

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 2014

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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 2014

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

2014 proved the benefits of our integrated business model: while commodity cycle reversal pushed our farming business into the red and local currency devaluation resulted in a one-off loss, our sunflower oil, grain and infrastructure improved profitability and volumes, supporting our operating profit.

Acquisitions/disposals

In the course of the financial year 2014, the Company has completed the following acquisitions/disposals:

- On 5 July 2013, the Company sold 100% of its shares in Sakharny Holding Limited “Sakharny” to Restomon Limited for a total consideration of USD 41,250,000.00.
- On 2 September 2013, the Company transferred one percent of its interests in Kernel Trade LLC to Ukragrobusiness LLC, both subsidiaries of the Company, for an amount of USD 24,786.81 (being equivalent of UAH 198,121.00).
- In February 2014, the Company completed the sale of 100% of its shares in Nevinnomyssk OEP CJSC “Nevinnomyssk” for a total consideration of USD 2,012,906.16 (being equivalent of RUB 65,902,800.00).
- On 13 May 2014, the Company reduced its investment in Eastern Agro Investments Limited by way of reduction of the share premium for an amount of USD 19,456,360.00.
- On 27 May 2014, Chorex Developments LTD “Chorex” and Hamalex Developments LTD “Hamalex”, both subsidiaries of the Company, have been liquidated.

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Operating environment

The majority of the investments held by the Company as presented in Note 4 are operating in Ukraine. Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. The Government of Ukraine has been negotiating with the International Monetary Fund ("IMF") and other financial institutions a provision of the financial aid and in April 2014 the Board of Governors of the IMF endorsed a two-year loan program for Ukraine in the total amount of USD 17.01 billion, out of which an installment of USD 3.19 billion was already obtained in May 2014. Ukraine's sovereign rating is at the level of CCC with a stable outlook. In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President and a transitional government has been formed. In March 2014, Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. On 25 May 2014, presidential elections took place and a new President of Ukraine was elected. In 2014, operating activities of the NBU, the banking system, and enterprises in general were additionally adversely affected by the separatist movements and the collapse of law and order enforcement in Luhansk and Donetsk regions. The Company's subsidiaries do not have assets in Crimea, Donetsk and Luhansk regions. Stabilization of the economy and the political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently unpredictable and their adverse affect on the Ukrainian economy may continue.

For a detailed review of the operating environment, please refer to the annual report of Kernel group of companies which is available on web-site www.kernel.ua.

Income statement highlights:

Revenues

The Group's revenues were USD 2,393.3 million in FY2014, down 14.4% yoy. While the Group's sales volumes increased across most segments, global prices for all soft commodities declined yoy, with the Group's key product prices down in excess of 20%.

Gross profit

Gross Group's profit came to USD 408.2 million in FY2014, compared to USD 450.6 million a year earlier, a decline of 9% yoy.

Other operating income

The Group's other operating income amounted to USD 60.5 million in FY2014, versus USD 66.5 million a year earlier. As last year, the biggest components were the gain on sale of US dollars caused by the discrepancy between the official exchange rate (used for accounting purposes to convert the payments executed in Ukrainian hryvnya to US dollars, the Group's functional currency) and the market exchange rate (at which the Group effectively exchanges US dollars to settle payments in local currency); as well as the VAT subsidy related to the farming segment.

Distribution costs

The Group's distribution costs increased 10% yoy to USD 262.9 million in FY2014, reflecting 23% growth in the Group's total volumes of grains and oilseed procured. As a percentage of revenues, distribution costs amounted to 11.0% in FY2014, compared to 8.5% a year earlier, reflecting significantly lower global agricultural commodities prices and a higher share of grains compared to more expensive sunflower oil in the Company's volumes structure. Distribution costs per ton were comparable in the first half of the financial year to the previous season and have declined since February 2014, reflecting the devaluation of the Ukrainian hryvnya.

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General and administrative expenses

The Group's general and administrative expenses totaled USD 77.0 million in FY2014, compared to USD 78.2 million in FY2013, with the yoy decline reflecting a combination of devaluation of the hryvnya and continued growth of the business. As a percentage of revenues, G&A costs amounted to 3.2% in FY2014, compared to 2.8% a year earlier due to a significant decline in sales prices.

Operating profit

The Group's profit from operating activities amounted to USD 128.7 million in FY2014, compared to USD 200.9 million a year earlier. The 36% yoy decline reflected movements in the Group's EBITDA and a 9% yoy increase in depreciation and amortization charges due to the consolidation of companies acquired in late FY2013.

Financing costs

The Group's finance costs declined 3% yoy to USD 72.5 million in FY2014 as a result of a decrease in working capital requirements due to lower soft commodity prices and the Company's growing throughput and internal crop production operations. The average financing cost was comparable to the previous year.

Foreign exchange loss

Foreign exchange losses were USD 98.8 million in FY2014, versus a gain of USD 2.9 million a year earlier, reflecting 32% devaluation of the local Ukrainian currency during the reporting period, which led to the revaluation of outstanding VAT receivables as well as certain assets and liabilities of the Company's subsidiaries that use the Ukrainian hryvnya as their functional currency (grain silos and crop production entities).

Other expenses

Other expenses came to USD 51.8 million in FY2014, compared to USD 5.7 million in FY2013, reflecting a loss related to the disposal of the Nevinnomysk oilseed crushing plant and financial instruments.

Income tax

The Group's income tax expenses amounted to USD 11.4 million in FY2014, compared to USD 6.2 million a year earlier.

Net profit

As a result of the aforementioned developments, the net loss for the period attributable to the equity holders of Kernel Holding S.A. was USD 98.3 million in FY2014, compared to a profit of USD 111.6 million in FY2013.

The Group has three business lines: sunflower oil, grain and infrastructure, and farming. The performance was as following:

- Sunflower oil:

The sunflower oil business contributed USD 177.8 million to EBITDA in FY2014, down 11% yoy. This reflected negligible earnings in the first quarter when we were selling and crushing carry-over stock from the low 2012 harvest, and record-high earnings from the second to fourth quarter. The ample sunflower seed harvest in Ukraine in 2013 (harvested in September-October) ensured high utilization and improved crushing margin starting from the second quarter of the financial year and allowed us to accumulate significant sunflower seed stock as of the end of the financial year to ensure solid utilization in Q1 FY2015.

In our retail sales of sunflower oil, we took the opportunity to benefit from the decline in the international sunflower oil price, which fell sharply in July-August 2013. While domestic selling prices followed the move, the natural stickiness of retail prices allowed us to benefit, improving the premium we charge for our brands compared to private label products.

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- Grain and infrastructure:

The grain and infrastructure segments' combined EBITDA increased 2.1x yoy to a new historic record of USD 125.8 million in FY2014. Grain sales volumes reached 4.2 million tons in FY2014, up 40% yoy as we increased exports from Russia where we had our first full season of operations at the Taman grain export transshipment facility. Growth in grain exports from Ukraine was relatively moderate compared to the increase in the country's overall harvest. Our focus on margin improvement proved correct as the grain's segment EBITDA improved to USD 14.0 per ton in FY2014 compared to USD 4.1 per ton a year earlier, with especially good margins in the second half of the season as farmers left a material portion of their harvest to spring and became forced sellers during the spring planting campaign. The reinstatement of VAT refunds on grain exports during Q3 FY2014 also increased export margins. Export terminals' performance in Ukraine was generally in line with the previous year, while utilization at our joint venture in Russia improved significantly, contributing to our earnings below the EBITDA line. Silo services proved to be in strong demand in FY2014 due to the combination of the strong harvest and rainy weather during the autumn harvesting campaign, which required extra drying services to bring grain up to a proper standard.

- Farming:

Our farming segment's performance was poor in FY2014 with a negative EBITDA of USD 44.3 million compared to positive USD 67.7 million a year ago, with a combination of factors behind this result. First, global crop prices declined sharply in summer 2013 causing the average farm gate corn price in Ukraine to slide by 34% yoy, for sunflower seed by 31% yoy, wheat by 19% yoy and soybean by 8% yoy. At the same time, the cost base was high as crops were sown in a high-price cost environment and heavy rains during autumn harvesting increased drying costs materially. Crop yields were below management expectations. Meanwhile, the farming segment's production volumes increased yoy, reflecting crop yield growth and larger acreage following last year's acquisitions, which benefitted our other segments. EBITDA earned on the farming output from other segments amounted to USD 54.8 million in FY2014, compared to USD 15.3 million a year ago.

For a detailed explanation of operating and financial performance for sunflower oil operations, please refer to the annual report of Kernel Group available at kernel.ua.

2. Allocation of results

The Company's financial year as of 30 June 2014 ends with a loss USD 70,032,955.33 mostly due to value adjustments on investments for an aggregate amount of USD 102,324,363.70.

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:

Loss as at 30 June 2014	USD	(70,032,955.33)
Retained earnings	USD	358,130,454.54
To carry forward	USD	<u>288,097,499.21</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 2014, available at the Company website.

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5. Principal risks and uncertainties

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

- Size of Ukraine's sunflower seed and grain harvest;
- Prolonged period of low global soft commodity prices;
- Sunflower oil price volatility;
- Export restrictions and barriers;
- Change in export duties or local taxation (such as VAT);
- Refunds of VAT;
- Fluctuations in exchange rate of Ukrainian hryvnya to US dollar;
- Access to short-term financing;
- Safety of production assets;
- Increased competition;
- Counterparty risk;
- Inventory safety;
- Disruption or limitation of natural gas or electricity supply;
- A prolonged period of weak economic growth, either globally or in the Group'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; the introduction of VAT promissory notes; the risk of the detrimental impact or treatment by tax authorities of the law "On transfer pricing";
- The risk of key personnel resigning;
- Failure to manage the integration of newly acquired farming operations;
- Any loss or diminution in the services of Mr. Andriy Verevskyy, Kernel Holding S.A.'s Chairman of the Board;
- The risk that changes in the assumptions underlying the carrying value of certain assets, including those occurring as a result of adverse market conditions, could result in an impairment of financial assets;
- The risk of fraud by the Group's farming operations' employees;
- 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.

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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 2014

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. Andriy Verevskyy, 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. Verevskyy 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 10 December 2013. 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 10 December 2013. 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 10 December 2013. 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.

(5) Miss Anastasiia Usachova was re-elected to the Board for a one-year term by the shareholders at the general meeting of the shareholders held on 10 December 2013. Miss 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 one-year term at the general meeting of shareholders held on 10 December 2013.

(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. Mr. Litvinskyi 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:

For a detailed outlook for the financial year ending 30 June 2015, please refer to the annual report of Kernel group of companies which is available on web-site www.kernel.ua.

For additional subsequent events please refer to the Note 17 and Note 19 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 2014**

THE BOARD OF DIRECTORS

By: _____ 2014

Mr. Andriy Verevskyy

By: _____ 2014

Mr. Andrzej Danilczuk

By: _____ 2014

Mr. Ton Schurink

By: _____ 2014

Miss Anastasiia Usachova

By: _____ 2014

Mrs. Viktoriia Lukianenko

By: _____ 2014

Mr. Kostiantyn Litvinskyi

By: _____ 2014

Mr. Yuriy Kovalchuk

By: _____ 2014

Mr. Sergei Shibaev

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

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 10 December 2013, we have audited the accompanying annual accounts of Kernel Holding S.A., which comprise the balance sheet as of 30 June 2014 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 30 June 2014, 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.

Emphasis of matter

We draw your attention to Note 19 “Operating environment” to the annual accounts for the year ended, which describes the current political crisis in Ukraine. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

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 30 June 2014, 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

20 October 2014

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BALANCE SHEET AS AT 30 JUNE 2014

ASSETS			
	Notes	30.06.2014 USD	30.06.2013 USD
B. FORMATION EXPENSES	3	1,231,268.79	2,061,057.87
C. FIXED ASSETS		704,758,195.72	837,280,448.81
III. Financial assets	4	704,758,195.72	837,280,448.81
1. Shares in affiliated undertakings		704,758,146.72	837,280,399.81
5. Securities and other financial instruments held as fixed assets		49.00	49.00
D. CURRENT ASSETS		119,876,541.52	114,642,700.40
II. Debtors	5	117,321,588.84	114,444,394.93
1. Trade receivables		25,000.00	25,000.00
a) becoming due and payable within one year		25,000.00	25,000.00
2. Amounts owed by affiliated undertakings		111,214,181.49	108,011,029.50
a) becoming due and payable within one year		111,214,181.49	108,011,029.50
4. Other receivables		6,082,407.35	6,408,365.43
a) becoming due and payable within one year		6,082,407.35	6,408,365.43
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand		2,554,952.68	198,305.47
E. PREPAYMENTS		20,186.30	—
TOTAL ASSETS		825,886,192.33	953,984,207.08

Annual accounts for the year ended

30 June 2014

The accompanying notes form an integral part of the annual accounts

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BALANCE SHEET AS AT 30 JUNE 2014

LIABILITIES	Notes	30.06.2014 USD	30.06.2013 USD
A. CAPITAL AND RESERVES		768,992,230.36	839,025,185.69
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	210,412.01
1. Legal reserve	8 ; 9	210,412.01	210,412.01
V. Profit or loss brought forward	9	358,130,454.54	272,457,943.59
VI. Profit or loss for the financial year	9	(70,032,955.33)	85,672,510.95
C. PROVISIONS	10	130,332.92	172,748.95
2. Provisions for taxation		30,728.37	28,517.33
3. Other provisions		99,604.55	144,231.62
D. NON SUBORDINATED DEBTS	11	56,763,629.05	114,786,272.44
4. Trade creditors		224,840.02	109,483.44
a) becoming due and payable within one year		224,840.02	109,483.44
6. Amounts owed to affiliated undertakings		55,614,965.58	113,693,479.55
a) becoming due and payable within one year		55,609,134.99	20,405,720.19
b) becoming due and payable after more than one year		5,830.59	93,287,759.36
8. Tax and social security debts		91,898.91	109,225.59
a) Tax debts		91,898.91	109,225.59
9. Other creditors		831,924.54	874,083.86
a) becoming due and payable within one year		831,924.54	874,083.86
TOTAL LIABILITIES		825,886,192.33	953,984,207.08

Annual accounts for the year ended

30 June 2014

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 2014

CHARGES	Notes	2014 USD	2013 USD
2. OTHER EXTERNAL CHARGES		1,321,823.10	1,279,498.40
4. VALUE ADJUSTMENTS		829,789.08	1,218,141.64
a) on formation expenses and on tangible and intangible fixed assets	3	829,789.08	1,218,141.64
5. OTHER OPERATING CHARGES	12 ; 13	12,946,803.12	161,744.54
6. VALUE ADJUSTMENTS AND FAIR VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS	4	102,324,363.70	---
8. INTEREST AND OTHER FINANCIAL CHARGES		2,453,038.38	3,567,851.05
a) concerning affiliated undertakings		2,396,341.95	3,119,985.21
b) other interest and similar financial charges		56,696.43	447,865.84
10. EXTRAORDINARY CHARGES		219,786.04	1,269,274.03
11. INCOME TAX		4,426.91	5,911.29
12. OTHER TAXES NOT INCLUDED IN THE PREVIOUS CAPTION		87.73	82.46
13. PROFIT FOR THE FINANCIAL YEAR		---	85,672,510.95
TOTAL CHARGES		120,100,118.06	93,175,014.36

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

INCOME	Notes	2014 USD	2013 USD
5. OTHER OPERATING INCOME		3,461.83	---
6. INCOME FROM FINANCIAL FIXED ASSETS	4	50,023,302.78	93,000,000.00
a) derived from affiliated undertakings		50,023,302.78	93,000,000.00
8. OTHER INTERESTS AND OTHER FINANCIAL INCOME		40,398.12	39,966.19
b) other interest and similar financial income		40,398.12	39,966.19
10. EXTRAORDINARY INCOME		---	135,048.17
12. LOSS FOR THE FINANCIAL YEAR		70,032,955.33	---
TOTAL INCOME		120,100,118.06	93,175,014.36

Annual accounts for the year ended

30 June 2014

The accompanying notes form an integral part of the annual accounts

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

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 4 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 2014, the Company's shares are allocated as follows: 39.13% (2013: 38.42%) held by Namsen Limited, and 60.87% (2013: 61.58%) 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 2014

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 Formation expenses

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

2.2.2 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".

2.2.3 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.

2.2.4 Cash at bank and in hand

Cash is valued at its nominal value.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Note 2 - Significant accounting policies (continued)

2.2.5 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.

2.2.6 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.

2.2.7 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 2014

Note 3 - Formation expenses

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

	2014 USD	2013 USD
Gross book value – opening balance	16,375,335.05	16,375,335.05
Additions for the year	---	---
Disposals for the year	---	---
Transfers for the year	---	---
Gross book value – closing balance	16,375,335.05	16,375,335.05
Accumulated value adjustment – opening balance	(14,314,277.18)	(13,096,135.54)
Allocation for the year	(829,789.08)	(1,218,141.64)
Reversals for the year	---	---
Transfers for the year	---	---
Accumulated value adjustment – closing balance	(15,144,066.26)	(14,314,277.18)
Net book value – opening balance	2,061,057.87	3,279,199.51
Net book value – closing balance	1,231,268.79	2,061,057.87

Note 4 - Financial assets

For assets following the historical cost model

The movements of the year are as follows:

	Share in affiliated undertakings USD	Securities and other financial instruments held as fixed assets USD	Total 2014 USD
Gross book value – opening balance	837,280,399.81	49.00	837,280,448.81
Additions for the year	44,986,946.89	---	44,986,946.89
Disposals for the year	(75,184,836.28)	---	(75,184,836.28)
Transfers for the year	---	---	---
Gross book value – closing balance	807,082,510.42	49.00	807,082,559.42
Accumulated value adjustment – opening balance	---	---	---
Allocation for the year	(102,324,363.70)	---	(102,324,363.70)
Reversals for the year	---	---	---
Transfers for the year	---	---	---
Accumulated value adjustment – closing balance	(102,324,363.70)	---	(102,324,363.70)
Net book value – opening balance	837,280,399.81	49.00	837,280,448.81
Net book value – closing balance	704,758,146.72	49.00	704,758,195.72

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014
Note 4 - Financial assets (continued)

Undertakings in which the Company holds a percentage 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
JERSTE B.V.	200, Prins Bernhardplein, 1097 JB Amsterdam, Netherlands	100.00%	30.06.2014	USD	135,591,264.00	USD	(51,388.00) (**)	USD	135,748,280.96
Inerco Trade S.A.	Rue Jules Gachet 9, CH1260 Nyon, Switzerland	100.00%	30.06.2014	CHF USD	96,015,325.23 107,882,819.43	CHF USD	19,288,672.33 21,672,752.23	USD	3,532,673.50
Kernel Capital LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	99.75%	30.06.2014	UAH USD	888,751,000.00 75,169,161.08	UAH USD	(8,342,000.00) (705,553.23)	USD	106,141,108.50
Kernel Trade LLC	3 Tarasa Shevchenka lane. Kyiv, 01001 Ukraine	99.07%	30.06.2014	UAH USD	1,044,069,000.00 88,305,713.12	UAH USD	(373,193,000.00) (31,564,076.70)	USD	231,929,995.64
Ukragrobusiness LLC	3 Tarasa Shevchenka lane., Kyiv, 01001 Ukraine	91.30%	30.06.2014	UAH USD	7,923,100.00 670,123.33	UAH USD	(21,500.00) (1,818.44)	USD	896,416.35
Estron Corporation Ltd	29A, Annis Komninis, P.C. 1061 Nicosia, Cyprus	100.00%	30.06.2014	USD	48,919,385.87	USD	1,073,682.58	USD	97,526,715.48
Etrecom Investments LTD	13, Agiou Prokopiou, 2406 Egkomi Cyprus	100.00%	30.06.2014	USD	23,988.00	USD	49,978,284.00	USD	1.38
Trading Company Russian Oils LLC	350000, Krasnodar, Red Army Street, N°36 Russia	100.00%	30.06.2014	RUB USD	155,181,000.00 4,569,980.50	RUB USD	(28,312,000.00) (833,770.17)	USD	14,911,618.61
Ust-Labinsk Florentina OEP LLC (*)	Russia, 352336, Krasnodar region, city Ust-Labinsk, 133, Gagarin str	100.00%	30.06.2014	RUB USD	(107,330,000.00) (3,160,799.37)	RUB USD	(50,895,000.00) (1,498,824.97)	USD	6,450,406.15
Stavropol oil CJSC(*)	357820, Stavropol, Georgiyevsk, Gagarin Street, N°60 Russia	100.00%	30.06.2014	RUB USD	(120,028,000.00) (3,534,747.30)	RUB USD	(26,475,000.00) (779,671.70)	USD	12,184,122.90
Eastern Agro Investments Ltd	29A Annis Komninis, 1061 Nicosia, Cyprus	100.00%	30.06.2014	USD	470,782.90	USD	(338,727.27)	USD	---
Taman Grain Terminal Holding Limited	210, Makarios III Ave, Elli Court, 3030 Limassol-Cyprus	50.00%	30.06.2014	USD	189,154,456.00	USD	(251,238.00)	USD	94,906,807.25
MasloZernovoy complex Kernel LLC	Russia, 350000, Krasnodar region, Krasnodar city, street Krasnoarmeiskaia, building 36	100.00%	30.06.2014	RUB USD	30,889,000.00 909,661.16	RUB USD	Not available (11,000.00)	USD	530,000.00
JV TransBulkTerminal LLC	Ukraine, 68000, Odesskaya district, city Illichivsk, 58, Sukhomlinskaya str.	1.00%	30.06.2014	UAH USD	12,414,000.00 1,049,956.59	UAH USD	3,998,000.00 338,144.55	USD	49.00

USD 704,758,195.72

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

(**) result for the period from 1 January 2014 to 30 June 2014

As of 30 June 2014 the Board of Directors of the Company decided to record value adjustments for an aggregate amount of USD 102,324,363.70 on the investments Ust-Labinsk Florentina OEP LLC (USD 4,318,582.58), Stavropol oil CJSC (USD 8,157,337.63) and Eastern Agro Investments Ltd (USD 89,848,443.49).

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Note 4 - Financial assets (continued)

On 5 July 2013, the Company sold 100% of its shares in Sakharny Holding Limited "Sakharny" to Restomon Limited for a total consideration of USD 41,250,000.00. The sale has been done for a consideration amounting to USD 41,206,857.78 resulting in a loss of USD 256,857.78 (which includes the settlement of an intercompany receivable of USD 300,000.00).

On 2 September 2013, the Company transferred 0.01% of its interests in Kernel Trade LLC to Ukragrobusiness LLC, both subsidiaries of the Company, for an amount of USD 24,786.81 (being equivalent of UAH 198,121.00).

On 29 November 2013, the Company contributed USD 31,700,000.00 to the share premium of JERSTE B.V., one of its subsidiaries.

In February 2014, the Company completed the sale of 100% of its shares in Nevinnomyssk OEP CJSC "Nevinnomyssk" for a total consideration of USD 2,012,906.16 (being equivalent of RUB 65,902,800.00). The sale has been done for a consideration amounting to USD 14,492,247.17 resulting in a loss of USD 12,479,341.01.

On 4 February 2014, the Company made an additional contribution to Kernel Trade LLC for an amount of USD 6,255.47 (being equivalent of UAH 50,000.00).

On 13 May 2014, the Company reduced its investment in Eastern Agro Investments Limited by way of reduction of the share premium for an amount of USD 19,456,360.00.

On 27 May 2014, Chorex Developments LTD "Chorex" and Hamalex Developments LTD "Hamalex", both subsidiaries of the Company, have been liquidated. An amount USD 2,292.26 has been recorded for the liquidation of Chorex and Hamalex. Subsequently, a loss on liquidation proceeds of USD 604.33 has been recorded on the liquidation of Hamalex and a gain on liquidation proceeds of USD 23,302.78 has been recorded on the liquidation of Chorex.

On 30 June 2014, the board of directors of Etrecom Investments LTD, one of its subsidiaries, decided to pay interim dividends to the Company for an amount of USD 50,000,000.00 (2013: USD 93,000,000.00). This amount is disclosed under the caption "Income from financial fixed assets" of the Profit and Loss accounts of the Company.

During the financial year ended 30 June 2014, the Company made additional contributions for an aggregate amount of USD 12,451,565.44 to Kernel Capital LLC, one of its subsidiaries.

During the financial year ended 30 June 2014, the Company made an additional contribution to Ukragrobusiness LLC for an amount of USD 804,339.17.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Note 5 - Debtors

Debtors are mainly composed by:

	Receivables within one year USD	Receivables after one year and within five years USD	Receivables after more than five years USD	Total 30.06.2014 USD	Total 30.06.2013 USD
<i>Amounts owed by affiliated undertakings</i>					
Dividends receivable - Etrecom Investments LTD	96,555,997.16	---	---	96,555,997.16	104,842,000.00
Receivable - Eastern Agro Investments Limited	11,456,360.00	---	---	11,456,360.00	---
Receivable - Bandurskyi (Garantee on loan)	3,201,824.33	---	---	3,201,824.33	3,169,029.50
<i>Trade debtors</i>					
Receivable - Thompson Coburn	25,000.00	---	---	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
Advance Corporate Income Tax 2012	1,918.04	---	---	1,918.04	959.02
Advance Corporate Income Tax 2013	2,095.50	---	---	2,095.50	---
Advance Corporate Income Tax 2014	2,151.14	---	---	2,151.14	---
Advance Net Wealth Tax 2012	75.50	---	---	75.50	329,369.23
Advance Net Wealth Tax 2013	82.49	---	---	82.49	---
Advance Net Wealth Tax 2014	84.68	---	---	84.68	---
Insurance Company Zheleznodorozhnye	100,000.00	---	---	100,000.00	100,000.00
Total	117,321,588.84	---	---	117,321,588.84	114,444,394.93

^(*) 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 2014, 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 84,705.69 represented by 3,207,802 shares without indication of the nominal value and with a share premium of USD 478,580,199.03.

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 2013	478,580,199.03
Movements for the year	---
Balance as at 30 June 2014	478,580,199.03

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

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 2013	210,412.01	272,457,943.59	85,672,510.95	358,340,866.55
Movements for the year:				
• Allocation of prior year's result	---	85,672,510.95	(85,672,510.95)	---
• Loss for the year	---	---	(70,032,955.33)	(70,032,955.33)
As at 30 June 2014	210,412.01	358,130,454.54	(70,032,955.33)	288,307,911.22

The allocation of prior year's results was approved by the General Shareholders' Meeting of 10 December 2013.

In October 2014 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.

Note 10 - Provisions for taxation

Provisions for taxation are made up as follows:

	30.06.2014 USD	30.06.2013 USD
Provisions for taxation	30,728.37	28,517.33
Other provisions		
<i>Other provisions are composed of advisory fees and others</i>	99,604.55	144,231.62
	130,332.92	172,748.95

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Note 11 - Non-subordinated debts

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

	Due and payable within one year USD	Due and payable after one year and within five years USD	Due and payable after five years USD	Total 30.06.2014 USD	Total 30.06.2013 USD
Trade creditors	224,840.02	---	---	224,840.02	109,483.44
Amounts owed to affiliated undertakings	55,609,134.99	5,830.59	---	55,614,965.58	113,476,690.94
Tax debts	91,898.91	---	---	91,898.91	109,225.59
Amounts payable to shareholder	---	---	---	---	216,788.61
Other creditors	831,924.54	---	---	831,924.54	874,083.86
Total	56,757,798.46	5,830.59	---	56,763,629.05	114,786,272.44

As at 30 June 2014, amounts owed to affiliated undertakings are composed as follows:

	Total 30.06.2014 USD	Total 30.06.2013 USD
Loan Restomon Limited Road Town - USD 95 Mio (principal amount)	42,220,922.11	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	7,000,000.00
Loan Restomon Limited Road Town - USD 95 Mio (accrued interest)	5,448,788.80	3,081,928.77
Loan Restomon Limited Road Town - USD 20 Mio (accrued interest)	---	38,056.44
Other Payables	945,254.67	1,751,381.70
Total	55,614,965.58	113,476,690.94

The loans from Restomon Limited Road Town “Restomon” bear interest of 4% per annum. The total accrued interest is USD 2,366,860.03 as at 30 June 2014, in addition, an amount of USD 29,481.92 has been accrued on the Loan to Restomon - USD 20 Mio which has been fully repaid by Restomon during the financial year.

Other creditors are composed as follows:

	Total 30.06.2014 USD	Total 30.06.2013 USD
Interest on call option for the acquisition of Inter-Agro Capital and Kolos	803,922.96	803,922.96
Other creditors	28,001.58	70,160.90
Total	831,924.54	874,083.86

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014**Note 12 - Other operating charges**

The other operating charges are mainly composed of losses on sales of Nevinnomysk and Sakharny which were subsidiaries of the Company.

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:

	2014 USD	2013 USD
Directors' fees: amounts paid to the Directors during the year	210,000.00	161,744.54

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 2014 and 2013, 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 10 December 2013, at the general meeting of the shareholders, directors for a one-year term mandate were re-elected.

Note 14 - Audit fees

Audit fees are made up as follows:

	2014 USD	2013 USD
Audit fees	140,108.00	108,835.45

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

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.

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. Following to a waiver request dated 16 December 2013, the margin has been increased to 5.5% as from 30 June 2014.

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 2013/2014, financial years, Kernel Holding S.A. has paid for more than USD 3.1 million to the lender on behalf of the borrower.

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 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 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 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 Poltavske 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 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 Poltavske 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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Note 15 - Off balance sheet commitments (Continued)

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 was exercised in May 2013.

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, 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 Nevinnomyssk 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.

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.

On 24 February 2014, Kernel Holding S.A. reports that on 21 February 2014 its subsidiary entered into an USD 80.0 million credit line agreement with a syndicate of Ukrainian and European banks. The facility will be drawn to finance the working capital dedicated to the Company’s crop production in 2014.

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.

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Note 17 - Subsequent events

In May 2014, the government approved a resolution setting the parameters of a new special government bond issues intended to compensate for VAT refunds due to businesses, outstanding as of 31 December 2013 and not paid until the bonds issuance. In July and August 2014 the Group received the VAT bonds in amount of USD 22,545 thousand. The bonds have five years to maturity, are amortized at 10% semi-annually and pay a semi-annual coupon of 9.5%. Management is currently evaluating the available options and intends to use the bonds as collateral, if and when required, to secure additional bank financing.

In July 2014, the Ukrainian parliament adopted changes to the Tax Code effective from 1 October 2014 reinstating VAT refunds on grain exports for agricultural producers that directly export their produce. VAT on grain exports was not refunded from 1 July 2011 to 1 January 2014 and between 1 April 2014 to 1 October 2014.

In July 2014, under an Agreement on gratuitous financing the Company transferred USD 5,000,000.00 to Ust-Labinsk Florentina OEP LLC.

In August 2014, Fitch Ratings reviewed the ratings of seven Ukrainian corporates, including Kernel Holding S.A., following the agency's recent review of Ukraine's sovereign rating. While the Long-term foreign currency IDRs of the corporates, including Kernel Holding S.A., were affirmed at 'CCC', the agency downgraded the companies' Long-term local currency ratings to 'CCC' from 'B-'. Both ratings are in line with the Ukraine's sovereign ratings.

In August 2014, Kernel renewed three pre-export credit facilities for a total limit of USD 600.0 million and committed to an option to expand the limit to USD 680.0 million. One year secured revolving facilities with syndicates of European banks are used to finance the company's working capital for sunflower oil and grain export from Ukraine and Russia.

In September 2014, the European Union and Ukraine ratified the Deep and Comprehensive Free Trade Agreement under which the EU applies a zero-duty regime for the import of sunflower oil from Ukraine (2.9% and 6.1% duties for unrefined and refined sunflower oil were applied previously) along with the EU's special zero-duty import quotas for grain originating from Ukraine in the amount of 1.2 million tons (EUR 12-16 per ton duty was applied previously).

The Company made additional contributions for an aggregate amount of USD 11,445,000.00 to Kernel Capital LLC, one of its subsidiaries.

Note 18 - Contingencies

In April 2012, the Group entered into a call option agreement with the purpose of acquiring 100% of Stiom Holding ("Stiom") – a farming business located in Khmelnytskyi region of Ukraine. This acquisition was accounted for as a business combination in March 2013 when the Group obtained control over the right to use its land. As of 30 June 2014, the consideration paid for Stiom Holding by the Group and its related parties comprised USD 33,472 thousand. There are no amounts payable to the Group's related parties for this acquisition as of 30 June 2014 (30 June 2013: 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 of Stiom (Note 34 of the consolidated accounts). The Management of the Group does not expect any additional consideration to be paid to the sellers.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Note 19 - Operating environment

The majority of the investments held by the Company as presented in Note 4 are operating in Ukraine. Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. The Government of Ukraine has been negotiating with the International Monetary Fund ("IMF") and other financial institutions a provision of the financial aid and in April 2014 the Board of Governors of the IMF endorsed a two-year loan program for Ukraine in the total amount of USD 17.01 billion, out of which an installment of USD 3.19 billion was already obtained in May 2014. Ukraine's sovereign rating is at the level of CCC with a stable outlook. In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President and a transitional government has been formed. In March 2014, Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. On 25 May 2014, presidential elections took place and a new President of Ukraine was elected. In 2014, operating activities of the NBU, the banking system, and enterprises in general were additionally adversely affected by the separatist movements and the collapse of law and order enforcement in Luhansk and Donetsk regions. The Company's subsidiaries do not have assets in Crimea, Donetsk and Luhansk regions. Stabilization of the economy and the political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently unpredictable and their adverse affect on the Ukrainian economy may continue.