

KERNEL HOLDING S.A.

Société Anonyme

19, rue de Bitbourg

L-1273 Luxembourg

R.C.S. Luxembourg B 109173

ANNUAL ACCOUNTS FOR THE YEAR ENDED

30 JUNE 2013

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REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' ORDINARY GENERAL MEETING DELIBERATING ON THE APPROVAL OF THE ANNUAL ACCOUNTS TO BE HELD ON 10 DECEMBER 2013

Dear Shareholders,

1. Kernel Holding S.A., (the "Company") was incorporated in Luxembourg on 15 June 2005 as a Société Anonyme ("S.A.") subject to the Luxembourg law for an unlimited period of time. Effective 12 April 2013, the Company has its registered office at 19, rue de Bitbourg, L-1273 Luxembourg. The Company is registered with the "Registre de Commerce et des Sociétés" in Luxembourg under the number B 109173.

The subsidiaries of Kernel Holding S.A. (forming together with the Company, the "Group") own assets primarily in Ukraine and the Russian Federation and operate across the agricultural value chain.

The Company operates in farming, grain origination, storage, transport and marketing, and in the production, refining, bottling and marketing of sunflower oil.

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

Overview

For the year ending 30 June 2013, Kernel Holding S.A Group 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, down 9.8% y-o-y due to a decrease in the bulk oil margin and lower profitability of farming operations. Net profit attributable to the shareholders of Kernel Holding S.A. amounted to USD 111.3 million, down 46.2% y-o-y.

The company has seven operating segments:

- Bottled sunflower oil – production and sales of refined and bottled sunflower oil and by-products from the sunflower seed acquired from third-party farmers and own farming segment. The bottled sunflower oil segment contributed USD 182.6 million in revenue (6.1% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 25.8 million to EBITDA¹ of the Company (8.0% of total EBITDA, excluding certain unallocated G&A expenses).
- Sunflower oil in bulk – production and sales of unrefined sunflower oil in bulk and meal from sunflower seed acquired from third-party farmers and own farming segment. The bulk sunflower oil segment contributed USD 1,527.7 million in revenue (50.9% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 173.2 million to EBITDA (53.8% of total EBITDA, excluding certain unallocated G&A expenses).
- Export terminals – Providing grain handling and transshipment services by the company's port export terminals to own grain export segment and third party customers. The export terminals segment contributed USD 49.1 million in revenue (1.6% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 27.1 million to EBITDA (8.4% of total EBITDA, excluding certain unallocated G&A expenses).

¹ Hereinafter, EBITDA is calculated as a sum of the profit from operating activities and amortization and depreciation

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- 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. The farming segment contributed USD 193.1 million in revenue (6.4% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 67.7 million to EBITDA (21.0% of total EBITDA, excluding certain unallocated G&A expenses).
- Grain – purchasing grains from third-party farmers and own 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 destination. The grain segment contributed USD 972.3 million in revenue (32.4% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 12.5 million to EBITDA (3.9% of total EBITDA, excluding certain unallocated G&A expenses).
- Silo services – Providing cleaning, drying, storage and handling services to own grain segment and third-party grain owners. The silo services segment contributed USD 46.4 million in revenue (1.5% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 19.4 million to EBITDA (6.0% of total EBITDA, excluding certain unallocated G&A expenses).
- Sugar – Production of sugar from sugar beets under tolling agreement with the farming division of the Company. The sugar segment contributed USD 29.3 million in revenue (1.0% of the Company's total revenue, being the sum of external revenue and intersegment sales) and a loss of USD 4.0 million to EBITDA line.

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.

The results posted by the Group were also reflected on the stand alone accounts of the Company Kernel Holding S.A. which obtained a profit of USD 85,672,510.95 which is mainly composed of dividend to be received from one of its subsidiaries "Etrecom Investments Ltd".

Acquisitions/disposals

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

- In September 2012, the Company entered into a 50-50 joint venture with Renaisco BV, a subsidiary of Glencore International plc, in which the joint venture has acquired a 100% interest in a deep water grain export terminal in Taman in the Russian Federation. The Company's equity investment in the JV amounted to USD 96 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 highly concentrated leasehold landbank of 105,900 hectares in the southern districts of Chernihiv and Sumy regions and northern districts of Poltava region in Ukraine, and was fully sufficient with the machinery and working capital at the moment of acquisition. The Company paid USD 69 million for the equity stake in Druzhba Nova and consolidated USD 103 million in debt in June, refinancing all debt and part of the equity with a lower interest loan in August 2013.

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- In March 2013, the Company consolidated farming business of Stiomi Holding, a farming company located in the Khmelnytsk region of western Ukraine.
- In April 2013, the Company entered into agreement to purchase a farming enterprise with 1,500 hectares 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 agreement to sell the most remotely located farming enterprise with 6,000 hectares of leasehold land in the Zaporizhya region in the southeastern Ukraine for a total consideration of USD 4.4 million. The transaction is part of the Company's strategy to improve efficiency of its farming operations through concentration of its landbank.
- In May 2013, the Company sold Chortkiv sugar plant for a gross consideration of USD 32.5 million. The plant, as with other Company's sugar plants, was acquired in bundle with farming operations of Ukrros company in FY2011. Due to exposure to the local currency risk and high volatility in sugar business margins, the Company has decided to divest sugar plants, keeping the landbank which was the aim in Ukrros acquisition.
- In September 2013, following the close of the financial year 2013, the Company divested Orzhytsa sugar plant property for a gross consideration of USD 5.0 million.

2. Allocation of results

The Company's financial year as of 30 June 2013 ends with a profit USD 85,672,510.95 mostly due to the dividend to receive from it Cyprus participation "Etrecom Investments Ltd".

The board of directors of the Company intends to propose to the Annual General Meeting of the Shareholders of the Company the following allocation of this result:

Profit as at 30 June 2013	USD	85,672,510.95
Retained earnings	USD	272,457,943.59
To carry forward	USD	<u>358,130,454.54</u>

3. The Company's business has developed normally during the financial year under review.

4. Details on corporate governance are available on the Company website <http://www.kernel.ua> and in the annual report of the Company for the year ended 30 June 2013, available at the Company website.

5. Principal risks and uncertainties

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

- Low harvest of grain or sunflower seed in Ukraine;
- Counterparty risk;
- Commodity price volatility;
- Export restrictions and barriers;
- Increased competition;
- A prolonged period of weak economic growth, either globally or in the Company's key markets;

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' ORDINARY GENERAL MEETING DELIBERATING ON THE APPROVAL OF THE ANNUAL ACCOUNTS TO BE HELD ON 10 DECEMBER 2013

- 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 the VAT refunds and corporate income tax payments; introduction of VAT promissory notes; the risk detrimental impacts or treatment by tax authorities of the law on transfer pricing;
- The risk of resigning by the key personnel;
- 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.

6. Board of Directors

The board of Directors is composed of eight directors, of whom three are independent directors. All eight Directors were elected to the Board by the shareholders at general meetings of the shareholders:

(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. 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.

(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. Mr. Danilczuk is a senior executive with over 20 years' experience in business development, trading and marketing of agri-commodities.

(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. Mr. Schurink is a senior executive with extensive experience in trading commodities, risk management, barter, shipping, financial trading and trade and structured finance acquired during a 32-year career with Cargill.

(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. Mr. Shibaev is a senior executive with broad international experience in finance and strategy acquired during a 30-year career in serving as a non-executive director chairing audit committees for the several leading corporations in Russia, Ukraine and Kazakhstan.

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(5) Mrs. Anastasiia Usachova was re-elected to the Board for a three-year term by the shareholders at the general meeting of the shareholders held on 15 November 2010. Ms. Usachova has served the Group since 2003, and today oversees the Group's financial reporting, auditing, budgeting, financial planning and risk assessment.

(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 Litvynskyi, chief operating officer of the company, elected for a three-year term at the general meeting of shareholders held on 7 December 2011. Mr. Litvynskyi joined Kernel in 2005 and serves as Chief Operations Officer.

(8) Mr. Yuriy Kovalchuk was elected to the Board for a three-year term by the shareholders at the general meeting of the shareholders held on 7 December 2011. Mr. Kovalchuk oversees investor relations and new investment opportunities for the Group.

7. Looking ahead:

- On 18 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 FY2014 results announcement, the Company 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 shareholders' approval at the general meeting of the shareholders.

- In September 2013, following the close of the financial year 2013, the Company divested Orzhytsa sugar plant property for a gross consideration of USD 5.0 million.

For additional subsequent events please refer to the Note 17 of these annual accounts.

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**REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS'
ORDINARY GENERAL MEETING DELIBERATING ON THE APPROVAL OF THE
ANNUAL ACCOUNTS TO BE HELD ON 10 DECEMBER 2013**

THE BOARD OF DIRECTORS

By: _____ 2013

Mr. Andrey Verevskiy

By: _____ 2013

Mr. Andrzej Danilczuk

By: _____ 2013

Mr. Ton Schurink

By: _____ 2013

Mrs. Anastasiia Usachova

By: _____ 2013

Mrs. Viktoriia Lukianenko

By: _____ 2013

Mr. Kostiantyn Litvinskyi

By: _____ 2013

Mr. Yuriy Kovalchuk

By: _____ 2013

Mr. Sergei Shibaev

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated November 30, 2012, we have audited the accompanying annual accounts of Kernel Holding S.A., which comprise the balance sheet as of June 30, 2013 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts 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 annual accounts 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 annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 annual accounts.

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 annual accounts give a true and fair view of, the financial position of Kernel Holding S.A. as of June 30, 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The Board of Directors report, which is the responsibility of the Board of Directors, is consistent with the annual accounts. Corporate Governance Statement, as published on the Company's website <http://www.kernel.ua>, on June 30, 2013, 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 68bis paragraphs c and d of the aforementioned law is consistent with the annual accounts.

For Deloitte Audit, *Cabinet de révision agréé*

Sophie Mitchell, *Réviseur d'entreprises agréé*
Partner

October 21, 2013

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BALANCE SHEET AS AT 30 JUNE 2013

ASSETS			
	Notes	30.06.2013 USD	30.06.2012 USD
B. FORMATION EXPENSES	3	2,061,057.87	3,279,199.51
C. FIXED ASSETS		837,280,448.81	692,255,039.45
III. Financial assets	4	837,280,448.81	692,255,039.45
1. Shares in affiliated undertakings		837,280,399.81	692,254,990.45
5. Investments held as fixed assets		49.00	49.00
D. CURRENT ASSETS		114,642,700.40	91,912,043.42
II. Debtors	5	114,444,394.93	91,773,175.03
1. Trade debtors		25,000.00	---
a) becoming due and payable after less than one year		25,000.00	---
2. Amounts owed by affiliated undertakings		108,011,029.50	85,695,137.85
a) becoming due and payable after less than one year		108,011,029.50	85,695,137.85
4. Other debtors		6,408,365.43	6,078,037.18
a) becoming due and payable after less than one year		6,408,365.43	6,078,037.18
IV. Cash at bank and in hand		198,305.47	138,868.39
E. PREPAYMENTS		---	10,632.35
TOTAL ASSETS		953,984,207.08	787,456,914.73

Annual accounts for the year ended

30 June 2013

The accompanying notes form an integral part of the annual accounts

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BALANCE SHEET AS AT 30 JUNE 2013

LIABILITIES			
	Notes	30.06.2013 USD	30.06.2012 USD
A. CAPITAL AND RESERVES		839,025,185.69	753,352,674.74
I. Subscribed capital	6	2,104,120.11	2,104,120.11
II. Share premiums and similar premiums	7	478,580,199.03	478,580,199.03
IV. Reserves		210,412.01	194,544.65
1. Legal reserve	8 ; 9	210,412.01	194,544.65
V. Profit or loss brought forward	9	272,457,943.59	27,700,635.65
VI. Result for the financial year	9	85,672,510.95	244,773,175.30
C. PROVISIONS	10	172,748.95	99,578.71
2. Provisions for taxation		28,517.33	24,135.05
3. Other provisions		144,231.62	75,443.66
D. NON SUBORDINATED DEBTS	11	114,786,272.44	34,004,661.28
2. Amounts owed to credit institutions		---	0.46
a) becoming due and payable after less than one year		---	0.46
4. Trade creditors		109,483.44	754,069.24
a) becoming due and payable after less than one year		109,483.44	754,069.24
6. Amounts owed to affiliated undertakings		113,693,479.55	32,776,627.38
a) becoming due and payable after less than one year		20,405,720.19	10,004,493.50
b) becoming due and payable after more than one year		93,287,759.36	22,772,133.88
8. Tax and social security		109,225.59	70,733.54
a) Tax debts		109,225.59	70,733.54
9. Other creditors		874,083.86	403,230.66
a) becoming due and payable after less than one year		874,083.86	403,230.66
TOTAL LIABILITIES		953,984,207.08	787,456,914.73

Annual accounts for the year ended

30 June 2013

The accompanying notes form an integral part of the annual accounts

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013

CHARGES	Notes	2013 USD	2012 USD
2. OTHER EXTERNAL CHARGES		1,279,498.40	2,264,048.86
4. VALUE ADJUSTMENTS		1,218,141.64	3,275,546.18
a) on formation expenses and on tangible and intangible fixed assets	3	1,218,141.64	3,275,546.18
5. OTHER OPERATING CHARGES	13	161,744.54	127,750.00
8. INTEREST PAYABLE AND SIMILAR CHARGES		3,567,851.05	1,997,004.13
a) concerning affiliated undertakings		3,119,985.21	---
b) other interest payable and similar charges		447,865.84	1,997,004.13
9. EXTRAORDINARY CHARGES	12	1,269,274.03	108,070.89
10. TAX ON PROFIT OR LOSS		5,911.29	1,996.47
11. OTHER TAXES NOT INCLUDED IN THE PREVIOUS CAPTION		82.46	(2,163.32)
11. PROFIT FOR THE FINANCIAL YEAR		85,672,510.95	244,773,175.30
TOTAL CHARGES		93,175,014.36	252,545,428.51

Annual accounts for the year ended

30 June 2013

The accompanying notes form an integral part of the annual accounts

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013

INCOME			
	Notes	2013 USD	2012 USD
5. OTHER OPERATING INCOME		—	21,600.00
6. INCOME FROM FINANCIAL FIXED ASSETS	4	93,000,000.00	250,000,000.00
a) derived from affiliated undertakings		93,000,000.00	250,000,000.00
8. OTHER INTERESTS AND OTHER FINANCIAL INCOME		39,966.19	2,159,933.56
b) other interest receivable and similar income		39,966.19	2,159,933.56
9. EXTRAORDINARY INCOME		135,048.17	363,894.95
TOTAL INCOME		93,175,014.36	252,545,428.51

Annual accounts for the year ended

30 June 2013

The accompanying notes form an integral part of the annual accounts

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 1 - General information

Kernel Holding S.A. (the "Company") was incorporated on 15 June 2005 and organized under the laws of Luxembourg in the form of a Société Anonyme ("S.A.") for an unlimited period of time.

Effective 12 April 2013, its registered office is established at 19, rue de Bitbourg, L-1273 Luxembourg (previously at 65, boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg).

The Company's financial year starts on 1 July and ends on 30 June of each year.

The Company object is the acquisition, the management, the enhancement and the disposal of participations in whichever form in domestic and foreign companies.

The Company may also contract loans and grant all kinds of support, loans, advances and guarantees to companies, in which it has a direct or indirect participation or which are members of the same group.

It may open branches in Luxembourg and abroad. Furthermore, the Company may acquire and dispose of all other securities by way of subscription, purchase, exchange, sale or otherwise.

It may also acquire, enhance and dispose of patents and licenses, as well as rights deriving therefrom or supplementing them.

In addition, the Company may acquire, manage, enhance and dispose of real estate located in Luxembourg or abroad.

The Company is the holding company for a group of entities which, together form the Kernel Group. The subsidiaries of the Kernel Group own assets primarily in Ukraine and Russian Federation and operate across the agricultural value chain.

On the basis of the offering prospectus (the "Prospectus") approved on 25 October 2007 by the Commission de Surveillance du Secteur Financier, shares in the Company were offered to investors in the offering consisting of a public offering in Poland and an international offering by way of private placements to selected institutional investors in certain jurisdictions outside of Poland.

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

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

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

On 5 January 2011, the Company 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 and Incentive Plan. The issued price was PLN 24 per share. As a result of the increase, the Company's share capital was increased by an amount of USD 12,764.92 and set at USD 1,945,446.46 divided into 73,674,410 shares without indication of a nominal value.

On 3 August 2011, the Company issued 6,009,000 new shares without indication of a nominal value. 5,400,000 newly issued shares have been subscribed by Namsen Limited, a company registered at 13, Agiou Prokopiou Street, Cyprus. The remaining newly issued shares have been subscribed by holders of stock options issued in connection with the Company's management incentive plan. As a result of the increase, the Company's share capital was set at USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value.

As at 30 June 2013, the Company's shares are allocated as follows: 38.42% (2012: 38.23%) held by Namsen Limited, and 61.58% (2012: 61.77%) free-float.

The Company draws up consolidated financial statements which are published according to the provisions of the Luxembourg law and are available at its registered office.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2 - Significant accounting policies

2.1 General principles

These annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost model. Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002 and 10 December 2010, determined and applied by the Board of Directors.

The preparation of these annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on these annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that these annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following, in accordance with the principles described above:

2.2.1. Comparative figures

For comparative purposes, certain reclassifications were made on the comparative figures as at 30 June 2012 of debtor balances and non-subordinated debts in order to allow a better comparison with the current financial year presentation. These reclassifications neither impact the shareholders' equity nor the result for the year then ended 30 June 2012.

2.2.2 Formation expenses

Formation expenses and capital increase expenses are amortized on a straight-line method over a period of 5 years.

2.2.3 Financial assets

Historical cost model

Valuation at the "lower of cost or market value"

Shares in affiliated undertakings are valued at the lower of purchase price including the expenses incidental thereto or the market value. Investments held as fixed assets ("Investments") shown under "Financial assets" are recorded at their nominal value. A value adjustment is recorded where the market value of the Investments is lower than the purchase price or nominal value. The probable market or recovery value estimated with due care and in good faith by the Board of Directors, without set off of individual gains and losses in value, for unlisted securities that are not traded on another regulated market.

Market value/recovery value corresponds to:

- The last available quote on the valuation day for securities listed on a stock exchange or dealt in on another regulated market;
- The probable market or recovery value estimated with care and in good faith by the Board of Directors, without compensation between individual gains and losses in value, except when several entities are forming one cash generating unit, for unlisted securities or securities that are not dealt in on another regulated market, for securities listed on a stock exchange or dealt in on another regulated market where the latest quote is not representative as well as for the loans shown under "Assets".

2.2.4 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2 - Significant accounting policies (continued)

2.2.5 Cash at bank and in hand

Cash is valued at its nominal value.

2.2.6 Foreign currency translation

The accounts are expressed in United-States Dollars ("USD").

Transactions expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction.

Formation expenses and fixed assets expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at their historical exchange rates.

Cash at bank and in hand are translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised loss is recorded in the profit and loss account and the net unrealised gains are not recognized.

Assets and liabilities items which are fair valued are converted at the exchange rates effective at the balance sheet date. Foreign exchange differences on those items which are accounted at fair value are recognized in the profit and loss account or revaluation reserves with the change in fair value.

2.2.7 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions for taxation

Current tax provision:

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax returns have not yet been filed are recorded under the caption "Tax debts". The advance payments are shown in the assets of the balance sheet under the "Other receivables" item.

2.2.8 Debts

Debts are valued at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown in the profit and loss account when the debt is issued.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 3 - Formation expenses

Formation expenses comprise expenses incurred for the capital increase and debenture loans fees.

	2013 USD	2012 USD
Gross book value – opening balance	16,375,335.05	13,986,621.36
Additions for the year	---	2,803,158.11
Disposals for the year	---	(414,444.42)
Transfers for the year	---	---
Gross book value – closing balance	16,375,335.05	16,375,335.05
Accumulated value adjustment – opening balance	(13,096,135.54)	(9,820,589.36)
Allocation for the year	(1,218,141.64)	(3,275,546.18)
Reversals for the year	---	---
Transfers for the year	---	---
Accumulated value adjustment – closing balance	(14,314,277.18)	(13,096,135.54)
Net book value – opening balance	3,279,199.51	4,166,032.00
Net book value – closing balance	2,061,057.87	3,279,199.51

Note 4 - Financial assets

For assets following the historical cost model

The movements of the year are as follows:

	Share in affiliated undertakings USD	Investments held as fixed assets USD	Total 2013 USD
Gross book value – opening balance	692,254,990.45	49.00	692,255,039.45
Additions for the year	221,652,649.94	---	221,652,649.94
Disposals for the year	(76,627,240.58)	---	(76,627,240.58)
Transfers for the year	---	---	---
Gross book value – closing balance	837,280,399.81	49.00	837,280,448.81
Accumulated value adjustment – opening balance	---	---	---
Allocation for the year	---	---	---
Reversals for the year	---	---	---
Transfers for the year	---	---	---
Accumulated value adjustment – closing balance	---	---	---
Net book value – opening balance	692,254,990.45	49.00	692,255,039.45
Net book value – closing balance	837,280,399.81	49.00	837,280,448.81

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 4 - Financial assets (continued)

Undertakings in which the Company holds at least 20% in their share capital or in which it is a general partner are as follows:

Name of undertakings	Registered office	Ownership %	Last balance sheet date	Currency	Net equity at the balance sheet date	Currency	Result of the last financial year	Currency	Net book value
Etrecom Investments LTD	13, Agiou Prokopiou, 2406 Egkomi Cyprus	100.00%	30.06.2013	USD	45,670.00	USD	92,976,552.00	USD	1.38
Ukragrobusiness LLC	92-94 Dmitrievskaya str., 01135 Kyiv Ukraine	91.30%	30.06.2013	UAH USD	559,100.00 69,155.75	UAH USD	65,500.00 8,101.77	USD	67,290.37
Kernel Capital LLC	92-94 Dmitrievskaya str., 01135 Kyiv Ukraine	99.75%	30.06.2013	UAH USD	759,409,000.00 93,932,213.17	UAH USD	1,565,000.00 193,576.73	USD	93,689,543.06
JERSTE B.V.	200, Prins Bernhardplein, 1097 JB Amsterdam, Netherlands	100.00%	30.06.2013	USD	105,054,872.00	USD	(95,853.00)	USD	104,048,280.96
Chorex Developments Ltd	29A, Annis Komnini, P.C. 1061 Nicosia, Cyprus	100.00%	30.06.2013	USD	34,895.86	USD	(10,073.58)	USD	2,292.26
Hamalex Developments Ltd	10, Salaminas, Nicosia, Cyprus	100.00%	30.06.2013	USD	(13,731.23)	USD	(14,528.06)	USD	2,292.26
Sakharny Holding Ltd	Arch., Makariou III, 195, NEOCLEOUS HOUSE, 3030, Limassol, Cyprus	100.00%	30.06.2013	USD	21,349,128.44	USD	(80,841.96)	USD	41,206,857.78
Eastern Agro Investments Ltd	29A Annis Komnini, 1061 Nicosia, Cyprus	100.00%	30.06.2013	USD	20,335,830.27	USD	101,843.30	USD	109,304,803.49
Taman Grain Terminal Holding Limited	210, Makarios III Ave, Eli Court, 3030 Limassol-Cyprus	50.00%	30.06.2013	USD	189,690,399.14	USD	(191,214.00)	USD	94,906,807.25
Inerco Trade S.A.	Rue Jules Gachet 9, CH1260 Nyon, Switzerland	100.00%	30.06.2013	USD	80,476,875.29	USD	26,625,844.32	USD	3,532,673.50
Kernel Trade LLC	5, Dimitrova street, 03680 Kiev, Ukraine	99.08%	30.06.2013	UAH USD	889,807,000.00 110,061,298.73	UAH USD	(37,965,000.00) (4,695,936.54)	USD	231,948,526.98
Russian Oils LLC ^(*)	350000, Krasnodar, Red Army Street, №36 Russia	100.00%	30.06.2013	RUB USD	(244,803,000.00) (7,473,505.05)	RUB USD	(300,672,000.00) (9,179,110.19)	USD	14,911,618.61
Stavropol Oils OJSC ^(*)	357820, Stavropol, Georgiyevsk, Gagarin Street, №60 Russia	100.00%	30.06.2013	RUB USD	(30,141,000.00) (920,164.03)	RUB USD	(68,951,000.00) (2,104,980.93)	USD	20,341,460.53
Nevinnomysskiy Oil Extraction Plant ^(*)	357101, Stavropol Nevinnomyssk, Matrosov, №8 Russia	100.00%	30.06.2013	RUB USD	89,379,000.00 2,728,620.19	RUB USD	(76,471,000.00) (2,334,556.38)	USD	14,492,247.17
UST-Labinsk Oil Extraction Plant ^(*)	Russia, 352336, Krasnodar region, city Ust-Labinsk, 133, Gagarin str	100.00%	30.06.2013	RUB USD	46,896,000.00 1,431,671.56	RUB USD	(101,520,000.00) (3,099,268.53)	USD	10,768,988.73
MasloZernovoy complex Kernel LLC	Russia, 350000, Krasnodar region, Krasnodar city, street Krasnoarmeiskaia,	100.00%	30.06.2013	USD	1,095,000.00	USD	(55,000.00)	USD	530,000.00
JV TransBulkTerminal LLC	Ukraine, 68000, Odesskaya district, city Illichivsk, 58, Sukhomlinskaya str.	1.00%	30.06.2013	UAH USD	6,429,000.00 795,210.75	UAH USD	(3,998,000.00) (494,517.43)	USD	49.00
Estron Corporation Ltd	29A, Annis Komnini, P.C. 1061 Nicosia, Cyprus	100.00%	30.06.2013	USD	11,092,442.15	USD	3,462,295.57	USD	97,526,715.48

^(*) these four entities have to be considered as one cash generating unit.

As of 30 June 2013 the Board of Directors of the Company is of the opinion that there is no permanent diminution in value of its investments.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 4 - Financial assets (continued)

In October 2012, the Company acquired 100% shareholding in MasloZernovoy complex Kernel LLC.

On 10 April 2013, the Company disposed its 100% shareholding in Corolex Public Co. Limited.

On 31 May 2013, the board of directors of Etrecom Investments LTD decided to pay interim dividends to the company for an amount of USD 93,000,000.00 (2012: USD 250,000,000.00). This amount is disclosed under the caption "Income from financial fixed assets" of the Profit and Loss accounts of the Company.

Note 5 - Debtors

Debtors are mainly composed by:

	Receivables after less than one year USD	Receivables after one year and within five years USD	Receivables after more than five years USD	Total 30.06.2013 USD	Total 30.06.2012 USD
<i>Amounts owed by affiliated undertakings</i>					
Dividends receivable - Etrecom Investments LTD	104,842,000.00	---	---	104,842,000.00	82,545,000.00
Receivable - Bandurskyi (Garantee on loan)	3,169,029.50	---	---	3,169,029.50	3,150,137.85
<i>Trade debtors</i>					
Receivable - Thompson Coburn	25,000.00	---	---	25,000.00	---
<i>Other debtors</i>					
Receivable - Khmelnytskhhoboproduct - 24,9% (*)	3,124,794.37	---	---	3,124,794.37	3,124,794.37
Receivable - Stiomi - Holding 24,9% (*)	2,851,205.63	---	---	2,851,205.63	2,851,205.63
Advance Corporate Income Tax 2011	2,037.18	---	---	2,037.18	2,037.18
Advance Corporate Income Tax 2012	959.02	---	---	959.02	---
Advance Net Wealth Tax 2012	329,369.23	---	---	329,369.23	---
Insurance Company Zheleznodorozhnye	100,000.00	---	---	100,000.00	100,000.00
Total	114,444,394.93	---	---	114,444,394.93	91,773,175.03

(*) These amounts are blocked on an Escrow account and are linked to the Stiomi Acquisition (please refer to Note 18).

Note 6 - Subscribed capital

As at 30 June 2013, the subscribed and fully paid-up capital of the Company amounts to USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value.

The authorized share capital excluding the current issued share capital is fixed at USD 67,335.30 represented by 2,550,000 shares without indication of the nominal value and with a share premium of USD 478,580,199.03.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 7 - Share premium and similar premiums

The movements on the "Share premium and similar premiums" item during the year are as follows:

	Share premiums USD
Balance as at 30 June 2012	478,580,199.03
Movements for the year	---
Balance as at 30 June 2013	478,580,199.03

Note 8 - Legal reserve

Under Luxembourg law, the company is obliged to allocate to a legal reserve a minimum of 5% of the annual its net profit until this reserve reaches 10% of the subscribed share capital. This reserve is not available for distribution.

Note 9 - Movements for the year on the reserves and profit/loss items

The movements for the year are as follows:

	Legal reserve USD	Profit or loss brought forward USD	Result for the financial year USD	Total USD
As at 30 June 2012	194,544.65	27,700,635.65	244,773,175.30	272,668,355.60
Movements for the year:				
• Allocation of prior year's result	15,867.36	244,757,307.94	(244,773,175.30)	---
• Profit for the year	---	---	85,672,510.95	85,672,510.95
As at 30 June 2013	210,412.01	272,457,943.59	85,672,510.95	365,340,866.55

The allocation of prior year's results was approved by the General Shareholders' Meeting of 30 November 2012.

Note 10 - Provisions for taxation

Provisions for taxation are made up as follows:

	30.06.2013 USD	30.06.2012 USD
Provisions for taxation	28,517.33	24,135.05
Other provisions		
<i>Other provisions are composed of advisory fees and others</i>	144,231.62	75,443.66
	172,748.95	99,578.71

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 11 - Non-subordinated debts

Amounts due and payable for the accounts shown under "Non-subordinated debts" are as follows:

	Due and payable after less than one year USD	Due and payable after one year and within five years USD	Due and payable after five years USD	Total 30.06.2013 USD	Total 30.06.2012 USD
Amounts owed to affiliated undertakings	20,188,931.58	93,287,759.36	---	113,476,690.94	23,116,627.38
Amounts payable to shareholder	216,788.61	---	---	216,788.61	9,660,000.00
Trade creditors	109,483.44	---	---	109,483.44	754,069.24
Tax debts	109,225.59	---	---	109,225.59	70,733.54
Amounts owed to credit institutions	---	---	---	---	0.46
Other creditors	874,083.86	---	---	874,083.86	403,230.66
Total	21,498,513.08	93,287,759.36	---	114,786,272.44	34,004,661.28

For comparative purposes, the presentation of non-subordinated debts balances as at 30 June 2012 was reclassified to conform with current year presentation.

As at 30 June 2013, amounts owed to affiliated undertakings are composed as follows:

	Total 30.06.2013 USD
Loan Restomon Limited Road Town - USD 95 Mio (principal amount)	90,200,000.00
Loan Restomon Limited Road Town - USD 20 Mio (principal amount)	11,405,324.03
Payable - Restomon Limited	7,000,000.00
Loan Restomon Limited Road Town - USD 95 Mio (accrued interest)	3,081,928.77
Loan Restomon Limited Road Town - USD 20 Mio (accrued interest)	38,056.44
Payable - Jerste B.V.	1,751,381.70
Total	113,476,690.94

The loans from Restomon Limited bear interest of 4% per annum. The total accrued interest is USD 3,119,985.21 as at 30 June 2013.

Other creditors are composed as follows:

	Total 30.06.2013 USD	Total 30.06.2012 USD
Interest on call option for the acquisition of Inter-Agro Capital and Kolos	803,922.96	401,961.48
Other creditors	70,160.90	1,269.18
Total	874,083.86	403,230.66

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 12 - Extraordinary charges

The extraordinary charges are mainly composed of an amount paid by the Company in order to solve any potential claims between the Company and two third parties, which were parties to a Sale and Purchase Agreement dated 12 August 2011.

Note 13 - Emoluments granted to the members of the management and supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

The emoluments granted to the members of the management and supervisory bodies in that capacity and the obligations arising or entered into in respect of retirement pensions for former members of those bodies for the financial period, are broken down as follows:

	2013 USD	2012 USD
Directors' fees: amounts paid to the Directors during the year	161,744.54	127,750.00

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 the Company as of the adoption date of such plan, at the IPO price (PLN 24 per share). 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 Company's Board of Directors approved the terms and conditions of a new management incentive plan (the "New Management Incentive Plan") providing to Eligible Employees (as defined in the New Management Incentive Plan) an option to purchase in aggregate up to 2,550,000 new shares of the Company, such number being equal to 3.2% of the issued and outstanding stock of the Company as at the adoption date of such plan, at the exercise price of PLN 75 per share.

On 30 November 2012, at the general meeting of the shareholders, a new independent director for a one-year term mandate was elected.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013**Note 14 - Audit fees**

Audit fees are made up as follows:

	2013 USD	2012 USD
Audit fees	108,835.45	125,771.28

Note 15 - Off balance sheet commitments

The financial commitments of the Company are as follows:

The Company is engaged as guarantor in the facility agreement dated 4 April 2008 existing between the limited liability Company "Bandurskyi Elevator" (Borrower) a company incorporated and existing under the laws of Ukraine with its registered office at 40 Tsentral'na Street, village of Bandurka, 55 247 Mykolayiv Oblast, Ukraine and the credit institution "Investkredit Bank AG" (Lender) organized and existing under the laws of the Republic of Austria with its registered office in Vienna.

The facility agreement of USD 52 million is set up to finance part of the project which consist on the construction of a Greenfield multi-seed crushing plant for processing of up to 900 metric tons of rapeseed, up to 1,500 metric tons of sunflower seed and up to 1,180 metric tons of soybeans per day; the crushing plant shall produce crude vegetable oil and meal, destined mostly for export with a total annual capacity of 230,000 metric tons of oil, 195,000 metric tons of meal and 86,700 metric tons of hulls.

Therefore, the credit institution has provided to the borrower a loan facility for a principal amount of up to USD 52 million (USD fifty two million) granted for 7 years (1 April 2015). The reference interest rate shall be LIBOR with a margin of 3.52% p.a. until project physical completion, 3.316% p.a. after project physical completion and 2.653% p.a. from the earlier of financial completion and fulfillment of the Guarantor Target Ratios.

Kernel Holding S.A. as guarantor guarantees all the obligations (including principal, interest, costs, fees and charges) at any time owned by the borrower "Bandurskyi Elevator" to the lender. During the 2013 financial year, Kernel Holding S.A. has paid for more than USD 3.1 million to the lender on behalf of the borrower.

On 12 May 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 15 million five-year financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A. This financial lease agreement was repaid on 12 January 2013.

On 23 June 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 4.9 million five-year financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 18 July 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 3.06 million five-year financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 3 September 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 500 million six-year loan agreement with European banks for trading financing and secured against corporate guarantees of Kernel Holding S.A.

On 21 August 2013, Kernel Trade LLC signed an addendum to a USD 500 million credit agreement ("the Addendum") with a syndicate of banks, with respect to the renewal of a USD 222 million short-term tranche. The USD 500 million facility is structured as a dual tranche credit, including (1) a USD 278 million long-term tranche available to the Company until 31 July 2014 and (2) a USD 222 million one-year tranche which is renewable subject to the lending syndicate's approval.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 15 - Off balance sheet commitments (Continued)

On 26 September 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 55 million five-year loan agreement with European bank for general purposes and secured against corporate guarantees of Kernel Holding S.A.

On 26 September 2008, CJSC Poltava Oil Crushing Plant, one of the subsidiary of Kernel Group company entered into a USD 18 million five-year facility agreement with European bank for the financing of reconstruction of Poltava Oil Crushing Plant and secured against corporate guarantees of Kernel Holding S.A.

On 21 April 2009, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 2.7 million five-year financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 7 September 2009, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 35 million four-year credit facility agreement with European bank for the financing of general corporate purpose and secured against corporate guarantees of Kernel Holding S.A.

On 2 December 2009, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 1.2 million six-year financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 16 August 2010, CJSC Poltavsk HPP one of the subsidiary of Kernel Group company entered into a USD 7 million five-year loan agreement with European bank for the financing of internal silo construction. The loan is secured against corporate guarantees of Kernel Holding S.A. This loan was repaid on 21 June 2013.

On 24 September 2010, Kernel Trade LLC a subsidiary of Kernel Holding S.A. entered into a USD 95 million three-year facility agreement with European bank for the financing of general corporate purpose. The loan is secured against corporate guarantees of Kernel Holding S.A. This loan was repaid on 24 September 2013.

On 7 July 2011, Kernel Trade LLC a subsidiary of Kernel Holding S.A. entered into a USD 35 million three-year loan agreement with European bank for general purpose financing. The loan is secured against corporate guarantees of Kernel Holding S.A.

On 22 July 2011, Kernel Trade LLC a subsidiary of Kernel Holding S.A. entered into a USD 20 million two-year facility agreement with Ukrainian bank for pre-crop financing. The loan is secured against corporate guarantees of Kernel Holding S.A. This loan was repaid in 2012.

On 8 August 2011, Nevinnomyssk Oil-extraction Plant a subsidiary of Kernel Holding S.A. entered into a USD 9.6 million one-year loan agreement with European bank for trading financing. The loan is secured against corporate guarantees of Kernel Holding S.A. This loan was repaid on 1 August 2012.

On 22 September 2011, Inerco Trade, a subsidiary of Kernel Holding S.A. entered into a USD 150 million two-year secured revolving agreement with European bank for trading financing (finance purchases, storage, transportation and transshipment of Commodities), amended on 22 June 2012 through an Amendment and Restatement Agreement increasing the amount to USD 210 million amended on 25 June 2013 through an Amendment and Restatement Agreement increasing the amount to USD 250 million. The loan is secured against corporate guarantees of Kernel Holding S.A. and another group company.

On 23 September 2011, Kernel Trade LLC a subsidiary of Kernel Holding S.A. entered into a USD 10 million five-year loan agreement with European bank for general purpose financing. The loan is secured against corporate guarantees of Kernel Holding S.A. This loan was repaid on 1 November 2012.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 15 - Off balance sheet commitments (Continued)

On 30 September 2011, Inerco Trade a subsidiary of Kernel Holding S.A. entered into a USD 100 million two-year loan agreement with European bank for general purpose financing. The loan is secured against corporate guarantees of Kernel Holding S.A.

The Company is also engaged as guarantor in the loan agreement of 30 September 2011 between the Company Kernel Trade LLC, a subsidiary of Kernel Holding S.A. The loan is an USD 100 million five-year loan extended by an Ukrainian bank (multicurrency UAH/USD facility) and will be drawn to refinance Ukrros debt and finance sugar production. The facility is secured by pledge of sugar and corporate guarantee of Kernel Holding S.A.

On 14 October 2011, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 7.6 million eight-year financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 7 December 2011, CJSC Poltavskie HPP/Kononovska Silo LLC, two of the subsidiaries of Kernel Group Company entered into a USD 25 million six-year loan agreement with an Ukrainian bank for the financing of internal silo construction and secured against corporate guarantees of Kernel Holding S.A.

On 29 December 2011, Nevinnomyssk Oil-extraction Plant, a subsidiary of Kernel Holding S.A. entered into a USD 9.7 million one year loan agreement with an Ukrainian bank for trade financing and secured against corporate guarantees of Kernel Holding S.A. This loan was repaid on 24 December 2012.

Among this, Kernel Holding S.A. is also guarantor under those facilities mentioned on Note 17 "Subsequent events".

On 26 January 2012, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 100 million three-year loan agreement with European banks for the financing of iBlack Sea Industries acquisition and secured against corporate guarantees of Kernel Holding S.A.

On 31 January 2012, CJSC Poltavskie HPP/Kononovska Silo LLC, two of the subsidiaries of Kernel Group company entered into a USD 15 million six-year loan agreement with an Ukrainian bank for the financing of internal silo construction and secured against corporate guarantees of Kernel Holding S.A.

On 8 February 2012, Estron Corporation a subsidiary of Kernel Holding S.A. and Kernel Holding S.A. entered into a USD 125 million up to six-year facility agreement with European Banks for the financing of general corporate purpose of the Group and capital expenditures relating to the Ports. Kernel Holding S.A. acts as co-borrower of this loan.

The Company entered into a call option agreement with the Company Namsen for an amount of USD 39 million to acquire 100% and 99.99% of Kolos and Inter-Agro Capital. The option exercise price bears interest of 4% per annum from the 30 March 2012. The option were exercised in May 2013.

On 7 July 2012, Inerco Trade, a subsidiary of Kernel Holding S.A. entered into a USD 105 million one-year loan agreement with European bank for trade financing and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group. As of today, this loan is repaid.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 15 - Off balance sheet commitments (Continued)

On 7 September 2012, CJSC Florentina, a subsidiary of Kernel Holding S.A. entered into a one-year credit line agreement with the maximum amount of USD 16 million with Alfa bank for trade financing and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 7 September 2012, CJSC Maslo Stavropolia, a subsidiary of Kernel Holding S.A. entered into a one-year credit line agreement with the maximum amount of USD 16 million with Alfa bank for trade financing and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 7 September 2012, CJSC Nevinimyskiy OEP, a subsidiary of Kernel Holding S.A. entered into a one-year credit line agreement with the maximum amount of USD 25.8 million with Alfa bank for trade financing and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

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

On 12 October 2012, CJSC Florentina, a subsidiary of Kernel Holding S.A. entered into a seven-year credit line agreement with the maximum amount of USD 30 million with Alfa bank for the financing of Russian oil acquisition and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 12 October 2012, the company Russian Oils entered into a one-year credit facility agreement of up to RUB 1.7 billion with VTB Capital PLC bank for general corporate purposes and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group. This loan was repaid on 30 June 2013.

On 12 October 2012, CJSC Maslo Stavropolia, a subsidiary of Kernel Holding S.A. entered into a seven-year credit line agreement with the maximum amount of USD 18 million with Alfa bank for the financing of Russian oil acquisition and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 12 October 2012, CJSC Nevinimyskiy OEP, a subsidiary of Kernel Holding S.A. entered into a seven-year credit line agreement with the maximum amount of USD 12 million with Alfa bank for the financing of Russian oil acquisition and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 23 November 2012, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 170 million five-year loan agreement with Alfa Bank for current operating purposes and refinancing of loans with Ukreximbank against guarantees of Kernel Holding S.A.

On 12 August 2013, the Company is reporting that its subsidiary entered into a USD 140 million facility agreement with a Russian bank. The loan consists of two tranches - a USD 100 million five-year tranche and a USD 40 million twelve-month tranche. The loan is a USD facility that will be drawn to partially refinance the acquisition costs and corporate debt of the 108,000 hectare farming business acquired in June 2013.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Note 16 - Tax Status

The Company was incorporated as a holding company and according to the Luxembourg tax law, was exempt from income and wealth tax. On 31 July 2007, the Company adopted the corporate objects of a fully taxable company. Since that date, the Company is fully taxable under Luxembourg tax regulations.

Note 17 - 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 5 July 2013, the Company sold 100% of its shares in Sakharny Holding Limited to Restomon Limited for a total consideration of USD 41,250,000.00.

On 12 August 2013, the Company is reporting that its subsidiary entered into a USD 140 million facility agreement with a Russian bank. The loan consists of two tranches - a USD 100 million five-year tranche and a USD 40 million twelve-month tranche. The loan is a USD facility that will be drawn to partially refinance the acquisition costs and corporate debt of the 108,000 hectare farming business acquired in June 2013.

On 21 August 2013, Kernel Trade LLC signed an addendum to a USD 500 million credit agreement ("the Addendum") with a syndicate of banks, with respect to the renewal of a USD 222 million short-term tranche. The USD 500 million facility is structured as a dual tranche credit, including (1) a USD 278 million long-term tranche available to the Company until 31 July 2014 and (2) a USD 222 million one-year tranche which is renewable subject to the lending syndicate's approval. The facility will be drawn to finance the purchase, storage and processing of sunflower seed into sunflower oil and meal for domestic sale or export. The Addendum shall come into force as of the date of registration of the agreement with the National Bank of Ukraine which is expected to be received in the beginning of September 2013. The Company is a guarantor to this credit facility

On 19 September 2013 the Orzhytsa sugar plant property, one of the Company's subsidiaries was sold.

Note 18 - Contingencies

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 Khmelnytsk region of Ukraine. As of 30 June 2013, the consideration paid for Stiomi by the Group and its related parties comprised USD 15,447 thousand. 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.