

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 2015

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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 2015

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

The overview below is mainly done from the Group perspective, taking into account the performance of the Kernel Holding S.A. as well as its subsidiaries.

2015 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.

Our profitability surged in FY2015 as we increased production and margins in our sunflower oil business, delivered steady throughput growth in grain and infrastructure, and achieved a stellar turn-around in our farming operations.

Acquisitions/disposals

In July 2014, the Company transferred an amount of USD 11,614,884.17 to Kernel Capital LLC according to the decision to increase charter capital as of 11 November 2013 at the meeting of shareholders.

The Company increased its investment in Ust-Labinsk Florentina OEP LLC for an amount of USD 10,000,000.00 (USD 5,000,000.00 respectively on 29 July 2014 and 22 December 2014).

Income statement highlights:

Revenues

The Group's revenues were USD 2,329.5 million in FY2015, down 3% yoy. While the Company's sales volumes showed double digits growth across most segments, global prices for agricultural commodities declined y-o-y, which was reflected in the our revenues and costs of purchased commodities.

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Gross profit

Gross Group's profit came to USD 512.2 million in FY2015, up 25% y-o-y from USD 408.2 million in FY2014, as a result of improved operating performance.

Other operating income

The Group's other operating income amounted to USD 82.9 million in FY2015 compared to USD 60.5 million a year earlier. A major portion of the income (USD 57.4 million in FY2015 vs. USD 35.3 million a year ago) was due to the difference between market and official exchange rate for US dollar in Ukraine. The National Bank of Ukraine periodically sets the official exchange rate (which is used for accounting purposes to convert our expenses in Ukrainian hryvnya into US dollar, our functional currency) below the market exchange rate (at which we effectively sell US dollar). As a result, the book value of costs of goods sold in accounts overstates the cash amount paid, while the difference is booked under other operating income line.

FY2015 other operating income also includes USD 10.7 million of state subsidies related to the farming division and USD 7.4 million from the cash settlements under contracts washouts.

Distribution costs

Distribution costs decreased sharply in FY2015 as Ukrainian hryvnya devaluation (by 48% y-o-y on average) reduced US dollar value of railway tariffs that comprise a major portion of our distribution expenses. As a result, our distribution costs were down 24% y-o-y and amounted to 8.5% of revenues in FY2015 compared to 11.0% a year ago.

General and administrative expenses

The Group's general and administrative expenses totaled USD 68.3 million in FY2015, compared to USD 77.0 million in FY2014. A 11% y-o-y decrease reflected a combination of 48% y-o-y average Ukrainian hryvnya devaluation on one hand and an increase in variable compensation linked to achievement of EBITDA minus interest expenses target.

Operating profit

As a result of above discussed movement in EBITDA and USD 26.0 million y-o-y decrease in depreciation and amortization charge caused by Ukrainian hryvnya devaluation, profit from operating activities increased 2.6x y-o-y to USD 328.3 million in FY2015, a margin of 14.1% in FY2015 compared to 5.4% a year ago.

Financing costs

The Group's finance costs declined 5% y-o-y to USD 68.6 million in FY2015 as a consequence of decrease in our indebtedness levels. At the same time, we decided to keep an abundant liquidity in FY2015 due to political uncertainties in Ukraine, which increased the average cost of financing above typical levels.

Foreign exchange loss

Foreign exchange losses were USD 152.9 million in FY2015 compared to USD 98.8 million a year ago, with both years' results heavily influenced by Ukrainian hryvnya devaluation: year-end value of Ukrainian hryvnya was 44% below a starting level in FY2015, and 32% below in FY2014. All the Company's subsidiaries have US dollar as functional currency, except farming and silo services enterprises. As a result, the devaluation caused USD 73.9 million foreign exchange losses on the balances nominated in foreign currencies in FY2015, most of which are related to intra-group prepayments between enterprises with different functional currencies. Additionally, we revalued prepaid VAT and income tax held in local currency, which have led to a loss of USD 78.2 million in FY2015 (vs. USD 71.1 million a year ago).

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Other expenses

Other expenses amounted to USD 10.5 million in FY2015 and reflected one-off items such as revaluation of trademarks.

Income tax

The Group's income tax accruals amounted to USD 0.4 million in FY2015 compared to USD 11.4 million a year ago, with Ukrainian hryvnya devaluation being the primary reason for low income tax charge. Our farming operations are exempt from an income tax, according to Ukrainian legislation, but are subject to a single agricultural tax which is booked under cost of goods sold.

Net profit

As a result net profit attributable to shareholders of Kernel Holding S.A. amounted to USD 106.9 million in FY2015, compared to a loss of USD 98.3 million a year ago.

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

- Sunflower oil:
The sunflower oil business' contribution was USD 213.1 million in FY2015, up 20% y-o-y. Our crushing volumes reached a record 2.5 million tons, with a growth of 8% y-o-y reflecting solid carry-over stocks from 2013/14 sunflower seed harvest and our robust procurement throughout 2014/15 season. EBITDA margin reached 18% in FY2015, up from 20.1% a year ago, as competition was subdued because smaller competitors lacked sufficient access to working capital.
- Grain and infrastructure:
The grain and infrastructure segments' EBITDA was USD 114.5 million in FY2015, down 9% y-o-y. Our grain sales volumes increased 12% y-o-y to 4.7 million tons, as we increased internal production and procured more grain from third-party farmers in Ukraine. Export terminals' performance was even better: we increased transshipment volumes by 23% y-o-y leveraging our growing sales and improved corn handling. Margins in both grain and export terminals segments were comparable with the previous year. At the same time, silo services' contribution declined y-o-y, with profitability per ton below average levels in FY2015 compared to above average a year ago: a dry weather in autumn FY2015 reduced farmers' demand for grain and oilseed drying services and off-farm storage.
- Farming:
Our farming segment's EBITDA contribution turned to a positive USD 97.9 million in FY2015 from a negative USD 44.3 million a year ago. Such a stellar change in profitability primarily reflected improved crop yields, which were up 16-28% y-o-y as changes in technology we have been implementing over the last two year finally started paying back. Additionally, we benefited from lower production costs as a result of rapid Ukrainian hryvnya devaluation.

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 2015 ends with a loss USD 12,719,147.48 mostly due to impairment of its subsidiaries: Kernel Trade LLC and Ust-Labinsk Florentina OEP LLC.

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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 2015	USD	(12,719,147.48)
Result brought forward	USD	268,176,646.71
To carry forward	USD	<u>255,457,499.23</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 2015, 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 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;

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- 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. 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 2014. 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 2014. 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 2014. 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 2014. 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 2014.

(7) Mr. Konstantin Litvinskyi, chief operating officer of the company, elected for a three-year term at the general meeting of shareholders held on 10 December 2014. 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 10 December 2014. 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.

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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 2015**

For additional subsequent events please refer to the Notes 16, 17 and 18 of these annual accounts.

THE BOARD OF DIRECTORS

By: _____ 2015
Mr. Andriy Verevskyy

By: _____ 2015
Mr. Andrzej Danilczuk

By: _____ 2015
Mr. Ton Schurink

By: _____ 2015
Miss Anastasiia Usachova

By: _____ 2015
Mrs. Viktoriia Lukianenko

By: _____ 2015
Mr. Kostiantyn Litvinskyi

By: _____ 2015
Mr. Yuriy Kovalchuk

By: _____ 2015
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 10 December 2014, we have audited the accompanying annual accounts of Kernel Holding S.A., which comprise the balance sheet as of 30 June 2015 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 2015, 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 18 "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 2015, 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

21 October 2015

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BALANCE SHEET AS AT 30 JUNE 2015

ASSETS			
	Notes	30.06.2015	30.06.2014
		USD	USD
B. FORMATION EXPENSES	3	484,072.45	1,231,268.79
C. FIXED ASSETS		718,591,142.89	704,758,195.72
III. Financial assets	4	718,591,142.89	704,758,195.72
1. Shares in affiliated undertakings		718,591,093.89	704,758,146.72
5. Securities and other financial instruments held as fixed assets		49.00	49.00
D. CURRENT ASSETS		35,103,152.73	119,876,541.52
II. Debtors	5	34,732,678.32	117,321,588.84
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		28,726,335.76	111,214,181.49
a) becoming due and payable within one year		28,726,335.76	111,214,181.49
4. Other receivables		5,981,342.56	6,082,407.35
a) becoming due and payable within one year		5,342.56	6,082,407.35
b) becoming due and payable after more than one year		5,976,000.00	---
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand		370,474.41	2,554,952.68
E. PREPAYMENTS		32,950.00	20,186.30
TOTAL ASSETS		754,211,318.07	825,886,192.33

Annual accounts for the year ended

30 June 2015

The accompanying notes form an integral part of the annual accounts

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BALANCE SHEET AS AT 30 JUNE 2015

LIABILITIES			
	Notes	30.06.2015 USD	30.06.2014 USD
A. CAPITAL AND RESERVES		736,352,230.38	768,992,230.36
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	268,176,646.71	358,130,454.54
VI. Profit or loss for the financial year	9	(12,719,147.48)	(70,032,955.33)
C. PROVISIONS	10	299,832.97	130,332.92
2. Provisions for taxation		205,979.65	30,728.37
3. Other provisions		93,853.32	99,604.55
D. NON SUBORDINATED DEBTS	11	17,559,254.72	56,763,629.05
4. Trade creditors		210,129.79	224,840.02
a) becoming due and payable within one year		210,129.79	224,840.02
6. Amounts owed to affiliated undertakings		17,204,224.44	55,614,965.58
a) becoming due and payable within one year		6,673,326.69	55,609,134.99
b) becoming due and payable after more than one year		10,530,897.75	5,830.59
8. Tax and social security debts		128,898.91	91,898.91
a) Tax debts		128,898.91	91,898.91
9. Other creditors		16,001.58	831,924.54
a) becoming due and payable within one year		16,001.58	831,924.54
TOTAL LIABILITIES		754,211,318.07	825,886,192.33

Annual accounts for the year ended

30 June 2015

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2015

CHARGES	Notes	2015 USD	2014 USD
2. OTHER EXTERNAL CHARGES		2,382,330.23	1,321,823.10
4. VALUE ADJUSTMENTS		747,196.34	829,789.08
a) on formation expenses and on tangible and intangible fixed assets	3	747,196.34	829,789.08
5. OTHER OPERATING CHARGES	12	222,500.00	12,946,803.12
6. VALUE ADJUSTMENTS AND FAIR VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS	4	7,781,937.00	102,324,363.70
8. INTEREST AND OTHER FINANCIAL CHARGES		1,027,324.74	2,453,038.38
a) concerning affiliated undertakings	11	1,016,786.27	2,396,341.95
b) other interest and similar financial charges		10,538.47	56,696.43
10. EXTRAORDINARY CHARGES		369,588.40	219,786.04
11. INCOME TAX		3,872.02	4,426.91
12. OTHER TAXES NOT INCLUDED IN THE PREVIOUS CAPTION		229,949.66	87.73
13. PROFIT FOR THE FINANCIAL YEAR		---	---
TOTAL CHARGES		12,764,698.39	120,100,118.06

Annual accounts for the year ended

30 June 2015

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2015

INCOME	Notes	2015 USD	2014 USD
5. OTHER OPERATING INCOME		---	3,461.83
6. INCOME FROM FINANCIAL FIXED ASSETS		---	50,023,302.78
a) derived from affiliated undertakings		---	50,023,302.78
8. OTHER INTERESTS AND OTHER FINANCIAL INCOME		15,421.83	40,398.12
b) other interest and similar financial income		15,421.83	40,398.12
10. EXTRAORDINARY INCOME		30,129.08	---
12. LOSS FOR THE FINANCIAL YEAR		12,719,147.48	70,032,955.33
TOTAL INCOME		12,764,698.39	120,100,118.06

Annual accounts for the year ended

30 June 2015

The accompanying notes form an integral part of the annual accounts

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

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.

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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Note 1 - General information (continued)

As at 30 June 2015, the Company's shares are allocated as follows: 39.21% (2014: 39.13%) held by Namsen Limited, and 60.79% (2014: 60.87%) 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.

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".

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Note 2 - Significant accounting policies (continued)

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.

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 unrealized exchange losses are recorded in the profit and loss account. The realized exchange gains are recorded in the profit and loss account at the moment of their realization.

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 unrealized loss is recorded in the profit and loss account and the net unrealized 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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

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.

Note 3 - Formation expenses

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

	2015 USD	2014 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	(15,144,066.26)	(14,314,277.18)
Allocation for the year	(747,196.34)	(829,789.08)
Reversals for the year	---	---
Transfers for the year	---	---
Accumulated value adjustment – closing balance	(15,891,262.60)	(15,144,066.26)
Net book value – opening balance	1,231,268.79	2,061,057.87
Net book value – closing balance	484,072.45	1,231,268.79

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015 USD
Gross book value – opening balance	807,082,510.42	49.00	807,082,559.42
Additions for the year	21,614,884.17	---	21,614,884.17
Disposals for the year	---	---	---
Transfers for the year	---	---	---
Gross book value – closing balance	828,697,394.59	49.00	828,697,443.59
Accumulated value adjustment – opening balance	(102,324,363.70)	---	(102,324,363.70)
Allocation for the year	(7,781,937.00)	---	(7,781,937.00)
Reversals for the year	---	---	---
Transfers for the year	---	---	---
Accumulated value adjustment – closing balance	(110,106,300.70)	---	(110,106,300.70)
Net book value – opening balance	704,758,146.72	49.00	704,758,195.72
Net book value – closing balance	718,591,093.89	49.00	718,591,142.89

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015
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%	30.06.2015	USD	139,780,000.00	USD	26,000.00	USD	135,748,280.96
Inerco Trade S.A.	Rue Jules Gachet 9, CH1260 Nyon, Switzerland	100.00%	30.06.2015	USD	131,337,195.32	USD	24,629,787.87	USD	3,532,673.50
Kernel Capital LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	99.75%	30.06.2015	USD	48,774,000.00	USD	(57,000.00)	USD	117,755,992.67
Kernel Trade LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	90.00%	30.06.2015	USD	177,740,000.00	USD	(14,766,000.00)	USD	226,292,058.64
Ukragrobusiness LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	91.30%	30.06.2015	USD	376,000.00	USD	1,000.00	USD	896,416.35
Estron Corporation Ltd	29A, Annis Komninis, P.C. ,1061 Nicosia, Cyprus	100.00%	30.06.2015	USD	49,307,449.64	USD	441,000.00	USD	97,526,715.48
Etrecom Investments LTD	13, Agiou Prokopiou, 2406 Egkomi Cyprus	100.00%	30.06.2015	USD	26,413.00	USD	1,947.00	USD	1.38
Trading Company Russian Oils LLC	350000, Krasnodar, Red Army, Street, N°36 Russia	100.00%	30.06.2015	USD	2,280,000.00	USD	(2,849,000.00)	USD	14,911,618.61
Ust-Labinsk Florentina OEP LLC (*)	Russia, 352336, Krasnodar region, city Ust-Labinsk, 133, Gagarin str	100.00%	30.06.2015	USD	1,506,000.00	USD	4,051,000.00	USD	14,306,406.15
Stavropol oil CJSC(*)	357820, Stavropol, Georgiyevsk, Gagarin Street, N°60 Russia	100.00%	30.06.2015	USD	(7,398,000.00)	USD	(4,256,000.00)	USD	12,184,122.90
Eastern Agro Investments Ltd	29A Annis Komninis, 1061 Nicosia, Cyprus	100.00%	30.06.2015	USD	(17,000.00)	USD	(590,000.00)	USD	---
Taman Grain Terminal Holding Limited	210, Makarios III Ave, Elli Court, 3030 Limassol-Cyprus	50.00%	30.06.2015	USD	188,625,000.00	USD	(529,000.00)	USD	94,906,807.25
Russian oils Don (formerly MasloZernovoy complex Kernel LLC)	Russia, 350000, Krasnodar region, Krasnodar city, street Krasnoarmeiskaia, building 36	100.00%	30.06.2015	USD	622,000.00	USD	(64,000.00)	USD	530,000.00
JV TransBulkTerminal LLC	Ukraine, 68000, Odesskaya district, city Illichivsk, 58, Sukhomlinskaya str.	1.00%	30.06.2015	USD	723,000.00	USD	228,000.00	USD	49.00

USD **718,591,142.89**

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

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Note 4 - Financial assets (continued)

On July 2014, the Company transferred an amount of USD 11,614,884.17 to Kernel Capital LLC.

As at 30 June 2015, the total amount invested in Kernel Capital LLC by the Company amounts to USD 117,755,992.67.

The Company increased its investment in Ust-Labinsk Florentina OEP LLC for an amount of USD 10,000,000.00 (USD 5,000,000.00 respectively on 29 July 2014 and 22 December 2014).

As of 30 June 2015, the Board of Directors of the Company decided to record value adjustments for an aggregate amount of USD 7,781,937.00 on the investments Ust-Labinsk Florentina OEP LLC (USD 2,144,000.00) and Kernel trade LLC (USD 5,637,937.00).

Note 5 - Debtors

Debtors are mainly composed of:

	Receivables within one year USD	Receivables after one year USD	Total 30.06.2015 USD	Total 30.06.2014 USD
<i>Amounts owed by affiliated undertakings</i>				
Dividends receivable - Etrecom Investments LTD	25,315,972.80	---	25,315,972.80	96,555,997.16
Receivable - Eastern Agro Investments Limited	---	---	---	11,456,360.00
Receivable - Bandurskyi (Garantee on loan)	3,410,362.96	---	3,410,362.96	3,201,824.33
<i>Trade debtors</i>				
Receivable - Thompson Coburn	25,000.00	---	25,000.00	25,000.00
<i>Other debtors</i>				
Receivable - Khmelnytskhhleboproduct - 24,9% *	---	3,124,794.37	3,124,794.37	3,124,794.37
Receivable - Stiom - Holding 24,9% *	---	2,851,205.63	2,851,205.63	2,851,205.63
Advance Corporate Income Tax 2012	---	---	---	1,918.04
Advance Corporate Income Tax 2013	---	---	---	2,095.50
Advance Corporate Income Tax 2014	1,762.27	---	1,762.27	2,151.14
Advance Corporate Income Tax 2015	1,691.24	---	1,691.24	---
Advance Corporate Income Tax 2016	1,753.45	---	1,753.45	---
Advance Net Wealth Tax 2012	---	---	---	75.50
Advance Net Wealth Tax 2013	---	---	---	82.49
Advance Net Wealth Tax 2014	---	---	---	84.68
Advance Net Wealth Tax 2015	66.58	---	66.58	---
Advance Net Wealth Tax 2016	69.02	---	69.02	---
Insurance Company Zheleznodorozhnye	---	---	---	100,000.00
Total	28,756,678.32	5,976,000.00	34,732,678.32	117,321,588.84

* please refer to note 18

Note 6 - Subscribed capital

As at 30 June 2015, 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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Note 7 - Share premium and similar premiums

In 2015, the share premium remains at an amount of USD 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 its annual 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 2014	210,412.01	358,130,454.54	(70,032,955.33)	288,307,911.22
Movements for the year:				
• Allocation of prior year's result	---	(70,032,955.33)	70,032,955.33	---
• Loss for the year	---	---	(12,719,147.48)	(12,719,147.48)
• Dividend payments	---	(19,920,852.50)	---	(19,920,852.50)
As at 30 June 2015	210,412.01	268,176,646.71	(12,719,147.48)	255,667,911.24

The allocation of prior year's results was approved by the General Shareholders' Meeting of 10 December 2014.

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. maintains a sustainable annual dividend of USD 0.25 per share. The dividends have been declared and paid in US dollars for a total amount of USD 19,920,852.50.

Note 10 - Provisions for taxation

Provisions for taxation are made up as follows:

	30.06.2015 USD	30.06.2014 USD
Provisions for taxation	205,979.65	30,728.37
Other provisions		
<i>Other provisions are composed of advisory fees and others</i>	93,853.32	99,604.55
	299,832.97	130,332.92

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

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 30.06.2015 USD	Total 30.06.2014 USD
Trade creditors	210,129.79	---	---	210,129.79	224,840.02
Amounts owed to affiliated undertakings	6,673,326.69	10,530,897.75	---	17,204,224.44	55,614,965.58
Tax debts	128,898.91	---	---	128,898.91	91,898.91
Other creditors	16,001.58	---	---	16,001.58	831,924.54
Total	7,028,356.97	10,530,897.75	---	17,559,254.72	56,763,629.05

As at 30 June 2015, amounts owed to affiliated undertakings are composed as follows:

	Total 30.06.2015 USD	Total 30.06.2014 USD
Loan Restomon Limited - USD 95 Mio (principal amount)	10,530,897.75	42,220,922.11
Payable - Restomon Limited	---	7,000,000.00
Loan Restomon Limited - USD 95 Mio (accrued interest)	6,465,575.07	5,448,788.80
Other Payables	207,751.62	945,254.67
Total	17,204,224.44	55,614,965.58

The loans from Restomon Limited “Restomon” bear interest of 4% per annum. The total accrued interest is USD 1,016,786.27 (USD 2,396,341.95 as at 30 June 2014) as at 30 June 2015. The loan will mature on 30 July 2017.

Other creditors are composed as follows:

	Total 30.06.2015 USD	Total 30.06.2014 USD
Interest on call option for the acquisition of Inter-Agro Capital and Kolos	---	803,922.96
Other creditors	16,001.58	28,001.58
Total	16,001.58	831,924.54

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Note 12 - 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 are broken down as follows:

	2015 USD	2014 USD
Directors' fees: amounts paid to the Directors during the year	222,500.00	210,000.00

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 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 part of the management incentive scheme, the Company's executives and senior employees are granted options to acquire shares of the Company. During the year ended 30 June 2015, the Board of Directors approved a new management incentive plan and amendment to the previous management incentive plan, issuing a total of 4,350,000 new options (600,000 options with a strike price of PLN 75.00 and 3,750,000 options with a strike price of PLN 29.61), with an authorized capital due to be approved by the general meeting of shareholders. As a result, as of 30 June 2015, a total of 7,407,820 options were issued, of which 3,232,820 were vested. 657,820 options (all vested) have a strike price of PLN 24.00, 3,000,000 options (out of which 2,575,000 vested) have a strike price of PLN 75.00 per share, and 3,750,000 options (out of which none vested) have a strike price of PLN 29.61.

Weighted average remaining contractual life was 12 years. These options granted under the Company's management incentive scheme carry no rights to dividends and no voting rights.

The fair value of the share-based options was USD 4,793 thousand as of 30 June 2015.

On December 2014, at the Annual General Meeting of Shareholders, the directors were re-elected for a one-year mandate.

Note 13 - Audit fees

Audit fees are made up as follows:

	2015 USD	2014 USD
Audit fees	133,373.65	140,108.00

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Note 14 - 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.

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 2011/2015, financial years, Kernel Holding S.A. has paid for more than USD 3.3 million to the lender on behalf of the borrower.

On 22 September 2011, Inerc 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, Poltava HPP PJSC/Kononivsky Elevator LLC, two of the subsidiaries of Kernel Group Company entered into a USD 25 million six-year loan agreement with an Ukrainian subsidiary of American 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 Black Sea Industries acquisition 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 108 million up to five-year facility agreement with European Banks for the financing of general corporate purpose of the Group and capital expenditures relating to the Transbulkterminal. Kernel Holding S.A. acts as co-borrower of this loan.

On 12 October 2012, Ust-Labinsk Florentina OEP LLC, 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, Stavropol oil CJSC, 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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Note 14 - Off balance sheet commitments (Continued)

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 Ukreksimbank 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 29 August 2014, The Company, through a subsidiary, renewed its sunflower oil pre-export credit facility and security package with a syndicate of European banks. A one year secured revolving facility with a limit of USD 350 million and option to increase up to USD 400 million is used by the company to fund the procurement of sunflower seeds for its sunflower oil production business in Ukraine.

On 29 August 2014, further to the report dated 13 August 2014, the Company informs that it had increased its pre-export grain credit facility for USD 50 million up to USD 230 million following the accession of the European Bank for Reconstruction and Development to the syndicate. The one year secured revolving facility with syndicate of European banks is used to finance the company's working capital for grain export from Ukraine.

On 15 June 2015, the Company, through Inerco Trade S.A., a subsidiary of the Company, entered into a USD 65 million credit facility with a syndicate of European banks. The one-year secured facility will be used to finance the working capital needs in the company's farming segment and further export of grains from Ukraine.

The Company is committed to issue shares for share option plan. Please refer to note 12.

Note 15 - Tax Status

The Company is fully taxable under Luxembourg tax regulations.

Note 16 - Subsequent events

On 18 August 2015, the Company, through a subsidiary, renewed its grain pre-export credit facility with a syndicate of European banks. A one year secured revolving facility with a limit of USD 230 million is used by the company to fund the working capital needs of its grain export business in Ukraine.

On 21 August 2015, the Company, through its subsidiary, entered into an amendment agreement to its USD 320 million pre-export credit facility dated 22 August 2014 . A one year secured revolving facility with a limit of USD 350 million will be used by the company to fund the procurement of sunflower seeds for its sunflower oil production business in Ukraine.

On 25 August 2015, the Company, through a subsidiary, renewed its sunflower oil pre-export credit facility with a syndicate of European banks. The one-year secured revolving facility with a limit of USD 350 million is used by the company to fund the working capital needs of its sunflower oil production business in Ukraine.

On 10 September 2015, the Company announces that it has, through a subsidiary, signed on 7 September 2015 a tolling agreement to crush 200,000 tons of sunflower seed at a third-party plant located in Ukraine.

On October 2015, Cascade Investment Fund notified that it had acquired shares in Kernel Holding S.A., as a result of which it had crossed the threshold of 5% of the overall number of votes at the general shareholders' meeting of the Company.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Note 16 - Subsequent events (Continued)

Cascade Investment Fund holds 3,984,345 shares in the Company, representing 5.0% of the share capital and entitling it to 3,984,345 votes at the Company's general shareholders' meeting, equal to 5.0% of the total number of votes.

Note 17 – Contingencies

In April 2012, the Kernel Holding S.A. and its subsidiaries (the "Group") entered into a call option agreement to acquire Stiom Holding, a farming company located in Khmelnytskyi region of Ukraine. Upon signing, the sellers received approximately 40% of the estimated net asset value partly from the Group and its related parties. As of 31 December 2014, the consideration paid for Stiom Holding by the Group comprised USD 33,472 thousand. In the meantime, the final payment shall be due and payable only after fulfillment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers in respect to the non-fulfillment of the seller's obligations. In December 2012, the Group received a request for arbitration from the sellers in which the sellers claimed amounts due to them. The arbitral tribunal was formed, the parties exchanged written statements on the case and directions on next steps are awaited from the tribunal. Management believes that it is unlikely that any significant settlement will arise out of this lawsuit. At the Group level, the subsidiaries of the Group benefited from the prepayment made by acquiring land lease rights.

As of 30 June 2015, on the balance of Kernel Holding S.A. there were the prepayments made as part of the consideration discussed above in the total amount of USD 5,976 thousand (Note 5).

The Management believe that these prepayments will be recovered either resulting from lawsuit resolution or otherwise will be sold to other Company of the Group, which has received benefit from this prepayment.

Note 18 - Operating environment

In 2014, Ukraine was in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. Political unrest and separatist movements in Eastern Ukraine evolved into armed conflict and full-scale military activities in certain parts of Luhansk and Donetsk regions, effectively resulting in the loss of control over these territories by the Government of Ukraine. These events led to a significant deterioration in the relationship between Ukraine and the Russian Federation.

The Group does not have assets in Crimea, Donetsk or Luhansk regions.

The armed military conflict and inability to implement substantial and effective economic reforms have led to a significant fall in the gross domestic product, decline in international trade, deterioration in the state's finances and significant devaluation of the Ukrainian hryvnya against major foreign currencies. The ratings of Ukrainian sovereign debt have been downgraded by all international rating agencies with a negative outlook for the future. All these factors have had a negative effect on Ukrainian companies and banks, hampering their ability to obtain funding from domestic and international financial markets. In addition, Ukraine has a large external debt refinancing requirement in the next few years, while its foreign reserves have reached a critically low level.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Note 18 - Operating environment (Continued)

The National Bank of Ukraine (NBU) introduced a range of measures aimed at limiting the outflow of foreign currencies from the country, inter alia, the mandatory sale of 75% of foreign currency earnings, certain restrictions on purchases of foreign currencies on the interbank market and on the usage of foreign currencies for settlement purposes, limitations on remittances abroad, and limitations on individuals for foreign currency purchases and bank withdrawals. In addition, the Government of Ukraine has been taking efforts to attract significant external financing, primarily from the International Monetary Fund, as well as negotiating terms and conditions with external creditors as to the curtailing and restructuring of terms of repayment of the principal amount of external debt.

Stabilization of the economic and political situation depends, to a large extent, upon the success of the Ukrainian Government and the NBU's efforts, yet further economic and political developments, as well as the impact of these factors on the Group, its customers and contractors are currently difficult to predict.

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.