiv and Sumy regions. One of the leading farming companies in Ukraine, Druzhba Nova is known not only for its pioneering employment of precise farming technology, but also for its best-in-class agricultural machinery fleet and well-designed operational processes. Its land is located in a black-soil rich region with proper weather patterns. With the integration process going smoothly and this autumn's crop yields being in line with initial expectations, Druzhba Nova is expected to contribute a solid half of million tons of crops to our FY2014 results.

Combined with the consolidation of the acquisition announced in April 2012 and the divestments of several non-core lands located in the dry southern regions of Ukraine, the company's landbank now stands at 405,000 hectares of leasehold landbank.

A sustainable approach to farming

It is our commitment to conduct our farming business in a sustainable way, preserving and improving the productive capacity of our land. Our farming division strictly follows crop rotation requirements for each particular region to ensure that soil nutrients are restored, and applies balanced fertilization as well as integrated pest and weed management, all with a focus on the long-term productivity of our landbank. A majority of our land is already farmed using mini-till farming technology which has two key impacts on the use of resources. First, lower tillage primarily reduces soil erosion and preserves moisture, having the strongest impact on improving water utilization. Second, mini-till technology reduces fuel usage and the respective carbon footprint on grain produced. In the next season, we plan to farm in excess of 10% of the acreage with strip-till technology which further reduces soil disturbance. On a separate note, the use of modern harvesting machinery decreases food loss during harvesting.

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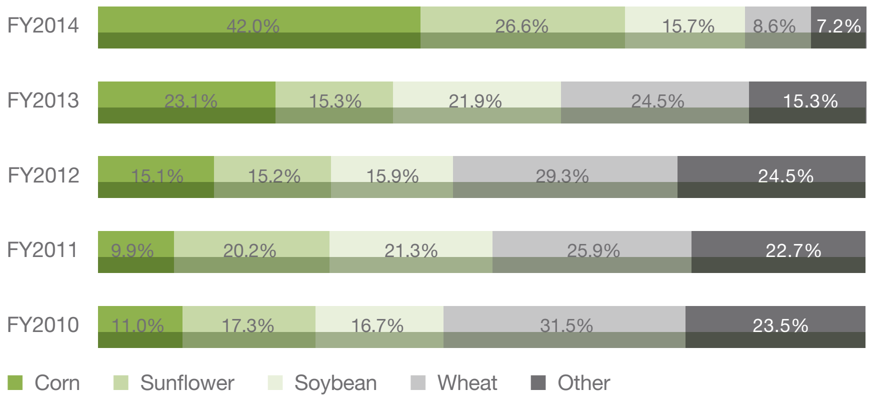
Kernel crop mix
(% of land cultivated)



Source: Kernel.

On track to exit the sugar business
Following the acquisition in FY2011 of Ukrros, a company which managed over 90,000 hectares of landbank and operated four sugar plants in Ukraine, we have been involved in sugar production in FY2012 and FY2013, producing approximately 100,000 tons of sugar per annum from sugar beets grown by us as well as by third-party farmers. Due to historically highly volatile margins in the domestically oriented sugar business, exposure to the local currency and the industry's heavy reliance on government protection from cheap imports, we have made a strategic decision to exit the sugar business. In May and September 2013, we successfully divested two sugar plants and will not be producing sugar in FY2014 as our farming rotation has changed toward more profitable crops. Divestment of sugar plants while keeping the acquired land will decrease the amount of our capital invested while improving farming returns through the simplification of the crop structure, as sugar beets require low-profit crops in rotation. Moreover, the sugar business divestment will streamline our working capital requirements, as the sugar business cash cycle is 12–18 months versus 4–8 months for farming.

Ievgen Osypov hired to lead the farming division
In May 2013, we welcomed Ievgen Osypov to join our company to lead our expanded farming division. With 15 years of experience in the farming business, Ievgen was the CEO of one of the most efficient farming companies in Ukraine and possesses superior industry knowledge and western-oriented business ability.

Investing in human capital
It is our strong belief that people and their knowledge are the most important factor to succeed in the farming business. During FY2013, we increased our investment in human capital, combining formal and on-the-job training with knowledge trips to western farms. With more than 10,000 people involved in our farming operations, we are promoting intra-cluster and cross-cluster knowledge sharing and collaboration through multiple formal training sessions to disseminate best practices with efficient speed.

In 2011, at the base of one our clusters we established the Smart Farm, a corporate training center dedicated to the farming division, with a curriculum focused on practical agronomy topics and soft skills and a faculty consisting of visiting local and European practitioners.

FY2014 outlook
With the harvesting campaign almost completed as of the date of publication, we are pleased to report a significant improvement in our farming operating performance, with crop yields up 22%–48% y-o-y, driven by favorable weather and an advanced stage of the integration of acquired farming enterprises. Combined with a 58.3% y-o-y acreage growth following the acquisitions during the year, our farming output is expected at 1.6 million tons of grains and oilseeds in FY2014, up 2.6 times y-o-y.

Despite the material improvement in crop yields, our earnings from the farming segment in FY2014 are expected to be below what we see as our long-term average, as grain and oilseed prices declined 20%–45% from the previous year as a result of unprecedented favorable weather in most of the major producing regions across the globe that caused a supply shock during the 2013/14 season.

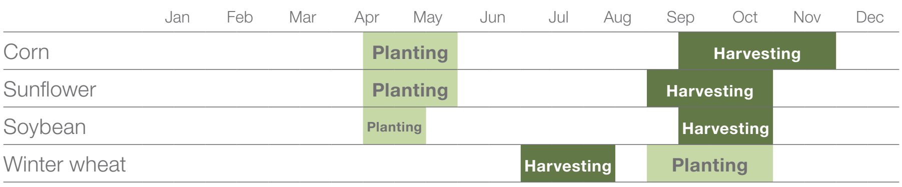
Strategy
Following four years of a rapid expansion of our farming business, which led to a five-fold increase in our acreage to 405,000 hectares, we would decelerate landbank expansion over the mid-term, focusing management attention on organic growth through the implementation of numerous ongoing operational improvement initiatives. While looking to divest 25,000 hectares of landbank in non-core regions, we are contemplating only small-size bolt-on acquisitions in direct proximity to our clusters.

Our farming development strategy is to keep the landbank concentrated to ensure the efficient use of resources, to focus on a simple crop mix and plain organizational mix, and to continue to invest in our human capital to improve productivity. Combined with Ukraine's leading position on the global cost curve, we aim for solid organic growth in our farming business.

Taking a long-term view, we expect our farming business to contribute 20%–30% of the company's EBITDA on a standalone basis, provide up to a fifth of the supply chain throughput, and become one of the most profitable but naturally the most volatile activity in our business model.

› FARMING BUSINESS CONTD

Farming production cycle



Source: Kernel.

Ukraine's advantages in the farming business

Ukraine has been a natural farming region for a hundred years and is reputed to be the breadbasket of Europe.

The country's competitive advantages for farming include fertile land, with approximately two-thirds of the world's chernozem (a type of black soil) located in Ukraine. Suited for wheat, corn, barley, sunflower seed, soybean and rapeseed production, it allows farmers to get decent crop yields even with virtually no application of fertilizers. With 95% of the country's surface essentially flat and a prevailing temperate climate, it has one of the highest shares of arable land constituting 54% of the country's total area, or 32.5 million hectares.

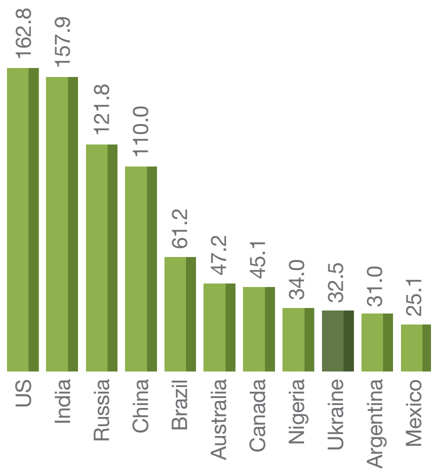
Ukraine's well-developed infrastructure, with among the highest railroad densities globally, links farmers with export markets via the Black Sea ports. This allows farmers to sell their produce at relatively high prices, as the cost of logistics is comparable to developed exporters like the US and is nearly two-fold cheaper than costs in Brazil.

Land lease cost is relatively low in Ukraine: it is 1.5-2x lower than in Brazil or Argentina, although it is higher than that in the Russian Federation. Land is owned by both individuals and the government in Ukraine, who in turn lease it to farming companies on an average tenure of about seven years with preferential rights to renew the contract upon expiration.

Limited access to capital is a key disadvantage of Ukraine's farming industry, as high interest expense curbs farmers' investments into modern machinery and working capital-intensive crops. Government support to farmers in Ukraine is negligible in comparison to most farming countries: while the government allows farmers to retain part of the value added tax and pay close to zero corporate profit taxes, these advantages are essentially counterbalanced by taxes imposed on grain exports, which effectively reduce the selling prices for farmers.

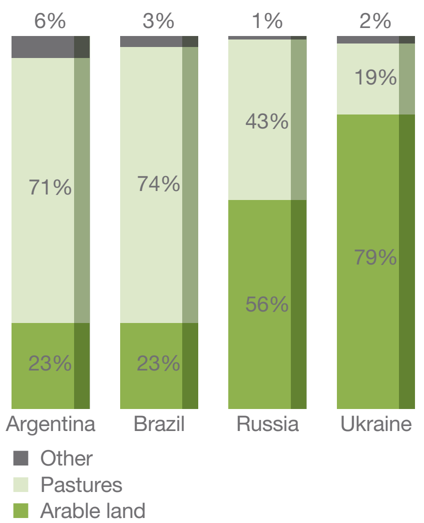
Ukraine's global cost leadership in farming, low reliance on state support, and unique lease-based farmland regulatory model has led to the rapid consolidation of the farming industry. While the largest farming company in Ukraine farmed less than 100,000 hectares ten years ago, the top ten farmers currently operate approximately 3.1 million hectares, or 10% of the country's total acreage. Larger farm entities have improved the industry's access to capital and spurred investment into modern farming machinery, working capital, and contemporary farming technologies. As the still early stage of consolidation and recent investments are just now showing the first returns in terms of improved crop yields, the farming business is on a steady pace for dramatically higher productivity.

Arable land by country (million hectares)



Source: FAO.

Agricultural land structure



Source: FAO.

› KERNEL TRACK RECORD

FY2007

1 million tons company

Our oilseed crushing capacity increased to 500,000 tons of sunflower seed post-acquisition of the Evrotek assets, our first important step in M&A activity. Grain export from Ukraine amounted to approximately 500,000 tons.

$46m

EBITDA

FY2008

IPO & SPO raises USD 244 million

Our shares started floating on the Warsaw Stock Exchange, with 22,760,000 new shares placed in November 2007 for proceeds of USD 160 million. SPO followed in March 2008, with another 5,400,000 new shares raising USD 84 million.

Transbulkterminal acquisition

Raised capital unlocked rapid expansion: we acquired the second largest grain terminal in Ukraine, located in the port of Illichevsk on the Black Sea, which would serve as a platform for the rapid increase in grain export volumes. We initiated greenfield construction of a 500,000 tons oilseed crushing plant and acquired 50,000 hectares of farming operations.

$123m

EBITDA

FY2009

Crushing expansion

We extended our crushing capacity by modernizing our Volchansk plant and concluding a tolling agreement with a BSI crushing plant adjacent to our port.

Grain export reaches 2 million tons

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

$190m

EBITDA

FY2010

SPO raises USD 80 million

SPO of 4,300,000 new shares raised gross proceeds of USD 80 million in April 2010.

Organic capacity growth through modernization

Our crushing capacity reaches 1 million tons of sunflower seed per annum as a result of asset modernization.

Allseeds acquisition

We conclude another major acquisition in the crushing business, adding 565,000 tons of annual sunflower seed crushing capacity through the acquisition of Allseeds in June 2010.

$190m

EBITDA

KERNEL TRACK RECORD CONTD

FY2011

Greenfield crushing plant commissioning

We launched a greenfield 510,000 tons multi-seed crushing plant in the Mykolaiv region of Ukraine in November, bumping our annual crushing volumes to 2 million tons of sunflower seed.

SPO raises USD 140 million

5,400,000 new shares raised USD 140 million in gross proceeds in March 2011.

Ukrros acquisition

A deal to acquire Ukrros in June 2011 doubled our farming landbank.

Grain export at 2 million tons

Our grain export stayed at 2 million tons despite Ukrainian government restrictions.

$310m

EBITDA

FY2012

Black Sea Industries acquisition

We acquired BSI, a 500,000 tons oilseed crushing plant in Illichevsk, with the ability to dispatch sunflower oil directly onto ships, in July 2011.

Landbank reaches 246,000 hectares

During 2012, we acquired three farming companies: Enselco, which managed 29,300 hectares in the western Khmelnytsk region of Ukraine, Inter-Agro, a farming company with 38,500 hectares in our core Poltava region in central Ukraine, and a small enterprise in the Kirovograd region. Our farmed landbank reached 246,000 hectares as of 30 June 2012.

Entrance to Russian market

An acquisition of Russian Oils company in Russia opened a new page in our history. Following the deal, our total crushing capacity reached 3 million tons of sunflower seed per year, while we started our learning curve in a new geography that is similar to Ukraine in many respects.

$319m

EBITDA

FY2013

Taman terminal acquisition

In September 2012, through a 50/50 joint venture, Kernel acquired a deep-water grain export terminal in the Taman port. With deep-water transshipment being the key bottleneck in the Russian grain export supply chain, the Taman terminal is a foundation for the large-scale deployment of Kernel's captive grain export business in the country.

Druzhba Nova deal adds 105,900 hectares to the landbank

In April 2013, we concluded the deal to acquire Druzhba Nova, a leading farming company with highly concentrated land in the southern districts of the Chernihiv and Sumy regions and northern parts of the Poltava region. A sophisticated and well-equipped company, Druzhba Nova adds high-performing and highly technological farming operations. Following the acquisitions and several divestitures of non-core locations in FY2013, our farming reached 405,000 hectares.

Grain export increases to 3 million tons

Despite flat market dynamics, our grain export increased 42% y-o-y to 3 million tons, showing the strength of our asset-based supply chain model in the low-margin environment.

$288m

EBITDA

FY2014

Strategy

- ➔ Reach close to full crushing capacity utilization in 2Q–4Q.
- ➔ Focus on operational improvements in the farming business.
- ➔ Reach a record high grain export target.

› FINANCIAL REVIEW

Anastasiia Usachova
Chief Financial Officer

Summary

For the year ending 30 June 2013, Kernel Holding S.A. (hereinafter "Kernel" or "the Company") had revenues of USD 2,796.8 million, a 35.0% y-o-y increase driven primarily by volume-driven growth in bulk oil and grain sales. EBITDA amounted to USD 287.5 million, down 9.8% y-o-y, due to lower contributions from the sugar, farming and grain segments.

The Company has seven operating segments:

- ➔ Bottled sunflower oil – production and sales of refined and bottled sunflower oil and byproducts from sunflower seed acquired from third-party farmers and our farming segment.
- ➔ Sunflower oil in bulk – production and sales of unrefined sunflower oil in bulk and meal from sunflower seed acquired from third-party farmers and our farming segment.
- ➔ Export terminals – providing grain handling and transshipment services by the Company's port export terminals to our grain export segment and third party customers.
- ➔ Farming – growing grain and oilseed crops at the Company's leasehold landbank and selling them primarily to the Company's grain and bulk sunflower oil segments.
- ➔ Grain – purchasing grains from third-party farmers and our farming segment, managing the logistics to export markets and selling them to the international off-takers in the Black Sea ports or at the port of the customer's destination.
- ➔ Silo services – providing cleaning, drying, storage and handling services to our grain and bulk oil segments and third-party grain owners.
- ➔ Sugar – production of sugar from sugar beets acquired from our farming division or through tolling agreements with third-party farmers supplying sugar beets.

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	Revenue			EBITDA			EBITDA margin	
	FY2013	FY2012	y-o-y	FY2013	FY2012	y-o-y	FY2013	FY2012
Bottled sunflower oil	**182.6**	203.0	(10.0%)	**25.8**	31.8	(19.0%)	**14.1%**	15.7%
Sunflower oil in bulk	**1,527.7**	1,191.6	28.2%	**173.2**	166.6	3.9%	**11.3%**	14.0%
Export terminals	**49.1**	28.9	69.8%	**27.1**	13.7	98.2%	**55.2%**	47.3%
Farming	**193.1**	171.0	12.9%	**67.7**	73.8	(8.3%)	**35.0%**	43.1%
Grain	**972.3**	598.7	62.4%	**12.5**	27.0	(53.7%)	**1.3%**	4.5%
Silo services	**46.4**	51.0	(9.1%)	**19.4**	18.3	5.8%	**41.8%**	35.9%
Sugar & Discontinued operations(1)	**29.3**	13.4	118.3%	**(4.0)**	16.9	n/m	**(13.6%)**	n/m
Other	**–**	–	–	**(34.1)**	(29.3)	16.4%	**–**	–
Reconciliation	**(203.7)**	(185.8)	9.6%	**–**	–	–	**–**	–
Total	**2,796.8**	**2,071.8**	**35.0%**	**287.5**	**318.8**	**(9.8%)**	**10.3%**	**15.4%**

Note: Differences are possible due to rounding.
(1) Discontinued operations from sugar and assets held for sale.

In the preceding pages of this annual report, sunflower oil in bulk and bottled sunflower oil collectively are referred to as the sunflower oil business of the Company; grain, export terminals, and the silo services segments are collectively referred to as the grain business; the farming and sugar segments are referred to as the farming business.

In FY2013, Kernel handled a total of 5.4 million tons of agricultural commodities across its supply chain, compared to 4.7 million tons in FY2012. A total of 2.3 million tons of sunflower seeds were crushed by the Company in FY2013, 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 91% of the Company's sales in FY2013 (85% in FY2012).

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 of each segment. Sales are executed and accounted on the following basis:

- ➔ Farming. 72% of the total sales in the farming segment during the year ended 30 June 2013 were sold to other segments of the Company. Corn, wheat, barley, rapeseed, and soybean were sold to the Company's grain segment, sunflower seed to sunflower oil in the bulk and bottled sunflower oil segments, and sugar beets to the sugar segment. Intersegment transactions are accounted at the price equal to the average price paid in purchases from third-party farmers and are accounted for as inter-segment revenue for the farming segment and as costs for the grain, sunflower oil in bulk, bottled sunflower oil or sugar segments.
- ➔ Silo services. Inter-segment sales, mostly to the grain and sunflower oil in bulk segments, comprised 59% of the total revenues of the silo services segment in FY2013. Storage, cleaning, drying, handling and other services provided by silos are sold to the Company's segments at the same price as to third parties.
- ➔ Export terminals. Handling and transshipment services provided by our export terminal to other segments of the Company amounted to 77% of the total revenues of the segment in FY2013. The services price charged to other segments of the Company, – namely grain and sunflower oil in bulk – are identical to the prices charged to third parties. Segment sales are respectively recognized as revenue for the Company's export terminals segment and as costs for the grain and bulk sunflower oil segments.

Revenue and EBITDA

For the year ending 30 June 2013, Kernel had revenues of USD 2,796.8 million, a 35.0% y-o-y increase driven by growth in sunflower oil and grain volumes sold to export markets. EBITDA amounted to USD 287.5 million in FY2013, an 9.8% y-o-y decrease from USD 318.8 million in FY2012 primarily due to a decrease in the bulk oil margin and lower profitability of farming operations. EBITDA margin declined to 10.3% in FY2013 from 15.4% in FY2012, reflecting lower profitability in the sunflower oil and grain segments, as well as a higher share of lower-margin grain sales in the revenue mix. FY2013 EBITDA appeared below the guidance the Company announced in May 2013 due to the lower gain from the revaluation of the biological assets value booked in the farming segment as of 30 June 2013, as crop prices materially declined during summer 2013 and affected the fair value of crops in the field.

Bottled sunflower oil

Revenues from bottled sunflower oil sales decreased 10.0% y-o-y to USD 182.6 million in FY2013, driven by a 17.8% decrease in sales volumes to 108.2 million liters in FY2013. While domestic sales of bottled oil were largely unchanged compared to the previous year, the Company decreased export sales of bottled oil in FY2013 as exporting sunflower oil in bulk was more profitable during the period under review. The bottled sunflower oil segment EBITDA margin moved along with the bulk oil margin, decreasing to 14.1% in FY2013 from 15.7% in FY2012. As a result, EBITDA from the bottled sunflower oil segment amounted to USD 25.8 million in FY2013, down 19.0% y-o-y. A margin premium of the bottled sunflower oil segment amounted to 3 percentage points, slightly above management's expectations.

Sunflower oil in bulk

The Company posted USD 1,527.7 million in revenues from sunflower oil sold in bulk in FY2013, up 28.2% y-o-y versus USD 1,191.6 million in FY2012. While the average selling price stood nearly unchanged in FY2013 versus FY2012, selling volumes increased 25.6% y-o-y to 1,040.3 thousand tons in FY2013, driven primarily by large carried-forward stocks of sunflower oil from FY2012. The segment's EBITDA margin decreased to 11.3% in FY2013 compared to 14.0% in FY2012, as a combination of a lower sunflower seed harvest in Ukraine and the commissioning of new crushing capacities increased competition among crushers, resulting in the margin squeeze.

Export terminals

The Company's revenues from grain handling and transshipment services provided by our export terminals amounted to USD 49.1 million in FY2013, including intersegment sales. The 69.8% y-o-y increase in the segment's revenues was driven by a 60.9% y-o-y increase in throughput volumes, while the average service revenue earned per ton of

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› FINANCIAL REVIEW CONTD

throughput grew 5.5% y-o-y. The ramp up in throughput volumes to 2.9 million tons in FY2013 from 1.8 million tons was driven by a higher volume of grain exported by the Company (up 42.3% y-o-y to 3.0 million tons) and the consequent improved utilization of the Company's grain export terminals. As a result of throughput growth, total EBITDA earned from providing grain handling and transshipment services grew 2x y-o-y to USD 27.1 million in FY2013, with EBITDA/ton increasing to USD 9.3/ton in FY2013 from USD 7.6/ton in FY2012.

Farming

The farming segment of the Company contributed USD 193.1 million in revenues in FY2013 (up 12.9% y-o-y), most of which were sold intragroup to our grain and bulk sunflower oil segments. In total, we produced 473.3 thousand tons of grain (up 11.9% y-o-y), 140.2 thousand tons of oilseed (up 10.5% y-o-y), and 702.3 thousand tons of sugar beets (up 46.3% y-o-y) in FY2013. Our harvested acreage grew 35.3% y-o-y to 246.8 thousand hectares, while yields decreased for most of the crops due to a combination of unfavorable weather and the negative impact from the integration of recently acquired farms on the operating performance. While favorable crop prices partially compensated for the crop yield decline, the overall farming cash EBITDA/hectare (cash EBITDA is EBITDA for the period excluding net gain from revaluation of biological assets) from the FY2013 harvest decreased to USD 210/hectare compared to USD 278/hectare a year ago as a result of operating performance being short of management expectations. Due to the increase in planted acreage, the Company posted a net gain from the revaluation of biological assets, recognized according to IAS 41 standard, in amount of USD 15.7 million in FY2013 (USD 23.1 million in FY2012). Total EBITDA from the farming segment decreased 8.3% y-o-y to USD 67.7 million in FY2013, driven by the lower net IAS 41 gain and lower cash profitability per hectare which were partially compensated by larger harvested acreage.

Grain

The revenue from the grain segment sales increased 62.4% y-o-y to USD 972.3 million in FY2013, driven primarily by volume growth and by higher prices across all crops. The Company sold a record 3,021.7 thousand tons of grain in FY2013, up 42.3% y-o-y despite the fact that Ukraine's overall grain export was essentially flat y-o-y. The marketing margin was low (EBITDA of USD 4.1/ton in FY2013 compared to USD 12.7/ton in FY2012, or 1.3% and 4.5%, respectively), due to the market environment as well as the Company's decision to pursue higher market share to increase absolute earnings via incremental profits earned at our grain export terminals. As a result, our EBITDA from the grain segment decreased 53.7% y-o-y to USD 12.5 million in FY2013.

An USD 14.5 million decrease of grain segment earnings compared to the previous year was offset by incremental y-o-y earnings in the export terminals and silo services segments.

Silo services

Total revenue from the silo services segment was USD 46.4 million in FY2013, including intersegment revenues. A 9.1% decrease y-o-y in total revenues reflected a 15.7% y-o-y decrease in grain and oilseeds intake to 1,736.6 thousand tons in FY2013, while EBITDA profitability improved to USD 11.1/ton in FY2013 compared to USD 8.9/ton on a better mix of asset utilization. The total EBITDA earned by the silo services segment increased 5.8% y-o-y to USD 19.4 million in FY2013.

Sugar

In FY2013, the Company has made a strategic decision to exit the sugar production business via divesting sugar plants and ceasing sugar production starting from FY2014. Respectively, sugar-related assets were reclassified as discontinued operations, reported separately out of the operating segments, while sugar segment results reflected earnings from the sugar produced under tolling agreements from sugar beets grown by the Company's farming segment, and FY2012 results have been restated for comparative purposes. The revenues from the sugar segment amounted to USD 37.5 million in FY2013, down 62.2% y-o-y. The overproduction of sugar in Ukraine for two consecutive years has set domestic sugar prices at low levels during FY2013, resulting in an EBITDA loss of USD 5.0 million in FY2013 compared to a positive EBITDA of USD 20.0 million in FY2012 (when sales were concluded prior to the sugar price fall).

Other operating income

Other operating income increased to USD 106.3 million in FY2013 from USD 65.9 million in FY2012, with most of the increase explained by the discrepancy between the official currency exchange rate (used for accounting purposes, the conversion of payments executed in Ukrainian hryvnia to US dollars, the Group's functional currency) and the market exchange rate (at which the Group exchanges US dollars to settle payments made in Ukrainian hryvnia) observed during the period. Among other contributors to the other operating income in FY2013 were the IAS 41 gain (gain from the revaluation of the biological assets to fair value) of USD 42.2 million (vs. USD 41.7 million in FY2012), VAT and other farming related exemptions of USD 21.3 million (vs. USD 24.5 million in FY2012) and price difference settlements for forward contracts of bulk oil and grain sales in the amount of USD 14.7 million (USD 1.0 million in FY2012).

Distribution costs

Distribution costs grew 19.6% y-o-y to USD 238.1 million in FY2013, reflecting the growth in tonnage of sunflower oil and grain sales. Distribution costs stood at 8.5% of the revenues in FY2013 versus 9.6% in FY2012.

G&A expenses

General and administrative expenses were USD 78.2 million in FY2013 compared to USD 66.9 million a year ago, 16.9% growth y-o-y driven primarily due to the consolidation of acquired enterprises. G&A amounted to 2.8% of revenues in FY2013 compared to 3.2% in FY2012.

Profit from operating activities

The Company earned USD 200.9 million in profit from operating activities during the year ended 30 June 2013, a 21.9% y-o-y decline, with lower EBITDA explaining most of the move, and higher amortization of land lease rights from the expanded landbank being the key contributor to D&A growth y-o-y. The operating profit margin stood at 7.2% in FY2013, down from 12.4% in FY2012.

Finance costs, net

Net finance costs stood at USD 74.9 million in FY2013 versus USD 63.1 million in FY2012. An 18.7% increase during the year is explained by the increase in working capital due to higher sunflower oil sales, larger farming acreage, and the financing cost for our investment in the joint venture to acquire the Taman grain export port terminal in the Russian Federation.

Discontinued operations

The loss from discontinued operations (the sugar business) amounted to USD 9.6 million in FY2013, compared to a profit of USD 5.2 million in FY2012. The Company made a strategic decision to exit the sugar business due to its high margin volatility, exposure to the local currency, domestically oriented market with unstable unconsolidated supply, and high reliance on government protection from cheap imports. Detailed information in respect to the assets, results and cash flow from discontinued operations is presented in Note 12 to the accounts.

Net profit attributable to equity holders of Kernel Holding S.A.

Net profit attributable to shareholders of Kernel Holding S.A. was USD 111.3 million in FY2013, compared to USD 206.7 million a year ago. A 46.2% decrease y-o-y was attributed to a lower EBITDA, higher amortization and depreciation charge from the farming segment, higher finance costs and the absence of the income tax benefit as in FY2012.

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Cash flow

The following table provides a summary of the Company's cash flow for financial years 2013 and 2012:

USD million	FY2013	FY2012
Net cash provided by operating activities	297.7	(24.0)
incl. change in the working capital	156.9	(242.1)
Net cash used in investing activities	(259.9)	(229.2)
Net cash provided by financing activities	(47.7)	225.5
Net increase/(decrease) in cash and cash equivalents	**(9.8)**	**(27.7)**

Note: Differences are possible due to rounding.

Net cash provided by operating activities

Net cash provided by operating activities stood at USD 297.7 million in FY2013 compared to cash outflow of USD 24.0 million a year ago, reflecting a release of working capital of USD 156.9 million in FY2013 (in FY2012, the working capital increased USD 242.1 million). In particular, the following items among others affected the USD 156.9 million decrease in working capital during the twelve months ended 30 June 2013:

- ➔ USD 84.1 million decrease in finished products (primarily sunflower oil);
- ➔ USD 59.5 million decrease in sunflower seed inventories;
- ➔ USD 44.1 million decrease in taxes recoverable and prepaid; and to the other direction
- ➔ USD 77.7 million increase in work in progress related to farming activities.

Net cash used in investing activities

Net cash used in investing activities increased to USD 259.9 million during FY2013 versus USD 229.2 million in FY2012.

In the course of the financial year 2013, the Company completed two major acquisitions and a few minor ones, as well as divested several non-core assets:

- ➔ In September 2012, the Company, through a 50-50 joint venture with Renaisco BV, a subsidiary of Glencore International plc, acquired a 100% interest in a deep water grain export terminal in Taman in the Russian Federation. The Company's equity investment in the JV amounted to USD 95.9 million. One of the largest deep water grain export terminals on Russia's Black Sea coast, Taman terminal 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 is serving as a platform for the large scale deployment of Kernel's grain export business from Russia.
- ➔ In April 2013, the Company acquired an 83% stake in the farming company Druzhba Nova. Druzhba Nova, known as one of the most technologically advanced farming businesses in Ukraine, farms a highly concentrated leasehold landbank of 105,900 hectares in the southern districts of the Chernihiv and Sumy regions and in the northern districts of the Poltava region, and has been fully sufficient with machinery and working capital at the moment of acquisition. The Company paid USD 69.0 million for the equity stake in Druzhba Nova and consolidated USD 102.7 million of debt, refinancing all of the debt and part of the equity with a lower interest loan in August 2013.
- ➔ In March 2013, the Company consolidated the farming business of Stiomi Holding, a farming company located in the Khmelnytsk region of western Ukraine. As of 30 June 2013, the consideration paid for Stiomi Holding by the Group and its related parties comprised USD 33.5 million. In the meantime, the final settlement on the purchase deal is subject to the ultimate resolution of the legal case between the Group and the sellers. The management of the Group does not expect any additional consideration to be paid to the sellers.
- ➔ In April 2013, the Company entered into agreement to purchase a farming enterprise with a 1,500 hectare leasehold landbank in the Khmelnytsk region of western Ukraine near the Company's existing large-scale operations for a total consideration of USD 0.9 million.
- ➔ In April 2013, the Company entered into an agreement to sell the most remotely located farming enterprise with 6,300 hectares of leasehold land in the Zaporizhya region in southeastern Ukraine for a total consideration of USD 4.3 million. The transaction is part of the Company's strategy to improve the efficiency of its farming operations through the concentration of its landbank.
- ➔ In May 2013, the Company sold the property of the Chortkiv sugar plant for a gross consideration of USD 32.5 million. The plant, as with other Company sugar plants, was acquired with the farming operations of Ukrros in FY2011. The divestment is the result of management's strategic decision to exit the sugar business via divesting sugar plants while keeping all the acquired farmland.

In September 2013, following the close of financial year 2013, the Company divested the Orzhytsa sugar plant property for a gross consideration of USD 5.1 million.

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USD million	30 June 2013	30 June 2012
Short-term borrowings	398.7	167.3
Current portion of long-term borrowings	50.9	98.6
Long-term borrowings	256.6	414.2
Obligations under finance lease	28.0	18.1
Total interest-bearing debt	734.2	698.3

Note: Differences are possible due to rounding.

Liquidity and credit metrics

The above table provides the total outstanding of short- and long-term interest-bearing debt as of 30 June 2013 and 30 June 2012.

The Company's net interest-bearing debt increased to USD 655.4 million as of 30 June 2013 compared to 615.8 million as of 30 June 2012, with an increase reflecting USD 267.6 million invested in two major deals made during FY2013 (investment into the joint venture to acquire the grain export terminal in Taman in the Russian Federation and acquisition of the farming company Druzhba Nova in Ukraine) and an USD 156.9 million release of working capital during FY2013, among others.

As of 30 June 2013, 27% of the Company's net interest-bearing debt was covered by readily marketable inventories (which are agricultural inventories readily convertible into cash because of their commodity characteristics, widely available markets and international pricing mechanisms), compared to 63% as of 30 June 2012. The adjusted net financial debt (excluding readily marketable inventories) stood at USD 480.3 million as of 30 June 2013 compared to USD 230.7 million as of 30 June 2012, reflecting investments made during FY2013 and the increase in farming acreage during the year (as of 30 June 2013, farming-related work in progress, which is costs incurred for crops in the fields, amounted to USD 185.0 million, compared to USD 107.3 million as of 30 June 2012). The adjusted net debt to EBITDA ratio (net debt excluding readily marketable inventories) stood at 1.7x as of 30 June 2013 compared to 0.7x as of 30 June 2012.

Dividend policy

In July 2013, following the close of financial year 2013, the Board of Directors approved the dividend policy, adopting the dividend per share approach (DPS). Starting from the FY2014 results announcement, Kernel Holding S.A. intends to maintain a sustainable annual dividend of USD 0.25 per share. The proposed dividends will be declared and paid in US dollars and will be subject to shareholder approval at the general meeting of the shareholders.

USD million, unless stated otherwise	30 June 2013	30 June 2012
Cash	78.8	82.5
Inventory	270.2	410.2
of which: readily marketable inventories	175.1	385.1
RMI/Inventories	65%	94%
Gross interest-bearing debt	734.2	698.3
Net interest-bearing debt	655.4	615.8
Adjusted net financial debt(1)	480.3	230.7
Shareholders' equity(2)	1,334.8	1,179.7
Net debt/EBITDA	2.3x	1.9x
Adjusted net debt/EBITDA(1)	1.7x	0.7x
EBITDA/Interest	3.8x	5.1x

(1) Excluding readily marketable inventories.
(2) Total equity attributable to Kernel Holding S.A. shareholders.

› RISKS

Risk	Possible impact	Mitigation measures
Low harvest of grain or sunflower seed in Ukraine	Utilization of the Company's crushing plants as well as infrastructure assets depends on the supply of raw materials, primarily in Ukraine. Unfavorable weather and growing conditions may result in a significantly lower harvest of grains and sunflower seed in Ukraine, where most of the Company's operations are located. A shortfall of sunflower seeds may impact both the capacity utilization of the Company's processing plants as well as the crushing margin. An insufficient grain harvest may result in a lower capacity utilization of the Company's infrastructure base and lower grain export volumes.	The Group's management considers it a key priority to have regional diversification within the country of its crushing, silo, and farming asset base to disseminate the variance caused by weather shocks in particular areas. Our origination team, one of the largest in Ukraine, monitors grains and sunflower seed supply on the regional basis and is flexible to respond to the local supply shortage via origination of higher volumes in regions which were less affected by unfavorable weather.
Counterparty risk	A failure by a counterparty to deliver contracted grain or oilseed volumes or execute payment could adversely impact the Company's business and financial conditions.	The Company strictly limits its counterparty risk exposure both on the origination and selling side. Most of the Company's grain and oilseed purchases are executed on a spot basis, mainly with payments made after the crop is delivered to the Company's storage facilities; prepayments are available to a limited number of oilseed suppliers. When selling sunflower oil, meal, and grains to the international markets, the Company accepts only letters of credit or counterparty risk of large international oil or grain traders.
Commodity price volatility	Most of the products procured, produced, processed, and sold by the Company are agricultural commodities, for which the prices could significantly fluctuate in a short-term time span. Such fluctuation could negatively affect the Company's business and financial results.	The Company limits its commodity price risk exposure primarily through natural hedging: while buying grain/sunflower seed from farmers on a spot basis, the Company sells grain, sunflower oil, and meal on a forward basis, fixing volumes and prices in advance. Financial hedging is limited to corn contracts, for which there are readily available liquid financial instruments with a minimum risk of export supply chain disruption.
Export restrictions and barriers	Regulatory initiatives introduced or expected to be introduced by the Ukrainian government in regard to agricultural commodities could have a material adverse impact on the Company's business and its financial standing.	The diversification of the Company's business across different crops (grains/sunflower seed) and value chain presence (farming, processing/export) as well as recent entry to the Russian market provides a long-term hedge against certain possible government regulatory initiatives. The Company also voluntarily participates in trade associations and engages with government authorities to ensure food security in domestic markets and to anticipate any possible export restrictions.
Increased competition	The Company could face increased competition from existing or new players in its business segments.	The Company constantly monitors and analyzes competitors' actions and plans across all business lines, making respective adjustments to its development strategy.

Other risks identified by the management of the Company include:
- ➔ A prolonged period of weak economic growth, either globally or in the Company's key markets;
- ➔ Economic policy, political, social, and legal risks and uncertainties in certain countries in which Kernel Holding S.A. operates;
- ➔ The risk of legal actions and tax authorities' orders related to VAT refunds and corporate income tax payments; introduction of VAT promissory notes; the risk of detrimental impacts or treatment by tax authorities of the law on transfer pricing;
- ➔ The risk of key personnel resigning;
- ➔ Failure to manage integration of newly acquired farming operations;
- ➔ 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;
- ➔ The risk of disruptions to Kernel Holding S.A.'s manufacturing operations;
- ➔ The risk of product liability claims;
- ➔ The risk of potential liabilities from investigations, litigation, and fines regarding antitrust matters;
- ➔ The risk that Kernel Holding S.A.'s governance and compliance processes may fail to prevent regulatory penalties or reputational harm, both at operating subsidiaries and in joint ventures; and
- ➔ The risk that Kernel Holding S.A.'s insurance policies may provide inadequate coverage.

› SUSTAINABILITY
SUSTAINING THE ENVIRONMENT

Sustaining the environment

Producing green energy from waste

Our ten sunflower seed crushing plants are the backbone of the energy-consuming portion in our value chain, foremost to increase energy efficiency and independence. During FY2013, we installed a modern boiler at our crushing plant in Illichevsk, Ukraine, making it the ninth out of ten plants to almost fully substitute the use of natural gas with sunflower husks, a by-product of sunflower seed crushing. With 96% of our crushing capacity now producing green steam from sunflower seed husks, we are consuming one-third of all sunflower seed husks produced internally, while the remaining two-thirds are sold to third-party power plants, primarily in Poland, which produce green electricity and heat for the local market.

Thanks to this utilization of sunflower seed husks, we have saved an estimated 75 million cubic meters of natural gas consumption, equivalent to 148 thousand tons of CO_2, and if third-party utilization of sunflower seed husks is taken into account, the total CO_2 equivalent of green energy would stand at 400 thousand tons of CO_2.

Conserving water with mini-till and strip-till farming technology

More than half of our farming acreage last season was farmed with mini-till farming technology, which has a significant impact on conserving water in the fields and reducing fuel usage. Mini-till farming technology reduces tillage to only the highest layer of soil, thus decreasing land surface and respectively diminishing water evaporation and conserving valuable water for crops. The mini-till technology also results in a significant amount of crop residue being left on the fields, which slows the movement of water, reduces soil erosion, and retains organic fertilizing nutrients contained therein.

During FY2013, we started applying strip-till farming technology, which further reduces tillage to only the actual rows which contain seed. To reduce tillage even further, the highly specialized equipment used in strip-till farming reduces the quantity of farming operations per field, thus decreasing fuel consumption per hectare, to achieve the same productivity with less fertilizer being applied to the seeded area.

A material carbon sequestration from applying mini-till and strip-till farming comes from reducing soil microbial activity compared to common tillage, and resulting in the lower emission of both carbon and potent greenhouse gases into the atmosphere. Furthermore, both mini-till and strip-till practices require lower fuel consumption by agricultural machinery, as tillage is a fuel-intensive operation.

Minimizing food losses and fuel consumption with modern machinery

Our investments in modern farming machinery over the last several years have significantly reduced the total quantity of machinery used, as contemporary machinery is larger-scale and requires less maintenance. This naturally reduced our fuel use, even though the current level is still above our long-term targets. During FY2013, we implemented a GPS monitoring center for our farming machinery and rolled out the installation of special equipment on our farming machinery proven to significantly reduce fuel consumption. With the full implementation of GPS tracking expected to be finished over the next two years and the ongoing parallel roll-out of precise farming practices which reduce the intensity of mechanical operations, our farming division is looking forward to a material reduction of fuel consumption.

Waste and water treatment under full control at our facilities

While being industry pioneers in environmental projects including strip-till farming technology and the substitution of natural gas usage, our production entities are fully compliant with national environmental standards and regulations. Our waste management is strictly controlled to mitigate any potential negative hazards.

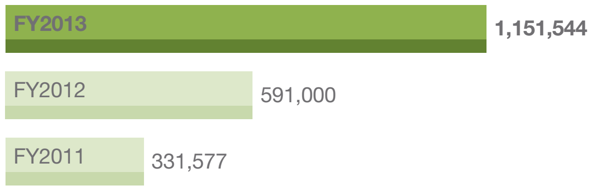
75 million cubic meters of natural gas were conserved in FY2013 owing to the burning of the sunflower seed husks as a substitute.

› SUSTAINABILITY CONTD
GIVING BACK TO COMMUNITIES

Indirect jobs created

Note: Includes only jobs created by suppliers specifically to serve needs of the company.
Source: Kernel.

Social spending
(USD)



Source: Kernel.

Giving back to communities

Good neighbor policies

Our long-term business franchise is based on our being an integral part of the local communities where we operate. With more than half of our employees working in rural areas, we are foremost focused on being a good partner to the village communities that surround our operations.

The company's charitable giving policy is focused on helping schools and providing critical investments into the vital infrastructure of rural communities. Total direct donations to local communities amounted to USD 1,151.5 thousand in FY2013 versus USD 591.0 thousand a year ago, exclusive of non-monetary indirect assistance and services that improve the well-being of these regions. In many regions, we sign social partnership agreements with local communities to maximize the effectiveness of our involvement.

Apart from direct contribution, we believe we create a positive knowledge spillover effect for smaller farming operations in the regions where we operate. In addition, our observations show we are one of the few farming businesses to fully comply with labor taxation, contributing significant cash flow to the local budgets.

Moreover, we create indirect employment opportunities. Our suppliers reported that they created a total of 190 jobs dedicated to service only our contracts in FY2013, and the number of total indirect new jobs was likely even greater during the period.

Human rights policy and statement

It is our strict company policy to conduct business respecting human rights.

We fully support the United Nations Global Compact's guiding principles on human rights and labor, and we aim to set an example of good human rights and labor practices throughout our business activities.

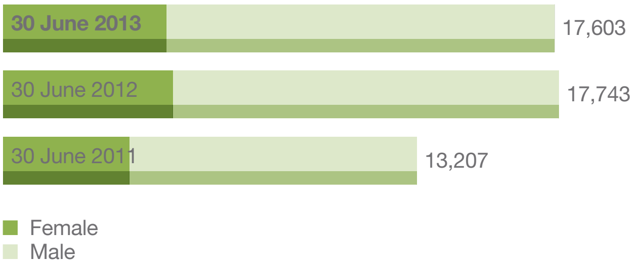
We
- ➔ support and respect the protection of international human rights within our sphere of influence;
- ➔ make sure that we are not complicit in human rights abuses;
- ➔ are against all forms of exploitation of children;
- ➔ recognize privacy as a human right;
- ➔ expect each of our companies to respect and follow laws and regulations concerning human rights practices. Where our own principles and regulations are stricter than local legislation, the 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 legislation 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 labor;
- ➔ the impermissibility of any form of harassment;
- ➔ the inadmissibility of child labor;
- ➔ the eradication of discrimination in respect to employment occupation.

We adhere to the Universal Declaration of Human Rights as well as the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

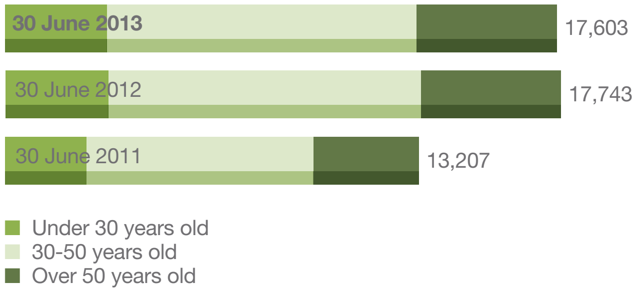
› SUSTAINABILITY CONTD
BEING A RESPONSIBLE EMPLOYER

Employee structure by gender



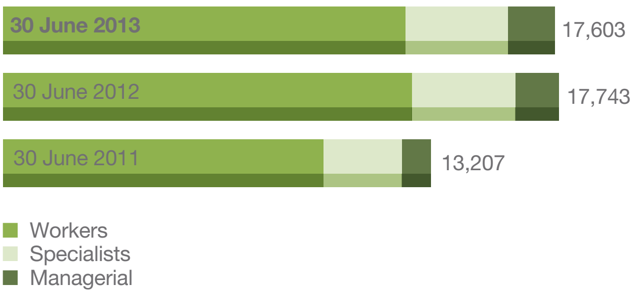
Source: Kernel.

Employee structure by age group



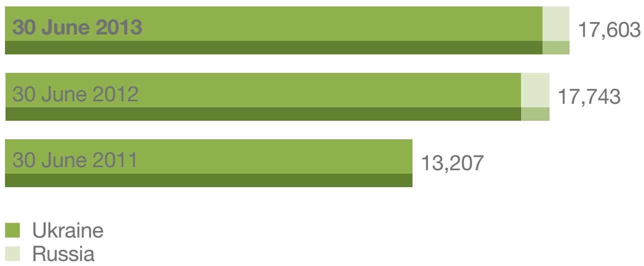
Source: Kernel.

Employee structure by level



Source: Kernel.

Employee structure by geography



Source: Kernel.

Being a responsible employer

Competitive reward strategy

Our responsibility to our employees is based on two pillars: (1) to provide competitive compensation, and (2) to fully comply with labor legislation. We employ almost 18,000 employees, with approximately 10,000 rural farming workers and approximately 4,000 factory workers. We aim to be the employer of choice in areas where we operate, offering competitive wages that exceed the sector averages. Additionally, we commit to paying full social security contributions for our workers and complying with all labor legislation. Although this is not a widespread practice in Ukraine, especially in the farming business, we hope that our steps will set the standard for the whole farming industry to advance toward a new stage of development.

Health and safety

The company strictly follows health and safety norms and requirements, fully complying with both regulatory and ISO-related requirements, placing the emphasis on production units which are potentially the most exposed to the risk of injury. Each of our production units or business divisions has its customary health and safety policy to satisfy specific needs of various production processes and mitigate relevant risks, which are managed by dedicated health and safety specialists employed across our franchise.

	FY2011	FY2012	FY2013
Injury cases	9	29	**25**
Fatality cases	–	4	**–**

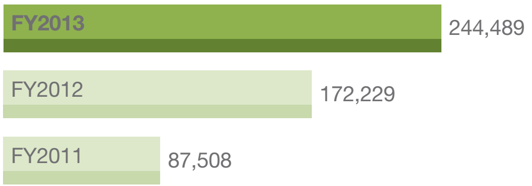
All our factory and farm workers are regularly trained in safety procedures, with some jobs providing refresher training at the beginning of each shift. All workers are supplied with coveralls and medical examinations as required. Third-party providers are hired to examine and review the safety of all working spaces.

Our management pays special attention to the implementation of our health and safety policies and procedures at acquired enterprises, although some processes do take time.

On a separate note, all of our sunflower oil production plants fully comply with safety production requirements and are ISO 9001 and ISO 22000 certified, the oil bottling facilities are FSSC certified, and export terminals are GMP+B3 certified.

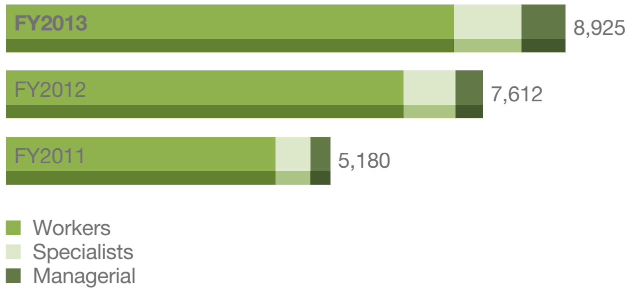
› SUSTAINABILITY CONTD
DEVELOPING OUR HUMAN CAPITAL

Investment in training and education (USD)



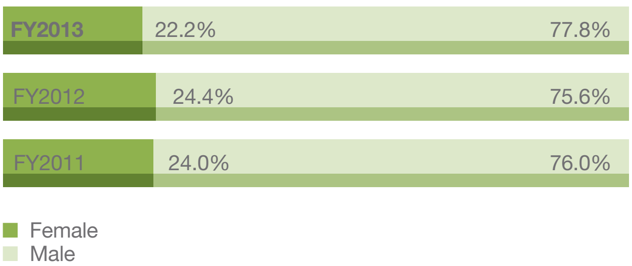
Note: Includes costs directly classified as training and education-related. Excludes trainings provided on-site by internal employees.
Source: Kernel.

Total number of employees undergone training, by level



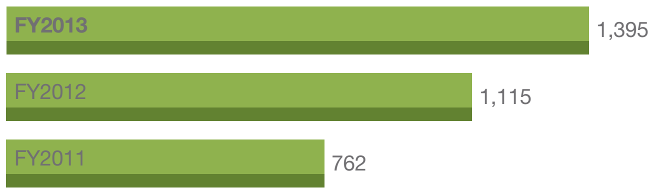
Source: Kernel.

Total number of employees undergone training, by gender



Source: Kernel.

Total number of training sessions



Source: Kernel.

Developing our human capital

Our approach to developing our human capital is based on the proper mix of on-the-job training with both formal training and learning programs in addition to networking events. During FY2013, we increased our direct investment in training by 42.0% y-o-y to USD 244.5 thousand, with a wide range of training topics from essential labor safety requirements for all factory workers to job-specific themes to maintain up-to-date knowledge and skills. In addition, the wide scope of our operations spurs knowledge spillover between production units, driven by the rotation of key people between factories or farming clusters, as well as through both formal and informal informational exchanges.

Smart Farm and the corporate university

Two years ago, we launched a dedicated training center called "Smart Farm", established at the base of one of our farming clusters. The training center is intended to fill the gaps between university education and contemporary farming practices for entry level and early career specialists in our farming division, where a total of about 10,000 people are employed. Over the last three years, the farm focused on improving knowledge and skills for agronomists and machinery engineers, while starting next year its courses will be expanded to include training modules for accounting and financial staff. The education process is based on modules, which allows our employees access to knowledge without disrupting production. The faculty is comprised of European and Ukrainian specialists, most of them being visiting trainers. Adjacent to the Smart Farm is our research center with 500 hectares of experimental land plots where we test seed varieties and agronomy practices, using them for the educational process as well.

To improve the managerial skills in our farming and logistics divisions, we have started the process of establishing our own corporate university in FY2013. Module-structured courses will focus on the comprehensive development of managerial skills, with a particular concentration on recent case studies from dynamically evolving farming business practices in Ukraine.

BOARD OF DIRECTORS

The board of directors is composed of eight directors, three of whom are independent non-executive directors. The directors presently serving on the board of directors are the following:

Andrey Verevskiy
Chairman, age 39
Appointed in September 2007

Committee membership:
Member of the Nomination & Remuneration Committee.

Skills and experience:
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 2013, he owns 38% of the Company via the investment vehicle Namsen Ltd. Mr. Verevskiy graduated from the Ukrainian Agrarian University with a degree in agronomy in 2004 and speaks fluent Russian, Ukrainian and English.

Ton Schurink
Non-executive independent director, age 67
Appointed in October 2007

Committee membership:
Chairman of the Nomination & Remuneration Committee, member of the Audit Committee.

Skills and experience:
Mr. Schurink is a senior executive with extensive experience in commodities trading, 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 S.A. and then in 2012 CFT Trading FZ LLC in the UAE. Mr. Schurink also serves on the boards of Navemar S.A. in Fribourg, Oceana S.A. in Chur, Amtrada Holding in Amsterdam, and Banque Cantonale de Geneve. He is working with several trading companies, mainly on risk management issues. 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. Mr. Schurink speaks fluent English, German, Dutch and French.

Andrzej Danilczuk
Non-executive independent director, age 50
Appointed in October 2007

Committee membership:
Member of the Audit Committee, member of the Nomination & Remuneration Committee.

Skills and experience:
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 specializes 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 S.A. 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.
Mr. Danilczuk speaks fluent Polish, English, Russian and French.

Sergei Shibaev
Non-executive independent director, age 54
Appointed in November 2012

Committee membership:
Chairman of the Audit Committee.

Skills and experience:
Mr. Shibaev is a senior executive with broad international experience in corporate finance, corporate development, strategy and accounting/auditing. During his international executive career spanning 30 years in Russia, UK and Canada, Mr. Shibaev occupied different leadership roles with banks, international strategy consultancy and professional services firms including as managing partner with Coopers & Lybrand, head of corporate finance with ING Barings and partner with Roland Berger Strategy Consultants, among others. He has extensive non-executive experience working on boards of listed and privately owned companies in a broad range of sectors, mostly as audit committee chair. Mr. Shibaev is a Chartered Certified Accountant (FCCA) in the UK, has a MS and PhD from the University of International Relations, MGIMO in Russia, and a MBA from Henley Management College in the UK. Mr. Shibaev has dual Canadian and Russian citizenship, and speaks fluent English, Russian and Ukrainian.

› BOARD OF DIRECTORS CONTD

Anastasiia Usachova
Chief Financial Officer, age 42
Appointed in September 2007

Committee membership:
None.

Skills and experience:
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.

Konstantin Litvinskyi
Chief Operations Officer, age 40
Appointed in December 2011

Committee membership:
None.

Skills and experience:
Mr. Litvinskyi joined Kernel in 2005 and serves as Chief Operations Officer. Prior to joining the Group, Mr. Litvinskyi worked for United Grain Group. 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. Mr. Litvinskyi speaks fluent Russian, Ukrainian and English.

Viktoriia Lukianenko
Chief Legal Officer, age 38
Appointed in September 2007

Committee membership:
None.

Skills and experience:
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.

Yuriy Kovalchuk
Investor Relations, Business Development, age 32
Appointed in December 2011

Committee membership:
None.

Skills and experience:
Mr. Kovalchuk oversees investor relations and business development of the Group along with the execution of complex M&A transactions. 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 an economist, with a major in business management. He is also a member of the Association of Chartered Certified Accountants since 2007. Mr. Kovalchuk speaks fluent Russian, Ukrainian and English.

› CORPORATE GOVERNANCE

Corporate governance statement

Kernel Holding S.A. is a public limited liability company (société anonyme) incorporated and existing under the laws of Luxembourg, having its registered office at 19, rue de Bitbourg, L-1273 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 109173. Kernel Holding S.A. shares are listed on the main market of the Warsaw Stock Exchange (Bloomberg ticker: KER PW). The Company's corporate governance framework is defined by a separate chapter in the Company's articles of association available on the Company's website. The Company complies with existing Luxembourg legislation regarding commercial companies and voluntarily aims to comply with Ten Principles of Corporate Governance issued by the Luxembourg Stock Exchange and Code of Best Practice for WSE Listed Companies, a set of rules and standards governing relations between listed companies and their stock market environment issued by the Warsaw Stock Exchange.

Board of directors

The Company has one-tier governance system. The board of directors is vested with the broadest powers to perform all acts of administration and disposition in compliance with the Company's objects.

All the directors are appointed by the shareholders at a general meeting of shareholders, whereby the term of the office of a director cannot exceed six years and the directors may be reelected for consecutive terms of office. The directors are elected by a simple majority vote of the shares present or represented.

As of date of publication of this report, the board of directors consists of eight directors, three of whom are non-executive independent directors:

(1) Mr. Andrey Verevskiy, chairman of the board of directors, re-elected for a five-year term at the general meeting of shareholders held on 15 November 2010;
(2) Mr. Andrzej Danilczuk, independent non-executive director, re-elected for a one-year term at the general meeting of shareholders held on 30 November 2012;
(3) Mr. Ton Schurink, independent non-executive director, re-elected for a one-year term at the general meeting of shareholders held on 30 November 2012;
(4) Mr. Sergei Shibaev, independent non-executive director, elected for a one-year term at the general meeting of shareholders held on 30 November 2012;

	Scheduled meetings	Unscheduled meetings	Average attendance
Board of Directors	5	1	91%
Audit Committee	3	0	100%
Nomination & Remuneration Committee	1	0	100%

(5) Mrs. Anastasiia Usachova, chief financial officer of the Company, re-elected for a three-year term at the general meeting of shareholders held on 15 November 2010;
(6) Mrs. Viktoriia Lukianenko, chief legal officer of the Company, re-elected for a three-year term at the general meeting of shareholders held on 15 November 2010;
(7) Mr. Konstantin Litvinskyi, chief operating officer of the Company, elected for a three-year term at the general meeting of shareholders held on 7 December 2011;
(8) Mr. Yuriy Kovalchuk, investor relations officer of the Company, elected for a three-year term at the general meeting of shareholders held on 7 December 2011.

During the financial year ended 30 June 2013, Mr. Sergei Shibaev was elected to join the board of directors as a third non-executive independent director. Sergei Shibaev, 54, is a senior executive with broad international experience in corporate finance, corporate development, strategy and accounting/auditing. During his career that has spanned over 30 years, Mr. Shibaev occupied different leadership roles with banks, international strategy consultancy and professional services firms including as managing partner with Coopers & Lybrand, head of corporate finance with ING Barings and partner with Roland Berger Strategy Consultants, among others. He has extensive non-executive experience working on boards of listed and privately owned companies in a broad range of sectors, mostly as audit committee chair. Mr. Shibaev is a Chartered Certified Accountant (FCCA) in the UK and has a MS and PhD from the University of International Relations, MGIMO, in Russia, and a MBA from Henley Management College in the UK.

The Company uses the following criteria in establishing the independence of a director of the Company:

- ➔ The director is not an executive director (or manager) of the Company or an associated company, and has not been in such a position over the past five years;
- ➔ The director is not employee of the Company or an associated company, and has not been in such a position during the past three years;
- ➔ The director does not receive, and has not received, significant additional remuneration from the Company or an associated company apart from a fee received as an independent director;
- ➔ The director is not and does not represent in any way a strategic shareholder with a 10% or greater holding;
- ➔ The director does not have, and has 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;
- ➔ The director is not, and has 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;
- ➔ The director is not an executive director (or manager) at another company in which an executive director (or manager) of the Company is an independent director, and does not have other significant links with executive directors (or managers) of the Company due to positions held at other companies or bodies;
- ➔ The director has not served on the board of directors as an independent director for more than 12 years; and
- ➔ The director is not a close family member of an executive director or manager.

› CORPORATE GOVERNANCE CONTD

Board of directors meetings

The board of directors convenes primarily by conference call, as provided for in the articles of association of the Company. During the financial year ended 30 June 2013, the board of directors convened six times with an average attendance of 91%.

General meetings of shareholders

The general meeting of shareholders represents the entire body of shareholders of the Company and has the broadest powers to order, carry out, or ratify all acts relating to the operations of the Company. As prescribed by Luxembourg laws, the articles of association of the Company specify the date for the annual general meeting of shareholders, which is currently set at December 10 at 3.00 p.m. or on the next business day should such date be a legal holiday.

The convening notice for any general meeting of shareholders is published 30 days before the meeting at, among others, the Company's website; a notice period of 17 days applies in case of a second or subsequent convocation of a general meeting convened for lack of quorum required for the meeting convened by the first.

Shareholders may participate in the general meeting via proxy, a form for which the Company publishes along with the convening notice for the general meeting of shareholders at the Company's website kernel.ua. The record date for participation in the general meeting of shareholders is set 14 days prior to the date of the general meeting. The minutes of the general meetings are available at the Company's web-site. The Company does not provide audio/video records of the general meetings given that most of the shareholders participate via proxy voting.

Each share is entitled to one vote at all general meetings of shareholders. Unless otherwise provided by law, the resolutions of the general meeting are passed by a simple majority vote of the shareholders present or represented.

Board committees

The board of directors has established the Audit Committee and the Nomination & Remuneration Committee, which consist of directors of the Company. On an annual basis, the board of directors reviews the need to establish new committees.

Audit Committee

The Audit Committee consists of at least three members including the chairman of the committee, all of them being appointed by the board of directors from the pool of independent directors, with at least one of the Audit Committee members required to have an audit background. The chairman of the Audit Committee is elected by the members of the Audit Committee.

As of the date of the publication of this report, the Audit Committee consisted of three directors:
(1) Mr. Sergei Shibaev, independent non-executive director, chairman of the committee;
(2) Mr. Andrzej Danilczuk, independent non-executive director;
(3) Mr. Ton Schurink, independent non-executive director.

The powers of the Audit Committee include:
- → Assisting 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;
- → Assisting 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 of directors;
- → Making recommendations regarding the internal auditor's work program, if required, in addition to receiving periodic summaries of its work.

During the financial year ended 30 June 2013 the Audit Committee of the Company has met three times with an average attendance of 100%. The meetings of the committee are minuted by the corporate secretary.

Both external and internal auditors have free access to the Audit Committee members. The Audit Committee can invite any other person whose collaboration it deems to be advantageous to assist it in its work and to attend its meeting, as well as meet with any individual outside the presence of any executives.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee consists of three members including chairman of the committee, elected from the pool of directors of the Company. The chairman of the committee is elected by the committee members.

As of the date of the publication of this report, the Nomination & Remuneration Committee consisted of three directors:
(1) Mr. Ton Schurink, independent non-executive director, chairman of the committee;
(2) Mr. Andrzej Danilczuk, independent non-executive director;
(3) Mr. Andrey Verevskiy, chairman of the board of directors.

The role of the committee is to assist in fulfilling its responsibilities by reviewing, advising and making recommendations to the board of directors and the chairman of the board of directors on:

Nomination:

- → Appropriate size and composition of the board of directors;
- → Formal and transparent procedure for the nomination and selection of non-executive directors of the board of directors;
- → The necessary and desirable competencies of directors;
- → Appointment and removal of directors;
- → Overseeing the development and implementation of a process for evaluating the performance the board of directors and its committees;
- → Succession plan for the board of directors;
- → Succession plans for senior management;
- → Induction program for new directors; and
- → The Company's recruitment objectives and policies.

Remuneration:

- → Remuneration policies and remuneration of directors and senior executives;
- → Key terms of appointment for directors and senior executives;
- → Remuneration and incentive policies packages of key executives;
- → Management incentive schemes; and
- → Professional indemnity and liability insurance for directors and senior management.

During the financial year ended 30 June 2013 the Nomination & Remuneration Committee of the Company has held one meeting with an attendance of 100%. The committee has decided it does not require minutes.

CORPORATE GOVERNANCE CONTD

Executive management

Day-to-day operations are managed by senior executive officers of the Company employed by the Subsidiaries of the Group who are responsible for each of the operating segments and each of the support functions of the Company. The detailed list of executive managers is available at the Company's website kernel.ua.

Remuneration of the board of directors and executive management

Compensation details of directors and senior executive officers are set out in the Note 30 to the financial statements.

The non-executive directors' remuneration consists of a fixed annual fee. In addition to the aforementioned fee, the non-executive directors are entitled to the reimbursement of certain traveling, hotel and other expenses related to the exercise of their directorship duties.

The executive directors' remuneration for their services as members of the board of directors consists of a fixed annual fee. As members of the management team, executive directors are entitled to the remuneration consisting of the mainly fixed salary and long-term awards granted in the form of stock options. Details of the stock options scheme are described in the Management Incentive scheme, a summary of which is available at the Company's website kernel.ua. Starting from financial year 2014, the executive management remuneration will be restructured to include a variable monetary bonus with a bonus pool linked to achieving EBITDA minus interest expenses threshold.

The members of the board of directors and the management team are not granted any pensions or retirement or similar benefits by the Company.

Evaluation of the board of directors and its committees

To date, the board of directors has been reviewing its own performance informally, while following the establishment of the Nomination & Remuneration committee in FY2013 the board has decided to undergo the formal self-evaluation in FY2014 to examine its composition, organization and its effectiveness as a collective body. Following the results of its self-evaluation, the board will assess the need and the form for the self-evaluation of its committees.

Conflicts of interest

In the case of a conflict of interest of any director, it is being understood that the mere fact that the director serves as an officer or a member of governing bodies of a shareholder or of an affiliated corporation of a shareholder shall not constitute a conflict of interest, he must inform the board of directors of any such existing or potential conflict and may not take part in the vote but will be counted in the quorum. A director having a conflict on any item on the agenda must declare this conflict to the chairman before the meeting starts.

Notwithstanding any contrary provision, any material agreement between the Company and its related party must be approved in advance by the board of directors, with at least one independent director voting in favor of such resolution.

Insider dealing

The Company follows Luxembourg Stock Exchange and Warsaw Stock Exchange rules in regard to the disclosure of insider dealing, which require all members of the board of directors to notify the Company with regard to all transactions in the shares of the Company, as well as to notify the Commission de Surveillance du Secteur Financier and the Polish Financial Supervision Authority. Following the receipt of the notification from the director, the Company notifies both stock exchanges via appropriate regulatory filings. The Company is in the process of formulating a set of rules relating to the behavior 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.

External audit

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 30 November 2012, 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 2013.

The Audit Committee of the board of directors regularly meets and communicates with external auditors, is informed of the external auditor's work program and makes recommendations regarding the external receives auditor's work program. The amounts of non-audit services provided by external auditors are separately disclosed in the Note 26 to the annual accounts and, while services are authorized ex officio, the Audit Committee periodically examines the nature and scope of non-audit services provided with a view to avoiding any conflict of interest, while a formal policy in respect to the authorization of the non-audit services provided by external auditors is being developed.

Internal audit

The Company has an internal audit function which reports to the board of directors.

Internal audit provides independent and objective assurance and consulting services in the areas of internal control and risk management aimed at improving the Company's and its subsidiaries performance.

Under the annual internal audit plan for FY2013 the internal audit provided reasonable assurance on key controls in significant operational processes, including procurement and sales of commodities, financial risks management, and insurance program management. Key recommendations issued by the internal audit were accepted by executive management; the Company has been implementing process control improvements suggested.

Internal audit cooperates with the external auditor to provide broader assurance of the Company's significant risks and demonstrate the Company's efforts in development of internal control and risk management systems.

Takeover disclosure

The Company's shares are freely transferable, subject only to the provisions of law and the Company's articles of association. The Company has a 1.36% weighting in the Warsaw Stock Exchange Top 30 Index as of October 2013 and several other free-float indices.

CORPORATE GOVERNANCE CONTD

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 the 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 the Company's borrowing agreements, which either by their nature or value may represent significant agreements, do provide for a right of termination upon a change of control of the Company. The commercial sensitivity of these agreements prevents details being disclosed.

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 whose shares are owned primarily by institutional investors and Namsen Limited, an investment vehicle whose beneficial owner is Mr. Andrey Verevsky, chairman of the board of directors. Kernel Holding S.A. shares are listed on the main market of the Warsaw Stock Exchange.

As of June 30, 2013, Namsen Limited held 30,610,657 shares in the Company, equivalent to 38.4% of the voting rights in the Company.

On April 6, 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.

The Company has received no other notifications that any shareholder owns 5% or more of the Company's shares.

Board of directors and its committees' composition

Director	Role	Audit Committee	Nomination & Remuneration Committee
Andrey Verevskiy	Chairman of the board		Member
Ton Schurink	Non-executive director	Member	Chairman
Sergei Shibaev	Non-executive director	Chairman	
Andrzej Danilczuk	Non-executive director	Member	Member
Anastasiia Usachova	CFO		
Konstantin Litvinskyi	COO		
Viktoriia Lukianenko	Chief legal officer		
Yuriy Kovalchuk	Investor relations, Business development		

STATEMENT OF MANAGEMENT RESPONSIBILITIES
for the year ended 30 June 2013

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.

21 October 2013

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

To the Shareholders of Kernel Holding S.A.
19, rue de Bitbourg
L-1273 Luxembourg

› REPORT OF THE RÉVISEUR D'ENTERPRISES AGRÉÉ

Report on the Consolidated Financial Statements

Following our appointment by the General Meeting of the Shareholders dated November 30, 2012, 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, 2013, 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, 2013, 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 34 to 37, which is the responsibility of the Board of Directors, includes the information required by the law of 19 December 2002 on the commercial companies and companies register and on the accounting records and annual accounts of undertakings, as amended and the description included with respect to Article 68b is 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 21, 2013

SELECTED FINANCIAL DATA
for the year ended 30 June

Selected financial data		USD thousand		Zloty thousand		EUR thousand	
		FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
I.	Revenue	2,796,752	2,071,810	8,980,847	6,608,952	2,163,288	1,549,714
II.	Profit from operating activities	200,891	257,297	645,095	820,762	155,389	192,458
III.	Profit before income tax	120,722	196,325	387,659	626,265	93,378	146,851
IV.	Profit from continuing operations	114,551	205,625	367,843	655,932	88,605	153,808
V.	Net cash generated by/(used in) operating activity	297,672	(23,991)	955,876	(76,529)	230,249	(17,945)
VI.	Net cash used in investment activity	(259,919)	(229,236)	(834,645)	(731,240)	(201,047)	(171,469)
VII.	Net cash (used in)/generated by financial activity	(47,577)	225,575	(152,778)	719,562	(36,801)	168,730
VIII.	Total net cash flow	(9,824)	(27,652)	(31,547)	(88,207)	(7,599)	(20,684)
IX.	Total assets	2,366,942	2,116,393	7,852,330	7,171,398	1,813,788	1,682,956
X.	Current liabilities	705,304	446,159	2,339,846	1,511,810	540,474	354,786
XI.	Non-current liabilities	309,283	459,533	1,026,046	1,557,128	237,004	365,421
XII.	Issued capital	2,104	2,104	6,980	7,129	1,612	1,673
XIII.	Total equity	1,352,355	1,210,701	4,486,438	4,102,460	1,036,310	962,749
XIV.	Number of shares	79,683,410	79,140,131	79,683,410	79,140,131	79,683,410	79,140,131
XV.	Profit per ordinary share (in USD/Zloty/EUR)	1.40	2.61	4.48	8.33	1.08	1.95
XVI.	Diluted number of shares	80,035,037	79,537,486	80,035,037	79,537,486	80,035,037	79,537,486
XVII.	Diluted profit per ordinary share (in USD/Zloty/EUR)	1.39	2.60	4.46	8.29	1.08	1.94
XVIII.	Book value per share (in USD/Zloty/EUR)	16.75	14.91	55.57	50.51	12.84	11.85
XIX.	Diluted book value per share (in USD/Zloty/EUR)	16.68	14.83	55.33	50.26	12.78	11.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 30 June 2013

(in USD thousands unless otherwise stated)	Notes	30 June 2013 audited	30 June 2012 audited
Assets			
Current assets			
Cash	6	**78,827**	82,529
Trade accounts receivable, net	7, 30	**149,600**	146,362
Prepayments to suppliers and other current assets, net	8, 30	**118,353**	90,335
Corporate income tax prepaid		**19,323**	1,794
Taxes recoverable and prepaid, net	9	**190,695**	233,861
Inventory	10	**270,248**	410,182
Biological assets	11	**247,268**	153,338
Assets classified as held for sale	12	**23,176**	–
Total current assets		**1,097,490**	**1,118,401**
Non-current assets			
Property, plant and equipment, net	13	**767,317**	728,371
Intangible assets, net	14	**162,287**	91,087
Goodwill	15	**157,431**	137,227
Investments in joint ventures	29	**94,026**	–
Deferred tax assets	21	**22,850**	21,502
Other non-current assets	16, 30	**65,541**	19,805
Total non-current assets		**1,269,452**	**997,992**
Total assets		**2,366,942**	**2,116,393**
Liabilities and equity			
Current liabilities			
Trade accounts payable	30	**51,751**	25,490
Advances from customers and other current liabilities	17, 30	**202,051**	154,699
Short-term borrowings	18	**398,700**	167,348
Current portion of long-term borrowings	19	**50,893**	98,622
Liabilities directly associated with assets classified as held for sale	12	**1,909**	–
Total current liabilities		**705,304**	**446,159**
Non-current liabilities			
Long-term borrowings	19	**256,630**	414,238
Obligations under finance lease	20	**19,093**	12,622
Deferred tax liabilities	21	**27,721**	26,356
Other non-current liabilities		**5,839**	6,317
Total non-current liabilities		**309,283**	**459,533**
Equity attributable to Kernel Holding S.A. equity holders			
Issued capital		**2,104**	2,104
Share premium reserve		**463,879**	463,879
Additional paid-in capital		**39,944**	39,944
Equity-settled employee benefits reserve		**3,028**	1,211
Revaluation reserve		**40,053**	15,049
Translation reserve		**(160,941)**	(167,082)
Retained earnings		**946,772**	824,578
Total equity attributable to Kernel Holding S.A. shareholders		**1,334,839**	**1,179,683**
Non-controlling interest		**17,516**	31,018
Total equity		**1,352,355**	**1,210,701**
Total liabilities and equity		**2,366,942**	**2,116,393**
Book value		**1,334,839**	1,179,683
Number of shares	35	**79,683,410**	79,140,131
Book value per one share (in USD)		**16.75**	14.91
Diluted number of shares	35	**80,035,037**	79,537,486
Diluted book value per share (in USD)		**16.68**	14.83

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 30 June 2013

(in USD thousands unless otherwise stated)	Notes	30 June 2013 audited	30 June 2012 audited
Revenue	22	**2,796,752**	**2,071,810**
Cost of sales	23, 30	**(2,385,889)**	(1,614,436)
Gross profit		**410,863**	**457,374**
Other operating income	24	**106,286**	65,899
Operating expenses			
Distribution costs	12, 25	**(238,061)**	(199,102)
General and administrative expenses	12, 26	**(78,197)**	(66,874)
Profit from operating activities		**200,891**	**257,297**
Finance costs, net	12, 27	**(74,878)**	(63,084)
Foreign exchange gain, net		**2,908**	5,037
Other expenses, net	12, 28	**(5,998)**	(2,925)
Share of losses of joint ventures	29	**(2,201)**	–
Profit before income tax		**120,722**	**196,325**
Income tax (expense)/benefit	21	**(6,171)**	9,300
Profit for the year from continuing operations		**114,551**	**205,625**
Discontinued operations:			
(Loss)/Profit for the year from discontinued operations	12	**(9,625)**	5,157
Profit for the year		**104,926**	**210,782**
Profit/(Loss) for the year attributable to:			
Equity holders of Kernel Holding S.A.		**111,264**	**206,700**
Non-controlling interest		**(6,338)**	4,082
Earnings per share			
From continuing and discontinued operations			
Weighted average number of shares	35	**79,683,410**	79,140,131
Profit per ordinary share (in USD)		**1.40**	2.61
Diluted number of shares	35	**80,035,037**	79,537,486
Diluted profit per ordinary share (in USD)		**1.39**	2.60
From continuing operations			
Weighted average number of shares	35	**79,683,410**	79,140,131
Profit per ordinary share (in USD)		**1.52**	2.55
Diluted number of shares	35	**80,035,037**	79,537,486
Diluted profit per ordinary share (in USD)		**1.51**	2.53

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2013

(in USD thousands)	30 June 2013 audited	30 June 2012 audited
Profit for the year	**104,926**	**210,782**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	6,130	(4,976)
Items that will not be reclassified to profit or loss:		
Gain on revaluation of property, plant and equipment	29,766	–
Income tax related to components of other comprehensive income	(4,762)	–
Other comprehensive income/(loss), net	**31,134**	**(4,976)**
Total comprehensive income for the year	**136,060**	**205,806**
Total comprehensive income/(loss) attributable to:		
Equity holders of Kernel Holding S.A.	142,409	201,770
Non-controlling interest	(6,349)	4,036

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 2013

	Attributable to Kernel Holding S.A. shareholders										
(in USD thousands)	Issued capital	Share premium reserve	Subscribed capital	Additional paid-in capital	Equity-settled employee benefits reserve	Re-valuation reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
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 year	–	–	–	–	–	–	–	206,700	206,700	4,082	210,782
Other comprehensive loss	–	–	–	–	–	–	(4,930)	–	(4,930)	(46)	(4,976)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	(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**
Profit/(loss) for the year	–	–	–	–	–	–	–	111,264	111,264	(6,338)	104,926
Other comprehensive income/(loss)	–	–	–	–	–	25,004	6,141	–	31,145	(11)	31,134
Total comprehensive income/(loss) for the year	–	–	–	–	–	25,004	6,141	111,264	142,409	(6,349)	136,060
Additional non-controlling interests arising on the acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	11,115	11,115
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(4,967)	(4,967)
Effect of changes of non-controlling interest	–	–	–	–	–	–	–	10,930	10,930	(13,301)	(2,371)
Recognition of share-based payments	–	–	–	–	1,817	–	–	–	1,817	–	1,817
Balance as of 30 June 2013 (audited)	**2,104**	**463,879**	**–**	**39,944**	**3,028**	**40,053**	**(160,941)**	**946,772**	**1,334,839**	**17,516**	**1,352,355**

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 2013

(in USD thousands)	Notes	30 June 2013 audited	30 June 2012 audited
Operating activities:			
Profit before income tax		**110,153**	**193,892**
Adjustments for:			
Amortization and depreciation		**89,776**	65,505
Finance costs, net	12, 27	**74,670**	64,361
Movement in allowance for doubtful receivables	7, 8	**5,783**	3,942
Other accruals		**3,474**	3,297
Loss/(Gain) on disposal of property, plant and equipment	28	**433**	(1,083)
Non-operating foreign exchange (gain)/loss		**(1,497)**	4,004
Write-offs and impairment loss		**20,780**	3,948
Gain from changes in fair value of biological assets	11	**(42,156)**	(41,660)
Gain on disposal of subsidiaries	5, 28	**(2,473)**	(1,457)
Gain from bargain purchase	5	**(728)**	(3,337)
Share of losses of joint ventures	29	**2,201**	–
Operating profit before working capital changes		**260,416**	**291,412**
Changes in working capital:			
Increase in trade accounts receivable		**(2,845)**	(9,281)
(Increase)/Decrease in prepayments and other current assets		**(30,594)**	1,181
(Increase)/Decrease in restricted cash balance		**(6,193)**	5,716
Decrease/(Increase) in taxes recoverable and prepaid		**44,068**	(10,247)
(Increase)/Decrease in biological assets		**(54,101)**	11,585
Decrease/(Increase) in inventories		**158,453**	(206,817)
Increase/(Decrease) in trade accounts payable		**25,598**	(23,220)
Increase/(Decrease) in advances from customers and other current liabilities		**22,466**	(11,051)
Cash obtained from operations activities		**417,268**	**49,278**
Finance costs paid		**(76,246)**	(66,753)
Income tax paid		**(43,350)**	(6,516)
Net cash generated by/(used in) operating activities		**297,672**	**(23,991)**
Investing activities:			
Purchase of property, plant and equipment		**(88,178)**	(95,938)
Proceeds from disposal of property, plant and equipment		**2,538**	2,810
Purchase of intangible and other non-current assets		**(22,154)**	(1,572)
Acquisition of Subsidiaries		**(90,734)**	(139,077)
Disposal of Subsidiaries		**34,516**	3,321
Purchase of investment in joint ventures		**(95,907)**	–
Proceeds from change in non-controlling interest		**–**	1,220
Net cash used in investing activities		**(259,919)**	**(229,236)**
Financing activities:			
Proceeds from short-term and long-term borrowings		**1,130,067**	1,486,476
Repayment of short-term and long-term borrowings		**(1,175,355)**	(1,266,124)
Acquisition of non-controlling interest		**(2,371)**	–
Proceeds from share premium reserve increase		**–**	4,969
Issued capital		**–**	159
Net cash (used in)/generated by financing activities		**(47,659)**	**225,480**
Translation adjustment		**82**	95
Net decrease in cash and cash equivalents		**(9,824)**	(27,652)
Cash and cash equivalents, at the beginning of the period		**82,529**	110,181
Cash and cash equivalents, at the end of the period	6	**72,705**	82,529

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2013

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

The Group's principal business activity is related to the production and sale of bottled sunflower oil, the production and subsequent export of bulk sunflower oil and meal, the wholesale trade of grain (mainly wheat, barley and corn), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities are primarily based in Ukraine and Russia. As of 30 June 2013, the Group employs 17,603 people (17,743 people as of 30 June 2012).

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 2013 and 2012, the primary subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of 30 June 2013	30 June 2012
Jerste BV	Holding companies.	Netherlands	100.0%	100.0%
Enselco LLC		Ukraine	100.0%	100.0%
Enselco Agroholding LLC		Ukraine	100.0%	100.0%
Tweelingen Ukraine LLC		Ukraine	100.0%	N/A
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%
Poltava oil-crushing plant Kernel Group PJSC	Production plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%
Bandurskiy oil-crushing plant LLC		Ukraine	100.0%	100.0%
Vovchansky OEP PJSC		Ukraine	99.4%	99.4%
Prykolotnjansky OEP LLC		Ukraine	100.0%	100.0%
Kirovogradoliya JSC		Ukraine	99.2%	99.2%
Ekotrans LLC		Ukraine	100.0%	100.0%
Ukrainian Black Sea Industry LLC		Ukraine	100.0%	100.0%
Stavropol Oil OJSC		Russia	100.0%	100.0%
Nevinnomissky oil-crushing plant CJSC		Russia	100.0%	100.0%
Ust-Labinsky EMEK Florentina CJSC		Russia	100.0%	100.0%
Estron Corporation Ltd.	Provision of grain, oil and meal handling and transshipment services.	Cyprus	100.0%	100.0%
Poltavske Khlibopriemalne Pidpriemstvo PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.0%	88.2%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%
Unigrain-Agro (Globyno) LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beets.	Ukraine	100.0%	100.0%
Unigrain-Agro (Semenivka) LLC		Ukraine	100.0%	100.0%
Agrofirma Arshytsya LLC		Ukraine	100.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%
Agrofirma Kuybyshevo LLC		Ukraine	65.6%	52.5%
Palmira LLC		Ukraine	93.0%	81.5%
Enselco Agro LLC		Ukraine	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	83.3%	N/A

During the year ended 30 June 2013 the Group acquired non-controlling interests of companies within the sugar and farming segment with the carrying amount of USD 13,301 thousand, for the cash consideration in the amount of USD 2,371 thousand. These operations were recorded within statement of changes in equity as transactions between equity holders.

These consolidated financial statements were authorized for issue by the board of directors of Kernel Holding S.A. on 21 October 2013.

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

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

The shares were distributed as follows:

	As of 30 June 2013		As of 30 June 2012	
	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Namsen LTD (limited company registered under the legislation of Cyprus)	**30,610,657**	**38.42%**	30,460,657	38.23%
Free-float	**49,072,753**	**61.58%**	49,222,753	61.77%
Total	**79,683,410**	**100.00%**	**79,683,410**	**100.00%**

As of 30 June 2013 and 2012, 100% of the beneficial interest in the ‘Major Equity holder’ was held by Verevskiy Andrey Mikhaylovich (hereinafter the ‘Beneficial Owner’).

In order to perform an initial public offering of the shares of the 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 thousand, comprising 22,766,750 shares, of which 16,671,000 were newly issued shares.

On 27 June 2008, an additional 5,400,000 ordinary bearer shares of the 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 118 thousand, to a total amount of USD 1,933 thousand. Following the issuance of new shares, Kernel’s share capital was divided into 73,191,000 shares without indication of a nominal value, giving right to 73,191,000 voting rights at the general meeting of the Company.

On 5 January 2011, Kernel issued 483,410 new shares without indication of a nominal value. All 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 13 thousand and set at USD 1,945 thousand divided into 73,674,410 shares without indication of a nominal value.

On 30 March 2011, Kernel Holding S.A. announced its intention to issue approximately five million 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 399,400 thousand for the Company. In order to ensure that allottees in the Offering could receive and trade their allocations immediately, Namsen Limited, a company controlled by Andrey Verevskiy, lent shares in Kernel for the purpose of the settlement of shares. The respective capital increase was adopted on 21 July 2011 at the Extraordinary General Meeting of Kernel Holding S.A. Shareholders.

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

Luxembourg companies are required to allocate to the legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve of an amount of USD 125 thousand as of 30 June 2013, unchanged from 30 June 2012, may not be distributed as dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

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 bulk and bottled oil segments, available-for-sale financial assets, biological assets, agricultural produce, 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 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:

➔ Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12). The amendments become effective to annual periods on or after 1 January 2012.
➔ Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) effective to annual periods beginning on or after 1 July 2012, which amends IAS 1 to revise the way other comprehensive income is presented.

The Group has applied the amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted. The adoption of this amendment did not have any impact on the Group's financial statements as the Group does not have an investment property.

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Standards and Interpretations Not Yet Adopted

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

Standard	Effective for annual accounting period beginning on or after
IAS 27 Separate Financial Statements	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	1 January 2014
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 11 Joint Arrangements	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014
IFRS 13 Fair Value Measurement	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IAS 19 Employee Benefits	1 January 2013
Government Loans (Amendments to IFRS 1)	1 January 2013
Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2014
Annual Improvements 2009-2011 Cycle	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*	1 January 2014
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2014
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting' (Amendments to IAS 39)*	1 January 2014
IFRIC 21 Levies*	1 January 2014
IFRS 9 Financial Instruments*	1 January 2015

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

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

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

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 recognized 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 calculation of value in use 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 2013 and intangible assets with indefinite useful lives amounted to USD 176,767 thousand (30 June 2012: USD 156,563 thousand). No impairment loss was recognized for the financial years ended 30 June 2013 and 30 June 2012. 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 14 and 15.

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 utilization and the ability to utilize 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.

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 and agricultural produce based on the following key assumptions:

➔ Expected crop output (for crops in fields);
➔ Expected future inflows from livestock;
➔ 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.

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

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

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 utilizes 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 utilized 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 2013. 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. Unrealized gains and losses resulting from intercompany transactions are also eliminated, except for unrealized losses which cannot be recovered.

Non-controlling interests at the date of the reporting date 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

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. 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 recognized 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 recognized 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 recognized in profit and loss as a gain on bargain purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

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

Business Combinations (contd)

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 the 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 recognized 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.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

The result from discontinued operations is presented in the statement of profit or loss 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 reporting 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 reporting date but before the authorization 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 reporting 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 recognized 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 2013	Average rate for the 12 months ended 30 June 2013	Closing rate as of 30 June 2012	Average rate for the 12 months ended 30 June 2012
USD/UAH	**7.9930**	**7.9930**	7.9925	7.9831
USD/EUR	**0.7663**	**0.7735**	0.7952	0.7480
USD/PLN	**3.3175**	**3.2112**	3.3885	3.1899

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash with banks, and deposits with original maturity of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

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

Financial Instruments
Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments. Financial instruments are classified according to the following categories: financial assets or financial liabilities recognized at fair value through profit or loss; held-to-maturity investments; available-for-sale financial assets; loans and receivables 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 amortized 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 recognized 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 recognized 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 recognized 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 recognized at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Classified by the Group as an instrument at the moment of initial recognition, they are measured at fair value with any resultant gain or loss recognized in profit or loss.

Held-to-maturity Investments
This category is for fixed-date maturity financial assets with fixed or determinable payments that the Group has the positive intent and ability to hold to maturity except for the Group's trade or loan receivables. Held-to-maturity investments are measured at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

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 recognized directly in the statement of profit or loss. When such assets are disposed of, the cumulative gain or loss from asset revaluation is included in a calculation of the financial result on the disposal which is included in the profit or loss.

Loans Receivable
Loans provided by the Group are non-derivative 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 statement of profit or loss for the period when the amount was lent, as an adjustment to the loan amount. Loans with fixed maturity terms are measured at amortized cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. Loans provided are reflected in the statement of financial position, less allowance for estimated non-recoverable amounts.

Trade Receivables
Trade receivables are amounts due from customers for goods 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 recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment.

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 recognized 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 realize them within 12 months from 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.

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

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

Other Financial Liabilities

Other financial liabilities (including borrowings, trade and other payables) are subsequently measured at amortized cost using the effective interest method.

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.

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.

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 reorganization; 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 amortized cost, the amount of the impairment loss recognized 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 derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and all the risks and rewards 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 recognizes 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 recognize the financial asset and also recognizes a collateralized 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 recognized in other comprehensive income and accumulated in equity is recognized 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 recognize under continuing involvement, and the part it no longer recognizes 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 recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Derecognition of Financial Liabilities

The Group derecognizes 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 derecognized and the consideration paid and payable is recognized in profit or loss.

Taxes Recoverable and Prepaid

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

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

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

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

Biological Assets
The Group classifies crops in fields, 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 recognized as biological assets held at fair value less cost to sell.

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 non-current cattle were classified as current, as their average useful life is less than one year.

Property, Plant and Equipment
Buildings and constructions and production machinery and equipment (both in bulk and bottled oil segments) are 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 is 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 is determined at their market value. If there is no market-based evidence of fair value because of the specialized 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 recognized at their fair value which is based on valuations performed by independent professionally qualified appraisers.

Capitalized 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 capitalization are charged to the statement of profit or loss 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 and accumulated in revaluation surplus in equity. However, such increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized 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 derecognized. Property, plant and equipment are depreciated over the estimated useful economic lives of assets under the straight-line method.

Remaining useful lives of property, plant and equipment are as follows:

Buildings and constructions	20–50 years
Production machinery and equipment	10–20 years
Agricultural vehicles and equipment	3–10 years
Other fixed assets	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 derecognized 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 recognized in profit or loss.

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

3. Basis of Preparation of Financial Statements and Summary of Significant Accounting Policies (contd)
Intangible Assets
Trademarks

Intangible assets acquired separately from a business are capitalized at initial cost. The 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks have indefinite useful lives and are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 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 recognized separately from goodwill at their fair value at the acquisition date (which is subsequently regarded as their cost).

Amortization 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 amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized 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 recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill arising in a business combination is recognized 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 recognized directly in profit or loss in the consolidated statement of profit or loss.

An impairment loss recognized 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.

Investments in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

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

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

The Group reports its interests in joint venture using equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment in a joint venture. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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for the year ended 30 June 2013

3. Basis of Preparation of Financial Statements and Summary of Significant Accounting Policies (contd)
Intangible Assets (contd)
Impairment of Non-current Assets, Except of Goodwill

At each reporting 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 recognized 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized 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.

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

Provisions
A provision is recognized 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 certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions. The liability recognized 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 unrecognized 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 recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes 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 recognized 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 recognized in profit or loss in the period in which they become receivable.

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

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

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

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

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

Intangible Assets (contd)

Leases

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the 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.

Issued Capital and Earnings per Share

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

Repurchase of Issued Capital

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

Equity-settled Transactions

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

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

At each reporting 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 reporting date is recognized in the statement of profit or loss, 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 recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods and Finished Products

Revenue is recognized when the significant risks and rewards of ownership of goods for resale and finished products have passed to the buyer, 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 recognized in the accounting period in which the services are rendered.

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

3. Basis of Preparation of Financial Statements and Summary of Significant Accounting Policies (contd)
Issued Capital and Earnings per Share (contd)
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 recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized 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. Taxable profit differs from 'profit before tax' because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible Taxes other than income tax 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 recognized on 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 utilized. Deferred tax assets for deductible temporary differences and tax losses 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 utilized.

Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries and joint ventures are recognized, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when:

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

Reclassifications

Certain reclassifications have been made to the consolidated financial statements as at 30 June 2012 and for the year then ended to conform to the current year presentation.

Operating Segments

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

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

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

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

The reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments. The segment data is calculated as follows:

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

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

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for the year ended 30 June 2013

4. Key Data by Operating Segment

Key Data by Operating Segment for the Year Ended 30 June 2013:

(in USD thousands)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations – sugar	Continuing operations
Revenue (external)	182,633	1,527,713	11,496	54,449	972,259	18,912	37,457	–	–	(8,167)	2,796,752
Intersegment sales	–	–	37,574	138,674	–	27,442	–	–	(203,690)	–	–
Total revenue	**182,633**	**1,527,713**	**49,070**	**193,123**	**972,259**	**46,354**	**37,457**	**–**	**(203,690)**	**(8,167)**	**2,796,752**
Other operating income	2,522	19,483	33	60,053	23,857	338	(380)	–	–	380	106,286
Operating profit	**22,735**	**154,092**	**23,871**	**17,216**	**12,463**	**12,345**	**(8,097)**	**(37,852)**	**–**	**4,118**	**200,891**
Finance costs, net											(74,878)
Foreign exchange gain, net											2,908
Other expenses, net											(5,998)
Share of losses of joint venture											(2,201)
Income tax expense											(6,171)
Profit for the period											114,551
Total assets	**50,855**	**915,651**	**290,654**	**589,838**	**255,856**	**175,992**	**62,229**	**2,691**	**–**	**–**	**2,343,766**
Capital expenditures	782	6,525	2,457	37,625	–	31,499	–	1,226	–	–	80,114
Amortization and depreciation	3,048	19,096	3,218	50,445	46	7,018	3,138	3,767	–	(3,138)	86,638
Liabilities	1,869	33,826	1,331	154,415	16,426	22,376	8,770	773,665	–	–	1,012,678

For the purpose of segment disclosure revenue of Sugar segment includes revenue from tolling services rendered by sugar plants to other entities of the Group in the amount of USD 8,167 thousand (represents discontinued operations, Note 12) and sales of sugar processed by sugar plants from sugar beats grown by Farming segment in the amount of USD 29,290 thousand produced.

During the year ended 30 June 2013, one of the Group's external customers accounted for more than 10% of total external revenue. During the year ended 30 June 2013, export sales amounted to 91% of total external sales revenue.

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

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
(in USD thousands)	Year ended 30 June 2013	As of 30 June 2013
Ukraine	2,653,618	1,213,219
Russia	143,134	56,233
Total	**2,796,752**	**1,269,452**

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
for the year ended 30 June 2013

4. Key Data by Operating Segment (contd)
Key Data by Operating Segment for the Year Ended 30 June 2012:

(in USD thousands)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations – sugar	Continuing operations
Revenue (external)	202,991	1,191,627	8,012	25,814	598,691	31,256	99,050	–	–	(85,631)	2,071,810
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)**	**(85,631)**	**2,071,810**
Other operating income	–	6,081	15	65,936	(6,437)	304	94	–	–	(94)	65,899
Operating profit/(loss)	**30,061**	**150,064**	**10,385**	**41,216**	**26,963**	**12,084**	**16,039**	**(30,342)**	**–**	**827**	**257,297**
Finance costs, net											(63,084)
Foreign exchange gain, net											5,037
Other expenses, net											(2,925)
Income tax benefit											9,300
Net profit											205,625
Total assets	**116,596**	**950,723**	**114,442**	**375,283**	**238,695**	**159,561**	**140,999**	**20,094**	**–**	**–**	**2,116,393**
Capital expenditures	114	6,732	958	38,346	–	40,257	951	10,731	–	–	98,089
Amortization and depreciation	1,770	16,574	3,281	32,572	46	6,212	3,983	1,067	–	(3,983)	61,522
Liabilities	4,090	23,296	1,037	69,493	10,541	28,247	14,448	754,540	–	–	905,692

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
(in USD thousands)	Year ended 30 June 2012	As of 30 June 2012
Ukraine	1,967,510	952,529
Russia	104,300	45,463
Total	**2,071,810**	**997,992**

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5. Acquisition and Disposal of Subsidiaries
The following entities were acquired during the year ended 30 June 2013:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Kalenitske ALLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beets.	Ukraine	100.0%	April 2013
Druzhba-Nova Group:				
Tweelingen Ukraine LLC	Holding company.	Ukraine	100.0%	April 2013
Druzhba-Nova ALLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beets.	Ukraine	83.3%	April 2013
Ukraine ALLC		Ukraine	83.3%	April 2013
Kalynovytske ALLC		Ukraine	83.3%	April 2013
Niva LLC (Khoroshe Ozero)		Ukraine	77.4%	April 2013
Nyva ALLC (Ozeryany)		Ukraine	83.3%	April 2013
UHL-Varva LLC		Ukraine	83.3%	April 2013
Vaskivsi LLC		Ukraine	83.3%	April 2013
Sokyrynske LLC		Ukraine	62.8%	April 2013
Druzhba LLC		Ukraine	83.3%	April 2013
Khorobor Agro ALLC		Ukraine	83.3%	April 2013
Galaibinskoe LLC		Ukraine	83.3%	April 2013
Trostanske LLC		Ukraine	83.3%	April 2013
Malozagorivske PE		Ukraine	83.3%	April 2013
Agro-Ombish PE		Ukraine	58.3%	April 2013
Desna LLC		Ukraine	83.3%	April 2013
Obrii LLC		Ukraine	83.3%	April 2013
Berezhivka PLAE		Ukraine	83.3%	April 2013
Nizhynska Silgosptechnika LLC		Ukraine	83.3%	April 2013
Agrofirma Nigenska PAC		Ukraine	83.3%	April 2013
Feniks-K PE		Ukraine	83.3%	April 2013
Kaplyntsivske PJSC		Ukraine	52.6%	April 2013
Grygorivske PLAE		Ukraine	83.3%	April 2013
Invest Agro Holding Ukraine LLC		Ukraine	83.3%	April 2013
Sribnyanske FE		Ukraine	100.0%	April 2013
Borznyanske FE		Ukraine	100.0%	April 2013
Nizhynske FE		Ukraine	100.0%	April 2013
Talalaiivske Agro FE		Ukraine	100.0%	April 2013
Sokyrynske LLC		Ukraine	100.0%	April 2013

Assets acquired include:
Druzhba-Nova Group: 105,900 hectares of leasehold farmland located in the southern districts of Chernihiv and Sumy regions and northern districts of Poltava region. On the date of acquisition of Druzhba-Nova Group, the fair value of its land lease rights amounted to USD 58,986 thousand.

Kalenitske ALLC: 1,500 hectares of leasehold farmland located in Khmelnytskyy region. On the date of acquisition of the Subsidiary, the fair value of land lease rights amounted to USD 827 thousand.

In April 2012, the Group entered into a call option agreement with the purpose to acquire 100% of Stiomi Holding ("Stiomi") – a farming business located in the Khmelnytskyy region of Ukraine. This acquisition has been accounted for as business combination in March 2013 when the Group obtained control over the right to use land. As of 30 June 2013, the consideration paid for Stiomi Holding by the Group and its related parties comprised USD 33,472 thousand. Amount payable to the Group's related parties for this acquisition comprises USD 18,025 thousand as of 30 June 2013. In the meantime, the final settlement on the purchase deal is subject to the ultimate resolution of the legal case between the Group and the sellers of Stiomi (Note 31). The management of the Group does not expect any additional consideration to be paid to the sellers.

As of 30 June 2013, the initial accounting for Stiomi has only been provisionally estimated: the necessary fair values and other calculations are subject to finalization by independent appraisers.

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5. Acquisition and Disposal of Subsidiaries (contd)

As of 30 June 2013, the provisional fair values of assets, liabilities and contingent liabilities acquired were as follows:

Acquired net assets: (in USD thousands)	Kalenitske ALLC	Druzhba-Nova Group	Stiomi Holding	Total
Cash	20	2,454	–	**2,474**
Trade accounts receivable, net	104	2,679	–	**2,783**
Prepayments to suppliers and other current assets, net	10	7,873	–	**7,883**
Taxes recoverable and prepaid, net	41	5,764	–	**5,805**
Inventory	136	27,663	–	**27,799**
Biological assets	463	9,913	–	**10,376**
Property, plant and equipment, net	249	60,343	–	**60,592**
Intangible assets, net	827	61,013	33,302	**95,142**
Other non-current assets	139	1,600	–	**1,739**
Trade accounts payable	(160)	(7,122)	–	**(7,282)**
Advances from customers and other current liabilities	(246)	(27,679)	–	**(27,925)**
Short-term borrowings	–	(41,821)	–	**(41,821)**
Current portion of long-term borrowings	–	(27,003)	–	**(27,003)**
Long-term borrowings	–	(3,687)	–	**(3,687)**
Obligations under finance lease	–	(4,959)	–	**(4,959)**
Other non-current liabilities	–	(6,953)	–	**(6,953)**
Fair value of net assets of acquired Subsidiaries	1,583	60,078	33,302	**94,963**
Non-controlling interest	–	(11,115)	–	**(11,115)**
Fair value of acquired net assets	1,583	48,963	33,302	**83,848**
(Gain on bargain purchase)/Goodwill	(728)	20,034	170	**19,476**
Total cash considerations due and payable	855	68,997	33,472	**103,324**
Less: acquired cash	(20)	(2,454)	–	**(2,474)**
Less: cash paid	–	(66,543)	(15,447)	**(81,990)**
Net cash due and payable	835	–	18,025	**18,860**

Revenue and net profit/(loss) attributable to the additional business acquired as from the date of business combination to 30 June 2013 were as follows:

(in USD thousands)	Kalenitske ALLC	Druzhba-Nova Group	Stiomi Holding	Total
Revenue	77	10,097	–	**10,174**
Net profit/(loss)	664	(10,316)	–	**(9,652)**

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 from the beginning of the reporting period and up to the date of acquisition.

Prepayment for the acquisition of Stiomi in the amount of USD 5,976 thousand was made by the Group as at 30 June 2012.

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5. Acquisition and Disposal of Subsidiaries (contd)
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	100.0%	September 2011
BREA Commodities Limited		Cyprus	100.0%	September 2011
Black Sea Industry LLC	Production plant. Production of sunflower oil and meal.	Ukraine	100.0%	September 2011
Russian Oils group:				
Trade Company Russian oil LLC	Trading in sunflower oil, meal and grain.	Russia	100.0%	September 2011
Stavropol Oil OJSC	Production plants. Production of sunflower oil and meal.	Russia	100.0%	September 2011
Nevinomissky oil-crushing plant CJSC		Russia	100.0%	September 2011
Production Management LLC		Russia	100.0%	September 2011
Ust-Labinsky EMEK Florentina CJSC		Russia	100.0%	September 2011
Enselco group:				
Enselco LLC	Holding companies.	Ukraine	100.0%	October 2011
Enselco Agroholding LLC		Ukraine	100.0%	October 2011
Nyva Agroholding LLC		Ukraine	100.0%	October 2011
Sluch Agro LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100.0%	October 2011
Vesnianskyi Elevator LLC		Ukraine	100.0%	October 2011
Enselco Agro LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds,barley, soya beans and sugar beet.	Ukraine	100.0%	October 2011
Nyva Berezneguvate LLC		Ukraine	100.0%	October 2011
Nyva Vesnyane LLC		Ukraine	100.0%	October 2011
Subsidiary 'Ensel' PE		Ukraine	100.0%	October 2011
Agro Inter Sluch LLC		Ukraine	100.0%	October 2011
Private leased firm 'Zlagoda'		Ukraine	100.0%	October 2011
Private leased entity 'Real'		Ukraine	100.0%	October 2011
'Getman' PE		Ukraine	100.0%	October 2011
'Olymp' PE		Ukraine	100.0%	October 2011
'Zhavyir' PLAE		Ukraine	100.0%	October 2011
'Ladygi' PE		Ukraine	100.0%	October 2011
'Chumatskiy Shlyakh' PE		Ukraine	100.0%	October 2011
Matushevski FE		Ukraine	100.0%	October 2011
Krymashevski O.M. &C FE		Ukraine	100.0%	October 2011
Agro LLC 'Ukraine'		Ukraine	100.0%	October 2011
Agro LLC 'Skhid'		Ukraine	100.0%	October 2011
Private agro entity 'Agrarnyk'		Ukraine	100.0%	October 2011
'Zolota Nyva' LLC		Ukraine	100.0%	October 2011
'Troyanda Podillya' LLC		Ukraine	100.0%	October 2011
Urozhai ALLC	Agricultural farm. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	100.0%	January 2012

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5. Acquisition and Disposal of Subsidiaries (contd)

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Inter-Agro group:				
Inter-Agro Capital LLC	Holding company.	Ukraine	100.0%	April 2012
Juridical Company Decort LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100.0%	April 2012
Trading House Inter-Agro Ltd LLC		Ukraine	100.0%	April 2012
Mriya LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	100.0%	April 2012
by the name of Shorsa LLC		Ukraine	100.0%	April 2012
Lazirky LLC		Ukraine	100.0%	April 2012
Denysivske LLC		Ukraine	100.0%	April 2012
Savyntsi LLC		Ukraine	100.0%	April 2012
Smotrysivske LLC		Ukraine	100.0%	April 2012
Agrocompany Zorya LLC		Ukraine	100.0%	April 2012
Garant 5 LLC		Ukraine	100.0%	April 2012
Chernyakivske LLC		Ukraine	100.0%	April 2012
Ukraina LLC		Ukraine	100.0%	April 2012
Agrocompany Ukrhlibdar LLC		Ukraine	100.0%	April 2012
Agrocompany Vorskla LLC		Ukraine	100.0%	April 2012
Agro BTK LLC		Ukraine	100.0%	April 2012
Agrosvit LLC		Ukraine	100.0%	April 2012
Phoenyx LLC		Ukraine	100.0%	April 2012
Nadiya PRAC		Ukraine	100.0%	April 2012
Kolos PRAC		Ukraine	100.0%	April 2012
Vitchyzna PRAC		Ukraine	100.0%	April 2012

Through its purchase of a 100% interest in the Black Sea Industry crushing plant, Kernel increased its crushing capacity by 500,000 tons of sunflower seed per year. The Black Sea Industry crushing plant is located adjacent to the Company's Transbulkterminal, which provides additional logistical benefits as well as more flexibility in sunflower oil and meal loading.

Russian Oils group assets acquired include:

- ➔ 410,000 tons of sunflower seed crushing capacity per year in three production plants, with one plant located in the Krasnodar region and two plants located in the Stavropol region in the Russian Federation; and
- ➔ 100,000 tons per year of sunflower oil refining and bottling capacity.

Enselco group assets acquired include 29,300 hectares of leasehold farmland, of which 23,000 hectares are located in Khmelnytskiy region in the western Ukraine and 6,300 hectares located in the regions of Nikolaev and Odessa in the south of Ukraine.

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 hectares of leasehold farmland located in Kirovograd region of Ukraine. 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 hectares of leasehold farmland, of which 5,685 hectares are located in Kharkiv region and 32,815 hectares are located in Poltava region.

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5. Acquisition and Disposal of Subsidiaries (contd)

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

Acquired net assets: (in USD thousands)	Black Sea Industry group	Russian oils 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 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**
Other 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	–	–	–	–	–	**–**
Fair value of acquired net assets	63,304	14,576	53,877	3,268	37,620	**172,645**
Goodwill/(Gain on bargain purchase)	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 finalized accounting for business combinations of Black Sea Industry group, Russian Oils group and Enselco group. The adjustments to provisional values presented in prior periods' consolidated 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 finalization 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 Oils group for the following assets and liabilities: decrease of inventory and property, plant and equipment in the amounts of USD 2,099 thousand and USD 3,191 thousand, respectively; increase in prepayments from customers and other short-term liabilities in the amount of USD 2,709 thousand; recognition of goodwill in the amount of USD 5,182 thousand and elimination of a gain from bargaining purchase in the amount of USD 7,724 thousand.

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 the effect of a prepayment made as of 30 June 2011 for the Black Sea industry group in the amount of USD 54,078 thousand and a payment made in current period for the acquisition of Tsukrovy Soyuz Ukrros Group in the amount of USD 21,686 thousand and Agrofirma Vesna LLC in the amount of USD 1,339 thousand.

Negative goodwill (amounting USD 3,337 thousand) from the acquisition is accounted for in 'Other expenses' in the statement of profit or loss and is disclosed in the line 'Other expenses' in Note 28.

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:

(in USD thousands)	Black sea industry	Russian oils 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.

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5. Acquisition and Disposal of Subsidiaries (contd)

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.

The following entities were disposed during the year ended 30 June 2013:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership	Date of disposal
Agrarny dim PJSC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beets.	Ukraine	100.0%	April 2013
Druzhba LLC		Ukraine	89.1%	June 2013
Nyva Berezneguvate LLC		Ukraine	100.0%	June 2013
Nyva Vesnyane LLC		Ukraine	100.0%	June 2013
Agro Skhid LLC		Ukraine	100.0%	April 2013
Zolota Nyva LLC		Ukraine	100.0%	April 2013
Private agro entity Agrarnyk		Ukraine	100.0%	April 2013
Grain Trading Company LLC	Trading in sunflower oil, meal and grain.	Ukraine	100.0%	December 2012
Veselynivske ZPP LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	83.1%	October 2012
Gulyaypolsky Elevator LLC		Ukraine	83.1%	October 2012
Chortkivskyi Sugar Plant LLC (Note 12)	Production plant. Production of sugar.	Ukraine	90.1%	May 2013

The net assets of disposed entities as of the date of disposal were equal to USD 37,448 thousand. Total cash consideration receivable for disposed entities were USD 39,921 thousand (outstanding balance as of 30 June 2013 for disposed entities was USD 5,305 thousand). Cash balances disposed comprised USD 100 thousand and were deducted from cash consideration received in the Consolidated Statement of Cash Flows. Loss on disposal of entities, which did not represent discontinued operations, in the amount of USD 4,955 thousand was included in other expenses line in the Consolidated Statement of Profit or Loss. Gain on disposal of Chortkivskyi Sugar Plant LLC in the amount of USD 7,428 thousand was included to loss from discontinued operations (Note 12).

In December 2012, as a result of optimization process of its legal structure, the Group liquidated Brea Commodities Limited and assets of Brea Commodities Limited were transferred to the Group's Subsidiaries.

The following entities were disposed during the year ended 30 June 2012:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership	Date of disposal
Skifiya-Zernotrade LLC	Grain elevators. Provision of grain and oilseed services, cleaning, drying and storage.	Ukraine	100.0%	August 2011
Shevchenkivsky KHP LLC		Ukraine	100.0%	March 2012
Globynsky Elevator HP LLC		Ukraine	100.0%	February 2012
Kobelyaky Hliboproduct LLC		Ukraine	100.0%	January 2012
Elevator Grain Trading Company LLC		Ukraine	100.0%	December 2011
Troyanda Podillya LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soya beans and sugar beet.	Ukraine	100.0%	June 2012

The net assets of disposed entities as of the date of disposal were equal to USD 3,885 thousand, the cash consideration is USD 5,342 thousand. Cash balances disposed comprised USD 6 thousand and were deducted from cash consideration received in the Consolidated Statement of Cash Flows. Gain on disposals, in the amount of USD 1,457 thousand, was included in other expenses line in the Consolidated Statement of Profit or Loss.

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6. Cash
The balances of cash were as follows:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Cash in banks in USD	63,118	67,497
Cash in banks in UAH	8,748	12,897
Cash in banks in other currencies	6,917	2,042
Cash on hand	44	33
Cash on transit bank account	–	60
Total	78,827	82,529
Less restricted cash on Security bank account and blocked amount	(6,193)	–
Cash and bank balances included in a disposal group held for sale	71	–
Cash for the purposes of cash flow statement	72,705	82,529

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

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Trade accounts receivable	156,950	151,676
Allowance for estimated irrecoverable amounts	(7,350)	(5,314)
Total	149,600	146,362

As of 30 June 2013, accounts receivable from one European customer accounted for approximately 28.9%, and one Ukrainian customer for 4.0% of the total carrying amount of trade accounts receivable (as of 30 June 2012, one European customer approximately 14.1% and Ukrainian customer 25.2%).

The average credit period on sales of goods is 20 days (for the period ended 30 June 2012: 25 days). No interest is charged on the outstanding balances of trade receivables. Most part of trade receivables past due more than one month are considered to be impaired. Allowances for doubtful debts are recognized 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.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due but not impaired at the end of the reporting period.

Age of receivables that are past due but not impaired:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Past due 31–180 days	239	472
Past due 181–365 days	128	87
Past due more than one year	458	20
Total	825	579

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

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Balance at 1 July	(5,314)	(4,419)
Impairment loss recognized	(2,079)	(895)
Reclassified to assets held for sale	43	–
Balance at 30 June	(7,350)	(5,314)

As of 30 June 2013, the amount of trade receivables and receivables past due less than one month accounted for USD 147,156 thousand (as of 30 June 2012: USD 144,479 thousand).

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7. Trade Accounts Receivable, net (contd)
Age of impaired trade receivables was as follows:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Past due 31–180 days	1,593	1,103
Past due 181–365 days	530	732
Past due more than one year	6,846	4,745
Specific allowance	–	38
Total	8,969	6,618

8. Prepayments to Suppliers and Other Current Assets, net
The balances of prepayments to suppliers and other current assets were as follows:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Prepayments to suppliers	103,782	80,867
Other accounts receivable and other current assets	29,098	20,291
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(14,527)	(10,823)
Total	118,353	90,335

9. Taxes Recoverable and Prepaid, net
The balances of taxes recoverable and prepaid were as follows:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
VAT ('value added tax') recoverable and prepaid	170,007	229,761
Other taxes recoverable and prepaid	20,688	4,100
Total	190,695	233,861

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 full within 12 months after the reporting date. In the absence of previous impairment losses on the value added tax, allowance on VAT is not charged as of 30 June 2013 and June 2012. For the year ended 30 June 2013 the amount of VAT refunded by the state in cash was USD 241,874 thousand (for the year ended 30 June 2012, the amount of VAT refunded by the state in cash was USD 202,404 thousand).

10. Inventory
The balances of inventories were as follows:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Finished products	151,879	236,015
Raw materials	41,094	100,550
Goods for resale	36,888	46,799
Agricultural products	22,854	11,108
Fuel	4,015	4,305
Packaging materials	1,188	650
Other inventories	12,330	10,755
Total	270,248	410,182

As of 30 June 2013, the cost of inventories recognized as an expense includes USD 287 thousand (year ended 30 June 2012: USD 3,948 thousand) with respect to write-downs of inventory to net realizable value.

As of 30 June 2013, the cost of inventories recognized as an expense during the year in respect of continuing operations was USD 574 thousand (30 June 2012: USD 783 thousand).

As of 30 June 2013, inventories with the carrying amount of USD 73,554 thousand (as of 30 June 2012: USD 123,026 thousand) were pledged by the Group as collateral against short-term loans obtained from banks (Note 18).

As of 30 June 2013, finished goods mostly consist of bulk oil in the amount of USD 71,920 thousand and sugar in the amount of USD 60,078 thousand. As of 30 June 2012, it was USD 184,266 thousand and 24,700 thousand, accordingly.

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11. Biological Assets

The balances of crops in fields were as follows:

(in USD thousands unless otherwise stated)	As of 30 June 2013 Hectares	As of 30 June 2013 Value	As of 30 June 2012 Hectares	As of 30 June 2012 Value
Corn crops	162,384	118,982	59,440	45,492
Sunflower seed crops	103,787	56,719	38,361	20,672
Soya bean	61,346	33,876	54,872	26,976
Wheat crops	33,472	18,092	57,743	26,620
Forage crops	13,343	4,675	10,426	6,077
Rape seeds	5,133	3,057	4,232	2,538
Sugar beet	3,584	3,328	16,027	16,798
Barley crops	1,564	341	3,001	1,066
Peas crops	–	–	179	73
Other crops	4,284	1,024	1,108	318
Total	388,897	240,094	245,389	146,630

The following table represents the changes in the carrying amounts of crops in fields during the year ended 30 June 2013 and 2012:

(in USD thousands unless otherwise stated)	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2011	76,959	16,290	93,249
Increase due to purchases and subsequent expenditures capitalized 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 capitalized 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
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2012)	79,763	–	79,763
Loss arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2012)	–	(14,456)	(14,456)
Decrease due to harvest (harvest 2012)	(187,023)	(24,914)	(211,937)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2013)	185,004	–	185,004
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2013)	–	55,090	55,090
As of 30 June 2013	185,004	55,090	240,094

The balances of current cattle were as follows:

(in USD thousands unless otherwise stated)	As of 30 June 2013 Number of heads	As of 30 June 2013 Value	As of 30 June 2012 Number of heads	As of 30 June 2012 Value
Cattle	15,969	7,174	14,808	6,708
Total	15,969	7,174	14,808	6,708

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

For the period ended 30 June 2013, the gain arising from changes in the fair value attributable to physical changes in the market price for biological assets in the amount of USD 42,156 thousand (Note 24) (2012: USD 41,660 thousand) include a USD 1,522 thousand change of cattle fair value (2012: USD 795 thousand).

As a result of business acquisitions, the Group purchased biological assets in the amount of USD 10,376 thousand (Note 5) over the 12-month period to 30 June 2013 (as of 30 June 2012: USD 27,302 thousand). Crops in fields, acquired in business combinations were included into the “increase due to purchases and subsequent expenditures capitalized in biological assets” in the table above.

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12. Assets Classified as Held for Sale and Discontinued Operations

In May 2013 the Group disposed Chortkivskyi Sugar Plant LLC (Note 5). In addition, following the directors' approval on 27 June 2013 of a plan to dispose all other sugar plants of the Group, they were reclassified as held for sale. As the Group does not plan to dispose rights to cultivate the land on which sugar beets were growing for further processing by sugar plants, the Group classified as discontinued operations only revenue and all related expenses from tolling services rendered by sugar plants to other entities of the Group. Orzhytsky Sugar Plant LLC was disposed after the reporting period end (Note 37).

Activities of the following entities were classified as discontinued operations for the year ended 30 June 2013:

			Group's effective ownership interest as of	
Subsidiary	Principal activity	Country of incorporation	**30 June 2013**	30 June 2012
Chortkivskyi Sugar Plant LLC	Production plants. Production of sugar.	Ukraine	**90.1%**	73.8%
Tsukrove LLC		Ukraine	**100.0%**	71.3%
Palmirasugar ALC		Ukraine	**89.1%**	72.7%
Orzhytsky Sugar Plant LLC		Ukraine	**89.6%**	73.4%

The balance of Assets classified as held for sale were as follows:

(in USD thousands)	**As of 30 June 2013**
Cash	**71**
Trade accounts receivable, net	**3,291**
Taxes recoverable and prepaid, net	**277**
Inventory	**606**
Property, plant and equipment, net	**17,749**
Deferred tax assets	**1,143**
Other non-current assets	**39**
Assets of sugar plants classified as held for sale	**23,176**
Trade accounts payable	**(19)**
Advances from customers and other current liabilities	**(1,859)**
Other non-current liabilities	**(31)**
Liabilities of sugar plants associated with assets held for sale	**(1,909)**
Net assets of sugar plants classified as held for sale	**21,267**

The combined results of the discontinued operations included in the profit for the year are set out below. The comparative result from the discontinued operations has been restated to reflect those operations classified as discontinued in the prior year.

Result for the year from discontinued operations:

(in USD thousands)	**For the year ended 30 June 2013**	For the year ended 30 June 2012
Revenue	**8,167**	85,631
Cost of sales	**(6,580)**	(82,032)
Other operating (expenses)/income	**(380)**	94
Distribution expenses	**(870)**	(1,266)
General and administrative expenses	**(4,455)**	(3,254)
Financial income/(expenses), net	**208**	(1,277)
Foreign exchange gain, net	**377**	232
Gain on disposal of property, plant and equipment	**7,428**	–
Other income/(expenses)	**208**	(561)
Income tax benefit	**944**	7,590
Profit for the year from discontinued operations	**5,047**	**5,157**
Loss on remeasurement to fair value less costs to sell	**(14,672)**	–
Net (loss)/profit for the year from discontinued operations	**(9,625)**	**5,157**

Cash flows from discontinued operations:

(in USD thousands)	**For the year ended 30 June 2013**	For the year ended 30 June 2012
Net cash (outflow)/inflow from operating activities	**(19,615)**	26,478
Net cash inflow/(outflow) from investing activities	**19,592**	(951)
Net cash outflow from financing activities	**–**	(25,451)
Net cash flows	**(23)**	**76**

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13. Property, Plant and Equipment, net
The following table represents movements in property, plant and equipment for the year ended 30 June 2013:

(in USD thousands)	Oil	Export terminals	Farming	Silo services	Sugar	Other	Total
Net book value as of 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**
Additions	**7,307**	**2,457**	**37,625**	**31,499**	**–**	**1,226**	**80,114**
CIP and uninstalled equipment	7,307	2,457	37,625	31,499	–	1,226	**80,114**
Reclassification	**(1,650)**	**–**	**14,459**	**(8,527)**	**1,679**	**(5,961)**	**–**
Land	–	–	–	–	–	–	**–**
Buildings and Constructions	(1,113)	–	439	–	–	707	**33**
Production machinery and equipment	(537)	–	598	(4,325)	–	(99)	**(4,363)**
Agricultural vehicles and equipment	–	–	9,362	(4,142)	–	(816)	**4,404**
Other fixed assets	–	–	4,060	(60)	1,679	(5,753)	**(74)**
Total additions from acquisition of subsidiaries:	**–**	**–**	**60,592**	**–**	**–**	**–**	**60,592**
Land	–	–	–	–	–	–	**–**
Buildings and constructions	–	–	17,213	–	–	–	**17,213**
Production machinery and equipment	–	–	6,803	–	–	–	**6,803**
Agricultural vehicles and equipment	–	–	7,061	–	–	–	**7,061**
Other fixed assets	–	–	28,450	–	–	–	**28,450**
CIP and uninstalled equipment	–	–	1,065	–	–	–	**1,065**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Land	–	–	4	12	–	–	**16**
Buildings and constructions	9,282	119	1,210	43,353	26	1,209	**55,199**
Production machinery and equipment	2,325	57	816	8,880	528	974	**13,580**
Agricultural vehicles and equipment	29	–	37,389	26	9	384	**37,837**
Other fixed assets	360	3	91	183	–	1,129	**1,766**
CIP and uninstalled equipment	(11,996)	(179)	(39,510)	(52,454)	(563)	(3,696)	**(108,398)**
Revaluation	**24,519**	**–**	**–**	**–**	**–**	**–**	**24,519**
Land	–	–	–	–	–	–	**–**
Buildings and constructions	21,371	–	–	–	–	–	**21,371**
Production machinery and equipment	3,148	–	–	–	–	–	**3,148**
Agricultural vehicles and equipment	–	–	–	–	–	–	**–**
Other fixed assets	–	–	–	–	–	–	**–**
Disposals (at net book value)	**(936)**	**(87)**	**(5,091)**	**(456)**	**(20,817)**	**(656)**	**(28,043)**
Land	–	–	–	–	–	–	**–**
Buildings and constructions	(290)	–	(2,480)	(407)	(6,876)	(455)	**(10,508)**
Production machinery and equipment	(586)	(87)	(1,129)	(43)	(13,424)	(138)	**(15,407)**
Agricultural vehicles and equipment	(15)	–	(1,242)	–	(2)	–	**(1,259)**
Other fixed assets	(45)	–	(240)	(6)	(515)	(63)	**(869)**
Assets held for sale	**–**	**–**	**–**	**–**	**(17,749)**	**–**	**(17,749)**
Land	–	–	–	–	–	–	**–**
Buildings and constructions	–	–	–	–	(8,513)	–	**(8,513)**
Production machinery and equipment	–	–	–	–	(7,661)	–	**(7,661)**
Agricultural vehicles and equipment	–	–	–	–	(432)	–	**(432)**
Other fixed assets	–	–	–	–	(1,143)	–	**(1,143)**
Depreciation expense and impairment loss recognized in profit or loss	**(18,698)**	**(3,214)**	**(30,085)**	**(6,991)**	**(17,805)**	**(3,600)**	**(80,393)**

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13. Property, Plant and Equipment, net (contd)

(in USD thousands)	Oil	Export terminals	Farming	Silo services	Sugar	Other	Total
Buildings and constructions	(7,636)	(1,034)	(4,354)	(5,019)	(8,421)	(279)	**(26,743)**
Production machinery and equipment	(10,289)	(2,174)	(6,085)	(1,813)	(8,821)	(348)	**(29,530)**
Agricultural vehicles and equipment	(112)	–	(16,492)	(4)	(40)	(273)	**(16,921)**
Other fixed assets	(661)	(6)	(3,154)	(155)	(523)	(2,700)	**(7,199)**
Translation difference	**626**	**1**	**34**	**(436)**	**(1,240)**	**921**	**(94)**
Land	5	(1)	(1)	–	–	–	**3**
Buildings and constructions	180	1	38	652	(118)	216	**969**
Production machinery and equipment	239	–	(2)	(833)	(1,689)	189	**(2,096)**
Agricultural vehicles and equipment	11	–	(1)	(7)	98	(1)	**100**
Other fixed assets	191	1	–	(248)	469	517	**930**
CIP and uninstalled equipment	–	–	–	–	–	–	–
Net book value as of 30 June 2013	**363,026**	**67,109**	**195,944**	**125,670**	**–**	**15,568**	**767,317**
Land	3,932	3,911	6	1,138	–	46	**9,033**
Buildings and constructions	237,156	28,873	46,148	90,463	–	4,875	**407,515**
Production machinery and equipment	103,704	31,958	19,443	19,606	–	1,775	**176,486**
Agricultural vehicles and equipment	281	–	91,054	21	–	1,464	**92,820**
Other fixed assets	2,293	35	31,492	480	–	7,393	**41,693**
CIP and uninstalled equipment	15,660	2,332	7,801	13,962	–	15	**39,770**

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
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13. Property, Plant and Equipment, net (contd)

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

(in USD thousands unless otherwise stated)	Oil	Export terminals	Farming	Silo services	Sugar	Other	Total
Net book value as of 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)**
Disposals (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 of 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**

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13. Property, Plant and Equipment, net (contd)

Total cost of property, plant and equipment as of 30 June 2013 was USD 920,130 thousand (as of 30 June 2012: USD 831,925 thousand) and total accumulated depreciation as of 30 June 2013 was USD 152,813 thousand (as of 30 June 2012: USD 103,554 thousand).

As of 30 June 2013, property, plant and equipment with the carrying amount of USD 364,593 thousand (as of 30 June 2012: USD 428,447 thousand) were pledged by the Group as collateral against short-term and long-term bank loans (Note 18 and 19).

Disposals (at net book value) include property, plant and equipment of Chortkivskyi Sugar Plant LLC with net book value of USD 20,522 thousand and other disposed entities with net book value of USD 4,550 thousand.

As of 30 June 2013, the amount of property plant and equipment includes USD 4,150 thousand of CIP and uninstalled equipment and USD 368 thousand of capitalized interest on borrowing costs (as of 30 June 2012: USD 3,763 thousand and USD 393 thousand calculated at a capitalization rate of 7.73% per annum). Capitalization rate used to calculate the amount of capitalized interest as of 30 June 2013 is 9.81% per annum.

The buildings and constructions and production machinery and equipment (both in bulk and bottled oil segments) are revalued on 1 April 2013 by an external independent appraiser. Revaluation surplus amounted to USD 24,519 thousand. The fair value was determined by using cost-based, comparative and income approaches.

As of 1 July 2012, the Group reclassified certain items of property, plant, and equipment from “Production machinery and equipment” to other groups of property, plant, and equipment, since management believes that such classification would be more appropriate to those assets.

Revaluation of property, plant and equipment of oil plants is comprised of impairment loss recognized in other expenses in the amount of USD 5,247 thousand (Note 28) and revaluation surplus recognized in other comprehensive income in the amount of USD 29,766 thousand.

Loss on remeasurement to fair value less cost to sell of buildings and construction and production machinery and equipment of sugar plants in the amounts of USD 7,549 thousand and USD 7,123 thousand respectively, was included in depreciation and impairment with corresponding amount recognized in the result for the year from discontinued operations (Note 12).

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14. Intangible Assets, net

The following table represents movements in intangible assets for the year ended 30 June 2013:

(in USD thousands)	Trade marks	Land lease rights	Other intangible assets	Grand total
Cost as of 30 June 2012	**19,336**	**90,993**	**4,395**	**114,724**
Additions from acquisition of Subsidiaries (land lease rights)	–	93,118	2,024	**95,142**
Additions	–	–	330	**330**
Disposals	–	(6,829)	(140)	**(6,969)**
Translation difference	–	191	(485)	**(294)**
Cost as of 30 June 2013	**19,336**	**177,473**	**6,124**	**202,933**
Accumulated depreciation as of 30 June 2012	**–**	**(21,909)**	**(1,728)**	**(23,637)**
Amortization charge	–	(18,336)	(709)	**(19,045)**
Disposals	–	1,941	84	**2,025**
Translation difference	–	(11)	22	**11**
Accumulated depreciation as of 30 June 2013	**–**	**(38,315)**	**(2,331)**	**(40,646)**
Net book value as of 30 June 2013	**19,336**	**139,158**	**3,793**	**162,287**

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

(in USD thousands)	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)**
Amortization 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**

Included in intangible assets of Subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with the value of USD 4,567 thousand, USD 5,929 thousand, USD 8,661 thousand and USD 179 thousand respectively in 2013 (USD 4,567 thousand, USD 5,929 thousand, USD 8,661 thousand and USD 179 thousand, respectively in 2012). These trademarks are used by the Group for the sale of bottled sunflower oil mostly in the Ukrainian market. As of 30 June 2013 and 30 June 2012, the trade mark 'Stozhar' was pledged as security for short-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 amortized 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.

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14. Intangible Assets, net (contd)
The impairment testing of the trademarks was performed on 30 June 2013 by the independent appraiser. 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 2.0%–4.0% and market growth rate for sunflower oil consumption; and
- As the bottled oil is predominantly sold within Ukraine the discount rate used was based on weighted average cost of capital rate of 22.1% for UAH denominated cash flow projections.

As result of testing performed, no impairment was identified as of 30 June 2013 and 2012.

15. Goodwill
The following table represents movements in goodwill for the year:

(in USD thousands)	2013	2012
Cost as of beginning of the year	**137,227**	**85,989**
Goodwill arising on acquisition of Subsidiaries	20,204	51,258
Translation differences	–	(20)
Cost as of end of the year	**157,431**	**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:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Sunflower oil in bulk	92,686	92,686
Export terminals	36,300	36,300
Farming	26,298	6,094
Bottled sunflower oil	2,147	2,147
Total	**157,431**	**137,227**

The Group reviews individual entities and groups as separate cash generating units. As of 30 June 2013 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 thousand, Kirovogradoilya JSG plant in the amount of USD 31,334 thousand, Ecotrans LLC plant in the amount of USD 9,868 thousand and Russian Oils Group in the amount of USD 5,182 thousand. Amount of goodwill at export terminals segment was fully allocated to Transbulkterminal LLC.

As of 30 June 2013 and 2012, 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 as of 30 June 2013 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 12.8% 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 industries and was 2%; and
- 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.

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

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Corporate income tax prepaid	15,003	–
Non-current biological assets	14,949	9,417
Prepayments for property, plant and equipment	11,586	2,248
Prepayments for subsidiaries	5,060	5,976
Other non-current assets	18,943	2,164
Total	65,541	19,805

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

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Settlements for acquired Subsidiaries	58,160	48,960
Advances from customers	21,587	17,591
Settlements with land lessors	20,675	8,949
Reimbursement of debt	20,043	20,043
Provision for unused vacations and other provisions	11,116	9,959
Short-term promissory notes issued	8,802	24
Obligation under finance lease payable within one year (Note 20)	8,681	5,451
Taxes payable and provision for tax liabilities	7,899	18,085
Accrued payroll, payroll related taxes and bonuses	4,496	4,266
Accounts payable for property, plant and equipment	1,260	354
Other current liabilities	39,332	21,017
Total	202,051	154,699

As of 30 June 2013, advances from customers and other current liabilities include USD 82,805 thousand owed to related parties (as of 30 June 2012, USD 69,003 thousand) (Note 30).

18. Short-term Borrowings
The balances of short-term borrowings were as follows:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Bank credit lines	395,560	163,000
Interest accrued on long-term loans	1,844	3,959
Interest accrued on short-term loans	1,296	389
Total	398,700	167,348

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

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2013	107,000
European bank	Libor + 8.95%	USD	September 2013	76,000
European bank	Libor + 7.5%	USD	November 2013	56,000
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	September 2013	55,000
Ukrainian subsidiary of European bank	Libor +7%	USD	September 2013	50,000
Ukrainian subsidiary of European bank	6%	USD	July 2013	20,746
Ukrainian subsidiary of American bank	Libor + 1%	USD	June 2014	13,275
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	5,120
Ukrainian subsidiary of European bank	10%	USD	April 2014	4,844
Ukrainian subsidiary of European bank	6%	USD	September 2013	3,723
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	2,281
Ukrainian subsidiary of European bank	10%	USD	September 2013	1,571
Total bank credit lines				395,560
Interest accrued on short-term loans				1,296
Interest accrued on long-term loans				1,844
Total				398,700

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18. Short-term Borrowings (contd)
The balances of short-term borrowings as of 30 June 2012 were as follows:

(in USD thousands unless otherwise stated)	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

As of 30 June 2013, the overall maximum credit limit for short-term bank credit lines amounted to USD 1,174.4 million (as of 30 June 2012: USD 1,000.0 million).

Short-term loans from banks were secured as follows:

(Assets pledged in USD thousands unless otherwise stated)	As of 30 June 2013	As of 30 June 2012
Property, plant and equipment, net (Note 13)	157,717	14,421
Inventory (Note 10)	73,554	123,026
Intangible assets, net	5,929	–
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	237,200	137,447

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

	As of 30 June 2013			As of 30 June 2012	
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Vovchansky OEP VJSC	October 2013	100.0%	Agroservis LLC	October 2012	100.0%
Prykolotnjansky OEP LLC	October 2013	100.0%	Zernoservis LLC	October 2012	100.0%
Gutyansky elevator LLC	October 2013	100.0%	Unigrain-Agro LLC	October 2012	100.0%
Kovyagivske KHP LLC	October 2013	100.0%	Lozivske HPP PJSC	October 2012	100.0%
Kirovogradoliya JSC	September 2013	100.0%	Krasnopavlivsky KHP PJSC	October 2012	100.0%
Agro BTK LLC	November 2013	100.0%	Agrofirma Arshytsya LLC	October 2012	100.0%
Agrosvit LLC	November 2013	100.0%	Chorna Kamyanka LLC	October 2012	100.0%
Agroservis LLC	November 2013	100.0%	Govtva LLC	October 2012	100.0%
Agrofirma Arshytsya LLC	November 2013	100.0%	Manzhurka LLC	October 2012	100.0%
Brovarky PRAC	November 2013	100.0%	Promin LLC	October 2012	100.0%
PRAC Vitchyzna	November 2013	100.0%	Brovarky PRAC	October 2012	100.0%
Agrocompany Vorskla LLC	November 2013	100.0%	Troyanske LLC	October 2012	100.0%
Garant 5 LLC	November 2013	100.0%	Zorya LLC	October 2012	100.0%
Govtva LLC	November 2013	100.0%	Druzhba PRAC	October 2012	100.0%
Enselco Agro	November 2013	100.0%	Agrofirma Vesna LLC	October 2012	100.0%
Agrocompany Zorya LLC	November 2013	80.2%			
Zorya LLC	November 2013	100.0%			
PRAC Kolos	November 2013	100.0%			
Krutenke LLC	November 2013	100.0%			
Lazirky LLC	November 2013	100.0%			
Manzhurka LLC	November 2013	100.0%			
Mriya LLC	November 2013	100.0%			
PRAC Nadiya	November 2013	100.0%			
Osiyivske LLC	November 2013	100.0%			
Perebudova PRAC	November 2013	100.0%			
Promin LLC	November 2013	100.0%			
Smotrysivske LLC	November 2013	100.0%			
Troyanske LLC	November 2013	100.0%			
Ukraina LLC	November 2013	100.0%			
Urozhai ALLC	November 2013	100.0%			
Hliborob LLC	November 2013	100.0%			
Chernyakivske LLC	November 2013	100.0%			
Chorna Kamyanka LLC	November 2013	100.0%			
Unigrain-Agro (globyno) LLC	November 2013	100.0%			
Unigrain-Agro (Semenivka) LLC	November 2013	100.0%			

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19. Long-term Borrowings
The balances of long-term borrowings were as follows:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Long-term bank loans	307,523	512,860
Less: current portion of long-term borrowings	(50,893)	(98,622)
Total	256,630	414,238

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

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 5.5%	USD	February 2016	84,600
European bank	Libor + 6.25%	USD	January 2015	80,000
Russian Federation bank	Libor + 8.35%	USD	March 2019	52,860
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	November 2017	48,909
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	January 2017	23,440
European bank	Libor + 3.52%	USD	April 2015	17,714
Total				307,523

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

(in USD thousands)	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

Long-term loans as of 30 June 2013 include credit lines from banks with the overall maximum credit limit of USD 327,936 thousand (as of 30 June 2012: USD 538,904 thousand).

Long-term loans from banks were secured as follows:

(Assets pledged in USD thousands unless otherwise stated)	As of 30 June 2013	As of 30 June 2012
Property, plant and equipment, net (Note 13)	206,876	414,026
Intangible assets, net (Note 14)	–	5,930
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	206,876	419,956

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19. Long-term Borrowings (contd)
In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group:

	As of 30 June 2013			As of 30 June 2012	
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Ukrainian Black Sea Industry LLC	January 2015	100.0%	Vovchansky OEP VJSC	October 2013	100.0%
Eastern Agro LTD	January 2015	100.0%	Kirovogradoliya JSC	September 2013	100.0%
Bandursky oil-crushing plant LLC	April 2015	100.0%	Gutyansky Elevator LLC	November 2013	100.0%
Transbulkterminal LLC	February 2016	100.0%	Prykolotnjansky OEP LLC	November 2013	100.0%
Estron Corporation Ltd.	February 2016	100.0%	Kovyagivske KHP LLC	November 2013	100.0%
Oiltransterminal LLC	February 2016	100.0%	Bandursky oil crushing plant LLC	April 2015	100.0%
Tsukrovy Soyuz Ukrros OJSC	November 2017	100.0%	Ukrainian Black Sea Industry LLC	January 2015	100.0%
			Transbulkterminal LLC	February 2016	100.0%
			Estron Corporation Ltd.	February 2016	100.0%
			Oiltransterminal LLC	February 2016	100.0%
			Chortkivskyi Sugar Plant LLC	June 2016	100.0%
			Tsukrove LLC	June 2016	100.0%
			Palmirasugar ALC	June 2016	100.0%
			Orzhytsky Sugar Plant LLC	June 2016	100.0%

20. Obligations under Finance Lease
The major components of finance lease liabilities were as follows:

(in USD thousands)	As of 30 June 2013 Minimum lease payments	As of 30 June 2013 Present value of minimum lease payments	As of 30 June 2012 Minimum lease payments	As of 30 June 2012 Present value of minimum lease payments
Amounts payable due to the finance lease:				
Within one year (Note 17)	11,729	8,681	6,915	5,451
Later than one year and not later than five years	24,242	19,093	16,246	12,622
Total	**35,971**	**27,774**	**23,161**	**18,073**
Less future finance charges	(8,197)	–	(5,088)	–
Present value of lease obligations	**27,774**	**27,774**	**18,073**	**18,073**

Increase of lease obligations as of 30 June 2013 was mostly due to the entry into the Druzhba-Nova Group, where the obligation as of 30 June 2013 amounted to USD 9,676 thousand.

The average effective interest rate contracted for year ended 30 June 2013 was at the level 7.49% (7.37% for the year ended 30 June 2012).

21. Income Tax
The Parent is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 22.47% as of 30 June 2013 and (22.05% as of 30 June 2012). The corporate income tax rate in Ukraine, where the main operations of the Group are located, was 19% as of 30 June 2013 and 21% as of 30 June 2012.

The 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 2013 were measured based on the tax rates expected to be applied in the period when the temporary differences are realized.

The components of income tax (expense)/benefit for the year ended 30 June 2013 and 2012 were as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Current income tax charge	(10,818)	(3,313)
Deferred tax income relating to changes in tax rates or the imposition of new taxes	3,297	4,062
Deferred tax relating to origination and reversal of temporary differences	1,350	8,551
Income tax (expense)/benefit reported in the income statement	**(6,171)**	**9,300**

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21. Income Tax (contd)
The income tax (expense)/benefit is reconciled to the profit before income tax per consolidated statement of profit or loss as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Profit before income tax from continuing operations	120,722	196,325
Tax at statutory Ukrainian tax rate of 19% (since 1 January 2013 till 31 December 2013), 21% since 1 January 2012 till 31 December 2012 and 23% since 1 April 2011 till 31 December 2011	(24,393)	(43,003)
Deferred tax income relating to changes in tax rates or the imposition of new tax rules	3,297	4,062
Effect of previously unrecognized and unused tax losses and deductible temporary differences now recognized as deferred tax assets	1,843	–
Expenditures not allowable for income tax purposes and non-taxable income, net	13,082	48,241
Income tax (expense)/benefit	**(6,171)**	**9,300**

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

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Income tax related to components of other comprehensive income	(4,762)	–
Total income tax recognized in other comprehensive income	**(4,762)**	**–**

Movements in temporary differences during the year ended 30 June 2013 were as follows:

(in USD thousands)	30 June 2012	Income tax benefit/ (expense) during the period recognized in profit or loss from continuing operations	Income tax benefit/ (expense) during the period recognized in profit or loss from discontinued operations	Income tax benefit/ (expense) during the period recognized in other comprehensive income	Currency translation difference	Deferred taxes reclassified to assets classified as held for sale	30 June 2013
Valuation of accounts receivable	10,693	3,573	67	–	(15)	1,272	14,251
Tax losses carried forward	9,119	(1,398)	48	–	(12)	48	7,709
Valuation of inventory	1,294	(1,150)	–	–	–	–	144
Valuation of property, plant and equipment	588	2,231	1,162	–	(38)	1,228	2,781
Valuation of advances and other temporary differences	6,076	(3,496)	(17)	–	(12)	13	2,568
Deferred tax asset	27,770	(240)	1,260	–	(77)	2,561	27,453
Valuation of property, plant and equipment	(25,433)	249	(599)	(4,762)	112	(1,151)	(29,834)
Valuation of intangible assets	(1,080)	29	–	–	–	–	(1,051)
Valuation of prepayments to suppliers and other temporary differences	(6,111)	4,609	(178)	–	63	(267)	(1,439)
Deferred tax liability	(32,624)	4,887	(777)	(4,762)	175	(1,418)	(32,324)
Net deferred tax liabilities	**(4,854)**	**4,647**	**483**	**(4,762)**	**98**	**1,143**	**(4,871)**

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

(in USD thousands)	30 June 2011	Income tax benefit/ (expense) during the period recognized 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 liabilities	**(13,396)**	**20,264**	**(10,132)**	**(1,590)**	**(4,854)**

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21. Income Tax (contd)
As of 30 June 2013, 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 realize the benefits of the deferred tax assets of USD 7,709 thousand recognized with respect to tax losses carried forward by the Group Subsidiaries. The amount of future taxable income required to be generated by the Group subsidiaries to utilize the tax benefits associated with tax loss carry forward is approximately USD 40,574 thousand. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

No unrecognized deferred tax assets arising from tax losses carried forward by the Group subsidiaries were as of 30 June 2013 (as of 30 June 2012: USD 9,431 thousand). The Group does not recognize 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 of such temporary differences and it is possible that they will not reverse in the foreseeable future.

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:

(in USD thousands)	30 June 2013	30 June 2012
Deferred tax assets	22,850	21,502
Deferred tax liabilities	(27,721)	(26,356)
Net deferred tax liabilities	**(4,871)**	**(4,854)**

22. Revenue
Revenue was as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Revenue from bulk sunflower oil, cake and meal	1,561,614	1,219,560
Revenue from grain trade	972,259	598,691
Revenue from bottled sunflower oil	148,732	175,058
Revenue from farming	54,449	25,814
Revenue from sugar	29,290	13,419
Revenue from grain business services	18,912	31,256
Revenue from transshipment services	11,496	8,012
Total	**2,796,752**	**2,071,810**

For the year ended 30 June 2013, revenue from five European customers accounted for approximately 41% of total revenue (for the year ended 30 June 2012, revenue from five European customers accounted for 42% of total revenue).

23. Cost of Sales
Cost of sales was as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Cost of goods for resale and raw materials used	2,202,582	1,460,305
Amortization and depreciation	82,863	58,575
Payroll and payroll related costs	58,217	47,553
Rental payments	28,928	21,677
Other operating costs	13,299	26,326
Total	**2,385,889**	**1,614,436**

24. Other Operating Income
Other operating income was as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Gain arising from changes in fair value attributable to physical changes and to changes in the market price for biological assets (crops)	42,156	41,660
VAT and other farming related exemptions	21,261	24,535
Contracts wash-out (price difference settlement)	14,726	1,042
Other operating income/(expenses)	28,143	(1,338)
Total	**106,286**	**65,899**

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24. Other Operating Income (contd)
According to the Tax Code of Ukraine, companies that generated not less than 75% of gross revenues for the previous tax period 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. Such gain was recognized as VAT and other related farming exemptions, which by substance is government grant received.

In accordance with the Tax Code of Ukraine issued in December 2010 (Note 21), 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.

25. Distribution Costs
Distribution costs were as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Carriage and freight	207,858	162,712
Storage and dispatch	13,428	10,705
Certification	5,060	4,183
Customs expenses	3,612	14,627
Sanitation services	1,189	1,211
Payroll and payroll related costs	646	566
Depreciation	13	119
Other expenses	6,255	4,979
Total	238,061	199,102

26. General and Administrative Expenses
General and administrative expenses were as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Payroll and payroll related costs	38,635	29,808
Audit, legal and other professional fees	7,296	7,777
Repairs and material costs	5,703	4,225
Insurance	4,005	5,837
Bank services	3,968	2,900
Amortization and depreciation	3,762	2,828
Taxes other than income tax	2,982	2,117
Business trip expenses	2,785	609
Rental payments	2,290	2,014
Bad debts expenses	2,247	2,795
Communication expenses	1,611	1,301
Other expenses	2,913	4,663
Total	78,197	66,874

The fair value of the share-based payments (Note 34) recognized for the year ended 30 June 2013 is USD 1,817 thousand (30 June 2012: USD 1,211 thousand) and is presented as payroll and payroll-related expenses for the period ended 30 June 2013.

Audit, legal and other professional fees for the year ended 30 June 2013 include: the auditors' remuneration amounted USD 479 thousand and consultancy fees amounted USD 45 thousand (30 June 2012: USD 509 thousand and USD 23 thousand respectively).

27. Finance Costs, net
Finance costs, net were as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Interest expense on bank loans	(71,244)	(51,512)
Other finance costs, net	(3,634)	(11,572)
Total	(74,878)	(63,084)

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28. Other Expenses, net
Other expenses, net were as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Loss on impairment of property, plant equipment	(5,247)	–
(Loss)/Gain on disposal of subsidiaries (Note 5)	(4,955)	1,457
(Loss)/Gain on disposal of property, plant and equipment	(433)	1,072
Other income/(expenses), net	4,637	(5,454)
Total	**(5,998)**	**(2,925)**

29. Investments in Joint Ventures
The Group has the following significant interests in joint ventures:

On 27 September 2012, a 50-50 joint venture was formed with Renaisco BV, a subsidiary of Glencore International PLC. The joint venture has acquired a 100% interest in a deep water grain export terminal in Taman port, Russian Federation for the enterprise value of USD 265,000 thousand, including transaction costs, financed with a combination of equity and debt.

An investment in a joint venture is accounted for using the equity method from the date of acquisition. The total consideration paid for the joint venture was USD 95,907 thousand. There was no payable for this acquisition as of 30 June 2013. Goodwill arising on the acquisition of joint venture was included in the carrying amount of the investment.

The Group has the following significant interests in joint ventures:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group As of 30 June 2013
Taman Grain Terminal Holdings Limited	Holding Company	Cyprus	50.0%
Taman Invest Limited CJSC	Holding Company	Russian Federation	50.0%
Zernovoy Terminalny Complex Taman LLC	Grain export terminal	Russian Federation	50.0%

Share of ownership of joint ventures were as follows:

(in USD thousands)	As of 30 June 2013
Current assets:	24,719
Non-current assets	64,679
Current liabilities	(8,959)
Non-current liabilities	(37,471)

The above amounts of Non-current assets and Non-current liabilities include:

Property, plant and equipment, net	63,572
Long-term borrowings	(35,684)

Share of losses of joint ventures were as follows:

(in USD thousands)	Period ended 30 June 2013
Revenue	6,898
Cost of sales	(6,730)
Other operating income	2
General and administrative expenses	(2,262)
Loss from operating activities	**(2,092)**
Other expenses	(2,409)
Other income, net	2,300
Loss for the period	**(2,201)**
Other comprehensive gain for the period	**320**
Total comprehensive loss for the period	**(1,881)**

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29. Investments in Joint Ventures (contd)
The above information for the period include the following:

(in USD thousands)	Period ended 30 June 2013
Depreciation and amortization	(2,642)
Interest expenses	(2,849)

30. Transactions with Related Parties
Related parties are the Beneficial Owner, companies under common control of the Beneficial Owner, joint ventures and the Group's key management personnel.

The Group had the following balances outstanding with related parties:

(in USD thousands)	Related party balances as of 30 June 2013	Total category as per consolidated balance sheet as of 30 June 2013	Related party balances as of 30 June 2012	Total category as per consolidated balance sheet as of 30 June 2012
Trade accounts receivable, net (Note 7)	–	149,600	2,138	146,362
Prepayments to suppliers and other current assets, net (Note 8)	3,652	118,353	5,782	90,335
Other non-current assets (Note 16)	20,695	65,541	210	19,805
Trade accounts payable	168	51,751	–	25,490
Advances from customers and other current liabilities (Note 17)	82,805	202,051	69,003	154,699

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

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

Advances from customers and other current liabilities as of 30 June 2013 include amounts due to Namsen Limited. These amounts include:

USD 18,025 thousand for the purchase of Stiomi Holding;
USD 39,300 thousand for the purchase of Inter-Agro, which is interest bearing at 4% per annum; and
USD 20,043 thousand loan provided by Namsen Limited to Inter-Agro Group.

As of 30 June 2012, advances from customers and other current liabilities included amounts due to Namsen Limited. These amounts include:

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

All remaining outstanding balances with related parties, presented in the table above were represented by amounts due to the companies under common control.

Transactions with related parties were as follows:

(in USD thousands)	Amount of operations with related parties, for year ended 30 June 2013	Total category per consolidated statement of profit or loss for year ended 30 June 2013	Amount of operations with related parties, for year ended 30 June 2012	Total category per consolidated statement of profit or loss for year ended 30 June 2012
Cost of sales (Note 23)	(1,107)	(2,385,889)	(246)	(1,614,436)
General, administrative and distribution expenses (Note 25, 26)	(7,615)	(316,258)	(1,604)	(265,976)
Finance costs, net (Note 27)	(140)	(74,878)	1,974	(63,084)
Other income/(expenses), net (Note 28)	21	(5,998)	307	(2,925)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties. As for the year ended 30 June 2013, distribution expenses included USD 4,303 thousand of penalties paid to Zernovoy Terminalny Complex Taman LLC (as for the year ended 30 June 2012, finance costs included USD 1,421 thousand income incurred in respect of Namsen Limited). All other transactions occurred with related parties under common control.

As of 30 June 2013, the Board consists of the following eight directors: the Chairman of the Board, three non-executive independent directors, four directors employed by Subsidiaries. Remuneration of the Board (8 Directors) for the year ended 30 June 2013 amounted to USD 265 thousand (for the year ended 30 June 2012: seven Directors, USD 95 thousand). The non-executive directors also are refunded, to a reasonable extent, for any expenses incurred by them in performing their duties, including reasonable travelling expenses.

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30. Transactions with Related Parties (contd)
Five directors employed by Subsidiaries are entitled to remuneration for their services as members of the Management Team of the Group. Remuneration of the Management Team of the Group, totaling 14 people, amounting to USD 1,817 thousand for the year ended 30 June, 2013 (for the year ended 30 June 2012: 14 people, amounted to USD 1,770 thousand).

The Members of the Board of Directors and the Management Team members are not granted any pensions or retirement or similar benefits by the Group. The Management of the Group has been provided with options to purchase the shares of the Holding (Note 34).

31. 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 the 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 Organization in accordance with the applicable laws and regulations. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions. As of 30 June 2013 and 30 June 2012, 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 2013, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 6,185 thousand for the supply of equipment and services required for the construction of a new silo and USD 1,199 thousand for the supply of equipment for oil-crushing plants.

As of 30 June 2012, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 5,910 thousand for the supply of equipment and services required for the construction of a new silo.

Contractual Commitments on Sales
As of 30 June 2013, the Group had entered into commercial contracts for the export of 267,960 tons of grain and 162,268 tons of sunflower oil and meal, corresponding to the amounts of USD 77,890 thousand and USD 65,795 thousand, respectively, at prices as of 30 June 2013.

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 the amounts of USD 103,742 thousand and USD 208,433 thousand, respectively, at prices as of 30 June 2012.

Operating Leases
As of 30 June 2013 and 2012, the Group had outstanding commitments under non-cancellable operating lease agreements with the following maturities:

Lease term (in USD thousands)	Future minimum lease payment as of 30 June 2013	Future minimum lease payment as of 30 June 2012
Less than 1 year	46,759	22,754
From 1 to 5 years	134,862	67,301
More than 5 years	55,604	34,824
Total	**237,225**	**124,879**

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

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31. Commitments and Contingencies (contd)
Operating Leases (contd)
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 2013, 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 2013 amounted to USD 129,029 thousand (30 June 2012: USD 70,746 thousand). Out of this amount, USD 111,782 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (30 June 2012: USD 29,169 thousand). 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 which occurred in April 2008. The Group estimates that it could be required to pay USD 3,700 thousand if the ruling is in favor of the counter party. 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.

Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Other tax risks as of 30 June 2013 were estimated by Management in the amount of USD 17,986 thousand.

In April 2012, the Group entered into a call option agreement to acquire Stiomi Holding, farming company located in the Khmelnitsk region of Ukraine with 79,200 hectares of land under management. Upon signing, the Sellers received approximately 40% of the estimated net asset value partly from the Group and its related parties. As of 30 June 2013, the consideration paid for Stiomi Holding by the Group comprised USD 15,447 thousand. In the meantime, the final payment shall be due and payable only after fulfillment of certain conditions to the satisfaction of the Group by 1 December 2013 and subject to rights of set-off in respect of claims against the Sellers. The Group submitted several claims to the Sellers in respect to non-fulfillment of the Seller's obligations. In December 2012, the Group received a Request for Arbitration from the Sellers in which the Sellers claimed amounts due to them. The arbitral tribunal has been formed, the parties have exchanged written statements of case and directions for the next steps are awaited from the tribunal. The management believes that it is unlikely that any significant settlement will arise out of this lawsuit.

32. 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 maximizing return to shareholders through a combination of debt and equity capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 18 and 19 and obligations under finance lease (Note 20), 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, 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%.

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Debt liabilities* (Note 18, 19, 20)	**733,997**	698,281
Cash (Note 6)	**(78,827)**	(82,529)
Net debts	**655,170**	615,752
Equity**	**1,334,839**	1,179,683
Net debt liabilities to capital	**49%**	**52%**

* Debt include short-term and long-term borrowings 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTD
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32. Financial Instruments (contd)
Gearing Ratio (contd)
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 risk management policies are established to identify and analyze 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:

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Cash (Note 6)	78,827	82,529
Trade accounts receivable, net (Note 7)	149,600	146,362
Total	228,427	228,891

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

(in USD thousands)	As of 30 June 2013	As of 30 June 2012
Domestic customers (accounts receivable, net)	19,228	61,856
International customers (account receivable, net)	130,372	84,506
Total	149,600	146,362

The Group's most significant customers are international customer, accounted for USD 43,214 thousand and local customer, accounted for USD 5,963 thousand out of the total trade accounts receivables as of 30 June 2013 (as of 30 June 2012 one international customer accounted for USD 21,359 thousand and local USD 38,210 thousand).

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 major customers operate, has less of an influence on credit risk. Approximately 42% of the Group's revenue is attributable to sales transactions with five major customers.

The Group's management has established a credit policy under which each new customer is analyzed 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 2013 as well as at 30 June 2012, no guarantees were outstanding in favor 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.

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32. Financial Instruments (contd)
Liquidity Risk (contd)
The contractual maturities of financial liabilities, including future undiscounted interest payments, as of 30 June 2013, were as follows:

Non-derivative financial liabilities (in USD thousands)	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Trade accounts payable	51,751	(51,751)	(51,751)	–	–	–
Short-term borrowings (Note 18)	398,700	(427,387)	(427,387)	–	–	–
Long-term borrowings (Note 19)	307,523	(350,829)	(50,893)	(111,858)	(130,461)	(57,617)
Obligations under finance leases (Note 20)	27,774	(35,971)	(11,729)	(8,781)	(14,838)	(623)
Settlements for acquired Subsidiaries (Note 17)	58,160	(58,160)	(58,160)	–	–	–
Settlements with land lessors (Note 17)	20,675	(20,675)	(20,675)	–	–	–
Reimbursement of debt (Note 17)	20,043	(20,043)	(20,043)	–	–	–
Accounts payable for property, plant and equipment	1,260	(1,260)	(1,260)	–	–	–
Short-term promissory notes issued	8,802	(8,802)	(8,802)	–	–	–
Other current liabilities	39,332	(39,332)	(39,332)	–	–	–
Total	**934,020**	**(1,014,210)**	**(690,032)**	**(120,639)**	**(145,299)**	**(58,240)**

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

Non-derivative financial liabilities (in USD thousands)	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 (Note 18)	167,348	(200,382)	(200,382)	–	–	–
Long-term borrowings (Note 19)	512,860	(537,066)	(98,622)	(236,198)	(202,246)	–
Obligations under finance leases (Note 20)	18,073	(23,403)	(7,206)	(5,394)	(9,469)	(1,334)
Settlements for acquired Subsidiaries (Note 17)	48,960	(48,960)	(48,960)	–	–	–
Settlements with land lessors (Note 17)	8,949	(8,949)	(8,949)	–	–	–
Reimbursement of debt (Note 17)	20,043	(20,043)	(20,043)	–	–	–
Accounts payable for property, plant and equipment	354	(354)	(354)	–	–	–
Short-term promissory notes issued	24	(24)	(24)	–	–	–
Other current liabilities	21,017	(21,017)	(21,017)	–	–	–
Total	**823,118**	**(885,688)**	**(431,047)**	**(241,592)**	**(211,715)**	**(1,334)**

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 optimizing the return on risk. The Group policy is to synchronize future cash flow from sales and payments under financial liabilities and to limit its open inventory position.

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.

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32. Financial Instruments (contd)
Currency Risk (contd)
The table below covers UAH, 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 2013 was as follows:

(in USD thousands)	UAH	USD	EUR	Other currencies
Cash	6,029	26	2,655	4,267
Trade accounts receivable, net	13,701	36	10,162	171
Trade accounts payable	(16,712)	–	–	(281)
Short-term borrowings (Note 18)				
Ukrainian subsidiary of European bank	–	(10,484)	–	–
Ukrainian subsidiary of American bank	–	(13,586)	–	–
Long-term borrowings (Note 19)				
Ukrainian subsidiary of American bank	–	(23,438)	–	–
Obligations under finance lease	–	(12,357)	–	–
Net exposure	**3,018**	**(59,803)**	**12,817**	**4,157**

A 10% strengthening of the UAH against the USD as of 30 June 2013 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.

(in USD thousands)	UAH	USD	EUR	Other currencies
USD	**302**	**(5,980)**	**1,282**	**416**

Conversely, a 10% fall of the UAH against the USD as of 30 June 2013 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 2012 was as follows:

(in USD thousands)	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 (Note 18)				
Ukrainian subsidiary of European bank	–	(64)	–	–
Ukrainian subsidiary of American bank	–	(153)	–	–
Long-term borrowings (Note 19)				
Ukrainian subsidiary of European bank	–	(7,169)	–	–
Ukrainian subsidiary of American 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.

(in USD thousands)	UAH	USD	EUR	Other currencies
USD	**4,144**	**(2,302)**	**32**	**90**

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

In November 2012, the National Bank of Ukraine ("NBU") introduced a requirement to sell 50% of foreign currency proceeds from export sales at the Ukrainian interbank currency market. This requirement applies to the Group entities located in Ukraine only and which obtain proceeds from sales in foreign currency.

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.

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32. Financial Instruments (contd)
Currency Risk (contd)
The interest rate profile of the Group's interest-bearing financial instruments was as follows:

(in USD thousands)	Carrying amount 30 June 2013	Carrying amount 30 June 2012
Fixed rate instruments (financial liabilities)	58,754	112,778
Variable rate instruments (financial liabilities)	675,243	585,503
Total	733,997	698,281

The Group does not use any derivatives to manage interest rate risk exposure.

The sensitivity analysis below has 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 2013 would decrease/increase by USD 6,752 thousand (2012: decrease/increase by USD 5,855 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

33. Fair Value of Financial Instruments
Other Market Price Risk
The Group enters into commodity contracts for the delivery of physical goods only and does not use any material hedging tools in respect of price hedging.

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, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 30 June 2013 and 2012, 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 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 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.

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34. 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 2013 and 2012, 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 (series 1) shall be vested and will become exercisable in the following proportion:

- ➔ One third will become exercisable on 4 November 2012;
- ➔ One third will become exercisable on 4 November 2013; and
- ➔ The remaining options will become exercisable on 4 November 2014.

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

- ➔ One fourth will become exercisable on 4 November 2012;
- ➔ One fourth will become exercisable on 4 November 2013;
- ➔ One fourth will become exercisable on 4 November 2014; and
- ➔ The remaining options will become exercisable on 4 November 2015.

(in USD thousands)	Weighted average fair value in USD, per option 30 June 2013	30 June 2012	Number of options 30 June 2013	30 June 2012
Beginning of the year	**2.3809**	2.2215	**3,207,820**	1,266,820
Vested during the year	**–**	–	**511,111**	–
Outstanding at the end of the 12-month period	**2.3809**	2.3809	**3,207,820**	3,207,820

	Number of options: At the beginning of the period	Granted during the period	Executed during the period	Outstanding at the end of the period	Fair value recognized as an expense during the period
Management	3,207,820	–	–	3,207,820	1,817

The fair value of the share-based transactions as of 30 June 2013 in the amount of USD 1,817 thousand is recognized as an expense (part of the payroll and payroll related expenses) and a corresponding increase in equity over the vesting period (30 June 2012: USD 1,211 thousand).

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 behavior. 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) series 1	3
Expected option term (in years) series 2	4
Expected dividend yield	–
Expected volatility	10%
Risk-free interest rate	4.75%

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35. Earnings per Share

Basic earnings per share are computed by dividing net income available to ordinary shareholders by the weighted-average number of ordinary shares outstanding (79,683,410 for the period ended 30 June 2013 and 79,140,131 for the period ended 30 June 2012), 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 80,035,037 ordinary shares is taken into account (30 June 2012: 79,537,486).

36. Non-cash Movements

Non-cash movements for the years ended 30 June 2013 and 2012 were as follows:

(in USD thousands)	For the year ended 30 June 2013	For the year ended 30 June 2012
Property, plant and equipment acquired under finance lease agreements	**6,032**	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

37. Subsequent Events

In July 2013 The Board of Directors of Kernel Holding S.A. announced the approval of the dividend policy, adopting the dividend per share approach (DPS). Starting from the FY 2014 results announcement, Kernel Holding S.A. intends to maintain a sustainable annual dividend of USD 0.25 per share. The proposed dividends will be declared and paid in US dollars and will be subject to shareholder approval at the general meeting of the shareholders.

On 21 August 2013 Kernel Trade LLC, a subsidiary of Kernel Holding S.A., signed an addendum ("the Addendum") with respect to the renewal of a USD 222,000 thousand short-term tranche with a syndicate of banks. The facility is to be drawn to finance the purchase, storage and processing of sunflower seed into sunflower oil and meal for domestic sale or export. The Addendum came into force in October 2013 after registration with the National Bank of Ukraine.

In August 2013 the subsidiary of Kernel Holding S.A. has entered into a USD 140,000 thousand credit facility with a Russian Federation bank. The loan consists of two tranches – a USD 100,000 thousand 5-year tranche and a USD 40,000 thousand 12-month tranche. The purpose of the facility is to partially refinance the acquisition cost of purchase of Druzhba-Nova Group.

Starting from 1 September 2013, the Ukrainian legislation was amended by new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including, but not limited to, transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

In October 2013, in accordance with the plan of sugar segment disposal, the Group sold Orzhitskiy sugar plant LLC. The total amount of the cash consideration received was USD 5,100 thousand.

› CORPORATE INFORMATION

Stock Information

Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Bloomberg	KER PW
Reuters ticker	KERN.WA
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