

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO UNITED STATES PERSONS OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) AS DEFINED IN AND IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) PROVIDED BY RULE 144A UNDER THE SECURITIES ACT OR ANOTHER EXEMPTION THEREFROM OR (2) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached listing particulars (the “Listing Particulars”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Listing Particulars. In accessing the Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTIONS AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES UNLESS REGISTERED UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION, AS PROVIDED HEREIN.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE LISTING PARTICULARS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH LISTING PARTICULARS IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE LISTING PARTICULARS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: You have accessed the Listing Particulars on the basis that you have confirmed your representation to Kernel Holding S.A. (the “Issuer”), to Agropolis, LLC, Ahrofirma Khliborob, LLC, Avere Commodities SA, Bandursky VOEP LLC, Black Sea Industries Ukraine Limited, LLC, Druzhba-Nova, ALLC, Enselco Agro, LLC, Hovtva, ALLC, Inerco Trade SA, Kalyna, LLC, Kernel-Capital, LLC, Kernel-Trade, LLC, Kononivskiy Elevator, LLC, Mriia, LLC, Podillia-Agroservice, LLC, Poltavsky VOEP, PJSC, Prydniprovskiyi Krai, ALLC, Prydniprovskiyi OEZ, LLC, Prykolotnjansky OEP, LLC, Starokostiantynivskiyi OEZ, LLC, Transgrainterminal, LLC (each, a “Guarantor” and, together, the “Guarantors”), and to J.P. Morgan Securities plc (the “Sole Global Coordinator”) and Crédit Agricole Corporate and Investment Bank and Natixis (together, the “Joint Bookrunners” and, together with the Sole Global Coordinator, the “Joint Lead Managers and Bookrunners”) that (1) you are a QIB or (2) you are outside the United States and are not a United States person, as defined in Regulation S under the Securities Act, nor acting on behalf of a United States person and, to the extent you purchase the securities described in the Listing Particulars (the “Notes”), you will be doing so pursuant to Regulation S under the Securities Act, and the electronic mail address to which the Listing Particulars have been delivered is not located in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, and (3) (in either case) you consent to delivery of the Listing Particulars and any amendments or supplements thereto by electronic transmission.

You are reminded that the Listing Particulars have been delivered to you on the basis that you are a person into whose possession the Listing Particulars may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the Listing Particulars, electronically or otherwise, to any other person. If you receive the Listing Particulars by e-mail, you should not reply by e-mail. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive the Listing Particulars by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantors, the Joint Lead Managers and Bookrunners or their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Issuer, the Guarantors, the Joint Lead Managers and Bookrunners or any of their respective affiliates accepts any liability or responsibility whatsoever

in respect of any discrepancies between the document distributed to you in electronic format and the hard-copy version.

The materials relating to the offering of Notes (the “Offering”), as described in the Listing Particulars, do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Joint Lead Managers and Bookrunners, the Issuer or the Guarantors that would or is intended to permit a public offering of the Notes, or possession or distribution of the Listing Particulars (in preliminary or final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the Offering be made by a licenced broker or dealer and the Joint Lead Managers and Bookrunners or any affiliate of the Joint Lead Managers and Bookrunners is a licenced broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Joint Lead Managers and Bookrunners or such affiliate on behalf of the Issuer and the Guarantors in such jurisdiction.

In the United Kingdom, the Listing Particulars are being distributed only to and directed only at (i) persons who have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), (ii) high net worth entities, and other persons to whom they may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, and (iii) those persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”)) in connection with the issue or sale of any securities may otherwise lawfully be communicated or be caused to be communicated (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on the Listing Particulars or any of their contents, and should return the Listing Particulars as soon as possible and take no other action. Any investment or investment activity to which the Listing Particulars relate are only available to, and the Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU, as amended (“MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation/Prohibition of sales to EEA and UK retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”) or in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling any in scope instruments or otherwise making such instruments available to retail investors in the EEA or in the UK has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful.



Kernel Holding S.A.

(incorporated in Luxembourg)

US\$300,000,000

6.75% Guaranteed Notes due 2027

Issue Price 100%

Kernel Holding S.A. (the “Issuer” or the “Company”) is offering (the “Offering”) US\$300,000,000 6.75% Guaranteed Notes due 2027 (the “Notes”). Each of the Guarantors organised outside Ukraine (the “Non-Ukrainian Guarantors”) will, pursuant to the guarantee contained in the trust deed to be dated on or about 27 October 2020 (the “Closing Date”) between the Issuer, the Guarantors named therein and BNY Mellon Corporate Trustee Services Limited (the “Trustee”) (the “Multiparty Trust Deed”), unconditionally and irrevocably, jointly and severally with every other Guarantor (as defined below), to the maximum extent permitted by law, guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds (as defined below). Each of the Ukrainian Guarantors will either be a party to the Multiparty Trust Deed or will separately enter into a trust deed with the Trustee, each to be dated on or about the Closing Date (each, an “Additional Trust Deed” and, together, the “Additional Trust Deeds”, and together with the Multiparty Trust Deed, the “Trust Deeds”, and each, including any accessions, amendments or supplements thereto, a “Trust Deed”). The Notes will be constituted by the Trust Deeds.

The Ukrainian Guarantors will unconditionally and irrevocably, jointly and severally with every other Guarantor, to the extent not expressly prohibited by any applicable law, agree to ensure the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds (each, a “Suretyship” and, together, the “Suretyships”). Each of the Ukrainian Guarantors is either a party to the suretyship deed to be entered into between the Ukrainian Guarantors named therein and the Trustee to be dated on or about the Closing Date (the “Multiparty Suretyship Deed”) or will separately enter into a suretyship deed with the Trustee, each to be dated on or about the Closing Date (each, an “Additional Suretyship Deed” and, together, the “Additional Suretyship Deeds” and together with the Multiparty Suretyship Deed, the “Suretyship Deeds”, and, each, including any accessions, amendments or supplements thereto, a “Suretyship Deed”). The Suretyships will not constitute a guarantee obligation (in Ukrainian, “*garantiya*”) as that term is interpreted under Ukrainian law. See “*Risk Factors—The obligations of Ukrainian Guarantors under the Suretyship Deeds may be terminated in certain instances*”.

Interest on the Notes is payable semi-annually in arrear on 27 April and 27 October in each year, commencing on 27 April 2021. Payments on the Notes and under the Guarantees will be made without withholding or deduction for or on account of taxes of Luxembourg, Ukraine and certain other jurisdictions to the extent described under Condition 7 (*Taxation*) and subject to applicable laws. The Notes mature on 27 October 2027 (the “Maturity Date”) at their principal amount together with accrued and unpaid interest.

The Notes are subject to early redemption in certain circumstances. In particular, the Issuer may (i) at any time prior to 27 October 2023, redeem the Notes on one or more occasions in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes (including any Additional Notes as defined in the terms and conditions of the Notes (the “Conditions”)) originally issued with the net cash proceeds of one or more Equity Offerings (as defined in the Conditions), at a redemption price equal to 106.75% of the principal amount redeemed, plus accrued and unpaid interest, if any, to (but excluding) the date of redemption, provided that at least 65% of the principal amount of the Notes (including any Additional Notes) originally issued remains outstanding immediately after each such redemption and each such redemption occurs within 60 days after the date of the related Equity Offering; (ii) at any time prior to 27 October 2023, redeem the Notes in whole, but not in part, at a price equal to 100% of their principal amount, plus a “make-whole” premium, together with accrued and unpaid interest, if any, to (but excluding) the applicable redemption date; and (iii) on and after 27 October 2023, redeem the Notes in whole or in part, at the redemption prices (expressed as a percentage of the principal amount of the Notes) set out in the Conditions. The Notes are subject to redemption in whole, at their principal amount, together with any premium (to the extent premium, if any, is required to be paid under the Conditions) and accrued and unpaid interest to (but excluding) the date fixed for redemption, at the option of the Issuer at any time in the event it has or will become obliged to pay Additional Amounts and/or as provided for, or referred to, in any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Luxembourg, Ukraine or other specified jurisdictions. The Issuer will, at the option of any Noteholder, repurchase any Notes held by such Noteholder at any time following a Change of Control (as defined in the Conditions), at a purchase price in cash equal to 100% of their principal amount, together with accrued and unpaid interest, if any, to (but excluding) the date fixed for repurchase. See Condition 5 (*Redemption and Purchase*).

There is currently no established trading market for the Notes. Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin (“Euronext Dublin”) for the approval of this document as listing particulars. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List of Euronext Dublin (the “Official List”) and to trading on the Global Exchange Market of Euronext Dublin (the “Global Exchange Market”), which is the exchange-regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of EU Directive 2014/65/EU (as amended) (“MiFID II”).

This document constitutes the listing particulars (the “Listing Particulars”) in respect of the admission of the Notes to the Official List and to trading on the Global Exchange Market.

See “Risk Factors” beginning on page 24 to read about important risks that prospective investors should consider before investing in the Notes.

None of the Notes or the Guarantees (as defined herein) have been, nor will they be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction. The Notes are being offered and sold (i) in the United States only to qualified institutional buyers as defined in, and in reliance on, Rule 144A under the Securities Act (“Rule 144A”) or on another exemption from the requirements of the Securities Act and (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (“Regulation S”). Prospective investors that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under “*Selling and Transfer Restrictions*”.

The Company expects the Notes to be rated “BB-” by Fitch Ratings Ltd (“Fitch”), two notches above the Ukrainian sovereign, and “B+” by S&P Global Ratings Europe Limited (“S&P”), one notch above the Ukrainian sovereign. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation. Each of Fitch and S&P is established in the European Union or in the United Kingdom and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the “CRA Regulation”). As such, each of Fitch and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

The Notes will be issued in registered form in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Delivery of the Notes will be made on or about the Closing Date. The Regulation S Notes will upon issue be represented by a single global note certificate (the “Regulation S Global Note Certificate”) in registered form, which will be deposited with a common depository (the “Common Depository”) for, and registered in the name of a nominee of, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) on or about the Closing Date for the accounts of their respective accountholders. The Rule 144A Notes will be evidenced by a global note certificate (the “Rule 144A Global Note Certificate”) and, together with the Regulation S Global Note Certificate, the “Global Note Certificates”), which will be registered in the name of a nominee of, and deposited with a custodian for, The Depository Trust Company (“DTC”). Ownership interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg (as applicable) and their respective participants.

The Issuer intends to use the proceeds of the issuance of the Notes to finance the purchase of up to US\$350 million of the aggregate principal amount outstanding of the US\$500 million 8.75% guaranteed notes due 31 January 2022 (the “2022 Notes”) tendered and accepted for purchase by the Issuer in accordance with the terms and conditions of the Tender Offer (as defined herein). The remaining proceeds of the issuance of the Notes, if any, will be used by the Issuer for general corporate purposes.

Sole Global Coordinator

J.P. Morgan

Joint Bookrunners

Crédit Agricole CIB

Natixis

The date of these Listing Particulars is 23 October 2020.

NOTICES

The Issuer and the Guarantors accept responsibility for the information contained in these Listing Particulars. To the best of the knowledge and belief of each of the Issuer and the Guarantors (each of which has taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer and the Guarantors, having made all reasonable enquiries, confirm that these Listing Particulars contain all information with respect to the Issuer, the Guarantors, the Issuer and its consolidated subsidiaries taken as a whole (the “Group”), the Notes and the Guarantees which is material in the context of the issue and Offering of the Notes and the Guarantees; the statements contained in these Listing Particulars relating to the Issuer, the Guarantors and the Group are true and accurate in all material respects and not misleading; the opinions, intentions and expectations expressed in these Listing Particulars with regard to the Issuer, the Guarantors and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; there are no other facts in relation to the Issuer, the Guarantors, the Group, the Notes or the Guarantees, the omission of which would, in the context of the issue and Offering of the Notes, make any statement in these Listing Particulars misleading; these Listing Particulars do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading; and all reasonable enquiries have been made by the Issuer and the Guarantors to ascertain the facts, information and statements contained in these Listing Particulars.

These Listing Particulars may only be used for the purposes for which they have been published.

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantors or the Joint Lead Managers and Bookrunners (as defined in “*Subscription and Sale*”) to subscribe for, or purchase any of, the Notes. The distribution of these Listing Particulars and the Offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer, the Guarantors and the Joint Lead Managers and Bookrunners to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of the Notes and distribution of these Listing Particulars, see “*Subscription and Sale*”.

No person is authorised to give any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors or the Joint Lead Managers and Bookrunners. Neither the delivery of these Listing Particulars nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantors or the Group since the date hereof or the date upon which these Listing Particulars have been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, the Guarantors or the Group since the date hereof or the date upon which these Listing Particulars have been most recently amended or supplemented or that the information contained in them or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, the Joint Lead Managers and Bookrunners accept no responsibility whatsoever for the contents of these Listing Particulars or for any other statement made or purported to be made by any Joint Lead Manager and Bookrunner or on its behalf in connection with the Issuer, the Guarantors, the Group or the issue and Offering of the Notes or the Guarantees. Each Joint Lead Manager and Bookrunner

accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of these Listing Particulars or any such statement.

Prospective investors should not construe anything in these Listing Particulars as legal, business or tax advice. Each prospective investor should consult its own advisers as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations.

No representation or warranty, express or implied, is made by the Joint Lead Managers and Bookrunners or the Trustee as to the accuracy or completeness of the information set forth in these Listing Particulars, and nothing contained in these Listing Particulars is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the Joint Lead Managers and Bookrunners nor the Trustee or any of their respective affiliates have authorised the whole or any part of these Listing Particulars and none of them makes any representation or warranty or assumes any responsibility for the accuracy or completeness of the information set forth in these Listing Particulars or any responsibility for any acts or omissions of the Issuer, any of the Guarantors or any other person (other than the relevant Joint Lead Manager and Bookrunner or the Trustee, as applicable) in connection with the issue and Offering of the Notes. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer, the Guarantors and the Group and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investments.

None of the Issuer, the Guarantors, the Joint Lead Managers and Bookrunners or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under appropriate legal investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

None of the Notes or the Guarantees have been approved or disapproved by the U.S. Securities and Exchange Commission or any other state securities commission or regulatory authority in the United States, nor has any such commission or regulatory authority passed upon the accuracy or adequacy of these Listing Particulars. Any representation to the contrary is a criminal offence in the United States.

These Listing Particulars have been prepared solely for use in connection with the Offering of the Notes described in these Listing Particulars. These Listing Particulars are personal to each offeree and do not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of these Listing Particulars to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any other disclosure of any of their contents, without the prior written consent of the Issuer, the Guarantors and the Joint Lead Managers and Bookrunners is prohibited. Each prospective investor, by accepting delivery of these Listing Particulars, agrees to the foregoing and to make no photocopies of these Listing Particulars or any documents referred to in these Listing Particulars.

The Issuer and the Guarantors reserve the right to withdraw the Offering of the Notes at any time. The Issuer, the Guarantors and the Joint Lead Managers and Bookrunners reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or no reason and to allot to any prospective investor less than the full principal amount of the Notes sought by it.

STABILISATION

In connection with the Offering of the Notes, J.P. Morgan Securities plc (or persons acting on its behalf) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher

than that which might otherwise prevail for a limited period after the issue date. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

MiFID II product governance / Professional investors and ECPs only target market — Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / Prohibition of sales to EEA and UK retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”) or in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No. 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling any in scope instruments or otherwise making such instruments available to retail investors in the EEA or in the UK has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful.

Notification under Section 309B(1)(c) of the Securities and Futures Act — In connection with Section 309B of the Securities and Futures Act, Chapter 289 of Singapore (the “Securities and Futures Act”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the Securities and Futures Act), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO U.S. INVESTORS

The Offering of the Notes is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgements, representations, warranties and agreements that are described in these Listing Particulars.

These Listing Particulars are being provided (1) to a limited number of U.S. investors that the Issuer reasonably believes to be “qualified institutional buyers” (“QIBs”) under Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States in reliance on Regulation S. Prospective investors are hereby notified that the sellers may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A.

The Notes described in these Listing Particulars have not been registered with, recommended by or approved by, the United States Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of these Listing Particulars. Any representation to the contrary is a criminal offence.

NOTICE TO UNITED KINGDOM RESIDENTS

In the United Kingdom, these Listing Particulars are only being distributed to and are only directed at: (i) persons who have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”)) in connection with the issue or sale of any securities may otherwise lawfully be communicated or be caused to be communicated (all such persons together being referred to as “Relevant Persons”). Any investment or investment activity to which these Listing Particulars relate is only available to, and the Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on these Listing Particulars or any of their contents.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Principal Paying Agent (as defined herein) for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Principal Paying Agent, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

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OVERVIEW

This overview may not contain all the information that may be important to prospective purchasers of the Notes and, therefore, should be read in conjunction with the entire Listing Particulars, including the more detailed information regarding the Group's business and the audited consolidated financial statements for Kernel Holding S.A. and its subsidiaries as at and for the financial year ended 30 June 2020 and as at and for the financial year ended 30 June 2019 (including comparative information in respect of the financial year ended 30 June 2018) (together, the "Group's Consolidated Financial Statements") included elsewhere in these Listing Particulars. Certain statements in this overview include forward looking statements that also involve risk and uncertainties as described under "Forward Looking Statements".

Overview of the Issuer

The Group is a diversified agricultural business in the Black Sea region, listed on the Warsaw Stock Exchange. The Group's primary activities are the procurement and processing of sunflower seeds, marketing of sunflower oil and its by-products and grain on international markets, the procurement, transportation and storage of grains and oilseeds, and the production of corn, sunflower seeds, wheat and other crops as part of its farming operations. All of the Group's manufacturing facilities are based in Ukraine.

In the year ended 30 June 2020, the Group had total revenue of US\$4,106.8 million, profit from operating activities of US\$337.3 million and profit for the period of US\$122.8 million. As at 30 June 2020, the Group had total assets of US\$3,164.7 million.

Starting from 1 July 2018, the Group's revenue and operating profit are derived across three reporting segments in the Group's Consolidated Financial Statements, as set out below. Prior to 1 July 2018, the Group reported its results within six reporting segments. In FY2019, the Group combined the bulk and bottled sunflower oil segments to form the Oilseed Processing segment since the performance of the two segments is driven by similar factors. Grain, silo services and export terminals were combined into the Infrastructure and Trading segment in order to enable the Group to evaluate margins through the entire value chain rather than simply assess the profitability of each separate business, as well as to simplify its reporting obligations by no longer having to account for intragroup transactions between the grain, silo services and export terminal businesses. The Group believes the segmental changes have simplified its reporting and enhanced stakeholder understanding of the Group's business.

Oilseed Processing segment

The Group is the largest processor of sunflower seeds and the largest producer and exporter of sunflower oil in Ukraine (according to the State Statistics Service of Ukraine and the National Academy of Agricultural Sciences of Ukraine). The Group mostly sells sunflower oil in bulk, exporting it from Ukraine, but up to 10% of produced sunflower oil is further refined, bottled and sold under the Group's own brands or private labels both domestically and internationally. The Group is the largest producer and vendor of bottled sunflower oil in Ukraine (according to Nielsen and the National Academy of Agricultural Sciences of Ukraine). In FY2020, the Group processed 3.4 million tonnes of oilseeds and sold 1.5 million tonnes of edible oil (including 145 million litres of bottled sunflower oil) generating external revenue of US\$712.2 million (17.3% of the Group's total revenue) and intersegment revenue of US\$834.8 million, for profit from operating activities of US\$134.1 million.

Infrastructure and Trading segment

The Group is the largest grain exporter in Ukraine, delivering internationally approximately 14% of Ukraine's total grain export in FY2020 (based on Stark Research). The Group also operates one of the largest and most

advanced grain export infrastructures in Ukraine, including the largest private silo network in the country with an aggregate storage capacity of 2.4 million tonnes, the largest private grain railcars fleet of 3.4 thousand grain hoppers and two of the largest grain export terminals with 8.8 million tonnes of annual grain transshipment capacity (based on the Group's analysis and according to Ukrainian Railways, the Elevatorist, the Ports of Ukraine and the Ukrainian Sea Ports Authority ("USPA")). In addition, the Infrastructure and Trading segment includes operations of Avere Commodities SA ("Avere"), which is a research and knowledge platform that is also involved in proprietary trading operations and marketing of sunflower oil produced by the Group's oil-extraction plants.

In FY2020, the Group exported 7.9 million tonnes of grain from Ukraine, handled 4.2 million tonnes of grain through its silo network and transhipped 6.7 million tonnes of soft commodities through its export terminals in Ukraine, generating external Infrastructure and Trading segment revenue of US\$3,365.0 million (81.9% of the Group's total revenue) and intersegment revenue of US\$61.3 million, for profit from operating activities of US\$193.0 million.

Farming segment

The Group is the largest crop producer in Ukraine (based on the Group's analysis and according to the State Statistics Service of Ukraine and Latifundist.com), producing corn, sunflower seeds, wheat, soybeans, and other crops on approximately 514 thousand hectares of leasehold farmland. In FY2020, the Farming business segment sold 3.2 million tonnes of key grain and oilseeds and generated external revenue of US\$29.6 million and intersegment revenue of US\$574.4 million, for profit from operating activities of US\$71.2 million with respect to such external and intersegment revenue.

The Group's end product and services segments are supported by its origination and processing functions. In FY2020, the Group exported 7.9 million tonnes of grain and oilseeds from Ukraine and processed approximately 3.4 million tonnes of oilseeds.

The Group's products are primarily sold on international markets, with 96.9% of external sales derived from exports in FY2020.

Competitive strengths

The Group believes it has a number of key strengths that have contributed to its commercial success and which will be important to the implementation of its growth strategy.

Vertically integrated business model

- Downstream comprises the world's largest sunflower oil business as well as the largest grain origination and marketing operations in Ukraine including the largest private inland grain silo network in Ukraine.
- Well complemented by Ukraine's largest upstream farming operations producing an export-oriented crop-mix with approximately 100% of sales volumes flowing through the Group's downstream segments.
- Extensive silo network as well as the largest private railcars network in Ukraine which enable efficient and cost-effective supply chain management.
- Robust risk-management controls within the Group with precise risk limits.
- The Group also leverages its subsidiary Avere's research platform and expertise in risk management.

Integrated and well-invested world-class asset base

- The largest Ukrainian crop producer operating approximately 514 thousand hectares of leasehold farmland.
- The largest global producer of sunflower oil, operating Ukraine's largest oilseed crushing facilities with 3.5 million tonnes annual capacity, approximately two-fold larger than the nearest competitor.
- The Group owns Ukraine's largest private silo network with 2.4 million tonnes of storage capacity and two of Ukraine's largest grain export terminals in the port of Chornomorsk with 8.8 million tonnes of annual grain transshipment capacity.
- The Group is the largest private owner and operator of grain railcars in Ukraine.

Strategically located assets with proximity to export infrastructure

- The Group's silo network is located in close proximity to the leasehold farmlands stretching across 13 crop regions in Ukraine.
- The Group operates eight strategically located oilseed processing plants with an entrenched supply chain connectivity to export terminals.
- World-class export infrastructure with TransBulkTerminal ("TBT") and new TransGrainTerminal ("TGT"), both deep-water facilities capable of servicing post-Panamax-sized vessels.

Cost leadership backed by scale economies and an efficient asset base

- Extensive origination operations spread across almost all farming regions of Ukraine.
- Single largest buyer of soft commodities in Ukraine, sourcing approximately 8.2 million tonnes of grains and oilseeds in FY2020.
- Full control over the supply chain with own storage and transportation network.
- The Group's approximately 8.8 million tonnes transshipment capacity offers a cost-effective gateway to global markets.

Financial outperformance backed by a healthy capital structure

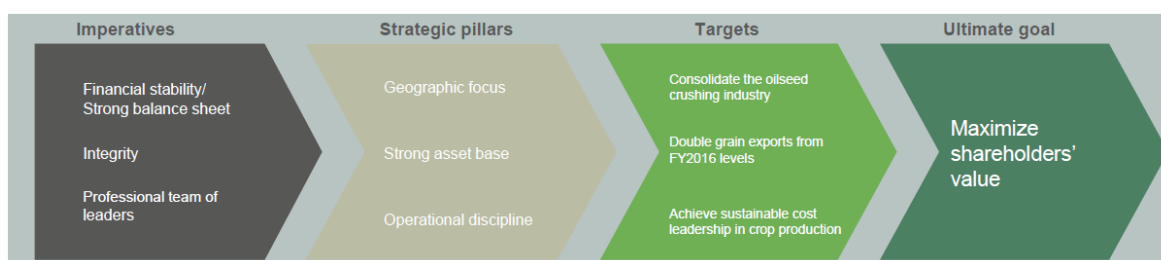
- The Group recorded a strong growth in revenue from US\$1,988.5 million in FY2016 to US\$4,106.8 million in FY2020 on the back of steady expansion in volumes across oilseeds and grains segments and the launch of Avere's physical trading activities.
 - Sunflower oil sales volumes have grown at a 9% compound annual growth rate ("CAGR"), from 1.1 million tonnes in FY2016 to 1.5 million tonnes in FY2020.
 - Grains export volumes from Ukraine recorded a 25% CAGR, from 3.2 million tonnes in FY2016 to 7.9 million tonnes in FY2020, with export terminals throughput in Ukraine rising from 3.7 million tonnes in FY2016 to 6.7 million tonnes in FY2020.
 - Production of key oilseeds and grains by the farming segment expanded from 1.9 million tonnes in FY2016 to 3.1 million tonnes in FY2020.
- Despite adverse commodity pricing trends in the recent years, Adjusted EBITDA margin has stabilised at 10.8% in FY2020, from 17.5% recorded during the commodity upcycle in FY2016.
- The Group's credit track record has enabled unhindered access to international debt markets in the last 10 years to finance working capital and capital expenditure requirements.

Highly dedicated, blue-chip leadership team

- The Group benefits from the visionary leadership of Andrii Verevskyi who also indirectly holds 39% ownership in the Issuer.
- Dedicated, veteran management team with vast industry experience enabling the Group to maintain market leadership across its business segments.
- Performance-linked compensation structure aligns the management's interests with the shareholders.

Strategy

The Group has adopted a strategy which has a series of long-term aims, extending out to 2021 (the "Strategy 2021"). In particular, the Group aims to profitably increase export volumes by providing unique complex solutions to its customers and suppliers, and through the balanced development of its business segments as a result of its efficient use of its asset base, investments in technology and innovation, strategic acquisitions, the continuous development of its employees and the strengthening of its operations.



Within the purview of this strategy, the key mid-term targets and key deliverables for each segment are:

Segment	Oilseed processing	Infrastructure and Trading	Farming
Mid-term targets	<ul style="list-style-type: none"> • Construction of greenfield crushing plant with one million tonnes capacity in western Ukraine • Substantial upgrade of most of the Group's processing plants to drive efficiency 	<ul style="list-style-type: none"> • Double grain exports in FY2021 via greenfield construction of four-million-tonne deep-water transshipment facility in Ukraine • Expand and streamline silo network to serve growing in-house production and export volumes 	<ul style="list-style-type: none"> • Achieve sustainable cost-efficient crop production via investment in technology • Smooth integration of recently acquired assets to lift operational efficiency and productivity levels to the highest standard
Key deliverables in FY2020	<ul style="list-style-type: none"> • Substantially progressed on the construction of the Group's new processing plant in western Ukraine and 	<ul style="list-style-type: none"> • Achieved its export target ahead of schedule by exporting 7.9 million tonnes of grain from Ukraine, 	<ul style="list-style-type: none"> • Increased the Group's labour productivity to record levels • Streamlined crop production mix with

Segment	Oilseed processing	Infrastructure and Trading	Farming
	co-generation heat and power units adjacent to the Group's crushing plants <ul style="list-style-type: none"> Acquired the Ellada oil-extraction plant, with a processing capacity of 274 thousand tonnes of sunflower seeds per year Entered an exclusive tolling agreement with the Chuhuiv oil-extraction plant, which has the capacity to process 0.2 million tonnes of sunflower seeds per annum 	representing 2.0x growth as compared to FY2016 <ul style="list-style-type: none"> Launched TGT's operations, the Group's new 4 million-tonne deep-water export terminal in the port of Chornomorsk, which contributed 1 million tonnes of grain throughput volumes to the Group's transshipment volumes in FY2020 Further optimised the Group's silo network by divesting five silos 	more focus on corn and sunflower (including high-oleic) <ul style="list-style-type: none"> Achieved record sunflower and wheat crop yields

Risk Factors

An investment in the Notes is subject to risks related to the Group's business and industry, economic, political and social risks associated with Ukraine and risks arising from the nature of the Notes and the markets on which they are expected to be traded, including the risks associated with the following matters:

- The Group's operations and results are dependent on a steady supply of raw materials; unfavourable weather and growing conditions, accidents impacting its silo or terminal network, or any other factors outside the Group's control that lead to shortages in sunflower seeds or any of the other crops which are critical to the Group's business could have a material adverse effect on the Group's business, results of operations and financial condition*
- The Group's products are commodities and their prices are subject to fluctuations that may affect the Group's profitability*
- The Group is exposed to risks related to its trading activities*
- The Group may be unable to implement its growth strategy, expansion may strain the Group's managerial, financial and operational control systems and the Group may find it difficult to obtain personnel and other resources to adequately develop these systems further*
- Due to the seasonality of its business, the Group may experience liquidity problems*
- Export restrictions or increases in export duties by the Ukrainian government on agricultural commodities would have a material adverse impact on the Group's business, financial condition and result of operations*

- *Import restrictions by other countries on agricultural commodities would have a material adverse impact on the Group's business, financial condition and result of operations*
- *The Group is exposed to operational risks, shortages or loss of machinery, the loss of any of its production or storage assets and the risk of its crushing capacity declining for other reasons*
- *Failure or inadequacy in the Group's risk management system, corporate governance and controls may adversely impact its business, financial condition and results of operations*
- *The Group is exposed to liability arising from the hazardous production processes involved in the processing and refining of edible oils*
- *The Group is vulnerable to increases in the price of key raw materials*
- *The Group could face increased competition in the Ukrainian agricultural and related infrastructure sectors and may face increased pricing pressure*
- *The Group's bottled sunflower oil business faces significant competition, particularly for its own brands in the Ukrainian domestic market*
- *The Group's sunflower oil business could be affected by changes in consumer preferences*
- *The Group could fail to generate or raise the necessary capital to execute the Group's development strategy*
- *The Group's inability to attract and retain key personnel could adversely affect its business*
- *The Group is significantly influenced by Namsen LTD ("Namsen"), which is beneficially owned by Mr. Verevskiy, whose interests may conflict with those of the Noteholders*
- *The Group is subject to grain, sunflower oil and protein meal quality requirements and regulations; any actual or alleged violation of such requirements or alleged or actual contamination of the Group's food products could have a material adverse effect on the Group's reputation, and/or its business, results of operations and financial condition*
- *Increases in transportation costs, adverse changes affecting transportation networks (and other transportation used by the Group) or other operational infrastructure could have a material adverse effect on the Group's business, financial condition and results of operations*
- *The Group's operations may be limited by antitrust law*
- *The Group's internal controls may not be as advanced as those of companies in more developed countries*
- *The Group is subject to interest rate and currency risks*
- *Adverse developments in consumer markets could adversely affect the Group's business*
- *Ukrainian law calls for the gradual reduction of export duties on sunflower seeds, which may lead to increased volumes of sunflower seeds being exported by producers or prices of sunflower seeds increasing on the Ukrainian market, thereby negatively impacting the Group's origination and processing functions*
- *The Group's energy or labour costs could increase*
- *The Group may fail to properly manage its storage facilities, silos and terminal, and its products may be damaged in storage*

- *The Group is subject to numerous environmental, health, fire, labour, sanitary, veterinary, safety and other laws and regulations, as well as potential environmental liabilities and the impact concerned local authorities and public opinion can have on its business, which may disrupt its business and require it to make substantial expenditures*
- *The Group could fail to obtain, to maintain or to renew necessary permits and licences or fail to comply with the terms of its permits and licences*
- *A lifting of the current moratorium on the sale of agricultural land in Ukraine may have an adverse impact on the Group*
- *The Group has multiple leases, its rights to its land plots may be challenged, and the Group may not be able to renew its lease agreements*
- *The payments due under the Group's land lease agreements may increase*
- *The Group's bulk and grain trading operations derive a substantial portion of revenues from a limited number of key customers and the default of one or more of these customers could have an adverse effect on the Group's business, results of operations and financial condition*
- *The Group could be subject to liabilities if it is determined that past actions violated Ukrainian corporate laws or regulations*
- *Any failure to protect its brand names and other intellectual property could adversely affect the Group's business, financial condition and results of operations*
- *Changes in technology may render the current technologies obsolete or require the Group to make substantial capital investments*
- *Changes in legislation may reduce the feed-in tariff for "green" electricity, which could adversely affect the Group's business, financial condition and results of operations*
- *The Issuer's operating subsidiaries have minority shareholders, which may challenge decisions taken at the general shareholders' meeting*
- *The interpretation and application of Ukrainian tax laws and regulations continues to evolve, which increases the risks associated with the Group's operations and investment in Ukraine*
- *The Group is in dispute with Ukrainian tax authorities*
- *The Group may be exposed to taxation in Ukraine if activities of non-Ukrainian companies of the Group are treated as creating a permanent establishment for Ukrainian tax purposes*
- *The tax authorities could challenge some of the Group's transactions on the basis of the "substance over form" principle*
- *Ukrainian tax authorities could challenge accounting records and financial statements of the Group's companies in the course of tax audits*
- *The Group's intragroup transactions and other related party transactions are subject to Ukrainian transfer pricing regulations*
- *The Group currently benefits and has in the past benefitted from tax exemptions and reductions, which may not be available in the future and which could materially affect the Group's profitability*

- *The Group's working capital may be decreased by a delay or non-repayment of VAT by the Ukrainian tax authorities*
- *The Group's existing security measures may not prevent a cybersecurity breach or hack*
- *Substantial indebtedness and obligations under certain debt facilities may adversely affect the Group's cash flow and impair its ability to expand or finance its future operations*
- *The Group may be unable to raise additional funding or refinance its debt on acceptable terms; failures by the Group to comply with restrictive covenants under the terms of its indebtedness would put the Group into default*
- *Changes in assumptions underlying the carrying value of the Group's assets, including due to market conditions, could result in an impairment of tangible and intangible assets*
- *The adoption of new, or amendment of existing, accounting standards may significantly impact the Group's reported financial results and financial position*
- *The Group may face risks related to legal proceedings*
- *Risks relating to Ukraine, including, among others, the economic effects of the outbreak of the coronavirus pandemic which have had and could continue to have an adverse effect on Ukraine's economy and may have a material adverse effect on the Group's business, financial condition and results of operations*
- *Risks relating to the Notes and the Guarantees*

Use of Proceeds from the Offering

The Issuer intends to use the proceeds of the issuance of the Notes (US\$300,000,000 before taking into account commissions, fees and expenses) to finance the purchase of up to US\$350 million of the aggregate principal amount outstanding of the 2022 Notes tendered and accepted for purchase by the Issuer in accordance with the terms and conditions of the Tender Offer (as defined herein). The remaining proceeds of the issuance of the Notes, if any, will be used by the Issuer for general corporate purposes.

OVERVIEW OF THE OFFERING

The capitalised terms used in this overview of the terms of the Notes but not defined herein have the meanings ascribed to them in the Conditions.

Notes	US\$300,000,000 6.75% Guaranteed Notes due 2027.
Additional Notes	The Issuer may, in accordance with Condition 15 (<i>Further Issues</i>), create and issue Additional Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so as to be consolidated and form a single series with the Notes.
Issuer	Kernel Holding S.A.
Guarantors	Agropolis, Avere, Bandursky, Black Sea Industries, Druzhba-Nova, Enselco, Hovtva, Kalyna, Inerco, Kernel-Capital, Kernel-Trade, Khliborob, Kononivskiy, Mriia, Podillia, Poltavsky, Prydniprovskiyi Krai, Prydniprovskiyi OEZ, Prykolotnjansky OEP, Starokostiantynivskiyi, TGT and any Additional Guarantors.
Sole Global Coordinator	J.P. Morgan Securities plc.
Joint Bookrunners	Crédit Agricole Corporate and Investment Bank and Natixis.
Maturity Date	27 October 2027.
Issue Date	27 October 2020.
Interest	The Notes will bear interest from the Issue Date at a rate of 6.75% per annum payable semi-annually in arrear on 27 April and 27 October in each year, beginning on 27 April 2021.
Tender Offer	On 5 October 2020, pursuant to a tender offer memorandum dated 5 October 2020 (the “Tender Offer Memorandum”), the Issuer invited holders of the 2022 Notes to tender for purchase by the Issuer for cash their outstanding 2022 Notes, upon the terms and subject to the conditions set out in the Tender Offer Memorandum (the “Tender Offer”).
Guarantees and Suretyship	<p>The Non-Ukrainian Guarantors will, pursuant to a guarantee contained in the Multiparty Trust Deed, unconditionally and irrevocably, jointly and severally with every other Guarantor, to the maximum extent permitted by law, guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds.</p> <p>The Ukrainian Guarantors will, pursuant to a suretyship contained in the Suretyship Deeds, unconditionally and irrevocably, jointly and severally with every other Guarantor, to the extent not expressly prohibited by any applicable law, agree to ensure the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds. The Suretyships will not constitute a guarantee obligation (in Ukrainian, “<i>garantiya</i>”) as that term is interpreted under Ukrainian law.</p> <p>Payments by the Ukrainian Guarantors under the Suretyship Deeds may be subject to Ukrainian withholding tax under certain circumstances and may be restricted or limited by certain Ukrainian laws and regulations.</p>

Ranking of the Notes and the Guarantees

The Notes will constitute direct, unsecured, unsubordinated and unconditional obligations of the Issuer and shall, save for such exceptions as may be provided by applicable legislation, at all times rank *pari passu* and without any preference among themselves and with all outstanding unsecured and unsubordinated obligations of the Issuer, present and future.

The Guarantee of each Non-Ukrainian Guarantor will constitute direct, unsecured, unsubordinated and unconditional obligations of such Non-Ukrainian Guarantor. The payment obligations of each Non-Ukrainian Guarantor under its Guarantee shall at all times rank *pari passu* and without any preference among themselves and with all outstanding unsecured and unsubordinated obligations of such Non-Ukrainian Guarantor, present and future.

The Suretyship of each Ukrainian Guarantor will constitute direct, unsecured, unsubordinated and unconditional obligations of such Ukrainian Guarantor. The payment obligations of each Ukrainian Guarantor under its Suretyship shall at all times rank *pari passu* and without any preference among themselves and with all outstanding unsecured and unsubordinated obligations of such Ukrainian Guarantor, present and future.

The Issuer and certain of the Guarantors are holding companies with no revenue-generating operations of their own. In order to make payments on the Notes or the Guarantees, the Issuer and such Guarantors will be dependent on receiving payments from their Subsidiaries.

Optional Redemption

The Issuer may:

- at any time prior to 27 October 2023, redeem the Notes on one or more occasions in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes (including any Additional Notes) originally issued with the net cash proceeds of one or more Equity Offerings, at a redemption price equal to 106.75% of the principal amount redeemed, plus accrued and unpaid interest, if any, to (but excluding) the date of redemption, provided that at least 65% of the principal amount of the Notes (including any Additional Notes) originally issued remains outstanding immediately after each such redemption and each such redemption occurs within 60 days after the date of the related Equity Offering. See Condition 5.3 (*Optional Redemption in the event of an Equity Offering*).
- at any time prior to 27 October 2023, redeem the Notes in whole, but not in part, at a price equal to 100% of their principal amount, plus a “make-whole” premium, together with accrued and unpaid interest, if any, to (but excluding) the applicable redemption date (see Condition 5.6 (*Redemption at the option of the Issuer at Make Whole*)); and
- on or after 27 October 2023, redeem all or, from time to time, part of the Notes upon not less than 30 nor more than 60 days’ notice to the Noteholders, at the redemption prices (expressed as a percentage of the principal amount of the Notes) set forth below, plus accrued and unpaid interest, if any, to (but excluding) the

applicable redemption date, if redeemed during the periods indicated below:

Period	Percentage
Twelve months beginning on 27 October 2023	103.375%
Twelve months beginning on 27 October 2024	101.6875%
Twenty-four months beginning on 27 October 2025	100%

See Condition 5.7 (*Optional Redemption*).

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time, at their principal amount, together with any premium (to the extent premium, if any, is required to be paid under the Conditions) and accrued and unpaid interest, if any, to (but excluding) the date fixed for redemption in the event it (or, if the Guarantees were called, one or more of the Guarantors) has or will become obliged to pay Additional Amounts and/or as provided for, or referred to, in any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Luxembourg, Ukraine or other specified jurisdictions. See Condition 5.5 (*Redemption for Taxation Reasons*).

Withholding Tax; Gross-up

All payments of principal, premium (to the extent premium, if any, is required to be paid under the Conditions) and interest by or on behalf of the Issuer or the Guarantors in respect of the Notes or under the Guarantees, as applicable, will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Luxembourg (in the case of the Issuer) or the Relevant Jurisdiction of the Guarantor (in the case of payments by that Guarantor) or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, subject to customary exceptions, the Issuer or the Guarantors, as the case may be, will, save to the extent any such party is not permitted to do so by the laws or regulations of Switzerland at the time, pay such additional amounts as will result in receipt by Noteholders of such amounts as would have been received by them had no such withholding or deduction been required as described in Condition 7 (*Taxation*).

A ruling from the Swiss federal tax administration has been obtained confirming that payments by the Issuer of interest on the Notes will not be subject to Swiss federal withholding tax on interest, provided that the Issuer is at all times resident and managed outside Switzerland for Swiss withholding tax purposes and provided that Avere's and Inerco's (and/or any Additional Swiss Guarantor's) liabilities under the Guarantees are limited to the freely disposable equity, being the balance sheet profits and

	<p>non-statutory reserves available for the distribution as dividends at the time of enforcement of the Guarantees of Avere and Inerco (and/or any Additional Swiss Guarantor) as stipulated by Swiss corporate law.</p> <p>Payments under the guarantees provided by Avere and Inerco (and/or any other, future guarantors incorporated under the laws of Switzerland which accede to the Trust Deed) will constitute a constructive dividend and will be subject to Swiss federal withholding tax (currently levied at a rate of 35%), unless each of Avere and Inerco (and/or any other, future guarantors incorporated under the laws of Switzerland which accede to the Trust Deed) successfully shows that the guarantees and payments thereunder were made on arm's length conditions. A ruling from the Swiss federal tax administration to manage this position is in preparation.</p> <p>In light of art. 14 of the Swiss Federal Withholding Tax Act there is a risk that Avere's and Inerco's (and/or any Additional Swiss Guarantor's (as defined below)) undertakings to make all payments without deductions of Swiss withholding tax or to gross-up the payments accordingly (as provided under Condition 7 (<i>Taxation</i>)) may not be enforceable. See "<i>Taxation—Switzerland</i>".</p> <p>Payments by the Ukrainian Guarantors under the Suretyship Deeds may be subject to Ukrainian withholding tax under certain circumstances and may be restricted or limited by certain Ukrainian laws and regulations.</p>
Change of Control	<p>Following a Change of Control, a Noteholder will have the right to require the Issuer to repurchase all of the Notes held by such Noteholder at a purchase price in cash equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to (but excluding) the date fixed for repurchase. See Condition 5.4 (<i>Redemption at the Option of the Holders Upon a Change of Control</i>).</p>
Asset Sales	<p>In certain circumstances following consummation of an Asset Sale, the Issuer must offer to repurchase the Notes at an offer price equal to at least 100% of the principal amount of Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, to (but excluding) the date of purchase, such offer price to be payable in cash. See Condition 3.5 (<i>Asset Sales</i>).</p>
Certain Covenants	<p>The Conditions will, among other things, restrict the ability of the Issuer and, where applicable, its Restricted Subsidiaries (as defined in Condition 19 (<i>Definitions</i>)) to:</p> <ul style="list-style-type: none"> • create or incur certain liens; • incur additional indebtedness; • make certain restricted payments; • enter into transactions with affiliates; • transfer or sell assets; • create restrictions on the ability of the Issuer's Restricted Subsidiaries to pay dividends or make other payments to the Issuer; • merge, consolidate, amalgamate or combine with other entities; • make any material change to the business;

	<ul style="list-style-type: none"> • issue guarantees of indebtedness; • designate Restricted Subsidiaries as Unrestricted Subsidiaries; and • enter into sale and leaseback transactions. <p>Each of these covenants is subject to significant exceptions and qualifications. See Condition 3 (<i>Covenants</i>).</p>
Lock-up	<p>The Issuer and the Guarantors have agreed that, for a period of 90 days from the Closing Date, they will not, without the prior written consent of the Joint Lead Managers and Bookrunners, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, any debt securities of the Issuer or the Guarantors which are substantially similar to the Notes (including, without limitation, direct issues of debt securities by the Issuer or the Guarantors or by any other person and guaranteed by the Issuer or the Guarantors) or that are convertible into, or exchangeable for, the Notes or such other debt securities.</p>
Form and Denomination	<p>The Notes will be issued in registered form in the denomination of US\$200,000 each and integral multiples of US\$1,000 in excess thereof. The Regulation S Notes and the Rule 144A Notes will be represented by a Regulation S Global Note Certificate and a Rule 144A Global Note Certificate, respectively. The Regulation S Global Note Certificate and the Rule 144A Global Note Certificate will be exchangeable for Definitive Certificates in the limited circumstances specified in the Regulation S Global Note Certificate and the Rule 144A Global Note Certificate.</p>
Initial Delivery of Notes	<p>On or before the Issue Date, the Rule 144A Global Note Certificate will be deposited with a custodian for DTC and the Regulation S Global Note Certificate will be deposited with the Common Depositary. The Rule 144A Notes will be registered in the name of a nominee of DTC and the Regulation S Notes will be registered in the name of a nominee for Euroclear and Clearstream, Luxembourg.</p>
Listing and admission to trading	<p>Currently, there is no public market for the Notes. Application has been made to Euronext Dublin to approve these Listing Particulars as listing particulars and to admit the Notes to listing on the Official List and to trading on the Global Exchange Market.</p>
Selling Restrictions	<p>The Notes may be sold only in compliance with applicable laws and regulations. The Notes have not been and will not be registered under the Securities Act or under any other national, state or local securities laws of the United States and, as such, are subject to restrictions on transfer.</p> <p>The offer and sale of the Notes is also subject to restrictions in the EEA, the United Kingdom, Ukraine, Hong Kong, Italy, Singapore and Switzerland. See “<i>Subscription and Sale</i>”.</p>
Governing Law	<p>The Trust Deeds, the Notes, the Suretyship Deeds and the Guarantees, and any non-contractual obligations arising out of or in connection with any of them, are governed by, and shall be construed in accordance with, English law. For the avoidance of any doubt, Articles 470-1 through 470-19 (inclusive) of the Luxembourg law of 10 August 1915 on commercial companies, as amended, shall be expressly excluded.</p>

Trustee	BNY Mellon Corporate Trustee Services Limited.
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch.
Risk Factors	An investment in the Notes involves a high degree of risk. See “ <i>Risk Factors</i> ”.
Security Codes	Regulation S ISIN: XS2244927823 Regulation S Common Code: 224492782 Rule 144A ISIN: US49229QAC87 Rule 144A Common Code: 224976631 Rule 144A CUSIP: 49229QAC8

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The tables below set forth the summary consolidated financial information extracted from the Group’s audited annual financial statements as at and for the year ended 30 June 2020 (as it relates to consolidated financial information as at and for the two years ended 30 June 2020 and 2019) and the audited annual financial statements as at and for the year ended 30 June 2019 (as it relates to the consolidated financial information as at and for the year ended 30 June 2018).

The audited annual financial statements as at and for the years ended 30 June 2020 and 30 June 2019 have been prepared in accordance with IFRS, as endorsed by the European Union (the “EU”). These audited financial statements are included elsewhere in these Listing Particulars. This section should be read together with the information contained in “*Use of Proceeds*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the Group’s Consolidated Financial Statements included elsewhere in these Listing Particulars.

	As at 30 June		
	2018	2019	2020
<i>(US\$ in thousands unless otherwise stated)</i>			
Consolidated Statement of Financial position Data			
Cash and cash equivalents	132,018	76,801	369,117
Total assets	2,210,514	2,463,600	3,164,703
Short-term borrowings	224,773	183,692	44,581
Long-term borrowings	2,812	63,680	172,403
Bonds issued	494,796	496,051	793,777
Current portion of long-term borrowings	2,811	1,233	6,871
Interest on bonds issued	17,949	17,949	21,945

	For the year ended 30 June		
	2018	2019	2020
	(US\$ in thousands unless otherwise stated)		
Consolidated Statement of Profit or Loss Data			
Revenue ⁽¹⁾	2,403,003	3,960,231	4,106,780
Net change in fair value of biological assets and agricultural produce	18,699	9,140	(20,979)
Cost of sales ^{(1) (2)}	(2,261,230)	(3,635,510)	(3,623,812)
Gross profit	160,472	333,861	461,989
Other operational income, net ⁽¹⁾	59,092	41,878	7,017
General and administrative expenses	(79,999)	(106,532)	(131,730)
Profit from operating activities	139,565	269,207	337,276
Finance costs, net.....	(65,099)	(82,319)	(147,220)
Foreign exchange gain/(loss), net	5,375	12,860	(1,012)
Other expenses, net.....	(30,980)	(8,376)	(50,524)
Share of income/(loss) of joint ventures	1,193	(966)	6,305
Profit before income tax	50,054	190,406	144,825
Income tax (expenses)/benefit	5,900	(11,902)	(22,075)
Profit for the period from continuing operations..	55,954	178,504	122,750
Profit for the period	55,954	178,504	122,750

Notes:

- (1) Starting from 1 July 2019, following the agenda decision of the International Financial Reporting Interpretations Committee ("IFRIC"), the Group reconsidered the recognition of remeasurement movements on physical forward sales contracts that do not meet the own use exemption within the "Revenue" line item and physical forward purchase contracts that do meet the own use exemption within "Cost of sales" line item. Similarly, the Group decided to change the presentation on recognition of remeasurement movements for the rest of the commodity derivatives such as futures and options, which previously were recognised under the "Other operating income, net" line item and recognised them within the "Cost of sales" line item. As a result, the presentation of revenue, cost of sales and other operating income data for FY2019 was aligned with this change. Please see Note 3 to the Group's Consolidated Financial Statements for FY2020 and "Presentation of Financial and Other Information—Presentation of Certain Financial Information" for further details.
- (2) Starting from 1 July 2018, the Group changed its accounting policy relating to the classification of distribution expenses charged to its customers. Therefore, presentation of cost of sales and gross profit data for FY2018 was aligned with this change. Please see Note 3 to the Group's Consolidated Financial Statements for FY2019 for details. See also "Presentation of Financial and Other Information—Presentation of Certain Financial Information".

	For the year ended 30 June		
	2018	2019	2020
	(US\$ in thousands unless otherwise stated)		
Consolidated Statement of Cash Flows Data			
Operating profit before working capital changes .	183,292	368,297	422,174
Net cash generated by operating activities	82,477	198,650	269,356

For the year ended 30 June			
	2018	2019	2020
<i>(US\$ in thousands unless otherwise stated)</i>			
Net cash used in investing activities	(155,694)	(241,404)	(202,691)
Net cash generated by financing activities.....	77,088	29,702	225,708

As at 30 June			
	2018	2019	2020
<i>(US\$ in thousands unless otherwise stated)</i>			
Equity Data			
Book value ⁽¹⁾	1,170,733	1,350,946	1,492,667
Number of shares	81,941,230	81,941,230	84,031,230
Book value per share.....	14.29	16.49	17.76
Diluted book value per share	14.12	16.31	17.91

Note:

- (1) The Group defines book value as the equity attributable to Kernel Holding S.A.'s shareholders.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Any of the following risks could adversely affect the Issuer's or any of the Guarantors' business, results of operations, financial condition and prospects, in which case the trading price of the Notes could decline, resulting in the loss of all or part of an investment in the Notes, and the Issuer's ability to pay all or part of the interest or principal on the Notes could be negatively affected.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in these Listing Particulars and reach their own views prior to making any investment decision.

Risks Relating to the Group

The Group's operations and results are dependent on a steady supply of raw materials; unfavourable weather and growing conditions, accidents impacting its silo or terminal network, or any other factors outside the Group's control that lead to shortages in sunflower seeds or any of the other crops which are critical to the Group's business could have a material adverse effect on the Group's business, results of operations and financial condition

In FY2020, the Group derived most of its revenue from the sale of sunflower-derived products and grain. The availability and price of agricultural commodities can be affected by factors beyond the Group's control and lead to shortages in sunflower seeds or any of the other crops which are critical to the Group's business. Adverse weather conditions and deviations from the typical weather patterns, including but not limited to drought, flood, unexpected or heavy frost and major climate-related disasters in the areas of Ukraine where the Group sources (and, to a lesser extent, grows) sunflowers and other agricultural commodities may adversely affect the size of the harvest and therefore impact the Group's ability to obtain them, in a timely manner and in sufficient quantities necessary to sell them or to produce its products. Further, climate directly impacts crop yield and the cost of harvesting for the Group's suppliers and for the Group's farming segment. Reduced supply of agricultural commodities due to weather-related factors could adversely affect the Group's profitability by increasing the cost of raw materials and limiting the Group's ability to procure, transport, store, process and sell agricultural commodities in an efficient manner and resulting also in an over-supply of processing capacity, leading to downward pressure on margins. The potential physical impacts of climate change are uncertain and may also vary by region in Ukraine. These potential effects could include changes in rainfall patterns, water shortages, changing storm patterns and intensities and changing temperature levels, which could have an impact on the quality of harvests as well as on the structural stability of the soil. For example, the Group's sales and processing volumes of corn, sunflower and soybean crops were impacted by unusually dry weather conditions in the summer of 2017, which was reflected in the Group's results for FY2018. The availability and price of agricultural commodities can also be affected by other factors, such as plant disease and insect plague, which can result in crop failures and reduced harvests.

The Group's ability to source a sufficient quantity of oilseed for its crushing and processing business and grain for its grain marketing, silo and export terminal business may be limited in years of poor harvests, adversely affecting the Group's revenues from those activities. A disruption in transportation services, as a result of weather conditions or otherwise, may also significantly adversely impact the Group's operations, including by resulting in a partial loss of harvests due to an inability to transport and store crops in a timely manner. Any of the above factors may adversely affect the Group's business, financial condition and results of operations.

The Group may also be subject to the loss of stored crops, as a result of catastrophic events, such as fires, explosions or natural disasters. In particular, any event that destroys or takes out of service all or part of a silo complex or all or part of a terminal could result in the loss of stored crops and require the Group to find alternative storage arrangements. While the Group maintains business interruption insurance and marine cargo insurance (including in respect of storage operations), any interruptions in its production capability or the loss of stored crops or storage capacity may require the Group to incur significant expenses in connection with any related remediation, or force it to sell crops at a sub-optimal time for a lower price than it might otherwise realise, which could materially adversely affect the Group's business, financial condition and results of operations.

The Group's products are commodities and their prices are subject to fluctuations that may affect the Group's profitability

The Group's earnings are to an extent dependent on the prices of the commodities that it sells, including, amongst others, oilseed, grain, sunflower oil and meal. These fluctuate due to factors beyond the Group's control, including, amongst others, world supply and demand, supply of raw materials, weather, crop yields, trade disputes between governments of key producing and consuming countries and governmental regulation. Global demand for agricultural commodities may be adversely affected in periods of sustained economic downturn, while supply may increase due to weather patterns or long-term technological developments, all of which are factors beyond the Group's control.

In addition, the price of vegetable oils depends on the production levels and prices of all edible oils as many oils, including sunflower oil, are substitutive by users to various degrees. Although the Group tries to maintain a constant absolute margin through offering producers of grain and oilseed a particular price for their products based upon commodity prices then prevailing in world markets, its absolute margin for those businesses will be a function of those commodity prices. While the sum of the profits generated by domestic crops producers and crushers and grain traders is directly affected by global prices, the exact allocation of profits to farmers and traders depends on the supply-demand balances within the domestic market. However, the Group's Farming business segment is directly exposed to global commodity prices for the crops it grows, particularly corn, sunflower seeds and wheat. Global prices for these types of soft commodities vary constantly and have, in the past, been subject to significant changes and there can be no assurance that the Group's commodity hedging operations will always be effective to address these changes. Any of the above factors may adversely affect the Group's business, financial condition and results of operations.

The Group is exposed to risks related to its trading activities

As part of its proprietary trading operations, Avere may take positions in grains, oilseeds and meal, and such positions may result in losses depending on commodity price movements. Any such losses may, in turn, adversely affect the Group's business, financial condition and results of operations. Although the Group sets internal limits on long and short positions in its principal commodities and controls value at risk, as well as seeks to enter into forward sale contracts for commodities on a similar timeframe to its purchases of seeds on a spot basis, the Group may nevertheless maintain an open position in certain commodities for a short period of time. If the price of the relevant commodities declines rapidly, the value of the Group's open position in the

same commodities may also decline, which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group may be unable to implement its growth strategy, expansion may strain the Group's managerial, financial and operational control systems and the Group may find it difficult to obtain personnel and other resources to adequately develop these systems further

The Group intends to increase its production capacity and product sales. A number of factors may affect the implementation of its strategy, including, among others, demand for its products and ability to obtain funding. There can be no assurance that the Group will be able to fulfil its strategy within the anticipated timeframe or at all. The continued growth of the Group's business may raise operational or control risks. In the event that the Group continues to grow, it will have to react and adapt to the changing business environment, including regulatory aspects and circumstances implied by such growth. It may also have to contend with anti-monopoly considerations, particularly if it chooses to expand through targeted acquisitions.

Successful management of the Group's growth will require, among other things:

- continued development of financial and management controls and information technology systems and their successful implementation;
- integration of newly acquired assets and businesses in a manner that preserves and/or enhances the Group's economies of scale;
- continued development of best practices and policies;
- continued development of integrated procurement, storage and transportation operations;
- construction of additional storage capacity and the acquisition of additional machinery in line with such growth; and
- identifying, hiring and training new qualified personnel.

As the Group continues to expand its operations and seek additional growth opportunities, its internal controls in particular will need to adapt and respond to the growing demands of its business activities. The Group is in the process of upgrading and improving its internal control systems and processes in light of the growth of its business and believes that its internal control systems and processes permit it to comply with its ongoing obligations as a listed company. However, there can be no assurance that changes and improvements in these systems and processes will be at all times successfully completed to meet the Group's requirements as a result of its expected growth. Any efforts to continue to adapt the Group's systems to provide for such growth may result in complications with respect to the efficacy of its controls systems, and could, for example, result in sub-optimal expenditure or other decisions. If the Group fails to maintain effective internal controls as its business grows, this could result in a loss of investor confidence in the reliability of the Group's financial statements, which in turn could have a material adverse effect on its business, financial condition and results of operations.

The Group may also become responsible for additional liabilities or obligations associated with the acquired assets and not foreseen at the time of their acquisition. If the Group fails to manage its planned growth successfully, this could have a material adverse effect on its business, financial condition and results of operations.

Due to the seasonality of its business, the Group may experience liquidity problems

The Group requires high levels of financing in the period immediately following the harvest (typically between August and December) to purchase raw materials as they become available. The Group fulfils its seasonal financing requirements by obtaining short-term credit facilities, which are repaid in the course of the financial

year on the condition that the Group's sales to customers are settled in a timely manner. If the Group fails to secure short-term financing on attractive terms or if a substantial portion of the Group's customers fail to meet their payment obligations in a timely manner, the Group would experience cash flow problems, which would have a material adverse effect on the Group's business, financial condition and results of operations.

Export restrictions or increases in export duties by the Ukrainian government on agricultural commodities would have a material adverse impact on the Group's business, financial condition and result of operations

As the Group derives a significant portion of its revenues from export sales of agricultural commodities, official policies implemented by the Ukrainian government to limit exports of agricultural commodities (such as, for example, an export quota or increases in export duties or other taxes), as well as practices which have the same practical effect (such as, for example, the imposition of increased inspections at ports and additional requirements for export licences) would affect the Group's ability to sell, or the profitability of selling, its agricultural commodities to international customers.

In the past, the Ukrainian government has imposed export quotas on certain agricultural products. For example, in 2010 and 2011, products subject to export quotas included wheat and meslin, corn, barley, rye and buckwheat, and required the Group to apply for permission to export a maximum quantity of these commodities. These quotas prevented the Group from exporting the quantities it otherwise had intended to sell to international customers. While these restrictions were removed in June 2011, there can be no assurances that the Group will not be subject to any future export restrictions in respect of its business in Ukraine or elsewhere. While any such restrictions on the volume of exports may, to a limited extent, be compensated by an increase in global commodity prices or provide the Group with lower domestic purchase prices it pays to its suppliers due to over-supply, such restrictions could have a material adverse effect on the Group's business, results of operations and financial condition. Similarly, increases in export duties or other taxes, if not offset by increases in prices the Group charges or reductions in domestic purchase prices, could reduce the margins the Group makes on the products it exports and have a material adverse effect on the Group's business, financial condition and results of operations.

Import restrictions by other countries on agricultural commodities would have a material adverse impact on the Group's business, financial condition and result of operations

The Group derives a significant portion of its revenues from export sales of agricultural commodities. Official and unofficial policies implemented by other countries or international organisations to limit imports from certain countries, including Ukraine, and/or exporters of agricultural commodities, including the Group (such as, for example, the imposition of qualitative or quantitative restrictions, increased inspections and quarantines or additional requirements for sales) may affect the Group's ability to sell its agricultural commodities abroad. Any such restrictions by other countries or international organisations could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to operational risks, shortages or loss of machinery, the loss of any of its production or storage assets and the risk of its crushing capacity declining for other reasons

The Group's production process depends on certain critical items of machinery and equipment. Any failure of such equipment and resulting total or partial interruptions in production, particularly for periods longer than covered under the Group's business interruption insurance, would adversely impact the Group's ability to fulfil its obligations under its contracts. While several of its plants have been relatively recently constructed or fitted with new equipment, a number of them are significantly older and could become susceptible to production disruptions or become more costly to maintain, operate less efficiently and in the event of breakdown, it may be difficult to obtain replacement parts. The breakdown of the Group's machinery or equipment, or a decline in

its crushing capacity for other reasons, could have a material adverse effect on the Group's business, financial condition and results of operations.

Failure or inadequacy in the Group's risk management system, corporate governance and controls may adversely impact its business, financial condition and results of operations

As the Group is exposed to various commodity, market, credit and operational risks in the ordinary course of its business, it has implemented a risk management system to manage its exposure to such risks. However, if its risk management system is disabled or does not operate efficiently, the Group may not accurately or effectively identify the extent of its risk exposure, which in turn may increase the probability of such risks materialising and may restrict the Group's ability to respond effectively.

Further, the Group's risk management system, corporate governance and controls may not always be able to detect any illegal, unauthorised or fraudulent activity by its employees. As a result, the Group may suffer operational disruption, financial loss, or damage to its reputation. For example, this could arise from insufficient controls relating to raw materials and other inventories, either upon purchase or during storage at the Group's silos, or as a result of incorrect accounting for grain, oilseeds or finished products because of reserves created as a result of production and logistics operations. Similarly, despite the Group holding insurance cover for misappropriation or theft by the operator, illegal, unauthorised or fraudulent activity by third-party operators of silo or storage facilities used by the Group could also lead to loss of inventory, operational disruption, financial loss, or damage to its reputation.

The Group's operations are also dependent on the ability of its operational systems, data processing systems and financial accounting systems to handle and process a substantial number of complex transactions involving different markets, countries and currencies. If any of these systems do not operate efficiently, or are disabled, the Group may suffer operational disruption, financial loss, or damage to its reputation, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to liability arising from the hazardous production processes involved in the processing and refining of edible oils

The processing of oilseeds and the production of edible oil involves dealing with high temperatures and distillation processes. This is a hazardous process that can expose the Group to liabilities and claims associated with accidents, as well as the potential for disruption to the production process itself caused by accidents, unless adequate management measures are taken. Further, the Group uses certain chemicals for refining, which may be hazardous to the environment and may lead to damage of assets, stock and premises and loss of human lives. While the Group maintains mandatory state insurance against liability for accidents in Ukraine, the insurance may be insufficient and such incidences may lead to unforeseen costs if the Group is required to pay compensation for any losses or damages suffered by third parties as a result of such incidents, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is vulnerable to increases in the price of key raw materials

The Group's business is dependent to some extent on the availability, supply and cost of raw materials which it sources from domestic suppliers. Any significant increase in the prices of these raw materials or decrease in the availability of the raw materials (if not broadly in line with the volatility in prices in the Group's international export markets) could adversely affect the Group's business. The supply prices of the Group's key raw materials, in particular sunflower seed and grains, and the prices of its products, are based upon or affected by international prices, which tend to be cyclical and subject to significant fluctuations. The factors that may affect the supply prices of the Group's raw materials and the prices of its products are beyond the Group's control, and include, amongst others:

- government policies relating to agricultural production and the imposition of export or import bans and/or quotas;
- macroeconomic factors, including exchange rates and inflation, affecting the global or Ukrainian economies;
- changes in global supply and demand for raw materials;
- demand for renewable energy sources, including demand for the raw materials used in the biofuel
- production of bioethanol and biodiesel;
- supply of similar or competitive agricultural products;
- changes in consumer preferences, both seasonal and long-term; and
- crop allocation, planting and weather conditions.

The prices offered by the Group to producers of grains and oilseeds are based upon commodity prices then prevailing in world markets (reduced by a margin for the Group). Generally, the Group aims to mitigate the price risk by concurrently purchasing the same volume of grains or oilseeds on the local market as it concludes forward contracts on international markets (a so-called “balanced book” policy). However, if such commodity prices are below the price at which producers are willing to sell (which can be affected by processing and logistical costs), the Group may have difficulty originating grains and oilseeds whether for the reasons given above or otherwise.

Any of the foregoing factors could negatively affect the demand and ability to originate agricultural commodities for and/or the price of the Group’s products, which could have a material adverse effect on the Group’s business, financial condition and results of operations.

The Group could face increased competition in the Ukrainian agricultural and related infrastructure sectors and may face increased pricing pressure

The agricultural industry in Ukraine is fragmented and the Group competes with respect to each of its products with multinational and domestic suppliers, oilseed processors and agricultural businesses and commodity traders. Some of these competitors, in particular multinational companies, may have greater financial, purchasing, marketing or distribution resources than the Group, and the Group may not be able to compete successfully with them and any resulting loss of market share could be permanent.

In particular, the Group competes with other sunflower seed crushers to obtain unprocessed seeds, with other grain traders to obtain grain for export. As these businesses are margin-driven (rather than being linked to a global commodity price), competitors may seek to gain market share by offering lower prices, particularly where they have surplus production or infrastructure capacity, thus reducing the industry oilseed processing and/or grain trading margins, which could have a material adverse effect on the Group’s business, financial condition and results of operations.

Intensified competition and the entry of additional participants in the Ukrainian agricultural market in the sectors in which the Group’s businesses operate would also lead to increased competition for the use of existing infrastructure utilised by the Group. In particular, greater competition could lead to decreased availability of rail locomotives and trucks, especially at peak times such as harvest season, and there can be no assurances that the Group will be able to secure rail locomotives and trucks on commercially acceptable terms or at the required levels. Such increased competition could have a material adverse effect on its business, financial condition and results of operations.

The Group's bottled sunflower oil business faces significant competition, particularly for its own brands in the Ukrainian domestic market

The Group's bottled sunflower oil business, with products sold under its own labels and those sold under retailers' private labels, is particularly sensitive to the actions of competitors. The bottled sunflower oil industry is highly price sensitive and requires significant marketing efforts, including branding, product development, pricing, marketing support and securing shelf space and distribution channels. The Group's competitors may seek to increase their market share by reducing their prices and/or by offering additional incentives. Consequently, to remain competitive and/or to maintain its market share, the Group may be required to increase its expenses, marketing efforts and/or to adjust pricing of its products. Any of the above listed factors could increase the Group's operating costs and reduce its profitability, which could adversely affect the Group's business. Moreover, competition could cause the Group to lose its market share or exit certain lines of business, each of which could have an adverse effect on its business, results and operations and financial condition. The Group's inability to compete successfully in the bottled sunflower oil market would have a material adverse impact on its business, financial condition and results of operations.

The Group also exports bottled sunflower oil into markets where it is sold under retailers' private labels. Although the competitive landscape may be less intense and pricing less volatile in some of these export markets, the Group may experience tangible pricing pressure from its customers and/or competitors in relation to its exported bottled sunflower oil.

Additionally, the supermarket retail market is highly competitive, marked by increasing price competition and competition for shelf space. The Group's operations and distribution costs could be adversely affected by the increased consolidation of the retail market, particularly as the supermarkets in Ukraine become more sophisticated and attempt to force lower pricing, price discounts, increased promotional programmes and branding under the supermarket's private label, which could also have the effect of diluting the Group's brand value. The Group also competes with other brands for shelf space in retail stores and marketing focus by independent retailers. The Group's inability to compete successfully with such other brands in the supermarket retail market, or the imposition of less favourable terms of trade by the supermarkets themselves, would have a material adverse impact on the Group's business, financial condition and results of operations.

The Group's edible oil business could be affected by changes in consumer preferences

The food industry is characterised by frequent and often difficult to predict changes in consumer preferences. For example, consumers in the edible oil markets the Group serves are becoming more health conscious and select cooking oils based on considerations other than price and taste. Additionally, such consumer preferences are influenced by a number of other factors beyond the Group's control, such as the prices of alternative products and economic conditions. The Group's profitability will depend on its ability to anticipate and respond in a timely manner to such changes in consumer preferences. There can be no assurances that the Group will anticipate such changes accurately, or that it will be able to respond to such changes given the nature of the Group's business, the long-lead time for the development of its products and the need to adapt its crushing and processing equipment to accommodate other types of seeds, and any failure to do so could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group could fail to generate or raise the necessary capital to execute the Group's development strategy

The Group requires additional capital to maintain and expand its business. The Group's key capital expenditures projects, including the construction of a new oil extraction plant, silos, co-generation heat and power units on its oilseed processing plants and the construction of a new terminal, are being supported with financing from the European Bank for Reconstruction and Development (the "EBRD") and the European Investment Bank (the "EIB"). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—*

Liquidity and Capital—Long-term Borrowings". However, the Group's other capital expenditures, the continued consolidation of the crushing industry and expansion of the Group's farming operations and working capital investments involve significant capital outlay and there is no assurance that the Group will be able to generate sufficient cash flows or that it will have access to sufficient debt or equity financing to implement its development plan as currently envisaged. Certain circumstances may affect the Group's ability to raise adequate capital, including, among others, economic conditions, limited access of commercial banks to funding, the terms of existing financing arrangements or any changes thereto, expansion at a faster rate or higher capital cost than anticipated, slower than anticipated Adjusted EBITDA growth and regulatory developments. Furthermore, restrictive covenants in the Conditions may prevent the Group from incurring external additional debt in order to finance its capital expenditure programme, which may adversely affect the Group's ability to modernise its operations, improve profitability and generate free cash flow in the future.

The Group's inability to attract and retain key personnel could adversely affect its business

The Group's success depends, to a significant degree, on its ability to continue to retain, motivate and attract qualified and experienced production staff, agronomists and management personnel, as well as its senior management team, particularly in light of the Group's growth. The Group's ability to remain competitive and effectively implement its business strategy and expansion plans depends to a large degree on the services of its senior management team and other key personnel, and the loss or unavailability of such personnel for an extended period of time could have a material adverse effect on the Group's business, financial condition and results of operations. The Group does not carry key personnel insurance.

In addition, management believes that the Group's continued success depends to a significant extent on the abilities and efforts of Mr. Verevskiy, who oversees the strategic development and overall management of the Group. The Group does not maintain a key person life insurance policy on Mr. Verevskiy. The loss of Mr. Verevskiy's services could have a material adverse effect on the Group's business, financial condition and results of operations. See "*Directors, Senior Management and Corporate Governance*".

The Group is significantly influenced by Namsen, which is beneficially owned by Mr. Verevskiy, whose interests may conflict with those of the Noteholders

Namsen, which is beneficially owned by Mr. Verevskiy, holds 39% of the share capital of the Issuer. In addition, Namsen has the ability to exercise significant influence over the Issuer's and the Group's pursuit of acquisitions, divestitures, financings or other significant transactions which could be used to enhance the value of Namsen's equity investment, or otherwise favour Namsen. For a description of the ownership structure of the Group, see "*Shareholders and Related Party Transactions*". The interests of Namsen could at times conflict with the interests of Noteholders. There are no agreements in place between the Issuer and Namsen to ensure that the latter will not abuse its control of the Issuer.

In addition, the Group has engaged, and will continue to engage, in transactions with related parties which are controlled by Namsen. See "*Shareholders and Related Party Transactions—Related Party Transactions*" and Note 33 to the Group's Consolidated Financial Statements for the financial years ended 30 June 2020 and 2019. Although the Issuer has entered into an insignificant number of related party transactions to date, there can be no assurance that Namsen will not take actions, including through transactions with related parties or otherwise, or that there will be no conflicts of interest between related parties and the Group or that other factors may not result in the conclusion of transactions which would not otherwise be concluded and/or on terms not determined by market forces and less favourable than those that could be obtained in arm's length transactions, all of which could have a material adverse effect on the Group's business, financial condition and results of operations and/or the interests of the Noteholders.

The Group is subject to grain, edible oil and protein meal quality requirements and regulations; any actual or alleged violation of such requirements or alleged or actual contamination of the Group's food products could have a material adverse effect on the Group's reputation, and/or its business, results of operations and financial condition

The Group's grain, edible oil and by-products are subject to quality standards and regulations and are vulnerable to potential contamination, including the risk of contamination posed by plant pests and diseases. While this risk can be reduced by adherence to good manufacturing practices and finished product testing, it cannot be eliminated entirely and products can be contaminated after leaving the Group's facilities, for example, as a result of the actions of subsequent handlers (whether or not deliberate) or from cross contamination through the use of shared transportation facilities such as port terminals.

Under Ukrainian law, a consumer who has sustained damage as a result of consuming a low-quality or dangerous food product may bring a claim for damages against the producer. Further, any shipment of contaminated products is a violation of law and, in addition to product liability claims, may lead to fines, increased scrutiny by regulatory agencies and product recalls (which may not entirely mitigate the risk of product liability claims) and adverse publicity, all of which could have a material adverse effect on the Group's reputation, including the strength of its brand names and demand for the Group's products and, therefore, on the Group's business, financial condition and results of operations.

Increases in transportation costs, adverse changes affecting transportation networks (and other transportation used by the Group) or other operational infrastructure could have a material adverse effect on the Group's business, financial condition and results of operations

Railway transportation is the Group's main means of transporting grains to ports in Ukraine. In Ukraine, the railway system ("Ukrainian Railways") is wholly-owned by the Ukrainian government, which manages and controls the Ukrainian Railways through Joint stock company "Ukrainian railways" ("Ukrzaliznytsia"). While the railcar fleet market has been recently liberalised in Ukraine, there are currently no alternative suppliers of railway locomotive and infrastructure services in Ukraine other than Ukrzaliznytsia. The Ukrainian government sets the domestic tariff for using traction and railway infrastructure, which can be amended by the Ministry of Infrastructure of Ukraine subject to approval of the Ministry for Development of Economy, Trade and Agriculture of Ukraine and the Ministry of Finance of Ukraine. The tariff for railcar usage is set by either Ukrzaliznytsia (for railcars owned by Ukrzaliznytsia) or by the market (for privately owned fleets) and depend on the specific days that the railcars were used by the owner of the cargo being transported. The Group's recent investments in railcars fulfils approximately 80% of its railcar needs. Changes to Ukrainian legislation regulating the rail transportation sector could result in increases in the Group's freight shipment costs. Further, inefficiencies or deficiencies in the railway system in Ukraine, including a deficit of railcars to deliver products to the Group's export terminals, or an increase in the cost of operating locomotives, could also have a material adverse effect on the Group's business, results of operations and financial condition. If rail tariffs or freight prices increase in a manner that applies equally to the Group and its competitors, management would expect such increases to be partially or fully reflected in the prices paid to the suppliers in the relevant country; however, if prices were increased in a manner that favours the Group's competitors or if there is a disruption in transportation of the Group's raw materials or crops due to a shortage of available working locomotives, an accident or other events, it could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group has a fleet of trucks, grain hauliers and other road vehicles that it uses to transport crops from its fields and/or suppliers to plants and/or ports or storage facilities. The Group also uses third party providers. The physical infrastructure in Ukraine, including rail and road networks, is sometimes inadequate, or has not been adequately funded and maintained. Road conditions in Ukraine may also be poor, with many roads not meeting modern quality requirements. Failure by the Ukrainian government to develop and/or

maintain adequate transport services and networks could delay or disrupt the Group's transportation of goods and supplies and interrupt its business operations. The poor condition or further deterioration of the physical infrastructure in Ukraine could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group also depends on ships to deliver its products to its customers and is, therefore, subject to volatility in freight costs. Disruption of these transportation services arising from, inter alia, poor weather, labour unrest or other events could impair the ability of the Group to supply its products to its customers or, in the case of shipping, could result in incurring demurrage claims by ship owners for loading and unloading delays. The Group may experience storage capacity problems at the Group's terminals if peak production coincides with unforeseen shipping delays, which may trigger storage problems. Such factors, as well as increases in freight and transportation costs for other reasons could make the products of the Group less competitive, which may in turn have an adverse impact on the Group's business, financial condition and results of operations.

The Group's operations may be limited by antitrust law

The Group is the largest producer and exporter of sunflower oil (including bottled sunflower oil) in Ukraine (according to the State Statistics Service of Ukraine and the National Academy of Agricultural Sciences of Ukraine). Although the Group believes that its operations are in compliance with applicable antitrust law, there can be no certainty that the Group's activity will not result in the initiation of proceedings or investigations by the AMC. If any proceedings or investigations were to result in decisions against the Group, it could be prohibited from engaging in certain activities and/or financial penalties could be imposed on the Group. Such prohibitions or financial penalties could have an adverse effect on the Group's business, financial condition and results of operations. In addition, any potential acquisition by the Group, subject to financial thresholds stipulated by the relevant competition laws, requires the AMC's prior approval. In addition, any potential acquisition by the Group may be subject to closer scrutiny by the AMC, which may conclude that such acquisition, given the Group's existing market share, would restrict competition on a given market and prohibit the acquisition. Such a decision could adversely affect the Group's ability to expand through acquisitions.

Under Ukrainian antitrust law, an undertaking (including all entities connected to it by virtue of a control relationship) with more than 35% of the relevant market share is deemed to enjoy a dominant market position, unless it can prove that a high degree of competition nevertheless exists in the relevant market. Ukrainian law also provides that a company with a market share of 35% or less can be recognised as having a dominant market position, if such company does not face sufficient competition in the product market due to, for example, low market shares of its competitors.

Dominant position status is not itself sanctioned. However, the law imposes additional restrictions on companies with a dominant position and the AMC reviews the activities of such companies with particular scrutiny. Under Ukrainian antitrust laws, actions that may amount to an abuse of a dominant position, include, among others, setting prices or other conditions for purchase or sale of goods (which could not have been set if there was significant competition in the market), applying different conditions to equivalent transactions without reasonable justification and limiting production. Under Ukrainian law, an abuse of a company's dominant position may result in a fine of up to 10% of that company's consolidated revenue in the year immediately preceding the year of imposition of the fine. Accordingly, if the Group were to be deemed to have a dominant position on the Ukrainian sunflower oil (including bottled sunflower oil) production market and the AMC determines that its actions constitute an abuse of that dominant position, it could take such actions against the Group that could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's internal controls may not be as advanced as those of companies in more developed countries

The Group's management information system, financial reporting function and system of internal controls relating to the preparation of IFRS financial statements may be less developed in certain respects and may not provide the Group's management with as detailed or as accurate information as those of agricultural companies in more developed markets. The preparation of annual or interim IFRS consolidated financial statements may require more time for the Group than it does for companies in more developed countries. In particular, in light of the Group's past and planned growth and the time that could be required for the integration of newly-acquired assets and/or land into the Group's management and control systems, there is a risk that delays in preparing management accounts, or management being provided with insufficiently detailed information, could impact the decision-making process of senior management.

The preparation of IFRS consolidated financial statements involves the consolidation of all subsidiaries' financial statements. This process is complicated and time-consuming and requires significant attention from the Group's senior accounting personnel at its corporate headquarters and subsidiaries.

If for any reason the Group failed to maintain an adequate management information system, financial reporting function or system of internal controls, or experienced delays in preparing IFRS consolidated financial statements, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to interest rate and currency risks

The Group is exposed to interest rate fluctuation risk on its floating-rate interest-bearing financial instruments, which amounted to US\$229.1 million, or 17.0% of total interest-bearing financial instruments outstanding as at 30 June 2020. Any adverse changes in interest rates could have a material adverse effect on the Group's business, financial condition and results of operations.

Fluctuations in the value of the U.S. dollar, which is the Group's reporting currency and functional currency for trading and oil production businesses, as well as all foreign Subsidiaries, against other currencies, such as the euro and the hryvnia, may have an adverse effect on the Group's results of operations. In FY2020, 92.6% of the Group's external sales were made in U.S. dollars and 3.5% of external sales were made in euros. The remaining 3.9% represent sales of bottled sunflower oil sold locally, as well as sales in the farming and silo segments in hryvnia, which is not a freely convertible currency. Moreover, although the majority of loan facilities extended to the Group are denominated in U.S. dollars, some loan facilities of the Group are also denominated in hryvnia. Although the Group estimates that in FY2020 approximately 81% of its operating costs were denominated in or linked to U.S. dollars, the remaining approximately 19% were denominated in hryvnia and not linked to the U.S. dollar. In addition, the state's VAT obligation to the Group is denominated in hryvnia. The Group's foreign exchange position is to a significant extent naturally hedged as it primarily incurs (directly or indirectly) operating expenses in the currency in which it has obtained financing or that in which it generates revenues. However, the short-term impact of changes in exchange rates could adversely affect the Group's results of operations as it can take some time for the benefit of decreased operating expenses (typically incurred in hryvnia) to be evident in the Group's financial statements. Accordingly, any material currency exchange fluctuations in the value of the U.S. dollar against the hryvnia could have a material adverse effect on the Group's business, financial condition and results of operations. See *"—Risks relating to Ukraine—The Ukrainian currency is subject to volatility and depreciation"*.

Adverse developments in consumer markets could adversely affect the Group's business

World economic conditions may affect the performance of the Group. Factors such as inflation, interest rates, currency fluctuation, the price of fuel, income growth and the rate of population growth could affect the economic growth of the markets into which the Group's products such as oilseed, grains, sunflower oil and

meal are ultimately sold and, therefore, could have a material adverse effect on the Group's business, financial condition and results of operations.

Ukrainian law calls for the gradual reduction of export duties on sunflower seeds, which may lead to increased volumes of sunflower seeds being exported by producers or prices of sunflower seeds increasing on the Ukrainian market, thereby negatively impacting the Group's origination and processing functions

Sunflower seeds have been subject to an export duty since October 1999, when the Parliament of Ukraine (the Verkhovna Rada of Ukraine) ("Parliament") introduced a 23% export duty on sunflower seeds with the goal of stimulating domestic processing of sunflower seeds and production of sunflower oil. In June 2001 and May 2008, the Law of Ukraine "*On the Rates of Export Duty on Some Kinds of Oilseeds*", dated 10 September 1999, as amended, reduced the export duty on sunflower seeds to 17% and 16%, respectively. Since Ukraine's accession to the World Trade Organisation (the "WTO"), export duties have been subject to an annual 1% decrease as a result of the required liberalisation of exports and import barriers and restrictions relating to sunflower seed export. On 1 January 2013, the sunflower seed export duty reached its minimum rate and is currently 10% of the customs value of exported sunflower seeds.

Any further reduction or abolition of export duties on sunflower seed may result in increased volumes of sunflower seed being exported and/or increased sunflower seed prices in Ukraine. These factors may have an adverse effect on domestic sunflower seed processing, such as the Group, which may face difficulties procuring sunflower seed or be forced to process smaller volumes of this crop, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's energy or labour costs could increase

The Group's operating costs are sensitive to changes in energy prices. The Group's processing plants are powered principally by electricity (and biomass produced by the Group as a by-product of its sunflower seed crushing operations). The Group's transportation operations are dependent upon fuel and other petroleum products. Significant increases in the cost of these items could adversely affect the Group's production costs and operating results, while a disruption in the supply of electricity, natural gas, or transportation fuels could result in an interruption to the Group's operations.

In addition, significant increases in the Group's labour costs could have an adverse effect on the Group's results of operations and/or financial condition. Although the cost of labour is a limited contributor to the Group's costs of operations and the Group strives to improve the efficiency of its labour force, there can be no guarantee that increases of wages and energy prices would not negatively affect the Group's business, financial condition and results of operations.

The Group may fail to properly manage its storage facilities, silos and terminal, and its products may be damaged in storage

The Group regularly purchases and stores sunflower seeds and grain to meet the requirements of customers who have purchased sunflower oil in bulk and grain on a future delivery basis. The Group also provides storage capacity to farmers who wish to store their products while awaiting advantageous movements in the market price for their products. Crop storage entails significant risks associated with the storage environment, including moisture, temperature, humidity levels, pests, parasites and/or diseases. Excessively high or low levels of moisture, temperature or humidity may result in damage to stored crops and seeds. While these risks are generally insured by the Group (see "*Business of the Group—Insurance*"), any significant damage to the Group's stored sunflower seeds or grain could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to numerous environmental, health, fire, labour, sanitary, veterinary, safety and other laws and regulations, as well as potential environmental liabilities and the impact concerned local authorities and public opinion can have on its business, which may disrupt its business and require it to make substantial expenditures

The agriculture business involves a number of risks, including industrial accidents and environmental and food-processing hazards. As a result, the Group is subject to various environmental protection, occupational health, fire, labour, sanitary, veterinary, safety and other laws and regulations in Ukraine, including those governing air emissions and the use, storage, treatment and disposal of hazardous materials, such as fertilisers, pesticides and fungicides. The applicable requirements under these laws are subject to amendment, imposition of new or additional requirements and changes in interpretations by government agencies or courts, and such laws and regulations are becoming more stringent. Further, as there is no centralised system of implementing these laws and regulations, parts of the Group's business could be adversely affected by local authorities assessing the Group's compliance to different standards, particularly if local public opinion prompts them to act, which may in turn result in stoppages in crushing or farming operations, or if the Group's silos are blocked during harvesting periods, the loss of harvested crops. Similarly, changes in public opinion or the impact of environmental campaigns targeting local factories or industries may also result in disruptions to the Group's business. The discovery of presently unknown environmental conditions, changes in environmental, health, safety and other laws and regulations, enforcement of existing or new laws and regulations and other unanticipated events could also give rise to expenditures and liabilities, including the suspension, or the required decommissioning, of the work and usage of the relevant legal entity or its equipment and buildings, fines or penalties. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations. See also "*Business of the Group—Environmental Control*".

The Group could fail to obtain, to maintain or to renew necessary permits and licences or fail to comply with the terms of its permits and licences

The Group's business depends on the continuing validity of several permits, the issuance of new permits and compliance with the terms of such permits, such as, for example, transportation and water supply licences, permits for water use and for sub-soil use, permits for air emissions, permits for operations with solid waste. Regulatory authorities exercise considerable discretion in the timing of permit issuance and renewal and in the monitoring of compliance with the terms of permits. In certain circumstances, state authorities in Ukraine may seek to interfere with the issuance of permits, and the permitting process may also be influenced by outside commentary, political pressure and other extra-legal factors. Accordingly, there is a risk that permits needed by the Group's business may not be issued or renewed or that they may not be issued or renewed in a timely fashion. If the Group is unable to obtain, maintain or renew necessary permits, its business, financial condition and results of operations could be materially adversely affected. See "*Business of the Group—Licences and Permits*".

A lifting of the current moratorium on the sale of agricultural land in Ukraine may have an adverse impact on the Group

The Group's ability to obtain full ownership rights to agricultural land plots it currently leases is limited by an effective moratorium on the sale of agricultural land currently in force in Ukraine. On 10 October 2019, the draft law No. 2178-10 "*On Amendments to the Certain Legislative Acts of Ukraine on Turnover of Agricultural Land*" (the "New Land Law") was submitted to Parliament, which proposed to abolish the moratorium on the disposal of agricultural land and to create a free market for the buying and selling of agricultural land. On 31 March 2020, to satisfy an IMF pre-condition to the establishment of a new stand-by arrangement for Ukraine (the "2020 SBA"), Parliament adopted the New Land Law, partially lifting the moratorium on the disposal of agricultural land from 1 July 2021 and fully lifting such moratorium from 1 January 2024. Although the New Land Law provides existing lessees with a pre-emptive right to purchase leased agricultural land plots, the

lifting of the moratorium may cause agricultural land prices in Ukraine to increase significantly and there can be no assurance that, in such circumstances, owners of the Group's land plots would be willing to re-let their land to the Group (or sell their land to the Group should it be interested) on commercially acceptable terms or at all. Although under Ukrainian law the Group is entitled to continue leasing land plots for the remaining term of the lease (provided that the lease is properly registered and the lessee complies with its terms) on the same conditions if the owner of the relevant land plot changes, unless otherwise provided in the lease agreement, any inability by the Group to secure the right to use suitable land plots either at commercially acceptable terms or at all could have a material adverse effect on its business, financial condition and results of operations.

The Group has multiple leases, its rights to its land plots may be challenged, and the Group may not be able to renew its lease agreements

The Group leases all of the land plots on which it grows crops. The majority of the Group's agricultural land plots are leased from a large number of private individual lessors, while the remaining land plots are leased from local authorities. This gives rise to a significant administrative burden and a number of legal risks, including a risk of fragmentation of the Group's land reserves if it is unable to continue to lease land from contiguous individual lessors. Any challenge to the validity or enforceability of the Group's rights to land plots it currently leases or may lease in the future may result in the loss of the respective lease rights.

Furthermore, certain leases may not contain all of the provisions and/or annexes required under Ukrainian law, which were mandatory at the time of their conclusion. The lease agreements in respect of the land on which some of the Group's assets are located have not been duly registered. Certain land plots are used by the companies of the Group not in accordance with their designated use. In addition, Ukrainian legislation requires the lease rights to land plots held in state or municipal ownership to be allocated through an auction (save for certain exceptions). This creates a risk that such lease agreements may be invalidated by a court.

Since 1 January 2013, lease rights to the land plots located in Ukraine became subject to mandatory state registration with the State Register of Proprietary Rights to Immovable Property (the "Ukrainian Real Estate Register") (see also "*Certain Regulatory Matters—Leasing of Land in Ukraine*"). The law does not impose mandatory registration of the land lease rights existing prior to 2013 in the Ukrainian Real Estate Register. The management of the Group believes that most of the land lease rights held by the Group have been registered with the Ukrainian Real Estate Register. However, if certain parts of the land lease rights held by the Group have not been registered with the Ukrainian Real Estate Register, such unregistered lease rights to the land plots are less publicly traceable compared to the registered lease rights.

In addition, the Group's land lease agreements are entered into for varied periods of time, with an average term of twelve years. Under Ukrainian law, the Group has a pre-emptive right to extend the term of a lease agreement upon its expiry. This is subject to the Group's compliance with the terms of the original lease, the lessors' willingness to continue leasing the land and the absence of any other potential lessees offering better terms. Thus, there can be no assurance that all lease agreements will be renewed upon their expiration. Furthermore, the Group leases land under both land lease agreements and land allotment lease agreements (in Ukrainian: *pai*). The land allotment certificate evidences only the right to obtain title to a land plot following a legal procedure, rather than confirming ownership right to the land plot. Under the Law of Ukraine "*On the Land Lease*" dated 6 October 1998 (the "Land Lease Law"), owners of land allotment certificates are entitled to allocate their land allotments in kind into plots at any time but must re-execute their land lease agreements on the same terms and conditions as those in the former agreement. The Group may not be able to do this if the lessor does not agree. Thus, if the Group does not maintain compliance with the terms of its original leases or if it does not maintain positive relationships with the private individuals or local authorities from whom the Group leases its land, the Group could lose its ability to renew or extend its lease rights to those land plots.

Any loss by the Group of its lease rights to land plots could adversely affect the Group's business, financial condition and results of operations.

The payments due under the Group's land lease agreements may increase

Under Ukrainian legislation, the parties to a lease agreement are generally free to determine the amount of payments to be made under a land lease agreement where the land is privately owned. However, the annual lease payments in respect of land held in state or municipal ownership must not be lower than a land tax set for a corresponding category of land in the relevant territory in Ukraine where such land is located but may not exceed 12% of the appraised value of a particular land plot. If an appraisal of a land plot is not performed, lease payments may not be lower than 5% of an appraised value of one unit of area of arable land within the relevant region. However, if the lessee is determined on a competitive basis, the annual lease payments may exceed 12% of the appraised value of a particular land plot. The appraised value of the agricultural land plots is subject to annual indexation based on the consumer price index for the previous year. The appraised value of the agricultural land plots should be reviewed at least once every 5 to 7 years (or 7 to 10 years for non-agricultural land located outside a city). Following such review, state or municipal lessors are entitled under Ukrainian law to unilaterally increase the lease payments in respect of the relevant land plot pro rata to the new value of such plot. Lease payments for privately owned land plots are reviewed with the parties' consent. If the appraised value of the land increases, private lessors are entitled to increase the lease payments accordingly, to the extent this option is expressly stated in the land lease agreements. Otherwise, any changes in the appraised value of land or the percentage of the appraised value paid as a land lease payment may affect the absolute value of land lease payments only subject to agreement between the lessor and the lessee. Any increase of the land lease payments above the Group's current expectations could materially adversely affect the Group's business, financial condition and results of operations.

The Group's bulk and grain export operations derive a substantial portion of revenues from a limited number of key customers and the default of one or more of these customers could have an adverse effect on the Group's business, results of operations and financial condition

In its bulk trading operations, the Group derives a substantial portion of its revenues in the bulk sunflower oil segment from key customers, which are expected to account in the future for a significant part of the Group's revenues. See "*Business of the Group—End Products and Services*". In FY2020, the Group's top five bulk oil customers accounted for approximately 53% of the bulk sunflower oil sales volumes. In FY2020, the Group's top five grain customers accounted for approximately 49% of the grain sales volumes. The default of one or more of the Group's large customers could have an adverse effect on its business, results of operations and financial condition. Further, a number of factors, unrelated to the Group's performance, such as, for example, demand for the Group's products, could adversely affect such relationships. One or more of the Group's clients could cease their operations or reduce their size. If, in the future, these customers fail to meet their contractual obligations, decide not to purchase the Group's products or decide to purchase fewer products, this could disrupt the Group's business and require it to spend time and effort to develop relationships with new customers, which could have a material adverse effect on the Group's business, financial condition and results of operations. See "*Business of the Group—End Products and Services*".

The Group could be subject to liabilities if it is determined that past actions violated Ukrainian corporate laws or regulations

Ukrainian corporate laws and regulations have developed considerably since Ukraine's transition to a market economy. Some of these laws and regulations contain ambiguities, imprecision and inconsistencies which make compliance with them difficult. As a result, the Group's prior transactions, including the Group's acquisitions of its Ukrainian subsidiaries, may not have complied with all corporate formalities. In addition, certain Group companies, including the Ukrainian Guarantors, currently do not comply, and/or did not comply in the past,

with all the technical requirements of Ukrainian corporate law with respect to establishment of legal entities, procedural and timing requirements concerning registration of changes in entities' activities or statutory documentation, net assets sufficiency, establishment of certain funds, transfer of shares and participatory interests in the Group's subsidiaries, withdrawal from limited liability company of existing participants and admission thereto of new participants, convocation and holding of general shareholders' and participants' meetings, formation of executive body or supervisory board, reporting requirements for joint stock companies, corporate reorganisation (including merger of several independent companies into a new one, absorption of one company by another, spin-off, change of legal and organisational form), formation, decrease and increase of charter capital, corporate governance and mandatory charter content, the term during which limited liability company may hold its own participatory interest, the organisational form of certain Group companies and some other general requirements of Ukrainian corporate laws.

Non-compliance with these applicable requirements may result in minor fines, warnings from governmental authorities, orders to remedy the violations, suspension of trading of the relevant joint-stock company's securities, mandatory winding-up or reorganisation proceedings or requests to unwind a previous transaction. Also, any violations of corporate laws and regulations which took place in the absorption process may constitute grounds for challenge of the legal successor's rights to certain property of the absorbed subsidiary. Although, to date, the Group has not received any notice of violation from any third party or governmental authority, and it does not expect that any party would seek to review or modify any of these transactions or challenge these irregularities, there can be no assurance that this will not occur in the future. Any successful challenge to prior transactions due to non-compliance with certain corporate laws could adversely affect the Group's business, financial condition and results of operations.

Furthermore, there is a degree of uncertainty whether in the past the Group complied with all applicable laws and regulations on the privatisation of enterprises in all material respects when acquiring its subsidiaries. If these transactions are successfully challenged, the Group's business, results of operations and financial condition may be materially affected. Privatisations in some former Soviet republics (including Ukraine) have been subject to political controversy and legal challenge or reversal. As a result, privatisations are vulnerable to challenge, including through selective action by governmental authorities. As a result, if any of the Group's acquisitions are successfully challenged as having been improperly conducted and the Group is unable successfully to defend itself, the Group may lose its ownership interests, which may materially adversely affect the Group's business, financial condition and results of operations.

Any failure to protect its brand names and other intellectual property could adversely affect the Group's business, financial condition and results of operations

As the Group's success depends to a significant extent upon the recognition of the goodwill associated with brand names and trademarks used by it, in particular "*Chumak*" ("*Chumak Zolota*", "*Chumak Domashnia*"), "*Shchedryi Dar*", "*Stozhar*" and "*Qlio*", and labels for export ("*Kernel*", "*Le Blanc*" and "*Premi*"), maintaining the reputation and value of the Group's brand names and trademarks is important to its success. Substantial erosion in the value of the Group's brand names and trademarks due to product recalls, customer complaints, adverse publicity, legal action or other factors could have a material adverse effect on the Group's business, financial condition and results of operations. Moreover, the Group's products may be imitated or copied, or retailers may seek to market products produced by other companies as the Group's products.

The legal system in Ukraine generally offers a lower level of intellectual property rights protection and enforcement than the legal systems of many other countries in Europe and in North America. Steps taken to protect the Group's trademarks and other intellectual property rights may not be sufficient and third parties may infringe or challenge such rights and, if the Group is unable to protect such intellectual property rights against infringement, it could have a material adverse effect on its business, financial condition and results of operations.

Changes in technology may render the current technologies obsolete or require the Group to make substantial capital investments

The manufacturing process in the agricultural industry, including the edible oils industry, is prone to technological and process changes, which may render the Group's current processes obsolete. In order to compete successfully with its competitors, the Group may be required to invest substantial sums to adopt newer technologies and processes, which may impact the profitability of the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in legislation may reduce the feed-in tariff for “green” electricity, which could adversely affect the Group's business, financial condition and results of operations

The Group is actively investing in the construction of cogeneration heat and power (“CHP”) plants in its oilseed processing plants. This type of activity is considered “green” energy generation, as it comprises electricity generated from biomass, and is therefore subsidised by the government through a feed-in tariff which is higher than the average market tariff. The power generated by CHP plants is sold by the Group to the national grid at feed-in tariff rates. The Group has commissioned its first CHP unit on the Kropyvnytskyi oil-extraction plant and plans to commission five additional CHP units on other plants in FY2020 and FY2021, including the Vovchansk, Bandurka, Black Sea Industries, Poltava and Prydniprovskyi plants, as well as on the new Starokostiantyniv plant which is currently under construction. Any change of law which reduces the feed-in tariff for electricity generated from biomass could have a material adverse effect on the Group's business, financial condition and results of operations.

Further, in 2020, the state-owned company which purchases all electricity produced under the feed-in-tariffs, including the power generated by CHP plants and sold by the Group (the “Guaranteed Buyer”), was unable to compensate energy producers under the feed-in-tariffs due to insufficient funds and liquidity issues, and as of the date of these Listing Particulars, the Guaranteed Buyer had outstanding debt to renewable energy producers, including to the Group, for the electricity produced between March and July 2020. To address the Guaranteed Buyer's liquidity position, the Ukrainian government introduced legislation which reduced the rates of feed-in-tariffs for certain producers of wind and solar energy and provided for new sources of funding for the Guaranteed Buyer. In addition, the Ukrainian government and certain renewable energy producers agreed on a repayment schedule of the Guaranteed Buyer's outstanding debt. Despite these measures, there can be no assurance that the Guaranteed Buyer will be able to make timely payments in the future, and in the event of non-payment, the Group may have limited recourse against the Guaranteed Buyer. Any such non-payment could impact the Group's strategy in relation to its CHP units and could result in a material adverse effect on the Group's financial condition and results of operations.

The Issuer's operating subsidiaries have minority shareholders, which may challenge decisions taken at the general shareholders' meeting

The Issuer owns less than 100% of the equity in some of its subsidiaries based in Ukraine, with the remaining equity being held by an insignificant number of minority shareholders. For example, minority shareholders hold approximately 0.33% in the share capital of Poltavsky VOEP (which is a Guarantor under the Notes). The governing authorities of such subsidiaries, including their shareholders' meetings, supervisory councils and management boards, have in the past made and continue to make strategic and operational decisions and approve various business transactions which may be challenged by minority shareholders under the general provisions of Ukrainian law. Under the Law of Ukraine “*On Joint Stock Companies*”, effective from 29 April 2009 (the “*Joint Stock Company Law*”), any shareholder has the right to challenge decisions taken at the general shareholders' meeting in breach of legislative requirements if such decisions violate its interests, subject to a three-month statutory limitation period. Any such challenge may have a material adverse effect on the Group's business, financial condition and results of operations.

The interpretation and application of Ukrainian tax laws and regulations continues to evolve, which increases the risks associated with the Group's operations and investment in Ukraine

Historically, Ukraine has had a number of laws relating to various taxes imposed by both central and regional governmental authorities. Applicable taxes include VAT, corporate income tax (the "CIT"), customs duties, personal income tax, payroll (social) taxes and other taxes. Ukrainian tax legislation has not been in force for a significant period of time compared to more developed market economies, and, as a result, there is uncertainty as to its application.

Ukrainian tax legislation is subject to frequent changes and amendments, which may result in either a more favourable environment or unforeseen complexities for the Group. For example, with effect from 1 January 2011, the Ukrainian tax system was significantly reformed by the adoption of the Tax Code of Ukraine (the "Tax Code"). Although the Tax Code is viewed by the Ukrainian government as a significant step in the implementation of the tax reform aimed at modernising and simplifying the Ukrainian tax system, the Tax Code has attracted wide public criticism and opposition from private entrepreneurs throughout Ukraine. Apart from the Tax Code, the system of taxation is frequently varied by interpretations issued by the tax authorities. There may be significant uncertainty in the future as to the implementation or interpretation of the new tax legislation. Furthermore, the complicated process of tax inspections and the contradictory rules on when they should be held reduce predictability for the taxpayers.

The Tax Code was significantly amended on 24 December 2015 with effect from 1 January 2016. These changes provided for a flat 18% personal income tax rate applicable to most types of income, the basic reporting period for CIT payers changing from yearly to quarterly, the abolition of monthly advance payments of CIT with certain transition rules, a decrease in the single social contribution rate from 41% to 22% and the abolishment of the 3.6% single social contribution, as well as the improvement of the VAT refund.

On 21 December 2016, Parliament adopted another set of amendments to the Tax Code effective from 1 January 2017. These amendments introduced a wide range of changes mostly related to the tax administration as well as to the application of CIT, VAT, personal income tax and certain other taxes.

Further amendments to the Tax Code were made on 7 December 2017 and took effect from 1 January 2018. The amendments related to certain areas including, among others, rules regulating CIT (including transfer pricing and withholding tax), personal income tax, VAT and excise tax.

Differing opinions regarding the legal interpretation often exist, both among and within Ukraine's governmental ministries and organisations, including the tax authorities, creating uncertainties and areas of conflict. See also "*The Group's working capital may be decreased by a delay or non-repayment of VAT by the Ukrainian tax authorities*". Further, tax laws are subject to changes and amendments, which could have a material adverse effect on the Group's financial condition and results of operations.

Tax returns and supporting documents (including customs and currency control documentation) are subject to review and investigation by a number of authorities, which are authorised by law to impose fines, penalties and interest charges for non-compliance. If violations of the tax laws involving sums of UAH3,153,000 for 2019 (approximately equivalent to US\$112,600) (based on the UAH2,102 minimum wage set forth in the 2020 budget for January-June 2020) or more are discovered, the criminal investigation authorities generally initiate criminal proceedings against a corporate taxpayer's general director, chief accountant or other senior managers. This creates tax risks in Ukraine that are substantially more significant than those typically found in countries with more developed tax systems. Generally, tax liabilities of taxpayers remain open for re-assessment by Ukrainian tax authorities for three years after the filing of the relevant tax declarations, and for seven years for the purposes of transfer pricing issues. However, this statutory limitation period may not be observed, or may be extended, in certain circumstances. Also, the fact that a period has been reviewed does not exempt this period,

or any tax declaration/return applicable to that period, from further review (except in a limited number of circumstances in which such audits are not allowed).

With respect to international taxation, on 1 January 2017, Ukraine joined the Inclusive Framework on OECD Base Erosion and Profit Shifting Action Plan (“OECD BEPS”), pursuant to which it has undertaken to implement four “minimum standard” actions under OECD BEPS. Accordingly, Ukraine’s tax authorities are expected to increase their focus on areas such as transfer pricing, the economic substance of legal structures employed by taxpayers and various anti-abuse rules applicable to cross-border transactions. Further, on 23 July 2018, Ukraine signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the “MLI”), which was ratified by Parliament on 28 February 2019. The MLI became effective in Ukraine on 1 December 2019. The MLI is an international treaty which enables a participating country to simultaneously amend its double taxation treaties with all or some of other participating countries. Among other things, the MLI will enable the introduction of various rules aimed at preventing abuse of beneficial provisions of double taxation treaties.

In addition, in May 2020, the Law of Ukraine “*On Amendments to the Tax Code of Ukraine to Improve Tax Administration and Remove Technical and Logical Inconsistencies in Tax Legislation*” No. 466-IX, dated 16 January 2020 (the “Tax Code Amendments Law”) entered into force. The Tax Code Amendments Law introduced certain anti-BEPS measures that give the Ukrainian tax authorities a number of tools to challenge transactions, particularly with non-Ukrainian residents, where such transactions lack a genuine business purpose.

Differing opinions regarding the legal interpretation and application of tax laws and regulations, any significant changes in the Ukrainian tax system, failure to implement certain changes or the ineffectiveness of any implemented measures could materially adversely affect the Group’s financial condition and results of operations.

The Group is in dispute with Ukrainian tax authorities

The Group is currently challenging tax assessments issued by Ukrainian tax authorities and other tax claims to the Group before the relevant authorities and in courts. The Group’s management assessed its maximum exposure to tax claims raised by Ukrainian tax authorities as UAH990.93 million (US\$35.39 million) as of 15 September 2020. This amount represents tax claims which are currently under review by Ukrainian tax authorities and courts, or which were successfully challenged by the Group before the courts, but the relevant judgments are highly likely to be appealed by the tax authorities.

Out of the potential UAH990.93 million (US\$35.39 million) maximum exposure to tax claims, UAH875.94 million (US\$31.28 million) relates to the Group’s ten biggest tax claims. These claims relate to, among other things, underpayment of CIT, VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues. The Group believes that the Ukrainian tax authorities’ claims are unlikely to be upheld by the courts and assesses its chances of successful challenges as high. However, there can be no assurance that the Group will succeed in these disputes or that the Group will successfully challenge all other tax claims. An adverse outcome could have a material adverse effect on the Group’s business, financial condition and results of operations.

The Group may be exposed to taxation in Ukraine if activities of non-Ukrainian companies of the Group are treated as creating a permanent establishment for Ukrainian tax purposes

The Tax Code contains the concept of a permanent establishment in Ukraine as a means for taxing foreign legal entities which carry out regular entrepreneurial activities in Ukraine beyond those of a preparatory and auxiliary character. Ukraine’s double tax treaties with other countries contain a similar concept.

However, double tax treaties provide for a narrower definition of a permanent establishment than the Tax Code (especially considering the fact that the definition of a permanent establishment was expanded as a part of tax reform in December 2014).

Despite the above and although the Group believes that all companies of the Group conduct their affairs so that they should not be treated as having a permanent establishment in Ukraine, the practical application in Ukraine of the concept of a permanent establishment under Ukrainian law and double tax treaties is not well developed. For this reason, foreign companies having even limited operations in Ukraine, which would not normally satisfy the conditions for creating a permanent establishment under international rules, might be at risk of being treated as having a permanent establishment in Ukraine and hence being liable to Ukrainian taxation. Accordingly, no assurance can be given that the Group's activities will not be treated by the Ukrainian authorities as creating such a permanent establishment.

The Tax Code Amendments Law provides for the right of foreign companies to determine their tax residency according to the "place of effective management" principle with effect from 1 January 2021. Under the Tax Code Amendments Law, there is no specific legal mechanism for the Ukrainian tax authorities to recognise foreign company as a Ukrainian tax resident at their own discretion based on the "place of effective management" principle. However, there is a risk that the Ukrainian tax authorities may interpret the provisions of the Tax Code Amendments Law adversely and claim that some foreign entities are Ukrainian tax residents.

In addition, the Tax Code Amendments Law expands the permanent establishment definition according to OECD BEPS. Pursuant to the Tax Code Amendments Law, from 1 January 2021 the Ukrainian tax authorities will be authorised to conduct audits of non-residents' activities in Ukraine, and to register the commercial activities of non-residents in Ukraine through a permanent establishment.

If activities of any non-Ukrainian company of the Group were treated as creating a permanent establishment in Ukraine, such company would be subject to Ukrainian taxation on the part of its income that is attributable to that permanent establishment in a manner broadly similar to the taxation of any Ukrainian legal entity (with an 18% applicable CIT rate). However, although Ukrainian tax law contains some attribution rules to determine the part of the income of a foreign entity that is attributable to any Ukrainian permanent establishment, these rules are not well developed. There is, therefore, a risk that the tax authorities might seek to assess Ukrainian tax on the entire income of such company, if it were treated as having a permanent establishment in Ukraine. Having a permanent establishment in Ukraine may also have other adverse tax implications, including jeopardising the right to benefit from the reduced withholding tax rate under an applicable double tax treaty, and potentially affecting the Group's VAT obligations. There is also a risk that penalties could be imposed by the tax authorities for failure to register the permanent establishment with the Ukrainian tax authorities.

Any such taxes or penalties could have a material adverse effect on the Group's business, financial condition and results of operations.

The tax authorities could challenge some of the Group's transactions on the basis of the "substance over form" principle

The Ukrainian tax authorities and courts historically took the position that for tax purposes the form of a transaction prevailed over its substance. However, the Ukrainian tax authorities and courts alike have recently paid greater attention to the substance of transactions for tax purposes. The relevant practice is still developing and thus is not altogether clear or consistent. However, the risk that appears to be emerging is that the Ukrainian tax authorities may claim that agreements lacking business purpose or whose only purpose is obtaining a tax benefit (based, primarily, on analysis of the economic substance of the transaction rather than the supporting documents) should be accounted for tax purposes according to the substance of the transaction or disregarded for tax purposes at all. This approach allows the tax authorities to challenge tax benefits obtained by parties to the transaction and it appears it is being widely applied. The Tax Code Amendments Law allows tax authorities

to challenge expenses incurred in the transactions with non-residents if they lack a genuine business purpose. In addition, under the Tax Code Amendments Law, tax authorities may deny the application of the benefits of double tax treaties if the obtaining of such benefits was one of the main purposes of the transaction (“principal purpose test”).

Although management believes that the Group can demonstrate that all its transactions were concluded for proper business reasons and that they are in compliance with all applicable tax rules, there is a risk that the Ukrainian tax authorities might challenge some of the Group’s transactions. On this basis the Ukrainian tax authorities could attempt to challenge the Group’s tax benefits recognised under these transactions and also apply material penalties and fines which could have a material adverse effect on the Group’s business, financial condition and results of operations.

Ukrainian tax authorities could challenge accounting records and financial statements of the Group’s companies in the course of tax audits

As a part of the tax reform approved on 28 December 2014 and effective as of 1 January 2015, the rules concerning the computation of CIT liabilities were significantly amended. Under the new rules corporate income tax must be charged on accounting profits subject to a limited number of corrections (referred to as tax differences). As a result, the tax authorities were granted a right to review accounting records of taxpayers and their correctness. This right relates to a review of the accounts of those taxpayers which prepare financial statements under IFRS as well. Based on statements of the Ministry of Finance of Ukraine and the tax authorities, this authority is not likely to be removed or revoked.

However, tax inspectors of local authorities are typically not sufficiently qualified or experienced to review IFRS-based financial statements and related accounting. This might result in unjustified corrections to the tax statements of the Group’s companies by tax authorities in Ukraine and in the assessment of additional taxes as well as material penalties and fines, which could have a material adverse effect on the Group’s business, financial condition and results of operations.

The Group’s intragroup transactions and other related party transactions are subject to Ukrainian transfer pricing regulations

Ukrainian transfer pricing rules apply to a wide range of cross-border transactions, most typically regulating pricing for goods and services sold or purchased to or from related parties and, in certain cases, unrelated parties (for example, for the latter, cross-border transactions with so-called “low tax” jurisdictions). With effect from 1 September 2013, the Tax Code was amended to introduce new transfer pricing rules that require liabilities for tax on certain transactions to be calculated on the basis of prices set on an arm’s length (or market) basis. Further, with effect from 1 January 2015, the transfer pricing rules in the Tax Code were amended, in particular with regard to the list of transactions which are subject to transfer pricing regulation, and further amended in July 2015, with effect from 13 August 2015, in December 2016 with effect from 1 January 2017, in December 2017 with effect from 1 January 2018 and in December 2018 with effect from 1 January 2019 (the “New TP Rules”).

The transfer pricing rules apply to: (a) cross-border transaction with related non-resident entities; (b) cross-border transactions for the sale of goods via non-resident agents; (c) cross-border transactions with non-resident entities registered in a tax jurisdiction where the standard CIT rate is at least 5% lower than the standard CIT rate in Ukraine, or does not adequately exchange tax information with Ukraine tax authorities or does not have a treaty on exchange of information with Ukraine (the list of these so-called “low tax” jurisdictions must be approved by the Ukrainian government); (d) transactions between related parties involving any unrelated party with only an intermediary role in the relevant transaction where such unrelated party does not perform any important function, is not exposed to commercial risks of such transaction and does not use any substantial assets; (e) cross-border transactions with non-resident entities incorporated in certain forms (the list to be

approved by the Cabinet of Ministers of Ukraine), which do not pay corporate income tax or are not tax residents of their incorporation state; and (f) transactions between a non-resident and its permanent establishment in Ukraine (each such transaction, a “Controlled Transaction”).

Controlled Transactions are subject to transfer pricing regulations if the following criteria are met: (1) the total income (which is subject to CIT) of the applicable Ukrainian taxpayer exceeds UAH150 million in the relevant calendar year; and (2) the volume of such transactions with any particular counterparty exceeds UAH10 million (exclusive of VAT). Transactions between a non-resident and its permanent establishment in Ukraine are subject to transfer pricing regulations if the volume of such transactions exceed UAH10 million (exclusive of VAT).

Ukrainian taxpayers are required to report Controlled Transactions to the tax authorities on an annual basis. Ukrainian taxpayers are required to prepare an annual transfer pricing report and to submit it to the tax authorities by 1 October of the year following the reporting year. Ukrainian taxpayers are also required to prepare transfer pricing documentation and to submit it to the tax authorities within two months following the relevant request of the tax authorities. Failure to comply with the reporting obligations may result in sanctions imposed by the tax authorities. Based on such reporting, as well as their own monitoring and tax audits, the Ukrainian tax authorities can make transfer pricing adjustments and impose additional tax liabilities in respect of Controlled Transactions if the transaction price is not at arm’s length.

In the ordinary course of the Group’s business there have been and continue to be a significant number of transactions between companies within the Group, as well as a number of transactions with other parties related to the Group, which generate significant revenues and costs in the Group. See “*Shareholders and Related Party Transactions*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”.

The Tax Code offers a number of methods to establish arm’s length price in respect of a Controlled Transaction. According to the most commonly used comparable uncontrolled price method, the arm’s length price is determined by reference to the sales price of identical (or similar) goods, works, or services between unrelated parties taking into account, in particular, the commercial terms of such agreements including the amount, volume of goods, contractual obligations, payment terms and other relevant terms. Other methods are largely based on accounting standards and include the resale price method, the cost plus method, the net profit method and the profit distribution method.

Under the New TP Rules, companies trading in commodities are obliged to determine the prices of goods sold under the comparable uncontrolled price (the “CUP”) method based on the quotation of such commodity on a recognised stock exchange (included in a special list approved by the Ukrainian government). Adjustments to the quoted price are allowed with respect to the supply basis, quality of goods and related costs. The quotation price needs to be determined under specified criteria. Specific rules also apply when determining the price range for forward and futures agreements.

Instead of applying the quotation price, a taxpayer may apply other transfer pricing methods to prove the arm’s length nature of the price if the taxpayer can demonstrate that the CUP method is not appropriate. In that case, the taxpayer must disclose the full supply chain up to the unrelated purchaser and provide information on profit margins for each company in the supply chain.

Although management believes that the Group has sufficient basis to support its compliance with transfer pricing regulations, and that it has paid all taxes that are applicable, it is not always possible to determine an appropriate market price for all such transactions, and the Ukrainian tax authorities’ view as to what constitutes a market price may differ from that adopted by the Group. In particular, there can be no assurance that the transfer pricing method and underlying data used by the tax authorities to determine the arm’s length price in each case would correspond to the method and data used by the Group. Accordingly, any discrepancies between such tax assessments could lead to transfer pricing adjustments by the Ukrainian tax authorities, which may also lead to the imposition of fines and penalties in addition to requiring the payment of additional amounts to

cover underpaid tax liabilities. Further, there is no assurance that foreign companies of the Group will be able to make an offsetting adjustment, which could further increase overall tax burden of the Group for a particular transaction and could result in double taxation of trading profits of the Group. The imposition of any such fines, penalties and/or additional payment obligations, or any dispute between the tax authorities and the Group in relation thereto, could have a material adverse effect on the Group's business, financial condition and results of operations.

In May 2020, the Tax Code Amendments Law that contains country-by-country reporting ("CbC reporting") rules entered into force. CbC reporting is a part of Action 13 of OECD BEPS intended to provide tax authorities with additional information necessary to conduct an informed transfer pricing risk assessment. The Tax Code Amendments Law may require the Group to submit additional transfer pricing reporting for FY2021 and for all subsequent financial periods. In addition, in FY2021, the Ukrainian legal entities of the Group may be required to submit notifications of participation in a multinational group of companies in respect of FY 2020 and for all subsequent financial periods. This information will provide the Ukrainian tax authorities with commercially sensitive and confidential information regarding the Group's operations.

As of 15 September 2020, the Group was involved in proceedings amounting to UAH193.93 million related to its transfer pricing adjustments on export transactions with related parties. Claiming that the price of such export transactions was not set at arm's length, the tax authorities adjusted the classification of the Group's forward sale contracts, resulting in the assessment of additional corporate income tax and fines thereon of UAH37.64 million. The court ruled in favour of the Group. However, the tax authorities may appeal the decision. If such adjustments or additional future adjustments are implemented, the Group's effective tax rate could increase and its financial results could be materially adversely affected. In addition, the Group could face significant losses associated with taxes assessed as underpaid and related fines and penalties, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group currently benefits and has in the past benefitted from tax exemptions and reductions, which may not be available in the future and which could materially affect the Group's profitability

Under Ukrainian law, qualifying producers of agricultural products are permitted to elect between general and special regimes of taxation with respect to certain taxes. In particular, in accordance with the Tax Code, Ukrainian companies engaged in the production, processing and sale of agricultural products may elect to be registered as single tax payers in the "fourth group" of taxpayers based on its holding of land (the "Single Tax"), provided that sales of their own-produced agricultural products represent more than 75% of their total gross revenue for the previous year. The Single Tax is paid in lieu of the CIT, land tax and rent for special use of water resources. The amount of Single Tax payable is calculated as a percentage of the monetary value of all land plots (determined as of 1 January of the relevant tax year) leased or owned by the Single Tax taxpayer in the "fourth group" of taxpayers and used for agricultural production.

As of 1 July 2020, 17 Ukrainian subsidiaries of the Group elected to pay the Single Tax in lieu of the other taxes mentioned above. In the calendar year ended 31 December 2019, profit generated by Single Tax payers in the Group (and therefore exempt from CIT) based on National Accounting Standards was UAH4,539.5 million (US\$175.6 million, based on the annual average exchange rate). In the same year, such companies paid the Single Tax in the amount of approximately UAH158.3 million (US\$6.1 million, based on the annual average exchange rate), which represented 3.5% of their net profits for that year. Although the Single Tax regime for agricultural producers has been extended, there is no guarantee that the Single Tax regime will not be discontinued in the future, and in particular, there are draft laws that propose to abolish the Single Tax regime (See "*Risks relating to Ukraine—Ukraine's tax system is underdeveloped and subject to frequent change, which creates an uncertain environment for investment and business activity*"). If the Single Tax regime is discontinued, the Ukrainian companies within the Group would pay CIT at the standard rate for Ukrainian companies (currently 18%) as well as the other taxes and duties listed above.

In addition, Parliament is considering a draft law which proposes replacing CIT with dividend distribution-based corporate income tax (also referred to as “*exit capital tax*” or “*capital withdrawal tax*”). The new President and his political party also included the introduction of exit capital tax in their political agenda.

The concept of a dividend distribution-based corporate income tax suggests that corporate profits be taxable only upon their distribution in the form of dividends or certain specific types of payments (which are regarded as “hidden” dividend distributions). In such case, businesses would be allowed to defer any corporate income tax liability until the distribution of net accounting profit as dividends (or other taxable form of return of capital).

Accordingly, under the proposed legislation, the Group would be allowed to defer their income tax liabilities until the point at which profits are distributed as dividends. However, there can be no assurance that the Group will not incur additional tax liabilities due to capital withdrawals resulting from possible repayments of its debt, expansion of its operations in jurisdictions other than Ukraine, or any withdrawals made for other corporate purposes. Such additional tax liabilities could have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

The Group’s working capital may be increased by a delay or non-repayment of VAT by the Ukrainian tax authorities

As an exporter in Ukraine which does not charge VAT on sales that can be offset against the purchase of goods and services, the Group relies on the timely repayment by the Ukrainian government of VAT incurred in order to ensure smooth cash flows and its continued ability to invest in its business. The Group is entitled to VAT refund in relation to its export activities. This is because export sales are generally subject to VAT at a rate of 0% and the input VAT incurred by the Group’s Ukrainian subsidiaries on purchases relating to such export sales is subject to refund by the Ukrainian government.

Historically, obtaining a VAT refund from the state was extremely difficult. The Group has experienced significant delays in the repayment of VAT, which has led to, and may lead again to, further increases in working capital and may result in material financial losses. Administrative procedures and resulting disputes have required the Group to use the court system to enforce repayment. This has significantly delayed recovery beyond the normal 90-day period. The Group entities involved in export activities have managed to obtain US\$989.0 million VAT refunds over the last three financial years.

With the implementation of the electronic system of VAT administration from FY2015 and simplified procedures of VAT refunds for qualifying entities from FY2016 the process of VAT reimbursement by the state has significantly improved. From FY2017 additional improvements to VAT reimbursement procedure has been introduced to streamline the refund process.

However, there is still a risk that VAT assets owed to the Group will not be paid promptly, which will lead to increase in working capital. There is also a risk that the Ukrainian government’s financial position will preclude the timely repayment of VAT, leading to a financial loss depending on the terms of repayment imposed and, as the Group reports its financial results and position in U.S. dollars, the prevailing exchange rate when actual repayments are made.

In addition, from 1 January 2018, the Ukrainian government established a temporary VAT exemption of exports of soybeans (for the period from 1 September 2018 until 31 December 2021) and rapeseed (for the period from 1 January 2020 until 31 December 2021). Under the Tax Code, input VAT may not be credited and refunded if it accrued on goods used in an exempt transaction (as opposed to transactions taxed at the 0% VAT rate). In September 2018, a new set of amendments was introduced to the Tax Code which restored the ability of farmers (who grew crops on either their own or rented land) to claim an export VAT refund for soybeans and rapeseed. With effect from 23 May 2020, VAT refunds in connection with the export of soybeans and rapeseed were

included in the Tax Code. However, as the ability to receive VAT refunds for the export of soybeans and rapeseed has changed a number of times in recent years, there is no guarantee that this will not change in the future. The potential absence of VAT refunds for the export of soybeans and rapeseed in the future may significantly affect the Group's margins and have a material adverse effect on the Group's financial condition and results of operations.

The Group's existing security measures may not prevent a cybersecurity breach or hack

Substantial or ongoing security breaches, whether instigated internally or externally on the Group's information technology systems or other Internet-based systems, could significantly harm the Group's business and reputation. The Group incurs, and expects to continue to incur, substantial expense to protect itself against cybersecurity breaches and their consequences.

It is possible that computer circumvention capabilities, new discoveries or advances in technology or other developments, including the Group's own acts or omissions, could result in a party (whether internal, external, an affiliate or unrelated third party) compromising or circumventing the Group's security systems and stealing customer transaction data, personal data or the Group's proprietary information or causing significant interruptions to the Group's operations. The Group cannot guarantee that such measures will be successful and if the Group were to experience frequent or persistent interruptions in its systems, whether due to system failures, human input errors, computer viruses, physical or electronic break-ins or denial-of-service attacks. Failure to continue to improve the Group's standards or a substantial interruption to any of the Group's businesses, or in the systems of third parties upon which the Group relies, could expose the Group to a risk of loss or litigation and possible liability and could significantly harm its business. Breaches could also damage the Group's reputation and diminish value of its own brands. Furthermore, the Group's insurance may not be adequate to reimburse it for losses caused by security breaches.

A cybersecurity attack or other information or security breach could result in a material adverse effect on the Group's business, financial condition and results of operations.

Substantial indebtedness and obligations under certain debt facilities may adversely affect the Group's cash flow and impair its ability to expand or finance its future operations

The Group has and will continue to have a substantial amount of outstanding indebtedness and obligations with respect to the servicing of such indebtedness. As at 30 June 2020, the Group's debt liabilities stood at US\$1,349.6 million, which includes current and non-current lease liabilities of US\$310.0 million.

This substantial indebtedness could have significant adverse consequences for the Group's business, including:

- requiring the Group to dedicate a substantial portion of cash flow to make payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, new acquisitions and other general corporate purposes;
- increasing the vulnerability of the Group to general adverse economic and industry conditions;
- limiting the flexibility of the Group in planning for, or reacting to, changes in its business and industries in which it operates;
- limiting the ability of the Group to make acquisitions or take other corporate actions;
- placing the Group at a competitive disadvantage compared to competitors who have less indebtedness in relation to cash flow; and
- limiting the ability of the Group to borrow additional funds and increasing the cost of any such borrowings, particularly because of the financial and other restrictive covenants contained in the Conditions.

In addition, to the extent that the Group's debt obligations are based on fixed interest rates, its ability to service these debt obligations could be adversely affected by deflationary periods in which prices for its products may decline, resulting in reduced cash inflows.

In addition, some of the Group's debt instruments (as set described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources and Borrowings*") contain covenants that impose on the Group significant financial and operating restrictions, as well as other requirements. For example, these covenants restrict the ability of the Issuer or its subsidiaries to, among other things, incur additional debt; create certain security interests over certain of its assets; transfer or sell assets; engage in sale and leaseback transactions; merge or consolidate with other entities; or make investments or acquisitions. Compliance with these covenants could materially and adversely affect the Group's ability to finance its future operations or capital needs or to engage in other business activities that may be in the best interests of the Group.

In addition, existing or alleged breaches of any terms of certain of the Group's debt instruments or other borrowings could cause a default under the terms of such Group's indebtedness, causing some or all of the Group's indebtedness to become due and payable which may, in turn, trigger cross-default in other debt instruments. Such default could result in the Group's creditors proceeding against the collateral securing such indebtedness. Such action could materially adversely affect the Group's business, results of operations or financial condition. Further, if the Group's indebtedness were to be accelerated, it is uncertain whether the Group's assets would be sufficient to generate the funds necessary to repay it.

The Group may be unable to raise additional funding or refinance its debt on acceptable terms; failures by the Group to comply with restrictive covenants under the terms of its indebtedness would put the Group into default

If the Group's future cash flows from operations and other capital resources are insufficient for the Issuer to pay its obligations as they mature or to fund liquidity needs of the Issuer and its subsidiaries, the Issuer and its subsidiaries may, among other things be forced to:

- reduce or delay business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or a portion of their debt on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

There can be no assurance that any of these alternatives can be accomplished on a timely basis or on satisfactory terms, if at all. In addition, the terms of the Issuer's and its subsidiaries' existing and future debt, including the Notes, may limit their ability to pursue any of these alternatives.

Changes in assumptions underlying the carrying value of the Group's assets, including due to market conditions, could result in an impairment of tangible and intangible assets

The methodology for estimating the carrying value of certain of the Group's assets relies on certain assumptions being made and may be updated over time. The value of readily marketable inventories ("RMI"), for example, may change due to fluctuations in the market price, while the value of the Group's other tangible assets may depend on utilisation rates, market environment and other factors. Revisions to economic assumptions underlying such estimates may ultimately result in an impairment of the value of the Group's assets reflected in its financial statements and adversely affect the Group's results of operations. Although such impairment would not affect the Group's cash flows, there is also a risk that the reduction in equity may lead to a breach of

certain ratios under financial covenants in the Group's long-term banking facilities, which would adversely affect the Group's liquidity and financial position.

The adoption of new, or amendment of existing, accounting standards may significantly impact the Group's reported financial results and financial position

Changes to the leases accounting standard under IFRS 16 "Leases" came into effect on 1 January 2019 and introduced a single on-balance sheet model for recording almost all lease agreements on a lessee's balance sheet. The new standard affected most of the commonly used metrics such as Net Debt, Adjusted EBITDA, operating profit, operating cash flows and others.

The Group began applying IFRS 16 initially on 1 January 2019, using a modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors affecting the Group's results of operations—Changes to critical accounting policies*".

For the purposes of the Conditions, Total Assets, EBITDA, Indebtedness and Fixed Charge Coverage Ratio (each as defined therein), as well as certain other terms used in the restrictive covenants in the Conditions, shall be calculated as if any lease that would have been treated as an operating lease under IFRS prior to the mandatory application of IFRS 16, will continue to be treated as an operating lease and would effectively be disregarded for the purposes of such calculation, unless an irrevocable election has been made by the Issuer by written notice to the Trustee to redesignate operating leases in accordance with IFRS 16. See Condition 3 (*Covenants*).

The foregoing factors have affected the comparability of financial statements for the periods when IFRS 16 is effective against prior financial period, as well as the ability of investors to assess the Group's Fixed Charge Coverage Ratio from its financial statements in future periods. Furthermore, the adoption of any other new IFRS standards by the Group in the future could have a material adverse effect on the Group's reported results of operations and financial condition.

The Group may face risks related to legal proceedings

The Group, in the ordinary course of business, may face legal claims from third parties, some of which could be material. In particular, the Group remains involved in the continued disputes with the sellers (the "Stiomi Sellers") in connection with the acquisition of LLC Stiomi Holding ("Stiomi Holding"). See "*Business of the Group—Legal proceedings*". The proceedings have resulted in an arbitral award against the Group in the aggregate amount of approximately US\$30.3 million and disputes in relation to this case are ongoing. In particular, the Stiomi Sellers have made further claims against the Group for interest on the amounts due to them at the rate of 10% per annum (corresponding to US\$5,944 per day since the date of the initial arbitral award in late February 2019), initiated court proceedings in Luxembourg and Switzerland in respect of such interest due, and taken actions to enforce the payment of the arbitral award. The Group disputes the claims for additional interest. The enforcement proceedings are ongoing and have resulted in attachments and conservatory actions against certain of the Group's bank accounts.

In addition, as part of the same case, certain third parties have made cross-claims against the Stiomi Sellers and the Group. Specifically, former counsel to the Stiomi Sellers has obtained an attachment order against the Group, which prevents the Group from paying any amounts to the Stiomi Sellers until the attachment order is lifted. In addition, a third party brought claims in Swiss courts asserting that one of the Stiomi Sellers' claims has been assigned to them, which the Stiomi Sellers dispute. As a result of these conflicting claims and

proceedings, the Group has been unable to discharge its payment obligations in respect of the arbitral award to the Stiom Sellers, pending the resolution of these issues.

As of 30 June 2018, the Group recognised a provision regarding the arbitral award and the related proceedings. The provision represents the directors' best estimate of the maximum future outflow that will be required in respect of the award and the related proceedings. The carrying amount of the payables for legal claims was US\$34,047 thousand as of 30 June 2020 (2019: US\$31,872 thousand), and related expenses in the amount of US\$2,175 thousand were recognised within the year ended 30 June 2020 (2019: US\$2,901 thousand) and included within the "Other expenses, net" line item.

If the resolution of the ongoing claims is protracted, claims in respect of interest due in respect of the awards could become material. In addition, further enforcement actions or attachment proceedings by the Stiom Sellers could adversely affect the Group's business.

Risks relating to Ukraine

General

Since obtaining independence in 1991, Ukraine has undergone a substantial political transformation from a constituent republic of the former Union of Soviet Socialist Republics to an independent sovereign state. Concurrently with this transformation, Ukraine is changing from a centrally planned to a market-based economy. The EU granted Ukraine market economy status at the end of 2005. The United States granted Ukraine market economy status in February 2006. Ukraine joined the WTO in 2008. Although some progress has been made since independence to reform Ukraine's economy and its political and judicial systems, to some extent Ukraine still lacks the necessary legal infrastructure and regulatory framework that are essential to support market institutions, the effective transition to a market economy and broad-based social and economic reforms. The pace of economic, political and judicial reforms has been adversely affected by political instability caused by continuing disagreement among the Ukrainian government, Parliament and the President of Ukraine. Further, substantial parts of Ukraine's territory have effectively been either annexed by the Russian Federation or are under de facto control of separatist militants. An important industrial region in Eastern Ukraine has been severely impacted by the military action, along with the industrial and social infrastructure therein. Beyond the humanitarian consequences of the military action, this has resulted in a loss of a significant proportion of the country's productive capacity and a consequent substantial fall in Ukraine's gross domestic product. This, along with the associated loss of tax revenue and the increased military and social welfare expenditure, has had, and continues to have, a very significant detrimental effect on the Ukrainian economy and financial position as a whole.

The economic effects of the outbreak of the coronavirus pandemic have had and could continue to have an adverse effect on Ukraine's economy and may have a material adverse effect on the Group's business, financial condition and results of operations

In December 2019, the emergence of a new strain of coronavirus ("COVID-19") was reported in Wuhan, Hubei Province, China. This new strain has subsequently spread throughout the world, including to Ukraine. On 11 March 2020, the World Health Organization (the "WHO") declared COVID-19 a global pandemic.

In response, Ukraine implemented nationwide restrictions on movement and economic activity similar to those taken in many other countries, such as imposing self-quarantine, instituting curfews, suspending non-essential businesses, banning public gatherings and closing down schools and universities, among others (collectively "Quarantine Measures"). In an effort to offset the impact of the COVID-19 pandemic on Ukraine's economy, the National Bank of Ukraine (the "NBU") reduced the discount rate to 10% on 13 March 2020 and to 6% on 11 June 2020. Additionally, on 13 April 2020, Parliament amended the Law of Ukraine "*On State Budget for 2020*", launching a UAH65 billion coronavirus response fund to counter the spread of COVID-19.

Restrictions implemented both domestically and globally to combat the spread of COVID-19, as well as uncertainty regarding future developments relating to the pandemic, have had and could continue to have an adverse effect on Ukraine's economy. As in other countries, certain sectors such as tourism, transportation, hospitality, recreation and entertainment have been particularly affected by the ongoing pandemic. COVID-19 has also adversely impacted Ukraine's manufacturing and export-oriented sectors, which are significant contributors to Ukraine's GDP with companies suspending large production capacities or reducing their business activities significantly due to a sharp contraction in external demand. Similarly, export oriented sectors engaged in production activities involving significant imported components continue to be negatively affected by disrupted supply chains as production in China and other countries has contracted sharply, making imports of raw materials and intermediary products and equipment difficult. According to recent statistics, the CMU projects a decline in Ukraine's real GDP of 4.8% in 2020, primarily as a result of the COVID-19 pandemic.

Although Ukraine and other countries have begun easing Quarantine Measures, the pandemic will continue to have a significant impact on the macroeconomic environment, producing volatility, uncertainty and disruption in global financial markets, the severity and duration of which will depend on future developments. Such developments are inherently highly uncertain and cannot be accurately predicted. For example, global financial markets and key sectors of Ukraine's economy may prove slow to recover despite the easing of Quarantine Measures. Alternatively, Ukraine or other countries may prolong or renew Quarantine Measures in response to further outbreaks of COVID-19. Any such developments would likely have a material adverse effect on Ukraine's economy as a whole.

For information on the impact of COVID-19 on the Group as of the date of these Listing Particulars, see "*Business of the Group—Impact of COVID-19*". The full extent to which COVID-19 impacts the Group's operational and financial performance will depend on future developments, which are highly uncertain and cannot be predicted. Any significant disruption to production or increased operational costs as a result of COVID-19 and/or the Quarantine Measures could have a material adverse effect on the Group's business, financial condition and results of operations.

Emerging markets including Ukraine are subject to greater risk than more developed markets

An investment in a country such as Ukraine, which achieved independence less than 30 years ago and whose economy is in transition, is subject to substantially greater risks than an investment in a country with a more developed economy and more mature political and legal systems. Although some progress has been made since independence in 1991 to reform Ukraine's economy and its political and judicial systems, to some extent Ukraine still lacks the necessary legal infrastructure and regulatory framework that are essential to support market institutions, the effective transition to a market economy and broad-based social and economic reforms. As a consequence, there are risks associated with investments in emerging markets and, specifically, Ukraine, that are not typically associated with investing in more mature markets. The availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole. Consequently, any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market or national or global crisis, such as the ongoing COVID-19 pandemic) could affect the price or availability of funding for entities within such markets. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Ukraine, including elements of the information provided in these Listing Particulars. For more information, see "*—Official economic data and third-party information*". Investors should also note that emerging economies such as Ukraine's are subject to rapid change and that the information set out in these Listing Particulars may become outdated relatively quickly.

Accordingly, investors should exercise particular care in evaluating the risks involved. Generally, investments in emerging markets, such as Ukraine, are only suitable for sophisticated investors who fully appreciate the

significance of the risks involved and investors are urged to consult their own legal and financial advisers before making a decision with respect to these Listing Particulars.

Official economic data and third-party information

Official statistics and other data published by Ukrainian State authorities (including the NBU and the State Statistics Service of Ukraine) may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on a different basis than those criteria used in more developed countries. Furthermore, standards of accuracy of statistical data may vary from agency to agency and from period to period due to application of different methodologies. The Issuer has not independently verified such official statistics and other data, and any discussion of matters relating to Ukraine in these Listing Particulars is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in these Listing Particulars has been extracted from official governmental sources in Ukraine and was not prepared in connection with the preparation of these Listing Particulars. Further such figures, including those relating to Ukraine's GDP, average rates of inflations and grain exports and other official statistics cited in these Listing Particulars may be subject to some degree of uncertainty and may not be fully in accordance with international standards. In these Listing Particulars, data are presented as provided by the relevant governmental agency or institution to which the data is attributed, and no attempt has been made to reconcile such data to the data compiled by other ministries or by other organisations, such as the International Monetary Fund (the "IMF"). Since the first quarter of 2003, Ukraine has produced data in accordance with the IMF's Special Data Dissemination Standard. There can be no assurance, however, that this IMF standard has been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. Prospective investors should be aware that none of these statistics has been independently verified. The Issuer accepts responsibility only for the correct extraction and reproduction of such information.

Ukraine may continue to experience political instability or uncertainty

In recent years, Ukraine has been experiencing continuous political transformations accompanied by gradual movement towards fully-fledged democracy. However, the establishment of strong democratic institutions is not complete. Historically, a lack of political consensus in Parliament has made it difficult for the Ukrainian government to secure the necessary support to implement policies intended to foster liberalisation, privatisation and financial stability. As a result of the rapid political developments in Ukraine in recent years, the procedures and rules governing the political process in Ukraine may be subject to change.

Following the deferral by the Cabinet of Ministers on 21 November 2013 of the signing of the Association Agreement with the EU, which had been scheduled for 28 November 2013, largely peaceful mass rallies took place in Kyiv and other cities in Ukraine to express strong public support for the political association and economic integration of Ukraine with the EU. Further mass rallies and violent protests commenced in Kyiv and a number of regions ("oblasts") across Ukraine following the violent dispersal of protesters by police in Kyiv on 30 November 2013. The mass rallies and violent protests intensified and spread following the announcement on 17 December 2013 of a package of economic support to be provided by Russia to Ukraine (including through the purchases by Russia of eurobonds issued by Ukraine) and the adoption by Parliament on 16 January 2014 of a number of laws amending legislation in relation to: the regulation of Parliamentary activity; unauthorised public protests; blockading public or government buildings; access to the internet; registration of internet-based media; immunity of the members of Parliament; the status of judges; criminalisation of defamation; criminal responsibility for slandering government officials; criminal trials in absentia; and public associations receiving foreign funding.

On 22 February 2014, former President Yanukovich left Kyiv, and all 328 members of Parliament present voted to remove Mr. Yanukovich from power, citing his abandoning office and withdrawal from his duties in an unconstitutional manner as grounds for his removal. Parliament set 25 May 2014 as the date for new Presidential elections. Oleksandr Turchynov was appointed as both the new speaker of Parliament and interim President.

Russia's occupation of the Ukrainian administrative territories of the Autonomous Republic of Crimea and the City of Sevastopol commenced on 20 February 2014. For more information, see "*—The occupation of Crimea, civil disturbances, political instability and military action have negatively impacted and may continue to affect the Group's business, financial condition and results of operations*" below.

Presidential elections were held on 25 May 2014. Petro Poroshenko received 54.7% of the votes on the first ballot and was elected the President of Ukraine.

In April 2019, Volodymyr Zelenskiy was elected as Ukraine's President. On 21 May 2019, immediately after taking office, President Zelenskiy signed a decree to dissolve the existing parliament and hold an early parliamentary election. The election was held on 21 July 2019 and resulted in President Zelenskiy's political party winning an outright majority in Parliament. Since President Zelenskiy's inauguration, Prime Minister Oleksiy Goncharuk resigned and Parliament appointed Denis Shmygal as his replacement. Subsequently, Illia Yemets was replaced by Maksym Stepanov as the Minister of Healthcare and Ihor Umansky was replaced by Serhiy Marchenko as the Minister of Finance. In March 2020, Ihor Petrashko was appointed as the new Minister for Development of Economy, Trade and Agriculture. There can be no assurances that President Zelenskiy's administration will not experience similar departures by key cabinet members or that there will be no further resignations by senior government officials within other governmental authorities, including the NBU. Further, there can be no assurance that President Zelenskiy's administration will successfully implement the necessary reforms to support a stable investment climate in Ukraine, maintain the country's relationship with the IMF and other global multilateral lenders, and facilitate economic growth in Ukraine.

Ukraine's relationship with Russia remains strained as a result of the occupation of Crimea and the conflict in Donbas. The United States, the EU and Ukraine amongst other countries have imposed several rounds of increasingly stringent economic sanctions on Russia and individuals and Russia has retaliated with sanctions of its own against Ukrainian companies, including Kernel. There is currently no certainty as to how the relationship between Ukraine and Russia will develop in the future.

In addition, the Ukrainian government, including President Zelenskiy and his successors, may not maintain current economic or foreign policies and certain political changes may be implemented. This uncertainty makes the enactment of legislation required to meet the IMF's and other multilateral organisations' criteria for further financial support more challenging. Such criteria, in the case of IMF financial support to Ukraine under the 2020 SBA, include, among other things: (i) ensuring all heating tariffs under the jurisdiction of both regulator and local authorities are reviewed and officially enacted to fully reflect gas and non-gas costs, and the adoption of a simplified procedure for households to switch gas suppliers, (ii) the development of new organisational structures and frameworks for the State Tax Service and the State Customs Service for the delegation of authority and accountability in each organisation as a single legal entity; (iii) the enactment of amendments to a number of laws in coordination with the IMF and World Bank staff to improve legal and financial accountability in state and private institutions; (iv) the strengthening of corporate governance in state owned enterprises, including by adopting a new corporate charter for Naftogaz; and (v) the completion of a compliance audit by the State Audit Service of Ukraine, in consultation with external/third-party auditors, of COVID-19-related spending.

If the IMF's criteria for providing further financial support to Ukraine are not met, or measures taken to meet such criteria are undone, this could result in a suspension of international financial assistance to Ukraine. Such a suspension would be likely to materially adversely affect the economic position of Ukraine and make it

difficult or impossible for Ukraine to meet its international financial obligations. In such circumstances, there could be severe negative effects on the banking sector as well as the real economy.

The continued political and geopolitical uncertainty could continue to undermine the economic development of Ukraine, which could result in a material adverse effect on the Group's business, financial condition and results of operations.

The occupation of Crimea, civil disturbances, political instability and military action have negatively impacted and may continue to affect the Group's business, financial condition and results of operations

On 16 March 2014, a disputed referendum was held in the Autonomous Republic of Crimea. It was reported that the majority voted to secede from Ukraine and join the Russian Federation as a federal subject. Parliament has declared the Crimean referendum unconstitutional and its legitimacy and results have generally not been recognised internationally. All EU members, the United States and Canada have declared it to be illegitimate and 13 members of the UN Security Council voted in favour of a resolution declaring it invalid, although the resolution was vetoed by the Russian Federation. Nevertheless, on 27 March 2014, the UN General Assembly passed a resolution declaring the referendum invalid and affirming Ukraine's territorial integrity. On 10 April 2014, the Council of Europe also adopted a resolution condemning the separatist militants' aggression and the annexation of Crimea by the Russian Federation as being in violation of international law. On 21 March 2014, the Russian parliament passed legislation extending the effect of Russian laws and state authorities to the territory of the Autonomous Republic of Crimea. The events in the Autonomous Republic of Crimea have prompted a negative reaction from the international community, with the EU, the United States and Ukraine, amongst others, refusing to recognise the referendum in the Autonomous Republic of Crimea as legal. Ukraine considers the Autonomous Republic of Crimea to be, as at the date of these Listing Particulars, under temporary occupation by the Russian Federation. There is currently no indication when or whether this temporary occupation will end.

Further, the civil disturbances and political instability in Ukraine and the military conflict in some parts of the Donetsk and Luhansk regions of Ukraine have negatively impacted Ukraine's economy and the relations between the Russian Federation and Ukraine.

Following a period of continuous military conflict, an agreement calling for an immediate ceasefire was reached on 5 September 2014 between delegates from Ukraine, the Russian Federation and the Organisation for Security and Cooperation in Europe, as well as separatist representatives from the self-proclaimed "Donetskaya Narodnaya Respublika" and "Luhanskaya Narodnaya Respublika". However, sporadic heavy fighting continued and the conflict again escalated in January 2015 as fighting intensified over control of the Donetsk International Airport. Between 2014 and 2015, three separate agreements, which included the Minsk Protocol, the Minsk Memorandum and the Package of Measures for the Implementation of the Minsk Agreements, were entered into (together, the "Minsk Agreements") to further the peace process in the conflict area. However, as at the date of these Listing Particulars, the Minsk Agreements have not been implemented in full and the process continues to be protracted amid continued occasional military action and civil disturbances. Additionally, as at the date of these Listing Particulars, it is unclear as to how the Donbas Special Regime Law will be implemented. There are also risks of further escalation of tensions between Russia and Ukraine. For example, on 25 November 2018, Russia seized three Ukrainian naval vessels in the Black Sea as they headed towards a Ukrainian naval base in the Sea of Azov, and 24 crew members were detained in Lefortovo prison in Moscow until their eventual release in September 2019, which occurred as part of a negotiated prisoner exchange between Russia and Ukraine.

The escalating geopolitical tensions and political instability described above have had an adverse effect on the Ukrainian financial markets, and there have been reports of increased capital outflows from Ukraine. The ability

of Ukrainian companies and banks to obtain funding from the international capital and loan markets has also been hampered as a result of decreased demand from the international investor base. Any continuing or escalating military action in Eastern Ukraine could have a further material adverse effect on the Ukrainian economy and consequently, on the Group's business, financial condition and results of operations.

Risks relating to the Ukrainian banking sector could impair the Group's business, restrict the Group's ability to use cash held in Ukrainian banks or lead to a total loss of funds held in Ukraine

The Ukrainian banking sector is weaker than those of developed economies and has weakened in recent periods. The banking sector is heavily exposed to a devaluation of the Ukrainian currency as well as to other external and internal factors. Further, Ukrainian banks are heavily reliant on support from the NBU and dependent on banking and currency control requirements enacted or amended from time to time by the NBU affecting the banks' ability to manage their liquidity and foreign currency. Doubtful and bad loans are another factor affecting the asset quality of Ukrainian banks. According to the NBU, the proportion of loans represented by doubtful and bad loans was 42.0%, 55.6%, 54.0% and 48.4% as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019. As at 1 July 2020, the proportion of loans represented by doubtful and bad loans was 48.5%. Further, in recent years a number of Ukrainian banks, including Bank Finance and Credit, Nadra Bank and VAB Bank, faced financial difficulties and were forced to restructure their outstanding eurobonds. On 21 November 2014, temporary administration was introduced at VAB Bank and on 6 February 2015, at Nadra Bank, reflecting the difficulties faced by some in the banking sector. Further, on 2 March 2015 Delta Bank, one of the systemic banks of Ukraine, was declared insolvent. According to the NBU, Delta Bank was the fourth biggest bank in Ukraine based on the value of assets. Further, during 2015-2016 temporary administration was introduced at, among others, Bank Finance and Credit Bank, Mykhailivskiy and Commercial Bank Khreshchatyk. As of the date of these Listing Particulars, these banks are under liquidation procedure. In addition, on 18 December 2016, the NBU declared PrivatBank insolvent, leading to the nationalisation of the bank by the Ukrainian government on 21 December 2016. On 26 December 2016, according to the NBU, PrivatBank's existing debt was converted into equity and there is currently uncertainty as to the effects such conversion will have on PrivatBank's existing investors and creditors. Although a number of claims are currently being considered at various courts in connection with Privatbank's nationalisation, it is unlikely that a judgment in any of such cases would result in a change of ownership of Privatbank. The future increase in the share of non-performing loans in banks' loan portfolios, or a failure to decrease this share, could place additional strain on the banking system, and may lead to further banks being declared insolvent and being nationalised by the Ukrainian government. The fragile condition of the Ukrainian banking system has also been the main factor in restricting the availability of domestic credit required by domestic businesses to continue to grow their operations. Troubled domestic banks are in many cases unwilling or unable to lend to domestic businesses in need of renewed or increased funding. A continuing stagnation of credit conditions within Ukraine, resulting from bank profitability remaining low and the anticipated recovery being slow to materialise, is likely to continue to have a negative effect on Ukraine's GDP growth. Further, increased domestic borrowing by the Ukrainian government is likely to reduce the availability of domestic credit for Ukrainian businesses, exacerbating the effect on GDP levels. In addition, depreciation of the hryvnia may have a negative effect on bank balance sheets.

Several European banks have terminated their activities in Ukraine in recent years including Commerzbank, Austria's Erste Group Bank, Swedish bank Swedbank, the Bank of Cyprus, the Greek Eurobank Group and UniCredit Group. This is largely due to the high risk of doing business in Ukraine, high credit risk, a high ratio of non-performing loans and exchange rate risk. In addition, primarily as a result of the political tensions between Russia and Ukraine, the number of Russian banks operating in Ukraine has recently decreased.

Since July 2015, Parliament has adopted new legislation to strengthen and protect the banking system. Furthermore, the NBU has actively sought to promote the closure of inadequately capitalised or poorly managed

banks. In particular, on 13 May 2020, Parliament adopted the draft law No. 2571-d “*On Amendments to Certain Legislative Acts of Ukraine to Improve Mechanisms of Regulation of Banking Activity*”, which took effect on 23 May 2020. The law provides that, if a court cancels the NBU decision to resolve a bank, the relevant insolvency or liquidation procedure will not be stayed. Further, the law changed the procedure for challenging decisions of the NBU on bank resolutions. According to the implemented changes, courts will decide whether such decisions comply with the applicable laws, but will not put in question calculations, estimates, opinions and technical judgments within the process. The law also introduced clear conditions, procedures and types of compensation for the former owners of resolved banks.

Despite these positive legislative developments and actions by the NBU, the continuation or worsening of the financial position of Ukrainian banks, including possible Ukrainian government intervention and nationalisation of Ukrainian banks, increased constraints on liquidity and growth of doubtful or bad loans or the failure by the Ukrainian government to adopt and implement a system of banking regulation that achieves an increased degree of soundness and stability of the Ukrainian banks, could affect the Ukrainian economy and the Group’s business, financial condition, and results of operations.

The Ukrainian currency is subject to volatility and depreciation

As a result of the high dollarisation of the Ukrainian economy and the reliance of Ukrainian borrowers on external markets, Ukraine has become increasingly exposed to the risk of hryvnia exchange rate fluctuations. As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/USD exchange rate was pegged at UAH7.99 to one U.S. dollar. In February 2014, the NBU allowed the exchange rate to float, and as at 31 December 2014, the NBU official UAH/USD exchange rate was UAH15.77 to one U.S. dollar. As at 31 December 2019 and 30 June 2020 the NBU official UAH/USD exchange rate was UAH23.69 to one U.S. dollar and UAH26.70 to one U.S. dollar, respectively.

On 4 March 2015, the NBU increased its discount rate from 19.5% to 30% in an attempt to stabilise the currency. On 28 August 2015 the discount rate was subsequently reduced from 30% to 27%. Subsequently, the NBU gradually reduced the discount rate until it reached the minimum of 12.5% with effect from 26 May 2017. Following that, until 27 October 2017, the NBU kept the discount rate unchanged at 12.5%. With effect from 27 October 2017, the discount rate was increased to 13.5% and since then had been rising until it reached 18% with effect from 7 September 2018. On 19 July 2019, the discount rate was reduced to 17% and on 6 September 2019, further reduced to 16.5%. During 2019 and 2020, the NBU cut the discount rate nine times, to 6% as of 20 August 2020. The NBU has also implemented measures of inflation targeting, but overall its ability to stabilise the currency is dependent on many factors (including political stability and the crisis in Eastern Ukraine) which cannot be predicted with any degree of certainty.

Although the Group limits its exposure by largely holding its cash and cash equivalents in Austria, France, the Netherlands and Switzerland, the Group could be impacted by restrictions on transfer of foreign currency. Ukraine has never had an entirely free capital account and transfers of foreign currency have always been subject to restrictions.

On 7 February 2019, the new Law of Ukraine “*On Currency and Currency Operations*” and a number of NBU regulations took effect. The new foreign currency framework is based on the principle that a currency transaction is allowed unless it is expressly prohibited. The new law removed most prior restrictions on currency transactions.

At the same time, recent restrictions include the introduction of an electronic limit system, under which a Ukrainian resident legal entity can make foreign currency payments abroad up to an annual limit of EUR 2 million (or equivalent), unless any such payment falls under a statutory exemption. For more information, see “—*Risks relating to the Notes and the Guarantees—The ability of the Ukrainian Guarantors to make payments pursuant to the Suretyship Deeds is limited by Ukrainian law*”.

Historic and current restrictions have made it more difficult for many Ukrainian companies to conduct their business. Although the NBU's declared policy has been to ease or cancel currency control restrictions as economic conditions allow, continued imposition of such restrictions, or the imposition of further restrictions, may affect the credit quality of Ukrainian companies. The Ukrainian currency may continue to be volatile in the future, given within Ukraine the weak economic condition, the continuing political instability, the absence of significant currency inflow from exports and foreign investment, the limited foreign currency reserves and the need for borrowers to repay a substantial amount of external debt. Any further currency fluctuations could have a material adverse effect on the Group's business, financial condition and results of operations.

Ukraine's physical infrastructure is in a poor condition and could deteriorate further, which may lead to disruptions in the Group's business or an increase in its costs

Ukraine's physical infrastructure, including its power generation and transmission and communication systems and building stock, largely dates back to Soviet times and has not been adequately funded and maintained over the past decade. Road conditions throughout Ukraine are relatively poor in comparison with more developed countries. The Ukrainian government has been implementing plans to develop the nation's rail and electricity systems, which may result in increased charges and tariffs whilst failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. The deterioration of Ukraine's physical infrastructure has an adverse effect on the national economy, disrupts the transportation of goods and supplies, adds costs to doing business in Ukraine and can interrupt business operations. Any further deterioration in Ukraine's physical infrastructure could have a materially adverse effect on the Group's business, financial condition and results of operations.

Inability to obtain financing from external sources could affect Ukraine's ability to meet financing expectations in its budget

Ukraine's internal debt market remains illiquid and underdeveloped as compared with markets in most western countries. In the wake of the emerging market crisis in the autumn of 1998 and until the second half of 2002, loans from multinational organisations such as the EBRD, the World Bank, the EU and the IMF comprised Ukraine's only significant sources of external financing.

On 11 March 2015, the IMF approved a four-year extended arrangement under the Extended Fund Facility for Ukraine (the "2015 EFF"). The arrangement amounts to US\$17.5 billion and was approved under the IMF's exceptional access policy. Ukraine received the first tranche of the loan in the amount of US\$5 billion on 13 March 2015, the second tranche in the amount of US\$1.7 billion on 4 August 2015, the third tranche in the amount of US\$1 billion on 14 September 2016 and the fourth tranche in the amount of US\$1 billion in April 2017. Other than the first tranche, these funds were used to support gold and foreign exchange reserves. In lieu of additional payments under the 2015 EFF, following a payment in 2017 of US\$1 billion, Ukraine and the IMF entered into a stand-by agreement (the "SBA") for a total of US\$3.9 billion on 18 December 2018. The SBA supplanted the 2015 EFF, cancelling all funds that had not yet been provided to Ukraine. On 20 December 2018, Ukraine received the first tranche of US\$1.4 billion under the SBA. Since then, Ukraine has had several new IMF programmes, including the 2020 SBA, approved by the IMF in June 2020, US\$2.1 billion of which was immediately disbursed.

The future stability of the Ukrainian economy continues to be largely dependent upon economic reforms and the effectiveness of economic, financial and monetary measures as well as cooperation with international financial institutions to avoid defaulting on its sovereign debt.

Further external borrowings from multilateral organisations such as the IMF, the EBRD, the World Bank or the EU may be contingent upon Ukraine's satisfaction of certain requirements including:

- implementing strategic, institutional and structural reforms;

- effectively managing corruption and anti-money laundering requirements;
- managing the budget deficit in order to restore confidence in fiscal sector sustainability;
- enacting a conservative and prudent fiscal policy;
- improving the sovereign debt credit ratings;
- improving the corporate governance of state-owned banks; and
- maintaining the independence of the NBU from political influence.

If Ukraine is unable to meet these requirements, multilateral organisations may withhold or suspend their funding. A failure by official creditors and multilateral organisations such as the EBRD, the World Bank or the IMF to grant adequate financing combined with any inability to access the international capital markets and syndicated loan markets may put pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect the Ukrainian economy and, as a result, on the Group's business, financial condition and results of operations. Further, Ukraine's ability to refinance its debt to these multilateral organisations or its other lenders could come under pressure once again if relations between Russia and Ukraine further deteriorate or access to the international markets remains restricted in the medium term, or where no additional external financing is secured.

If Ukraine is unable to meet the stringent criteria set out in the various support programmes provided by multilateral organisations such as the IMF, the World Bank and the EU, these multilateral organisations may withhold or suspend funding and may prevent Ukraine from raising the external funding on the international capital markets. In the current circumstances, inability to raise funds on the international capital markets, a failure by official creditors and multilateral organisations to grant adequate financing would put severe pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect on Ukraine's economy.

In addition, many companies in the Ukrainian private sector have significant levels of indebtedness, and as a result of low credit ratings and low levels of international reserves held by the sovereign, the private sector may experience difficulty accessing new financing. Although private-sector debt, unlike state debt, does not have a direct negative effect on the Ukrainian government's foreign currency reserves or liquidity, high levels of indebtedness of, and limited availability of new credit to, the private sector may complicate economic recovery and pose a significant risk in an already challenging economic environment. Any further deterioration in the economic environment in Ukraine could have a material adverse effect on the Group's ability to obtain refinancing, and consequently have a material adverse effect on the Group's business, financial condition and results of operations.

Ukraine's economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long-term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the political stability of the country

Ukraine's economy historically depended heavily on its trade flows with Russia and the rest of the CIS, largely because Ukraine imports a large proportion of its energy requirements, especially from Russia (or from countries that transport energy-related exports through Russia). In addition, a large share of Ukraine's services receipts comprised of transit charges for oil, gas and ammonia from Russia.

Ukraine, historically considered its relations with Russia to be of strategic importance. However, relations between Ukraine and Russia are strained due to:

- the armed military conflict in some parts of Donetsk and Luhansk regions of Ukraine between the Ukrainian army and separatist militants;
- recent political events including the annexation of the Crimean Peninsula by the Russian Federation;
- ongoing disagreements over the prices and methods of payment for gas delivered by the Russian gas monopolist Gazprom to, or for transportation through, Ukraine;
- issues relating to the delineation of the Russia-Ukraine maritime border;
- Russian bans on imports of food products from Ukraine and anti-dumping investigations conducted by Russian authorities in relation to certain Ukrainian goods; and
- certain economic sanctions by Ukrainian authorities on Russian companies and persons.

For further information, see “—*Ukraine may continue to experience political instability or uncertainty*” and “—*The occupation of Crimea, civil disturbances, political instability and military action have negatively impacted and may continue to affect the Group’s business, financial condition and results of operations*”.

Following the increased geopolitical tensions and military conflict between Russia and Ukraine, Exports from Ukraine to Russia declined by 50.7% and by 25.6% in 2015 and 2016, respectively. In 2017, exports from Ukraine to Russia increased by 9.6%, and decreased by 7.2%, 11.2% and 16.7% in 2018, 2019 and during the six months ended 30 June 2020, respectively. The foregoing events may have a long-standing impact on trade and other aspects of Ukraine’s bilateral relations with Russia and could lead to the imposition of trade and other punitive measures by Russia. These factors, in turn, could have a material adverse effect on the Ukrainian economy.

Further, Russia has, recently and in the past, threatened to cut off the supply of oil and gas to Ukraine in order to apply pressure on Ukraine to settle outstanding gas debts and maintain the low transit fees for Russian oil and gas through Ukrainian pipelines to European consumers. Following the tension between Ukraine and Russia, Gazprom decided not to continue to implement the agreed discount on gas prices for Ukraine, suspended gas supplies to Ukraine and introduced an advance payment system and also filed a claim for US\$4.5 billion concerning non-payment for gas by Naftogaz. In return, Naftogaz submitted a claim to the Arbitration Institute of the Stockholm Chamber of Commerce for the establishment of a fair price for gas supplied to Ukraine by Gazprom, reimbursement of all overpayments and retroactive revision of the transit contract and has prevailed in its claims in arbitration.

Since December 2015, Naftogaz has refrained from buying any Russian natural gas. As of the date of these Listing Particulars, legal proceedings have been ongoing between Naftogaz and Gazprom in relation to gas sales and transit contracts. In December 2019, Naftogaz and Gazprom signed a set of agreements, under which all open claims between the two parties were dropped, Gazprom agreed to pay US\$2.918 billion to Naftogaz, and the parties agreed to a five-year transit agreement including minimum transit volumes.

Despite the extension of the gas transit contract, Russia has attempted to decrease gas transit through Ukraine by constructing alternative gas pipelines, in particular Nord Stream 2 and TurkStream. On 8 January 2020, TurkStream pipeline was officially launched. It is estimated that TurkStream may partially replace Ukraine’s gas transportation system by routing Russian gas directly to Southern Europe which may lead to a reduction of Russian gas transited via the gas transportation system by around 15 billion cubic metres per year.

In December 2014, the Ukrainian President signed a bill repealing the Ukrainian law on non-alignment status of Ukraine that was adopted in 2010 and defined nonalignment as “nonparticipation of Ukraine in the military-

political alliance”. It was declared by the Ukrainian President that the decision on joining the North Atlantic Treaty Organisation (“NATO”) should be determined via a referendum and a series of reforms should first be implemented for Ukraine to meet NATO’s standards. Ukraine’s aspiration to join NATO and any further steps taken in that direction could lead to further pressure on diplomatic and economic relations with Russia. Ukraine’s current priorities in the development of its relations with NATO include the maintenance of positive political dialogue and practical cooperation as well as the furtherance of reforms using the expert assistance and funding of NATO. As of the date of these Listing Particulars, approximately 43 agreements were signed between NATO and Ukraine governing their cooperation on various practical issues.

These and any further changes in Ukraine’s relations with Russia, in particular any changes adversely affecting supplies of energy resources from Russia to Ukraine or Ukraine’s revenues derived from transit charges for Russian oil and gas, may have negative effects on large parts of the Ukrainian economy, which could in turn have a material adverse effect on the Group’s business, financial condition and results of operations.

A deterioration in Ukraine’s relations with the EU might have negative effects on the Ukrainian economy and the Group’s business, financial condition and operational results

Ukraine’s relationship with governments in the EU and with multinational institutions is of great importance to Ukraine. Their perception of the commitment to and nature of legislative and regulatory reform programmes in Ukraine, the improvement and continued independence of the judicial system and political developments in Ukraine could significantly impact those relations.

The EU accounted for 40.5%, 42.6%, 41.5% and 37.2% of all of Ukraine’s exports in 2017, 2018, 2019 and for the six months ended 30 June 2020, respectively, according to the State Statistics Service, making it the largest external trade partner of Ukraine after Russia and Asian countries. In 2017, the total exports from Ukraine to EU increased by 29.9% and the total exports from Ukraine to Russia increased by 9.6% compared to the same period in 2016. In 2017, the increase in the total exports from Ukraine to the EU was attributable to increases in exports of ore, slags and cinder, ferrous metals, electrical machines and grains. In 2018, the total exports from Ukraine to EU increased by 15.0% and to Russia decreased by 7.2% as compared to 2017. In 2019, exports of goods and services to the EU increased by 4.6% as compared to 2018. For the three months ended 31 March 2020, exports of goods and services increased by 6.8% as compared to the corresponding period in 2019.

Following extensive negotiations on the free trade area held between Ukraine and the EU from 2008, the parties achieved progress in the harmonisation of, among others, the following areas: trade in goods (including in relation to instruments of trade protection, tariffs, technical barriers in trade, sanitary and customs issues), intellectual property, rules relating to the origin of goods, sustainable development and trade, trade in services, and public procurement.

The political section of the Association Agreement was signed on 21 March 2014, while the economic section, including the Deep and Comprehensive Free Trade Agreement (the “DCFTA”), was signed on 27 June 2014. The Association Agreement sets out detailed approximation schedules for the approximation of Ukrainian legislation to EU regulatory norms, including timetables for implementation. The DCFTA is intended to substantially integrate the EU and Ukraine markets, by dismantling import duties and banning other trade restrictions, albeit with specific limitations and transitional periods in certain areas, such as trade in agricultural products. It will also partially integrate public procurement markets. On 29 September 2014, following tri-lateral consultations between Ukraine, the European Union and Russia, the European Union set 1 January 2016 as the date for the provisional application of the DCFTA to take effect while continuing autonomous trade measures of the European Union to the benefit of Ukraine during this period, as part of a comprehensive peace process in Ukraine.

Should Ukraine fail to develop its relations with the EU, or should the development of such relationship be protracted or regress, this may have negative effect on the Ukrainian economy, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The Ukrainian economy is sensitive to fluctuations in the global economy

As an open economy Ukraine is vulnerable to market downturns and economic slowdowns elsewhere in the world. As Ukraine is a major producer and exporter of agricultural and metal products, the Ukrainian economy is especially vulnerable to world commodity prices and the imposition of import duties by the United States, the EU, Russia or by other major export markets. In particular, a deterioration in global economic and financial conditions as well as a decrease in domestic demand has affected industrial production, which, according to the State Statistics Service, increased by 1.1% and 3.0% in 2017 and 2018, respectively, decreased by 0.5% in 2019 and subsequently decreased by 8.3% as at 30 June 2020 as compared to the same period in 2019. Also, Ukraine's relatively strong reliance on exports of ferrous and non-ferrous metals and related products makes the country's export revenues and, by extension, its broader macroeconomic performance, vulnerable to declines or fluctuations in global metal demand or prices. Recent significant civil disturbances and political instability in Ukraine and the military action in some parts of the Donetsk and Luhansk regions have negatively impacted Ukraine's economy and the relations between the Russian Federation and Ukraine. In 2018 and 2019, exports of Ukrainian goods to Russia decreased by 7.2% and by 11.2% as compared to 2017 and the 2018, respectively. For the six months ended 30 June 2020, export of goods to Russia decreased by 16.7% as compared to the corresponding period of 2019. The total value of goods exported from Ukraine increased by 9.4% and 5.7% in 2018 and 2019 as compared to 2017 and 2018, respectively. For the six months ended 30 June 2020, the total value of goods exported from Ukraine decreased by 6.4% as compared to the corresponding period in 2019. In addition, changes to Ukraine's principal exports, including metal products and grain, as well as Ukraine's critical imports, including natural gas and oil, have led to significant fluctuations in Ukraine's total tax revenues, budget deficit and inflation levels over the recent years. Continued upward pressure on global prices for energy, food and industrial products may lead to higher budget deficits and domestic inflation, particularly if the Ukrainian government implements an expansionary monetary policy in an attempt to finance its budget deficit. Any such developments or continuations of similar trends may have negative effects on the economy of Ukraine, which in turn may adversely affect the Group's business, financial condition and results of operations.

Corruption and money laundering may have an adverse effect on the Ukrainian economy

External analysts have identified corruption and money laundering as problems in Ukraine. In accordance with Ukrainian anti-money laundering legislation, which came into force in Ukraine in June 2003, the NBU and other state authorities, as well as various entities performing financial transactions, are now required to monitor certain financial transactions more closely for evidence of money laundering. As a result of the implementation of this legislation, Ukraine was removed from the list of non-cooperative countries and territories by the Financial Action Task Force on Money Laundering ("FATF") in February 2004, and in January 2006 FATF suspended the formal monitoring of Ukraine.

On 14 October 2014, Parliament adopted a number of laws aimed at prevention of corruption, improvement of corporate transparency and reforms of the State prosecutor's office, namely: (i) the Law of Ukraine "*On Prevention of Corruption*"; (ii) The Law of Ukraine "*On National Anti-Corruption Bureau of Ukraine*"; (iii) the Law of Ukraine "*On Amendments to Certain Legislative Acts of Ukraine Regarding the Definition of Ultimate Beneficial Owners of Legal Entities and Public Persons*"; and (iv) the Law of Ukraine "*On the Principles of State Anti-Corruption Policy in Ukraine (Anti-Corruption Strategy) for 2014-2017*".

In order to perform the above laws, the National Anti-Corruption Bureau of Ukraine (the "Anti-Corruption Bureau") and the National Agency on Corruption Prevention (the "Agency on Corruption Prevention") were established. The Anti-Corruption Bureau has launched its activity on 16 April 2015. On the same day the

Director of the Anti-Corruption Bureau was appointed by the President of Ukraine. On 14 August 2016, the Agency on Corruption Prevention has officially announced the commencement of its activity.

On 10 June 2016, the Agency on Corruption Prevention adopted the Resolution on launching the system of electronic declaring of property, income, expenditures and financial liabilities of the state and local government officials starting from 1 September 2016.

On 11 June 2018, the Law of Ukraine “*On the High Anti-Corruption Court*” and, on 28 June 2018, the Law of Ukraine “*On the Establishment of the High Anti-Corruption Court*”, came into effect, which resulted in the establishment of the High Anti-Corruption Court of Ukraine which began operating on 5 September 2019.

On 26 February 2019, the Constitutional Court of Ukraine (the “CCU”) declared unconstitutional Article 368-2 of the Criminal Code of Ukraine relating to illicit enrichment. Several draft laws to reinstate illicit enrichment as an offence under the Criminal Code of Ukraine have subsequently been submitted to Parliament, including draft legislation submitted by former President Poroshenko on 28 February 2019, President Zelenskiy on 3 June 2019 and a number of drafts submitted by various members of Parliament. Thereafter, the draft law submitted by former President Poroshenko was withdrawn. On 6 July 2019, Parliament also refused to include the draft law presented by President Zelenskiy into Parliament’s agenda, deciding instead to review the draft presented by members of Parliament. On 29 August 2019, President Zelenskiy submitted draft law No. 1031 “*On Civil Forfeiture of High-Ranking Officials’ Assets Obtained Through Corruption and Restoring Criminal Liability for Illicit Enrichment*”. The draft law was adopted on 31 October 2019 and took effect on 28 November 2019. On 28 April 2020, the Law of Ukraine “*On the Prevention of and Counteraction to Legalisation (Laundering) of Criminal Proceeds, Financing of Terrorism and Proliferation of Weapons of Mass Destruction*” (the “AML Law”) took effect. The AML Law is aimed at implementing the EU’s Fifth Anti Money Laundering Directive and FATF guidance into Ukrainian legislation. The adoption of the new AML Law improves the current anti-money laundering legal framework and implements recommendations of FATF, the IMF, the European Commission and Committee of Experts on the Evaluation of Anti Money Laundering Measures and the Financing of Terrorism.

There can be no assurance that the anti-corruption and anti-money laundering laws will be effectively applied and implemented by the relevant supervising authorities in Ukraine. However, any future allegations of corruption in Ukraine or evidence of money laundering could have a negative effect on the ability of Ukraine to attract foreign investments and thus have a negative effect on the economy of Ukraine which in turn may adversely affect the Group’s business, financial condition and results of operations.

Uncertainties relating to Ukraine’s legal system could have an adverse effect on its economy

Since independence in 1991, the Ukrainian legal system has been developing to support the country’s transition from a planned to a market-based economy. Therefore, Ukraine’s legal system is, in transition and is, therefore, subject to greater risks and uncertainties than more mature legal systems. In particular, risks associated with the Ukrainian legal system include: (i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; (iii) difficulty in predicting the outcome of judicial application of Ukrainian legislation due to, amongst other factors, a general inconsistency in the judicial interpretation of such legislation in the same or similar cases; and (iv) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in understandably organised form.

These and other factors that impact Ukraine’s legal system make an investment in the Notes subject to greater risks and uncertainties than an investment in a country with a more mature legal system. For more information, see “—*Risks relating to the Ukrainian banking sector could impair the Group’s business, restrict the Group’s ability to use cash held in Ukrainian banks or lead to a total loss of funds held in Ukraine*”.

Uncertainties relating to Ukraine's judicial system could have an adverse effect on its economy

The independence of the judicial system and its immunity from economic and political influences in Ukraine remains questionable. Although the CCU is the only body authorised to exercise constitutional jurisdiction and has mostly proven impartial in its judgments, the system of constitutional jurisdiction itself remains too complicated to ensure smooth and effective removal of discrepancies between the Constitution of Ukraine on the one hand and various laws of Ukraine on the other hand.

Recent judicial reform has deprived the CCU of its power to give official and obligatory interpretation of the laws of Ukraine (except for in respect of the Constitution of Ukraine). At the same time, access to the constitutional jurisdiction was granted to all persons, who consider that the law applied in a final decision in their case contradicts the Constitution of Ukraine.

The court system is also understaffed and underfunded. Because Ukraine is a civil law jurisdiction, judicial decisions under Ukrainian law have no precedential effect. For the same reason, courts themselves are generally not bound by earlier decisions taken under the same or similar circumstances, which can result in the inconsistent application of Ukrainian law to resolve the same or similar disputes. Not all Ukrainian law is readily available to the public or organised in a manner that facilitates understanding. Furthermore, judicial decisions are not always readily available and, therefore, their role as guidelines in interpreting applicable Ukrainian law to the public at large is limited.

Further, enforcement of court orders and judgments can, in practice, be difficult in Ukraine. Enforcement procedures are often very time-consuming and may fail for a variety of reasons, including the defendant lacking sufficient funds, the complexity of auction procedures for the sale of the defendant's property or the defendant undergoing bankruptcy proceedings. In addition, bailiffs in Ukraine have limited authority to enforce court orders and judgments quickly and efficiently. Bailiffs are bound by the method of enforcement envisaged by the relevant court order or judgment and may not independently change such method even if it proves to be inefficient or unrealisable. Furthermore, notwithstanding the successful execution of a court order or a judgment, a higher court may reverse the court order or judgment and require that the relevant funds or property be restored to the defendant.

The uncertainties described above also extend to certain rights, including investor rights. In Ukraine, there is no established history of investor rights protection.

All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. In addition, court claims are often used in the furtherance of political aims. The Group may be subject to such claims and may not be able to receive a fair hearing. Finally, court orders are not always enforced or followed by law enforcement institutions. The uncertainties relating to the judicial system could have a negative effect on the Ukrainian economy and thus on the Group's business, financial condition and results of operations. For more information, see "*Risks relating to the Ukrainian banking sector could impair the Group's business, restrict the Group's ability to use cash held in Ukrainian banks or lead to a total loss of funds held in Ukraine*".

Variations of disclosure and reporting requirements and fiduciary duties could affect the receipt of material information or result in inappropriate management decisions

Some of the Group's operations are conducted through Ukrainian companies. Corporate governance, disclosure and reporting requirements have only recently been enacted in Ukraine. Anti-fraud legislation has only recently been adapted to the requirements of a market economy and remains largely untested. Most Ukrainian companies do not have corporate governance procedures that are in line with generally accepted international standards and corporate governance requirements (including those introduced in the United Kingdom). The concept of fiduciary duties of management or members of the board to their companies or shareholders remains undeveloped in Ukraine. Violations of disclosure and reporting requirements or breaches of fiduciary duties by

the Issuer's Ukrainian subsidiaries or their management could significantly affect the receipt of material information or result in inappropriate management decisions, which may have a material adverse effect on the Group's business, financial condition and results of operations.

Ukraine's tax system is underdeveloped and subject to frequent change, which creates an uncertain environment for investment and business activity

The Ukrainian tax system is undeveloped and subject to frequent changes, which create an uncertain environment for investment and business activity. Historically, Ukraine has had a number of laws related to various taxes imposed by both central and regional governmental authorities. These taxes include value added tax, corporate income tax (profits tax), personal income tax, customs duties and payroll (social) taxes. The tax legislation in Ukraine and its regulations are not always clearly written and, thus, are subject to inconsistent interpretations by tax authorities and other government bodies, providing many opportunities for inappropriate and corrupt practices by officials. These factors negatively impact the predictability of Ukraine's taxation system and therefore have an adverse effect on business activity, reducing the attractiveness of the national economy for foreign investors. The tax reform adopted by Parliament on 28 December 2014 generally improved the business climate in Ukraine but failed to achieve certain key goals: broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy and reform of the tax authorities. On 24 December 2015, Parliament adopted a number of changes to the tax system in Ukraine with effect from 1 January 2016, including the introduction of a flat 18% personal income tax rate applicable to most types of income, a change of the basic reporting period for corporate income tax payers from a year to a quarter, the abolition of monthly advance payments of corporate income tax with certain transition rules and the improvement of procedure for budget refund of VAT. On 5 October 2016 the Ukrainian government approved the draft law "*On Amendments to the Tax Code of Ukraine*", if passed by Parliament, such draft law will introduce a wide range of changes mostly related to the tax administration. In May 2020, the Tax Code Amendments Law entered into force. Tax Code Amendments Law introduced certain anti-BEPS measures that give the Ukrainian tax authorities a number of tools to challenge transactions, particularly with non-Ukrainian residents, where such transactions lack a genuine business purpose.

In addition, on 10 April 2019, the Parliamentary Tax and Customs Policy Committee supported the amendments to the Tax Code of Ukraine concerning the introduction of the dividend distribution based corporate income tax. If adopted, this would potentially result in significant losses of budget revenues and hence lead to significant budget deficits and an overall reduction in the national spending. Consequently, this could adversely affect Ukraine's economy. Moreover, no assurance can be given as to whether the introduction of the dividend distribution based corporate income tax would be deemed compliant with the IMF's 2018 SBA or any successor programme.

Any significant changes in the Ukrainian tax system in future, as well as change in positions of tax authorities with regard to interpretative issues could have a material adverse effect on the Group's business, financial condition and results of operations.

The potential for labour and social unrest in Ukraine could have a materially adverse effect on the Group's business

The failure of the Ukrainian government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. As of 1 July 2020, Ukrainian employers had an outstanding indebtedness for salaries in the amount of UAH3,146 million, as compared to UAH2,857 million as of 1 July 2019, according to the State Statistics Services. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism including calls for restrictions on foreign ownership of Ukrainian businesses, and violence. Any of

these events could restrict the Group's operations and lead to the loss of revenue, and have a material adverse effect on the Group's business, financial condition and results of operations.

Ukrainian legal entities may be liquidated on the basis of a lack of strict compliance with certain legal or procedural requirements

Certain provisions of Ukrainian law provide for the mandatory liquidation of a Ukrainian legal entity on the basis that it has not complied strictly with certain requirements relating to the formation or operation of such entity. For example, the following grounds may result in mandatory liquidation of a legal entity: (i) the formation of a legal entity was performed with defects that cannot be remedied, and (ii) the charter capital of the joint stock company falls below than the minimum amount of the charter capital required by law.

On 1 January 2013, the Ukrainian securities regulator obtained the authority to file a petition to the court for the liquidation of a legal entity if: (i) the issuer of securities is a sham company; (ii) the legal entity fails to file information with the Ukrainian securities regulator for two years in a row; (iii) the joint stock company fails to convene a general shareholders' meetings for two years; and (iv) the joint stock company fails to form corporate bodies within a year following the private placement of its shares. In 2016 another ground for the liquidation of a joint stock company came into force, namely, a failure of a joint stock company to duly register an issue of shares. However, as a matter of practice most governmental authorities are reluctant to initiate court proceedings for the liquidation of legal entities, and courts generally take strict approach to the evaluation of the grounds for the liquidation and the competence of the governmental authorities to file such suits.

Although the Group believe that its Ukrainian subsidiaries have complied, and are in compliance, with all applicable laws and regulations, if a court or a governmental authority takes an unfavourable view of the Group's compliance with Ukrainian legal requirements, the Group may need to restructure its operations, which could have a material adverse effect on its business, financial condition and results of operations.

Large-scale economic sanctions by Ukraine, the EU and the United States against Russia over its actions in Ukraine and reciprocal sanctions by Russia against Ukraine, the EU and the United States may have a material adverse effect on the Group's business

In late 2013 and the first half of 2014, deteriorating economic conditions and general social unrest caused Ukraine to be subject to a wide scale crisis provoking armed confrontations in the Eastern Ukraine and ultimately involving the Russian Federation. In response to the situation in Ukraine, the United States and the EU imposed sanctions on various individuals and entities in Ukraine and Russia, in addition to sectoral measures against certain sectors of the Russian economy. Comprehensive sanctions measures were also imposed on "the Crimea region of Ukraine".

U.S. Sanctions

As a result of the ongoing situation with respect to Ukraine, the United States issued Executive Orders 13660, 13661, 13662 and 13685 (the "Executive Orders"). These Executive Orders contemplate (i) the imposition of blocking sanctions targeting persons contributing to the situation in Ukraine, including Russian government officials and persons, some of whom are Ukrainian or located in Crimea, (ii) blocking sanctions and travel restrictions on persons determined to be officials of the Russian government or owned or controlled by or acting on behalf of the Russian government (including senior officials), or operating in Russia's arms or related material sector, as well as for those providing direct or indirect material support to a senior Russian government official, (iii) the imposition of sanctions against persons operating within specified sectors of the Russian economy, and (iv) the prohibition of transactions between the United States or U.S. Persons and persons located within the "Crimea region of Ukraine", unless authorised by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC").

To date, OFAC has imposed these sectoral sanctions against the financial, defence and energy sectors of the Russian economy by designating certain entities operating within those sectors on the Sectoral Sanctions Identifications List (“SSI List”). The SSI List does not require blocking, but instead imposes restrictions on U.S. Persons as outlined in Directives 1 through 4 issued by OFAC upon the SSI listed entities. Additionally, Directive 4 restricts the provision, export or re-export, directly or indirectly, of goods, services (except for financial services), or technology related to exploration or production for deep-water, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, for entities designated on the SSI List under that Directive. The SSI list has been expanded several times by the US, and additional sanctions on Russia may be imposed in the future.

The United States has also imposed U.S. export restrictions with respect to Russia and Crimea and has also suspended the issuance of U.S. export credit and financing for economic development projects to Russia.

EU Sanctions

With the aim of restricting Russian access to EU capital markets, the EU imposed a ban on the direct or indirect purchase, sale, provision of investment services for and assistance in the issuance of, or other dealings with, transferable securities and money market instruments with a maturity exceeding 90 days which were issued after 1 August 2014 by certain Russian financial institutions and their subsidiaries. The ban also covers non-EU parties whose proprietary rights are substantially owned by these entities or acting on their behalf or at their direction. Such EU sanctions were subsequently extended to cover transferable securities and money market instruments with a maturity exceeding 30 days issued after 12 September 2014.

The EU has also imposed restrictions on the sale, supply, transfer or export to (or for use in) Russia of certain technologies used in the oil and gas industry. Further, under EU sanctions, it is prohibited to provide, directly or indirectly, certain services relating to the exploration and production of deep-water oil and offshore arctic oil or relating to shale oil projects in Russia. Each EU sanction regime also prohibits knowingly and intentionally participating in activities, the object or effect of which is to circumvent any of the specific prohibitions set out in the respective regime.

The EU formally extended the above described sectoral sanctions targeting Russia, so they are currently in effect until 31 January 2021. On 20 December 2014, the EU extended its sanctions against Crimea and Sevastopol and imposed a broad ban on investment in, exports to and tourism in that region. On 18 June 2020, the EU officially prolonged these sanctions until 23 June 2021. On 10 September 2020, the EU also prolonged personal sanctions until 15 March 2021. These restrictive measures provide not only for a freezing of funds, but also a prohibition against making funds or other economic resources available to certain listed persons.

Ukraine Sanctions

On 14 August 2014, Parliament adopted the Law of Ukraine “*On Sanctions*” (the “Law on Sanctions”), which provides for special economic and other restrictive measures (that is, sanctions) against foreign states, foreign legal entities and individuals involved in activities threatening the national security, sovereignty and territorial integrity of Ukraine and the rights and freedoms of its citizens. The sanctions include, among others, the blocking of assets, the restricting of trade, restrictions on outflow of capital from Ukraine, a prohibition on lease and privatisation of state assets, termination of trade agreements and joint projects and industrial programmes. The President, the Cabinet of Ministers, the NBU and the Security Service are entitled to propose the imposition of sanctions to the National Security and Defence Council of Ukraine (the “Defence Council”). Any decisions of the Defence Council on the imposition of sanctions must be approved by both the President and Parliament in case of sectoral sanctions and by the President in case of personal sanctions.

On 16 September 2015, the President approved the Defence Council Decision dated 2 September 2015 on one year sanctions against 388 individuals, in particular, relating to visa restrictions, blocking of assets, temporary

restrictions on using property and preventing capital outflow from Ukraine and on 105 legal entities relating to restrictions on certain Russian companies in respect of flights and transportations through territory of Ukraine, cancellation of licences to conduct business in Ukraine, blocking of assets, etc.

On 15 May 2017, the President approved the new Defence Council Decision dated 28 April 2017 which imposes new personal sanctions against 468 individuals and 1,228 entities, including prohibition of privatisation and investments activities, issuing of the licences by the NBU allowing transactions in the foreign currency, transit of goods and natural resources and others. On 14 May 2018, the President approved the Defence Council Decision dated 2 May 2018 which aimed to harmonise the U.S. and Ukrainian sanctions in relation Russia. In addition, it extended the sanctions adopted in May 2017 against 531 individuals and 113 entities until March 2019. On 19 March 2019, the President approved the latest Defence Council Decision dated 19 March 2019 imposing new and extending the existing sanctions against 848 individuals and 294 legal entities.

Russia Reciprocal Sanctions

Historically, Russia has been the largest bilateral trading partner of Ukraine. Since 1 January 2016, Russia introduced a food embargo on certain agricultural products, raw materials and food originating from Ukraine and cancelled the preferential trade regime envisaged by the agreement on free trade within the CIS on imports of Ukrainian goods. In addition, in 2018, Russia imposed sanctions on a number of Ukrainian political figures and business entities operating in Russia. Prior to the Group transferring its share of capacity in Taman Grain Terminal to a third party, the Group fell within the scope of the newly imposed restrictions.

The continued deterioration of Ukraine's trade with Russia has had and may continue to have a material adverse effect on Ukraine's export industries and economy. It is unclear how long the above sanctions will remain in place and whether new sanctions may be imposed. The imposition of sanctions may have a negative effect on the Ukrainian economy, and as a result, a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to the Notes and the Guarantees

The Notes will be structurally subordinated to certain other liabilities of the Group

Noteholders will be structurally subordinated to creditors of the Issuer's subsidiaries that are not Guarantors and effectively subordinated to existing and future secured creditors. The Issuer and its Restricted Subsidiaries will be permitted to incur a substantial amount of debt on a secured basis under the Conditions and payments under the Notes will effectively be subordinated to such indebtedness to the extent of the collateral for such indebtedness. See Condition 3.1 (*Limitation on Liens*), Condition 19 (*Definitions*) and Condition 3.2 (*Limitation on Incurrence of Indebtedness*). See also “—The Group has indebtedness that is secured or otherwise senior to the Notes and the Guarantees”.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes and, in particular, the information contained or incorporated by reference in these Listing Particulars or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, the merit and risks of an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

- understand thoroughly the terms of the Notes; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic considerations, interest rate volatility and other factors that may affect its investment and its ability to bear the applicable risks.

There is no public market for the Notes

There is no existing market for the Notes, and there can be no assurance regarding the future development of a market for the Notes. Application has been made for admission to trading of the Notes on the Global Exchange Market. However, an active trading market in the Notes may not develop or be maintained after listing. No assurance can be made as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell the Notes or the price at which Noteholders may be able to sell the Notes. The liquidity of any market for the Notes will depend on the number of Noteholders, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Issuer's financial condition, performance and prospects, as well as recommendations of securities analysts. Disruptions in the global capital markets may lead to reduced liquidity, increased credit risk premiums and a reduction in investment in securities. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The trading price of the Notes may be volatile

The trading price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results and those of the Group's competitors, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the credit rating of the Issuer. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that cause substantial volatility in the prices of such securities. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the trading price of the Notes without regard to the Group's operating results, financial conditions or prospects or credit rating.

Financial turmoil in emerging markets could cause the price of the Notes to decline

The market price of the Notes is influenced by economic and market conditions in Ukraine and, to a varying degree, economic and market conditions in other CIS and eastern European countries and emerging markets generally. In recent years and in the past the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's operating results, financial condition or prospects or the credit rating of the Guarantors. In recent periods, many global securities markets have experienced extreme price and volume fluctuations, particularly those in Ukraine and other developing economies. Continuation or intensification of financial or economic turmoil could materially adversely affect the market price of the Notes.

The Notes may or must be redeemed prior to maturity for certain reasons

On the occurrence of one of the early redemption events described in Condition 5 (*Redemption and Purchase*), the Issuer may, or in some cases must, redeem the Notes in whole or in part together with accrued and unpaid interest. On such redemption, or at maturity, the Issuer may not have the funds to fulfil its obligations under the Notes and it may not be able to arrange for additional financing. If the early repayment or maturity date of the Notes occurs at a time when other arrangements prohibit the Issuer from redeeming the Notes, it could try to obtain waivers of such prohibitions from the lenders under those arrangements, or attempt to refinance the borrowings that contain the restrictions. If the Issuer could not obtain the waivers or refinance these borrowings, it would be unable to redeem the Notes.

The Issuer may not be able to finance a change of control offer required by the Conditions

Upon the occurrence of a Change of Control (as defined in Condition 5.4 (*Redemption at the Option of the Holders Upon a Change of Control*)), the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to the principal amount of the Notes plus accrued and unpaid interest and Additional Amounts, if any, to the date of the repurchase. If any such Change of Control were to occur, there can be no assurance that the Issuer would have sufficient funds available at the time to pay such purchase price. The Change of Control may also cause the acceleration of other indebtedness that may be senior to the Notes or rank equally with the Notes. In any case, the Issuer expects that it would require third-party financing to fund a Change of Control Offer. There can be no assurance that the Issuer would be able to obtain this financing. See Condition 5.4 (*Redemption at the Option of the Holders upon a Change of Control*).

Redemption prior to maturity for tax reasons

The Issuer may redeem all outstanding Notes in accordance with the Conditions in the event that (i) the Issuer or the Guarantors have been or would be obliged to increase the amounts payable in respect of the Notes due to any changes in or amendments to the laws or regulations of Luxembourg, Switzerland, Ukraine or any other taxing jurisdiction to which the Issuer or the Guarantors are subject or of any political subdivision or authority therein or thereof having the power to tax (or any changes in or amendments to the application or official interpretation of such laws or regulations); and (ii) such obligation cannot be avoided by the Issuer and/or the Guarantors taking reasonable measures available to them.

On any such redemption for tax reasons, Noteholders would receive the principal amount of the Notes that they hold, together with interest accrued on those Notes up to (but excluding) the date fixed for redemption. If the Issuer were to redeem the Notes early, it might not be possible for Noteholders to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes. See Condition 5.5 (*Redemption for Taxation Reasons*).

Modification, waivers and substitution

Subject as provided in the Trust Deeds, the Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of certain provisions of the Notes or the Trust Deeds which in the opinion of the Trustee is of a formal, minor or technical nature and is made to correct a manifest error, (ii) any other modification thereof (except in respect of any Reserved Matter (as defined in the Conditions)) and any waiver or authorisation of any breach or proposed breach thereof which in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders or (iii) the substitution of another company as principal debtor under the Notes in place of the Issuer in the circumstances described in Condition 11 (*Meetings of Noteholders; Modification, Waiver and Substitution*).

The Issuer and some of the Guarantors are holding companies and are completely dependent on cash flow from their operating subsidiaries to service their indebtedness, including the Notes

The Issuer and some of the Guarantors are holding companies that conduct their operations through their subsidiaries. They hold no significant assets other than their interest in the Group's operating companies and they are therefore dependent upon their subsidiaries to make distributions to them or lend them money to pay future dividends and meet their obligations. Under Ukrainian law, a company is not allowed to pay dividends or make other distributions unless current or retained profits are available to cover such distributions. In addition, in the past, between September 2014 and July 2019, the NBU restricted (with some exceptions) cross-border payments of dividends by Ukrainian companies. There can be no assurance that the financial results of the Issuer's and the relevant Guarantors' subsidiaries or their own liquidity requirements will permit them to

make distributions or loans to the Issuer and each relevant Guarantor in amounts sufficient for them to meet their obligations or make interest payments under the Notes and/or Guarantees. In addition, events such as unfavourable changes in tax laws, the imposition of capital or other foreign exchange controls or limitations on foreign ownership of companies in Ukraine could affect the ability of the Issuer's and the relevant Guarantors' subsidiaries to make such distributions or loans to the Issuer and each relevant Guarantor which could restrict the Group's ability to fund its operations, which could in turn have a material adverse effect on the Group's business, results of operations and financial condition, or to satisfy obligations under the Notes and/or the Guarantees. Further, the Issuer's and/or the Guarantors' subsidiaries may be subject to contractual or other restrictions that would prevent them from paying dividends or otherwise distributing cash to the Issuer or the relevant Guarantor.

If the Group's future cash flows from operations and other capital resources are insufficient for the Issuer to pay its obligations as they mature or to fund liquidity needs of the Issuer and its subsidiaries, the Issuer and its subsidiaries may, among other things be forced to:

- reduce or delay business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or a portion of their debt on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

There can be no assurance that any of these alternatives can be accomplished in a timely manner or on satisfactory terms, if at all. In addition, the terms of the Issuer's and its subsidiaries' existing and future debt, including the Notes, may limit their ability to pursue any of these alternatives.

The Group has indebtedness that is secured or otherwise senior to the Notes and the Guarantees

As at 30 June 2020, the Group had pledged assets with a carrying value of US\$419.63 million as security for long and short-term loans of the Group's companies. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources and Borrowings*". Although the Issuer plans to repay some portion of its indebtedness with the proceeds from the issuance of the Notes, there will remain some secured indebtedness and indebtedness of subsidiaries that are not Guarantors will remain outstanding. All of such indebtedness will be effectively senior to the Issuer's obligations under the Notes and the Guarantors' obligations under the Trust Deeds and the Suretyship Deeds, all of which are unsecured. As a result, if the Issuer defaults under the Notes and any of such secured or structurally senior indebtedness, holders of such indebtedness will have priority over the Noteholders to the extent of the assets securing such indebtedness or the relevant non-Guarantor subsidiary's assets.

The Group will have the ability to incur more debt and this could increase the risks described above

The Issuer and its Restricted Subsidiaries may decide to incur additional debt in the future that will be effectively senior to the Notes or will be secured. The Conditions contain restrictions on the ability of the Issuer and its Restricted Subsidiaries to incur additional debt but allows them in certain circumstances to incur both secured debt and debt that is structurally senior to the Notes. If new debt is added to the Group's current debt levels, the magnitude of the related risks described above could increase, and the foregoing factors could have an adverse effect on the ability of the Issuer or Guarantors to pay amounts due in respect of the Notes. See "*Substantial indebtedness and obligations under certain debt facilities may adversely affect the Group's cash flow and impair its ability to expand or finance its future operations*".

Guarantees issued by Avere and Inerco Trade S.A. (“Inerco”) are subject to restrictions imposed by Swiss corporate and tax law and payments by a Swiss Guarantor with respect to the Notes and the Guarantees could be subject to Swiss withholding tax

The enforcement of the Guarantees provided by Avere and Inerco (and/or any other, future guarantors incorporated under the laws of Switzerland which accede to the Multiparty Trust Deed (an “Additional Swiss Guarantor”)) is limited by the financial assistance rules imposed by Swiss corporate law. Financial assistance rules are unsettled under Swiss law. No assurances can be given that future court rulings will not further restrict the enforceability, or deny the validity, of guarantees. Such court rulings would negatively affect the ability to enforce the Guarantees granted by Avere and Inerco (and/or any Additional Swiss Guarantor).

In particular, financial assistance provided by Avere and Inerco (and/or any Additional Swiss Guarantor) in respect of obligations of its direct or indirect parent company (“upstream”) or of a company under common ownership (“cross-stream”) is subject to certain Swiss corporate law rules that may significantly impact the value of the Guarantees. In particular, upstream and cross-stream financial assistance must be within the corporate purpose and interests of Avere and Inerco (and/or any Additional Swiss Guarantor) and cannot constitute a repayment of capital (*Einlagerückgewähr/Kapitalrückzahlung*), a pay out of restricted legal reserves (*gesetzliche Reserven*) or a pay out of a (constructive) dividend (*Gewinnausschüttung*). Any payments by Avere and Inerco (and/or any Additional Swiss Guarantor) under the Guarantees are limited under Swiss law to the amount of Avere and Inerco’s (and/or any Additional Swiss Guarantor’s) freely disposable equity, being the balance sheet profits and non-statutory reserves available for the distribution as dividends at the time of enforcement of the Guarantees. Under Swiss law, Avere and Inerco (and/or any Additional Swiss Guarantor) are under no obligation to maintain a specific level of distributable profits and non-statutory reserves and if Avere and Inerco (and/or any Additional Swiss Guarantor) have distributable profits and/or non-statutory reserves they may distribute dividends that reduce their distributable profits and non-statutory reserves to zero. Accordingly, there can be no assurances that Avere and Inerco (and/or any Additional Swiss Guarantor) will have distributable profits and non-statutory reserves available to satisfy their obligations under the Guarantees. In addition, the payments under the Guarantees by Avere and Inerco (and/or any Additional Swiss Guarantor) may require certain corporate formalities to be completed prior to any payment under the Guarantees, including, but not limited to, obtaining an audit report, shareholders’ resolutions and board resolutions.

A ruling from the Swiss federal tax administration has been obtained confirming that payments by the Issuer of interest on the Notes will not be subject to Swiss federal withholding tax on interest, provided that the Issuer is at all times resident and managed outside Switzerland for Swiss withholding tax purposes and provided that Avere’s and Inerco’s (and/or any Additional Swiss Guarantor’s) liabilities under the Guarantees are limited to the freely disposable equity, being the balance sheet profits and non-statutory reserves available for the distribution as dividends at the time of enforcement of the Guarantees of Avere and Inerco (and/or any Additional Swiss Guarantor) as stipulated by Swiss corporate law.

In addition, payments under the guarantees provided by Avere and Inerco (and/or any Additional Swiss Guarantor) will constitute a constructive dividend and will be subject to Swiss federal withholding tax, currently levied at the rate of 35%, from the gross payments, unless Avere and Inerco (and/or any Additional Swiss Guarantor) successfully shows that the guarantees and payments thereunder were made on arm’s length conditions. A ruling from the Swiss federal tax administration to manage this position is in preparation.

In light of art. 14 of the Swiss Federal Withholding Tax Act there is a risk that Avere’s and Inerco’s (and/or any Additional Swiss Guarantor’s) undertakings to make all payments without deductions of Swiss withholding tax or to gross-up the payments accordingly (as provided under Condition 7 (*Taxation*)) may not be enforceable. See “*Taxation—Switzerland*”.

Switzerland is currently reviewing the replacement of its existing debtor-based federal withholding tax regime by a paying agent-based federal withholding tax regime. Under such a new paying agent-based regime, if enacted, a Swiss paying agent may be required to deduct Swiss federal withholding tax on any payments or any securing of payments of interest in respect of the Notes for the benefit of certain beneficial owners of the payment. Under such new paying agent-based regime, if enacted, Avere's and Inerco's (and/or any Additional Swiss Guarantor's) undertakings to make all payments without deductions of Swiss withholding tax or to gross-up the payments accordingly (as provided under Condition 7 (*Taxation*)) may not be enforceable. See "*Taxation—Switzerland*".

The implementation of the Automatic Exchange of Information (the "AEOI") in Switzerland is through the Swiss AEOI law supplemented by the AEOI ordinance and guidance. The legal basis for the AEOI entered into force in Switzerland on 1 January 2017. As of August 2020, Switzerland has signed AEOI agreements with over 107 partner jurisdictions (of which 97 have been activated) to bring about the exchange of financial account information.

The effective date of those partner jurisdiction agreements varies, with the first agreements becoming effective in 2017 (first reporting in 2018) with the EU Member States and a limited number of additional jurisdictions. As of August 2020, there were over 4,200 bilateral exchange relationships activated with respect to more than 100 jurisdictions committed to the AEOI across the world.

The AEOI is designed to ensure reporting by entities classified as financial institutions regarding financial accounts they maintain for reportable account holders resident in AEI exchange jurisdictions. Therefore, any AEOI reporting for the holders of the Notes in respect of the holding and receipt of income / gains from the Notes will depend upon whether the country of tax residence of the holder and the country of tax residence of the reporting entity have an AEOI exchange agreement in place.

The insolvency laws of Luxembourg, Switzerland and Ukraine may not be as favourable as the insolvency laws of other jurisdictions with which Noteholders are familiar

Luxembourg

The Issuer is a public limited holding company (*société anonyme*) incorporated under Luxembourg law. The rights of the Noteholders and the responsibilities of the Issuer to the Noteholders under Luxembourg law may be materially different from those under the laws of the jurisdiction in which the Notes are offered.

Insolvency proceedings may be brought against the Issuer and such proceedings may proceed under, and be governed by, Luxembourg insolvency laws.

The Issuer has its centre of main interests in Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, Luxembourg insolvency laws. The insolvency laws of Luxembourg may not be as favourable to the Noteholders' interests as those of other jurisdictions with which investors may be familiar. The following is a brief description of certain aspects of insolvency laws in Luxembourg.

Under Luxembourg insolvency laws, the following types of proceedings (together referred to as insolvency proceedings) may be opened against the Issuer to the extent it has its registered office or centre of main interest in Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the Issuer or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings, if the Issuer (a) is in state of cessation of payments (*cessation des paiements*) and (b) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may also open bankruptcy proceedings, absent a request made by the Issuer or a creditor. The main

effect of such proceedings is the suspension of all measures of enforcement against the Issuer, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon the realisation of assets;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors, and under which a court may order a provisional suspension of payments, including a stay of enforcement of claims by secured creditors; or
- composition proceedings (*concordat préventif de faillite*), the opening of which may be requested only by the Issuer (having received prior consent of a majority of its creditors holding 75% at least of the claims against such company) and not by its creditors. The court's decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, the ability of the Noteholders to receive payment on the Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiements*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the Luxembourg law dated 10 August 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

The Issuer's liabilities in respect of the Notes will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the Issuer's debts that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law for instance include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realised), and subject to application of the relevant priority rule and liens and privileges arising mandatorily by law.

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, particularly in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganisation order given by the court. A reorganisation order requires the prior approval by more than 50% of the creditors representing more than 50% of the Issuer's liabilities in order to take effect. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuer during the period before bankruptcy, the so-called suspect period (*période suspecte*) which is a maximum of six months from the date on which the Commercial Court formally adjudicates a person bankrupt and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date, if the bankruptcy judgment was preceded by another insolvency

proceeding (for example, a suspension of payments or controlled management proceedings) under Luxembourg law.

In particular:

- pursuant to article 445 of the Luxembourg Code of Commerce (*code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by a bill of exchange; or the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg Code of Commerce (*code de commerce*) payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments;
- pursuant to article 21(2) of the Luxembourg act dated 5 August 2005 concerning financial collateral arrangements, if a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganisation measures or the entry into force of such measures, this agreement is valid and binding against third parties, administrators, insolvency receivers or liquidators notwithstanding the suspect period referred to in Articles 445 and 446 of the Luxembourg Code of Commerce (*code de commerce*), if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and
- in case of bankruptcy, article 448 of the Luxembourg code of commerce and article 1167 of the civil code (*action paulienne*) gives the insolvency receiver (acting on behalf of the creditors) the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts. However, as of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. The bankruptcy order provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters. After having converted all available assets of the company into cash and after having determined all the company's liabilities, the insolvency receiver will distribute the proceeds of the sale, on a pro rata basis, to the creditors after deduction of the receiver fees and the bankruptcy administration costs.

Insolvency proceedings may hence have a material adverse effect on the Issuer's business and its obligations under the Notes.

Switzerland

Two of the Guarantors, Avere and Inerco, are organised under the laws of Switzerland and, in the event of an insolvency of Avere or Inerco (or any other future Guarantors incorporated in Switzerland), insolvency proceedings may be initiated in Switzerland. The insolvency laws of Switzerland may not be as favourable to the Noteholders' interests as creditors as the laws of other jurisdictions with which creditors may be familiar. The following is a brief description of certain aspects of insolvency laws in Switzerland. In the event that Avere

or Inerco experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Pursuant to Swiss insolvency laws, a Noteholder's ability to receive payment under the Avere's or Inerco's Guarantee may be more limited than would be the case under any other non-Swiss bankruptcy laws.

In the event of a Swiss entity's insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of such Swiss entity's offices being registered in the competent commercial register in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy, with most recent amendments effective from 1 January 2020 (the "Bankruptcy Act"; *Bundesgesetz vom 11. April 1889 über Schuldbetreibung und Konkurs (SchKG)*). Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general liquidation of all assets, even if located outside Switzerland, and liabilities of the debtor. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree is enforceable only if it is recognised at the place where such assets are located.

Swiss insolvency laws provide for two primary insolvency regimes. The bankruptcy procedure (*Konkurs*) is merely designed to liquidate and distribute on a pro rata basis the proceeds of the assets of a debtor to its creditors which, whether secured or unsecured, all need to participate in the bankruptcy procedure. The composition procedure (*Nachlassverfahren*) is in general intended to restructure a debtor's critical financial situation and enable the debtor to continue its business on a reorganised financial basis. It can also be used to liquidate the debtor.

As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which involves, inter alia, the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is overindebted (*überschuldet*) within the meaning of art. 725(2) of the Swiss Code of Obligations or if it declares to be insolvent (*zahlungsunfähig*), or (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings. The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*).

In a bankruptcy procedure, all assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently form the bankrupt estate which, after deduction of costs and certain other expenses, is used to satisfy the creditors. Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise, in particular, certain claims under employment contracts, certain social security claims (including pension claims) and value added tax. Certain privileges can also be claimed by the federal or cantonal government and its subdivisions based on specific provisions of federal or cantonal law. All other creditors are treated equally in the third class. A secured party participates in the third class to the extent its claim is not covered by its collateral. If the proceeds from the sale of the collateral exceed the secured claims, the surplus is then available for distribution to the unsecured creditors.

With the opening of the bankruptcy, interest ceases to accrue against the debtor and the bankruptcy administrator will draw up an inventory of the company's assets and, further to a creditors' call for the filing of claims, establish a schedule of claims (*Kollokationsplan*).

Swiss insolvency laws also provide for reorganisation procedures by composition (*Nachlassverfahren*) with the debtor's creditors. Reorganisation is initiated by a request with the competent court for a provisional moratorium (*provisorische Nachlassstundung*) pending negotiation of the composition agreement with the

creditors and confirmation of such agreement by the competent court. The competent court may grant a provisional moratorium up to a maximum duration of four months. If prospect of restructuring or approval of a composition agreement persists, the competent court grants a definitive moratorium (*definitive Nachlassstundung*) which may last for another four to six months and can be extended to twelve months in total. In particularly complex cases, such definitive moratorium may be extended to a total of twenty-four months. In the event of an extension exceeding twelve months, the creditors must be heard.

A distinction is made between a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) which leads to a private liquidation and in many instances has analogous effects as a bankruptcy, and a dividend composition (*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor. Further, there is the possibility of a composition in the form of a mere payment term extension (*Stundungsvergleich*). During a moratorium, debt collection proceedings cannot be initiated and pending proceedings are stayed. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). Unless the composition agreement otherwise stipulates, claims of unsecured creditors no longer bear interest. The debtor (subject to consent of the administrator) has the right to terminate long-term contracts at any time if without such termination the restructuring cannot be achieved. The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors.

The Issuer, Avere, Inerco and the Trustee (among other parties) will enter into the Multiparty Trust Deed. Swiss insolvency laws may prohibit Avere and Inerco from making payments pursuant to the Multiparty Trust Deed. In the event of the bankruptcy of Avere or Inerco, their respective obligations to the Noteholders would be subordinated to the claims of certain creditors having preferential or priority claims, such as secured creditors, debtor's employees or tax and social security authorities.

Furthermore, the Swiss principles on avoidance may limit the Trustee's or the Noteholders' ability to recover payments due on the Guarantees. In particular, any amounts received by the Trustee or the Noteholders under the Guarantees of Avere and Inerco that are subsequently avoided would have to be repaid by such holders.

Under Swiss insolvency laws, a bankruptcy administrator may, under certain circumstances, avoid any claim for the payment of debt, including any payments under guarantees or security interests or, if payment has already been made, require that the recipient return the payment to the relevant payor. The right of avoidance applies in the following cases: (i) a debtor disposes of assets for free or for inadequate consideration within one year before the opening of bankruptcy proceedings, (ii) an over-indebted company repays unmatured debts, settles a debt by unusual means of payment, or grants collateral for previously unsecured liabilities within one year before the opening of bankruptcy proceedings, or (iii) the debtor has acted with the intent to defraud its creditors or to give an advantage to certain creditors compared to others within five years before the opening of bankruptcy proceedings, if the transaction party knew or should have known of this intent (in related party transactions, including transactions between group companies, the fact that the transaction party knew (or should have known) of the intent is presumed, shifting the burden of proof for the contrary to that party).

The granting of guarantees and security interests is not voidable under (ii) above as long as the creditor does not have or should not have any actual or constructive knowledge of the grantor's overindebtedness. A bona fide creditor is therefore protected but bears the burden to plead and prove its good faith.

In the event such disputed transactions are successfully avoided, the creditors (such as the Noteholders) are under an obligation to repay the amounts received or to waive the guarantee or security interest. The above principle of avoidance applies in particular to the Guarantees or security interests granted by the Swiss

guarantors. In the case of such avoidance of a guarantee or security interest granted by a Swiss guarantor, any amounts obtained by the Noteholders under the guarantee or security interest that is avoided would have to be repaid by the Noteholders. The Noteholders who have restituted the avoided amount paid to them regain their original claim against the Swiss guarantor and are entitled to list their claim in the schedule of claims in their respective rank and priority. The Swiss principles on avoidance may therefore limit the Noteholders' ability to recover payments due on the Guarantees.

Under Swiss law, any amount denominated in a foreign currency which has to be enforced through Swiss debt collection authorities (*schweizerische Zwangsvollstreckungsbehörden*) has to be converted into Swiss francs and so the Noteholders may also suffer losses from movements in exchange rates as they may receive the recoveries only in Swiss francs.

Non-Swiss bankruptcy decrees issued in the country of a debtor's domicile or centre of main interest may be recognised in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, and (ii) its recognition is, inter alia, not against Swiss public policy.

Ukraine

Each of the Ukrainian Guarantors and the Trustee will enter into the Suretyship Deeds. Ukrainian bankruptcy laws may prohibit the Ukrainian Guarantors from making payments pursuant to the Suretyship Deeds. Ukrainian bankruptcy laws differ from bankruptcy laws of England and the United States, and are subject to varying interpretations. There is not enough precedent to be able to predict how claims of holders of the Notes would be resolved in the event of the bankruptcy of a Ukrainian Guarantor. In the event of the bankruptcy of a Ukrainian Guarantor, its obligations to holders of the Notes would be subordinated to the following obligations:

- obligations secured by pledges or mortgages of its assets;
- severance pay, employment-related obligations and payment of wages to the relevant Ukrainian Guarantor's employees due as of the commencement of the liquidation procedure;
- claims for payment of indebtedness for compensation of losses incurred by the State Budget of Ukraine as a result of the enforcement of judgments of the European Court of Human Rights against Ukraine;
- obligations arising out of insurance contracts;
- expenditures associated with the conduct of the bankruptcy proceedings and work of the liquidation commission;
- obligations arising as a result of causing harm to life or health of individuals, as well as mandatory pension and social security contributions;
- local and state taxes and other mandatory payments (including claims of the respective governmental authorities managing the state reserve fund); and
- expenditures arising from measures to prevent property and ecological damage, harm to the health and safety of individuals.

In addition, after any bankruptcy proceeding is commenced, the Ukrainian court imposes a moratorium on the satisfaction of claims of creditors which became payable prior to the commencement of the bankruptcy proceeding. During the term of such moratorium, the relevant Ukrainian Guarantor would be unable to make payments to the Trustee on behalf of the holders of the Notes, and the Noteholders' claims against such Ukrainian Guarantor would not be enforceable in Ukraine. Such Ukrainian Guarantor may not be held liable in Ukraine for the non-performance of its obligations to the holders of the Notes resulting from the imposition of the moratorium.

Further, Article 42 of the Code of Ukraine on Insolvency permits a court to invalidate agreements (such as the Suretyship Deeds) or reverse asset-related actions entered into or made by a debtor after the commencement of the bankruptcy proceedings or within three years prior to the commencement of the bankruptcy proceedings, upon application of an insolvency manager or a competitive creditor, provided they caused damages to a debtor or creditors, on the following grounds: (i) the Ukrainian Guarantor assumed obligations as a result of which it became insolvent or its performance of monetary obligations to other creditors in part or in full became impossible, or (ii) the Ukrainian Guarantor made payment to a creditor on the day when the amount of creditors' claims exceeded the value of assets. In addition, agreements entered into by a debtor within three years prior to the commencement of the bankruptcy proceedings could be invalidated by a court upon application of an insolvency manager or a creditor on the following grounds: (i) the Ukrainian Guarantor assumed obligations without any pecuniary actions of the other party, (ii) the Ukrainian Guarantor has executed a contract with a related party or (iii) the Ukrainian Guarantor has executed a gift contract.

In the event that a Suretyship Deed is invalidated and/or asset-related actions in connection with a Suretyship Deed are cancelled by the court, an affected creditor would be under an obligation to return to the liquidation estate assets that it received from a Ukrainian Guarantor. If it is not possible to return such assets, a creditor would need to compensate the Ukrainian Guarantor for the value of such assets at the market prices as of the date of the relevant transaction.

As at the date of these Listing Particulars, the clawback provisions of the Code of Ukraine on Insolvency have not been properly tested and may be subject to varying interpretation.

Accordingly, in the event of the bankruptcy of one or more of the Ukrainian Guarantors, Ukrainian bankruptcy laws may have a material and adverse effect on such guarantors' ability to make payments to holders of the Notes or prevent holders of the Notes from recovering in part or in full any amount from such guarantors in connection with the Notes.

The ability of the Ukrainian Guarantors to make payments pursuant to the Suretyship Deeds is limited by Ukrainian law

The NBU's applicable currency control regulations in effect as of the date of these Listing Particulars limit the ability of any Ukrainian company to make cross-border payments in a foreign currency under a suretyship in relation to a foreign obligor's obligations up to a maximum annual limit of EUR 2 million (or its equivalent in any currency) (the "Annual Limit"). Such limitation would apply to any payments required to be made by one or more of the Ukrainian Guarantors under the Suretyship Deeds.

In order to procure a cross-border payment by a Ukrainian company of any amount exceeding the Annual Limit with respect to its obligations under a suretyship, a claimant would need to obtain a valid and effective order by a Ukrainian court (whether it is adopted upon review of the merits of the dispute or enforcing a foreign arbitral award) which expressly requires that such Ukrainian company make such cross-border payment (a "Ukrainian Court Order"); however, there is no court practice in Ukraine yet to confirm that cross-border payments made pursuant to such Ukrainian Court Order would not be subject to the limits otherwise applied by the NBU.

Accordingly, should a payment obligation of any Ukrainian Guarantor arise under the Suretyship Deeds and such payment not be made because it would result in a breach of the Annual Limit, the Trustee on behalf of the Noteholders would need to obtain a Ukrainian Court Order enforcing a foreign arbitral award. Upon such Ukrainian Court Order becoming effective, the relevant Ukrainian Guarantor would be required to honour its payment obligations under the Suretyship Deeds in full and should not be subject to the Annual Limit.

In addition, an attempted payment by a Ukrainian Guarantor pursuant to the Suretyship Deeds would fall within the NBU's list of high-risk financial transactions. Ukrainian banks are required by the NBU to carry out

additional inspections on any of their customers conducting such high-risk financial transactions and may refuse to effect a currency exchange or payment on behalf of such a customer, including any proposed payment by a Ukrainian Guarantor under the Suretyship Deeds. Such refusal should not occur if an effective Ukrainian Court Order is obtained; however, there is no court practice in Ukraine yet to confirm this position.

Furthermore, the ability of the Ukrainian Guarantors to make cross-border payments under the Suretyship Deeds may be further limited by other Ukrainian currency control regulations. The Ukrainian currency control regime is subject to change (and can become more liberal in the future), with the NBU exercising considerable autonomy in its interpretation of currency control regulations and practice. See “*—Risks relating to Ukraine—The Ukrainian currency is subject to volatility and depreciation*”. However, there can be no assurance that current currency control regulations will be liberalised or that further restrictions will not be imposed by the NBU in the future, which may adversely impact the ability of the Ukrainian Guarantors to discharge their obligations under the Suretyship Deeds.

The obligations of Ukrainian Guarantors under the Suretyship Deeds may be terminated in certain instances

A Suretyship Deed creates a suretyship (in Ukrainian, “*poruka*”), which is a secondary liability of a Ukrainian Guarantor in relation to the underlying obligations under the Notes and, therefore, if those obligations are invalid, the suretyship under the Suretyship Deed will also be invalid. Further, if the underlying obligations are amended so as to increase the scope of responsibility of the surety or are assigned, the prior consent of the surety should be obtained to ensure continued validity of the suretyship under the Suretyship Deed. If the underlying obligations are amended so as to increase the scope of responsibility of the surety without the surety’s consent, the scope of responsibility of the surety will remain unchanged. However, if the underlying obligations are assigned without the surety’s consent, the suretyship under the Suretyship Deed will terminate. For the avoidance of doubt, the obligations of the Ukrainian Guarantors under the Suretyship Deeds do not constitute a guarantee (in Ukrainian, “*garantiya*”) as that term is interpreted under Ukrainian law.

The gross-up obligation in the Suretyship Deeds may not be enforceable

Payments by a Ukrainian Guarantor under a Suretyship Deed may be subject to Ukrainian withholding tax at the rate of 15% (if payments are made to a non-resident legal entity) or 19.5% (if payments are made to a non-resident individual). In the event of the imposition of such tax, the Ukrainian Guarantors may be obliged under the Suretyship Deeds or the Conditions to pay additional amounts such that the recipient receives the amount it would have received had no such withholding been required. Until 23 May 2020, Ukrainian law generally prohibited payment of tax for another person and contractual provisions requiring such payment. With the entry into force of the Tax Code Amendments Law, such prohibition was abolished. However, Ukrainian tax authorities have not issued any clarifications in this respect, and, as a result, gross-up provisions of the Suretyship Deeds and the Notes may be deemed unenforceable to the extent that such provisions are interpreted as imposing on any of the Ukrainian Guarantors the obligation to pay any taxes on behalf of any third party.

Payments under the Suretyship Deeds may be subject to withholding tax and an investor may not be able to obtain relief under a double tax treaty

In general, payments under the Suretyship Deeds other than repayment of the nominal amount of the Notes (including payments in respect of interest, default interest, indemnities etc.) by a Ukrainian Guarantor to a non-resident payee (such as the Trustee or any Noteholder) are subject to Ukrainian withholding tax at the rate of 15%, subject to any reduction or full exemption pursuant to the terms of an applicable double tax treaty. Based on a fair interpretation of the applicable Ukrainian tax legislation (which, however, has not yet been confirmed by an established practice of the Ukrainian tax authorities or courts), such Ukrainian withholding tax should not apply to the payments under the Suretyship Deeds in respect of, and equal to, the nominal amount of the Notes.

Under the terms of the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ukraine for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains signed on 10 February 1993 and in force from 11 August 1993 (the “Ukraine-UK Double Tax Treaty”) as amended by the Protocol signed on 9 October 2017 and in force from 5 December 2019 (the “Protocol”), payments to the Trustee for the benefit of the Noteholders under the Suretyship Deeds may be exempt from withholding tax in Ukraine to the extent they are qualified as business income. To the extent payments under the Suretyship Deeds are qualified as interest, under the terms of the Protocol they would be subject to Ukrainian withholding tax at the reduced rate of 5%. The application of provisions of the Ukraine-UK Double Tax Treaty is subject to certain conditions set forth therein as well as in the applicable Ukrainian tax legislation. The conditions relate to, among other matters, (i) the main purpose of the arrangement, (ii) the arrangement’s compliance with an arm’s length principle and (iii) the fulfilment of certain formalities in order to confirm tax residency of the Trustee in the United Kingdom. The application of the 5% rate to interest payments is also subject to the satisfaction of a beneficial ownership test by the Trustee. If any of the conditions for the application of the Ukraine-UK Double Tax Treaty benefits is not satisfied, the Trustee may not be able, or may be limited in its ability, to enjoy the exemption from withholding tax in Ukraine. Based on the Tax Code Amendments Law, to prove the beneficial owner status of a payee, it must be demonstrated that the payee has sufficient economic substance and legal title to the income received and that it determines the further “economic fate” of such income.

The ability to benefit from the exemption from withholding tax or the reduced withholding tax rate under the Ukraine-UK Double Tax Treaty may be challenged by the tax authorities of Ukraine in case they consider that the obtaining of such benefit was one of the principal purposes of the transaction. Such limitation of relief was introduced into the Ukraine-UK Double Tax Treaty by the Protocol.

If, at any point in the future, the Trustee fails to satisfy the beneficial ownership test in respect of payments under the Suretyship Deeds, the Noteholders may benefit from the reduced withholding tax rate or exemption from Ukrainian withholding tax if there is an effective double tax treaty of their residence jurisdiction with Ukraine (the so-called look-through approach). Provisions regarding application of the look-through approach were introduced by the Tax Code Amendments Law and became effective as of 23 May 2020. However, such position is untested in Ukraine. Generally, should an immediate payee of the Ukrainian-sourced income differ from the beneficial owner of such income, the Ukrainian tax authorities will apply a statutory withholding tax rate of 15% and will disregard the provisions of a double tax treaty between Ukraine and such beneficial owner’s jurisdiction.

In addition, the application of the double tax treaty between Ukraine and the Noteholder’s jurisdiction under the look-through approach (if acceptable) would be subject to certain conditions set forth in the tax treaty as well as in applicable Ukrainian tax laws. In particular, in order to benefit from the provision of such double tax treaty, (i) the Trustee would need to provide a Ukrainian Guarantor with an application confirming that it is not the beneficial owner of the income and (ii) a Noteholder would need to provide a Ukrainian Guarantor with a tax residency certificate issued by the competent authorities of the treaty state as well as a confirmation together with supporting documents that such Noteholder is the beneficial owner of such income. The aforementioned documents should be provided before the payment by the Ukrainian Guarantor under the relevant Suretyship Deed. If either the Trustee or such Noteholder fails to provide the necessary documents, any benefits of the double tax treaty may not be available and the relevant payment may be subject to 15% withholding tax in Ukraine.

Noteholders may face exchange rate risks and exchange controls by investing in the Notes

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than U.S. dollars. These include the risk that exchange rates may

significantly vary (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

There may be tax consequences for Noteholders as a result of any foreign exchange gains or losses.

Noteholders may face interest rate risks by investing in the Notes

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

The Company expects the Notes to be rated "BB-" by Fitch, two notches above the Ukrainian sovereign, and "B+" by S&P, one notch above the Ukrainian sovereign. The foregoing credit ratings do not mean that the Notes are a suitable investment.

The credit rating(s) assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating organisation at any time by the assigning rating organisation. A credit rating reflects only the views of the assigning rating organisation. Investors must conduct their own assessments of the Issuer and its business, operations, assets and financial position, and are strongly cautioned not to place undue emphasis on any particular rating that has been assigned to the Issuer or the Notes.

Any negative change in Ukraine's or the Notes' credit rating could adversely affect the market price of the Notes

Any negative change in Ukraine's or the Notes' credit rating could materially adversely affect the market price of the Notes. A change in the credit rating of one or more other Ukrainian corporate borrowers or banks could also adversely affect the price of the Notes.

As the Global Note Certificates are held by or on behalf of Euroclear, Clearstream, Luxembourg and DTC, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and the Guarantors

The Notes will be represented by Global Note Certificates except in certain limited circumstances described therein. The Regulation S Global Note Certificate will be deposited with the Common Depositary. The Rule 144A Global Note Certificate will be registered in the name of a nominee of, and deposited with a custodian for, DTC. Except in certain limited circumstances described in the Global Note Certificates, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the beneficial interests in the Global Note Certificates. While the Notes are represented by the Global Note Certificates, investors will be able to trade their beneficial interests only through DTC, Euroclear and Clearstream, Luxembourg (as applicable).

The Issuer and the Guarantors will discharge their payment obligations under the Notes by making payments through DTC or to the Common Depositary (as applicable) for distribution to their account holders. A holder of a beneficial interest in the Global Note Certificates must rely on the procedures of DTC, Euroclear and Clearstream, Luxembourg (as applicable) to receive payments under the Notes. The Issuer and the Guarantors have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificates.

Trading in the clearing systems is subject to minimum denomination requirements

The Notes will initially only be issued in global certificated form and held through the clearing systems. Interests in the Global Notes will trade in book-entry form only, and Definitive Certificates will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The Common Depositary, or its nominee, for Euroclear and Clearstream, Luxembourg, and the nominee of DTC will be the sole registered holders of the Global Note Certificates evidencing entitlement to the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Note Certificates evidencing entitlement to the Notes will be made to the Principal Paying Agent, who will make payments to the clearing systems. Thereafter, these payments will be credited to accounts of participants who hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the clearing systems, none of the Issuer, the Guarantors, the Joint Lead Managers and Bookrunners, the Trustee or the Agents (as defined in the Conditions) will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of the book-entry interests. An owner of book-entry interests must rely on the procedures of the clearing systems, and if an owner of book-entry interests is not a participant in the clearing systems, on the procedures of the participant through which it holds its interest, to exercise any rights and obligations of a Noteholder under the Conditions.

Unlike the Noteholders themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if a Noteholder owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from the relevant clearing system. The procedures implemented for the granting of such proxies may not be sufficient to enable an owner of book-entry interests to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default (as defined in the Conditions), unless and until Definitive Certificates are issued in respect of all book-entry interests, an owner of book-entry interests will be restricted to acting through DTC, Euroclear and Clearstream, Luxembourg. The procedures to be implemented through DTC, Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Notes.

The transfer of the Notes will be restricted, which may adversely affect the value of the Notes

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction. The Notes and the Trust Deeds will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Regulation S, Rule 144A or other exemptions, under the Securities Act.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Certain Terminology

Certain defined terms in these Listing Particulars:

“Issuer” means Kernel Holding S.A.

“Guarantors” means the Non-Ukrainian Guarantors and the Ukrainian Guarantors.

“Non-Ukrainian Guarantors” means Avere and Inerco.

“Ukrainian Guarantors” means Agropolis, Bandursky, Black Sea Industries, Druzhba-Nova, Enselco, Hovtva, Kalyna, Kernel-Trade, Kernel-Capital, Khliborob, Kononivskiy, Mriia, Podillia, Prydniprovskiy Krai, Prydniprovskiy OEZ, Poltavsky, Prykolotnjansky, Starokostiantynivskiy and TGT.

“Agropolis” means Agropolis, LLC; “Avere” means Avere Commodities SA; “Bandursky” means Bandursky VOEP LLC; “Black Sea Industries” means Black Sea Industries Ukraina Limited, LLC; “Druzhba-Nova” means Druzhba-Nova, ALLC; “Enselco” means Enselco Agro, LLC; “Hovtva” means Hovtva, ALLC; “Inerco” means Inerco Trade SA; “Kalyna” means Kalyna, LLC; “Kernel-Capital” means Kernel-Capital, LLC; “Kernel-Trade” means Kernel-Trade, LLC; “Khliborob” means Ahrofirma Khliborob, LLC; “Kononivskiy” means “Kononivskiy Elevator”, LLC; “Mriia” means Mriia, LLC; “Podillia” means Podillia-Agroservice, LLC; “Poltavsky” means Poltavsky VOEP, PJSC; “Prydniprovskiy Krai” means Prydniprovskiy Krai, ALLC; “Prydniprovskiy OEZ” means Prydniprovskiy OEZ, LLC; “Prykolotnjansky” means Prykolotnjansky OEP, LLC; “Starokostiantynivskiy” means Starokostiantynivskiy OEZ, LLC; “TBT” means Transbulkterminal, JV LLC, or the terminal owned by it, as appropriate; and “TGT” means Transgrainterminal, LLC.

All references to “US”, “U.S.” and “United States” are to the United States of America, all references to “U.K.” and “United Kingdom” are to the United Kingdom of Great Britain and Northern Ireland and all references to the “EU” are to the European Union and its member states as at the date of these Listing Particulars. All references to the “CIS” are to the following countries that formerly comprised the Union of Soviet Socialist Republics and that are now members of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine and Uzbekistan.

All references to “UAH” and “hryvnia” are to the currency of Ukraine, all references to “€”, “EUR” and “Euro” are to the currency of the participating Member States in the third stage of the Economic and Monetary Union of the Treaty Establishing the European Community, and all references to “US\$”, “U.S. dollar”, “USD” and “dollar” are to the currency of the United States of America.

Presentation of Certain Financial Information

The Issuer’s and the Group’s financial year end is 30 June of each year. These Listing Particulars include audited consolidated financial statements for Kernel Holding S.A. and its subsidiaries as at and for the financial year ended 30 June 2020 and as at and for the financial year ended 30 June 2019 (including comparison information in respect of the financial year ended 30 June 2018) (together, the “Group’s Consolidated Financial Statements”). The Group’s Consolidated Financial Statements have been prepared in accordance with IFRS as endorsed by the European Union and have been audited by the Group’s independent auditors Deloitte Audit S.a r.l.

Unless otherwise stated, the presentation of the Group’s financial information as at and for the year ended 30 June 2019 is derived from the comparative information included in the financial statements as at and for the year ended 30 June 2020 and not from the information included in the financial statements as at and for the year

ended 30 June 2019. The Group's financial information as at and for the year ended 30 June 2019 is referred to as "FY2019".

Unless otherwise stated, the presentation of the Group's financial information as at and for the year ended 30 June 2018 is derived from the comparative information included in the financial statements as at and for the year ended 30 June 2019. The Group's financial information as at and for the year ended 30 June 2018 is referred to as "FY2018".

For information on the Group's change in segment reporting approach, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview of the Issuer*".

References in these Listing Particulars to "FY2020", "FY2019" and "FY2018" refer to the twelve-month periods ended 30 June 2020, 2019 and 2018, respectively.

Starting from 1 July 2018, the Group voluntarily changed its accounting policy relating to the classification of distribution expenses charged to its customers. The Group sells products to customers based on different selling terms, which include among others, carriage and freight services, storage and dispatch services, which are related to costs incurred to store and to prepare goods for delivery and other distribution services (custom, certification and sanitation services and other services). These services relate to costs incurred to deliver goods to customers' indicated locations and consist mostly of services provided by third parties. Carriage and freight, storage and dispatch costs and other distribution expenses have been previously presented cumulative as distribution costs.

The Group decided to change the accounting policy regarding the classification of distribution costs upon analysis of its performance obligations and principal versus agent considerations according to the requirements of the new revenue standard (IFRS 15 Revenue from Contracts with customers), adopted by the Group starting from 1 July 2018. Specifically, the Group identified a separate performance obligation relating to freight and other related services. Furthermore, since the control over promised goods or services is transferred to the customers only upon their receipt of the goods or services, the Group is considered to be a principal in providing freight and other services. As such and since the proceeds from freight and other services are presented gross within the Group's revenues, the corresponding cost of such services should be also presented gross as cost of sales. Based on the above, the Group decided to present all costs relating to freight and other related services within cost of sales and to apply the change in the accounting policy retrospectively in order to eliminate inconsistency in the presentation of carriage and freight and other related distribution expenses as well as to comply with the requirements of the new revenue standard.

This approach is most commonly used in the industry and the Group's management believes that such a change in accounting policy will provide a more precise, relevant and consistent approach towards the Group's gross profit result.

The effect of the retrospective application of this policy on the Group's Consolidated Financial Statement of Profit or Loss was as follows:

For the year ended 30 June						
	2018			2019		
	New Policy	Old Policy	Effect of the change in accounting policy	New Policy	Old Policy	Effect of the change in accounting policy
Cost of sales.....	2,261,230	2,107,677	153,553	3,653,762	3,345,500	308,262
Distribution costs.....	—	153,553	(153,553)	—	308,262	(308,262)

Starting from 1 July 2019, following the agenda decision of IFRIC, the Group reconsidered the recognition of remeasurement movements on physical forward sales contracts that do not meet the own use exemption within the “Revenue” line item and physical forward purchase contracts that do not meet the own use exemption within “Cost of sales” line item. Similarly, the Group decided to change the presentation on recognition of remeasurement movements for the rest of the commodity derivatives such as futures and options, which previously were recognised under the “Other operating income, net” line item and recognised them within the “Cost of sales” line item. As a result, the presentation of revenue, cost of sales and other operating income data for FY2019 was aligned with this change. Please see Note 3 to the Group's Consolidated Financial Statements for FY2020 and “*Presentation of Financial and Other Information—Presentation of Certain Financial Information*” for further details. The Group has not applied the changes set out in the agenda decision of the IFRIC for FY2018, and accordingly, the Group has not restated its FY2018 financial statements in connection with this decision.

In March 2019, the IFRIC issued an agenda decision on the “Physical Settlement of Contracts to Buy or Sell a Non-Financial Item”. The committee concluded that, for physical commodity contracts within the scope of IFRS 9 Financial instruments, settlement of the underlying forward contract accumulated derivative gains or losses recognised under the standard on a forward sales contract should be recognised within the “Revenue” line item and forward purchase contracts should be recognised under the “Cost of sales” line item.

The Group previously recognised mark-to-market movements on the remeasurement of physical forward contracts that do not meet own use exemption, within the “Other operating income, net” line item. Following the agenda decision of the IFRIC, the Group reconsidered the recognition of remeasurement movements on physical forward sales contracts that do not meet own use exemption within the “Revenue” line item and physical forward purchase contracts that do not meet the own use exemption within “Cost of sales” line item. Due to the adoption of this change, the FY2019 “Revenue” and “Cost of sales” line items changed by an equal amount of US\$31,902 thousand. The change in accounting policies had no effect on earnings per share in either FY2020 or the Group's previous periods under review.

Similarly, the Group decided to change the presentation on recognition of remeasurement movements on the rest of the commodity derivatives such as futures and options, which were previously recognised within the “Other operating income, net” line item and recognised them within the “Cost of sales” line item. Due to the adoption of this change, the FY2019 other operating income, net and cost of sales increased by an equal amount of US\$13,650 thousand. The change in accounting policies had no effect on earnings per share in either FY2020 or the Group's previous periods under review.

This approach is most commonly used in the industry and the Group's management believes that such change in accounting policy will provide a more precise, relevant and consistent approach towards calculating the Group's gross profit.

The effect of the retrospective application of this policy on the Consolidated Financial Statement of Profit or Loss was as follows:

For the year ended 30 June						
	2019			2020		
	New Policy	Old Policy	Effect of the change of accounting policy	New Policy	Old Policy	Effect of the change of accounting policy
Revenue.....	3,960,231	3,992,133	(31,902)	4,106,780	4,083,631	23,149
Cost of sales	(3,635,510)	(3,653,762)	18,252	(3,623,812)	(3,679,829)	56,017
Other operating income, net	41,878	28,228	13,650	7,017	86,183	(79,166)

Supplemental Non-IFRS Measures

These Listing Particulars include certain non-IFRS measures, including Adjusted EBITDA; Adjusted EBITDA Margin; Segment Adjusted EBITDA; Segment Adjusted EBITDA margin; Investing Cash Flows less Net Fixed Assets Investments; Net Fixed Assets Investments; Operating Cash Flows before Working Capital Changes, Free Cash Flows to the Firm; Debt Liabilities; Net Debt; Readily Marketable Inventories; Adjusted Net Debt, Liabilities; and Adjusted Working Capital (together, the "Supplemental Non-IFRS Measures"). The Supplemental Non-IFRS Measures are presented as supplemental measures of the Group's operating performance, liquidity and cash generation and the Group uses each of these measures as performance indicators of the Group's business and to provide both management and investors with a supplemental tool to assist in evaluating current business performance. The Group believes the Supplemental Non-IFRS Measures are frequently useful for securities analysts, investors and other interested parties in the evaluation of companies in the Group's industry. The Supplemental Non-IFRS Measures have limitations as analytical tools, and investors should not consider any of them in isolation, or any combination of them together, as a substitute for analysis of the Group's operating results as reported under IFRS. Other companies in the Group's industry may calculate these Supplemental Non-IFRS Measures differently or may use them for different purposes than the Group, limiting their usefulness as comparative measures. Each of the Supplemental Non-IFRS Measures are defined below.

Adjusted EBITDA and Adjusted EBITDA Margin: the Group uses Adjusted EBITDA as a key measure of operating performance and which is defined as profit before income tax adding back: finance costs, net; foreign exchange (loss)/gain, net; other expenses, net; share of income/(loss) of joint ventures; and amortisation and depreciation. The Group defines Adjusted EBITDA margin as Adjusted EBITDA divided by revenue during the reporting period.

The Group views Adjusted EBITDA and Adjusted EBITDA margin as key measures of the Group's performance. The Group uses Adjusted EBITDA and Adjusted EBITDA margin in its public reporting, including with respect to the listing of its equity on the Warsaw Stock Exchange. The Group believes that these measures better reflect the Group and its subsidiaries' core operating activities and provide both management and investors with information regarding operating performance, which is more useful for evaluating the financial performance of the Group and its subsidiaries than traditional measures, to the exclusion of external factors unrelated to their performance.

Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools, and investors should not consider these measures in isolation, or in any combination with other Supplemental Non-IFRS Measures as a substitute for analysis of the Group's operating results as reported under IFRS. Some of these limitations are as follows:

- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of finance costs, which significance reflect macroeconomic conditions and have little effect on the Group's operating performance;
- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of taxes on the Group's operating performance;
- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of depreciation and amortisation on the Group's performance. The assets of the Group, which are being depreciated and/or amortised, will need to be replaced in the future and such depreciation and amortisation expense may approximate the cost of re-placing these assets in the future. By excluding this expense from Adjusted EBITDA and Adjusted EBITDA margin, such measures do not reflect the Group's future cash requirements for these re-placements;
- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of share of gain of joint ventures, which are accounted under equity method;
- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of foreign ex-change gain/(loss), which the Group does not consider to be part of its core operating performance because the main difference arise on transactions between entities of the group with different functional currencies; and
- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of other expenses; as such expenses are not a part of Group's core operations.

Segment Adjusted EBITDA and Segment Adjusted EBITDA margin: The Group uses Segment Adjusted EBITDA and Segment Adjusted EBITDA margin as a key measures of segment operating performance. The Group defines Segment Adjusted EBITDA as profit/(loss) from operating activities adding back amortisation and depreciation. The Group defines Segment Adjusted EBITDA margin as Segment Adjusted EBITDA divided by segment revenue during the reporting period.

Investing Cash Flows less Net Fixed Assets Investments (hereinafter, "ICFNFAI"): the Group uses Investing Cash Flows less Net Fixed Assets Investments as a measure of its expenditures on investments other than property, plant and equipment and which is defined as net cash used in investing activities adding back: purchase of property, plant and equipment and proceeds from disposal of property, plant and equipment. As the Group grew and developed through acquisitions, this Supplemental Non-IFRS Measure helps to monitor the M&A and other investing activities of the Group.

Net Fixed Assets Investments: the Group uses Net Fixed Assets Investments as a measure of its expenditures on fixed assets maintenance and defines the measure as net cash used in investing activities less ICFNFAI or alternatively may be calculated as cash used for purchase of property, plant and equipment less proceeds from disposal of property, plant and equipment. The Group is executing an investment programme as a part of Strategy 2021, and fixed assets investment is an important measure to monitor capital expenditure as a part of the execution of investment programme.

Operating Cash Flows before Working Capital Changes: the Group uses Operating Cash Flows before Working Capital Changes as a measure of the cash generation of its core business operations and defines the measure as net cash generated by operating activities less changes in working capital, including: change in trade and other

accounts receivable; change in prepayments and other current assets; change in restricted cash balance; change in taxes recoverable and prepaid; change in biological assets; change in inventories; change in trade accounts payable; and change in advances from customers and other current liabilities. The Group uses this measure as a pre-working capital measure that reflects Group's ability to generate cash for investment, debt servicing and distributions to shareholders.

Free Cash Flows to the Firm: the Group uses Free Cash Flows to the Firm as a measure of the cash generation of its core business operations and defines the measure as sum of net cash generated by operating activities and net cash used in investing activities. The Group uses this measure as it reflects the cash generating capability of the Group to repay debt and distribute dividends to shareholders.

Readily Marketable Inventories ("RMI"): the Group uses RMI, as an additional measure of its liquidity, which the Group uses to provide a supplemental tool to assist management and investors in evaluating current business performance and in calculating credit ratios under certain of the Group's financing arrangements. The Group defines RMI as agricultural inventories, such as corn, wheat, barley, soybean, sunflower seed, meal and oil, which the Group treats as readily convertible into cash because of their commodity characteristics and widely available markets and international pricing mechanisms, carried at cost. Factors which the Group considers when classifying inventory as RMI include whether there is an ascertainable price for the inventory established via international pricing mechanism; whether there are widely available and liquid markets for the inventory; if the pricing and margins on the inventory are hedged through forward sales and can be identified and appropriately valued; if there is stable and/or predictable end-user demand for the inventory; and whether the inventory is not perishable in short-term. The Group uses this measure as an additional measure of its liquidity, which the Group uses to provide a supplemental tool to assist management and investors in evaluating current business performance and in calculating credit ratios under certain of the Group's financing arrangements.

Debt Liabilities: the Group uses three metrics as the measure of its leverage and indebtedness, which consists of Debt Liabilities, Net Debt and Adjusted Net Debt. The Group defines Debt Liabilities as the sum of bonds issued; interest on bonds issued; long-term borrowings; current portion of long-term borrowings; short-term borrowings; current portion of lease liabilities, lease liabilities, and obligations under finance lease (including current portion). The Group defines Net Debt as Debt Liabilities less cash and cash equivalents. The Group uses these measures, as it is a useful measure of the leverage of the Group, which is widely used by credit investors and rating agencies. The Group defines Adjusted Net Debt, as Net Debt less readily marketable inventories. The Group uses this measure as a supplemental measure of the Group's liquidity, which shows the amount of Debt Liabilities not covered by cash and readily marketable inventories (highly liquid inventories).

Adjusted Working Capital: the Group uses Working Capital as a measure of its efficiency and short-term liquidity and which is defined as current assets (excluding cash and cash equivalents, and assets classified as held for sale) less current liabilities (excluding short-term borrowings, current portion of long-term borrowings, current portion of obligations under finance lease, current portion of lease liabilities and interest on bonds issued). The indicator of working capital is important for the Group, as the Group is involved in trading and processing activities and hold large volumes of inventories on the balance. The Group also invests in business expansion, which needs working capital investments to increase efficiency. It is useful for users and investors because measure of both a Group's efficiency and its short-term financial health. It also helps management to keep a business operating smoothly and meet all its financial obligation within the coming year.

For reconciliations of the Supplemental Non-IFRS Measures to the information in the Group's Consolidated Financial Statements, see "*Selected Historical Financial Information—Reconciliation of additional data (Non IFRS) to the Group's Consolidated Financial Statements*".

The Group relies primarily on its IFRS operating results and uses the Supplemental-Non IFRS Measures only supplementally. See the Group's Consolidated Financial Statements included elsewhere in these Listing

Particulars. The Supplemental Non-IFRS Measures are not defined by, or presented in accordance with, IFRS. The Supplemental Non-IFRS Measures are not measurements of the Group's operating performance, liquidity and cash generation under IFRS and should not be considered as alternatives to revenue, gross profit, net cash generated by operating activities, net cash used in investing activities or any other measures of performance under IFRS or as alternatives to cash generated from operations or as measures of the Group's liquidity. In particular, the Supplemental Non-IFRS Measures should not be considered as measures of discretionary cash available to the Group to invest in the growth of its business.

Market and Industry Data

The industry publications and official data published by certain government and international agencies, namely the State Committee on Statistics of Ukraine and the United States Department of Agriculture contained in "*Industry Overview*" of these Listing Particulars have been derived from publicly available information.

The Issuer has relied on the accuracy of such information without carrying out an independent verification thereof. This information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information, data and statistics may be approximations or estimates or use rounded numbers. See "*Risk Factors—Risks Relating to Ukraine—Official economic data and third-party information*".

References in these Listing Particulars to "tonnes" or "tonnage" are to metric tonnes.

References in these Listing Particulars to "capacity" at the Group's processing plants are to the overall design capacity, which does not necessarily represent the amount produced at the plant in any given year, which is instead referred to as the crude oil production for the plant.

Certain figures included in these Listing Particulars have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

FORWARD-LOOKING STATEMENTS

These Listing Particulars contain “forward looking statements” which relate, without limitation, to any of the Issuer’s or the Guarantors’ plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial performance and future operations and development, business strategy and the trends in the industry and the political and legal environment in which the Group operates and other information that is not historical information. The words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “may”, “will”, “should” and any similar expressions to identify forward-looking statements may be used herein. Prospective purchasers of the Notes are cautioned that actual results could differ materially from those anticipated in forward-looking statements. The forward-looking statements contained in these Listing Particulars are largely based on the Group’s expectations, which reflect estimates and assumptions made by the Group’s management. These estimates and assumptions reflect the Group’s best judgement based on currently known market conditions and other factors, some of which are discussed below. Although the Group believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Group’s control. In addition, assumptions about future events may prove to be inaccurate. The Group cautions prospective purchasers of the Notes that the forward-looking statements contained in these Listing Particulars are not guarantees of outcomes of future performance and the Group cannot assure any prospective purchasers of the Notes that such statements will be realised or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the Group’s control and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those described in the section headed “*Risk Factors*”, as well as those included elsewhere in these Listing Particulars. Prospective purchasers of the Notes should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, prospective purchasers of the Notes should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. The Group does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to the Group or persons acting on its behalf.

ENFORCEABILITY OF JUDGMENTS

The Issuer is incorporated under the laws of Luxembourg. For the jurisdictions of incorporation of the Guarantors, see “*Description of the Issuer and Guarantors*”. The Guarantors and certain of the officers and members of the board of directors of the Issuer (the “Board of Directors” and, each member, a “Director”) and certain other persons referred to herein are located in or resident of Ukraine or the jurisdiction of incorporation of the Guarantors. A substantial portion of the assets of such persons and the Guarantors are located outside the United Kingdom and the United States. As a result, it may not be possible for investors to effect service of process upon such persons in the United Kingdom or the United States or to enforce against them or the Issuer or the Guarantors judgments obtained in the courts of the United Kingdom and/or the United States. The following summaries are not intended to be legal advice.

Ukraine

The courts of Ukraine will not recognise or enforce any judgment obtained in a court established in a country other than Ukraine unless such enforcement is envisaged by an international treaty to which Ukraine is a party providing for enforcement of such judgments, and then only in accordance with the terms of such treaty. There is no such treaty between the United Kingdom and Ukraine or between the United States and Ukraine providing for enforcement of judgments.

In the absence of an international treaty providing for enforcement of judgments, the courts of Ukraine may only recognise or enforce a foreign court judgment on the basis of the principle of reciprocity. Under Article 462 of the Civil Procedure Code of Ukraine (dated 18 March 2004, in effect from September 2005 (the “Civil Procedure Code”)), unless proven otherwise, reciprocity is deemed to exist in relations between Ukraine and the country where the judgment was rendered. The Civil Procedure Code does not provide for any clear rules on the application of the principle of reciprocity and there is no official interpretation or well-established court practice in respect of the relevant provisions of the Civil Procedure Code. Accordingly, there can be no assurance that the courts of Ukraine will recognise or enforce a judgment rendered by the courts of the United Kingdom or the United States on the basis of the principle of reciprocity. Furthermore, the courts of Ukraine might refuse to recognise or enforce a foreign court judgment on the basis of the principle of reciprocity on the grounds provided in the Civil Procedure Code.

The contractual agreements provide for resolution of disputes by arbitration under the LCIA Arbitration Rules with the seat of arbitration in London, England. Ukraine is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”) with a reservation to the effect that, in respect of the awards made in a state which is not party to the New York Convention, Ukraine will only apply the New York Convention on a reciprocal basis. Consequently, a foreign arbitral award obtained in a state which is party to the New York Convention, such as the United Kingdom, should be recognised and enforced by a Ukrainian court (under the terms of the New York Convention), subject to compliance with applicable procedural requirements.

Switzerland

The following summarises certain matters of Swiss law as currently in force and applied. A final judgment that is no longer subject to any ordinary appeal, based on non-Swiss civil law securities laws, of a competent court in the United Kingdom or in the United States, respectively, would be recognised by the Swiss courts against Avere and Inerco (and/or any Additional Swiss Guarantor) pursuant to and subject to the limitations set forth in the multilateral Convention of 30 October 2007 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters (the “Lugano Convention”) or art. 25 through art. 32 of the Swiss Federal Act on Private International Law (“PILA”), respectively. A final award of an arbitral tribunal (as

provided in Condition 20.2 (*Arbitration*)) would be recognised and enforced by Swiss courts pursuant to and subject to the limitations set forth in the New York Convention. Enforcement of a final judgment of a competent court in the United Kingdom or the United States that is no longer subject to any ordinary appeal or of a final award of an arbitral tribunal, respectively, may further be limited by general principles of Swiss public policy, as provided in art. 17 and art. 18 PILA, art. 34 and art. 35 Lugano Convention and the New York Convention, respectively.

Enforcement of a judgment or an arbitral award may furthermore be limited by general principles of law, and insolvency, reorganisation, liquidation, moratorium or other similar laws restricting creditors' rights in enforcement and similar proceedings as such laws would apply in the event of an insolvency, or other similar proceedings with respect to Avere or Inerco (and/or any Additional Swiss Guarantor) or in the event of any moratorium or similar occurrence affecting Avere or Inerco (and/or any Additional Swiss Guarantor). See "*Risk Factors—Risks relating to the Notes and the Guarantees—The insolvency laws of Luxembourg, Switzerland and Ukraine may not be as favourable as the bankruptcy laws of other jurisdictions with which the Noteholders are familiar—Switzerland*".

Further, foreign judgments are recognised and enforced in Switzerland in accordance with the relevant procedural requirements of Swiss Cantonal and Federal law.

The transmission of judicial documents in Switzerland, including service of process, in a manner other than provided by the applicable treaties (mainly the Hague Convention of 15 November 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters) or, in case no treaty applies, other than through the appropriate diplomatic channels, could be held invalid by a Swiss court despite a Swiss party having consented to such service and notification.

Based on mandatory Swiss law, the appointment of an agent and its authorisation as well as the appointment of a process agent are revocable at any time; furthermore, such agent and process agent may resign at any time.

USE OF PROCEEDS

The Issuer intends to use the proceeds of the issuance of the Notes (US\$300,000,000 before taking into account commissions, fees and expenses) to finance the purchase of up to US\$350 million of the aggregate principal amount outstanding of the 2022 Notes tendered and accepted for purchase by the Issuer in accordance with the terms and conditions of the Tender Offer. The remaining proceeds of the issuance of the Notes, if any, will be used by the Issuer for general corporate purposes.

CAPITALISATION

The following table sets forth the Group's consolidated capitalisation as of 30 June 2020, derived from the Group's Consolidated Financial Statements included elsewhere in these Listing Particulars. The following table should be read in conjunction with "*Selected Consolidated Financial Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Consolidated Financial Statements included elsewhere in these Listing Particulars.

	As of 30 June 2020
	<i>(US\$ in thousands)</i>
Cash and cash equivalents.....	369,117
Long-term borrowings	172,403
Bonds issued	793,777
Total equity attributable to Kernel Holdings S.A. equity holders	1,492,667
Non-controlling interests.....	1,456
Total equity	1,494,123
Total long-term borrowings, bonds issued and equity	2,460,303

The Group expects to receive net proceeds from the Offering of the Notes of approximately (US\$300,000,000 before taking into account commissions, fees and expenses).

EXCHANGE RATE INFORMATION

The table below sets out, for the periods indicated, the period-end, average and high and low official rates set by the NBU, in each case for the purchase of UAH, all expressed in UAH per U.S. dollar. The UAH/U.S. dollar exchange rate set by the NBU reported on 30 September 2020 was UAH28.30 to US\$1.00. The rates may differ from the actual rates used in the preparation of the Group's Consolidated Financial Statements appearing in these Listing Particulars. The Issuer does not represent that the U.S. dollar amounts referred to below could be or could have been converted into UAH at any particular rate indicated or any other rate at all.

The average rate for a year means the average of the exchange rates set by the NBU on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the rate set by the NBU during that month, or shorter period, as the case may be.

	UAH per US\$1.00			
	High	Low	Average	Period end
Year				
2015	30.01	15.75	21.83	24.00
2016	27.25	23.27	25.55	27.19
2017	28.07	25.44	26.60	28.07
2018	28.87	25.92	27.20	27.69
2019	28.27	23.26	25.85	23.69
2020 (through 30 September).....	28.31	23.68	26.53	28.30
Month				
April 2020	27.75	26.97	27.22	26.97
May 2020	27.00	26.52	26.81	26.91
June 2020	26.87	26.60	26.71	26.70
July 2020.....	27.88	26.67	27.31	27.70
August 2020	27.82	27.23	27.52	27.48
September 2020.....	28.31	27.56	27.98	28.30

Source: NBU.

Fluctuations in the exchange rates between the UAH and U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. No representation is made that UAH amounts referred to in these Listing Particulars could have been or could be converted into U.S. dollars at the above exchange rates or at any other rate.

SELECTED HISTORICAL FINANCIAL INFORMATION

The tables below set forth the selected consolidated financial information extracted from the Group's Consolidated Financial Statements as at and for the year ended 30 June 2020 (as it relates to consolidated financial information as at and for the two years ended 30 June 2020 and 2019) and the Group's Consolidated Financial Statements as at and for the year ended 30 June 2019 (as it relates to the consolidated financial information as at and for the year ended 30 June 2018).

The Group's Consolidated Financial Statements as at and for the years ended 30 June 2020 and 30 June 2019 have been prepared in accordance with IFRS, as endorsed by the European Union. The Group's Consolidated Financial Statements are included elsewhere in these Listing Particulars.

Starting from 1 July 2018, the Group's revenue and operating profit are derived across three reporting segments in the Group's Consolidated Financial Statements, as set out below. Prior to 1 July 2018, the Group reported its results within six reporting segments. In FY2019, the Group combined the bulk and bottled sunflower oil segments to form the Oilseed Processing segment since the performance of the two segments is driven by similar factors. Grain, silo services and export terminals were combined into the Infrastructure and Trading segment in order to enable the Group to evaluate margins through the entire value chain rather than simply assess the profitability of each separate business, as well as to simplify its reporting obligations by no longer have to account for intragroup transactions between the grain, silo services and export terminal businesses. The Group believes the segmental changes will simplify its reporting and enhance stakeholder understanding of the Group's business.

This section should be read together with the information contained in “*Use of Proceeds*”, “*Management's Discussion and Analysis of Financial Condition and Results of Operations*” and the Group's Consolidated Financial Statements are included elsewhere in these Listing Particulars. For more information regarding what has been included in key income statement items, see “*Management's Discussion and Analysis of Financial Condition and Results of Operations—Explanation of Key Income Statement Items*”.

	As at 30 June		
	2018	2019	2020
	(US\$ in thousands unless otherwise stated)		
Consolidated Statement of Financial Position Data			
Cash and cash equivalents.....	132,018	76,801	369,117
Total assets	2,210,514	2,463,600	3,164,703
Short-term borrowings	224,773	183,692	44,581
Long-term borrowings	2,812	63,680	172,403
Bonds issued	494,796	496,051	793,777

For the year ended 30 June

	2018	2019	2020
<i>(US\$ in thousands unless otherwise stated)</i>			
Consolidated Statement of Profit or Loss Data			
Revenue ⁽¹⁾	2,403,003	3,960,231	4,106,780
Net change in fair value of biological assets and agricultural produce.....	18,699	9,140	(20,979)
Cost of sales ⁽¹⁾⁽²⁾	(2,261,230)	(3,635,510)	(3,623,812)
Gross profit	160,472	333,861	461,989
Other operational income, net ⁽¹⁾	59,092	41,878	7,017
General and administrative expenses	(79,999)	(106,532)	(131,730)
Profit from operating activities	139,565	269,207	337,276
Finance costs, net	(65,099)	(82,319)	(147,220)
Foreign exchange (loss)/gain, net.....	5,375	12,860	(1,012)
Other expenses, net	(30,980)	(8,376)	(50,524)
Share of income/(loss) of joint ventures.....	1,193	(966)	6,305
Profit before income tax.....	50,054	190,406	144,825
Income tax (expenses)/benefit.....	5,900	(11,902)	(22,075)
Profit for the period from continuing operations.....	55,954	178,504	122,750
Profit for the period.....	55,954	178,504	122,750
Cash Flow Data			
Operating profit before working capital changes.....	183,292	368,297	422,174
Net cash generated by operating activities...	82,477	198,650	269,356
Net cash used in investing activities	(155,694)	(241,404)	(202,691)
Net cash generated by financing activities...	77,088	29,702	225,708

Notes:

- (1) Starting from 1 July 2019, following the agenda decision of the IFRIC, the Group reconsidered the recognition of remeasurement movements on physical forward sales contracts that do not meet the own use exemption within the “Revenue” line item and physical forward purchase contracts that do meet the own use exemption within “Cost of sales” line item. Similarly, the Group decided to change the presentation on recognition of remeasurement movements for the rest of the commodity derivatives such as futures and options, which previously were recognised under the “Other operating income, net” line item and recognised them within the “Cost of sales” line item. As a result, the presentation of revenue, cost of sales and other operating income data for FY2019 was aligned with this change. Please see Note 3 to the Group’s Consolidated Financial Statements for FY2020 and “*Presentation of Financial and Other Information—Presentation of Certain Financial Information*” for further details.
- (2) Starting from 1 July 2018, the Group changed its accounting policy relating to the classification of distribution expenses charged to its customers. Therefore, presentation of cost of sales and gross profit data for FY2018 was aligned with this change. Please see Note 3 to the Group’s Consolidated Financial Statements for FY2019 for details. See also “*Presentation of Financial and Other Information—Presentation of Certain Financial Information*”.

As at 30 June			
	2018	2019	2020
<i>(US\$ in thousands unless otherwise stated)</i>			
Equity Data			
Book value ⁽¹⁾	1,170,733	1,350,946	1,492,667
Number of shares	81,941,230	81,941,230	84,031,230
Book value per share.....	14.29	16.49	17.76
Diluted book value per share.....	14.12	16.31	17.91

Note:

(1) The Group defines book value as the equity attributable to Kernel Holding S.A.'s shareholders.

Other Financial Information

The tables below present certain Supplemental Non-IFRS Measures used by the Group as supplemental measures of the Group's operating performance, liquidity and cash generation, which the Group uses as key performance indicators of the Group's business and to provide a supplement tool to assist in evaluating current business performance. The Supplemental Non-IFRS Measures have limitations as analytical tools, and investors should not consider any of them in isolation, or any combination of them together, as a substitute for analysis of the Group's operating results as reported under IFRS. Other companies in the Group's industry may calculate these Supplemental Non-IFRS Measures differently or may use them for different purposes than the Group, limiting their usefulness as comparative measures. See "Presentation of Financial and Other Information—Supplemental Non-IFRS Measures". Reconciliations of the Supplemental Non-IFRS Measures to the information in the Group's Consolidated Financial Statements is presented below.

As at and for the year ended 30 June			
	2018	2019	2020
<i>(US\$ in thousands unless otherwise stated)</i>			
Adjusted EBITDA ⁽¹⁾	222,540	345,510	443,018
Adjusted EBITDA Margin ⁽²⁾	9.3%	8.7%	10.8%
ICFNFAI ⁽³⁾	(16,182)	(84,170)	7,427
Net Fixed Assets Investments ⁽⁴⁾	(139,512)	(157,234)	(210,118)
Operating Cash Flows Before Working Capital Changes ⁽⁵⁾	113,712	292,547	279,454
Free Cash Flows to the Firm ⁽⁶⁾	(73,217)	(42,754)	66,665
Readily marketable inventories ⁽⁷⁾	325,164	293,437	251,929
Debt liabilities ⁽⁸⁾	754,087	770,319	1,349,577
Net debt ⁽⁹⁾	622,069	693,518	980,460

	As at and for the year ended 30 June		
	2018	2019	2020
	<i>(US\$ in thousands unless otherwise stated)</i>		
Adjusted net debt ⁽¹⁰⁾	296,905	400,081	728,531
Adjusted Working Capital ⁽¹¹⁾	830,815	903,150	867,144
Net debt / Adjusted EBITDA	2.8x	2.0x	2.2x
Adjusted net debt / Adjusted EBITDA	1.3x	1.2x	1.6x
Adjusted EBITDA / finance costs, net	3.4x	4.2x	3.0x

Notes:

- (1) Profit before income tax adding back net finance costs, net foreign exchange (loss)/gain, net other expenses, share of income/(loss) of joint ventures, and amortisation and depreciation. The Group is not presenting Adjusted EBITDA as a measure of operating performance. See also “Presentation of Financial and Other Information—*Supplemental Non-IFRS Measures*” for explanation of limitations of Adjusted EBITDA and Adjusted EBITDA Margin as analytical tools. See also “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources and Borrowings*”, included elsewhere in these Listing Particulars.
- (2) Adjusted EBITDA divided by revenue during the reporting period.
- (3) Net cash used in investing activities adding back purchase of property, plant and equipment, and less proceeds from disposal of property, plant and equipment.
- (4) Net cash used in investing activities less ICFNFAL.
- (5) Net cash generated by operating activities less changes in working capital.
- (6) Sum of net cash generated by operating activities and net cash used in investing activities.
- (7) Agricultural inventories, such as corn, wheat, barley, soybean, sunflower seed, meal and oil.
- (8) Sum of bonds issued, interest on bonds issued, long-term borrowings, current portion of long-term borrowings, short-term borrowings; lease liabilities; current portion of lease liabilities; and obligations under finance lease (including current portion).
- (9) Debt Liabilities less cash and cash equivalents.
- (10) Net Debt less readily marketable inventories.
- (11) Current assets (excluding cash and cash equivalents, and assets classified as held for sale) less current liabilities (excluding short-term borrowings, current portion of long-term borrowings, current portion of obligations under finance lease, current portion of lease liabilities and Interest on bonds issued).

Reconciliation of additional data (Non IFRS) to the Group’s Consolidated Financial Statements

The following table reconciles profit from operations to Adjusted EBITDA and Adjusted EBITDA Margin for the periods indicated:

	For the year ended 30 June		
	2018	2019	2020
	<i>(US\$ in thousands, except the margin)</i>		
Profit before income tax	50,054	190,406	144,825
Add back:			
Finance costs, net	(65,099)	(82,319)	(147,220)
Foreign exchange (loss)/gain, net	5,375	12,860	(1,012)
Other expenses, net	(30,980)	(8,376)	(50,524)

	For the year ended 30 June		
	2018	2019	2020
Share of income/(loss) of joint ventures.....	1,193	(966)	6,305
Amortisation and depreciation	(82,975)	(76,303)	(105,742)
Adjusted EBITDA.....	222,540	345,510	443,018
Revenue.....	2,403,003	3,960,231	4,106,780
Adjusted EBITDA Margin	9.3%	8.7%	10.8%

The following table reconciles profit/(loss) from segments' operating activities to Segment Adjusted EBITDA for FY2018 – FY2020, as indicated:

	Oilseed Processing	Infrastruct ure and Trading	Farming	Other	Total
	(US\$ in thousands)				
<i>For the year ended 30 June 2018</i>					
Profit/(loss) from operating activities	60,214	91,968	32,557	(45,174)	139,565
<i>plus</i> Amortisation and depreciation	16,464	8,870	56,174	1,467	82,975
Segment Adjusted EBITDA⁽¹⁾	76,678	100,838	88,731	(43,707)	222,540
<i>For the year ended 30 June 2019</i>					
Profit/(loss) from operating activities	92,598	92,601	136,813	(52,805)	269,207
<i>plus</i> Amortisation and depreciation	16,419	13,134	45,069	1,681	76,303
Segment Adjusted EBITDA⁽¹⁾	109,017	105,735	181,882	(51,124)	345,510
<i>For the year ended 30 June 2020</i>					
Profit/(loss) from operating activities	134,102	193,014	71,168	(61,008)	337,276
<i>plus</i> Amortisation and depreciation	17,662	22,787	63,079	2,214	105,742
Segment Adjusted EBITDA⁽¹⁾	151,764	215,801	134,247	(58,794)	443,018

Note:

- (1) Segment Adjusted EBITDA is presented as supplemental measures of the Group's operating performance, which the Group uses as key performance indicators of the Group's business and to provide a supplement tool to assist in evaluating current business performance. The Group believes some of the Supplemental Non-IFRS Measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the Group's industry. The Supplemental Non-IFRS Measures have limitations as analytical tools, and investors should not consider any of them in isolation, or any combination of them together, as a substitute for analysis of the Group's operating results as reported under IFRS.

The following table reconciles net cash used in investing activities to Investing Cash Flows less Net of Fixed Assets Investments for the periods indicated:

	For the year ended 30 June		
	2018	2019	2020
	<i>(US\$ in thousands)</i>		
Net cash used in investing activities	(155,694)	(241,404)	(202,691)
<i>less:</i>			
Purchase of property, plant and equipment.....	(146,565)	(166,988)	(215,651)
Proceeds from disposal of property, plant and equipment.....	7,053	9,754	5,533
ICFNFAI	(16,182)	(84,170)	7,427

The following tables present reconciliations of Net Fixed Assets Investments for the periods indicated:

	For the year ended 30 June		
	2018	2019	2020
	<i>(US\$ in thousands)</i>		
Net cash used in investing activities	(155,694)	(241,404)	(202,691)
<i>less:</i>			
ICFNFAI.....	(16,182)	(84,170)	7,427
Net Fixed Assets Investments	(139,512)	(157,234)	(210,118)

	For the year ended 30 June		
	2018	2019	2020
	<i>(US\$ in thousands)</i>		
Purchase of property, plant and equipment	(146,565)	(166,988)	(215,651)
Proceeds from disposal of property, plant and equipment.....	7,053	9,754	5,533
Net Fixed Assets Investments	(139,512)	(157,234)	(210,118)

The following table reconciles net cash generated by operating activities to Operating Cash Flows Before Working Capital Changes for the periods indicated:

	For the year ended 30 June		
	2018	2019	2020
	<i>(US\$ in thousands)</i>		
Net cash generated by operating activities.....	82,477	198,650	269,356
<i>Less:</i> Changes in working capital.....	(31,235)	(93,897)	(10,098)
Change in trade and other accounts receivable.....	(7,902)	(131,516)	(43,070)
Change in prepayments and other current assets.....	(52,382)	(13,706)	(26,137)

	For the year ended 30 June		
	2018	2019	2020
Change in restricted cash balance.....	3,251	538	(1,771)
Change in taxes recoverable and prepaid	3,273	441	(19,130)
Change in biological assets	1,675	18,779	113,403
Change in inventories.....	9,866	(24,160)	(15,070)
Change in trade accounts payable	19,049	60,055	(51,120)
Change in advances from customers and other current liabilities	(8,065)	(4,328)	32,797
Operating Cash Flows Before Working Capital Changes	113,712	292,547	279,454

The following table reconciles net cash used in investing activities and net cash generated by operating activities to Free Cash Flows to the Firm for the periods indicated:

	For the year ended 30 June		
	2018	2019	2020
	<i>(US\$ in thousands)</i>		
Net cash generated by operating activities.....	82,477	198,650	269,356
Net cash used in investing activities	(155,694)	(241,404)	(202,691)
Free Cash Flows to the Firm	(73,217)	(42,754)	66,665

The following table shows the Group's key inventories considered eligible for RMI by type and the amounts of such inventory that the Group treats as RMI as at the dates indicated:

	As at 30 June		
	2018	2019	2020
	<i>(US\$ in thousands)</i>		
Sunflower oil & meal.....	217,878	124,797	96,464
Sunflower seed.....	57,599	103,661	121,402
Grains.....	49,031	63,239	33,840
Other	43,945	65,914	51,696
Total.....	368,453	357,610	303,402
Of which: Readily Marketable Inventories...	325,164	293,437	251,929

The following table presents a calculation of Debt Liabilities, Net and Adjusted Net Debts as at the dates indicated:

	As at 30 June		
	2018	2019	2020
	(US\$ in thousands unless otherwise stated)		
<i>Sum of:</i>			
Bonds issued	494,796	496,051	793,777
Interest on bonds issued	17,949	17,949	21,945
Short-term borrowings	224,773	183,692	44,581
Current portion of long-term borrowings	2,811	1,233	6,871
Long-term borrowings	2,812	63,680	172,403
Obligations under finance lease	7,710	5,230	—
Lease liabilities	—	—	265,128
Current portion of lease liability	—	—	44,872
Current portion of obligations under finance lease	3,236	2,484	—
Debt liabilities	754,087	770,319	1,349,577
<i>less</i> Cash and cash equivalents	132,018	76,801	369,117
Net debt	622,069	693,518	980,460
<i>Less</i> Readily marketable inventories	325,164	293,437	251,929
Adjusted Net Debt	296,905	400,081	728,531

The following table presents a reconciliation of total current assets to Adjusted Working Capital as at the dates indicated:

	As at 30 June		
	2018	2019	2020
	(US\$ in thousands unless otherwise stated)		
Total current assets	1,204,269	1,256,432	1,531,017
<i>less:</i>			
Cash and cash equivalents	132,018	76,801	369,117
Assets classified as held for sale	14,689	2,079	432
Total current liabilities	475,516	479,760	412,593
<i>add back:</i>			
Short-term borrowings	224,773	183,692	44,581
Current portion of long-term borrowings ...	2,811	1,233	6,871
Current portion of lease liability	—	—	44,872
Current portion of obligations under finance lease	3,236	2,484	—

	As at 30 June		
	2018	2019	2020
	<i>(US\$ in thousands unless otherwise stated)</i>		
Interest on bonds issued.....	17,949	17,949	21,945
Adjusted Working Capital.....	830,815	903,150	867,144

The Group relies primarily on its IFRS operating results and uses the Supplemental-Non IFRS Measures only supplementally. See the Group's Consolidated Financial Statements included elsewhere in these Listing Particulars. The Supplemental Non-IFRS Measures are not defined by, or presented in accordance with, IFRS. The Supplemental Non-IFRS Measures are not measurements of the Group's operating performance, liquidity and cash generation under IFRS and should not be considered as alternatives to revenue, gross profit, net cash generated by operating activities, net cash used in investing activities or any other measures of performance under IFRS or as alternatives to cash generated from operations or as measures of the Group's liquidity. In particular, the Supplemental Non-IFRS Measures should not be considered as measures of discretionary cash available to the Group to invest in the growth of its business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Group's financial condition and results of operations as at, and for the years ended, 30 June 2018, 2019 and 2020 should be read together with the Group's Consolidated Financial Statements and the notes thereto and the other information included elsewhere in these Listing Particulars. The Group's Consolidated Financial Statements as at and for the financial years ended 30 June 2018, 2019 and 2020 have been prepared in accordance with IFRS, as adopted by the EU. This section contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those discussed under "Risk Factors" and "Forward-Looking Statements".

Overview of the Issuer

The Group is a diversified agricultural business in the Black Sea region, listed on the Warsaw Stock Exchange. The Group's primary activities are the procurement and processing of sunflower seeds, marketing of sunflower oil and its by-products and grain on international markets, the procurement, transportation and storage of grains and oilseeds, and the production of corn, sunflower seeds, wheat and other crops as part of its farming operations. All of the Group's manufacturing facilities are based in Ukraine.

In the year ended 30 June 2020, the Group had total revenue of US\$4,106.8 million, profit from operating activities of US\$337.3 million and profit for the period of US\$122.8 million. As at 30 June 2020, the Group had total assets of US\$3,164.7 million.

Starting from 1 July 2018, the Group's revenue and operating profit are derived across three reporting segments in the Group's Consolidated Financial Statements, as set out below. Prior to 1 July 2018, the Group reported its results within six reporting segments. In FY2019, the Group combined the bulk and bottled sunflower oil segments to form the Oilseed Processing segment since the performance of the two segments is driven by similar factors. Grain, silo services and export terminals were combined into the Infrastructure and Trading segment in order to enable the Group to evaluate margins through the entire value chain rather than simply assess the profitability of each separate business, as well as to simplify its reporting obligations by no longer having to account for intragroup transactions between the grain, silo services and export terminal businesses. The Group believes the segmental changes have simplified its reporting and enhanced stakeholder understanding of the Group's business.

Oilseed Processing segment

The Group is the largest processor of sunflower seeds and the largest producer and exporter of sunflower oil in Ukraine (according to the State Statistics Service of Ukraine and the National Academy of Agricultural Sciences of Ukraine). The Group mostly sells sunflower oil in bulk, exporting it from Ukraine, but up to 10% of produced sunflower oil is further refined, bottled and sold under the Group's own brands or private labels both domestically and internationally. The Group is the largest producer and vendor of bottled sunflower oil in Ukraine (according to Nielsen and the National Academy of Agricultural Sciences of Ukraine). In FY2020, the Group processed 3.4 million tonnes of oilseeds and sold 1.5 million tonnes of edible oil (including 145 million litres of bottled sunflower oil) generating external revenue of US\$712.2 million (17.3% of the Group's total revenue) and intersegment revenue of US\$834.8 million, for profit from operating activities of US\$134.1 million.

Infrastructure and Trading segment

The Group is the largest grain exporter in Ukraine, delivering internationally approximately 14% of Ukraine's total grain export in FY2020 (based on Stark Research). The Group also operates one of the largest and most

advanced grain export infrastructures in Ukraine, including the largest private silo network in the country with an aggregate storage capacity of 2.4 million tonnes, the largest private grain railcars fleet of 3.4 thousand grain hoppers and two of the largest grain export terminals with 8.8 million tonnes of annual grain transshipment capacity (based on the Group's analysis and according to Ukrainian Railways, the Elevatorist, the USPA). In addition, the Infrastructure and Trading segment includes operations of Avere, which is a research and knowledge platform that is also involved in proprietary trading operations and marketing of sunflower oil produced by the Group's oil-extraction plants.

In FY2020, the Group exported 7.9 million tonnes of grain from Ukraine, handled 4.2 million tonnes of grain through its silo network and transhipped 6.7 million tonnes of soft commodities through its export terminals in Ukraine, generating external Infrastructure and Trading segment revenue of US\$3,365.0 million (81.9% of the Group's total revenue) and intersegment revenue of US\$61.3 million, for profit from operating activities of US\$193.0 million.

Farming segment

The Group is the largest crop producer in Ukraine (based on the Group's analysis and according to the State Statistics Service of Ukraine and Latifundist.com), producing corn, sunflower seeds, wheat, soybeans, and other crops on approximately 514 thousand hectares of leasehold farmland. In FY2020, the Farming business segment sold 3.2 million tonnes of key grain and oilseeds and generated external revenue of US\$29.6 million and intersegment revenue of US\$574.4 million, for profit from operating activities of US\$71.2 million with respect to such external and intersegment revenue.

The Group's end product and services segments are supported by its origination and processing functions. In FY2020, the Group exported 7.9 million tonnes of grain and oilseeds from Ukraine and processed approximately 3.4 million tonnes of oilseeds.

The Group's products are primarily sold on international markets, with 96.9% of external sales derived from exports in FY2020.

Functional and presentation currency

The Group's Consolidated Financial Statements are presented in U.S. dollars and the functional currency of the Issuer is the U.S. dollar, although the functional currency of a majority of its subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil and for businesses engaged in the sale of grain for which the functional currency is the U.S. dollar. For more information, see Note 3 to the Group's Consolidated Financial Statements in respect of FY2020 included elsewhere in these Listing Particulars.

Transactions by subsidiaries in functional currencies other than the U.S. dollar are initially recorded at the rates of exchange prevailing on the dates of the transactions. Subsequently, monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Upon consolidation, the assets and liabilities of the subsidiaries are translated at the official rates of the NBU prevailing on the balance sheet date and income and expense items are translated at the average exchange rates for the period. Any exchange differences arising are recognised in other comprehensive income and included in "*Translation reserve*" line in equity.

The exchange rates used in preparation of the Group's Consolidated Financial Statements are as follows:

Currency	Closing rate as at 30 June 2018	Average rate for the 12 months ended 30 June 2018	Closing rate as at 30 June 2019	Average rate or the 12 months ended 30 June 2019	Closing rate as at 30 June 2020	Average rate for the 12 months ended 30 June 2020
USD/UAH	26.1892	26.5878	26.1664	27.2935	26.6922	25.3688
USD/EUR	0.8584	0.8385	0.8781	0.8767	0.8913	0.9046
USD/PLN	3.7440	3.5495	3.7336	3.7681	3.9806	3.9428

Source: NBU, National Bank of Poland, cross rate used for USD/EUR.

In the case of hryvnia, the official rates published by the NBU are used, although these rates are not always equal to the exchange rates available on the global currency markets.

Intersegment transactions

Transactions amongst the Group's segments are eliminated in the Group's consolidated statement of profit or loss. Due to the high level of vertical integration within the Group's operations, there are a number of transactions among companies within the Group.

The most significant categories of intersegment sales are: (i) the Farming segment's sales to the Oilseed Processing and Infrastructure and Trading segments, which totalled US\$574.4 million in FY2020 (95.1% of the Farming segment's total sales); and (ii) intersegment sales from the Oilseed Processing to the Infrastructure and Trading segment, in the amount of US\$834.8 million in FY2020 (54.0% of the Oilseed Processing segment's total sales). The Infrastructure and Trading segment also had intersegment sales to the Oilseed Processing and Farming segments, which amounted to US\$61.3 million in FY2020 (1.8% of the Infrastructure and Trading segment's total sales).

Intersegment sales are conducted and accounted for as follows:

- *Infrastructure and Trading* – when the Oilseed Processing or Farming segments use the Group's silos for storage, or the Group's own railcars for sunflower seed, meal and husk transportation, the respective segment pays an arm's length price and the transaction is recorded as revenue for the Infrastructure and Trading segment and as cost of goods sold for the Oilseed Processing or Farming segment. Intersegment sales also include sales from sunflower oil produced by Oilseed Processing segment to Avere, which is accounted as part of Infrastructure and Trading segment;
- *Farming* – when the Oilseed Processing or Infrastructure and Trading segments purchase oilseed or grain from the Group's Farming segment, the relevant segment pays an arm's length price and the transaction is recorded as revenue for the Farming segment and as cost of goods sold for the Oilseed Processing or Infrastructure and Trading segments; and
- *Oilseed Processing* – when the Infrastructure and Trading segment purchases sunflower oil from the Group's Oilseed Processing segment, the Infrastructure and Trading segment pays an arm's length price and the transaction is recorded as revenue for the Oilseed Processing segment and as cost of goods sold for the Infrastructure and Trading segment.

Upon consolidation, intersegment sales and purchases are eliminated so that revenue is reduced and the related costs are transferred from the selling to the purchasing segment. In this discussion and analysis, intersegment revenue and profit from operating activities are presented after eliminations of transactions between entities

within one segment. See also “*Risk Factors—Risks Relating to the Group—The Group’s intragroup transactions and other related party transactions are subject to Ukrainian transfer pricing regulations*”.

The tables below set forth external and intersegment transactions for the years ended 30 June 2018, 2019 and 2020:

	For the year ended 30 June								
	2018			2019			2020		
	External sales	Inter segment sales	Total	External sales	Inter segment sales	Total	External sales	Inter segment sales	Total
				(US\$ in thousands)					
Oilseed Processing	1,393,491	—	1,393,491	878,835	614,437	1,493,272	712,194	834,813	1,547,007
Infrastructure and Trading	957,983	66,596	1,024,579	3,051,413	56,601	3,108,014	3,364,970	61,319	3,426,289
Farming	51,529	418,960	470,489	29,983	571,602	601,585	29,616	574,413	604,029
Reconciliation	—	(485,556)	(485,556)	—	(1,242,640)	(1,242,640)	—	(1,470,545)	(1,470,545)
Total	2,403,003	—	2,403,003	3,960,231	—	3,960,231	4,106,780	—	4,106,780

Factors affecting comparability

Acquisitions and disposals

Farmland acquisitions

In FY2017, the Group acquired the Ukrainian Agrarian Investments group (including a 91.12% interest in Bilovodskyi KHP). The Ukrainian Agrarian Investments group is a farming business that manages approximately 190 thousand hectares of leasehold farmland and grain elevators with about 200 thousand tonnes of grain storage capacity. Additionally, in FY2018, the Group acquired for US\$47.2 million Agro-Invest Ukraine Group, a Ukrainian subsidiary of Serbian-based agroholding MK Group. The acquisition increased the Group’s total leasehold farmland by 27.5 thousand hectares and added over 170 thousand tonnes to its silo storage capacity.

Farmland disposals

In FY2018, the Group disposed of several entities managing approximately 42 thousand hectares of leasehold suboptimal farmlands located in northern and western regions of Ukraine. In FY2019, the Group disposed of farming entities managing approximately 12 thousand hectares of leasehold suboptimal farmlands in southern and western regions of Ukraine. In FY2020, the Group disposed of farming entities managing approximately 3 thousand hectares of suboptimal leasehold farmlands in the Odesa region of Ukraine.

Other assets acquisitions and disposals

In FY2019, the Group disposed of an oilseed crushing plant located in Mykolaiv region, for a consideration of US\$15.1 million. Additionally, in FY2018, the Group acquired operational control over a modern silo in western Ukraine with storage capacity of 55 thousand tonnes, and in FY2018 and FY2019 also purchased 500 new grain hopper railcars for US\$25 million which are used to transport grain from silos to export terminals, oilseed from silos to processing plants, and sunflower seed meal and husk to customers’ destination.

In addition, in FY2019, the Group acquired RTK-Ukraine, which operates the second largest grain hopper wagon fleet in Ukraine of approximately 3 thousand grain railcars, for a total consideration of US\$65 million (of which US\$49 million was paid at completion of the transaction, with the remainder payable upon satisfaction of certain conditions). The Group also acquired a 5.85% interest in ViOil Holding Ltd., which operates two oilseed crushing plants with the annual processing capacity of 1.1 million tonnes of sunflower

seeds, and a network of silos in western Ukraine. As part of this transaction, the Group entered into a customary shareholder agreement in relation to ViOil Holding Ltd. with its existing shareholders.

In FY2020, the Group completed the acquisition of the assets of the Ellada oilseed processing plant, which the Group operated under tolling agreement since 2016, for a purchase consideration of US\$45 million, out of which US\$21 million was paid in FY2020. The plant is located in Kropyvnytskyi and has a processing capacity of 274 thousand tonnes of sunflower seeds per year. See Note 7 of the Group's Consolidated Financial Statements in respect of FY2020.

Between 2018 and 2020, the Group has also divested several small inefficient silos.

Changes in capacity

Beginning in FY2018, the Group ceased exporting grain from Russia, and assigned its transshipment quota on Taman Grain Terminal to a third party. Following the optimisation of logistics and processes in Ukraine, the Group was able to increase its annual transshipment capacity of TBT from 4 million tonnes to 4.8 million tonnes, as well as increase the annual sunflower seed processing capacity of the Prydniprovskyi plant from 560 thousand tonnes to 617 thousand tonnes. The Group further expanded its export terminals capacity from 4.8 million tonnes to 8.8 million tonnes by constructing a new facility in the port of Chornomorsk (4 million tonnes per year, which launched transshipment operations in FY2020).

In FY2019, the Group completed the construction of two modern productive silos and expanded the capacity of two other silos as part of its investment under Strategy 2021.

The Group is also constructing a new oilseed-processing plant in western Ukraine with a projected annual processing capacity of 1 million tonnes of sunflower seeds, which is expected to be commissioned in autumn 2021. In addition, the Group is developing a new business line by constructing a co-generation heat and power units ("CHP") on the Group's oilseed processing plants to generate electricity by burning husk, which is a biomass-type byproduct of sunflower seed processing. All of the remaining CHP units are expected to be commissioned in FY2021 and FY2022.

Seasonality

The Group's farming operations, like the agricultural industry generally, experience seasonality. As a result of seasonal trends and related industry cycles, the Group's results fluctuate over the course of any given financial year and consequently its interim financial statements may not be comparable from quarter to quarter and one quarter's results may not be indicative of results for the full year. Typically, the Group's operations, particularly its inventories and need for working capital, grow significantly as the harvest season begins. For winter crop harvests, this is from June/July, and for spring crop harvests, this is from September/October, and together result in a peak in December, followed by a progressive reduction in the first half of the following calendar year as production is completed.

In addition, the Group routinely shuts down its crushing plants for annual maintenance in the first quarter of its financial year ahead of the coming harvest peak period, which results in a lower volume of oil produced in the first quarter as compared with other quarters of the year.

The Group requires substantial working capital typically during the second and third quarters of its financial year because the Group purchases raw materials as they become available following the harvest. Historically, the Group has relied on pre-export financing to finance up to 35% of its working capital requirements during these periods of peak working capital demand.

Factors affecting the Group's results of operations

Harvesting conditions

The Group's business depends on its ability to source (and, to a lesser extent, grow) agricultural commodities in a timely manner and in sufficient quantities necessary to sell them for export or produce its products. Climate directly impacts crop yield which may reduce the availability of raw materials in the market needed by the Group. Tight supply of agricultural commodities due to weather-related factors could adversely affect the Group's profitability by increasing the cost of raw materials and also limit the Group's ability to procure, transport, store, process, and sell agricultural commodities in an efficient manner. The yield of the 2017 harvest (2017/2018 season, FY2018) was relatively low, which had a negative impact on oilseed processing margins and performance of the Group's Farming segment. In contrast, the harvest in 2018 achieved record high volumes of grain and oilseeds production in Ukraine, which increased the profitability of the Group's Farming segment and had positive impact on sunflower seed crushing margins. Similarly, 2019 yielded a record sunflower seed harvest in Ukraine, contributing to growth in the Group's Oilseed Processing and Infrastructure and Trading segments during FY2020.

Pricing model and fluctuations in commodity prices

Upon entering into contracts to sell grain or sunflower oil products to customers at global commodity prices, the Group purchases and takes title to raw materials from farmers to fulfil that order at a price that is based on the global commodity price less a margin retained by the Group and less processing and logistics costs. Sale contracts for both are typically fulfilled within one to six months following execution of the contracts, which provides the Group sufficient time to arrange transportation and delivery to the port, and in the case of sunflower oil products, perform processing operations.

Fluctuations in global commodity prices for grain and oilseed do not generally impact the Group's margins in absolute terms in the short-term (up to three months) for its oilseed processing and grain and infrastructure business lines, because the Group seeks to purchase these commodities from farmers at a price determined by the price at which it has agreed to sell them (referred to as a "net back" price), but they may have a negative effect on the Group's margins in the longer term. When this pricing strategy is successful, the Group is able to maintain an absolute margin for these business lines and pass the global commodity price volatility risk down to its suppliers. In years where the harvest is low or unexpected changes to demand occur, however, the Group may be unable to source raw materials at its targeted price level. In these circumstances, its margins are adversely impacted. For example, following the relatively weak harvest of corn and sunflower seeds in 2017, the crushing margins in FY2018 declined to as low as US\$54 Adjusted EBITDA per tonne of sunflower oil sold, and grain trading margin weakened as well. In contrast, the record volume of oilseeds harvest in Ukraine in 2018 contributed substantially to the sunflower seed crushing margin in FY2019, which was partially offset by the reduction of global sunflower oil prices. As a result, margin of crushing business increased by 24% year-on-year, to US\$67 Adjusted EBITDA per tonne of sunflower oil sold. A similar positive trend occurred in grain trading margins in FY2019, which was driven by strong supply of grain in Ukraine. In FY2020, Ukraine delivered another record harvest of sunflower seeds, which, together with higher average sunflower oil prices over the season, resulted in further strengthening of the crushing margin, to US\$100 Adjusted EBITDA per tonne of sunflower oil sold.

The Group's farming business, as a producer of raw materials, is exposed to global commodity prices and the farming segment's results of operations may be affected accordingly. In the periods under review, the prices for grains and vegetable oils were generally weak due to their high volatility within the seasons and the timing for crop sale for each separate season. For example, the Group managed to achieve better prices for grain in FY2019 as compared to FY2018, primarily due to the more favourable grain pricing environment prevailing in FY2019. At the same time, the price of oilseeds in FY2019 was lower as compared to FY2018 due to the downward

trend in prices prevailing over the FY2019 season. In FY2020, despite a challenging market environment, grain prices remained at similar levels compared to FY2019. The price of wheat increased in FY2020 from FY2019 due to a diminished global wheat supply. See also “—*Fluctuations in currency exchange rate*” below and “—*Functional and presentation currency*” above.

Product mix

The Group’s product mix is relatively stable, with volumes determined mostly by the Group’s crushing and infrastructure capacity and availability of grain and oilseed in the market. Within the current environment of low margins, the Group’s strategy is to keep capacity utilisation levels as high as possible, provided the profitability level is maintained. For the Group’s Oilseed Processing segment, which is one of the Group’s segments requiring the least expenditure, the Group aims to process as much oilseeds as possible, while factoring in processing capacity constraints and the availability of seeds on the market. Then, given that the bottled sunflower oil business line generates much higher margins compared to sunflower oil sold in bulk, the Group’s strategy is to produce as much bottled sunflower oil as possible given production capacity constraints and ability to profitably sell bottled sunflower oil on export markets. For the Group’s Infrastructure and Trading segment, the mix of export products may slightly vary depending on factors such as the harvest size and grain availability, but, in any case, corn and wheat remain key export crops, and total export volumes depend only on harvest yields in Ukraine and the Group’s infrastructure capacity (export terminals throughput, railcars availability and silo throughput). For the Group’s Farming segment, the crop mix has remained relatively consistent, with corn being the dominant crop with an approximately 45% share of total harvested acreage for FY2020, followed by sunflower seed and wheat at approximately 27% and 19%, respectively, and soybean with approximately 5%.

Crop pressure

With crops harvested once a year, the agribusiness industry typically experiences “harvest pressure”, whereby large quantities of grain and oilseed are offered by crop producers to the market over a short period of time at relatively lower prices. Considering that the Group is a major buyer of agricultural commodities, crop pressure during harvest usually temporarily inflates its inventories, working capital needs and short-term borrowings. Grain purchased by the Group would normally be sold immediately, on a forward basis. A substantial part of the Group’s forward sales contracts are executed closer to the Group’s financial year end of 30 June, which means that inventory levels and short-term borrowings will be relatively low on that balance sheet date, despite the fact that they may be higher during peak harvest and delivery periods, which is typically in December.

Interest rates

The Group has both fixed-rate and floating-rate financial liabilities, which are carried as liabilities on the balance sheet. The total carrying value for these interest-bearing financial liabilities, including current portion of long-term borrowings and lease liabilities, was US\$1,349.6 million as at 30 June 2020. The Group is exposed to interest rate fluctuations on its floating-rate borrowings, which amounted to US\$229.1 million, or 17.0% of total interest-bearing financial liabilities, as at 30 June 2020. The Group’s floating-rate indebtedness is tied to LIBOR. See “—*Liquidity and Capital Resources—Capital Resources and Borrowings*”. Consequently, fluctuations in LIBOR resulted in corresponding fluctuations in the Group’s finance costs related to its floating-rate borrowings, which in turn had an impact on the Group’s results of operations during the period under review and will impact the Group’s results in the future.

Value Added Tax

Ukraine

VAT in Ukraine impacts the Group’s Oilseed Processing, Infrastructure and Trading and Farming segments. For the Oilseed Processing and Infrastructure and Trading segments, which primarily export goods rather than sell

them domestically, the oilseed and grain originated by the Group is purchased from farmers at a price that is inclusive of VAT. Following the export of sunflower oil, sunflower meal and grain, however, the Group receives a tax credit from the Ukrainian government for the amount of such VAT. These tax credits are recorded on the balance sheet as current assets in the line item “Taxes recoverable and prepaid, net”. In the past, the Ukrainian government on a number of occasions has cancelled and then reinstated VAT refunds on grain exports. The last legislative change in this regard was on 1 January 2016, when VAT refunds on grain exports were again reinstated. In April 2017 the Ministry of Finance of Ukraine introduced an automatic system to reimburse VAT to exporters who pay the tax in advance of sending goods abroad. The existing system works well, and the Group does not experience difficulties with respect to VAT refunds. Usually, the Group receives 100% of declared VAT refunds within 30 to 35 days after the cut-off date for refunds claim. However, the Ukrainian government established a temporary VAT exemption for the export of soybeans (for the period from 1 September 2018 until 31 December 2021) and rapeseed (for the period from 1 January 2020 until 31 December 2021). Under the Tax Code, input VAT may not be credited and refunded if it accrues on goods used in an exempt transaction (as opposed to transactions taxed at the 0% VAT rate). In September 2018, a new set of amendments was introduced to the Tax Code which restored the ability of farmers (who grew crops on either their own or rented land) to claim an export VAT refund for soybeans and rapeseed. With effect from 23 May 2020, VAT refunds in connection with the export of soybeans and rapeseed were included in the Tax Code.

The rate of VAT in Ukraine for the periods under review was 20%.

Fluctuations in currency exchange rate

The majority of the Group’s revenues and costs are received and incurred in U.S. dollars, which is also the presentation currency of the Group. See “—*Functional and presentation currency*” above. Sales of grain, sunflower oil and meal which constituted 99% of the Group’s revenue in FY2020, are based on global commodity prices that are U.S. dollar denominated. Cost of goods for resale and raw materials used (mainly grain and sunflower seeds), which constituted 83% of the total cost of sales in FY2020, are similarly based on global commodity prices that are U.S. dollar denominated, albeit paid by the Group in local currency. The primary costs which are hryvnia denominated are payroll costs, transportation costs and farmland lease payments.

The majority of the Group’s debt liabilities are also denominated in U.S. dollars (100% as at 30 June 2020). As at 30 June 2020, US\$45 million, or 100%, of the short-term borrowings was denominated in U.S. dollars. In addition, US\$179 million, or 100% of the long-term borrowings was denominated in U.S. dollars as at 30 June 2020.

The Group does, however, have exposure to fluctuations in currency, principally the hryvnia. All of the Group’s assets are located in Ukraine. As a general matter, given the Group’s export volumes from Ukraine, declines in the value of hryvnia against the U.S. dollar have led to an increase in the Group’s equity value, particularly in FY2016. However, in terms of VAT refunds due from the Ukrainian government to the Group, which totalled US\$132.5 million as of 30 June 2020, and are recorded on the balance sheet as taxes recoverable and prepaid and are denominated in hryvnia, a devaluation of the hryvnia would lead to a decrease in current assets. However, the devaluation also results in a reduction in U.S. dollar terms in the Group’s payroll costs, land lease payments and transportation costs as these amounts are denominated in hryvnia, and in the periods under review were broadly of a similar size to the VAT recoverable, providing some natural hedge for the Group, realisable in the period immediately following the devaluation.

Prices of bottled sunflower oil sold on the domestic market are denominated in hryvnia. Decreases in the value of the hryvnia against the U.S. dollar negatively impact revenues and margins in the bottled oil business line. Following a devaluation of hryvnia against the U.S. dollar, domestic prices charged by the Group do not increase immediately to reflect this exchange rate change; the speed with which the Group changes its domestic prices

for bottled oil depends on the magnitude of the change, but typically the Group is able to make the change within two months of the adverse exchange rate movement.

Additionally, the Group uses NBU exchange rates for translation of operations in foreign currencies for reporting purposes under IFRS. The assets and liabilities of companies of the Group with different functional currency are translated at NBU exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income accumulated in "Translation reserve". The Group buys and sells currency at the market exchange rate, while it reports based on the official rates. Difference between official UAH/USD rate market UAH/USD rate on sale/purchase of U.S. dollars is recognised as gain or loss within "Other operating income, net". Foreign exchange gain or loss that occurs on revaluation of monetary balances in foreign currencies is recognised as "Foreign exchange gain/(loss), net".

Inflation

The revenue and operating costs of the Group's silo services business line and in respect of certain services provided by the grain infrastructure business may be impacted by inflation, since the services are provided in Ukraine, which during the period under review has experienced higher levels of inflation than in more developed countries. With respect to general selling and administrative costs, certain of the Group's payroll costs, land lease payments, transportation costs and local distribution costs are payable in hryvnia, and accordingly may be impacted by inflation. Overall, the Group believes the impact of inflation on its revenue and a part of costs is limited despite being at high levels, since the key revenue segments (Oilseed Processing segment and Infrastructure and Trading segment) and grain segment) and the largest component of costs of sales (that is, raw materials) are linked to global commodity prices, which are generally U.S. dollar denominated. At the same time, inflation impacts the costs, which are denominated in local currency, including payroll. Consumer price inflation in Ukraine was 13.7% in 2017, 9.8% in 2018, 4.1% in 2019 and 2.0% for the six months that ended on 30 June 2020.

Biological assets

Wheat, corn, soy, sunflower seeds and other crops produced by the Group are classified as biological assets before they are harvested. After biological assets are harvested and moved into silos, they are accounted for as agricultural produce (that is, inventory) and sold as part of the Group's normal operations. A similar approach applies for the relatively small number of livestock held by the Group, prior to their sale for meat production. Biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs. Changes in the fair value component of biological assets and agriproduce value are accounted for on the consolidated statement of profit or loss in the line item "Net change in fair value of biological assets and agricultural produce". For more information, see Note 13 of the Group's Consolidated Financial Statements for FY2020.

Changes to critical accounting policies

IFRS 16

On 1 July 2019, the Group adopted IFRS 16 with the application of the cumulative catch-up approach and did not restate comparatives, as permitted under the transitional provisions of the standard. The classifications of existing contracts and the adjustments were recognised as the cumulative effect of initially applying this standard at the date of initial application.

IFRS 16 established principles for the recognition, measurement, presentation and disclosure of leases and provides a comprehensive model for identification of lease arrangements and their treatment (on-balance sheet)

in the financial statements of both lessees and lessors. It introduced significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group has chosen to apply the following practical expedients available under the standard:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- leases with the lease term ending within 12 months of the date of initial application will remain accounted for as operating expenditures; and
- not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the Group continues to apply this standard to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease.

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use assets and the lease liabilities are accounted for applying IFRS 16 from 1 July 2019. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract).

The Group as a lessee

IFRS 16 changed how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. The Group assesses whether a contract is, or contains, a lease at the inception of the contract. The Group recognises right-of-use assets and corresponding lease liabilities with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liabilities are presented as a separate line in the consolidated statement of financial position. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities as of 1 July 2019 was 18.7%, with the average lease term being 9 years. As of 1 July 2019, the Group committed to US\$2.7 million for short-term leases.

For the year ended 30 June 2020, the Group recognised an interest expense on lease liabilities of US\$54.0 million within the "Finance costs, net" in the consolidated statement of profit or loss.

The table below sets out the reconciliation between the operating lease commitments as at 30 June 2019 and the opening balance for the lease liabilities as at 1 July 2019:

	Amount
	<i>(US\$ in thousands)</i>
Operating lease commitments at 30 June 2019	591,547
Short-term lease	(2,738)
Effect of discounting	(305,008)
Total additional lease liabilities recognised on adoption of IFRS 16	283,801
Existing finance lease obligations at 30 June 2019	7,714
Total lease liabilities at 1 July 2019	291,515
<i>of which:</i>	
Current portion of lease liabilities	34,706
Lease liabilities	256,809

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of the initial application. They were subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group's recognised right-of-use assets relate to land and property, plant and equipment, as set out in the table below:

	As of 30 June 2020	As of 1 July 2019
	<i>(US\$ in thousands)</i>	
Land	334,449	318,876
Property, plant and equipment.....	12,847	14,697
Total right-of-use assets	347,296	333,573

The increase in right-of-use assets as of 30 June 2020 in comparison with 1 July 2019 resulted primarily from the entering into new contracts amounting to US\$29.7 million and a change to the conditions amounting to US\$48.3 million with depreciation amounting to US\$43.2 million.

Payments related to short-term leases are recognised on a straight-line basis as an expense in line "Cost of sales" in the statement of profit or loss in the amount of US\$1.4 million for the year ended 30 June 2020.

For the year ended 30 June 2020, a depreciation charge on the right-of-use assets of US\$23.1 million was recognised as an expense within "Cost of sales" in the statement of profit or loss and of US\$20.1 million was capitalised in "Biological assets".

The Group separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

The Group as lessor

The leases for which the Group is a lessor are classified as either finance or operating leases. Whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

IFRIC agenda decision on the Physical Settlement of Contracts

In March 2019, the IFRIC issued an agenda decision on the “Physical Settlement of Contracts to Buy or Sell a Non-Financial Item”. The committee concluded that, for physical commodity contracts within the scope of IFRS 9 Financial instruments, settlement of the underlying forward contract accumulated derivative gains or losses recognised under the standard on a forward sales contract should be recognised within the “Revenue” line item and forward purchase contracts should be recognised under the “Cost of sales” line item.

The Group previously recognised mark-to-market movements on the remeasurement of physical forward contracts that do not meet own use exemption, within the “Other operating income, net” line item. Following the agenda decision of the IFRIC, the Group reconsidered the recognition of remeasurement movements on physical forward sales contracts that do not meet own use exemption within the “Revenue” line item and physical forward purchase contracts that do not meet the own use exemption within “Cost of sales” line item. Due to the adoption of this change, the FY2019 “Revenue” and “Cost of sales” line items changed by an equal amount of US\$31,902 thousand. The change in accounting policies had no effect on earnings per share in either FY2020 or the Group’s previous periods under review.

IFRS 15

Starting from 1 July 2018, the Group has voluntarily changed its accounting policy on classification of distribution expenses charged to its customers. The Group sells products to the customers based on different selling terms, including those related to, among others, carriage and freight services, storage and dispatch services which relate to costs incurred to store and prepare goods for delivery and some other distribution services (customs, certification and sanitation services and other services). These services are relating to the costs incurred with delivering the goods to the customers’ indicated locations and consist mostly of services provided by third parties. Carriage and freight, storage and dispatch costs and other distribution expenses have been previously presented cumulatively as distribution costs.

The Group decided to change the accounting policy regarding classification of distribution costs upon analysis of its performance obligations and principal versus agent considerations according to the requirements of the new revenue standard (IFRS 15), adopted by the Group starting from 1 July 2018. More specifically, the Group has identified a separate performance obligation relating to freight and other related services. Furthermore, since the control over promised goods or services is transferred to the customers only upon their receipt of the goods or services, the Group is considered to be a principal in providing freight and other services. As such and since the proceeds from freight and other services are presented gross within Revenues, the corresponding cost of such services should be also presented gross in Cost of sales. Based on the above, the Group decided to present all cost relating to freight and other related services within Cost of sales and to apply the above mentioned change in the accounting policy retrospectively in order to eliminate inconsistency in presentation of carriage and freight and other related distribution expenses and to comply with the requirements of the new revenue standard.

This approach is most commonly used in the industry and the Group’s management believes that such change in accounting policy will provide more precise, relevant and consistent approach towards gross profit result of the Group.

Explanation of Key Income Statement Items

Revenue. The Group's revenues comprise sales of bulk and bottled sunflower oil and related products, grain and oilseed products, cattle and other farming produce sold to third parties and fees charged for services provided by its export terminals and silos. A significant portion of the Group's revenues from export terminal, silos services and farming segment are attributable to intersegment sales.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. A receivable is recognised by the Group when the control over goods is transferred to the wholesaler as this represents the point of time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The timing of billing is generally close to the timing of performance obligation satisfaction, respectively, the amount of contract assets and contract liabilities is not material. The promise to provide freight and insurance services after control is transferred is a separate performance obligation for which part of the transaction price is allocated. Revenue relating to these services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service. For provision of such services, the Group regularly engages third-party service providers to provide freight and other services to its customers. When the Group obtains a contract from a customer, the Group enters into a contract with one of those service providers, directing the service provider to render freight and other services for the customer. The Group is obliged to pay the service provider even if the customer fails to pay. Also, the Group is responsible for inventory risk during the freight service provision.

Costs of Sales. Costs of sales comprise cost of raw materials, shipping and handling costs, payroll and related charges, rental payments and depreciation and amortisation of assets. Payroll and related charges include payments to employees who operate the Group's processing facilities, farms, silos and transshipment facilities.

Other Operating Income, Net. Other operating income principally comprises the gain/loss on contracts wash-out (price difference settlement) and stock-take, including also VAT benefits and proceeds from the assignment of the Group's transshipment quota on Taman Grain Terminal to Glencore. This line item also includes circles and strings and other items. Wash-out refers to the financial gain/loss as a result of the non-performance of a contract, which is based on the spread between the contractually agreed commodity price and the market price on the date of performance. Premiums for quality are additional payments the Group receives if the characteristics of the product sold are better than was contractually agreed; these premiums apply primarily to sales of meal under the Oilseed Processing segment and constitute a small portion of operating income.

Other Expenses, Net. Other expenses, net include loss/(gain) on disposal of subsidiaries and joint ventures, charity and other non-operational unallocated costs, as well as the result of impairment while revaluation of property, plant and equipment and trademarks.

General and Administrative Expenses. Administrative expenses are principally comprised of professional services and administrative staff costs for the Group.

Finance Costs, Net. Finance costs comprise interest expense on the Group's short-term and long-term debt and interest on lease liabilities, including amortisation of one-off fees and commissions on insurance of debt. Finance lease charges are recognised in finance costs using the effective interest rate method. Finance costs are presented net of any finance income from bank deposits.

Foreign Exchange (Loss)/Gain, Net. Foreign exchange (loss)/gain, net comprises losses or gains resulting from the impact of exchange rate movements on the Group's assets and liabilities, including cash holdings, deposits and borrowings. See "—Factors affecting the Group's results of operations—Fluctuations in currency exchange rate".

Income Tax Benefit/(Expenses). Income tax expenses includes accruals made by the Group in respect of corporate income tax.

Results of operations

Year ended 30 June 2020 compared to the year ended 30 June 2019

The following section sets out an analysis of the Group's results of operations for the year ended 30 June 2020 compared to the year ended 30 June 2019.

Revenue

The Group's total revenue was US\$4,106.8 million in FY2020 as compared to US\$3,960.2 million in FY2019, representing an increase of 3.7% over the period. This increase was driven by: (i) a record grain export volume from Ukraine (up 30% in FY2020 from FY2019); (ii) record procurement of grain from third-party farmers in Ukraine; (iii) global sunflower oil prices in FY2020 being 7% higher, on average, in FY2020 than in FY2019, improving the combined profitability of farmers and crushers in Ukraine; (iv) Ukraine achieving the largest ever harvest of sunflower seeds; and (v) the launch of TGT's operations, the Group's new grain export terminal in the port of Chornomorsk.

The following table presents the Group's revenues (excluding intersegment sales) by type for FY2019 and FY2020:

	For the year ended 30 June				
	2019		2020		Change from 2019 to 2020
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	
(US\$ in thousands, unless otherwise indicated)					
Bottled sunflower oil	114,526	2.9%	132,973	3.2%	16.1%
Edible oils sold in bulk, meal and cake.....	1,736,004	43.8%	2,209,232	53.8%	27.3%
Transshipment services.....	4,085	0.1%	5,099	0.1%	24.8%
Farming	29,983	0.8%	29,616	0.7%	(1.2)%
Agriculture commodities merchandising	2,069,714	52.3%	1,724,811	42.0%	(16.7)%
Grain silo services	5,919	0.1%	5,049	0.1%	(14.7)%
Total revenue	3,960,231	100.0%	4,106,780	100%	3.7%

Bottled sunflower oil

Revenue from sales of bottled sunflower oil to external customers was US\$133.0 million in FY2020, as compared to US\$114.5 million in FY2019, representing an increase of 16.1% over the period. The increase was driven by growth in export sales of bottled sunflower oil.

Edible oils sold in bulk, meal and cake

Revenues from sales of edible oils sold in bulk, meal and cake to external customers was US\$2,209.2 million in FY2020, as compared to US\$1,736.0 million in FY2019, representing an increase of 27.3% over the period. The increase was driven by a rise in the physical trade volumes of Avere and higher global sunflower oil prices in FY2020.

Farming

In FY2020, the farming segment generated external revenue of US\$29.6 million and US\$574.4 million in intersegment sales for total sales of US\$604.0 million. In FY2019, the farming segment generated revenue of US\$30.0 million and intersegment sales of US\$571.6 million for total sales of US\$601.6 million.

Agriculture commodities merchandising

The Group's revenue from agriculture commodities merchandising to external customers, was US\$1,724.8 million in FY2020, as compared to US\$2,069.7 million in FY2019, representing a decrease of 16.7% over the period. The decrease was driven by lower physical trade volumes delivered by Avere.

Net change in fair value of biological assets and agricultural produce

The Group's net change in fair value of biological assets and agricultural produce was a US\$21.0 million loss in FY2020, as compared to a US\$9.1 million gain in FY2019. The negative amount for FY2020 reflects the bearish outlook for FY2021 crop size of the Group's farming business as compared to FY2020 levels.

Cost of Sales

The Group's cost of sales was US\$3,623.8 million in FY2020 as compared to US\$3,635.5 million in FY2019, remaining effectively unchanged. The Group increased shipping and handling costs (selling more on CIF/CFR basis in the ports of the Group's export destinations), amortisation and depreciation (as a result of the introduction of IFRS 16) and payroll costs, but substantially reduced costs of goods for resale and raw materials used as a result of a strong supply of grain and oilseeds in Ukraine following a record harvest.

The following table provides additional information relating to the Group's cost of sales for the periods shown:

	For the year ended 30 June				
	2019		2020		Change from 2019 to 2020
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	
	(US\$ in thousands, unless otherwise indicated)				
Cost of goods for resale and raw materials used.....	3,099,276	85.3%	3,000,366	82.8%	(3.2)%
Shipping and handling costs	307,525	8.5%	363,175	10.0%	18.1%
Amortisation and depreciation.....	71,947	2.0%	100,636	2.8%	39.9%
Rental payments	71,765	2.0%	53,060	1.5%	(26.1)%
Payroll and payroll related costs	65,666	1.8%	84,889	2.3%	29.3%
Other operating costs	19,331	0.5%	21,686	0.6%	12.2%
Total cost of sales	3,635,510	100.0%	3,623,812	100%	(0.3)%

Gross Profit

Gross profit was US\$462.0 million in FY2020, as compared to US\$333.9 million in FY2019, representing an increase of 38.4% over the period, reflecting increased profitability in the Infrastructure and Trading and Oilseed processing segments, as well as a US\$21 million increase as a result of the introduction of IFRS 16. Consequently, the Group's gross profit margin increased over the period to 11.2% in FY2020, as compared to 8.4% in FY2019.

Other Operating Income, net

Other operating income was US\$7.0 million in FY2020, as compared to US\$41.9 million in FY2019, representing a decrease of 83.2% over the period, mainly driven by losses on contracts wash-out and a substantial decrease in income from VAT benefits and other government grants and net income from demurrage, dispatch and other fines. Other operating income comprising losses on contracts wash-out and gains on stock-stake, proceeds received from the assignment of the Group's transshipment quota assigned on Taman Grain Terminal to a third party, and other items.

General and Administrative Expenses

General and administrative expenses were US\$131.7 million in FY2020, as compared to US\$106.5 million in FY2019, representing an increase of 23.7% over the period, primarily attributable to an increase in payroll costs which also included the effect of the hryvnia strengthening against the U.S. dollar.

Profit from Operating Activities ("operating profit/(loss)")

The Group's operating profit increased by 25.3% in FY2020, as compared to FY2019. This increase was attributable to the strong performance of the Infrastructure and Trading segment in FY2020, which was largely due to the launch of TGT's operations, the Group's new grain export terminal, as well as a recovery in oilseed processing margins and record grain export volumes from Ukraine during this period.

The following table provides information relating to the Group's operating profit by segments for the years ended 30 June 2019 and 2020:

	For the year ended 30 June				
	2019		2020		
	Amount	Percentage of total operating profit	Amount	Percentage of total operating profit	Change from 2019 to 2020
	(US\$ in thousands, unless otherwise indicated)				
Oilseed Processing.....	92,598	34.4%	134,102	39.8%	44.8%
Infrastructure and Trading	92,601	34.4%	193,014	57.2%	108.4%
Farming	136,813	50.8%	71,168	21.1%	(48.0)%
Other	(52,805)	(19.6)%	(61,008)	18.1%	15.5%
Total profit from operating activities.....	269,207	100%	337,276	100.0%	25.3%

Oilseed Processing

Operating profit from the Group's Oilseed Processing operations was US\$134.1 million in FY2020, as compared to US\$92.6 million in FY2019, representing an increase of 44.8% over the period. The increase was driven by significant crushing margin improvement, which was supported by: (i) the rise in global sunflower oil prices in FY2020, which were, on average, 7% higher than in FY2019; (ii) a record harvest of sunflower seeds achieved in Ukraine in FY2020, estimated at 16.5 million tonnes; and (iii) a limited growth in industrial crushing capacities in Ukraine, by 2% from FY2019 to FY2020, not having a significant impact on the demand for sunflower seeds.

Infrastructure and Trading

Operating profit from the Group's Infrastructure and Trading segment was US\$193.0 million in FY2020, compared to US\$92.6 million in FY2019, representing an increase of 108.4% over the period. This was

attributable to: (i) an increase in the Group's export volumes from Ukraine of 30% from FY2019 to FY2020; (ii) the launch of TGT's operations, the Group's new grain export terminal, allowing the Group to increase transshipment volumes by 45% from FY2019 to FY2020; (iii) the full-year contribution of the Group's railcar business acquired in February 2019, which yielded total transportation costs savings of US\$38 million in FY2020 (an increase from cost savings of US\$13 million savings in FY2019); and (iv) the improvement in the performance of Avere.

Farming

Operating profit from the Group's farming operations was US\$71.2 million in FY2020, as compared to US\$136.8 million in FY2019, representing a decrease of 48.0% over the period. The decrease in operating profit between FY2019 and FY2020 was attributable to a number of factors, including, among others (i) the normalisation of corn yields in FY2020 following unusually favourable weather conditions in FY2019, (ii) lower grain prices in FY2020, with the average contracted corn farm-gate and milling wheat prices declining by 5% and 11%, respectively, from FY2019 to FY2020; and (iii) growing production costs, due primarily to an increase in land leases, salaries and the cost of fertilisers.

Other

Other expenses include certain unallocated corporate, general and administrative expenses that have not been allocated to the Group's other segments. The operating loss from the Group's other expenses were US\$61.0 million in FY2020, as compared to US\$52.8 million in FY2019.

Finance costs, net

Finance costs were US\$147.2 million in FY2020, as compared to US\$82.3 million in FY2019, representing an increase of 78.8% over the period. This was primarily due to the impact of IFRS 16, which amounted to US\$54 million.

Foreign exchange gain/(loss), net

The Group's net foreign exchange loss was US\$1.0 million in FY2020, as compared to a gain of US\$12.9 million in FY2019. The Group's net foreign exchange loss in FY2020 was primarily driven by fluctuations of the hryvnia and U.S. dollar exchange rate, which impacted the Group's revaluation of balances denominated in other than functional currencies, VAT and borrowings.

Other expenses, net

The Group's other expenses, net were US\$50.5 million in FY2020, as compared to US\$8.4 million in FY2019. The increase in the Group's other expenses, net was primarily due to a US\$46 million one-off loss related to the Group's divestment of the Taman Grain Terminal. Although the total consideration received was above the carrying amount of the Group's interest in the joint venture, the Group recognised the loss due to the reclassification of historical foreign exchange differences previously recognised in other comprehensive income to profit or loss. In addition, the Group contributed US\$7.7 million to charitable causes in FY2020, including to support the public healthcare sector in Ukraine in connection with the COVID-19 pandemic.

Share of income/(loss) of joint ventures

The Group's share of income of joint ventures was US\$6.3 million in FY2020, as compared to a loss of US\$1.0 million in FY2019. The increase reflects the share of profit in Taman Grain Terminal up to the date of the Group's divestment of the Taman Grain Terminal in March 2020.

Profit before income tax

The Group's profit before income tax was US\$144.8 million in FY2020, as compared to a profit US\$190.4 million in FY2019, due to the factors described above.

Income tax expenses

Income tax expenses were US\$22.1 million in FY2020, as compared to expenses of US\$11.9 million in FY2019, representing an increase of 85.7% over the period. The increase was largely due to growth in the taxable income of the Group's Oilseed Processing and Infrastructure and Trading segments.

Profit for the period from continuing operations

Profit for the period from continuing operations was US\$122.8 million in FY2020, as compared to US\$178.5 million in FY2019, representing a decrease of 31.2% over the period stemming from the factors described above.

Year ended 30 June 2019 compared to the year ended 30 June 2018

The following section sets out an analysis of the Group's results of operations for the year ended 30 June 2019 compared to the year ended 30 June 2018.

Revenue

The Group's total revenue was US\$3,960.2 million in FY2019 as compared to US\$2,403.0 million in FY2018, representing an increase of 64.8% over the period. This increase was driven by: (i) a record grain export volume from Ukraine (up 58% from FY2018 to FY2019), which stemmed from a strong in-house harvest of grain during this period; (ii) record procurement of grain from third-party farmers in Ukraine; and (iii) Avere's physical trade operations. In addition, the Group delivered strong sales of sunflower oil, thereby minimising its carry-over stock.

The following table presents the Group's revenues (excluding intersegment sales) by type for FY2018 and FY2019:

	For the year ended 30 June				
	2018		2019		Change from 2018 to 2019
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	
(US\$ in thousands, unless otherwise indicated)					
Bottled sunflower oil	106,846	4.5%	114,526	2.9%	7.2%
Edible oils sold in bulk, meal and cake.....	1,286,645	53.5%	1,736,004	43.8%	34.9%
Transshipment services.....	423	0.0%	4,085	0.1%	865.7%
Farming	51,529	2.1%	29,983	0.8%	(41.8)%
Agriculture commodities merchandising	951,252	39.6%	2,069,714	52.3%	117.6%
Grain silo services	6,308	0.3%	5,919	0.1%	(6.2)%
Total revenue	2,403,003	100.0%	3,960,231	100.0%	64.8%

Bottled sunflower oil

Revenue from sales of bottled sunflower oil to external customers was US\$114.5 million in FY2019, as compared to US\$106.8 million in FY2018, representing a 7.2% increase over the period. The increase was primarily attributable to higher domestic sales volumes as a result of the customisation of bottle size and formats, successful promotional campaigns and increased cooperation with leading domestic retail chains on the production of private labels and the promotion of the Group's own brands.

Edible oils sold in bulk, meal and cake

Revenues from sales of edible oils sold in bulk, meal and cake to external customers was US\$1,736.0 million in FY2019, as compared to US\$1,286.6 million in FY2018, representing an increase of 34.9% over the period. This was primarily due to increased shipments to the Middle East and depletion of carry-over stocks in FY2019.

Farming

In FY2019, the farming segment generated external revenue of US\$30.0 million and US\$571.6 million in intersegment sales for total sales of US\$601.6 million. In FY2018, the farming segment generated revenue of US\$51.5 million and intersegment sales of US\$419.0 million for total sales of US\$470.5 million. This increase was driven by a record crop harvest, supported by favourable weather conditions, the successful integration of the farming businesses acquired in 2017 and the Group's continued efforts in improving the productivity of the farming business, which was further enhanced by a successful approach to hedging the price for crops produced. See also “—Factors affecting the Group's results of operations—Value Added Tax”.

Agriculture commodities merchandising

The Group's revenue from agriculture commodities merchandising to external customers, was US\$2,069.7 million in FY2019, as compared to US\$951.3 million in FY2018, representing an increase of 117.6% over the period. The increase was attributable to the record grain export volume from Ukraine (an increase of 58% from FY2018 to FY2019) and Avere's physical trade operations.

Net change in fair value of biological assets and agricultural produce

The Group's net change in fair value of biological assets and agricultural produce was a US\$9.1 million gain in FY2019, as compared to a US\$18.7 million gain in FY2018. The positive amount for FY2019 reflects the gain from revaluing crops in fields to fair value less costs to sell as of 30 June 2019 exceeding the expensing of the respective gain booked in FY2018, as well as a loss from change in the fair value of livestock.

Cost of Sales

The Group's cost of sales was US\$3,635.5 million in FY2019 as compared to US\$2,261.2 million in FY2018, representing an increase of 60.8% over the period. The increase was primarily attributable to higher volumes of procurement of grain and higher costs incurred by Group's farming business as a result of intensification of crop production on the landbank added to the Group's operations in 2017, as well as doubled shipping and handling costs reflecting growing volumes sold on CIF-basis. Overall, cost of sales as a percentage of total revenue reduced to 91.8% in FY2019 from 94.1% in FY2018 as a result of improved margins in the Group's farming and oilseed processing segments.

The following table provides additional information relating to the Group's cost of sales for the periods shown:

	For the year ended 30 June				
	2018		2019		
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Change from 2018 to 2019
	(US\$ in thousands, unless otherwise indicated)				
Cost of goods for resale and raw materials used.....	1,876,392	83.0%	3,099,276	85.3%	65.2%
Shipping and handling costs	153,553	6.8%	307,525	8.5%	100.3%
Amortisation and depreciation	79,789	3.5%	71,947	2.0%	(9.8)%

For the year ended 30 June

	2018		2019		
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Change from 2018 to 2019
	(US\$ in thousands, unless otherwise indicated)				
Rental payments	72,694	3.2%	71,765	2.0%	(1.3)%
Payroll and payroll related costs	55,792	2.5%	65,666	1.8%	17.7%
Other operating costs	23,010	1.0%	19,331	0.5%	(16.0)%
Total cost of sales	2,261,230	100.0%	3,635,510	100.0%	60.8%

Gross Profit

Gross profit was US\$333.9 million in FY2019, as compared to US\$160.5 million in FY2018, representing an increase of 108.0% over the period reflecting increased profitability in farming and oilseed processing segments. Consequently, the Group's gross profit margin increased over the period to 8.4% in FY2019, as compared to 6.7% in FY2018.

Other Operating Income, net

Other operating income, net was US\$41.9 million in FY2019, as compared to US\$59.1 million in FY2018, representing a decrease of 29.1% over the period, mostly driven by a US\$14 million loss on Avere operations with derivative instruments (including commodity futures) in FY2019, as compared to a US\$32 million gain in FY2018.

General and Administrative Expenses

General and administrative expenses were US\$106.5 million in FY2019, as compared to US\$80.0 million in FY2018, representing an increase of 33.2% over the period, primarily attributable to an increase in payroll costs, bad debt expenses (mostly due to provisions recognised following the application of IFRS 9) and increased audit, legal and other professional fees incurred over the period. The Group's general and administrative costs as a percentage of revenue decreased to 2.7% in FY2019 from 3.3% in FY2018.

Profit from Operating Activities ("operating profit/(loss)")

The Group's operating profit increased by 92.9% in FY2019, as compared to FY2018. This increase was attributable to strong performance in farming in FY2019, which was largely attributable to record farming yields, as well as a recovery in oilseed processing margins and record grain export volumes from Ukraine.

The following table provides information relating to the Group's operating profit by segments for the years ended and 30 June 2018 and 2019:

For the year ended 30 June

	2018		2019		
	Amount	Percentage of total operating profit	Amount	Percentage of total operating profit	Change from 2018 to 2019
	<i>(US\$ in thousands, unless otherwise indicated)</i>				
Oilseed Processing.....	60,214	43.2%	92,598	34.4%	53.8%
Infrastructure and Trading	91,968	65.9%	92,601	34.4%	0.7%
Farming	32,557	23.3%	136,813	50.8%	320.2%
Other	(45,174)	(32.4)%	(52,805)	(19.6)%	16.9%
Total profit from operating activities.....	139,565	100%	269,207	100%	92.9%

Oilseed Processing

Operating profit from the Group's Oilseed Processing operations was US\$92.6 million in FY2019, as compared to US\$60.2 million in FY2018, representing an increase of 53.8% over the period. The increase was driven by both, an increase in sales volumes (which exceeded the production volumes depleting the carry-over stock), and margin recovery following a strong sunflower harvest in Ukraine in FY2019.

Infrastructure and Trading

Operating profit from the Group's Infrastructure and Trading segment was US\$92.6 million in FY2019, compared to US\$92.0 million in FY2018, representing an increase of 0.7% over the period. This was primarily attributable to record volumes achieved in FY2019 as a result of contributions from the Group's new grain railcars, which was partly offset by, among other things, a loss recorded by Avere.

Farming

Operating profit from the Group's farming operations was US\$136.8 million in FY2019, as compared to US\$32.6 million in FY2018. The significant increase in operating profit between FY2018 and FY2019 was attributable to a number of factors, including, among others: (i) favourable weather conditions, leading record crop yields; (ii) the successful integration of farming businesses acquired by the Group acquired in FY2017, which included the application, for the first time in FY2019, of the Group's full-cycle crop production approach on new lands, leading to improved productivity; (iii) the Group's focus on improving overall productivity; and (iv) the Group's successful approach and timing with respect to price hedging.

Other

Other expenses include certain unallocated corporate, general and administrative expenses that have not been allocated to the Group's other segments. The operating loss from the Group's other expenses were US\$52.8 million in FY2019, as compared to US\$45.2 million in FY2018, representing an increase of 16.9% over the period.

Finance costs, net

Finance costs were US\$82.3 million in FY2019, as compared to US\$65.1 million in FY2018, representing an increase of 26.5% over the period. This was primarily due to more intensive use of working capital facilities over the season given expanded scale of the business.

Foreign exchange gain/(loss), net

The Group's net foreign exchange gain was US\$12.9 million in FY2019, as compared to a gain of US\$5.4 million in FY2018. This increase was primarily the volatility of the UAH/USD exchange rate and includes revaluation of intragroup borrowings and liabilities between subsidiaries with different functional currencies. The increase in the gain was driven by, among other things, higher volatility of the UAH/USD exchange rate in FY2019 in comparison with FY2018.

Other expenses, net

The Group's other expenses, net were US\$8.4 million in FY2019, as compared to US\$31.0 million in FY2018, representing a decrease of 73% over the period. This was primarily attributable to high comparison base in FY2018 driven by the recognition of provision for settling the possible obligation arising from the acquisition of Stiomi Holding in 2012. See "*Business of the Group—Legal proceedings*". Other expenses, net in FY2019 mostly reflected losses from the revaluation of property, plant and equipment.

Share of income/(loss) of joint ventures

The Group's share of loss of joint ventures was US\$1.0 million in FY2019, as compared to an income of US\$1.2 million in FY2018. The decrease reflects a decline in the performance of the Taman Grain Terminal joint venture in Russia.

Profit before income tax

The Group's profit before income tax was US\$190.4 million in FY2019, as compared to a profit of US\$50.1 million in FY2018, due to the factors described above.

Income tax (expenses)/benefit

Income tax expenses were US\$11.9 million in FY2019, as compared to a benefit of US\$5.9 million in FY2018. The change from income tax benefit in FY2018 to expenses in FY2019 was largely due to an increase in taxable profit as well as decreased deferred tax assets during FY2019, resulting from tax losses carried forward.

Profit for the period from continuing operations

Profit for the period from continuing operations was US\$178.5 million in FY2019, as compared to US\$56.0 million in FY2018, representing an increase of 219% over the period stemming from the factors described above.

Adjusted EBITDA

For the purposes of presenting "Adjusted EBITDA" as at and for the years ended 30 June 2018, 2019 and 2020, Adjusted EBITDA is calculated as profit before income tax adding back share of income/(loss) of joint ventures, net other expenses, net foreign exchange (loss)/gain, net finance costs, and amortisation and depreciation, in each case, as determined from the Group's Consolidated Financial Statements in respect of FY2018, FY2019 and FY2020, respectively. For the purposes of presenting Adjusted EBITDA reconciliation, the Group's financial information as at and for the year ended 30 June 2019 is derived from the Group's Consolidated Financial Statements in respect of FY2019, and not from the financial information presented for the year ended 30 June 2020 in the Group's Consolidated Financial Statements in respect of FY2020.

The following table presents the Group's Segment Adjusted EBITDA and Segment Adjusted EBITDA margin for FY2018, FY2019 and FY2020:

For the year ended 30 June

	2018		2019		2020	
	Segment Adjusted EBITDA	Segment Adjusted EBITDA margin	Segment Adjusted EBITDA	Segment Adjusted EBITDA margin	Segment Adjusted EBITDA	Segment Adjusted EBITDA margin
	<i>(US\$ in millions unless otherwise stated)</i>					
Oilseed Processing.....	76.7	5.5%	109.0	7.3%	151.8	9.8%
Infrastructure and Trading	100.8	9.8%	105.7	3.4%	215.8	6.3%
Farming	88.7	18.9%	181.9	30.2%	134.2	22.2%
Other ⁽¹⁾	(43.7)	9.0%	(51.1)	4.1%	(58.8)	4.0%
Group.....	222.5	9.3%	345.5	8.7%	443.0	10.8%

Note:

(1) Unallocated corporate expenses.

Oilseed Processing segment

Segment Adjusted EBITDA from the Oilseed Processing segment was US\$151.8 million in FY2020 as compared to US\$109.0 million in FY2019, representing an increase of 39.2% over the period. This increase was primarily driven by a record harvest of sunflower seeds in Ukraine in FY2020 and higher average global prices for sunflower oil in FY2020 as compared to FY2019, both factors contributing to higher margin, albeit slightly weaker sunflower oil sales volumes.

Segment Adjusted EBITDA from the Oilseed Processing segment was US\$109.0 million in FY2019 as compared to US\$76.7 million in FY2018, representing an increase of 42.2% over the period. This increase was primarily driven by stronger sales of sunflower oil and the recovered margin of the business.

Infrastructure and Trading segment

Segment Adjusted EBITDA from the Infrastructure and Trading segment was US\$215.8 million in FY2020, as compared to US\$105.7 million in FY2019, representing an increase of 104.1% over the period. This increase was primarily due to the full year contribution from the railcar business (as compared to only a few months' impact in FY2019), strong performance of the Avere trading platform, record grain export volumes from Ukraine and record transshipment volumes stemming from the launch of TGT's operations, the Group's new grain export terminal in the port of Chornomorsk.

Segment Adjusted EBITDA from the Infrastructure and Trading segment was US\$105.7 million in FY2019, as compared to US\$100.8 million in FY2018, representing an increase of 4.9% over the period. This increase was primarily due to record volumes achieved across all business lines and savings for the new railcars business, offset by weaker margins in the infrastructure businesses and a loss recorded by Avere.

Farming segment

Segment Adjusted EBITDA from the Farming segment was US\$134.2 million in FY2020, as compared with US\$181.9 million in FY2019, representing a decrease of 26.2% over the period. This decrease was primarily due to lower achieved corn and wheat sales prices, normalisation of corn yield, and a growing cost base.

Segment Adjusted EBITDA from the Farming segment was US\$181.9 million in FY2019, as compared with US\$88.7 million in FY2018, representing an increase of 105.0% over the period. This increase was primarily

driven by favourable weather conditions in Ukraine and an improvement in the Group's farming productivity during this period, including as a result of the streamlined integration of leasehold farmland acquired in 2017. Both of these factors contributed to record crop yields achieved by the Group in FY2019.

Liquidity and Capital Resources

Overview

The Group's liquidity needs arise principally from the need to finance its working capital requirements and capital expenditures. During the years under review, the Group has met most of its liquidity needs from net cash generated from operating activities and bank borrowings.

In addition to these sources, however, the Group relies on short-term working capital facilities to finance the purchase of grains and oilseeds for short periods of time before that feedstock is exported or processed and sold. The use of these working capital facilities has a positive correlation with global commodity prices, which impact the price of agricultural commodities purchased by the Group.

As at 30 June 2020, the Group had total debt liabilities of US\$1,349.6 million, with the ability to draw upon its short-term facilities for additional liquidity as required.

Cash Flows

The following is a summary of the Group's cash flows in FY2018, FY2019 and FY2020:

	For the year ended 30 June		
	2018	2019	2020
	(US\$ in thousands)		
Net cash generated by operating activities	82,477	198,650	269,356
Net cash used in investing activities	(155,694)	(241,404)	(202,691)
Net cash generated by financing activities	77,088	29,702	225,708
Effects of exchange rate changes on the balance of cash held in foreign currencies.....	(967)	(600)	(1,586)
Net increase in cash and cash equivalents.....	2,904	(13,652)	290,787

Net cash generated by operating activities

The Group's cash flows generated by operating activities were US\$269.4 million in FY2020 as compared to US\$198.7 million in FY2019, representing an increase of 35.6% over the period. This was primarily due to the improved operating profitability of the Group's Infrastructure and Trading and Oilseed Processing segments, as well as a US\$38 million increase as a result of the introduction of IFRS 16.

The Group's cash flows generated by operating activities were US\$198.7 million in FY2019 as compared to US\$82.5 million in FY2018, representing an increase of 141% over the period. This was primarily due to improved operating profitability of Group's Oilseed Processing and Farming segments.

Net cash used in investing activities

Net cash used in investing activities was US\$202.7 million in FY2020, as compared to US\$241.4 million in FY2019 and US\$155.7 million in FY2018.

In FY2020, the Group used US\$252 million of cash to invest in its Strategy 2021 capital expenditure programme which comprised the Group's greenfield investments and the acquisition of the Ellada plant. In FY2019, cash was primarily used to acquire RTK-Ukraine and a 5.85% interest in ViOil Holding Ltd and to purchase property,

plant and equipment, all in line with the Group's investment programme under Strategy 2021. In FY2018, the Group used its cash to acquire the Agro-Invest Ukraine Group and purchase property, plant and equipment, also all in line with the Group's investment programme under Strategy 2021. In the same financial year, the Group disposed of one grain elevator located in the Poltava region and farming entities managing more than 40,000 hectares of farmland located in northern and western regions of Ukraine.

	For the year ended 30 June		
	2018	2019	2020
	<i>(US\$ in thousands)</i>		
Purchase of property, plant and equipment.....	(146,565)	(166,988)	(215,651)
Proceeds from disposal of property, plant and equipment	7,053	9,754	5,533
Payment for lease agreements.....	—	—	(4,462)
Purchase of intangible and other non-current assets	(15,670)	(25,375)	(3,738)
Acquisition of subsidiaries, net of cash acquired.....	(46,512)	(56,272)	(28,564)
Disposal of subsidiaries	24,706	11,313	8,966
Disposal of joint ventures	—	—	65,313
Amount advanced for subsidiaries.....	(1,996)	3,873	3,131
Proceeds from disposal/(purchases) of financial assets.....	23,290	—	—
Amount advanced to related parties.....	—	(10,085)	(21,984)
Loans for stock options execution	—	—	(13,610)
Payment to acquire financial assets	—	(7,624)	—
Proceeds from return of loans by related parties.....	—	—	2,375
Net cash generated by investing activities	<u>(155,694)</u>	<u>(241,404)</u>	<u>(202,691)</u>

Net cash generated by financing activities

	For the year ended 30 June		
	2018	2019	2020
	<i>(US\$ in thousands)</i>		
Proceeds from borrowings.....	777,599	577,983	512,991
Repayment of borrowings.....	(680,026)	(516,713)	(536,913)
Payment of dividends	(20,485)	(20,485)	(21,008)
Repayment of lease liabilities	—	—	(37,709)
Proceeds from share capital increase	—	—	13,555
Issued capital	—	—	55
Proceeds from bonds issued.....	—	—	297,660
Transactions costs related to corporates bonds issue	—	—	(1,895)
Financing for farmers	—	(11,083)	(1,028)
Net cash generated by financing activities.....	<u>77,088</u>	<u>29,702</u>	<u>225,708</u>

Net cash generated by financing activities was US\$225.7 million in FY2020, as compared to net cash generated by financing activities of US\$29.7 million in FY2019 and net cash generated by financing activities of US\$77.1 million in FY2018. In FY2020, the Group issued the 2024 Notes, and increased the utilisation of long-term facilities provided by the EBRD and the EIB to finance its capital expenditure programme. In FY2019, the Group attracted US\$61.3 million of new debt (calculated as Proceeds from borrowings less Repayment of borrowings) to finance its capital expenditure programme under Strategy 2021. In FY2018, the Group attracted US\$97.6 million of new debt (calculated as Proceeds from borrowings less Repayment of borrowings) to finance its capital expenditure programme under Strategy 2021. Between FY2018 and FY2020 the Group paid regular dividends amounting to US\$20.5 million in each of FY2018 and FY2019 and US\$21.0 million in FY2020.

Net Increase/Decrease in Cash

Net cash increased by US\$291 million in FY2020, decreased by US\$13.7 million in FY2019, increased by US\$2.9 million in FY2018 as a result of factors discussed above.

Adjusted Working Capital

The Group defines adjusted working capital as current assets (excluding cash and cash equivalents, and assets classified as held for sale) less current liabilities (excluding short-term borrowings, current portion of long-term borrowings, current portion of lease liabilities, current portion of obligations under finance lease and interest on bonds issued). The main contributors to adjusted working capital are the Group's inventories, accounts receivable, accounts payable and taxes recoverable and prepaid.

	For the year ended 30 June		
	2018	2019	2020
	(US\$ in thousands)		
Changes in adjusted working capital:			
Change in trade and other accounts receivable	(7,902)	(131,516)	(43,070)
Change in prepayments and other current assets	(52,382)	(13,706)	(26,137)
Change in restricted cash balance	3,251	538	(1,771)
Change in taxes recoverable and prepaid	3,273	441	(19,130)
Change in biological assets	1,675	18,779	113,403
Change in inventories	9,866	(24,160)	(15,070)
Change in trade accounts payable	19,049	60,055	(51,120)
Change in advances from customers and other current liabilities	(8,065)	(4,328)	32,797
Total change in adjusted working capital	(31,235)	(93,897)	(10,098)

In FY2020, the Group had no changes to its adjusted working capital. Some of the key components impacting the working capital were:

- *Biological assets* – the Group's biological assets decreased by US\$113 million reflecting, among others, a change in the crop mix for FY2021 (less winter wheat and more corn and sunflower as compared to FY2020);
- *Trade accounts payable* – the Group's trade accounts payable decreased by US\$51 million primarily reflecting lower physical trading volumes of Avere compared to the previous year; and

- *Trade and other accounts receivable* – the Group’s trade and other accounts receivable increased by US\$43 million as a result of the Group’s stronger than usual sunflower oil deliveries in June 2020, which increased receivables above ordinary levels.

In FY2019, the adjusted working capital increased by US\$93.9 million. Some of the key components of working capital impacted were:

- *Trade and other accounts receivable* – the Group’s trade and other accounts receivable increased with additional working capital of US\$131.5 million as the result of the Group’s ordinary course of business and the addition of Avere’s operations;
- *Biological assets* – the Group’s biological assets changed by US\$18.8 million reflecting ordinary change in crop rotation and an increase of cost base; and
- *Trade accounts payable* – the Group’s trade accounts payable changed by US\$60 million reflecting an increase in international trade through Avere.

In FY2018, the adjusted working capital increased by US\$31.2 million. Some of the key components of adjusted working capital impacted were:

- *Prepayments and other current assets* – the change in Group’s prepayments and other current assets amounted to US\$52.4 million, which was mostly connected with a corresponding increase in the Group’s land bank, the launching of Avere’s operations and the financing of suppliers for future commodities purchases; and
- *Trade accounts payable* – the change in Group’s trade accounts payable totalled at US\$19.0 million due to further expanding of its operations.

Capital Expenditures

The Group’s capital expenditures include expenditures for constructing new facilities, the modernisation of existing facilities and purchasing equipment, vehicles and other miscellaneous items.

Historical capital expenditures

The Group’s total capital expenditures for the periods under review amounted to US\$208.7 million, US\$248.6 million and US\$252.0 million in FY2018, FY2019 and FY2020, respectively. These amounts mostly related to capital expenditures as described above. See “—Cash Flows—Net cash used in investing activities”.

Budgeted capital expenditure

The capital expenditure for FY2021 is expected to be approximately US\$270 million, comprising expansion and maintenance projects, including the completion of renewable energy projects, an increase in the in-take capacity of TGT and the pre-commissioning stage for a new oilseed processing plant in western Ukraine.

The table below sets out the Group’s key planned investments, as a part of Strategy 2021, for FY2021 and FY2022:

	FY2021	FY2022
	<i>(US\$ in millions)</i>	
Construction of greenfield oilseed processing plant in western Ukraine	73	6
Construction of co-generation heat and power units.....	63	—
Construction of TGT.....	42	—

	FY2021	FY2022
	<i>(US\$ in millions)</i>	
Construction and upgrade of silo facilities.....	2	—
Total key expansion investments	178	6
Maintenance and other capital expenditures	92	60
Total investments	270	66

Capital Resources and Borrowings

As at 30 June 2020, the Group had total debt liabilities of US\$1,349.6 million, including short-term and long-term borrowings, lease liabilities, bonds issued and accrued interest. The Group's average borrowing rate was 7.3% in FY2020 and 8.6% in FY2019, calculated as the total finance costs (except for the financial costs associated with the lease) for the period divided by quarterly-averaged balances of interest-bearing debt liabilities, which comprises as a sum of short-term borrowings, current portion of long-term borrowings, long-term borrowings, bonds issued, and obligations under finance leases.

The table below sets out the Group's remaining contractual term for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2020:

Non-derivative financial liabilities	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
			<i>(US\$ in thousands)</i>			
Trade accounts payable.....	87,508	(87,508)	(87,508)	—	—	—
Short-term borrowings	44,581	(45,033)	(45,033)	—	—	—
Long-term borrowings	179,274	(207,344)	(13,101)	(27,599)	(82,851)	(83,793)
Bonds issued.....	815,722	(975,250)	(63,250)	(563,250)	(348,750)	—
Other current liabilities	102,495	(108,710)	(108,710)	—	—	—
Other non-current liabilities.....	2,230	(2,230)	—	(1,002)	(1,228)	—
Total	1,231,810	(1,426,075)	(317,602)	(591,851)	(432,829)	(83,793)

Short-term Borrowings

The table below sets out the Group's short-term borrowings as at 30 June 2020:

	Interest rate	Currency	Maturity	Amount due
				<i>(US\$ in thousands)</i>
European bank	Libor+2.25%	USD	January 2021	14,578
European bank	Libor+2.00%	USD	October 2020	11,715
European bank	Libor+1.90%	USD	February 2021	8,786
European bank	Libor+2.50%	USD	July 2020	6,884
European bank	Libor+2.45%	USD	October 2020	1,207
Total bank credit lines				43,170
Interest accrued on short-term loans				931

	<u>Interest rate</u>	<u>Currency</u>	<u>Maturity</u>	<u>Amount due</u>
				(US\$ in thousands)
Interest accrued on long-term loans				480
Total				44,581

8.8% or US\$118.3 million of the Group's total debt liabilities as at 30 June 2020 was represented by short-term indebtedness (including short-term bank borrowings, the current portion of long-term bank borrowings, interest on bond issued and the current portion of lease liabilities).

Available liquidity lines

Natixis PXF Facility

On 23 September 2019, the Group entered into an amended and restated credit agreement with Natixis as the facility agent, security agent and overdraft bank, and the lenders party thereto (the "Natixis PXF Facility"). The purpose of the facility is to finance prepayments in connection with the export by the Group of its grain products. The maximum available amount under Natixis PXF Facility is US\$300 million, and as at 30 June 2020, nil was outstanding. The loans drawn under the Natixis PXF Facility have a stated final maturity date in June 2022, while individual tranches drawn by the Group are typically repaid on a short-term basis. The outstanding loans under the Natixis PXF Facilities bear interest at a rate of LIBOR plus a margin (3.9% or 4.0% per annum, depending on the tranche).

The Natixis PXF Facility contain undertakings, representations and warranties, and events of default, which are customary for facilities of this type. The undertakings include a financial covenant requiring the Group to maintain certain financial ratios, comprising (i) specified interest cover ratios, (ii) specified net leverage ratios and adjusted net leverage ratio, (iii) certain specified gearing ratios, and (iv) certain ratios related to pledged commodities and export contracts. The Natixis PXF Facility also contains restrictive covenants that limit the ability of the Group to (i) pay dividends where the Group fails to comply with the financial ratios contained therein, (ii) incur liens or indebtedness, (iii) make certain disposals or acquisitions, as well as certain information undertakings.

ING PXF Facility

On 3 September 2019, the Group entered into an amended and restated credit agreement with ING Bank N.V. as the facility agent and security agent, and the lenders party thereto (the "ING PXF Facility"). The purpose of the facility is to finance prepayments in connection with the export by the Group of its vegetable oil. The maximum available amount under the ING PXF Facility is US\$390 million, and as at 30 June 2020, nil was outstanding. The loans drawn under the ING PXF Facility have a stated final maturity date in August 2022, while individual tranches drawn by the Group are typically repaid on a short-term basis. The outstanding loans under the ING PXF Facilities bear interest at a rate of LIBOR plus a margin (3.95% or 4.1% or 4.2% per annum, depending on the tranche).

The ING PXF Facility contains undertakings, representations and warranties, and events of default, which are customary for facilities of this type. The undertakings include a financial covenant requiring the Group to maintain certain financial ratios, comprising (i) specified interest cover ratios, (ii) specified net leverage ratios and adjusted net leverage ratio, (iii) certain specified gearing ratios, and (iv) certain ratios related to pledged commodities and export contracts. The ING PXF Facility also contains restrictive covenants that limit the ability of the Group to (i) pay dividends where the Group fails to comply with the financial ratios contained therein,

(ii) incur indebtedness, (iii) make certain disposals or acquisitions, or (iv) incur liens, as well as certain information undertakings.

Long-term Borrowings

The table below sets out the Group's long-term borrowings as at 30 June 2020:

	Interest rate	Currency	Maturity	Amount outstanding as at 30 June 2020 <i>(US\$ in thousands)</i>	Amount undrawn and available as at 30 June 2020
	Libor				
EIB Facilities	+1.44%+COF	USD	2032 ⁽²⁾	121,733	128,267
	Libor + 4.50%				
EBRD Facilities ⁽¹⁾	Libor + 1.0%	USD	May 2027	56,000	—
Ukrainian subsidiary of European bank	Libor+4.50%	USD	August 2021	1,541	—
Total				<u>179,274</u>	<u>128,267</u>

Notes:

(1) Includes the Clean Technology Fund ("CTF") loan.

(2) Maturity derived from end availability period.

Long-term borrowings as at 30 June 2020 include eurobonds and credit lines from banks. The principal facilities outstanding and available are summarised below.

EBRD Facility

In February 2019, the Group secured project financing arranged by the EBRD (the "EBRD Facility"). The financing of up to US\$56 million comprises an EBRD loan of US\$48 million and a US\$8 million loan from the CTF. The Group utilised this financing to upgrade its existing oilseed processing plants in the Poltava, Odesa, Mykolaiv and Kharkiv regions of Ukraine with biomass cogeneration power plants. The loans under the EBRD Facility bear interest at a rate of LIBOR + 4.5% per annum, while the CTF Loan bears interest at a rate of 1.0%. Borrowings under the EBRD Facility are repayable in equal instalments until final maturity in May 2027.

The EBRD Facility contains undertakings, representations and warranties, and events of default, which are customary for facilities of this type. The undertakings include a financial covenant requiring the Group to maintain certain financial ratios, comprising (i) a specified interest cover ratio, (ii) specified net leverage ratios, (iii) certain ratios of total debt to tangible net worth, and (iv) a certain security coverage ratio. The EBRD Facility also contains restrictive covenants that limit the ability of the Group to (i) pay dividends where the Group fails to comply with the financial ratios contained therein, (ii) incur indebtedness or liens, and (iii) make capital expenditures and investments, as well as certain information undertakings.

EIB Facilities

In 2018, the Group secured US\$250 million in project financing from the EIB under two loan facilities (the "EIB Facilities") for the construction of various projects, including a cogeneration heat and power units at its crushing plants, a new oilseed processing plant in western Ukraine, inland grain storage facilities and a grain handling and storage terminal located in the port of Chornomorsk. The loans under the EIB Facilities bear

interest at a rate per annum equal to LIBOR plus 1.44% plus cost of funding, as notified by EIB and are repayable in equal instalments until the maximum possible final maturity in December 2031 and May 2032, depending on the facility.

The EIB Facilities contain undertakings, representations and warranties, and events of default, which are customary for facilities of this type. The undertakings include a financial covenant requiring the Group to maintain certain financial ratios, comprising (i) a specified interest cover ratio, (ii) specified net leverage ratios, (iii) a specified adjusted net leverage ratio, and (iv) certain specified gearing ratios. The EIB Facilities also contain restrictive covenants that limit the ability of the Group to (i) pay dividends where the Group fails to comply with the financial ratios contained therein, (ii) guarantee obligations of third parties, (iii) make certain minority investments, or (iv) incur liens, as well as certain information undertakings.

Raiffeisen Bank Aval Credit Facility

In August 2017, Kropyvnytskyi OEP entered into a credit facility with Raiffeisen Bank Aval. The total amount of the facility is EUR 2.86 million, with drawdown in US dollars. The purpose of this loan was to finance the purchase of a turbine for energy co-generation at Kropyvnytskyi OEP. As at 30 June 2020, US\$1.54 million was outstanding. The facility is a term loan, repayments under which are to be made in quarterly instalments. The maturity date is in August 2021, and the loan contains undertakings, representations and warranties, and events of default, which are customary for facilities of this type. The undertakings include financial covenants requiring the Group to maintain specified interest cover ratios, as well as certain information undertakings.

Bonds Issued

The table below sets out the Group's bonds issued as at 30 June 2020:

	Interest rate	Currency	Maturity	Amount outstanding as at 30 June 2020 (US\$ in thousands)	Amount outstanding as at 30 June 2019
2024 Notes.....	6.5%	USD	October 2024	296,229	-
2022 Notes.....	8.75%	USD	January 2022	497,548 ⁽¹⁾	496,051
Total.....				793,777	496,051

Note:

(1) Comprises US\$500,000 thousand in outstanding principal amount less unamortised debt issue costs.

2024 Notes

In October 2019, the Group issued the US\$300,000,000 6.5% guaranteed notes due 17 October 2024 (the "2024 Notes"). The 2024 Notes contain covenants and other provisions that are substantially similar to those set out in the Conditions.

2022 Notes

In January 2017, the Group issued the US\$500,000,000 8.75% guaranteed notes due 31 January 2022. The 2022 Notes contain covenants and other provisions that are substantially similar to those set out in the Conditions.

Contractual Obligations

Obligations under lease liabilities

As at 30 June 2020, the major components of lease liabilities were as follows:

	As at 30 June 2020
	<i>(US\$ in thousands)</i>
Maturity:	
Payable within one year	48,496
Payable in the second to fifth years	273,467
Payable after five years	449,176
Total	771,139
<i>less</i>	
Future finance charges	(461,139)
Present value of lease obligations	310,000
<i>less</i>	
Current portion	(44,872)
Lease obligations, long-term portion	265,128

The Group's finance leases are related to the leasing of agricultural equipment, vehicles and production machinery. Leases are denominated in USD and UAH. The average term of finance leases is 5 years.

Guarantees

As disclosed in Note 35 to the Group's Consolidated Financial Statements for FY2020, as at 30 June 2020, the Group has provided a guarantee to an unrelated party for the performance by the subsidiaries, namely that after fulfilling certain conditions by the counterparty (return of the provided a 3-year loan to the subsidiaries with accrued interest), the subsidiaries will release pledged assets to the mentioned party. The maximum exposure for the Group in case of subsidiaries' non-performance of its obligations is higher of market price of the pledged assets or US\$29,900 thousand and a given guarantee covers time until maturity of underlying loan provided.

As at 30 June 2020, the Group did not have any other contingent commitments or off-balance sheet arrangements except as disclosed in Note 34 to the Group's Consolidated Financial Statements for FY2020 and FY2018. Management expects to fund its contractual obligations from net cash generated from operating activities, bank borrowings and issuances of debt securities.

Pledges

The Group has pledged certain of its movable and immovable property to secure its obligations under its short-term loans and long-term loans. As at 30 June 2020, US\$419.6 million of the Group's carrying value of pledged assets were pledged as security against short-term and long-term loans. As at 30 June 2020, property, plant and equipment with a carrying value of US\$254.9 million were pledged as collateral against short-term and long-term loans.

As at 30 June 2020, the security for short-term loans and long-term borrowings is as follows:

	As at 30 June 2020
	<i>(US\$ in thousands)</i>
Assets pledged:	
Inventory	118,657
Future sales receipts.....	46,005
Property, plant and equipment	254,939
Total	419,601

Readily marketable inventories

The Group takes RMI into account when evaluating its liquidity. The Group (and certain of the Group's financing arrangements) treat certain agricultural inventories, including corn, wheat, barley, soybean, sunflower seed, meal and oil, as RMI where the inventory meets criteria that the Group believes justifies treating them as readily convertible into cash.

Factors which the Group considers when classifying inventory as RMI include whether there is an ascertainable price for the inventory via international pricing mechanisms, there are widely available and liquid markets for the inventory, the pricing and margins on the inventory have been hedged through forward sales and can be identified and appropriately valued, there is stable and/or predictable end-user demand for the inventory and the inventory is not perishable in the short-term. For example, sunflower oil and meal are treated as RMI because their prices are available from internationally reputable sources and access to international markets allows for liquidation within 30 days. Like crude oil, iron ore and other commodities, sunflower oil is traded at a premium or discount to well-traded commodity futures like soybean oil. Effectively, all vegetable oils are linked to soybean oil futures; hence, any destination price can be quoted at a premium or discount to soybean oil futures. In addition, the Group has relatively low days inventory outstanding ("DIO"), calculated as the average inventory over a period divided by cost of sales and multiplied by 365 days, with DIO of 61 days, 36 days and 33 days in FY2018, FY2019 and FY2020, respectively.

The following table shows the Group's key inventories considered eligible for RMI by type and the amounts of such inventories that the Group treated as RMI as at the periods indicated.

	As at 30 June		
	2018	2019	2020
	<i>(US\$ in thousands)</i>		
Sunflower oil & meal.....	217,878	124,797	96,464
Sunflower seed	57,599	103,661	121,402
Grains	49,031	63,239	33,840
Other	43,945	65,914	51,696
Total	368,453	357,610	303,402
<i>of which: Readily marketable inventories</i>	325,164	293,437	251,929

INDUSTRY OVERVIEW

Vegetable Oil Industry

Overview

Vegetable oil is an ingredient widely used in cooking and food processing, as well as in bio-fuel production. There are four main types of vegetable oil: sunflower oil, soybean oil, rapeseed oil and palm oil, which together account for over 87% of the vegetable oil production market. According to the U.S. Department of Agriculture (“USDA”), approximately 206 million tonnes of vegetable oil was produced in 2019 and approximately 210 million tonnes of vegetable oil are expected to be produced in the 2020 harvest season. According to the Food and Agriculture Organisation (“FAO”) and the Organisation for Economic Co-operation and Development (“OECD”), the global market for vegetable oils is estimated to exceed 240 million tonnes by 2028, driven by rising income levels, as well as the ongoing urbanisation in many low and middle-income countries. Low-fat, low-cholesterol and low-calorie vegetable oils are especially poised to benefit against the backdrop of a growing consumer focus on health and fitness. Developing markets offer opportunities in the form of greater potential for higher market penetration and growth in per capita consumption, while in developed markets, innovation in new flavours and healthy ingredients should contribute to increased consumption. In addition, increased demand for vegetable oils in developing countries including China and India, as a result of their improving economies and population growth, have driven growth in vegetable oil consumption.

From 2013 to 2019, global production of vegetable oils has grown at a compound annual growth rate of 2.6%, according to the USDA. Major factors driving global market growth include relatively low levels of per person consumption of vegetable oils, an expanding population and the growth in demand for food commodities, improved retail networks, changing dietary habits, increased urbanisation, and steadily growing economies. Two key trends drive the growth of the world vegetable oil sector. First, production is generally fuelled by population growth, especially in Asia, and by an accompanying increase in living standards and improved dietary habits. As consumers in certain parts of the world become able to afford vegetable oils, which are healthier than synthetic oils and generally taste better, consumers are increasingly switching to vegetable oils. Secondly, vegetable oil growth generally correlates with the development of the bio-fuel industry, especially in the US and the EU, as part of the overall movement towards cleaner energy sources. Although rapeseed oil is the primary type of vegetable oil used for bio-fuels, the strong demand for rapeseed for bio-diesel production has prompted parallel demand for other oils, such as sunflower oil.

The vegetable oils market consists of nine major oil types, namely palm oil, soybean oil, rapeseed oil, sunflower oil, palm kernel oil, peanut oil, cottonseed oil, coconut oil and olive oil. Palm oil and soybean oil hold 35% and 28% production market share, respectively, in 2019/2020, according to the USDA. Vegetable oils can be distinguished in the following way:

- **Tree crops:** Palm, palm-kernel, coconut and olive oils are obtained from trees that have to be planted and mature before they give a usable crop. Once this stage is reached, the trees continue to provide crops for 25-30 years, in the case of palm, and longer than that for olive.
- **Annual crops:** The second category is annual crops such as soybean, rapeseed, sunflower and some other minor seed crops. Appropriate decisions have to be made annually by the farmer or planter concerning which crops to grow. The choice is usually between oilseed crops and cereals, and the decision is typically based on agricultural and economic factors.

The primary uses for the four main types of vegetable oil are as follows:

- *Sunflower oil* – used for salad dressings and as a frying oil;

- *Palm oil* – an industrial frying oil to produce chips, crisps and other snack foods, and also used in the production of shortenings, ice cream, condensed milk and soap;
- *Soy oil* – largely a by-product of soybean meal production in the crushing process, which is primarily used as cooking oil in the baking and snack industries or in shortening; and
- *Rapeseed oil* – used in food products and as a cooking oil and in the production of bio-diesel.

Vegetable oil is primarily produced in the country where the crop is grown. In recent years, Ukraine has remained the largest sunflower oil producer and exporter in the world, with an international export market share of 52% in 2019/2020, based on USDA data.

The table below provides information on world production of major vegetable oils:

	2016/2017	2017/2018	2018/2019	2019/2020
		<i>(in million tonnes)</i>		
Palm oil	65.34	70.58	74.02	72.77
Soybean oil.....	53.84	55.14	55.75	57.44
Rapeseed oil	27.55	28.05	27.67	27.71
Sunflower seed oil.....	18.21	18.51	19.37	21.11
Other ⁽¹⁾	23.95	26.47	26.69	26.72
World Total	188.88	198.75	203.51	205.74

Source: USDA "Major Vegetable Oils: World Supply and Distribution", September 2020.

Note:

(1) Palm kernel oil, peanut oil, cottonseed oil, olive oil and coconut oil.

The market is also viewed as geographically segmented into North America, Europe, Asia-Pacific, South America and Africa. Asia-Pacific is the major market for vegetable oils and is expected to continue its recent dominance over the next few years, due to a huge demand from the food sector, demand driven by increasingly health conscious consumers, rising population and changing living standards. Europe is the second largest market due to a consumer trend towards healthier lifestyles and technological developments which increase demand (according to the USDA). The rising affluence of China's middle-class population is permitting consumers to purchase higher-priced, packaged vegetable oils. Moreover, the ban on the sale of loose oils in some Chinese cities has further stimulated the demand for packaged oils. In addition, the Indonesian government has also imposed new regulations intended at increasing the domestic consumption of bio-diesel made from palm oil.

According to Oil World estimates, world production of oilseeds is estimated to reach 595 million tonnes in 2020/2021, which is a 30.9 million tonne increase from 2019/2020 with most of the increases coming from better soybean harvests. Vegetable oils production is also likely to increase in 2020/2021, however, more limited sunflower seed supply may result in lower sunflower oil output compared to previous record year (6.8 tonnes expected in 2020/2021 compared to 7.1 million tonnes produced in 2019/2020).

Sunflower Oil Market

Sunflower Oil Production

Sunflower oil is created through a series of steps. First, the sunflower seeds are cleaned and de-hulled. Second, the seeds undergo a mechanical pressing process that squeezes the oil from the seeds, and also produces cake.

Third, the cake goes through a solvent extraction process in which chemicals are used to separate the oil from the fibre component of the seeds in order to further extract any oil that remains after the processing process. The product of such steps is sunflower oil. Depending on the end product, the oil may also then be refined, which involves a series of filters and chemical additives to remove the colour and smell from the oil.

Global supply and demand

According to the USDA, sunflower oil share in total vegetable oil production has increased consistently from 8.7% in 2014/2015 to 10.3% in the 2019/2020 season. Ukraine, the Russian Federation, the EU, Argentina and Turkey are the main producers of sunflower oil. Ukraine is the world's leading producer of sunflower oil, with annual production of 7.06 million tonnes in the 2019 harvest season, and is the largest global producer with a 33% market share. A number of other countries such as Turkey, China, South Africa and Serbia produce sunflower oil, but in relatively low production levels compared to the leading producers.

The table below provides information on production of sunflower oil by country from 2016/2017 to 2019/20:

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
	<i>(in thousand tonnes)</i>			
Ukraine.....	6,351	5,913	6,364	7,055
Russia.....	4,171	4,192	4,875	5,648
European Union	3,338	3,760	3,670	3,682
Argentina.....	1,335	1,385	1,425	1,265
Turkey	761	892	1,022	1,141
China.....	609	645	466	672
South Africa	348	352	272	306
Serbia	191	212	212	233
Kazakhstan.....	180	213	159	205
United States	211	197	201	187
TOP 10.....	17,495	17,761	18,666	20,394
Other countries.....	713	744	708	711
Total.....	18,208	18,505	19,374	21,105

Source: USDA Foreign Agricultural Service, September 2020.

With high vitamin E and low saturated fat content, sunflower oil is considered among the healthiest oils. Its primary market is the food industry, which uses it for salad dressing or frying oil. Due to its high quality, sunflower oil will generally command a premium over other oils, except for olive oil. Sunflower oil is also used as a component in the food processing industry and, sometimes, as a feedstock in industrial applications or substitute for other vegetable oils.

According to the USDA, the total volume of sunflower oil traded on the international market has generally been in the range of 10 million tonnes per year in the last three years, of which Ukraine typically supplies more than half as the largest global exporter. The USDA reports that Ukraine exported 6.5 million tonnes of sunflower oil in 2019/2020, which amounted to 52% of global sunflower oil exports (compared to Russia, the second-largest producer, which supplied 28%). Other countries export marginal levels compared to the two large exporters.

The table below provides information on export of sunflower oil by country from 2016/2017 to 2019/2020:

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
	<i>(in thousand tonnes)</i>			
Ukraine	5,851	5,342	6,063	6,500
Russia.....	2,178	2,310	2,651	3,500
Argentina.....	771	783	853	625
Turkey	635	389	436	625
European Union	458	526	486	540
TOP 5	9,893	9,350	10,489	11,790
Other countries.....	547	627	685	613
Total	20,333	19,327	21,663	24,193

Source: USDA Foreign Agricultural Service, September 2020.

Demand for sunflower oil has been driven by the large importing countries or regions, primarily India, the EU, China, Middle East and Northern Africa, the Middle East. According to the USDA, India was the largest importer in 2019/2020 and accounted for 24% of imports, primarily as a result of a population growth and an accompanying increase in living standards. The USDA reports that the EU and China imported 21% and 15% of sunflower oil, respectively, in the same year.

The table below provides information on imports of sunflower oil by country from 2016/2017 to 2019/2020:

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
	<i>(in thousand tonnes)</i>			
India	2,136	2,496	2,328	2,700
European Union	1,791	1,529	1,966	2,300
China.....	725	785	1,032	1,700
Turkey	793	503	533	775
Iran.....	468	521	640	650
Iraq.....	586	449	450	510
Egypt.....	592	480	480	495
South Africa	147	158	250	240
Uzbekistan.....	112	140	194	155
Kazakhstan.....	106	97	120	125
TOP 10	7,456	7,158	7,993	9,650
Other countries.....	1,422	1,556	1,394	1,569
Total	8,878	8,714	9,387	11,219

Source: USDA Foreign Agricultural Service, September 2020.

Supply and demand on the Ukraine vegetable oil market

Sunflower retains the status of the most popular crop among Ukrainian farmers as it typically offers the highest potential profitability. As a result, there has been a steady growth in sunflower seed production in Ukraine over the last decade. The principal factors limiting further expansion of the sunflower seed area are profitability concerns in some seasons and crop rotation practices. In some regions of Ukraine, particularly in the south,

sunflower acreage already reaches the maximum possible limit of crop rotation. Extended crop rotations help reduce disease inoculum loads in the soil, allow for herbicide rotation and manage overwintering insect populations, weeds, water usage and fertility management. Sunflower seed is also used as an insurance policy in the event of high winterkill rates or sharp changes in domestic policy (cancelling VAT refund for soybean and rapeseed export operations), which helps farmers maximise income.

Soybean is the second most popular oilseed crop among farmers as they can be easily sold both to crushers in the domestic market, and to exporters who compete with processors for stocks available in the market. However, the soybean economy has changed for farmers in the second half of 2018 as exporters became less competitive due to changes in Ukraine's taxation policy, which has allowed domestic crushers to purchase at lower purchase prices, resulting in decreased margins for farmers and lower planted acreage. However, Ukrainian lawmakers restored the VAT refund on soybeans in January 2010, which was beneficial for the crop budget.

Rapeseed presents a riskier option for Ukrainian farmers. Generally, Ukrainian farmers prefer a winter crop over a spring crop because the latter offers much lower yields. Rapeseed in Ukraine can feature high winterkill rates, but these areas can be replanted in the spring with other oilseeds, including sunflower, or grains.

In general, oilseed harvesting acreage has stabilised at nine million hectares over the last five years. Two mutually balancing factors have kept this area stable: (i) profitability has worked in favour of the expansion of area, and (ii) crop rotation requirements, the key element for cost-effective minimisation of the impact of pests and diseases for sunflower, has contributed to provide for decreased area levels. In order to maintain this balance, farmers keep some area under less profitable crops, including grains, for example, in order to ensure adequate crop rotation for cash-rich oilseeds, which are comprised primarily of sunflower.

Soybeans and sunflower seed were the two major oilseed crops in Ukraine for the past several years and this trend is expected to continue, according to the USDA. The increased profitability for all major crops since 2014 is largely attributed to the significant devaluation of the national currency as well as further investment into technology, improving efficiency and further fuelled by expanding profitability of that farming business in Ukraine.

According to the Group's data, sunflower production reached 16.5 million metric tonnes in 2019, an 8% increase as compared to 2018, harvested from 6.4 million hectares. Soybean production in 2019 saw a 1.4% reduction compared to 2018, reaching 4.5 million metric tonnes, harvested from over 1.6 million hectares. Rapeseed production reached 3.5 million metric tonnes, a 21% increase compared to 2018, harvested from 1.3 million hectares. Favourable climate conditions for spring crops in 2018 were the main reason accounting for the growth in oilseeds production.

In 2020/2021, Ukrainian crop production was influenced by the following factors:

- mixed growing conditions for early crops resulting in good yields of wheat and barley, and a below average yield of rapeseed; and
- late crops being affected by the August drought that undermined production prospects of sunflower seeds, corn and soybeans.

According to the Group's estimates, total oilseed crushing capacity in Ukraine at the beginning of 2019 reached 19.2 million tonnes. However, the current relatively low crushing margins will likely reduce any further investment into the construction of new crushing plants.

The majority of newly built processing facilities are capable of processing various oilseeds including sunflower, soybean and rapeseed. This flexibility allows crushers to switch between different crops depending on the availability of the particular oilseed, which helps maintain stable prices in the market. As a result, processors

are able to keep their facilities operating while decreasing their reliance solely on sunflower production. This flexibility has a positive impact on profit margins.

Moderate inflation of the national currency and general macroeconomic stabilisation has had a positive impact for local farmers and chemical and seed importers. According to the available trade figures, farmers continued to purchase more seed and agrochemicals, which indicates that farmers are trying to achieve higher yields by investing in higher quality inputs. This typically translates into better profitability.

Ukraine and other CIS countries have traditionally been large producers of sunflower seeds and large consumers of sunflower oil. Sunflower is grown in most of the eastern, central and southern parts of Ukraine, forming together the sunflower production belt of Ukraine. Ukraine has an estimated 33 million hectares of arable land according to StateGeoCadastre, equivalent to 54% of its territory. According to the European Commission, 54% of Ukraine's agricultural area is covered in highly valuable soil called *chernozem* (also known as "black earth"), reputed as one of the most fertile soils in the world. Together with its continental climate, the natural environment in Ukraine provides excellent conditions for the crop. Production yields are, however, relatively low by international standards. There are various reasons for the difference in yields, such as the low quality of seeds used to grow the sunflowers and insufficient investment in overall plant protection. Production of sunflower oil has increased at a 6% CAGR from 4.8 million tonnes (4.2 million tonnes exported and 0.6 million tonnes consumed domestically) in 2013 to 7.1 million tonnes (6.5 million tonnes exported and 0.5 million tonnes consumed domestically) in 2019/2020 according to the USDA. Meanwhile, sunflower seed yields in Ukraine have risen from 2.2 tonnes per hectare to 2.6 tonnes per hectare according to the USDA. The Group, however, has seen an increase in sunflower seed production yield from 2.2 tonnes per hectare to 3.5 tonnes per hectare.

Sunflower oil is one of the dominantly used oils in Ukraine. Prior to the disintegration of the Soviet Union, consumers rarely distinguished between refined and crude sunflower oil. Instead, consumers bought whatever oil was available and were prone to consume loose sunflower oil purchased at traditional open air markets. As the Ukrainian economy developed and the standard of living improved, consumers today have more sophisticated taste preferences and desire healthier products, which has driven a switch from crude oil to refined oil. Further, there is more brand awareness, with the result that the consumers are beginning to prefer bottled oil under a brand name they recognise.

The trend of healthier lifestyles in across the EU and North America has increased the demand for oleic acid-rich sunflower and colza oils. Such oils are generally considered to be a lower-cost alternative to olive oil. The market of oleic acid-rich oil in Ukraine is in the beginning stages of its development. Furthermore, there is still no standard for the determination of the oleic acid content in ready-made products. Nevertheless, taking into account the considerable export potential of such products, the market is very likely to experience rapid growth in this area.

Ukrainian sunflower oil is exported to over 100 countries around the world. The EU, India, China and Iraq are the largest traditional buyers, with the EU and India purchasing approximately 32% and 29% of annual sales from Ukraine in 2019/2020, according to Ukraine Customs data. However, the share of China and other East- and Southeast-Asian countries has been on the rise in recent seasons and this trend is expected to continue. According to the USDA, sunflower seed crush in Ukraine for 2020/21 is forecast at 16.8 million tonnes, a 2% increase compared to the 16.4 million tonnes for 2018/2019. This corresponds to the higher sunflower seed production forecast for 2019.

Sunflower oil prices

Long-term prospect for demand in sunflower oil benefits from a number of factors. In particular, the growth in population and the increase in average income per capita drive the demand for human consumption. The

growing bio-fuel industry also has the potential to drive the demand for oilseed crops. Bio-fuel efficient crops, such as rapeseed and corn, incentivise the consumers to look for oil substitutes, such as sunflower oil.

As demonstrated in the table below, the prices of sunflower products peaked in 2014/2015 and have gradually decreased since then. The domestic prices for sunflower oil, as well as seeds, remained stable over 2017/2018, followed by a downward trend in 2018/2019, and recovered in 2019/2020. The table below shows average prices for sunflower seed, crude sunflower oil and sunflower meal:

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
			(US\$/tonne)			
Sunflower Seeds ⁽¹⁾	432	440	408	403	380	415
Crude Sunflower Oil ⁽²⁾	850	849	807	776	719	777
Sunflower Meal ⁽³⁾	269	233	178	224	219	215

Sources: USDA September 2020, (1) Rotterdam/Amsterdam CIF; EU; Oil World; (2) EU FOB NW Euro; Oil World; (3) HiPro a.o. cif France or Ukraine DAF; Argentina Pellet 37% to 38% (Prior to August 2012); Oil World.

Grain Market

Global supply, demand and outlook

Wheat and coarse grains (primarily corn, barley and sorghum) globally are the two main types of grain crops.

According to the USDA, the global production of wheat was 769 million tonnes and coarse grain production reached 1,407 million tonnes in 2019/2020. After a record year in 2016/2017 and a slight decline in 2017/2018 and 2018/2019 due to severe droughts that affected some countries and regions in earlier periods, the global grain harvest recovered in 2019/2020. For instance, the USDA estimates that the Russian Federation faced 6% increase in the grain harvest in 2019/2020. In Ukraine, the grain harvest increased by 4%, which was a record harvest.

The table below provides information on world grain production (total and by crop) in marketing years starting from 2014/2015 to 2019/2020:

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
			(in million tonnes)		
Wheat.....	738.1	756.3	763.0	731.0	764.0
Coarse grains total	1,303.9	1,419.1	1,359.7	1,397.6	1,406.5
<i>including:</i>					
Corn.....	1,015.2	1,127.6	1,078.6	1,123.6	1,112.8
Barley	149.5	147.1	143.2	139.4	156.3
Sorghum	62.5	63.1	57.7	59.8	57.8
Oats	22.1	24.4	23.7	22.2	22.6
Rye	12.2	12.3	12.3	10.0	12.1
Other.....	42.4	44.6	44.2	42.5	44.9
Total.....	2,042.0	2,175.4	2,122.7	2,128.6	2,170.5

Source: USDA: "Grain World Markets and Trade", September 2020.

The outlook for the production of world total grains (wheat and coarse grains) in 2019/2020 increased to 2,171 million tonnes according to the USDA, mainly due to the increase in wheat production by 33 million tonnes. The global wheat and corn levels are expected to reach record levels, while barley is expected to reach its highest level in a decade.

The table below provides information on world total grain (wheat and coarse grains) supply and demand in between 2016/2017 and 2019/2020:

	2016/2017	2017/2018	2018/2019	2019/2020
	<i>(in thousand tonnes)</i>			
Beginning Stocks.....	598	653	659	632
Production	2,175	2,123	2,129	2,171
Imports	352	369	364	386
Total Supply	3,126	3,145	3,151	3,189
Total Distribution	3,126	3,145	3,151	3,189
Domestic Consumption	2,090	2,118	2,134	2,153
<i>of which</i>				
Feed Dom. Consumption	971	981	992	1,011
FSI Consumption	1,119	1,136	1,142	1,142
Exports	383	368	386	398
Ending Stocks.....	653	659	632	637

Source: USDA, September 2020.

World trade in grain

Traditionally, Russia, the EU, the U.S., Canada and Ukraine have been the leading countries in wheat export, with Russia having the potential to double its grain export in the long-term. However, their dominant position in the world wheat trade is expected to face increasing competition from countries like China and Argentina. Ukraine has become one of the fastest-growing grain exporters in the world, shipping over 70% of its grain production abroad each year. As the tables below on major wheat exporters demonstrate, Ukraine, for instance, has significantly increased its volumes of exported grains from 2013/2014 to 2018/2019, at a CAGR of 11%, 8% and 9% for wheat, corn and barley, respectively.

For 2020/2021, the USDA anticipates global production to reach a new record level, with increased exports from United States, Australia, Brazil and Russia and decreased exports from the EU and Argentina.

Increasing trade in coarse grain is closely tied to the expansion of domestic livestock production, particularly by countries that are unable to meet their own feedstuff needs. Corn is the dominant feed grain traded on international markets, followed by barley. The US remains the leading producer, consumer and exporter of corn. The main markets with potential for further growth in coarse grain imports are Mexico, North Africa, the Middle East, China, Asia and Latin America, where higher incomes boost demand for animal products, leading to increased feed requirements. The increase in demand is likely to be met by higher sales from Australia, Canada and the EU, with strong competition coming from Ukraine and Russia.

The table below provides information on major wheat exporters and wheat export volumes:

	2016/2017	2017/2018	2018/2019	2019/2020
	<i>(in thousand tonnes)</i>			
European Union	27,439	23,383	23,310	38,429
Russia.....	27,815	41,447	35,863	34,237
United States	28,600	24,658	25,502	26,276
Canada.....	20,218	22,000	24,380	24,627

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
	<i>(in thousand tonnes)</i>			
Ukraine	18,107	17,775	16,019	21,013
Argentina.....	13,825	12,730	12,188	13,500
Australia.....	22,644	13,849	9,006	9,500
Kazakhstan.....	7,409	9,000	8,296	6,700
Turkey.....	6,168	6,193	6,350	6,072
China.....	748	1,004	1,006	1,049
TOP 10	172,973	172,039	161,920	181,403
Other countries.....	10,516	10,575	11,692	9,975
Total	183,489	182,614	173,612	191,378

Source: USDA "Grain: World Markets and Trade", September 2020.

The table below provides information on major corn exporters and world corn export volumes:

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
	<i>(in thousand tonnes)</i>			
United States.....	58,313	61,916	52,483	44,833
Argentina.....	25,986	22,473	37,244	37,000
Brazil.....	31,604	24,119	39,682	34,000
Ukraine	21,334	18,036	30,321	30,500
European Union.....	2,189	1,749	3,629	4,800
Russia.....	5,598	5,532	2,770	4,200
Serbia.....	2,414	819	2,836	2,800
South Africa.....	2,289	2,069	1,449	2,500
Burma.....	1,500	1,400	1,500	2,150
Paraguay.....	1,901	1,739	2,817	2,000
TOP 10	153,128	139,852	174,731	164,783
Other countries.....	7,482	8,346	6,326	5,551
Total	160,610	148,198	181,057	170,334

Source: USDA "Grain: World Markets and Trade", September 2020.

The table below provides information on major barley exporters and world barley export volumes:

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
	<i>(in thousand tonnes)</i>			
European Union.....	5,667	5,899	4,886	8,099
Ukraine	5,354	4,289	3,561	4,984
Russia.....	2,951	5,884	4,661	4,100
Australia.....	9,190	5,662	3,687	3,200
Argentina.....	2,556	2,399	3,237	2,500

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
	<i>(in thousand tonnes)</i>			
Canada.....	1,546	2,021	2,296	2,346
Kazakhstan.....	682	1,347	1,820	1,366
United States	95	111	107	125
Uruguay.....	114	7	62	65
Serbia	26	53	68	52
TOP 10.....	28,181	27,672	24,385	26,837
Other countries.....	165	144	127	154
Total.....	28,346	27,816	24,512	26,991

Source: USDA "Grain: World Markets and Trade", September 2020.

Ukraine grain market

Overview

Ukraine was producing in the range of 45 million tonnes of grain per year prior to the fall of the Soviet Union. The decade that followed Ukraine's independence in 1991 can be characterised by the decline of the farming sector, stemming from a general lack of resources and disappearance of the farming cooperatives. At that time, the production level was reduced to such an extent that it was barely sufficient to cover its domestic needs. In 2004, the Ukrainian farming sector began to recover. According to the USDA, grain production in Ukraine has doubled over the past ten years, from 38 million tonnes in 2010 to 76 million tonnes in 2019. The rapid growth in production is largely attributed to the adoption of western farming practices by Ukrainian farmers, including the use of advanced technology, seed and machinery, following the fall of the Soviet Union, resulting in an expansion in the overall planted area and strong yield growth.

Since 2010/2011, around 14 million hectares of land in Ukraine are dedicated to the production of wheat, barley and corn. With an average production of 4.6 tonnes of grain per hectare over the last three years, Ukraine significantly surpasses its pre-independence production level of 45 million tonnes of grain per year. While such harvest level is considered usual by the current Ukrainian standards, it is still below the production levels achieved by leading grain producers globally. Together with the emergence of large farming enterprises and the general strong profitability of the farming industry, Ukraine continues to improve its farming techniques and increases the use of better quality seeds aimed at achieving a level of crop yields comparable to its global peers.

Grain production in Ukraine increased at a 6.6% CAGR from 45.4 million tonnes (22.2 million tonnes exported and 25.4 million tonnes consumed domestically) in 2012 to 75.7 million tonnes (56.7 million tonnes exported and 19.8 million tonnes consumed domestically) in 2019 according to the USDA. In 2019/20, according to the USDA, the grain harvest in Ukraine reached 75.7 million tonnes, which is a 8.8% year-on-year increase, in part resulting from favourable weather conditions, leading to an all-time record. Grain production yields in Ukraine have risen from an average of 4.1 tonnes per hectare to an average of 5.0 tonnes per hectare over the last five years. Meanwhile, the Group has seen an increase in grain production yield from 6.6 tonnes per hectare to 7.7 tonnes per hectare for the same period. Although overall yields in Ukraine have generally experienced a considerable increase, the Group's yields have risen at a more rapid pace than the national average. Ukrainian corn yield increased from 4.79 tonnes per hectare in 2012 to 7.19 tonnes per hectare in 2019, while the Group's corn yield grew from 4.55 tonnes per hectare to 8.54 tonnes per hectare during the same period. Similarly, with respect to wheat yield, the national yield increased from 2.8 tonnes per hectare to 4.16 tonnes per hectare

between 2012 to 2019, while the Group's yield increased from 3.4 tonnes per hectare to 5.9 tonnes per hectare during the same period.

The table below provides information on major crop yields in Ukraine from 2016/2017 to 2019/2020:

	2016/2017	2017/2018	2018/2019	2019/2020
	<i>(in tonnes per hectare)</i>			
Wheat	4.15	4.06	3.73	4.16
Barley	3.24	3.28	2.96	3.43
Corn	6.60	5.44	7.84	7.19
Sunflower seed	2.24	2.02	2.31	2.58
Soybean	2.31	1.97	2.58	2.29
Rapeseed	2.78	2.80	2.85	2.59

Source: USDA "Grain: World Markets and Trade", September 2020.

Ukraine's 2019/2020 harvest yielded around 29.2 million tonnes of wheat, 35.9 million tonnes of corn, 9.5 million tonnes of barley, and 0.4 million tonnes of rye, according to the USDA. In 2019/2020, sunflower was the most profitable crop for Ukrainian farming enterprises followed by rapeseed. The USDA currently expects a 3% year-on-year increase in sunflower seed production, a 7.3% year-on-year increase in corn production, as well as 7.4% year-on-year reduction in wheat production in 2020/2021.

Domestic feed consumption remains stable, while food consumption is decreasing slightly for both 2019/2020 and 2020/21, paving the way for a further growth in exports. Ukraine is expected to remain a leading grain exporter in the Black Sea region.

Grain exports

Ukraine is a major supplier of grains to countries in Europe, North Africa, the Middle East and Asia. At present, Ukraine is primarily an exporter of feed wheat, corn and barley.

According to the USDA, Ukraine exported nearly 57 million tonnes of grains in 2019/2020 and is one of the largest global exporters of grains. In particular, exports of wheat, barley and corn in 2019/2020 totalled 21 million tonnes, 5 million tonnes and 30.5 million tonnes, respectively.

The USDA reports the primary destinations of Ukrainian wheat exports in 2019/2020 were countries in North Africa (including Egypt and Morocco), the Middle East and Asia (in which the USDA includes South Korea and Bangladesh), as well as the EU.

According to the USDA, Ukrainian wheat exports are estimated to reach 18 million tonnes in 2020/2021, a 14.3% decrease compared to the previous year, while corn exports are estimated to reach 32.5 million tonnes in 2020/2021, a 6.6% increase compared to the previous year. The main importers of Ukrainian corn are the EU, the Middle East, North Africa and Asia. Barley exports are estimated to reach 5 million tonnes in 2020/2021, the same amount as the previous year. The main importers of Ukrainian barley are Saudi Arabia and China.

The table below provides statistical information on the major importers of Ukrainian wheat:

	2016/2017	2017/2018	2018/2019	2019/2020
	<i>(in thousand tonnes)</i>			
Egypt	2,514	1,951	1,962	3,802
Indonesia	1,612	2,283	2,599	2,985

	2016/2017	2017/2018	2018/2019	2019/2020
	<i>(in thousand tonnes)</i>			
Bangladesh.....	629	1,558	1,298	2,295
Turkey	233	480	366	1,397
Philippines.....	686	1,091	1,566	1,052
Tunisia.....	654	972	935	1,007
Yemen	88	406	223	886
Morocco	984	944	1,162	641
Libya	284	354	652	627
Thailand	1,594	720	829	604
TOP 10.....	9,277	10,759	11,592	15,296
Other countries.....	8,255	6,395	3,987	5,224
Total.....	17,532	17,154	15,579	20,520

Source: State Fiscal Service of Ukraine.

The table below provides statistical information on the major importers of Ukrainian corn:

	2016/2017	2017/2018	2018/2019	2019/2020
	<i>(in thousand tonnes)</i>			
China.....	1,329	2,773	3,974	5,050
Spain	2,447	1,612	4,217	3,735
Netherlands	2,366	2,226	4,186	3,522
Egypt.....	3,397	2,431	2,862	3,379
Turkey	221	1,140	2,159	1,986
Republic of Korea	663	1	340	1,964
Iran	-	-	777	1,233
Algeria.....	156	30	676	942
Israel.....	948	1,036	1,046	916
Italy	1,622	1,741	1,688	884
TOP 10.....	13,149	12,990	21,925	23,611
Other countries.....	7,553	4,780	7,903	6,707
Total.....	20,702	17,770	29,828	30,318

Source: State Fiscal Service of Ukraine.

The table below provides information on major importers of Ukrainian barley:

	2016/2017	2017/2018	2018/2019	2019/2020
	<i>(in thousand tonnes)</i>			
Saudi Arabia.....	2,276	1,813	2,334	1,449
China	300	792	322	921
Libya	129	159	-	373

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
	<i>(in thousand tonnes)</i>			
Turkey	133	168	21	325
Algeria.....	226	114	71	275
TOP 5.....	3,064	3,046	2,748	3,343
Other countries	2,292	1,243	812	1,641
Total.....	5,356	4,289	3,560	4,984

Source: State Fiscal Service of Ukraine.

Ukraine continues to develop closer economic ties with the EU. This has translated into growth in exports for both grains and milling industry products, which have been supported by a “Tariff Rate Quota” offered to Ukraine under the DCFTA, and this trend is expected to continue in the years to come.

Ukraine is well-positioned to remain an important player in the international grain market not only because of its large farmland area, but also its strategic location on the Black Sea. Ukraine is ideally positioned for exports to the Mediterranean market as the closest major grain producer with a developed grain transshipment infrastructure offering logistics and cost advantages. There are deep-water commercial sea ports connected to an extensive railway network to most of the grain elevators in the country.

BUSINESS OF THE GROUP

Investors should read “Business of the Group” in conjunction with the more detailed information contained in these Listing Particulars including the financial and other information appearing in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Where stated, financial information in this section has been extracted from the Group’s Consolidated Financial Statements and the abbreviation “FY” before a year refers to the financial year, rather than the calendar year.

Overview of the Issuer

The Group is a diversified agricultural business in the Black Sea region, listed on the Warsaw Stock Exchange. The Group’s primary activities are the procurement and processing of sunflower seeds, marketing of sunflower oil and its by-products and grain on international markets, the procurement, transportation and storage of grains and oilseeds, and the production of corn, sunflower seeds, wheat and other crops as part of its farming operations. All of the Group’s manufacturing facilities are based in Ukraine.

In the year ended 30 June 2020, the Group had total revenue of US\$4,106.8 million, profit from operating activities of US\$337.3 million and profit for the period of US\$122.8 million. As at 30 June 2020, the Group had total assets of US\$3,164.7 million.

Starting from 1 July 2018, the Group’s revenue and operating profit are derived across three reporting segments in the Group’s Consolidated Financial Statements, as set out below. Prior to 1 July 2018, the Group reported its results within six reporting segments. In FY2019, the Group combined the bulk and bottled sunflower oil segments to form the Oilseed Processing segment since the performance of the two segments is driven by similar factors. Grain, silo services and export terminals were combined into the Infrastructure and Trading segment in order to enable the Group to evaluate margins through the entire value chain rather than simply assess the profitability of each separate business, as well as to simplify its reporting obligations by no longer having to account for intragroup transactions between the grain, silo services and export terminal businesses. The Group believes the segmental changes have simplified its reporting and enhanced stakeholder understanding of the Group’s business.

Oilseed Processing segment

The Group is the largest processor of sunflower seeds and the largest producer and exporter of sunflower oil in Ukraine (according to the State Statistics Service of Ukraine and the National Academy of Agricultural Sciences of Ukraine). The Group mostly sells sunflower oil in bulk, exporting it from Ukraine, but up to 10% of produced sunflower oil is further refined, bottled and sold under the Group’s own brands or private labels both domestically and internationally. The Group is the largest producer and vendor of bottled sunflower oil in Ukraine (according to Nielsen and the National Academy of Agricultural Sciences of Ukraine). In FY2020, the Group processed 3.4 million tonnes of oilseeds and sold 1.5 million tonnes of edible oil (including 145 million litres of bottled sunflower oil) generating external revenue of US\$712.2 million (17.3% of the Group’s total revenue) and intersegment revenue of US\$834.8 million, for profit from operating activities of US\$134.1 million.

Infrastructure and Trading segment

The Group is the largest grain exporter in Ukraine, delivering internationally approximately 14% of Ukraine’s total grain export in FY2020 (based on Stark Research). The Group also operates one of the largest and most advanced grain export infrastructures in Ukraine, including the largest private silo network in the country with an aggregate storage capacity of 2.4 million tonnes, the largest private grain railcars fleet of 3.4 thousand grain hoppers and two of the largest grain export terminals with 8.8 million tonnes of annual grain transshipment capacity (based on the Group’s analysis and according to Ukrainian Railways, the Elevatorist, the USPA). In

addition, the Infrastructure and Trading segment includes operations of Avere, which is a research and knowledge platform that is also involved in proprietary trading operations and marketing of sunflower oil produced by the Group's oil-extraction plants.

In FY2020, the Group exported 7.9 million tonnes of grain from Ukraine, handled 4.2 million tonnes of grain through its silo network and transhipped 6.7 million tonnes of soft commodities through its export terminals in Ukraine, generating external Infrastructure and Trading segment revenue of US\$3,365.0 million (81.9% of the Group's total revenue) and intersegment revenue of US\$61.3 million, for profit from operating activities of US\$193.0 million.

Farming segment

The Group is the largest crop producer in Ukraine (based on the Group's analysis and according to the State Statistics Service of Ukraine and Latifundist.com), producing corn, sunflower seeds, wheat, soybeans, and other crops on approximately 514 thousand hectares of leasehold farmland. In FY2020, the Farming business segment sold 3.2 million tonnes of key grain and oilseeds and generated external revenue of US\$29.6 million and intersegment revenue of US\$574.4 million, for profit from operating activities of US\$71.2 million with respect to such external and intersegment revenue.

The Group's end product and services segments are supported by its origination and processing functions. In FY2020, the Group exported 7.9 million tonnes of grain and oilseeds from Ukraine and processed approximately 3.4 million tonnes of oilseeds.

The Group's products are primarily sold on international markets, with 96.9% of external sales derived from exports in FY2020.

History

In 1995, the Group started operating as a trader and exporter of Ukrainian agricultural commodities, providing a marketing outlet, organising logistics and offering cargoes on a free on board ("FOB") basis.

From 1995 to 2000, the Group acquired several grain silos from the Ukrainian state to create storage capacity and support the Group's procurement function.

In 2002, the Group expanded into a new area of business by acquiring a sunflower seed crushing plant located in Poltava, a town situated east of Kyiv and in the sunflower seed cultivation belt of Ukraine. With this acquisition, the Group diversified its trading business to include the processing of agricultural commodities. Simultaneously, the Group began acquiring rights to lease agricultural land, usually situated close to its silos, under long-term lease contracts for land, to enable the Group to source a small portion of raw materials from its own farms.

In 2004, the Group expanded into bottled oil products by acquiring the oil brand *Shchedryi Dar*.

In 2006, the Group initiated a consolidation phase in the sunflower oil industry by acquiring assets from Evrotek, a major domestic competitor. Those assets included two processing facilities (one with refining and bottling capacity), inland silos with storage capacity of 356,000 tonnes and the bottled sunflower oil brand *Stozhar*. The acquisition established the Group as the dominant market player in the Kharkiv region, the region borders the Poltava region.

In mid-2007, the Group emerged as the largest producer of bottled sunflower oil in Ukraine after the purchase of the licence to produce, market and distribute bottled sunflower oil under the brand name *Chumak*. In November 2007, the Group completed its initial public offering ("IPO") on the Warsaw Stock Exchange. The

IPO raised US\$221 million, US\$152 million of which was raised in the primary offering and used to finance the Group's capital expenditure programme as well as new acquisitions.

In 2008, the Group acquired TBT, one of Ukraine's largest grain terminal complexes for handling, transshipment and export of grain. This acquisition substantially strengthened the Group's ability to originate and export grain from Ukraine. The Group also expanded its farming activity by acquiring additional farms, managing in aggregate approximately 50,000 hectares, and bringing the total area to be harvested in 2008 to 78,000 hectares. The expansion of the Group's farming business was partially financed through a secondary offering of new shares in early 2008, raising total gross proceeds of US\$82 million. As a result of the acquisition of TBT, the Group's grain exports grew from an average of 520 thousand tonnes per year from FY2005-FY2008 to 2.3 million tonnes in FY2009.

In 2009, the Group extended its oilseed crushing capacity in Ukraine by concluding a 216,445 tonne tolling agreement with Black Sea Industries.

In 2010, the Group completed construction of its first green-field project, the Bandurka multi-seed crushing plant, with a crushing capacity of 510,000 tonnes per year. The Group also acquired the Allseeds group production assets (including two crushing plants with 565,000 tonnes of sunflower seed crushing capacity, approximately 600,000 tonnes of silo storage capacity and a transshipment facility for sunflower oil and meal). In April 2010, the Group raised a further US\$80 million through a secondary offering of new shares to partially finance its acquisitions.

In 2011, the Group doubled its farming activity by acquiring Ukrros, a company managing 100,000 hectares of prime farmland. In addition to its farming activity, the Ukrros acquisition added sugar factories with a total sugar production capacity of 250,000 tonnes per year. In August 2011, the Group entered the Russian market by acquiring Russian Oils. This acquisition further increased oilseed crushing capacity by 300,000 tonnes per year.

In 2012, the Group entered into a 50-50 joint venture with Renaisco BV, a subsidiary of Glencore International plc, to acquire a 100% interest in a 3 million-tonne deep-water grain export terminal in Taman port, Russia. One of the largest deep-water grain export terminals on Russia's Black Sea coast, it is strategically located in close proximity to southern Russia's main grain producing region. The Group also acquired the Black Sea Industries crushing plant in Chornomorsk (formerly Illichivsk), adding a further 270,000 tonnes of crushing capacity. The Group financed this acquisition by raising US\$140 million through a further secondary offering of new shares completed in March 2011. The Group further expanded its farming operations by acquiring farmland in the Poltava and Khmelnytsk regions in Ukraine. From FY2010-FY2012, the Group had experienced slight slowing in its grain exports, with 2.2 million tonnes, 2.1 million tonnes and 1.8 million tonnes exported in FY2010, FY2011 and FY2012, respectively. Following the entry into the joint venture with Renaisco BV, which provided the Group with additional throughput capacity and entry into the Russian grain export market, the Group increased its grain exports to 3 million tonnes in FY2013, of which 112 thousand tonnes originated in Russia. In July 2012, the Group acquired Enselco, a farming company managing 29,300 hectares in the Khmelnytsk region of Ukraine.

In 2013, the Group acquired Druzhba-Nova, a leading farming company with highly concentrated land in the southern districts of the Chernihiv and Sumy regions and northern parts of the Poltava region in Ukraine. A modern and well-equipped enterprise, Druzhba-Nova added high-performing and technologically advanced farming operations. Following the acquisition and several divestitures of non-core locations, the Group's farming land under management reached approximately 385,000 hectares. The Group also divested two major sugar plants in Ukraine (acquired with Ukrros in 2011), following a strategic decision to exit the volatile and local-currency exposed sugar business.

In 2014, the Group's exports exceeded 4 million tonnes of grains for the first time. The Group commissioned a further 200,000 tonnes of greenfield silo storage capacity in different regions of Ukraine, bringing the total greenfield storage capacity commissioned in the previous 3 years to 650,000 tonnes. The Group divested the Nevinnomyssk crushing plant located in Russia, with crushing capacity of 100,000 tonnes per year.

In 2015, implementing a strategy adopted in 2014, the Group deleveraged its balance sheet and paid its first ever dividend (US\$19.9 million) based on its FY2014 results.

In 2016, the Group acquired, by way of enforcement over certain fixed assets, an oilseed crushing plant for US\$96 million. Commissioned in 2012, the advanced facility has crushing capacity of 560,000 tonnes of sunflower seed per year and is located in the Kirovohrad region of Ukraine. The Group acquired Ellada (vegetable oil processing company) from Creative, an agricultural group in exchange of taking over a loan of approximately US\$97 million owed by Creative to Ukgazbank. The Group also divested its two remaining idle crushing facilities in southern Russia (the Ust-Labinsk and Georgievsk plants) with total capacity of 200,000 tonnes of sunflower seed per year for approximately US\$12 million. In addition, the Group divested its remaining Palmira sugar plant to complete its exit from this sector. The Group also sold its interest in the edible oil part of an oil transshipment terminal, contracted to dispose of Mykolaiv crushing plant, and entered into an option arrangement to dispose of the remaining dry cargo part at oil transshipment terminal.

In January 2017 the Group issued the 2022 Notes and later in the summer of 2017 acquired for US\$155 million the Ukrainian Agrarian Investments group of companies, which managed one of the largest prime quality farmland banks in Ukraine (comprising more than 190 thousand hectares) located in close proximity to the Group's existing operations as well as approximately 200 thousand tonnes of grain storage capacity. The Group also acquired Agro-Invest Ukraine Group in 2017, which is a Ukrainian subsidiary of Serbian-based agroholding MK Group for a consideration of US\$47.2 million. The acquisition increased the Group's total leasehold farmland by 27 thousand hectares and added over 170 thousand tonnes to its silo storage capacity.

In 2018, the Group completed the divestment of a small crushing plant in Mykolaiv, and also disposed of several distant land blocks to optimise logistical costs, resulting in the total amount of land under the management of the Group as at the end of the year being 550,000 hectares. The Group also purchased for US\$25 million 500 brand-new grain railcars to transport grain from silos to export terminals. In December 2018, the Group secured US\$250 million in project financing from the EIB for the construction of various projects, including cogeneration power plants at its crushing facilities, a new oilseed processing plant in western Ukraine, inland grain storage facilities and a grain handling and storage terminal located in the port of Chornomorsk.

In February 2019, the Group secured project financing arranged by the EBRD. The financing of up to US\$56 million comprises an EBRD loan of US\$48 million and a US\$8 million loan from the CTF, with both loans having an eight-year term. The Group utilised this financing to upgrade its existing oilseed processing plants in the Poltava, Odesa, Mykolaiv and Kharkiv regions of Ukraine with biomass cogeneration power plants.

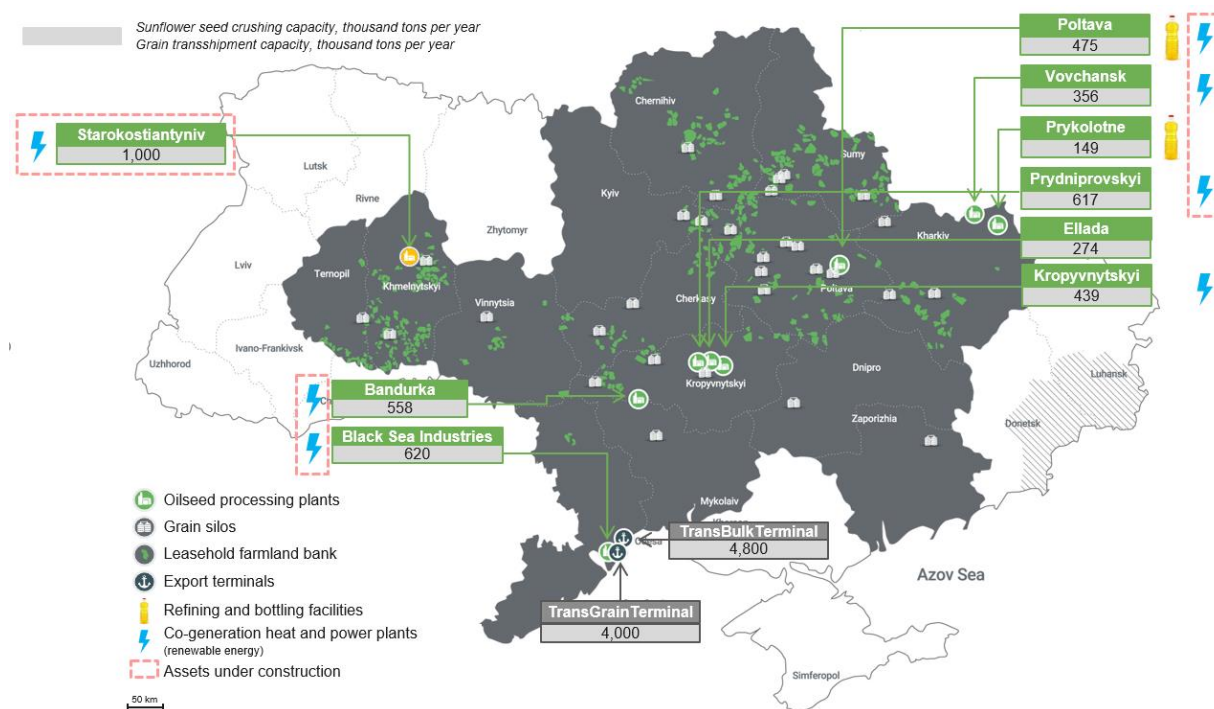
In February 2019, the Group acquired RTK-Ukraine for a total consideration of US\$65 million (of which US\$49 million was paid at completion of the transaction, with the remainder payable upon satisfaction of certain conditions), which operated the second largest grain hopper wagon fleet in Ukraine of 2,949 grain railcars. The Group also acquired a 5.85% interest in ViOil Holding Ltd., which operates two oilseed crushing plants with an annual processing capacity of 1.1 million tonnes of sunflower seeds, and a network of silos in western Ukraine. In addition, the Group continued its divestments of small inefficient silos in 2019, launched pre-commissioning activities (grain intake and storage) at its new grain terminal in the port of Chornomorsk and began the construction of a new oilseed-processing plant in western Ukraine. As part of investments in green energy projects, the Group commissioned the first of its planned six cogeneration heat and power units, which was installed at Kropyvnytskyi plant. In October 2019, the Group issued the 2024 Notes.

In December 2019, the Group acquired the assets of the Ellada oilseed processing plant, which the Group operated under a tolling agreement since 2016.

In March 2020, the Group divested its 50% stake in the Taman Grain Terminal, and in the third quarter of 2020, the Group disposed of three silos located in the Mykolaiv and Poltava regions in order to optimise its business.

Geographic Presence

The Group's geographic presence is illustrated below.



Competitive strengths

The Group believes it has a number of key strengths that have contributed to its commercial success and which will be important to the implementation of its growth strategy.

Vertically integrated business model

The Group has a balanced exposure across the agricultural value chain, with its downstream sunflower oil and grain and infrastructure business lines complemented by its upstream farming business and supported by prudent risk management policies. This integration across the value chain allows the Group to profit from each stage of the process and effectively control all the operations. It further enables the Group to manage costs, from the point of origination until the commodity is exported at its terminal, and has also reduced dependence on third party service providers.

The upstream farming business is able to benefit from strong commodity prices, but is also susceptible to any downward price cycles and weather shocks in Ukraine.

The margin-driven downstream businesses are less dependent on the price volatility in international soft commodities but rather on the commodity supply / demand dynamics in the target markets. The Group generally follows a “balanced book” policy for grain and sunflower oil exports, whereby it typically agrees to buy

sunflower seeds and grains from farmers but then pre-sells corresponding volumes of sunflower oil meal and grains through forward contracts on a similar time frame, allowing it to effectively lock in the margin when the raw materials are purchased. Concurrently the Group's subsidiary Avere, takes commodity positions within certain pre-determined risk limits.

The management believes that the Group's high level of vertical integration, full control over the value chain and size of its business allow substantial cost advantages over smaller competitors and effectively scale the business model. For example, during a span of one year, the Group successfully integrated a farmland bank obtained following the acquisition of the Ukrainian Agrarian Investments and Agri Invest Ukraine, reaching the same level of productivity in FY2019 as on Group's initial land bank.

Integrated and well-invested world-class asset base

The Group is the largest crop producer in Ukraine (based on the Group's analysis and according to the State Statistics Service of Ukraine and Latifundist.com), with approximately 514 thousand hectares of leasehold farmland under its management. The Group owns the largest private inland silo network in Ukraine (according to Elevatorist.com) with 2.4 million tonnes of storage capacity, which provides it with a unique geographical footprint to source soft commodities from local producers.

The Group is the largest oilseed crusher in Ukraine (according to the Ukrainian Research Institute of Vegetable Oils and Fats of the National Academy of Agricultural Sciences of Ukraine) with an annual capacity to process 3.5 million tonnes of sunflower seeds, surpassing its nearest competitor by more than twofold. According to estimates of the Group's management, the Group is the largest global producer of sunflower oil.

The Group is also the largest private owner and operator of grain railcars in Ukraine (according to Ukrainian Railways), with a fleet of approximately 3.4 thousand railcars. The Group has an annual deep-water transshipment capacity in Ukraine of 8.8 million tonnes, which provides it with a cost-effective gateway to international markets.

Strategically located assets with proximity to export infrastructure

The Group's diversified asset base of strategically located farmland, silo network, crushing facilities, grain railcars and export terminals provide unrestricted access to export routes.

The Group's farmland is located across two different climatic zones, which assists in mitigating weather-related risks. The Group's own silos are located across 13 farming regions in Ukraine, providing farmers with a number of attractive locations to deposit their crops, reducing long travel distances. The Group's eight oilseed processing facilities are located in the sunflower belt across Ukraine, which provides a short and efficient transportation link between crop producers and crushing plants.

Both TBT and the new TGT, the Group's transshipment terminals, are located on the Black Sea, with developed in-land infrastructure for inbound deliveries.

Cost leadership backed by scale economies and an efficient asset base

The Group's origination operations are spread across almost all farming regions in Ukraine, with access to leasehold farmlands as well as local farmers. The Group is the largest single buyer of soft commodities in Ukraine (based on the Group's analysis and Stark Research and according to the State Statistics Service of Ukraine), sourcing approximately 8.2 million tonnes of different grains and oilseeds from third-party farmers in FY2020 with plans to further increase this figure over the next two to three years. This enables it to access economies of scale through its infrastructure.

The Group's export terminals, TBT and TGT, are deep-water facilities capable of servicing over-Panamax-sized vessels with deadweight of up to 100,000 tonnes and have a maximum loading at berth of 71,500 tonnes and

63,193 tonnes for TBT and TGT, respectively. This servicing capability provides for cost-effective delivery to destination markets, with substantial cost-savings.

All of the major assets of the Group have been recently constructed or renovated, which should result in low ongoing operational and maintenance costs. The Group's assets are operated at utilisation levels above the regional average, allowing the Group to position itself as a cost-effective business in the market.

Financial outperformance backed by a healthy capital structure

The Group recorded a strong growth in revenue from US\$1,988.5 million in FY2016 to US\$4,106.8 million in FY2020 on the back of steady expansion in volumes across oilseeds and grains segments and the launch of Avere's physical trading activities. Sunflower oil sales volumes have grown at a 9% CAGR, from 1.1 million tonnes in FY2016 to 1.5 million tonnes in FY2020. Grains export volumes from Ukraine recorded a 25% CAGR, from 3.2 million tonnes in FY2016 to 7.9 million tonnes in FY2020, with export terminals throughput rising from 3.7 million tonnes in FY2016 to 6.7 million tonnes in FY2020. Production of oilseeds and grains by the farming segment expanded from 1.9 million tonnes in FY2016 to 3.1 million tonnes in FY2020.

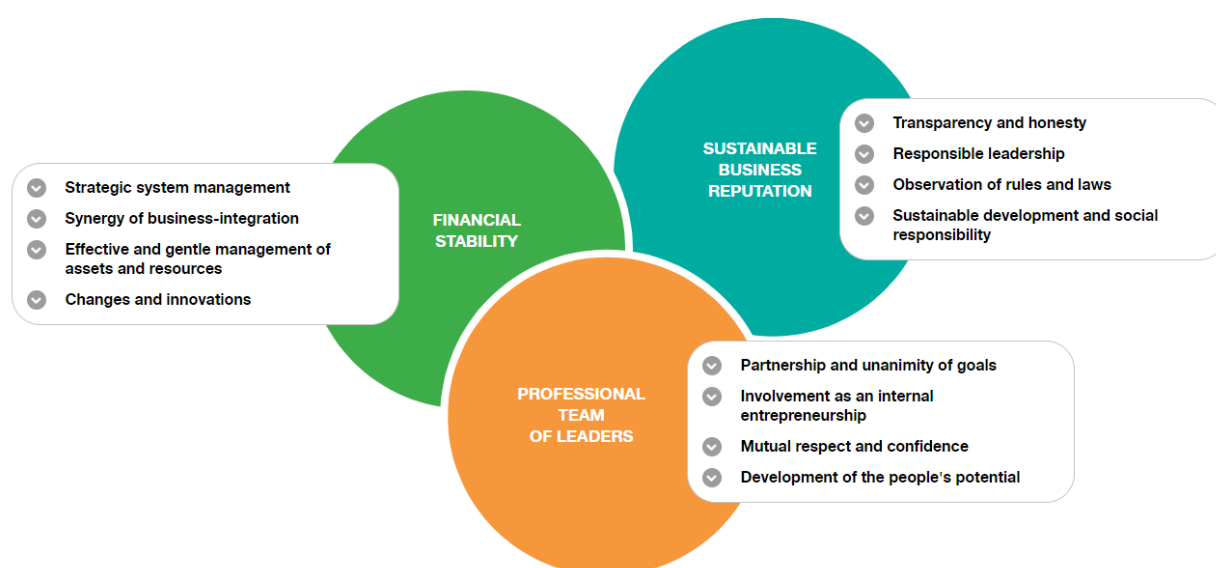
Despite adverse commodity pricing trends in the recent years, the Group's Adjusted EBITDA margin has stabilised at 10.8% in FY2020, from 17.5% recorded during the commodity upcycle in FY2016.

The Group remains one of the few regional corporates which has not had to restructure its debt.

The Group's credit track record has enabled unhindered access to international debt markets in the last 10 years to finance working capital and capital expenditure requirements, such that even in the challenging economic environment in Ukraine, the Group has been able to rely on pre-export facilities to finance up to 35% of its working capital requirements during peak periods.

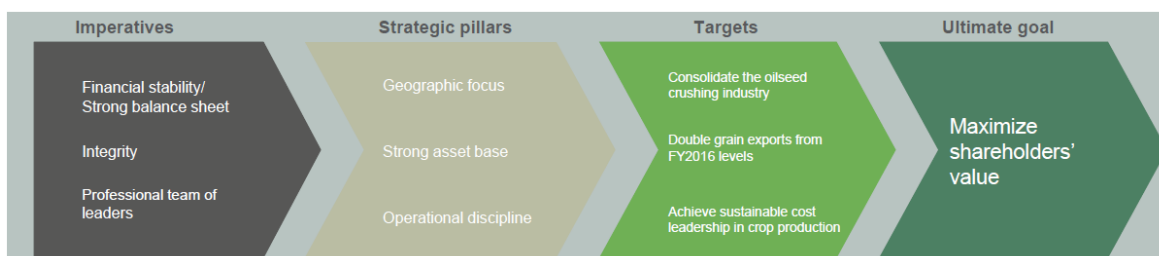
Highly dedicated, blue-chip leadership team

The Group benefits from the visionary leadership of Chairman Andrii Verevskyi who also indirectly holds 39% ownership in the Issuer. Under his oversight, a professional senior management has worked effectively together for long period of time. The management team has complementary backgrounds and experiences, transforming the Group into an undisputed market leader in each of its three main business segments. A substantial part of the team's compensation is linked to the long-term financial performance and stability, aligning management's interests with those of the Group's shareholders and other stakeholders. The key management guidelines are outlined as below:



Strategy

The Group has adopted a strategy which has a series of long-term aims, extending out to 2021 (the “Strategy 2021”). In particular, the Group aims to profitably increase export volumes by providing unique complex solutions to its customers and suppliers, and through the balanced development of its business segments as a result of its efficient use of its asset base, investments in technology and innovation, strategic acquisitions, the continuous development of its employees and the strengthening of its operations.



Within the purview of this strategy, the key mid-term targets and key deliverables for each segment are:

Segment	Oilseeds processing	Grain and infrastructure	Farming
Mid-term targets	<ul style="list-style-type: none"> Construction of greenfield crushing plant with one million tonnes capacity in western Ukraine Substantial upgrade of most of the Group's processing plants to drive efficiency 	<ul style="list-style-type: none"> Double grain exports in FY2021 via greenfield construction of four-million-tonne deep-water transshipment facility in Ukraine Expand and streamline silo network to serve growing in-house production and export volumes 	<ul style="list-style-type: none"> Achieve sustainable low-cost crop production via investment in technology Smooth integration of recently acquired assets to lift operational efficiency and productivity levels to the highest standard
Key deliverables in FY2020	<ul style="list-style-type: none"> Substantially progressed on the construction of the Group's new processing plant in western Ukraine and co-generation heat and power units adjacent to the Group's crushing plants Acquired the Ellada oil-extraction plant, with a processing capacity of 274 thousand tonnes of 	<ul style="list-style-type: none"> Achieved its export target ahead of schedule by exporting 7.9 million tonnes of grain from Ukraine, representing 2.0x growth as compared to FY2016 Launched TGT's operations, the Group's new 4 million-tonne deep-water export terminal in the port of Chornomorsk, which contributed 1 million tonnes of grain throughput volumes to the Group's transshipment volumes in FY2020 	<ul style="list-style-type: none"> Increased the Group's labour productivity to record levels Streamlined crop production mix with more focus on corn and sunflower (including high-oleic) Achieved record sunflower and wheat crop yields

sunflower seeds per year	•	Further optimised the Group's silo network by divesting five silos
• Entered an exclusive tolling agreement with the Chuhuiv oil-extraction plant, which has the capacity to process 0.2 million tonnes of sunflower seeds per annum		

The major portion of investments are expected to be financed by debt from international financial institutions (the EIB and the EBRD), with US\$177.7 million already disbursed during FY2019 and FY2020.

The key pillars of the Group's Strategy 2021 are:

Geographic focus

The Group's belief is that the Black Sea region is one of the world's fastest growing suppliers of agricultural commodities to the international market. The Group aims to utilise its entrenched local footprint and experience to capitalise on this opportunity for growth.

Strong asset base

The Group aims to own assets across the food export supply chain, which will serve as the backbone for increasing exports of different agricultural commodities and for improving the quality of its earnings. As a part of Strategy 2021, the Group has undertaken various construction projects, including the construction of TGT (a US\$137 million investment in a new grain export terminal in the port of Chornomorsk with annual throughput capacity of 4 million tonnes), a US\$180 million investment in a greenfield oil-extraction plant in western Ukraine with annual capacity to process 1 million tonnes of sunflower seeds, which will be the largest such plant in Ukraine and a US\$169 million investment in cogeneration heat and power units that will be installed at the Group's crushing plants.

Operational discipline

The Group's "balanced book" policy of selling agricultural commodities through forward contracts at almost the same time it buys them from farmers, which enables it to lock in the margin, ensures the Group's exposure to commodity price volatility is reduced. At the same time, the Group's Farming segment has a direct exposure to commodity price volatility, which is typical for an upstream business. The Group also monitors and seeks to minimise counterparty risk, by dealing with reputable and recognised global commodity traders.

The key growth elements of Strategy 2021 are explicitly defined, and the Group plans to maintain a healthy capital structure as part of executing Strategy 2021.

The key targets of the Group's Strategy 2021 are to:

Consolidate the oilseed crushing industry in Ukraine

The Group believes that the recent decline in crushing margins is a strong catalyst for the crushing industry's consolidation. With an 22% market share in sunflower oil production in Ukraine, the Group has a significant industry presence and is well-positioned to be a driver of this process. For example, in 2019, the Group acquired a 5.85% interest in ViOil Holding Ltd., a holding entity controlling two multiseed oil-extraction plants with an

annual crushing capacity of 1.1 million tonnes of sunflower seeds and a network of silos in western Ukraine. Further, in 2019, the Group acquired the assets of the Ellada plant which it previously operated under the tolling agreement. The Group considers these acquisitions as important steps towards the future consolidation of the crushing industry sector, in which the Group expects to play a leading role.

In 2017, the Group announced its intention to construct the largest multi-seed processing plant in Ukraine, near Starokostiantyniv in the Khmelnytskyi region. The Group expects the plant to have an installed processing capacity of 1 million tonnes of sunflower seeds per year. The commissioning of the plant is scheduled for the end of 2021 with substantial progress on the construction.

In order to achieve margin advantage over other oilseed processors in Ukraine, the Group initiated a US\$169 million investment project to install cogeneration heat and power units on six of the Group's oilseed processing plants. The cogeneration units will operate by burning sunflower husk, a biomass by-product in the sunflower seed crushing process, which will produce heat that the Group will use in-house for production purposes and energy that will be sold to the national grid at feed-in tariffs. Once completed, the Group is expected to become the largest producer of "green" energy from biomass in Ukraine, with 94 megawatt ("MW") in power generation capacity (including a 22MW cogeneration heat and power unit installed at the Starokostiantyniv oilseed processing plant). In addition, the Group's management expects this project, once completed, to provide a significant contribution the Group's EBITDA. See also *"Risks Relating to the Group—Changes in legislation may reduce the feed-in tariff for "green" electricity, which could adversely affect the Group's business, financial condition and results of operations"*.

Significantly increase grain exports from the Black Sea region

One of the key objectives of Strategy 2021 is to double the Group's grain export volumes from Ukraine from the levels achieved in FY2016 by FY2021. The Group expects to meet this target with the following ongoing projects and investments:

- *Launch of TGT:* The Group has launched TGT's operations, a new grain export terminal in the port of Chornomorsk, which is in close proximity to TBT, another of the Group's transshipment terminals. The new facility increased the Group's grain transshipment capacity by 4 million tonnes per annum, thereby removing the Group's existing bottleneck in port infrastructure in Ukraine. The first stage of the project, which included grain railcar intake capacities and storage capacities, was completed in FY2019 and grain transshipment operations commenced in FY2020.
- *Investments in grain railcars fleet:* In 2018 the Group purchased 500 new grain railcars for US\$25 million, and in February 2019 the Group added 2,949 grain railcars by acquiring RTK-Ukraine for a total consideration of US\$65 million. The Group uses railcars to deliver grain from silos and meal from plants to export terminals. These investments are of strategic importance, as they improve control over the value chain and protect the Group from rising logistical costs, while providing attractive returns.
- *Construction and debottlenecking of the Group's silo network:* The Group invested in the construction of two new silos as well as the improvement of productivity of two other silos. The Group expects these investments to improve the Group's origination and logistics capabilities in anticipation of doubling the Group's grain export volumes from Ukraine.
- *Launch of the open agribusiness ("Open Agribusiness") project:* Open Agribusiness is aimed at securing the grain and oilseeds supplies from third-party farmers by providing farmers with various tailored solutions, including among other things, access to the Group's crop production technology, including agrochemical laboratories, precision farming practices, satellite and GPS-monitoring, research results from the Group's research and development centre, weather stations and real time kinematics stations, solutions through the #DigitalAgriBusiness platform, working capital financing and high-quality grain

infrastructure services. The Group enters into forward sale contracts with farmers participating in Open Agribusiness, which provide partial prepayments for grain and oilseeds.

- *Expansion of the Group's own farming business:* The Group's expansion of its own farming business was completed in 2017.

In FY2019 and FY2020, the Group observed substantial progress in achieving the target set out in Strategy FY2021, as during this period, the Group became the largest grain exporter from Ukraine (based on Stark Research) for the first time in its history, exporting 7.9 million tonnes of grain in FY2020, a 105% growth as compared to FY2018, and outperforming numerous international and local competitors.

Achieve sustainable cost leadership in crop production

During the last six years, the Group has reshaped its approach to crop production by applying innovative measures to almost all of its farming processes. To that end, the Group has been moving away from the uniform application of seeds, fertilisers and other inputs suppressing operational efficiency, in favour of precision farming. Considerable progress has been achieved over the last six years in developing the Group's precision farming capabilities, including:

- *Automatic steering systems:* 544 units of the Group's machinery are equipped with automated steering systems, which use global positioning systems ("GPS") and the Group's own network of real-time kinematic stations to navigate and course-correct throughout crops with accuracy of up to two-centimetres in the field.
- *Remote monitoring:* The Group remotely monitors the placement of seeds and application of fertilisers and chemicals on 409 units of machinery.
- *Use of variable rate fertiliser application ("VRA"):* The Group's widespread application of VRA on up to 200 thousand hectares of its land allows the Group to distribute nutrients across fields in an efficient manner, following agrochemical analysis and careful mapping of fields using machinery with appropriate soil sensors (342 machinery units).
- *Automatic section control:* The Group employs over 177 sowing machines, which apply automatic section control to reduce inputs by ensuring neither the application of fertiliser nor seed is duplicated on any particular area of land.

The Group also launched a system of extensive field monitoring in order to identify problems and immediately react, forecast yields, and complete a post-factum analysis of field operations. In addition, the Group utilises satellite imagery, with each of its fields monitored every three to five days, to create a spectrum analysis and measure the vegetation progress. All of the Group's fields are examined by drones between one to two times per year, identifying any problematic zones as well as the spread of plant pests and diseases with the help of hyperspectral sensors. Further, the Group also tests the latest technologies to identify deficits of macro- and micronutrients using photos taken by drones, and the Group's agronomists document field inspections with smartphone applications. The Group also captures weather data using 49 real-time stationary weather stations, which have been installed since FY2012 and were reorganised in FY2018, and uses best-in-class laboratory soil analysis of 150 to 180 thousand hectares annually to cover each field once every three years. All of the Group's agricultural data is stored in a specialised software which provides monitoring and benchmarking features.

The Group's production experience has allowed it to accumulate a large amount of data, with the help of which the Group plans to increase its business effectiveness (down to each separate field) by automating various processes. Within its #DigitalAgriBusiness project, the Group is combining field history over the past six years, climate and soil conditions, market and agronomic inputs and agro-meteorology, biochemistry and biophysics rules with artificial intelligence solutions, machine learning and advanced analytics to analyse the data for trends

and create a single system helping the Group to make more intelligent and calculated decisions. In addition, in FY2019, the Group launched a crop sowing campaign, allowing the Group to more precisely plan and utilise available resources. The Group's algorithms compute the amounts of seeds, fertilisers, crop protection agents, and other resources required for spring and autumn fieldworks. The Group's management believes the Group will have the first global complex intellectual large-scale farming management system.

The Group is also progressing on digitalising its supportive systems. Using GPS and numerous other sensors, the Group monitors and remotely controls over seven thousand units of equipment during fieldworks and transportation, controlling the routes, fuel, fertilisers and chemicals consumption, as well as other indicators. Since FY2015, hundreds of online webcams have allowed the Group to control all of its warehouses, fuel stations, weighing equipment and other key infrastructure objects, reducing the possibility of theft and fraud. The Group monitors all of its logistics processes, "warehouse-field" and "field-silo" through a specialised software, allowing it to optimise logistics. A large majority of Group's procurements are attained through centralised e-tenders, thereby enhancing competition among suppliers which further translates into additional savings for the Group.

The Group believes it is at a material advantage in applying innovation as compared to other crop producers in Ukraine, and moreover, the Group aims to become the most efficient large scale global agri-producer. The Group believes its #DigitalAgriBusiness project is a key to achieving that end.

Impact of COVID-19

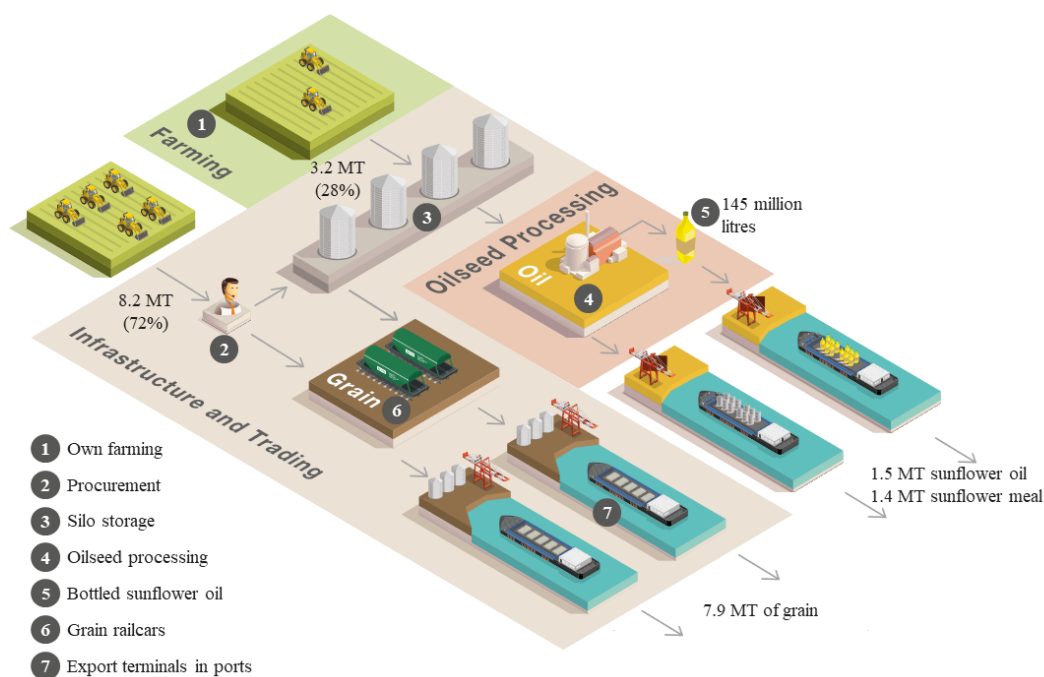
In December 2019, the emergence of COVID-19 was reported in Wuhan, Hubei Province, China. COVID-19 has subsequently spread throughout the world, including to Ukraine. On 11 March 2020, the WHO declared COVID-19 a global pandemic. In response, Ukraine implemented nationwide Quarantine Measures, which placed restrictions on movement and economic activity similar to those taken in many other countries, such as imposing self-quarantine, instituting curfews, suspending non-essential businesses, banning public gatherings and closing down schools and universities, among others.

Although COVID-19 has adversely impacted certain sectors in Ukraine, including tourism, transportation, hospitality, recreation, manufacturing and export-oriented sectors, the Group has not experienced any major disruptions to its operations from COVID-19 and the resulting Quarantine Measures introduced in Ukraine and the countries where the Group exports its products. Specifically, the Group's production has been operating at its usual pace with grain and sunflower oil logistics as well as the supply chain not having experienced any major disruptions. Further, the spring crop sowing campaign in the Group's Farming business was completed without any complications resulting from COVID-19. The Group expects that COVID-19 will cause a minimal delay to its operations, of approximately six months, in the execution of its capital expenditure programme, namely the commissioning of green energy projects and a new oilseed processing plant, due to various ongoing COVID-19-related business restrictions, including the inability of the Group's contractors to deliver equipment in time to launch the pre-commissioning phases of the projects.

The Group has also provided financial support of approximately US\$5 million to hospitals in the regions where it operates to assist local hospitals with the procurement of the necessary medical equipment, personal protection equipment, disinfectants and medicine.

Description of the Group's operations

The Group's three segments and businesses within each of the segments are depicted in the graphic below.



Note:

Quantities and percentages are for FY2020.

Origination and Processing of Raw Materials

Origination of Raw Materials

The Group's operations begin with the origination of oilseed and grain from more than 6,000 farmers, suppliers and regional traders active throughout the oilseed and grain belt of Ukraine. The origination team works closely with the Group's silo services segment, which provides intake, cleaning, drying, storage and off-loading services for oilseeds and grains once procured.

The Group sourced 5.1 million tonnes of grain and 3.0 million tonnes of sunflower seed from third parties in FY2020.

Ukraine is one of the largest exporters of grain in the world (producing almost four times its domestic requirements in FY2020) and the largest producer of sunflower seed in the world (according to the USDA). According to the USDA, out of the 16.5 million tonnes of sunflower seed produced in Ukraine in the 2019/2020 marketing season, 16.4 million tonnes were crushed to produce 7.1 million tonnes of sunflower oil and 6.8 million tonnes of sunflower meal, of which 6.5 million tonnes and 5.2 million tonnes were exported, respectively. Given Ukraine's considerable domestic production, the Group does not currently import oilseed or grain and has no plans to do so in the future.

Procurement of Oilseed

Oilseed is the primary input in the production of bulk and bottled sunflower oil and is generally harvested from August to October. The main factors in a farmer's decision to sell his oilseed crop are price, proximity to the selling point (either of a silo, processing plant or transport terminal), ability to secure transportation to the selling point (given complicated railway logistics for last several years), counterparty reliability and speed of payment. Ukrainian farmers seek to minimise transportation costs, which are a significant portion of the farmer's overall costs, by selling as close to their fields as possible. Immediately after the harvest, farmers typically place their crops into a silo for storage and then decide to sell in the future based on market prices or

their liquidity requirements. The Group's 31 inland silos, which offer points of storage and sale throughout Ukraine, serve to attract oilseed farmers whose fields are located nearby.

In FY2020, the Group's origination team sourced 87% of the Group's sunflower seed processing volumes from third party suppliers and 13% from its own farming operations.

Once purchased, and following a period during which the oilseeds are stored in silos, oilseed is generally transported to the Group's processing plants by truck.

Procurement of Grain

Grain drives revenue in the grain and the export terminal business lines, and is typically harvested from June to December. Grain is purchased, transported and exported by the Group from ports on the Black Sea. The primary determinant of where a farmer deposits grain is the location of silos. While the Group's silos network is extensive across several key farming regions, the Group's competitors also have silos in similar regions.

Once a farmer has stored grain in one of the Group's silos, they have a choice to sell to the Group or to another third party. If the farmer decides to sell to a third party, the farmer may either request to reissue its warehouse document in the name of the third party or transport the grain to the third party, in which case the farmer may have to bear additional transport costs and typically will have to deliver it within a certain timeframe. Since the farmer does not control access to the grain elevators, the farmer may find it difficult to meet the given deadlines, particularly given the complications for small inefficient silos to secure supply of grain railcars to transport grain in recent seasons. In contrast, if the Group purchases the grain, the farmer can sell its crops without additional transport and logistical costs or uncertainty as to access.

In FY2020, the Group's origination team sourced 65% of total grain export volumes from third party suppliers and 35% of grain from its own farming segment.

From the inland silos, grain is loaded on railcars and is sold mainly via ports in the Black Sea and partly at inland cross-border points.

Purchase of Oilseed and Grain

The procurement levels of oilseed or grain are closely linked to the Group's sales of the relevant end products. In the case of oilseed, the Group's strategy relies on bearing only limited price risk in the purchase of oilseed and the subsequent sale of oilseed products. By entering into contracts for the sale of sunflower oil products for delivery at a future date and then immediately procuring oilseed at the global commodity price less a margin and processing and logistical costs, the Group's exposure to fluctuations in commodity prices is limited to a three-month period but still exist in the longer-term. Similarly, the Group bears no harvest risk with individual farmers since it does not purchase oilseed until it is in silos or sent directly the oilseed plant. Likewise, in the case of grain, the Group will enter into forward sales contracts for grain and then immediately undertake to purchase an amount of grain to fulfil the order, effectively locking in the margin.

The price at which the Group purchases raw materials from farmers is based on the international price at which the Group has agreed to sell the relevant end products less a margin for the Group and less logistics and processing costs. Given the fragmented nature of the market and the relatively small volumes in which many farmers operate, farmers are naturally price-takers and accept the industry pricing dynamics. At the same time, farmers may decide on the timing of sale, depending on their view of future price changes. Following the harvest, when there is a large quantity of grain and oilseeds on the market, grain traders and oilseed processors maintain negotiating leverage, however, closer to the end of the season, with less grain and oilseed available on the market, the negotiating leverage shifts to farmers. The profitability of margin-driven businesses such as sunflower oil and grain depends on: (i) global soft commodity prices, which determine the total profit to be shared between the farmers on the one hand and grain exporters and sunflower seed processors on the other, in

Ukraine; and (ii) the physical supply and demand at the regional source, which determines the proportion of the total profit attributable to farmers and proportion attributable to grain traders and oilseed processors. In FY2020, no single supplier accounted for more than 1.6% of the Group's raw material purchases. The loss of any particular supplier would have no material effect on the Group's activities.

Sunflower Seed Processing

The Group owns eight oilseed processing plants (Poltava, Vovchansk, Prykolotne, Kropyvnytskyi (formerly, Kirovogradoliya), Prydniprovskiy (near the Kropyvnytskyi plant), Ellada plant (adjacent to the Prydniprovskiy plant), Bandurka and Black Sea Industries). Two of the plants have crushing, refining and bottling operations and six have only crushing operations.

The Group's total crushing capacity is approximately 3.5 million tonnes of sunflower seeds per annum for an expected yield of approximately 1.5 million tonnes of crude sunflower oil per year.

The Kropyvnytskyi plant has a biomass cogeneration heat and power unit, utilising seed husk, which is used in-house for energy and production purposes, with the excess sold to the national grid at feed-in tariff.

In December 2018, the Group secured US\$250 million in project financing from the EIB for the construction of various projects, including cogeneration heat and power units at its crushing plants, a greenfield oilseed processing plant in western Ukraine, inland grain storage facilities and a grain export terminal located in the port of Chornomorsk.

In February 2019, the Group secured project financing arranged by the EBRD. The financing of up to US\$56 million comprises an EBRD loan of US\$48 million and a US\$8 million loan from the CTF, both having an eight-year term. The Group used this financing to upgrade its existing oilseed processing plants in the Poltava, Odesa, Mykolaiv and Kharkiv regions of Ukraine with biomass cogeneration power plants.

The following products are created through the Group's oilseed processing operations:

Crude oil – oil that is produced from the crushing of sunflower seeds, which is subsequently sold by the Group's bulk oil segment. Crude oil can be ordinary and high-oleic, which is produced from high-oleic seeds and is a more expensive, premium and rare product.

Refined oil – crude oil that has gone through refining operations to remove colour and smell, most of which is sold by the Group's bottled oil segment with a small portion of refined oil sold in bulk.

Bottled oil – a major part of the refined oil is further bottled into different size plastic containers and sold both domestically and internationally under the Group's own established brands or under third-party private labels.

Meal – a solid by-product of the crushing process that has a residual oil content of less than 1%, which is sold in pelletised form as a component for animal feed.

Pelletised hull – a solid by-product of the crushing process that is used as fuel for steam production, mostly retained by the Group for use in its plants.

Electrical power – "green" energy produced from burning seed husk, which is a biomass-type by-product of the sunflower seed crushing process. The excess energy is sold to the national grid at feed-in tariff.

The Group uses high quality processing equipment from such companies as De Smet, Europa Crown, Alfa Laval and others.

One tonne of sunflower seed yields, on average, 440kg of sunflower oil, 390kg of sunflower meal and 160kg of sunflower seed husk. The Group's total sunflower crushing was 3.5 million tonnes in FY2020, compared to 3.2 million tonnes in FY2019.

The following table shows the Group's oilseed crushing, oil production and crude oil export for the last three years and the Group's crushing capacity by plant.

	For the year ended 30 June ⁽¹⁾			
	2018	2019	2020	Annual ⁽²⁾ capacity
	(tonnes)			
Plant name				
Poltava.....	451,528	466,641	494,826	475,200
Prykolotne	114,728	109,397	112,421	148,500
Vovchansk	287,839	277,953	351,351	356,400
Bandurka	554,765	561,727	570,527	557,700
Black Sea Industries (Chornomorsk) ...	548,703	564,559	610,963	620,400
Kropyvnytskyi.....	413,795	401,145	435,106	438,900
Prydniprovskyi	548,165	553,687	624,006	617,100
Ellada ⁽³⁾	218,974	228,417	237,177	273,900
Total crushing production	3,138,496	3,163,524	3,436,377	3,468,300
Crude oil produced (tonnes).....	1,379,628	1,399,364	1,551,440	1,526,052
Crude oil exported (tonnes).....	1,273,551	1,476,242	1,517,813	

Notes:

- (1) Amounts may be greater than stated capacity as a result of running plants for periods longer than in a normal year.
- (2) Capacity stated as at 30 June 2020.
- (3) Prior to December 2019, the Ellada plant operated under a tolling agreement.

Poltava plant (crushing, refining and bottling)

The Poltava plant is located in Poltava, Ukraine. It was built in 1944 and the crushing facility was extensively rebuilt in 1962. Following the acquisition of the plant by the Group, in 2004, the plant commissioned a new solvent extractor and in 2006, a new refinery line and bottling and packaging line were added. Under the Group's management, the plant's crushing capacity increased in two stages, initially from 145,000 tonnes per year to 260,000 tonnes per year and subsequently to 475,200 tonnes per year. Running at full capacity, the plant can produce up to 211,000 tonnes of crude sunflower oil and 182,000 tonnes of meal. Following refining line improvements, the plant can refine 80,000 tonnes of sunflower oil per year. It can bottle and package 70,840 tonnes of sunflower oil per year. The plant has been ISO 9001 certified since 2006, in addition to being certified under IFS, ISO 22000, GMP+B1, BSCI, FSSC 22000, ISCC EU, Kosher, Kosher + Passover, Halal, Badatz and certification allowing for export to Belarus, China and the United States (FDA registration). The plant's land plot is 7.6 hectares and is held under a lease agreement, pursuant to which the Group has certain pre-emptive rights. The plant is undergoing the installation of a cogeneration heat and power unit which will enable the production of electricity on-site.

Vovchansk plant (crushing)

The plant is located in Vovchansk, Kharkiv region in north-east Ukraine. The Vovchansk plant was built in 1949. In 2004, under Evrotek management, a new extractor was installed in the plant, increasing the plant's crushing capacity to 263,000 tonnes per year. Following the Group's acquisition of the plant, in the last quarter of FY2008 and the first quarter of FY2009, the plant underwent an extensive upgrade of its crushing operations and its crushing capacity increased from 260,000 to 356,400 tonnes per year. Running at full capacity, the plant can produce up to 156,816 tonnes of crude oil and 135,432 tonnes of meal. The plant has been ISO 9001 certified since 2004, in addition to being certified under ISO 22000, GMP+B1, Kosher, Halal and certification allowing for export to Belarus and China. The plant owns the land plot with the area of 12.5 hectares and leases 1.5 hectares under a long-term exclusive lease, pursuant to which the Group has certain pre-emptive rights. The plant is undergoing installation of a cogeneration heat and power unit which will enable the production of electricity on-site.

Prykolotne plant (crushing, refining and bottling)

The plant is located in Prykolotne, Kharkiv Oblast in north-east Ukraine. The plant was built in 1907 and its extraction facility was commissioned in 1987. In 2003, under Evrotek management, an oil refining line with advanced technology, as well as bottling and packaging line was added. The plant's crushing capacity is 148,500 tonnes of sunflower seeds per year. Running at full capacity, the plant can produce up to 65,340 tonnes of crude oil and 56,430 tonnes of meal per year. It can refine 82,500 tonnes of sunflower oil and bottle and package 79,471 tonnes of sunflower oil per year. Since the plant has more refining capacity than crude oil production capacity, depending on the demand for refined oil, the Prykolotne plant will occasionally be required to source crude oil from other producers including those outside the Group. The plant has been ISO 9001 certified since 2004, in addition to being certified under IFS, ISO 22000, GMP+B1, FSSC 22000, ISCC EU, Kosher, Badatz, Halal and certification allowing for export to Belarus, China and the United States (FDA registration). The Group owns the land plots associated with the plant for a total area of 16.6 hectares.

Kropyvnytskyi plant (crushing, former Kirovogradoliya plant)

The plant is located on the outskirts of the city of Kropyvnytskyi, Kirovohrad region in central Ukraine. Built in 1930, the plant was acquired as part of the Allseeds acquisition carried out in 2010. In 2004 and 2005, under the management of Allseeds, new oilseed processing equipment was purchased and installed. The plant operates a modern press and uses solvent extraction technology. In 2018, the Group installed hydration equipment, allowing the plant to produce phosphatide concentrate. This plant has a crushing capacity of 438,900 tonnes of sunflower seeds per year. Running at full capacity, the plant can produce up to 195,000 tonnes of crude oil and 168,000 tonnes of meal per year. The plant has been ISO 9001 certified since 2006, in addition to being certified under ISO 22000, GMP+B1, Kosher, Halal and certification allowing for export to Belarus, China and the United States (FDA registration). In FY2020, the plant completed the installation of a 7.5MW cogeneration heat and power unit to allow producing electricity on-site.

Bandurka plant (crushing)

The plant is located in Bandurka, Mykolaiv region, Ukraine. It is the first greenfield plant constructed by the Group. Built with modern press and solvent extraction technology, it was put into service in 2011. It is a multi-seed plant designed for processing not only sunflower seed, but also soybeans and rapeseed. This plant has a crushing capacity of 557,700 tonnes of sunflower seed per year. Running at full capacity, the plant can produce up to 245,388 tonnes of crude sunflower oil and 211,926 tonnes of meal per year. The Group leases 13.6 hectares under a long-term exclusive lease. The plant has been ISO 9001 certified since 2011, in addition to being certified under ISO 22000, GMP+B1, Kosher, Halal, ISCC EU, ISCC PLUS and certification allowing for export to China. The plant is undergoing installation of a cogeneration heat and power unit which will enable the production of electricity on-site from a sunflower husk biomass.

Black Sea Industries plant (crushing)

The plant (also known as the Chornomorsk plant) is located in Chornomorsk, Ukraine, near the Group's TBT, and began operations in April 2008. The Group completed the plant acquisition in 2012. This plant has a crushing capacity of 620,400 tonnes of sunflower seed per year. Running at full capacity, the plant's oil production capacity can yield up to 272,976 tonnes of crude sunflower oil and 235,752 tonnes of meal per year. Products produced at the Black Sea Industries plant are easily transported to the TBT via a 400 metre-long pipeline connecting the two facilities. The plant is ISO 9001 certified since 2009, in addition to being certified under ISO 22000, GMP+B1 and certification allowing for export to China. The plant is undergoing installation of a cogeneration heat and power unit which will enable the production of electricity on-site.

Prydniprovskiy plant (crushing)

The plant is located in Kropyvnytskyi, Ukraine, near to the Group's Kropyvnytskyi plant and adjacent to the Ellada plant. Commissioned in 2012, the advanced facility has a crushing capacity of 617,100 tonnes of sunflower seed per year. Running at full capacity, the plant's oil production capacity can yield up to 271,524 tonnes of crude sunflower oil and 234,498 tonnes of meal per year. The Group acquired the plant by way of enforcement over certain fixed assets secured under the Ukrgasbank Agreement. The plant is ISO 9001 certified since 2012, in addition to being certified under ISO 22000, GMP+B1, Kosher, Halal and certification allowing for export to Belarus, China and the United States (FDA registration). The plant is undergoing installation of a cogeneration heat and power unit which will enable the production of electricity on-site.

Ellada plant (crushing)

The plant is located in Kropyvnytskyi, Ukraine is adjacent to the Prydniprovskiy plant. In December 2019, the Group acquired the assets of the Ellada plant which it previously operated under the tolling agreement. The Ellada plant has a processing capacity of 274 thousand tonnes of sunflower seeds per year. The plant is being certified under ISO 22000, GMP+B1, Kosher, Halal and certification allowing for export to China and the United States (FDA registration).

End Products and Services

Following the origination and processing of raw materials, the Group derives revenue from its three business segments: Oilseed Processing, Infrastructure and Trading and Farming.

As described above, the Group typically originates oilseeds in a similar timeframe when receiving orders for sunflower oil sales. The Group has some flexibility in deciding as to whether it will produce bulk sunflower oil or bottled sunflower oil. Typically, bottled sunflower oil business generates incremental Adjusted EBITDA margins of approximately 4-5 percentage points over the Adjusted EBITDA margin for crude oil. Of the Group's US\$3,165 million in assets for FY2020, excluding US\$97 million of unallocated assets, 39% came from oilseed processing, 27% came from farming and 31% came from infrastructure and trading.

To promote its sales on the international market and receive first-hand information on the grain and oil markets, the Group has established Avere, of which 60% is owned by the Group and 40% is owned by Avere managing partners as of 30 September 2020. Avere has first-class expertise in soft commodity trading and since FY2019, has marketed almost all of the sunflower oil produced by the Group's plants.

Oilseed Processing segment

The following table shows the Oilseed Processing segment's sales volumes and Segment Adjusted EBITDA by volume sold for FY2018-FY2020.

	For the year ended 30 June		
	2018	2019	2020
Oilseed Processing segment			
Sunflower oil sales volume (<i>thousand tonnes</i>).....	1,413	1,619	1,518
Revenue (<i>US\$ millions</i>)	1,393	1,493	1,547
Revenue (<i>US\$ per tonne</i>)	986	922	1,019
Segment Adjusted EBITDA (<i>US\$ millions</i>)	76.7	109.0	151.8
Segment Adjusted EBITDA (<i>US\$ per tonne</i>).....	54	67	100
Segment Adjusted EBITDA margin (%)	5.5%	7.3%	9.8%

Segment Adjusted EBITDA is presented prior to certain unallocated G&A costs and net of discontinued operations from sugar and assets held for sale.

Bulk Sunflower Oil business line

In FY2020, the Group was the largest Ukrainian producer and exporter of bulk sunflower oil (based on Stark Research, and according to the State Statistics Service of Ukraine and the National Academy of Agricultural Sciences of Ukraine), which was sold mainly through Avere to its customers throughout Europe, the Middle East, India, China and North Africa. Total revenue from the edible oils sold in bulk, meal and cake was US\$2,209.2 million in FY2020, which contributed 53.8% to the Group's total revenue and included 1.5 million tonnes of bulk oil sales.

Bulk Sunflower Oil Products

Under the Group's bulk sunflower oil business line, it sells the following products: Bulk Crude Sunflower Oil, Bulk Refined Sunflower Oil, Sunflower Meal and Sunflower Seed Hulls.

Bulk Crude Sunflower Oil. The Group produces bulk crude oil, the majority of which is sold to global commodity traders. In FY2020, approximately 35% was sold to global commodity traders under cash against documents terms. Crude sunflower oil in bulk is a widely traded commodity with well-established quality specifications. Its prices generally follow global trends for sunflower oil. Generally, there are no types or quality grades of bulk sunflower oil. In FY2020, the Group sold 1,431 thousand tonnes of bulk crude oil, of which approximately 88% was exported.

Bulk Refined Sunflower Oil. While most of the Group's refined oil is bottled and sold domestically or internationally through its bottled sunflower oil segment, a small portion of its refined oil is sold in bulk and exported. Refined oil is primarily sold to end consumers. Refined oil products are typically sold at lower volumes and higher margins than crude oil products. In FY2020, the Group sold 22 thousand tonnes of bulk refined sunflower oil.

Sunflower Meal. Each of the Group's plants produce meal in addition to sunflower oil and in FY2020, the Group produced 1.3 million tonnes of meal. The value of meal is significantly lower than the value of sunflower oil, as it is typically sold as a component for animal feed. Prices for meal are generally correlated with grain prices and the Group exports most of its meal to the Netherlands, China and Belarus which account for more than half of the Group's meal exports.

Sunflower Seed Hulls. Sunflower seed hulls are another by-product produced by the Group during the sunflower seed crushing process. In FY2020 its production volume was approximately 623 thousand tonnes, out of which the Group pelletised and exported approximately 280 thousand tonnes, approximately 111

thousand tonnes of unpelletised husk was sold to third party persons in Ukraine, and approximately 235 thousand tonnes were burnt as a substitute for natural gas used in the crushing process.

Bulk Edible Oil Customers

In FY2020, the Group's largest customer, Etihad Food Industries, accounted for approximately 25% of its total edible oil in bulk export, with approximately 35% of the Group's bulk edible oil segment sales being made to major global commodity traders, and the remainder is sold to wholesalers and non-domestic processors. The Group's bulk sunflower oil customers include global commodity traders such as China Commercial Foreign Trade Corp, Cargill, Archer Daniels Midland, Bunge, Wilmar, Louis Dreyfus, Glencore and COFCO. The Group also sells sunflower meal to global traders such as C&D (USA) Inc., Natural Resources Trading Limited Hong Kong, Cefetra and COFCO.

In FY2020, the Group's five largest customers accounted for approximately 53% of bulk sunflower oil revenue. Although the Group derives a substantial portion of its revenues in the bulk oil segment from key customers, no single customer regularly accounts for substantially more than 25% of the Group's total revenue. However, the Group's three largest bulk oil customers in FY2020 were Etihad Food Industries (25%), Archer Daniels Midland (9%), and Sinopharm International Hongkong Ltd (7%), together accounting for 41% of bulk oil revenue. The Group's three largest customers in FY2019 were Etihad Food Industries (22%), COFCO (9%), and Archer Daniels Midland (8%), together accounting for 39% of bulk oil revenue. The Group's three largest customers in FY2018 were Cargill International (16%), Etihad Food Industries (12%), and COFCO (10%), together accounting for 38% of bulk oil revenue.

Management believes that due to the commoditised nature of the business, the Group would not be materially affected by the loss of one or more existing customers.

Bottled Sunflower Oil business line

The Group is the largest producer and vendor of bottled sunflower oil in Ukraine, with a market share in sales volumes of approximately 25% in FY2020 (according to Nielsen), serving customers in Ukraine and other countries, principally in Europe, the Middle East and Asia. In FY2020, the Group refined and bottled 145 million litres of sunflower oil, leading to revenue from the bottled sunflower oil sales of US\$133.0 million or 3.2% of the Group's total revenue.

The relative volume of bottled sunflower oil to be sold in any given year depends on prevailing market prices for both bottled sunflower oil and bulk sunflower oil. The Group has flexibility in determining its product mix between bulk and bottled sunflower oil with a view to maximising profits.

The Group has a seamless seed-to-bottle process at its Poltava and Prykolotne plants, which have fully integrated crushing, refining and bottling operations. After processing, the bottled sunflower oil is transported to the Poltava Logistic Centre, where distribution to customers is organised. Transport of the bottled sunflower oil products is outsourced to third parties.

Bottled Sunflower Oil Products

In FY2020 approximately 8%, or approximately 145 million litres, of the gross bulk sunflower oil produced by the Group was further refined, bottled and sold. The Group sells its bottled sunflower oil products under a variety of labels, with Shchedryi Dar, Stozhar and Chumak being the key brands, along with Kernel, Le Blanc and Premi brands.

Shchedryi Dar. This label is targeted at middle price point consumers. In FY2020, the average sale price to the Group's customers was the hryvnia equivalent of US\$0.96 and the average retail price was the hryvnia equivalent of US\$1.38 per litre, according to Nielsen.

Stozhar. This label is targeted at upper-middle price point consumers. In FY2020, the average sale price to the Group's customers was the hryvnia equivalent of US\$1.00 and the average retail price was the hryvnia equivalent of US\$1.38 per litre, according to Nielsen.

Chumak. This label is the Group's premium licensed brand and also its best-selling label, with significant market share of bottled oil sales in Ukraine. In FY2020, the average sale price to the Group's customers was the hryvnia equivalent of US\$1.03 and the average retail price was the hryvnia equivalent of US\$1.38 per litre, according to Nielsen.

In aggregate, these brands, all of which are sold through retail networks and to distributors, accounted for almost 55% of the Group's domestic bottled oil sales revenues in FY2020.

In addition to these brands, smaller amounts of bottled oil are sold under the labels Lubon'ka, Zolota and other private labels. Sales of these products account for approximately 2% of domestic bottled oil sales by volume in FY2020.

Bottled Sunflower Oil Customers

In FY2020, the Group sold approximately 38% of its bottled oil products in Ukraine with the remaining 62% exported out of Ukraine. The Group has increased its Asia region sales, bringing the share of Asia exports to 13% (as compared to 9% in FY2019). In Ukraine, the Group sells bottled sunflower oil to 18 nationwide retailers and 30 regional distributors, comprising 86% and 14% of sales, respectively. Recently, the Group has successfully grown export sales, with a 21% increase in FY2020 as compared to FY2019, and this expansion of international distribution channels is expected to continue. In the last three years, the Group has fulfilled a one-time contract to export sunflower oil to Egypt, exporting 13 million litres in FY2018.

The Group supplies the largest retail chains in Ukraine including ATB Market, Fozzy Group, LLC Ukrainian Retail, Metro C&C, Auchan Ukraine Hypermarket, Alians Market and Fudmerezha. The biggest regional distributors are Art-Trading, Grand DLK, LPK, Komora, Klass&K and Bakaleya, all of which have their own distribution infrastructure and a strong presence in their respective regions or urban areas. Some supermarket retailers buy both from the Group directly and through distributors depending on store location and supply logistics.

In FY2020, the three largest customers accounted for 32% of bottled sunflower oil revenue. The Group's three largest customers in FY2020 by sales were ATB Market (20%), Fozzy Group (6%) and Senegalese American (6%), together accounting for 32% of bottled oil revenue. The Group's three largest customers in FY2019 by sales were ATB Market (19%), Fozzy Group (10%), Olyan Trading (4%), together accounting for 32% of bottled oil revenue. The Group's three largest customers in FY2018 by sales were Fozzy Group (12%), International Transit S.a.l. (11%), and ATB Market (9%), together accounting for 33% of bottled oil revenue.

The Group has a single price policy for all distributors and retail chains. This is true regardless of customer's location and the shelf prices that the distributor or retail chain charges final consumers. The Group uses a deferred rebates policy to encourage customer compliance with certain key commercial terms and maintain an orderly market for sales of its products to end consumers. Customers which purchase significant volumes, comply with payment terms, provide priority shelf space to Group products and sell within the geographical limits of their distribution or contract area, are eligible for a rebate. Additionally, the Group offers rebates or incentives for marketing promotions by the retailer on bottled oil products from time to time.

The distributors and supermarket chains add similar mark-ups on bottled sunflower oil while the open air market and independent retail outlets add relatively higher mark-ups.

Infrastructure and Trading segment

The following table shows the Infrastructure and Trading segment's production volumes and Segment Adjusted EBITDA by volume for FY2018-FY2020.

	For the year ended 30 June		
	2018	2019	2020
Infrastructure and Trading segment			
Grain export volume (excluding Avere) (<i>thousand tonnes</i>)	3,848	6,094	7,902
Revenue.....	1,025	3,108	3,426
Segment Adjusted EBITDA ⁽¹⁾ (<i>US\$ millions</i>)	100.8	105.7	215.8
Segment Adjusted EBITDA ⁽²⁾ (<i>US\$ per tonne</i>).....	26	17	27
Segment Adjusted EBITDA margin (%)	9.8%	3.4%	6.3%

Notes:

- (1) This excludes volumes and earnings in respect of the Taman Grain Terminal joint venture, which are reported under the equity method of accounting. In March 2020, the Group divested its 50% stake in the Taman Grain Terminal.
- (2) For Infrastructure and Trading segment, the Group calculates Segment Adjusted EBITDA per tonne as the Segment Adjusted EBITDA divided by grain export volumes from Ukraine (excluding Avere) for the full financial year.

Segment Adjusted EBITDA is presented prior to certain unallocated G&A costs and net of discontinued operations from sugar and assets held for sale.

Grain export business line

The Group became the largest exporter of grain from Ukraine in FY2020 (according to Stark Research), and over the past three years, has exported approximately 12% of the total exported grain volume from Ukraine. The Group buys, stores, transports, and sells predominantly the following types of crops: wheat, barley, corn, peas, soybeans and rapeseed. The Group exported 7.9 million tonnes of grain in FY2020.

The Group's grain export business line is supported by its export terminals business line. In FY2020, 72% and 12% of the Group's grain product was exported through TBT and TGT, respectively. The remaining 16% was exported through third-party ports of Pivdennyi, Chornomorsk, Mykolaiv and Odesa, depending on business needs.

The following table shows the Group's exports by grain product in the last three years:

	FY2018		FY2019		FY2020	
	(tonnes)	(%)	(tonnes)	(%)	(tonnes)	(%)
Products						
Wheat.....	1,329,068	35%	1,563,347	26%	2,027,933	26%
Barley	211,822	6%	315,624	5%	289,208	4%
Corn.....	2,121,063	55%	4,109,560	67%	5,428,811	69%
Peas.....	35,385	1%	34,002	1%	43	0%
Soybeans.....	117,144	3%	49,604	1%	115,279	1%

	FY2018		FY2019		FY2020	
	(tonnes)	(%)	(tonnes)	(%)	(tonnes)	(%)
Rapeseed.....	35,385	1%	34,002	1%	40,474	1%
Others	129	0%	—	—	—	—
Total.....	3,847,760	100%	6,093,540	100%	7,901,748	100%

In the past three years, corn and wheat have typically accounted for nearly 93% of the Group's total grain exports from Ukraine. The Group's grain exports from Ukraine grew at a 25% CAGR from 3.2 million tonnes in FY2016 to 7.9 million tonnes in FY2020. Total grain exported from Ukraine amounted to 7.9 million, 6.1 million and 3.8 million tonnes in FY2020, FY2019 and FY2018, respectively.

The Group expects to increase the volumes of grain it originates following the launch of TGT's operations in FY2020 and as a result of continuing to execute Strategy 2021. The Group also expects to increase the volumes of sunflower seeds it originates after commissioning the Starokostiantyniv oil-extraction plant in western Ukraine. The continued modernisation of the farming industry in Ukraine and improving crop yields in the country are both expected to support the increase in the volumes of originated grain and oilseed.

Grain Customers

The Group's largest customers are global commodity trading firms, including, among others, Glencore, Olam, Cefetra, COFCO, Vanden Avenne, Posco and Cargill. The Group's main export destinations for grain are Asia, EU countries and countries on the southern and eastern coasts of the Mediterranean Sea. In FY2020, the Group's grain sales volumes by destination were as follows: Asia (44%); Europe (35%); the Middle East (16%); and Africa (5%). Top importers of the Group's grain products include China, the Netherlands, Indonesia, Spain, Egypt and South Korea.

In FY2020, the Group's ten largest customers accounted for 73% of grain sales volumes. The Group's three largest grain customers in FY2020 were Glencore Agriculture (14%), Olam International (10%), and Cefetra (10%), together accounting for 34% of grain sales volumes. The Group's three largest grain customers in FY2019 were Cefetra (18%), Cofco (12%), and Glencore (11%), together accounting for 42% of grain sales volumes. The Group's three largest grain customers in FY2018 were Cefetra (21%), Gavilon (12%), and Nidera (9%), together accounting for 42% of grain sales volumes.

The Group's grain products are sold on the international market on a forward contract basis, with price and volume agreed at the time of signing, for delivery during an agreed future period.

Silo Services business line

The Group owns and operates the largest private grain silo network in Ukraine (based on the Group's analysis and Elevatorist.com), consisting of 31 silos (excluding the port silo in Chornomorsk) providing 2.4 million tonnes of storage capacity. The silo services business line generates revenue almost entirely through intersegment sales. In FY2020, the silo services business generated external revenue of US\$5.0 million.

Although the silo services business line does not generate a significant portion of the Group's revenue, it is crucial to the Group's farming business and important for the Group's origination function. Located in key sunflower-growing regions of the country in proximity to farmers, and offering a variety of services including grain drying, cleaning, storage and offloading of grain and oilseed, the Group's storage facilities are attractive to farmers. Once grain or oilseed is stored in the Group's silos, the Group has significant leverage with the farmer and a logistical advantage in being able to purchase it, since a sale to the Group would eliminate the need and cost of the farmer to transport its grain to a third-party purchaser should the farmer opt not to request

reissuance of its warehouse document in the name of the third party. Accordingly, in FY2020 the Group bought 48% of the third-party grains and oilseed stored in its silos.

The Group is able to charge fees for several different services for grain and oilseeds at its silos: intake, cleaning, drying, storage and off-loading. In FY2020, the Group charged on average US\$0.6 per tonne for grain intake, US\$1.8 per tonne per month for grain storage, and US\$1.9 per tonne per cent for grain drying, and US\$0.7 per tonne per cent for grain cleaning.

From the inland silos, grain is then generally loaded on railcars with the majority exported via the Group's own port-terminals as well as, to a lesser extent, third party port-terminals on the Black Sea and the remainder exported at inland cross-border points. Most Group silos have direct access to the national railway network. Oilseed is generally transported by truck from inland silos to the Group's processing plants, most of which are strategically located in the vicinity of the Group's silo network.

Railcars business line

Following the purchase of 500 new grain railcars in 2018 and the acquisition in February 2019 of RTK-Ukraine, which maintains 2,949 grain railcars, the Group became the owner of the largest private fleet of grain hoppers in Ukraine (according to Ukrainian Railways). These investments are intended to protect the Group against rising logistical costs, and will allow for the efficient flow of grains from inland silos to ports as the Group's export volumes increase following the launch of TGT's operations in FY2020. By owning its railcars, although the Group saves on lease payments, it will nonetheless be required to pay for usage of traction and infrastructure, which is state owned. The Group's railcars transported almost 5.1 million tonnes of grain, oilseed and meal in FY2020.

Export Terminals business line

The Group's export terminals business line comprises TBT and TGT. The terminals handle the Group's grain exports and generates revenue almost entirely through intersegment sales. In FY2020, the Group's external revenue from transshipment services amounted to US\$5.1 million.

TBT

Located in the Black Sea port of Chornomorsk, Ukraine, TBT is a key gateway to international markets. In FY2020, it was one of the largest export grain terminals in Ukraine, with a maximum throughput under typical operating circumstances up to 4.8 million tonnes, constituting approximately 5% of total export terminal capacity in Ukraine (based on the Group's analysis and according to the Ports of Ukraine and the USPA). In FY2020, TBT handled approximately 72% of the Group's grain exports from Ukraine and 8% of the Group's bulk oil exports. As a strategic matter, the Group believes that ownership of TBT is an important advantage for sourcing and exporting grain.

TBT has a vast storage capacity, which allows it to manage hundreds of sizeable deliveries of incoming grain each day. TBT's 38 vertical bins, with up to 190,000 tonnes of grain storage capacity can handle delivery by train of up to 256 railcars or 17,000 tonnes of grain per day and by truck of up to 120 trucks per day or 3,000 tonnes of grain per day.

TBT's berth offers up to 12.3 metre draft, enabling grain to be loaded onto "post-Panamax" class vessels with deadweight up to 100,000 tonnes, including loading two Panamax-sized vessels in parallel, at approximately 55,000 tonnes of grain per vessel. The heaviest cargo loaded at the berth was 69,700 tonnes. TBT is one of only four Ukrainian grain transshipment terminals able to service Panamax-sized vessels. TBT operates an efficient railcar discharging system that affords it one of the highest grain discharging capacities among Ukrainian Black Sea grain terminals. TBT has a marshalling yard that can provide buffer storage in case of port congestion. Furthermore, TBT benefits from the exclusive use of two berths with 400 metres of frontage.

In FY2019, the Group utilised almost all of TBT's throughput capacity for its own trading operations. In order to ensure efficient use of the terminal by third party clients, the Group has a system in place by which clients request their monthly throughput volumes in advance, following which the Group seeks confirmation by the Ukrainian state railways of capacity for delivery to TBT from inland silos.

TGT

The Group is investing US\$137 million to construct TGT, a new grain export terminal in the port of Chornomorsk, which is located in close proximity to TBT. TGT's annual throughput capacity is 4 million tonnes. The first stage of the terminal, which comprises grain intake and storage capacities, was completed in FY2019 and grain transshipment operations commenced in FY2020. Additional investments into in-take capacity expansion are scheduled for FY2021. This new terminal, which increased the Group's grain transshipment capacity by 4 million tonnes per annum, to 8.8 million tonnes per annum, is an important element for the execution of the Group's Strategy 2021.

Avere business line

Avere is a research and knowledge platform founded in FY2018 and headquartered in Geneva, Switzerland, with representative offices in the United States and Singapore. As of 4 September 2020, the Group owned 60% Avere, with the remaining 40% owned by the managing partners of Avere. Avere employs a highly qualified research group and a professional team of approximately 30 specialists. It sells almost all sunflower oil produced by the Group's plants, purchasing sunflower oil from the Group at market prices (FOB on the Black Sea) and paying the Group a fee. Additionally, Avere helps with hedging the Group's growing export volumes and farming produce. In addition, Avere is involved in merchandising and the proprietary trading of grains, oilseeds and related products in key world markets.

Farming Segment

The Group's farming operations on approximately 514 thousand hectares currently produces wheat, corn, sunflower seeds, soybeans, peas and rapeseed. In FY2020, the farming segment produced 3.1 million tonnes of key crops and generated external revenue of US\$29.6 million and intersegment revenue of US\$574.4 million, for profit from operating activities of US\$71.2 million with respect to such external intersegment revenue.

In FY2020, approximately 94% of crops produced by the Group's farming operations and carry-over stocks from the previous season were sold to other Group segments for processing and/or export, flowing through Kernel's grain and infrastructure or sunflower oil segments and earning incremental profits. In FY2020, the Group's farming operations produced 3.2 million tonnes of key grain and oilseed that go through its other business divisions, while third party farmers supply the remaining approximately 8.2 million tonnes. Approximately 2% of produced crops and carry-over stocks were sold directly to third parties in FY2020, with the remaining supply used for internal farming needs as seeds and cattle feed or as a carry-over stock for FY2021.

The following table sets forth information about the Group's key crops for harvest seasons in 2017, 2018 and 2019, which correspond to the Group's FY2018, FY2019 and FY2020:

	FY2018	FY2019	FY2020
		<i>(in tonnes)</i>	
Products			
Wheat	709,458	508,428	569,219
Corn	1,357,247	2,208,153	1,974,993
Sunflower	311,070	425,883	472,913

	FY2018	FY2019	FY2020
		<i>(in tonnes)</i>	
Soybeans	114,760	108,085	61,312
Peas	38,104	22,403	24
Rapeseed	24,836	15,859	32,965
Others	60,762	15,445	21,661
Total.....	2,616,236	3,304,257	3,133,087

The Group produced 1,531 thousand, 1,710 thousand, 2,067 thousand, 2,717 thousand and 2,544 thousand tonnes of grains (corn and wheat) in FY2016, FY2017, FY2018, FY2019 and FY2020, respectively and produced 333 thousand, 409 thousand, 451 thousand 550 thousand and 567 thousand tonnes of oilseeds in FY2016, FY2017, FY2018, FY2019 and FY2020, respectively. Farming production and yield are highly dependent on climate conditions and revenue from the segment is dependent on global commodity prices for those crops. Accordingly, margins for the farming segment are less stable than those of other segments. The following table shows the Segment Adjusted EBITDA of the farming segment for FY2018-FY2020.

	For the year ended 30 June		
	2018	2019	2020
Revenue.....	470	602	604
Segment Adjusted EBITDA (<i>US\$ millions</i>) ⁽¹⁾	89	182	134
Segment Adjusted EBITDA margin (%)	18.9%	30.2%	22.2%

Note:

- (1) Segment Adjusted EBITDA is presented prior to certain unallocated G&A costs and net of discontinued operations from sugar and assets held for sale.

The Group has been developing its farming operations since 2002 by purchasing farming companies with blocks of farmland lease rights. The farms are located in the prime farming regions of Khmelnytsk, Vinnytsa, Cherkasy, Poltava, Kropyvnytskyi, Chernihiv, Sumy, Kharkiv, Ternopil, Kyiv and Odesa, and are leased from their owners, with an average lease term of approximately twelve years. The following table shows the farming segment's acreage harvested by crop for FY2016-FY2020, taken as a percentage of the total acreage (excluding rapeseed) in FY2020.

	For the year ended 30 June				
	2016	2017	2018	2019	2020
Corn.....	41%	36%	34%	42%	45%
Wheat.....	19%	21%	24%	19%	19%
Sunflower	16%	21%	22%	25%	27%
Soybean	17%	15%	11%	7%	5%
Other.....	7%	7%	8%	7%	2%

	For the year ended 30 June				
	2016	2017	2018	2019	2020
Segment Adjusted EBITDA (US\$ per hectare)	374	378	149	344	262

The Group's crops constituted approximately 28% of the total raw materials sourced by the Group in FY2020.

Competitors

Sunflower seed crushing/oil production

The competitive landscape for sunflower seed crushing and oil production is currently facing pricing pressure, driven largely by recent increases in crushing capacity, leading to increases in sunflower seed crop planting. At the beginning of 2020/21 season, total sunflower seed crushing capacity in Ukraine is estimated to be approximately 19.2 million tonnes (according to the Group's analysis), an increase of 1% as compared to the previous period), while the estimated 2020 sunflower production amount is estimated to be approximately 14.2 million tonnes, an increase of 6% as compared to the previous period). Increased misbalance between sunflower seed processing capacities and harvested volumes contributed to the weak margin environment, which prevailed in FY2017-FY2020 and remains such as at the date of these Listing Particulars.

The Group's three largest competitors in sunflower seed processing and oil production are Bunge, MHP and ViOil, who together with the Group accounted for approximately 19% of the sunflower seed crushing capacity in Ukraine as at June 2020. The Group has the largest crushing capacity, with approximately 18% of overall Ukraine capacity, while Bunge, MHP and ViOil, have approximately 8%, 6% and 6%, respectively (according to the Group's analysis).

Bunge is an international conglomerate active in a variety of agricultural businesses with operations in around 40 countries. In Ukraine, Bunge operates two processing facilities: the Dnipropetrovsk Oil Extraction plant (crushing, refining and bottling) with estimated crushing capacity of 561,000 tonnes of sunflower seeds per year and the Mykolaiv crushing plant with estimated crushing capacity of 965,000 of sunflower seeds per year. The Group's main competitor for bottled oil products is Bunge, which produces its own bottled oil brand called *Oleina*, as well as several other brands.

MHP is a leading agro-industrial group in Ukraine focusing on the production of poultry and the cultivation of grain, as well as producing sunflower oils as by-products. It operates three crushing facilities: the Katerinopol'skiy plant with estimated crushing capacity of 205,000 tonnes of sunflower seeds per year, the Mironovskiy plant with estimated crushing capacity of 396,000 tonnes of sunflower seeds per year, and the Vynnytsia-2 plant with estimated crushing capacity of 456,000 tonnes of sunflower seeds per year.

ViOil is one of the largest manufacturers and exporters of vegetable oils in Ukraine. The company owns two multiseed oil-extraction plants with an annual crushing capacity of 1.1 million tonnes of sunflower seeds and a network of silos in western Ukraine.

Grain export from Ukraine

The export business line is more fragmented, with the Group competing with many other players that originate grain in Ukraine and sell it on the international market. The main bases for competition are the location of silos, efficiency of transport within Ukraine and access to terminals for export. In the grain segment, the Group competes with Nibulon, COFCO, Bunge, Louis Dreyfus, ADM, Cargill and Glencore. With the exception of the Group, which exported approximately 14% of total Ukrainian grain exports in FY2020, none of the other companies export greater than 9% of total Ukrainian exports (based on Stark Research).

Export Terminals

With respect to the Group's export terminals business line, the largest player is TransInvestService, which operates the largest grain terminal in Ukraine located in the port of Pivdennyi on the Black Sea (according to Ports of Ukraine). Other significant competitors include Nika Tera and MV Cargo. Some national and international commodities producers and traders, such as COFCO, Glencore, ADM, Bunge and Nibulon also operate export terminals, but these primarily service their respective grain export businesses and do not sell significant amounts of terminal capacity to third parties.

Terms of sale

Delivery Terms

Delivery terms with customers vary by product. There are several bases on which products are sold, which allow cost and risk to be allocated between the Group and its customers.

Cost, Insurance and Freight ("CIF")

The Group delivers goods to the customer, paying for the cost of freight and insurance for the goods and the customer only bears the cost of unloading the goods.

Cost and Freight ("C&F")

The Group delivers goods to the customer, paying for the cost of freight for the goods and the customer bears the cost of insurance and unloading the goods.

Delivery at Place ("DAP")

The Group delivers the goods to an agreed upon location ("place"), from which the customer collects the goods.

Delivery at Terminal ("DAT")

The Group delivers the goods to an agreed upon terminal at port or place of destination, terminal, except for costs related to import clearance, and assumes all risks up to the point when the goods are unloaded at the terminal.

Ex Works ("EXW")

The Group places the goods at the disposal of the buyer. The buyer must carry out all the tasks related to export and import clearance. Carriage and insurance are to be arranged by the buyer.

Free Alongside Ship ("FAS")

The Group delivers goods cleared for export, alongside the vessel at a named port, at which point risk transfers to the buyer. The buyer is responsible for loading the goods and all costs thereafter.

Free Carrier ("FCA")

The Group delivers goods to a designated carrier after receiving export clearance and paying export duties.

Free On Board ("FOB")

The Group delivers goods to and loads them on the customer's designated shipping vessel or railcar after receiving export clearance and paying export duties.

Carriage Paid To ("CPT")

The Group delivers goods to the customer's named place and carries out export clearance, but risk transfers from the Group to the customer at the point where goods are taken by a carrier.

Payment terms

The payment terms on which products are sold are primarily cash against documents and with letters of credit:

Cash Against Documents (“CAD”)

After receiving a customer order, the Group prepares the export documents required by Ukraine and the destination jurisdiction, which are held by the Group’s bank for release to the customer’s bank once the Group’s bank has received electronic payment from the customer. Under these terms, the Group bears credit risk of its counterparty.

Letters of Credit (“LC”)

When dealing with certain customers, the Group requires a letter of credit from the customer’s bank before delivering goods. Upon the Group’s delivery of appropriate documentation in respect of the goods, the customer’s bank pays the Group directly, whether or not the customer has the ability to pay.

In the bulk oil segment, bulk oil sales are typically delivered on a FOB or CIF basis and paid for on a CAD basis. Meal is typically sold on a CIF, C&F and CPT basis.

In the bottled oil segment, contracts are customer specific rather than standard. The Group offers deferred payment to distributors of up to 45 days and large national retailers up to 60 days, subject to a maximum amount of accounts receivable per customer, which is determined by the sales team and approved by the CFO. Group policy for bottled oil customers requires senior management’s approval for any customer to be permitted to have outstanding accounts receivable greater than US\$1.0 million at any given time. Bottled oil is typically sold on a FCA, DAP, FOB, C&F and CIF basis.

In the grain segment, sales are made on standard GAFTA rules and are generally transacted on a CAD basis. Goods delivered through ports will be sold either FOB or delivered to the country of the buyer on a CIF or C&F basis.

The Group mostly uses its export terminals to provide inter-segment services to its grain segment.

Intellectual Property

The Group’s key intellectual properties are the trademarks used in the bottled oil segment, which the Group believes are materially important to its business. The Group owns the “Zolota”, “Domashnia oliia”, “Shchedryi Dar”, “Stozhar”, “Kernel”, “Premi”, “Le Blanc” trademarks and holds licences to “Chumak” trademark under an agreement with JSC “Chumak”. The licensing agreement expires on 1 July 2024. The terms of the licensing agreement stipulate that after 1 July 2024 the licensee, Kernel-Trade, may use trademarks for only limited manufacturing of sunflower oil of 10 bottles per year. This condition may be changed and effective use of the trademarks may be extended if the parties agree to amend terms of the licence accordingly. The Group also believes that the Group’s brand name “Kernel” is materially important to its business.

In addition to the above, the Group also has patents on industrial designs for its plastic bottles and industrial designs for labels.

Licences and Permits

The Group’s business depends on the continuing validity of several licences and permits, the issue of new licences and its compliance with the terms of its licences/permits.

Production facilities and technological processes

Ukrainian law prohibits the operation of newly constructed properties that have not been duly commissioned. The commissioning of a newly constructed property must be certified by a commissioning certificate issued by the respective local state inspectorates that deal with planning issues. Such certificate confirms that the constructed property complies with various requirements, such as planning regulations, requirements of local utility providers, safety rules and technical standards under Ukrainian law. Violation of this requirement may lead to fines varying from 36 times the minimum wage (approximately US\$2,700) to 900 times the minimum wage (approximately US\$67,500) depending on the type of the constructed property. According to management, all of the Group's processing plants in Ukraine were formally commissioned in compliance with the applicable legislative provisions.

Under the Law of Ukraine "*On the Main Principles and Requirements for the Safety and Quality of the Food Products*", dated 23 December 1997, as amended (the "Food Safety Law"), the Group, as an operator of food production facilities, is required to register its facilities for production of food products, as well as, in some instances, to obtain operational permits (e.g., for production of fodder). Without such registration, which is to be carried out by and necessary operational permits, which are to be granted by, local departments of the State Service on Safety of Food Products and Consumers Protection (the "Food Safety and Consumers Protection Service"), the Group is not permitted to produce, process, store, transport or sell its sunflower oil and meal.

All companies of the Group registered as operators of food production facilities before 2016 were included in the Register of Facilities and their Operators Involved in Production and/or Circulation of Food Products (the "Old Register"). In 2016, the rules on the administration of the registers for the operators of food production facilities were changed. In particular, all companies of the Group that were registered as operators of the food facilities in the Old Register had to be automatically included in the new State Register of the Market Operators' Facilities (the "New Register"). According to management, all the Group companies engaged in food production, are included in the New Register. The Group undertakes regular inspections required by the Food Safety and Consumers Protection Service (twice per year for meal and one to two times per year for sunflower oil) to confirm compliance with standards of the New Register.

The Group must also obtain approval for all newly introduced technological processes from the Ministry for Development of Economy, Trade and Agriculture of Ukraine and other regulatory and control bodies. As at the date of these Listing Particulars, no regulations or procedures are in place to enable companies to obtain approval for newly introduced technological processes and, therefore, the Group plans to obtain all necessary approvals as soon as implementing regulations and procedures become available.

Environmental and other licences and permits

The Group operates a number of artesian wells in connection with its facilities. Under Ukrainian law, in order to operate artesian wells a company must obtain permits for special water use and, in some instances, for subsoil use. The Permit for Special Water Use also regulates emissions of pollutants into water. According to the management of the Group, the Group is generally in compliance with the requirement for water use permits and subsoil use permit to the extent required by Ukrainian law.

In addition, the Group's enterprises, where applicable, must obtain other environmental permits such as permits for air emissions and for operations with waste. While the Group is generally in compliance with the requirement for air emission permits, some of the Group companies have not obtained permits for operations with waste. As at the date of these Listing Particulars, no regulations or procedures are in place to enable companies to obtain permits for operations with waste. However, companies can apply for such permits through administrative service centres. If a permit is not granted after the submission of an application, as described above, the company can perform its economic activities based on the principle of tacit consent. Some of the subsidiaries within the Group have already enquired with the relevant authorities whether permits for operations

with waste can be obtained and received responses that the relevant permits cannot be issued due to a lack of a regulatory framework for issuance of such permits. The Group plans to obtain all necessary permits for operations with waste as soon as implementing regulations and procedures become available.

In August 2016, the state environmental inspection initiated legal proceedings against Black Sea Industries requesting to suspend the production activity of the company due to its failure to obtain a permit for operations with waste. The management of Black Sea Industries believes that these claims are ungrounded given that the procedure for obtaining permits for operations with waste is not yet adopted. Black Sea Industries successfully challenged the orders of the state environmental inspection, which formed the grounds for its claims.

In December 2017, the Law of Ukraine on Environmental Impact Assessment (“EIA”) came into force as part of Ukraine’s commitment to harmonise domestic legislation with EU requirements, and specifically with the Environmental Impact Assessment Directive (2011/92/EU). Since then, all of the Group’s developments that are subject to the EIA undergo a comprehensive assessment with public consultations to ensure compliance. Project announcements, EIA reports, public consultation records, and decisions of the competent authority are disclosed in the official EIA register. See “*Risk Factors—Risks Relating to The Group—The Group could fail to obtain, to maintain or to renew necessary permits and licences or fail to comply with the terms of its permits and licences*”.

In addition, with effect from 1 July 2019, Parliament adopted amendments to the Tax Code intended to improve control over fuel turnover. The amendments introduced a licensing regime for the production, storage, distribution, and retail trade of fuel. Accordingly, the Group’s companies that store fuel are required to obtain a licence for each of their storage facilities. Failure to procure a licence may result in a fine of approximately US\$19,560 for each company. As at the date of these Listing Particulars, the Group has obtained licences for all of its fuel storage facilities.

Regulatory Compliance

General

Management believes that the Group operates its facilities in compliance with the requirements of all applicable sanitary and epidemiological regulations and also observes all applicable fire prevention measures.

Environmental control

The operation of vegetable oil production facilities and transshipment terminals may be associated with material environmental risks.

The use of various chemicals generated wastes and emissions produced as part of the vegetable oil production process, if improperly managed, could adversely affect the natural environment and public health. As such, these operations may be subject to pre-project screening procedures, mandatory state ecological examination, and approvals by competent authorities. Management believes that the Group is well prepared for managing its environmental aspects and complies with applicable requirements of environmental legislation.

To compensate for wastes and emissions into air and water, the environmental tax was enacted in Ukraine. Based on, among other things, the amounts of pollutants, a taxpayer is required to pay on a quarterly basis an ecology tax calculated separately for each pollutant. In accordance with applicable Ukrainian law, the Group makes regular payments of environmental tax, to compensate for the residual pollution left after application of mitigation measures.

Other than as disclosed in these Listing Particulars, the Group has not incurred material environmental liabilities and has not been subject to material environmental investigations in the past.

The Law of Ukraine “*On Waste*” dated 5 March 1998, as amended (the “Law on Waste”) requires companies that use packaging in their operations to enter into agreements for collection, stocking and utilisation services of used packaging with specialised companies or to create their own recycling systems. As at the date of these Listing Particulars, most of the Group companies are in compliance in all material respects with this requirement.

Use of genetically modified organisms

Ukrainian law only prohibits the use of genetically modified organisms (“GMO”) in the production of baby foods. Therefore, the use of GMO is permitted for other food products to be imported to, or produced in, Ukraine, provided that the particular GMO is registered at the state register of GMO.

Ukraine has a system of mandatory labelling of food products containing GMO, or were produced with products containing GMO. The Group does not use GMO in its products and the Group does not purchase sunflower seed which contains GMO to the management’s knowledge.

Use of pesticides and agro-chemicals

Pesticides and agro-chemicals may be imported to, produced, traded, used and advertised in Ukraine as long as they are registered with the Ministry of Ecology and Natural Resources of Ukraine. Such registration is valid for ten years. After the expiry of the registration, the relevant pesticide or agro-chemical must be re-registered. The Ministry of Ecology and Natural Resources of Ukraine publishes the list of pesticides and agro-chemicals that may be used in Ukraine once every two years.

Each year, companies must submit information on the amounts of pesticides and agro-chemicals in possession and/or use to the state authorities. Technical equipment for the use of pesticides and agro-chemicals must also be registered. Such equipment must be re-registered every five years. In addition, technical equipment for the use of pesticides must be certified.

Companies which store or use pesticides/agro-chemicals must insure their civil liability, which may arise as a result of such activities. However, because this type of insurance is generally unavailable in the Ukrainian market and the implementing regulations are absent, most of the companies engaged in such activities do not maintain this type of insurance (see “—*Insurance*”). Management believes that, to the extent the Group uses pesticides and agro-chemicals in its operations, it complies with the requirements in relation to their use.

Insurance

The Group’s businesses and assets are subject to varying degrees of risk and uncertainty. The Group maintains an insurance programme and holds various insurance policies covering all of its activities and its most significant assets in Ukraine. The Group’s key assets are insured against standard business risks such as natural disasters and business interruptions. The Group also insures against third-party liability for amounts it believes are sufficient and customary in Ukraine.

Legal proceedings

From time to time, the Issuer or any other member of the Group is involved in legal proceedings arising in the ordinary course of business and/or as a result of disrupted operating environment. As of the date of these Listing Particulars, the Issuer believes that, save as disclosed below, the Group is not and has not been involved in any governmental, legal or arbitration proceedings in the 12 months preceding the date of these Listing Particulars which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

Criminal proceedings regarding unauthorised occupation of land

In 2018, the Ukrainian investigative authorities initiated two criminal proceedings concerning the alleged unauthorised occupation of state land plots with a total area of approximately 203.3 hectares. Reportedly, these criminal proceedings might be linked to Druzhba-Nova though no material evidence in relation to the Group was disclosed by the investigative authorities. The Group denies its complicity in the alleged wrongful acts. No investigative measures have been applied towards the Group in relation to these criminal proceedings. The current status of these criminal proceedings is unknown.

Criminal proceedings involving Kernel-Trade

In October 2014, the Ukrainian investigative authorities initiated criminal proceedings based on the alleged misappropriation of funds in the amount of UAH274 million, causing bankruptcy and neglect of duty by officials of Stiomi Holding, a company acquired by the Group in 2012, as described below. Reportedly, the criminal proceedings might be linked to Kernel-Trade though no material evidence in relation to the Group was disclosed by the investigative authorities. The Group denies its complicity in the alleged wrongful acts. No investigative measures have been conducted against the Group in relation to these criminal proceedings within the 12 months preceding the date of these Listing Particulars. The current status of these criminal proceedings is unknown.

Proceedings related to the acquisition of Stiomi Holding

In April 2012, the Group entered into a call option agreement to acquire Stiomi Holding, a farming company located in the Khmelnytskyi region of Ukraine. As of 30 June 2018, the consideration paid for Stiomi Holding by the Group comprised US\$33,472 thousand. A final payment was due and payable only after fulfilment 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 Stiomi Sellers in respect of the non-fulfilment of the Stiomi Sellers' obligations. In December 2012, the Group received a request for arbitration from the Stiomi Sellers in which the Stiomi Sellers claimed amounts alleged to be payable to them. The arbitral tribunal delivered its award in late February 2018. That award was in part subject to challenge by the Group in the High Court in London. In March 2019, the High Court remitted the award to the tribunal for reconsideration in certain respects and a further hearing took place before the tribunal in September 2019. Pursuant to the tribunal's revised award, which was delivered in December 2019, the Group is required to pay the sellers an aggregate amount of approximately US\$30.3 million.

Disputes in relation to this case are ongoing. In particular, the Stiomi Sellers have made further claims against the Group for interest on the amounts due to them at the rate of 10% per annum (corresponding to US\$5,944 per day since the date of the initial arbitral award in late February 2019), initiated court proceedings in Luxembourg and Switzerland in respect of such interest due, and taken actions to enforce the payment of the arbitral award. The Group disputes the Stiomi Seller's claims for interest due. In Switzerland, the Stiomi Sellers have obtained attachment orders against certain bank accounts of the Group. In Luxembourg, the Stiomi Sellers have initiated attachment proceedings to put in place conservatory measures against Kernel's bank accounts. Furthermore, former counsel to the Stiomi Sellers has also obtained an attachment order against the Group, which prevents the Group from paying any amounts to the Stiomi Sellers until the attachment order is lifted. Finally, a third party brought claims in Swiss courts asserting that one of the Stiomi Sellers' claims has been assigned to them, which the Stiomi Sellers dispute. As a result of these conflicting claims and proceedings, the Group has been unable to discharge its payment obligations in respect of the arbitral award to the Stiomi Sellers, pending the resolution of these issues.

As of 30 June 2018, the Group recognised a provision regarding the arbitral award and the related proceedings. The provision represents the directors' best estimate of the maximum future outflow that will be required in respect of the award. The carrying amount of the payables for legal claims was US\$34,047 thousand as of 30

June 2020 (2019: US\$31,872 thousand), and related expenses in the amount of US\$2,175 thousand were recognised within the year ended 30 June 2020 (2019: US\$2,901 thousand) and included within the “Other expenses, net” line item.

Employees

The following table details the numbers of the Group’s employees by function as at 30 June 2018, 2019 and 2020:

	As at 30 June		
	2018	2019	2020
Employees by function (full and part time)			
Other ⁽¹⁾	50	41	46
Executives	12	11	12
Middle management.....	979	874	896
Specialists	3,959	3,665	3,452
Workers by function (full and part time).....	10,166	8,805	7,522
Total	15,116	13,397	11,928

Note:

(1) Other employees include non-executive directors and non-residents.

The following table details the numbers of the Group’s employees by location as at 30 June 2018, 2019 and 2020:

	As at 30 June		
	2018	2019	2020
Employees by location (full and part time)			
Kyiv	754	709	662
Dnipro (former Dnipropetrovsk).....	61	55	51
Zaporizhzhia	48	42	43
Kropyvnytskyi (former Kirovohrad).....	1,293	1,218	926
Mykolaiv	394	344	321
Vinnytsia	426	372	257
Odesa.....	870	758	757
Poltava.....	3,274	2,963	2,373
Chernihiv.....	1,756	1,522	1,742
Sumy	1,322	1,145	714
Kharkiv	1,515	1,317	1,322
Cherkasy	999	866	983

	As at 30 June		
	2018	2019	2020
Ternopil.....	286	248	294
Khmelnytskyi.....	2,071	1,796	1,437
Other ⁽¹⁾⁽²⁾	47	42	46
Total	15,116⁽²⁾	13,397⁽²⁾	11,928⁽²⁾

Notes:

(1) Other includes non-executive directors and non-residents at Trading Companies.

(2) Includes employees from the Group's former operations in Russia.

The Group's employees at most of the crushing plants, silos and terminals are covered by collective labour agreements. There are also trade unions represented at some of the production sites/companies. To date, the Group has not experienced a labour-related work stoppage. The Group considers its relations with its employees to be good.

Most employees of the Group receive pension benefits from the Pension Fund, a Ukrainian government organisation. The Group contributes a specified percentage of payroll to the Pension Fund, as required, to finance pension benefits. The Group does not have any further obligations. As at 30 June 2020, the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

DESCRIPTION OF THE ISSUER AND GUARANTORS

See “*Business of the Group*”, “*Overview*”, and below for the principal activity of the Issuer and each Guarantor within the Group. Each Guarantor is a wholly-owned direct or indirect subsidiary of the Issuer, except for Poltavsky and Avere, which are 99.66% and 60% owned directly or indirectly by the Issuer, respectively.

As at the date of these Listing Particulars, neither the Issuer nor any of the Guarantors is aware of any potential conflict of interests between the duties their directors owe, on the one hand, and their private interests or the duties owed by any of them to any other person, on the other.

The Issuer

Kernel Holding S.A. is a public limited holding company (*société anonyme*) with unlimited duration that was incorporated, exists and operates under the laws of Luxembourg, in compliance with the law of 10 August 1915 regarding commercial companies, as amended, other applicable Luxembourg regulations, and in accordance with its Articles of Incorporation.

The Issuer was incorporated as a public limited liability company under the form of a notarial deed certified by Maitre Jean Seckler, a notary residing at Junglinster, Grand Duchy of Luxembourg, on 15 June 2005, under the name of Kernel Holding S.A. On 15 July 2005, the Issuer was registered with the Registre de Commerce et des Sociétés de Luxembourg under registration number B109 173. The Articles of Incorporation of the Issuer were published in the Mémorial C, Recueil des Sociétés et Associations (official gazette) number 1261 of 24 November 2005. The Issuer’s registered office is at 19, rue de Bitbourg, L-1273, Luxembourg, Grand Duchy of Luxembourg. The telephone number of the Issuer’s registered office is +352 27 44 93 80. The Group’s headquarters in Kyiv, Ukraine, are located at 3, Tarasa Shevchenka Lane, Kyiv, 01001, Ukraine. Its telephone number is +380 44 4618801 and its fax number is +380 44 4618864

Corporate Purpose

Article 4 of the Articles of Incorporation provides that the corporate purpose of the Issuer is:

- the acquisition, management, enhancement and disposal of participations in whichever form in domestic and foreign companies;
- contracting loans and granting all kinds of support, loans, advances and guarantees to companies, in which the Issuer has a direct or indirect participation or which are members of the same group;
- opening of branches in Luxembourg and abroad;
- the acquisition and disposal of all other securities by way of subscription, purchase, exchange, sale and otherwise;
- the acquisition, enhancement and disposal of patents and licences, as well as rights deriving therefrom or supplementing them; and
- the acquisition, management, enhancement and disposal of real estate located in Luxembourg and abroad.

The Issuer may carry out all commercial, industrial and financial operations, whether in the area of securities or of real estate, likely to enhance or to supplement the above-mentioned purposes.

Corporate Resolutions and the Share Capital

As at the date of these Listing Particulars, the issued share capital of the Issuer is two million two hundred and eighteen thousand nine hundred and twenty eight U.S. dollars and sixty four cents (US\$2,218,928.64) divided

into eighty four million, thirty one thousand, two hundred and thirty (84,031,230) shares without indication of a nominal value. All of the shares are fully paid up. The Issuer's Articles of Incorporation authorise the Board of Directors to issue up to seven million, four hundred and seven thousand, eight hundred and twenty (7,407,820) new shares within the authorised share capital.

The Guarantors

See “*Business of the Group*”, “*Overview*”, and below for the principal activity of the Guarantors.

Adjusted EBITDA and net assets

The Group's audited Consolidated Financial Statements include Guarantors and non-guarantor companies.

For purposes of these Listing Particulars, Adjusted EBITDA is calculated as profit before income tax adding back share of (loss)/income of joint ventures, net other expenses, net foreign exchange gain/(loss), net finance costs, and amortisation and depreciation, in each case, as determined from the Group's Consolidated Financial Statements. The Group uses this measure in its public reporting, including with respect to the listing of its equity on the Warsaw Stock Exchange. The Group believes that this measure better reflects the Group and its subsidiaries' core operating activities and provides both management and investors with information regarding operating performance which is more useful in evaluating the financial position of the Issuer and its subsidiaries than traditional EBITDA measures, due to the exclusion of external factors unrelated to their performance.

Net assets is defined as total assets less total liabilities.

As at and for the year ended 30 June 2020:

- (a) the Issuer on a stand-alone basis had US\$1.2 million of Adjusted EBITDA, an amount equal to 0.3% of the Group's consolidated Adjusted EBITDA, and the amount of its net assets was negative US\$738.8 million, an amount equal to negative 49.5% of the Group's consolidated net assets;
- (b) the Guarantors (excluding the Issuer) on a stand-alone basis but aggregated had US\$428.9 million of Adjusted EBITDA, an amount equal to 96.8% of the Group's consolidated Adjusted EBITDA, and the amount of their net assets was US\$1,881.1 million, an amount equal to 125.9% of the Group's consolidated net assets; and
- (c) the non-guarantor companies in the Group on a stand-alone basis but aggregated had Adjusted EBITDA of US\$13.0 million, an amount equal to 3.0% of consolidated Group Adjusted EBITDA, and the amount of their net assets was US\$351.9 million, an amount equal to 23.6% of the Group's consolidated net assets.

Further information concerning two of the Guarantors, Inerco and Kernel-Trade, are set out below. See “—*Additional information for certain Guarantors*”.

Risks relating to the Guarantors

The Notes will be fully, unconditionally and irrevocably, jointly and severally guaranteed, to the maximum extent permitted by law, by the Guarantors. For information on risks relating to the Guarantors, see “*Risk Factors—Risks relating to the Notes and the Guarantees*”.

List of Guarantors

The following table sets out the name, percentage ownership by the Group and address for each Guarantor.

Name	Percentage ownership	Address
Agropolis, LLC	100%	1, Ivana Franka Str., urban village Zavodske, Chortkivskyi district, Ternopil region, 48523, Ukraine
Ahrofirma Khliborob, LLC	100%	Village Nalyvaika, Holovanivskyi district Kirovohrad region, 26512, Ukraine
Avere Commodities SA	60%	3 Chemin Jean-Baptiste Vandelle, 1290 Versoix, Switzerland
Bandursky VOEP LLC	100%	40, Tsentralna Str., village Bandurka, Pervomaiskyi district, Mykolaiv region, 55247, Ukraine
Black Sea Industries Ukraina Limited, LLC ...	100%	44, Transportna Str., Chornomorsk, Odesa region, 68001, Ukraine
Druzhba-Nova, ALLC	100%	59, Komarova Str., urban village Varva, Varvynskyi district, Chernihiv region, 17600, Ukraine
Enselco Agro, LLC	100%	59, Tsentralna Str., village Sakhnivtsi, Starokostiantynivskyi district, Khmelnytskyi region, 31134, Ukraine
Hovtva, ALLC	100%	96, Poltavaska Str., urban village Reshetylivka, Reshetylivskyi district, Poltava region, 38400, Ukraine
Inerco Trade SA	100%	Rue Jules-Gachet 9, 1260 Nyon, Switzerland
Kalyna, LLC	100%	59, Komarova Str., urban village Varva, Varvynskyi district, Chernihiv region, 17600, Ukraine
Kernel-Capital, LLC	100%	3, Taras Shevchenko Lane, Kyiv, 01001, Ukraine
Kernel-Trade, LLC	100%	3, Taras Shevchenko Lane, Kyiv, 01001, Ukraine
Kononivskiy Elevator, LLC	100%	24, Pavlenkivska Sq., Poltava, Poltava region, 36014, Ukraine
Mriia, LLC	100%	village Petrivka, Krasnohradskyi district, Kharkiv region, 63340, Ukraine
Podillia-Agroservice, LLC	100%	5, Podilska Str., Vodychky village, Khmelnytskyi district, Khmelnytskyi region, 31334, Ukraine
Poltavsky VOEP, PJSC	99.7%	17, Marshala Biriuzova Str., Poltava, Poltava region, 36007, Ukraine
Prydniprovskyi Krai, ALLC	100%	52/3, Obukhova Str., Zolotonosha, Cherkasy region, 19700, Ukraine

Name	Percentage ownership	Address
Prydniprovskiy OEP, LLC.....	100%	53, Murmanska Str., Kropyvnytskyi, Kirovohrad region, 25014, Ukraine
Prykolotnjansky OEP, LLC.....	100%	45, Tsentralna Str., urban village Prykolotne, Velykoburlutskyi district, Kharkiv region, 62630, Ukraine
Starokostiantynivskiy OEP, LLC.....	100%	5, Vesnianske Shose Str., Starokostiantyniv, Khmelnytskyi region, 31100, Ukraine
Transgrainterminal, LLC.....	100%	44, Transportna Str., Chornomorsk, Odesa region, 68001, Ukraine

Additional information for certain Guarantors

Additional information for Guarantors which, as at and for the year ended 30 June 2020 had more than 20% of the Group's Adjusted EBITDA or net assets is set out below.

Inerco

Inerco accounted for US\$61.4 million, or 13.9%, of the Group's consolidated Adjusted EBITDA and US\$345.2 million, or 23.1%, of the Group's consolidated net assets for the year ended and as at 30 June 2020, respectively. There are no risks specific to, or encumbrances on the assets of, Inerco that could materially affect its ability to meet its obligations under the Guarantees.

Full legal and commercial name	Inerco Trade SA
Date and place of incorporation	Incorporated in Switzerland on 14 January 2003
Registration number	CHE- 109.880.182
Duration of existence	Indefinite
The domicile and legal address of the Guarantor's registered office and legislation under which the Guarantor operates	Rue Jules-Gachet 9, 1260 Nyon, Switzerland Telephone number: +41 22 365 17 17 The company was incorporated in the form of <i>société anonyme</i> under Swiss law
Statutory auditors of the Guarantor	CF Compagnie fiduciaire de revision SA, with registered seat in Geneva (Switzerland)
Directors	Raymond Carballares Business address: Rue Jules-Gachet 9, 1260 Nyon, Switzerland
Principal activities of the Guarantor	Trade, brokerage, holding of intellectual property rights, charter of ship/vessel and provision of services in these areas
Description of the Guarantor's position within the Group	Inerco has one shareholder: Kernel Holding S.A., which owns 100% of its shares. Inerco has no subsidiaries itself.

Kernel-Trade

Kernel-Trade accounted for US\$170.5 million, or 38.5%, of the Group's consolidated Adjusted EBITDA and US\$526.5 million, or 35.2%, of the Group's consolidated net assets for the year ended and as at 30 June 2020,

respectively. There are no risks specific to, or encumbrances on the assets of, Kernel-Trade that could materially affect its ability to meet its obligations under the Guarantees.

Full legal and commercial name	KERNEL-TRADE, LIMITED LIABILITY COMPANY
Date and place of incorporation	Incorporated in Ukraine on 12 June 2001
Identification Code of legal entity	31454383
Duration of existence	Indefinite
The domicile and legal address of the Guarantor's registered office and legislation under which the Guarantor operates	3, Taras Shevchenko Lane, Kyiv, Ukraine, 01001 Telephone number: +38044 461 88 64 The company was incorporated in the form of a limited liability company under Ukrainian law
Statutory auditors of the Guarantor	Absent
Directors	Oleksandr A. Holovin, Business address: 3, Taras Shevchenko Lane, Kyiv, Ukraine, 01001
Principal activities of the Guarantor	Operating company; trade of sunflower seed oil, meal and grain. It is also a holding company for Group subsidiaries incorporated in Ukraine
Description of the Guarantor's position within the Group	Kernel-Trade has five participants: Kernel Holding S.A., Kernel-Capital LLC, Bandursky Vegetable Oil Extraction Plant, LLC, Black Sea Industries Ukraina Limited, LLC and Asset Management Company "Progressive Investment Strategies", LLC, which own 15.87%, 63.33%, 7.39%, 3.41% and 10.0% of its participatory interests, respectively. Kernel-Trade also has subsidiaries itself

CERTAIN REGULATORY MATTERS

Ukraine's policy in the agricultural sector

On 8 December 2015, Ukraine's Parliament adopted the Law of Ukraine "*On Amendments to Certain Ukrainian Legislation Related to Deregulation in Agribusiness*" (the "Deregulation Law"), which came into force on 1 January 2016. The Deregulation Law provides for the cancellation of 22 out of 110 approval procedures in the fields of crop production, livestock breeding, fisheries, pesticides and agrochemicals (or fertilisers), food products and environmental management. Furthermore, the Deregulation Law limits the powers of certain authorities to perform state control in Ukraine's agricultural sector.

On 30 December 2015, the CMU approved the 'Concept of the State Target Program for Development of the Agricultural Sector of Economy' until 2020. On 17 April 2019, the CMU extended the time for implementation of the above document until 2022. Furthermore, the Ministry of Agrarian Policy and Food of Ukraine (the "Ministry of Agriculture") developed a "Single and Comprehensive Strategy for Agriculture and Rural Development" for 2015-2020. The implementation of this strategy is based on strategic priorities, which include, *inter alia*: (i) the harmonisation of Ukrainian law in the agricultural sector with EU and international standards by implementing the EU-Ukraine Association Agreement; (ii) restructuring and reorganising the Ministry of Agriculture and related state agencies and state owned enterprises; (iii) establishing a policy system for food security that ensures physical and economic access to sufficient, safe and nutritious food for all by targeting the most vulnerable people; (iv) the rationalisation and elimination of existing drawbacks in the agricultural sector's taxation system; (v) the improvement of the competitiveness of Ukraine's agricultural entities through trade liberalisation, reduced trade transaction costs and export promotion; and (vi) the introduction of minimum environmental standards, the development of a sound environmental management programme and sustainable waste disposal programme, and the implementation of actions aimed to ensure the sustainable development of the forestry and fishery sectors. In addition, Ukraine's Ministry of Agriculture developed a strategic plan aimed to promote land reform and the reform of government support for small and medium farmers.

Regulation of Ukrainian Vegetable Oil Industry

The Ukrainian vegetable oil industry is subject to governmental regulation and licensing, in particular in the food safety, health, labour, sanitary, veterinary and environmental areas. See also, "*Business of the Group—Licences and Permits*", "*Business of the Group—Regulatory Compliance*" and "*Business of the Group—Employees*" for a description of certain regulatory matters related to the Ukrainian vegetable oil production industry.

Food Safety and Labelling Requirements

The Law of Ukraine "*On Main Principles and Requirements for Safety and Quality of Food Products*", dated 23 December 1997, as amended and restated (the "Food Safety Law") and the Law of Ukraine "*On the Protection of Consumers' Rights*", dated 12 May 1991, as amended, are the principal laws of Ukraine dealing with food safety. According to the Food Safety Law, entities engaged in producing foodstuffs are prohibited from producing and/or putting into circulation products that are dangerous, unsuitable for consumption, incorrectly labelled, not registered pursuant to the requirements of the Food Safety Law, or imported into Ukraine illegally. Producers are further required to use only permitted and safe ingredients in the permitted amounts and of sufficient quality for producing food products. Producers and sellers of food products must ensure that sufficient and reliable information is available to consumers so as to enable the selection of food products satisfying such consumer's needs. Food products put into circulation in Ukraine are required to comply

with Ukrainian law requirements related to safety and quality. A competent inspector may confirm the safety of certain food products through tests and investigations conducted by accredited laboratories. Under Ukrainian law, a consumer who has sustained damage as a result of buying and consuming a low-quality, dangerous or incorrectly labelled food product may bring a claim for damages against both the producer and the seller of the product.

Under the Law of Ukraine “*On Food Products Information for Consumers*”, which came into effect on 6 August 2019, all products put into circulation in Ukraine must have labels in the Ukrainian language containing, *inter alia*, the product name, the producer’s details, its weight and ingredients (including food supplements and flavourings), the proper conditions for storage and/or use (if a food product requires specific storage and/or use conditions), details on the presence of any GMOs (if applicable), its nutritional value and the sell-by date.

On 18 May 2017, Parliament adopted the Law of Ukraine “*On State Control in respect of Compliance with Legislation on Foodstuffs, Feeds, Animal By-Products, Health and Wellbeing of Animals*” (the “State Control Law”). The State Control Law aims to bring the foodstuffs and feeds safety regulations in Ukraine in line with the EU regulations, as contemplated under the EU – Ukraine Association Agreement.

The majority of the substantive provisions of the State Control Law became effective on 4 April 2018. Certain transitional provisions of the State Control Law became effective on 4 July 2020.

The CMU is considering a draft resolution on the reorganisation of the State Service on Safety of Food Products and Consumer Protection (the “Food Safety Service”). The draft resolution provides for the liquidation of the Food Safety Service and split of its functions between the Ministry of Health and the Ministry of Economic Development. As the Food Safety Service was established based on the requirements of the EU-Ukraine Association Agreement to enable a transparent system of food safety control in Ukraine, its liquidation may influence Ukrainian food safety policy and as a result have an adverse effect on the export of food from Ukraine to the EU.

Sanitary Control and Supervision

The State Service on Safety of Food Products and Consumer Protection (the “Food Safety Service”) and its local bodies are authorised to exercise state control and supervision with regard to the safety of, and certain indicators of quality of, plant foods, including vegetable oil. The Food Safety Service officials monitor compliance with applicable sanitary standards for vegetable oil production, storage and transportation. Food Safety Service officials are also able to inspect food production facilities and plant foods, including sunflower oil, for compliance with applicable sanitary standards and regulations. The Food Safety Service is authorised to determine the frequency of such inspections on the basis of market analysis results.

In addition, facilities for the production, processing and storage of grains and sunflower seeds are monitored by the Food Safety Service and its local bodies with respect to the fulfilment of certain technical regulations.

Fire Safety

Under Ukrainian law, before a legal entity is able to put into operation a new enterprise or real estate, it must submit to the relevant authorities a declaration on compliance of these facilities with the fire safety laws. A failure and/or non-refusal by the relevant authorities to register the declaration within the statutory period is deemed to be an admission to operate a new enterprise or real estate. High-risk legal entities must additionally submit an expert opinion on the fire safety condition of the facilities.

Fuel Utilisation

With effect from 1 July 2019, Parliament adopted amendments to the Tax Code intended to improve control over fuel turnover. In addition to the licensing requirements, the amendments also established administrative requirements for entities that utilise fuel only for their own consumption. In particular, entities must equip all storage places and vehicles used for storage or transportation of fuel, including, for example, excise warehouses, with special counter devices. Failure to meet these requirements may result in fines to the Group's companies. See also, "*Business of the Group—Licences and Permits—Environmental and other licences and permits*".

Health and Safety

The production and processing of food products, including sunflower oil, involves the performance of certain hazardous activities, including sanitising and disinfecting production, storage and transportation facilities, working with dangerous substances, gas-hazardous work and work with objects under high pressure, all of which give rise to a general risk of an accident occurring.

Ukrainian producers are subject to various Ukrainian laws governing workplace safety. Their operations are monitored by the State Labour Service of Ukraine (the "Labour Service"). The Labour Service has, among other powers, the power to inspect, at any time, the condition of the manufacturing premises of the Group and to record any violations detected during the course of such an inspection. The Labour Service also has wide powers to take remedial measures, including stopping any equipment and processes that are not in compliance with the applicable laws and regulations or which are deemed to be dangerous to the health and safety of employees. The Labour Service is authorised to impose fines for violations of applicable labour regulations.

Imports and Exports

Import duties are currently imposed on various grain crops pursuant to the Law of Ukraine "*On Customs Duty of Ukraine*", dated 19 September 2013, as amended. The import duty on wheat, meslin, corn and sunflower seeds is equal to 10% of the customs value of the imported wheat, meslin, corn and sunflower seeds, with the exception of seed wheat, meslin, corn and sunflower seeds used for planting (on which there is no import duty). The import duty imposed on rye is equal to 20% of the customs value of the imported rye. The import duty imposed on barley and oats is equal to 5% of the customs value of the imported barley and oats. Import duties on crude sunflower oil and other kinds of sunflower oil are 20% and 30%, respectively, of the customs value of the imported sunflower oil.

In June 2001 and May 2008, the Law of Ukraine "*On the Rates of Export Duty on Certain Kinds of Oilseeds*", dated 10 September 1999, as amended, reduced the export duty on sunflower seeds to 17% and 16%, respectively. Since Ukraine's accession to the WTO, export duties have been subject to an annual 1% decrease as a result of the required liberalisation of exports and import barriers and restrictions relating to sunflower seed export. On 1 January 2014, the sunflower seed export duty reached its minimum rate and currently constitutes 10% of the customs value of the exported sunflower seeds.

Ukrainian Law Related to Land and Other Real Estate

General

Ukraine recognises the private ownership of real estate. The Constitution of Ukraine, together with the Civil Code, the Commercial Code, the Land Code of Ukraine (dated 25 October 2001, in effect from January 2002 (the "Land Code")) and other laws recognise and protect the right to own private property.

Ukrainian law specifically permits the use of privately owned property for commercial purposes, including the leasing of such property, and permits the retention of revenues, profits and production derived from the commercial use of property.

Ukrainian law distinguishes between ownership rights with respect to land and buildings. However, the Land Code provides for an automatic transfer of private ownership right or lessee/easement right or right to use one's land for agricultural purposes (*emphyteusis*) or construction purposes (*superficies*) in relation to a land plot to the new owner of a real estate situated on such land plot where the previous owner of such real estate also possessed the relevant right.

In addition, the Land Code introduced a number of essential changes to the regulation of the Ukrainian real estate market. The Land Code introduced the general right to own land. Under previous laws, only Ukrainian citizens were permitted to own land in Ukraine and land sale transactions were permitted only under very limited circumstances. The Land Code also permitted the mortgage of privately owned land (except with respect to agricultural land, for which only banks may hold mortgages).

The Land Code provides for the following basic rights with respect to land: (i) ownership; (ii) use of land, including the right of permanent use or lease; (iii) a right of use granted under easement; and (iv) a right to use one's land for agricultural purposes (*emphyteusis*) or construction purposes (*superficies*). It also classifies land ownership as private, municipal or state ownership. The right of permanent use is available to, *inter alia*, enterprises and organisations which are under state or municipal ownership, social organisations for the benefit of disabled persons and religious organisations with duly registered charters.

Land is divided into various categories based upon its designated use (for example, residential, industrial and agricultural). Residential land includes land plots used for residential buildings or buildings designated for public use. Industrial land is used for industrial, mining, transportation and other commercial enterprises. Agricultural land is used for farming and other agricultural purposes. Moreover, land in Ukraine is further subdivided into different kinds of designated use within each category, which is indicated in the relevant documentation for a land plot. Under Ukrainian law, a land plot must be used strictly in accordance with its designated use.

Private Ownership of Land in Ukraine

Generally, Ukrainian individuals and legal entities are permitted to acquire ownership rights in private, state and municipal land in Ukraine. Foreign individuals, foreign legal entities and foreign states are allowed to own, use and dispose of certain non-agricultural land in Ukraine, but are explicitly prohibited from acquiring or owning agricultural land. In contrast, foreign individuals' and foreign legal entities' lease rights are not restricted under Ukrainian legislation.

The Land Code does not grant the right to own agricultural land in Ukraine to Ukrainian companies with 100% foreign ownership. As a practical matter, if a Ukrainian company which owns land is owned by foreign-owned Ukrainian company, then there should not be any issues related to land ownership by the subsidiary Ukrainian company. Those Ukrainian legal entities which have been established by Ukrainian individuals or legal entities, or joint ventures, may own land in Ukraine, subject to the above restrictions. However, with effect from 1 July 2021, pursuant to the New Land Law, Ukrainian legal entities which are not 100% directly owned by Ukrainian individuals will be prohibited from acquiring agricultural land, and, until the national referendum states otherwise, foreign individuals and legal entities will be prohibited from purchasing land covered by the moratorium on the sale of agricultural land in Ukraine, which includes land plots with designated use for commercial and individual farming.

Joint ventures established by foreign and Ukrainian individuals or legal entities as well as foreign legal entities may purchase non-agricultural land owned by the state or by a municipality from the CMU with the approval

of Parliament, or from the relevant municipal council, with the approval of the CMU, respectively. Under the Land Code, Ukrainian legal entities, which are wholly owned by foreign individuals or legal entities (so called “foreign enterprises” under the Commercial Code) are regarded as “foreign legal entities” for the purposes of acquiring rights to land. Such treatment places them at a disadvantage as compared to other Ukrainian legal entities. Furthermore, the Ukrainian law envisages that only those foreign legal entities, which have registered permanent representative offices and are permitted to conduct business activities in Ukraine, may hold ownership rights to state or municipal land.

Leasing of Land in Ukraine

All Ukrainian and foreign individuals and legal entities, as well as foreign states, may lease land in Ukraine. The maximum lease term permitted under Ukrainian law for land leases is 50 years. Under the Land Lease Law, the minimum term for lease of the agricultural land is 7 years.

The Land Code also allows subleasing arrangements, subject to the lessor’s consent. Land lease relations are regulated in detail by the Land Lease Law.

According to the Land Lease Law, to be binding and enforceable the land lease agreement must be executed in writing and must contain the following essential provisions:

- the object of the lease (cadastral number, location and area of the land plot);
- the term and the date of conclusion of the lease agreement; and
- the amount of the lease payment, including indexation, payment terms and liability for the failure to pay.

Lease rights under a land lease agreement must be registered with the State Register of Proprietary Rights to Immovable Property (the “Ukrainian Real Estate Register”).

Lease rights arise from the moment of registration. Therefore, a failure to register lease rights under a land lease agreement results in the absence of the lease rights. In such case, the consequences are similar to a situation where the parties have never entered into a lease agreement. Therefore, if the lease rights are not registered, the lessor may demand that the lessee vacate the leased land plot at any time. At the same time, the lessee may register its right to the land plot anytime within the lease term.

The original lease term may be extended as many times as the parties desire, provided that they re-execute the lease agreement upon each extension and register the rights under the re-executed agreement with the Ukrainian Real Estate Register. Under Ukrainian law, the lessee has a pre-emptive right to extend the lease, provided it has duly fulfilled all of its obligations under the original lease and has duly served an extension notice to the lessor. However, the Ukrainian courts have held that a lessee has no right to extend the lease in the event that the lessor decides not to lease the subject property any longer and gives the lessee a notice thereof as prescribed by Article 33 of the Land Lease Law.

The ownership of the leased land may not automatically pass to the lessee under the terms of a lease agreement. However, under the Land Lease Law, the lessee has a pre-emptive right to acquire the land plot in the event that the lessor seeks to sell the leased property (in such case the lessor must give the lessee a notice of such sale). In order to exercise such a right, the lessee must pay the price at which the land is offered for sale, or, if a property is auctioned by the lessor, the lessee’s offered price must be equal to the highest bid.

Under the Land Lease Law, the parties to a land lease agreement are generally free to determine the amount and timing of the land rent under the lease. However, the rent relating to land held in state or municipal ownership must be paid in cash and (1) may not be lower than the minimum land rent established by the Tax Code (currently, the minimum land rent must not be less than the land tax payable from the respective land plot), (2)

may not be higher than 12% of the normative appraised value of the land plot, and (3) may be higher than 12% of the normative appraised value of the land plot if the lease rights were acquired through auction.

Under Ukrainian law, the amount of the lease payment under the private land lease agreement may be revised upon the mutual consent of the parties. Although, the lease agreements for state and municipal lands generally provide that the amount of lease payment, which is treated as a land tax, may be changed due to changes in the methodology of calculation of the lease payment amount for the lease of state or municipal lands, or due to a change in the normative appraised value of the land or taxes.

Acquisition of Land for Ownership and Leasing

The Land Code contains provisions governing the acquisition of ownership and other rights to land. The ownership right of individuals to land may arise pursuant to land sale and purchase transactions, gifts, exchanges, inheritance or other civil law contracts. Moreover, Ukrainian citizens are entitled to acquire land in the course of a privatisation (through the allotment of land shares in kind or under other procedures established by the law), and foreign and stateless individuals may acquire the non-agricultural land underlying the buildings in their ownership. The law distinguishes between the grounds on which Ukrainian and foreign legal entities may obtain ownership rights to land. In contrast to Ukrainian legal entities, Ukrainian law places certain restrictions on foreign legal entities. Foreign legal entities are entitled to acquire non-agricultural land within the borders of a city (e.g. a town or village) when acquiring real estate, or for the purpose of constructing real estate, which is related to a business activity in Ukraine. With respect to non-agricultural land outside of the city borders, foreign legal entities may only purchase it if such land has existing buildings sited on it that are owned by such entity.

As a general rule, state or municipal land or a right thereto must be sold at an auction. There are a number of exceptions to this rule, such as that land under privately owned buildings may be sold without auction procedures. The detailed procedure for the acquisition of land under an auction is provided for in the Land Code.

The procedure for the acquisition of ownership rights to land varies depending on the transferor and transferee of such rights. Under the applicable land legislation, as a general rule, ownership to state owned or municipal land passes to a new owner upon approval of such transfer by a relevant state executive body or municipal authority and through the execution of a land acquisition agreement. The process for non-agricultural land acquisitions by foreign legal entities (and by joint ventures established with the participation of foreign legal entities) requires the prior approval of the transaction by the CMU and the further consideration of the same matter by a relevant state executive body or municipal authority and is only possible subject to foreign legal entity's registration of permanent establishment with the right to carry on business on the territory of Ukraine. The ownership right to the land arises upon the registration of the transferee's ownership of the land with the Ukrainian Real Estate Register.

Leasing of Real Estate Other Than Land (Buildings and Structures)

The Civil Code contains general provisions governing the leasing of movable and immovable property. In particular, according to the Civil Code, the lease of a building (or other capital structure) or part thereof must be concluded in writing regardless of its term and must be notarised and registered with the Ukrainian Real Estate Register if such agreement is entered into for a period of three years or longer.

The lease agreements for state and municipally owned real estate entered into for a period of five years or longer, which were concluded based on the results of the electronic auction, must be notarised, and the lease rights under such agreements must be registered with the Ukrainian Real Estate Register.

State Registration of Rights to Immovable Property and Certain Transactions

On 1 January 2013, a new version of the Law of Ukraine “*On State Registration of Proprietary Rights to Immovable Property and Encumbrances Thereof*” dated 1 July 2004 (the “State Registration Law”) entered into effect and introduced a new Ukrainian Real Estate Register. Since 1 January 2013, most of the proprietary rights to immovable property, including, *inter alia*, a right of permanent use or lease of land, an ownership right and the rights to use one’s land for agricultural purposes (*emphyteusis*) or construction purposes (*superficies*), must be registered with the Ukrainian Real Estate Register. The rights to immovable property may be registered by state registrars or other authorised persons.

A real estate owner may enter into an agreement in respect of real estate only upon registration of the relevant proprietary right with the Ukrainian Real Estate Register. Thus, real estate may not be legally sold unless the ownership right to such real estate is duly registered with the Ukrainian Real Estate Register. At the same time, under the State Registration Law, proprietary rights to immovable property acquired prior to 1 January 2013 and not transferred to the Ukrainian Real Estate Register are recognised as valid if such proprietary rights were not subject to registration, or were duly registered in accordance with the legislation applicable at the time, when they were established.

The Ukrainian Real Estate Register contains consolidated information on all property rights to real estate as well as the limitations (encumbrances) imposed over such rights to the extent such information has been recorded in this register.

Liabilities of Owners

Owners of land plots and buildings must comply with various environmental, public health, fire, residential, urban planning and other requirements of Ukrainian law. The owner of a building is generally liable for claims that may arise in connection with the building. Owners and lessees are required to use their land in accordance with its designated use, to not cause harm to the environment, to assume the liability and financial costs relating to compliance with the various land use standards and to not allow the pollution of, littering on, or degradation of the land.

Land Taxation

Other than the Single Tax payers, owners of Ukrainian land and those with permanent rights to use Ukrainian land must pay land tax. Lessees of state or municipal lands must pay land rent in the amount set forth in the lease agreement but the amount of annual payment must not be lower than the minimum land rent established by the Tax Code. Currently, the minimum land rent must not be less than the land tax payable from the respective land plot. Land rent for the land held in state or municipal ownership may not be higher than 12% of the normative appraised value unless the lessee was determined through an auction.

Currently, general land tax for land plots, subject to certain exceptions established by the Tax Code, is up to 3% per year of the normative appraised value of the land plot and up to 5% per year of the normative appraised value of the land in a particular region (if the land plot has no normative appraised value). General land tax for agricultural land is up to 1% per year of the normative appraised value of the land plot. The tax is payable in 12 equal monthly instalments.

The appraisal of land is carried out by authorised organisations in accordance with the methodology adopted by the CMU. This methodology accounts for various factors, including, but not limited to, the location of the land and the intended designated use. The valuation of a particular land plot is carried out at least once every five to seven years with respect to agricultural land and at least once every seven to ten years with respect to non-agricultural land.

The applicable land tax rates and the provision of any benefits to legal entities are established by local authorities by 15 July of the year preceding the reporting year at the latest.

With each new valuation, the original valuation is to be adjusted pursuant to a formula adopted by the CMU. The 'market value' of land is not uniform across Ukraine and may vary greatly from place to place depending on the factors affecting the valuation. Furthermore, the valuation of land, which is the basis for the computation of land tax, fluctuates from year to year (based on the consumer price index for the previous year).

Antimonopoly Laws

Under Ukrainian antitrust law, an undertaking (including all entities connected to it by relations of control) having more than a 35% share on a particular product market is considered to have a dominant position on that market unless it can prove that high competition exists in that market and that the undertaking is subject to such competition. Ukrainian law also provides that an undertaking with a market share of 35% or less on the relevant product market can also be recognised as having a dominant market position if such undertaking does not face high competition on that product market, for example, due to the low market shares of its competitors.

A dominant position status is not itself sanctioned, however, the law applies additional restrictions on companies with a dominant position and the AMC reviews the activities of such companies with particular scrutiny. Ukrainian law provides a non-exhaustive list of activities that can be regarded as an abuse of a dominant market position. The abuse of a dominant position is prohibited by law and is punishable by (i) fines in the amount of up to 10% of the Group's consolidated revenue in the year immediately preceding the imposition of the fine; and/or (ii) the compulsory split of the company.

Ukrainian law provides that if damages are caused to third parties as a result of the abuse of a dominant position by a company, such damages can be sought by third parties through court proceedings in a punitive amount. The company's directors may be personally subject to administrative fines.

Activities which can be regarded as an abuse of dominant (monopolistic) position include, but are not limited to, fixing unreasonably high prices where there are no alternatives for consumers to purchase the same goods from other producers; fixing unreasonably low prices which make the prices of other competitors uncompetitive; fixing prices or conditions for the sale of goods which would not be possible in a competitive environment; limiting or stopping the production and sale of goods so as to create a shortage of such goods; substantially limiting the competitiveness of other producers or distributors of the same goods; and creating barriers to enter the product market for new competitors or eliminating existing competitors from the product market.

Intellectual Property

Since 2003, Ukraine has strived to enhance the legal protection of intellectual property rights, including to harmonise Ukrainian intellectual property law with the EU and the Agreement on Trade-Related Aspects of Intellectual Property Rights. In July 2020, Ukraine introduced intellectual property reforms to improve the legal framework for trademark and patent matters. However, the practical impacts of these measures are still unknown, and as such, the legal system in Ukraine generally still offers a lower level of intellectual property rights protection than legal systems in other countries in Europe and in North America.

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Shareholders

As at the date of these Listing Particulars, the issued share capital of the Issuer is US\$2,218,928.64 divided into 84,031,230 shares. The table below sets forth information regarding shareholders owning at least 5% of the ordinary shares of the Issuer as at the date of these Listing Particulars:

	Number of Shares	Percentage of Share Capital
Shareholder		
Namsen	32,903,278	39.16%
Other ⁽¹⁾	51,127,952	60.84%
Total	<u>84,031,230</u>	<u>100%</u>

Note:

(1) Includes a shareholder controlling between 5% and 10% of total shares: Cascade Investment Fund.

Andrii Verevskyi owns 100% of the beneficial interest in Namsen, which in turn directly owns 39% of the ordinary shares of the Issuer. By virtue of the shareholding described above, Mr. Verevskyi has significant influence over the Issuer. There are no arrangements in place known to the Issuer which could result in a change of control. There are no arrangements known to the Issuer between the shareholders or beneficial owners or any other party in relation to the control of the Issuer.

Save as disclosed above, there are no other persons who could, directly or indirectly, exercise control over the Issuer.

Save as disclosed in this section “*Shareholders and Related Party Transactions*” and in “*Directors, Senior Management and Corporate Governance–Share Options*”, none of the members of the Board of Directors has any interests in the ordinary shares of the Issuer.

None of the Issuer’s shareholders has voting rights different from any other holders of the Issuer’s shares.

Related Party Transactions

In the ordinary course of its business, the Issuer has engaged, and continues to engage, in transactions with related parties. Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions or if such parties are under common control. Related parties to the Issuer include Andrii Verevskyi, companies under common control of Mr. Verevskyi and the Group’s key management personnel. Other than as described in these Listing Particulars (including management remuneration and loans provided to related parties), the Issuer did not engage in any transactions with members of the Board of Directors or Senior Management during the period under review. See Note 33 to the Group’s Consolidated Financial Statements included elsewhere in these Listing Particulars.

The Issuer seeks to conduct all transactions with entities under common control or otherwise related to it on market terms and in accordance with relevant Ukrainian legislation. The terms and conditions of sales to related

parties are determined based on arrangements specific to each contract or transaction. Transactions with related parties may be performed on terms that would not necessarily be available to unrelated parties. There can be no assurance that any or all of these transactions have been or will be conducted on market terms.

Significant transactions with related parties outside the Group for the periods under review are described in Note 33 of the Group's Consolidated Financial Statements in respect of FY2020 and FY2019.

Agreements with members of the Board of Directors and the Senior Management

For information on service contracts, employment contracts and contracts of a similar nature entered into with members of the Board of Directors and with the Senior Management Team see “*Directors, Senior Management and Corporate Governance—Remuneration of Board of Directors and management*”.

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Board of Directors of the Issuer

The Issuer's Directors (together the "Board of Directors") are:

Name	Year of Birth	Position
Andrii Verevskyi	1974	Executive Director
Viktoriia Lukianenko	1975	Executive Director, Chief Legal Officer
Anastasiia Usachova	1971	Executive Director, Chief Financial Officer
Yevgen Osypov	1976	Executive Director, Chief Executive Officer
Yuriy Kovalchuk	1981	Executive Director, Corporate Investment Director
Andrzej Danileczuk	1963	Non-Executive Director
Sergei Shibaev.....	1959	Non-Executive Director
Nathalie Bachich.....	1973	Non-Executive Director

Andrii Verevskyi

Andrii Verevskyi is an Executive Director of the Issuer. Mr. Verevskyi founded the Group's business in 1995. Since 1995 he has held various executive positions within the Group and has served as the Executive Director of the Issuer since 21 September 2007. Mr. Verevskyi oversees the strategic development and overall management of the Group. As at the date of these Listing Particulars, he indirectly owns 39% of the Issuer. Mr. Verevskyi graduated from the Ukrainian Agrarian University with a degree in agronomy in 2004.

Viktoriia Lukianenko

Viktoriia Lukianenko is an Executive Director of the Issuer. Ms. Lukianenko has served the Group as a lawyer since 2002 and is the Group's Chief Legal Officer. Ms. Lukianenko has served as a director of Namsen Limited and also Etrecom Financial Limited and Estron Corporation Limited (Group companies). Ms. Lukianenko has served as a member of the Board of Directors of the Issuer since 21 September 2007. She is responsible for overseeing the Group's corporate and legal issues. Prior to joining the Group, Ms. Lukianenko held senior legal positions with other companies in Ukraine. From 1998 until 1999 she served as a leading specialist at the legal department for licensing and registration of the Licence Chamber of Ukraine. Ms. Lukianenko graduated from the Kyiv T. Shevchenko National University with a diploma in law in 1998 and became a member of the Ukrainian bar association in 2003.

Anastasiia Usachova

Anastasiia Usachova is an Executive Director of the Issuer. Ms. Usachova has served the Group since 2003, including as the deputy director of Kernel-Capital and the director of the financial department of Kernel-Trade. Ms. Usachova has served as a member of the Board of Directors of the Issuer since 21 September 2007 and is the Group's Chief Financial Officer. Ms. Usachova is responsible for overseeing the Group's financial reporting, auditing, budgeting, financial planning and risk assessment. Prior to joining the Group in 2003, Ms. Usachova served for eight years as the chief financial officer of a Ukrainian-based grain trading company, United Grain Group. Ms. Usachova graduated from the faculty of physics and mathematics of the Poltava University in 1993 and from the High School of Entrepreneurship of the Kyiv Economic University with a diploma in international business administration in 1994. Ms. Usachova also holds an MBA from IMD (Switzerland). In 2000, Ms. Usachova completed the Russian Government's Finance Academy programme on practical finance

management for finance and credit. In 2006, Ms. Usachova was awarded the certified financial manager/certified management accountant certification by the Institute of Management Accountants in the United States of America.

Yevgen Osypov

Yevgen Osypov joined Kernel in 2013 and he is the Group's Chief Executive Officer and Executive Director. Responsibilities of Mr. Osypov include managing the executive management team of the Group and its operating subsidiaries. Mr. Osypov is also responsible for executing the Group's strategy, achieving budget targets, and implementing decisions of the Board of Directors. To achieve these goals, he delegates his responsibilities to other members of the Executive Management team. Prior to joining the Group, Mr. Osypov worked for Industrial Milk Company.

In 1998, Mr. Osypov graduated from the Institute of Economics and Management with an MA diploma in Financial Management. In addition, he graduated from the National University of Life and Environmental Sciences of Ukraine in Agrarian Management in 2012. In 2018, Mr. Osypov received the Certificate of Management Excellence of Harvard Business School for completing "Strategy: Building and Sustaining Competitive Advantage" course in 2016, "Leading Change and Organisational Renewal" course in 2017, and "Disruptive Innovations" course in 2018.

Yuriy Kovalchuk

Yuriy Kovalchuk joined the Group in 2011 and is the Group's Director of Corporate Investment. In his current position at the Group, Mr. Kovalchuk is responsible for investor relations and management of investment projects. Mr. Kovalchuk graduated from the Kyiv National University of Trade and Economics in 2003 as a manager/economist, majoring in business management. He previously worked for ING Bank N.V., Corporate Finance Department (London, Kyiv), Deloitte, Transaction Services (Kyiv) and Ernst & Young, Audit Department (Kyiv). His fields of responsibility included agriculture and the food industry. Mr. Kovalchuk has been a fellow with Association of Chartered Certified Accountants (FCCA) since September 2013.

Andrzej Danilczuk

Andrzej Danilczuk is a Non-Executive Director of the Issuer. Mr. Danilczuk has served as an independent non-executive director of the Issuer since 2007. Mr. Danilczuk has had extensive experience in agricultural commodities trading. Mr. Danilczuk currently also works with Koepta Brokers in Geneva, Switzerland, which specialises in the brokerage of grains, oilseeds and vegetable oil in the Black Sea region. In the past, Mr. Danilczuk held various positions in leading grain and oil seeds marketing and trading companies where he was primarily responsible for business development, trading as well as the supervision of contract execution and legal issues. He served as a senior trader at Risolil Grain S.A., a Swiss sunflower oil and grain trading company, as well as the general director in Nastyusha Paris S.A., a company specialising in wheat trading originating from Kazakhstan and Russia. For nearly 14 years, Mr. Danilczuk worked for Louis Dreyfus, including as the vice president of Louis Dreyfus Negoce S.A. in Paris and as a trader for Sofecia. From 1987 until 1991, Mr. Danilczuk served for the Polish Ministry of Foreign Affairs. Mr. Danilczuk graduated from the Moscow State Institute for International Relations with a degree in political science.

Andrzej Danilczuk meets the criteria of independence for independent non-executive directors, as specified by the European Commission in Annex 2 to the Commission Recommendation of 15 February 2005, 2005/162/EC and in accordance with the Best Practices for the Warsaw Stock Exchange Listed Companies.

Sergei Shibaev

Sergei Shibaev is a Non-Executive Director of the Issuer. He has broad international experience in finance and strategy and was appointed as an independent director of the Issuer in 2012. During his career that has spanned over 30 years, Mr. Shibaev has occupied different managerial roles with international consultancy and financial

services firms including PWC, ING Barings, Deloitte & Touche and Roland Berger, among others. Mr. Shibaev has significant board membership experience serving as a non-executive director, chairing audit committees for several leading corporates in Russia, Ukraine and Kazakhstan. Mr. Shibaev also serves as an Independent Director and Audit Committee Chair at AK BARS Bank, RESO Garantia, Bank Zenit and Katren. Mr. Shibaev is a Chartered Certified Accountant (FCCA), UK and has a postgraduate degree from the University of International Relations (MGIMO) in Russia and an MBA from Henley Management College in the United Kingdom.

Sergei Shibaev meets the criteria of independence for independent non-executive directors, as specified by the European Commission in Annex 2 to the Commission Recommendation of 15 February 2005, 2005/162/EC and in accordance with the Best Practices for the Warsaw Stock Exchange Listed Companies.

Nathalie Bachich

Nathalie Bachich is a Non-Executive Director of the Issuer. Ms. Bachich has served as an independent non-executive director of the Issuer since December 2016. She has over 15 years of financial advisory services experience working in leading European financial institutions covering Western Europe, Asia and Central & Eastern Europe. Ms. Bachich is British and a graduate of St Catherine's College, Oxford.

Nathalie Bachich meets the criteria of independence for independent non-executive directors, as specified by the European Commission in Annex 2 to the Commission Recommendation of 15 February 2005, 2005/162/EC and in accordance with the Best Practices for the Warsaw Stock Exchange Listed Companies.

The business addresses for all of the members of the Board of Directors are as follows. The business address for Mr. Verevskyi, Mr. Osypov, Ms. Lukianenko, Mr. Kovalchuk, and Ms. Usachova is 3 Taras Shevchenko Lane, Kyiv, Ukraine, 01001. The business address for Mr. Danilczuk, Mr. Shibaev and Ms. Bachich is the Issuer's registered office at 19, rue de Bitbourg, L-1273 Luxembourg.

Senior management of the Group

Members of the Group's senior management (the "Senior Management"), in addition to the Issuer's Board of Directors, are:

Igor Chykin

Igor Chykin joined the Group in 2013. Mr. Chykin is responsible for general management of the Group's farming division, including the extensive leasehold farmland cultivated each year. Mr. Chykin previously worked for East West Group. With over fifteen years of experience in the farming business, Mr. Chykin's has held key positions at different companies in the agriculture sector where he has been responsible for the overall operational activity of the businesses.

Yuriy Pugach

Yuriy Pugach joined the Group in 2009. In his current position within the Group, Mr. Pugach is responsible for the operation of oil extraction plants, storage and transshipment of agricultural products. He previously worked for Cargill. Mr. Pugach graduated from the Donetsk Polytechnic Institute in 1995 with a degree in ferrous metallurgy. In 2017, Mr. Pugach completed the "Leading Change and Organisational Renewal" course provided by Harvard Business School.

Andriy Pishyy

Andriy Pishyy joined the Group in 2015 and is responsible for the development of the Group's information systems and IT infrastructure. Previously he worked for Kyivstar. In 2018 and 2017, respectively, Mr. Pishyy completed the "Disruptive Innovations" and "Leading Change and Organisational Renewal" courses provided by Harvard Business School. In 2010, he received a higher education degree from the International Institute of

Business (Kyiv) in finance. In 2008, he received an MBA from the International Institute of Business and completed an international MBA programme from a Canadian university (New Brunswick). In 1998, he graduated from the Kyiv International University of Civil Aviation.

Oleg Tkachenko

Oleg Tkachenko joined the Group in 2000. He previously worked for Transinline. Mr. Tkachenko graduated from the Kyiv Polytechnic Institute with a degree in Radio Engineering. Mr. Tkachenko is responsible for informational, economic and overall security of assets and representative offices within the Group.

Oleksandr Golovin

Oleksandr Golovin joined the Group in 2005. He previously worked for The Ramburs Group. Mr. Golovin's primary responsibilities within the Group include purchasing grains for export, supplying the plants with sunflower seeds for oil production, selling silo services to the Group's business partners and building long-term relationships with farmers. In 2018, Mr. Golovin completed the "Disruptive Innovations" course provided by Harvard Business School. In 2003, he graduated from National University of Food Technologies.

Mykola Miroshnychenko

Mykola Miroshnychenko joined the Group in 2013. Prior to that, Mr. Miroshnychenko worked for Masterbich Systems as the Director of Logistics. Within the Group, Mr. Miroshnychenko is responsible for overseeing all stages of the Group's logistics chains used for goods and technological chains. In 2018, he completed the "Disruptive Innovations" course provided by Harvard Business School and received an MBA qualification from the Rotterdam School of Management, Erasmus University, as part of the Global Executive OneMBA Programme. In 2012, Mr. Miroshnychenko received a Law Science qualification from the Donetsk Law Institute of the Ministry of Internal Affairs of Ukraine and in 2000 he graduated from Donetsk State University.

Sergiy Neroshchyn

Sergiy Neroshchyn joined the Group in 2005. Mr. Neroshchyn previously worked for Suntrade. Within the Group, Mr. Neroshchyn is responsible for sales of bottled oil and implementation of marketing programmes. In 2018, he completed the "Disruptive Innovations" course provided by Harvard Business School. In 1999, Mr. Neroshchyn graduated from Kyiv State University of Trade and Economics.

Nataliia Kulchytska

Nataliia Kulchytska joined the Group in 2007. Ms. Kulchytska is responsible for the Group's human resources functions, including in relation to management, strategy and performance. Ms. Kulchytska graduated from the Kyiv-Mohyla Business School with a degree in HR Management in 2014.

Oksana Koval

Oksana Koval joined the Group in 2011. Ms. Koval is responsible for the Group's communications strategy, which includes analysis and forecast of internal and external publicity campaigns, promotion of the Group's brand and the detection and prevention of reputational risks facing the Group. Ms. Koval graduated from the Kyiv-Mohyla Business School in 2019.

Oksana Karabin

Oksana Karabin joined the Group in 2005. Ms. Karabin is responsible for the trading of grains and oilseeds and general management of commodity flows (grains and oilseeds), among other things. Ms. Karabin graduated from Taras Shevchenko National University of Kyiv, Institute of International Relations in 2002 and received a master's degree in International Information and Translation.

Andrii Paladii

Andrii Paladii joined the Group in 2018. Mr. Paladii graduated from Mariupol State University for Humanities in 2008 and received a specialist's degree in International Economy. Mr. Paladii is responsible for the commercial side of the oilseeds crushing business, including developing and implementing business strategy. Prior to joining the Group, Mr. Paladii had over 10 years of experience in the grains and oilseeds business, having managed trading positions in Switzerland and oilseeds crushing assets in Ukraine and Brazil at Noble Group and COFCO International.

The business address for all of the members of the Senior Management is 3 Taras Shevchenko Lane, Kyiv, Ukraine, 01001.

Corporate governance

As the Issuer's shares are admitted to trading on the Main Market of the Warsaw Stock Exchange (the "WSE"), the Issuer is required to declare which of the WSE's Code of Best Practice for WSE Listed Companies 2016 (the "Corporate Governance Code"), it intends or does not intend to comply with and indicate its reasons for non-compliance. The Issuer complies with the majority of the Corporate Governance Code which, in addition to general rules, contain best practices on disclosure policy, investor communications, management board, supervisory board, internal systems and functions, general meeting, shareholder relations, conflict of interest, related party transactions and remuneration. Certain principles apply to the Issuer only to the extent permitted by Luxembourg corporate law and also because of the Issuer's single tier board structure as opposed to two tier board structure presumed by the Corporate Governance Code. In circumstances where the Issuer is unable to comply with certain principles, it endeavours to maintain best practice procedures in relation to such principles.

The Issuer is generally in compliance with the Corporate Governance Code, except for the following recommendations and principles:

Recommendation IV.R.2	<p>– If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:</p> <ol style="list-style-type: none">(1) real-life broadcast of the general meeting;(2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting; and(3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.
Principle I.Z.1.16	A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting.
Principle I.Z.1.20	A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: an audio or video recording of a general meeting.
Principle IV.Z.2	If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.
Principle VI.Z.4	In this activity report, the company should report on the remuneration policy including at least the following:

- (1) general information about the company's remuneration system;
- (2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- (3) information about non-financial remuneration components due to each management board member and key manager;
- (4) significant amendments of the remuneration policy in the last financial year or information about their absence; and
- (5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

The Issuer does not use the above facilities due to the limited interest of shareholders in participating in general meetings of the Issuer in the past. The Issuer may decide to use such facilities in the future if there is interest from shareholders.

The Issuer does not disclose in its activity report information about the conditions associated with and amounts of remuneration of each management board member. Information about non-financial remuneration components for such board member and other key managers also remains confidential. This information is not disclosed due to its commercially sensitive nature.

In relation to Luxembourg law, the Issuer is not and will not be subject to any of the corporate governance rules issued by the Luxembourg Stock Exchange as said rules are only applicable to companies that are listed: (i) on a regulated market in Luxembourg; or (ii) both on a regulated market in Luxembourg and on one or more foreign regulated markets. However, from time to time in relation to some transactions and if it is not provided by the Corporate Governance Code, the Issuer applies the corporate governance rules issued by the Luxembourg Stock Exchange, to the extent applicable.

Board of Directors

Composition

Members of the Board of Directors of the Issuer are elected by a majority vote of shareholders at any general meeting of shareholders. Directors may be elected for a term not exceeding six years, and may be re-elected an unlimited number of times. The Board of Directors currently consists of eight members, two of whom are considered to be independent pursuant to article 7 of the Issuer's Articles of Association. The directors may be dismissed at any time, with or without cause, at the sole discretion of shareholders at any general meeting of shareholders, and may be reappointed without restriction for consecutive terms of office. In the event of a vacancy in the office of a director because of death, retirement or otherwise, such vacancy may be filled on a temporary basis until the next annual general meeting is held, in compliance with applicable provisions of Luxembourg law.

Powers

The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in compliance with the corporate object of the Issuer. All powers not expressly reserved by the Luxembourg

law of 10 August 1915 concerning commercial companies (the “Companies’ Act 1915”) or by the Articles of Association for the annual general meeting fall within the competence of the Board of Directors.

The Board of Directors may delegate the power to perform the daily management of the Issuer as well as the representation of the Issuer in relation to such management to an executive or other committee or committees formed from among its own members or not, or to one or more directors, managers or other agents who may act individually or jointly. According to article 11 of the Issuer’s Articles of Association, the Board of Directors may establish one or several committees composed of members of the board and/ or external persons to whom it may delegate powers and function from time to time. If an audit committee is established, at least one independent director with finance and accounting expertise should be a member of that committee. The delegation of duties to a member of the Board of Directors imposes on the Board of Directors an obligation to report annually to the annual general meeting about the remuneration, fees and any advantages granted to the delegated person. The Board of Directors determines the scope of the powers, the conditions for withdrawal and the remuneration attached to these delegations of authority, including the authority to sub-delegate.

The general meeting of shareholders of the Issuer is competent to decide whether a director is an independent director and the Board of Directors is competent to decide whether there are relationships or circumstances which are likely to affect, or could appear to affect, any director’s judgement. The annual general meeting of shareholders held on 12 December 2016 has determined that Mr. Shibaev, Ms. Bachich and Mr. Danilczuk are independent directors.

Any material agreement between the Issuer and related parties must be approved in advance by the Board of Directors, with at least one independent director voting in favour of such resolution. Typical transactions made in the ordinary course of business on arm’s length terms with entities in which the Issuer or other parties have a majority stake do not need to be approved by the Board of Directors.

Board meetings

The Board of Directors elects a chairman from among its members, who presides at all meetings of the Board of Directors. The Board of Directors meets whenever two directors request a meeting. Any director may participate in a meeting of the Board of Directors by videoconference, which constitutes his presence in person at the meeting. Board of Directors’ resolutions can also be taken by circular letter. Decisions are taken by a majority vote of the directors present or represented. In the event that in any meeting the number of votes for and against a resolution is equal, the chairman of the meeting does not have a casting vote. In the case of a tie, the proposed decision is considered as rejected.

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

Any director having a conflict due to a personal interest in a transaction submitted for approval to the Board of Directors conflicting with that of the Issuer, is obliged to inform the Board of Directors thereof and to cause a record of his statement to be included in the minutes of the meeting. He may not take part in the business of the meeting, but will be counted in the quorum. At the following annual general meeting, before any resolution is voted on, a special report shall be made on any transactions in which any of the directors may have a personal interest conflicting with that of the Issuer.

Remuneration of Board of Directors and management

Remuneration of the Board of Directors is fixed and does not contain any performance-based variable component, which ensures the Board is independent in fulfilling its duties towards the executive management team. Board members are reimbursed for certain travel, hotel and other expenses related to the exercise of their directorship duties. The members of the Board of Directors are not granted any pensions, retirement or similar benefits by the Issuer. The total remuneration of the Board is approved at the annual general meeting. Total remuneration of the Issuer's Board of Directors amounted to US\$500 thousand in FY2020, US\$500 thousand in FY2019 and US\$568 thousand in FY2018.

The Issuer's executive management compensation policy and programmes are designed to reward performance, promote sustainable growth and long-term shareholder value creation, while offering competitive remuneration to be able to attract and retain highly qualified employees. The compensation of the executive management team is determined by the chairman of the board, Andrii Verevskyi, and is reviewed by the Issuer's nomination and remuneration committee annually, and, if necessary, adjusted and approved by a decision of the Board of Directors based on a proposal by that committee.

The Group's transactions with related parties during the FY2020, FY2019 and FY2018 are set out in *"Shareholders and Related Party Transactions—Related Party Transactions"* above.

Share Options

As part of the management incentive scheme, the Group's executives and senior employees are granted options to acquire shares in the Issuer.

In FY2015 (on 23 December 2014), the Board of Directors approved a new management incentive plan and an amendment to the previous management incentive plan, issuing a total of 3,750,000 new options with a strike price of PLN 29.61, with the authorised capital due to be approved by the Issuer's general meeting of shareholders. As a result, as at 30 June 2020, a total of 3,000,000 options were issued, all of which were vested and have a strike price of PLN 75. These options granted under the Issuer's management incentive scheme carry no rights to dividends and no voting rights. In December 2016, Kernel Holding S.A. issued and registered 1,017,820 new shares to exercise 657,820 options with PLN 24.00 strike price and 360,000 options with PLN 29.61 strike price. In June 2017, Kernel Holding S.A. issued and registered 1,240,000 new shares to exercise 1,240,000 options with PLN 29.61 strike price. In December 2019, Kernel issued and registered 2,090,000 new shares to exercise 1,240,000 options with PLN 29.61 strike price.

Conflicts of interests

The Board of Directors has adopted procedures for the authorisation of existing situations and for considering (and authorising where appropriate) new situations which may give rise to a conflict of interest on the part of any director. For example, these rules provide duties, which include, but are not limited to the following:

- a duty not to accept any benefits from third parties which give rise to a personal interest and/or gain;
- a duty to disclose any interest in a proposed transaction or arrangement with the Issuer and a separate and independent duty to disclose any interest in an existing transaction or arrangement with the Issuer; and
- a duty to avoid conflicts of interest unless authorised.

The procedures give guidance to directors as to what situations may be affected and of their obligations to notify the Board of Directors of any such instances.

In particular, in the case of a conflict of any director, he must inform the Board of Directors of any such existing or potential conflict and may not take part in the vote but will be counted in the quorum. A director having a conflict on any item on the agenda must declare this conflict to the chairman before the meeting starts.

Any director having a conflict due to a personal interest in a transaction submitted for approval to the Board of Directors conflicting with that of the Issuer, shall be obliged to inform the Board of Directors thereof and to cause a record of his statement to be included in the minutes of the meeting. He may not take part in the business of the meeting, but will be counted in the quorum. At the following general meeting of shareholders, before any other resolution to be voted on, a special report shall be made on any transactions in which any of the directors may have a personal interest with that of the Issuer.

Moreover, notwithstanding any contrary provision, any material agreement between the Issuer and its related parties must be approved in advance by the Board, with at least one independent director voting in favour of such resolution.

As at the date of these Listing Particulars, neither the Issuer nor any of the Guarantors is aware of any potential conflict of interests between the duties their directors owe, on the one hand, and their private interests or the duties owed by any of them to any other person, on the other.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, except for the paragraphs in italics, will be endorsed on each Individual Certificate (as defined below) and will be attached and (subject to the provisions thereof) apply to the Global Note Certificates.

The issue of the US\$300,000,000 6.75 per cent. Guaranteed Notes due 2027 (the “**Notes**”, which expression shall include any Additional Notes issued pursuant to Condition 15 (*Further Issues*) and consolidated and forming a single series therewith) was authorised by a resolution of the Board of Directors of Kernel Holding S.A. (the “**Issuer**”) on 2 October 2020. The Notes will be constituted by the Multiparty Trust Deed (as defined below). Each of the Guarantors organised outside Ukraine (together, the “**Non-Ukrainian Guarantors**”) will, pursuant to the guarantee contained in the trust deed dated 27 October 2020 (the “**Issue Date**”) entered into between the Issuer, the Non-Ukrainian Guarantors, the other Guarantors named therein and BNY Mellon Corporate Trustee Services Limited (the “**Trustee**”, which expression shall include all Persons (as defined in Condition 19.2 (*Definitions*)) for the time being the trustee or trustees under the Multiparty Trust Deed) (the “**Multiparty Trust Deed**”), unconditionally and irrevocably, jointly and severally with every other Guarantor (as defined below), to the maximum extent permitted by law, guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds. Each of the Ukrainian Guarantors will either be a party to the Multiparty Trust Deed or will separately enter into a trust deed with the Trustee, each dated the Issue Date (each, an “**Additional Trust Deed**” and, together, the “**Additional Trust Deeds**”, and together with the Multiparty Trust Deed, the “**Trust Deeds**”, and each, including any accessions, amendments or supplements thereto, a “**Trust Deed**”).

The Ukrainian Guarantors will unconditionally and irrevocably, jointly and severally with every other Guarantor, to the extent not expressly prohibited by any applicable law, agree to ensure the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds (each, a “**Suretyship**” and, together, the “**Suretyships**”). Each of the Ukrainian Guarantors is either a party to the suretyship deed to be entered into between the Ukrainian Guarantors named therein and the Trustee dated the Issue Date (the “**Multiparty Suretyship Deed**”) or will separately enter into a suretyship deed with the Trustee, each dated the Issue Date (each, an “**Additional Suretyship Deed**” and, together, the “**Additional Suretyship Deeds**” and together with the Multiparty Suretyship Deed, the “**Suretyship Deeds**”, and each, including any accessions, amendments or supplements thereto, a “**Suretyship Deed**”). The Suretyships shall not constitute a guarantee obligation (in Ukrainian: *garantiya*) as that term is interpreted under Ukrainian law.

These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deeds and the Suretyship Deeds. The Issuer has also entered into an agency agreement with the Trustee, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes) and The Bank of New York Mellon, London Branch as principal paying agent and transfer agent (the “**Principal Paying and Transfer Agent**”, which expression includes any successor principal paying agent and transfer agent appointed from time to time in connection with the Notes) dated the Issue Date (the “**Agency Agreement**”).

The Issuer, the Ukrainian Guarantors and the Non-Ukrainian Guarantors may also be obliged to procure additional guarantees (each, an “**Additional Guarantee**”) of the Issuer’s obligations under the Trust Deeds and the Notes by certain other Restricted Subsidiaries (each, an “**Additional Guarantor**” and together, the “**Additional Guarantors**”, and together with the Initial Guarantors (as defined below) that at such time have not been released from their obligations in accordance with these Conditions, the “**Guarantors**”) in the circumstances set out and as provided in Conditions 2.2 (*Additional Guarantees*) and 3.10 (*Additional Guarantees*). The Guarantees (as defined below) will constitute a guarantee for the purposes of English law.

References herein to the “**Agents**” are to the Registrar and the Principal Paying and Transfer Agent and any reference to an “**Agent**” is to any one of them. Unless a contrary indication appears, any reference in these Conditions to the “**Issuer**”, the “**Guarantors**”, the “**Trustee**” and any “**Agent**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees.

Copies of the Trust Deeds, the Agency Agreement and the Suretyship Deeds are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deeds and the Suretyship Deeds and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

As of the Issue Date, all of the Issuer’s Subsidiaries are Restricted Subsidiaries. However, in the circumstances described in Condition 3.12 (*Designation of Restricted and Unrestricted Subsidiaries*), the Issuer will be permitted to designate certain of its Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in these Conditions and will not guarantee the Notes. As of the Issue Date, the Issuer has no Unrestricted Subsidiaries.

For the purposes of determining any calculation under these Conditions derived from financial statements prepared in accordance with IFRS (as defined below), any asset or liability (including any related interest income and/or expense) in respect of an Operating Lease (as defined below) will continue to be treated as an Operating Lease unless the Issuer has otherwise made an IFRS 16 Lease Election (as defined below).

1 Form, Denomination, Register, Title and Transfer

1.1 Form and denomination

The Notes are in registered form, without interest coupons attached, in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof, without individual coupons attached. An individual certificate (each, an “**Individual Certificate**”) will be issued to each Noteholder in respect of its registered holding of Notes. Each Note and each Individual Certificate will have an identifying number which will be recorded on the relevant Individual Certificate and in the Register (as defined in Condition 1.2 (*Register*)).

Individual Certificates issued with respect to Rule 144A Notes (“**Rule 144A Individual Certificates**”) will bear the Rule 144A Legend (as defined in the Trust Deeds), unless determined otherwise in accordance with the provisions of the Agency Agreement by reference to applicable law. Individual Certificates issued with respect to the Regulation S Notes (“**Regulation S Individual Certificates**”) will not bear the Rule 144A Legend.

Upon issue, the Rule 144A Notes will be represented by a restricted global certificate (the “**Rule 144A Global Note Certificate**”) and the Regulation S Notes will be represented by the unrestricted global certificate (the “**Regulation S Global Note Certificate**” and, together with the Rule 144A Global Note Certificate, the “**Global Note Certificates**”). The Rule 144A Global Note Certificate will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company (“**DTC**”) and the Regulation S Global Note Certificate will be deposited with The Bank of New York Mellon, London Branch as common depository, and registered in the name of The Bank of New York Depository (Nominees) Limited as nominee of the common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”).

These Conditions are modified by certain provisions contained in the Global Note Certificates. See “Summary of Provisions Relating to the Notes While in Global Form”.

Except in the limited circumstances described in the Global Note Certificates, owners of interests in Notes represented by the Global Note Certificates will not be entitled to receive physical Individual Certificates in definitive form in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

1.2 Register

The Registrar will maintain outside the United Kingdom a register in respect of the Notes (the “**Register**”) in accordance with the provisions of the Agency Agreement. In these Conditions, the “Holder” of a Note means the Person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “Noteholder” shall be construed accordingly.

1.3 Title

Title to the Notes passes only by transfer and registration in the Register (as defined in Condition 1.2 (*Register*)). The Holder of each Note shall (except as otherwise required by a court of competent jurisdiction or applicable law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Individual Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Individual Certificate) and no Person shall be liable for so treating such Holder.

1.4 Transfers

Subject to the terms of the Agency Agreement and Conditions 1.7 (*Closed periods*) and 1.8 (*Regulations concerning transfers and registration*), a Note may be transferred by delivering the Individual Certificate in respect of it, with the endorsed form of transfer duly completed and signed, at the Specified Office of the Registrar or the Principal Paying and Transfer Agent. No transfer of a Note will be valid unless and until entered on the Register.

Where some but not all of the Notes in respect of which an Individual Certificate is issued are to be transferred, a new Individual Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Individual Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

Transfers of interests in the Notes evidenced by the Global Note Certificates will be effected in accordance with the rules of the relevant clearing system.

Upon the transfer, exchange or replacement of a Rule 144A Note, the Principal Paying and Transfer Agent will only deliver Individual Certificates with respect to Rule 144A Notes that do not bear the Rule 144A Legend if there is delivered to the Principal Paying and Transfer Agent such satisfactory evidence as may be reasonably required by the Issuer, that neither the Rule 144A Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the United States Securities Act of 1933, as amended (the “**Securities Act**”).

An interest in Notes represented by the Regulation S Global Note Certificate may be transferred to a person within the United States subject to any applicable transfer restrictions under the Securities Act.

Interests in Notes represented by the Rule 144A Global Note Certificate may be transferred to a person who wishes to take delivery of any such interest in the form of an interest in Notes represented by the

Regulation S Global Note Certificate only if the Principal Paying and Transfer Agent receives a written certificate from the transferor (in the form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers of Notes are also subject to the restrictions described under “Selling and Transfer Restrictions”.

1.5 Registration and delivery of Individual Certificates

Within five business days of the surrender of an Individual Certificate in accordance with Condition 1.4 (*Transfers*), the Registrar will register the transfer in question and deliver a new Individual Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Principal Paying and Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first-class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder.

In this paragraph, “**business day**” means a day on which banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Principal Paying and Transfer Agent has its Specified Office.

Except in the limited circumstances described in “Summary of Provisions Relating to the Notes While in Global Form”, owners of interests in Notes represented by the Global Note Certificates will not be entitled to receive physical delivery of Individual Certificates. Issues of Individual Certificates upon transfers of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and, in the case of the Rule 144A Notes, compliance with the Rule 144A Legend.

1.6 No charge

The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the Principal Paying and Transfer Agent but against such indemnity as the Registrar or (as the case may be) the Principal Paying and Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

1.7 Closed periods

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal, premium (to the extent premium, if any, is required to be paid under these Conditions) or interest in respect of the Notes or after any Note is required to be redeemed pursuant to Condition 5.4 (*Redemption at the Option of the Holders Upon a Change of Control*).

1.8 Regulations concerning transfers and registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar and/or the Principal Paying and Transfer Agent to any Noteholder who requests in writing a copy of such regulations.

2 Guarantee, Suretyship and Status

2.1 Guarantee and Suretyship

The Non-Ukrainian Guarantors have, pursuant to the guarantee contained in the Multiparty Trust Deed, unconditionally and irrevocably, jointly and severally with every other Guarantor, guaranteed, to the maximum extent permitted by law, the due payment of all moneys payable by the Issuer under the Notes

and the Trust Deeds. The guarantee provided by the Non-Ukrainian Guarantors will constitute a guarantee for the purposes of English law.

The Ukrainian Guarantors have each provided an unconditional and irrevocable Suretyship on a joint and several basis with every other Guarantor, to the extent not expressly prohibited by any applicable law, pursuant to the Suretyship Deeds, in relation to the due payment of all moneys payable by the Issuer under the Notes and the Trust Deeds.

The obligations of each Ukrainian Guarantor under the Suretyship Deeds create a secondary liability of such Ukrainian Guarantor in relation to the underlying obligations of the Notes and, therefore, if those obligations are invalid, the Suretyships under the Suretyship Deeds will also be invalid. The Suretyship Deeds do not constitute guarantee obligations (in Ukrainian: *garantiya*) as that term is interpreted under Ukrainian law.

2.2 Additional Guarantees

The Issuer may from time to time designate a Restricted Subsidiary as an Additional Guarantor of the Notes. The Issuer will cause each Additional Guarantor organised outside Ukraine to execute and deliver to the Trustee a deed of accession to the Multiparty Trust Deed, pursuant to which such Additional Guarantor will, on a joint and several basis with each other Guarantor, unconditionally and irrevocably guarantee, to the maximum extent permitted by law, the due payment of all moneys payable by the Issuer under the Notes and the Trust Deeds.

The Issuer will cause each Additional Guarantor that is organised inside Ukraine to execute and deliver to the Trustee either a deed of accession to the Multiparty Suretyship Deed or a suretyship deed in or substantially in the form of the Additional Suretyship Deeds entered into on the Issue Date, pursuant to which such Additional Guarantor will, on a joint and several basis with each other Guarantor, unconditionally and irrevocably ensure, to the maximum extent permitted by law, the due payment of all moneys payable by the Issuer under the Notes and the Trust Deeds. Additional Guarantors that are organised inside Ukraine will also execute and deliver either a deed of accession to the Multiparty Trust Deed or a trust deed in or substantially in the form of the Additional Trust Deeds entered into on the Issue Date, pursuant to which it will enter into contractual arrangements with the Trustee.

The Issuer shall give notice to the Trustee and the Noteholders in accordance with Condition 16 (*Notices*) of the accession of each Additional Guarantor by execution of, or accession to, a Trust Deed or Suretyship Deed (as the case may be). The accession of an Additional Guarantor pursuant to this Condition 2.2 shall be conditional upon receipt by the Trustee of an Opinion of Counsel as to the enforceability under English law of the Guarantee in accordance with its terms from such Additional Guarantors. The Trustee shall be entitled to accept and rely on the Opinion of Counsel referred to above without further enquiry or liability to any Person as sufficient evidence of the matters certified therein.

2.3 Release of the Guarantees

A Guarantee of a Guarantor shall be released, automatically and without further action on the part of any Noteholder or the Trustee:

- (a) in the event that such Guarantor is disposed of in a manner which is permitted by these Conditions (*provided that*, in any event, the disposal is not made to a Restricted Subsidiary);
- (b) in the event that such Guarantor (i) does not account for 10 per cent. or more of the Issuer's Total Assets or the Issuer's EBITDA calculated in accordance with Condition 3.10(a) (*Additional Guarantees*) and (ii) is not required to be a Guarantor to satisfy the requirements of Condition

3.10(b) (*Additional Guarantees*), but only upon the delivery to the Trustee of an Officer's Certificate certifying as to clauses (i) and (ii) of this subparagraph;

- (c) when the Issuer designates such Guarantor as an Unrestricted Subsidiary (i) in compliance with the terms of Condition 3.12 (*Designation of Restricted and Unrestricted Subsidiaries*) and (ii) upon delivery to the Trustee of an Officer's Certificate certifying that such Guarantor (A) does not account for 10 per cent. or more of the Issuer's Total Assets or the Issuer's EBITDA calculated in accordance with Condition 3.10(a) (*Additional Guarantees*) and (B) was not required to be a Guarantor to satisfy the requirements of Condition 3.10(b) (*Additional Guarantees*); or
- (d) on the liquidation of such Guarantor in accordance with these Conditions.

The Trustee will take all actions which in its sole opinion it considers are necessary or desirable to effect any release in accordance with these provisions, subject to it being indemnified and/or secured and/or prefunded to its satisfaction before taking such action.

Notwithstanding anything to the contrary in this Condition 2.3, the Issuer and the Restricted Subsidiaries shall comply at all times with their obligation to provide Additional Guarantors under Condition 3.10 (*Additional Guarantees*).

2.4 Status

The Notes constitute direct, unsecured, unsubordinated and unconditional obligations of the Issuer and shall, save for such exceptions as may be provided by applicable legislation, at all times rank *pari passu* and without any preference among themselves and with all outstanding unsecured and unsubordinated obligations of the Issuer, present and future.

The Guarantee of each Non-Ukrainian Guarantor constitutes direct, unsecured, unsubordinated and unconditional obligations of such Non-Ukrainian Guarantor, to the maximum extent permitted by law. The payment obligations of each Non-Ukrainian Guarantor under its Guarantee shall at all times rank *pari passu* and without any preference among themselves and with all outstanding unsecured and unsubordinated obligations of such Non-Ukrainian Guarantor, present and future.

The Suretyship of each Ukrainian Guarantor constitutes direct, unsecured, unsubordinated and unconditional obligations of such Ukrainian Guarantor. The payment obligations of each Ukrainian Guarantor under its Suretyship shall at all times rank *pari passu* and without any preference among themselves and with all outstanding unsecured and unsubordinated obligations of such Ukrainian Guarantor, present and future.

3 Covenants

3.1 Limitation on Liens

- (a) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) of any kind on any asset now owned or hereafter acquired, *provided, however*, that the Issuer or any Restricted Subsidiary may, directly or indirectly, create, incur, assume or suffer to exist any Lien:
 - (i) to secure Indebtedness that ranks at least *pari passu* with the Notes or the Guarantees; *provided that* all Obligations under the Notes or the Guarantees, as the case may be, are secured on an equal and rateable basis with the Indebtedness so secured; and

- (ii) to secure Indebtedness that is expressly subordinated to the Notes or the Guarantees, *provided that* all Obligations under the Notes or the Guarantees, as the case may be, are secured on a senior basis to the Indebtedness so secured.
- (b) Any such Lien in favour of the Trustee and the Holders of the Notes will be automatically and unconditionally released and discharged concurrently with (i) the unconditional release of the Lien which gave rise to the Lien in favour of the Trustee and the Holders of the Notes (other than as a consequence of an enforcement action with respect to the assets subject to such Lien), or (ii) upon the full and final payment of all amounts payable by the Issuer and the Guarantors under the Notes, the Trust Deeds and the Suretyship Deeds.

3.2 Limitation on Incurrence of Indebtedness

- (a) The Issuer will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; *provided, however*, that the Issuer and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt), if on the date of Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness and the application of the proceeds thereof (i) no Potential Event of Default or Event of Default shall have occurred and be continuing at the time, or would occur as a consequence thereof and (ii) the Fixed Charge Coverage Ratio would have been at least 3.0 to 1.
- (b) Notwithstanding paragraph (a) of this Condition 3.2, the following shall be permitted:
 - (i) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (ii) of this paragraph);
 - (ii) the Incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes and the related Guarantees (for the avoidance of doubt, no Additional Notes may be issued in reliance on this clause (ii));
 - (iii) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Refinancing Indebtedness in exchange, replacement or renewal for, or the net proceeds of which are used to refund, refinance, replace, defease or discharge Indebtedness (other than intercompany Indebtedness) that was permitted to be Incurred under paragraph (a) of this Condition 3.2 or under clauses (i) (other than Indebtedness which, had it been incurred on or after the Issue Date, would have comprised Indebtedness of the type described in clause (xi) of this paragraph (b)), (ii), (iii), (x), (xii) or (xiii) of this paragraph (b);
 - (iv) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness between or among the Issuer and any of its Restricted Subsidiaries;
 - (v) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Hedging Obligations for the purpose of fixing or hedging (A) interest rate risk with respect to or in connection with any Indebtedness that is permitted by the terms of the Notes to be outstanding; (B) currency exchange rate risk; (C) commodity price risk or (D) sea freight rate risk and, in the case of (A) through (D), not entered into for speculative purposes and including any such Hedging Obligations Incurred in connection with the issuance of the Notes;
 - (vi) the guarantee by the Issuer or any of its Restricted Subsidiaries of Indebtedness of the Issuer or a Restricted Subsidiary of the Issuer that was permitted to be Incurred by another provision of this covenant; *provided that* if the Indebtedness being guaranteed is

subordinated in right of payment to the Notes or the Guarantees thereof, then such guarantee shall be subordinated to the same extent as the Indebtedness guaranteed;

- (vii) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds or letters of credit or other similar obligations in the ordinary course of business (including guarantees or indemnities related thereto);
- (viii) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days of Incurrence;
- (ix) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for guarantees, indemnification, adjustment of purchase price, earn outs or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Subsidiary, other than guarantees of Indebtedness of the Subsidiary disposed of, or incurred or assumed by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; *provided that* the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness (other than in respect of tax and environmental matters) shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value) actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;
- (x) the Incurrence or acquisition by the Issuer or any of its Restricted Subsidiaries of Indebtedness, Disqualified Stock or Preferred Stock of Persons that are acquired by the Issuer or any of its Restricted Subsidiaries or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any of its Restricted Subsidiaries in accordance with these Conditions; *provided that* after giving effect to such acquisition, merger, consolidation, amalgamation or other combination the Issuer or such Restricted Subsidiary would be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in paragraph (a) of this Condition 3.2 after giving effect to the Incurrence of such Indebtedness pursuant to this clause (x);
- (xi) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness under (A) trade credit facilities (including, for the avoidance of doubt, revolving and working capital facilities) or (B) VAT Facilities, in each case incurred in order to finance the acquisition, processing and/or distribution and sale of Grain and Oil Seed Products inclusive of amounts of VAT paid in respect of the foregoing, in an aggregate principal amount at any time outstanding not to exceed the sum of (x) the aggregate book value of such items and related receivables determined in accordance with the Issuer's accounting policies and IFRS and (y) the amount to be recorded as "Taxes Recoverable and Prepaid" determined in accordance with the Issuer's accounting policies and IFRS; *provided, however,* that any individual drawdown under such facilities is repaid within 12 months of such drawdown;

- (xii) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or Purchase Money Indebtedness incurred for the purpose of financing all or any part of the purchase price or cost of lease, design, construction, installation or improvement of property, land, plant or equipment used in the business of the Issuer or any of its Restricted Subsidiaries, whether through the direct purchase of assets, services or the ordinary shares of any Person owning such assets (including any Indebtedness deemed to be incurred in connection with such purchase, design, construction, installation or improvement) in an aggregate principal amount, including all Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (xii), at any time outstanding not exceeding 4 per cent. of the Issuer's Total Assets;
 - (xiii) the Incurrence by the Issuer or any of its Restricted Subsidiaries of any Indebtedness in respect of the Operating Leases that are in effect at the last day of the fiscal period preceding the period for which the IFRS 16 Lease Election is effective; and
 - (xiv) the Incurrence by the Issuer or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Refinancing Indebtedness Incurred to refund, refinance, replace, defease or discharge any Indebtedness Incurred pursuant to this clause (xiv), not to exceed US\$100.0 million at any time outstanding.
- (c) For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of the Incurrence of such Indebtedness; *provided, however*, that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be as provided in such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced will be the U.S. Dollar Equivalent of the Indebtedness Refinanced, except to the extent that (1) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (2) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess will be determined on the date such Refinancing Indebtedness is Incurred. Notwithstanding any other provision of this Condition 3.2, the maximum amount that the Issuer or a Restricted Subsidiary may incur pursuant to this Condition 3.2 shall not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.
- (d) Notwithstanding the foregoing, neither the Issuer nor any Guarantor will Incur any Indebtedness pursuant to paragraph (b) of this Condition 3.2 if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Issuer or any Guarantor unless such Indebtedness shall be subordinated to the Notes or the applicable Guarantee to at least the same extent as such Subordinated Obligations.
- (e) The Issuer will not incur, and will not permit, any Guarantor to incur, any Indebtedness (including permitted Indebtedness in accordance with paragraphs (a) and (b) above) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the

applicable Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Restricted Subsidiary solely by virtue of being unsecured or by virtue of being secured on a junior Lien basis or by virtue of not being guaranteed.

- (f) For purposes of determining compliance with this Condition 3.2, in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described above, or is entitled to be incurred pursuant to paragraph (a) of this Condition 3.2, the Issuer, in its sole discretion, will be permitted to classify and from time to time, to reclassify such item of Indebtedness (or any portion thereof) in any manner that complies with this covenant.
- (g) The accrual of interest, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant.
- (h) The amount of any Indebtedness outstanding as of any date will be:
 - (i) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
 - (ii) the greater of the liquidation preference or the maximum fixed redemption or repurchase price of the Disqualified Stock, in the case of Disqualified Stock;
 - (iii) the Attributable Debt related thereto, in the case of any lease that is part of a Sale and Leaseback Transaction; and
 - (iv) the principal amount of the Indebtedness, in the case of any other Indebtedness.

For purposes of the foregoing, the “maximum fixed repurchase price” of any Disqualified Stock that do not have a fixed redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed or repurchased on any date of determination.

3.3 Limitation on Restricted Payments

- (a) The Issuer will not, and will not permit any Restricted Subsidiary, directly or indirectly, to make a Restricted Payment unless at the time of and after giving effect to such Restricted Payment:
 - (i) no Potential Event of Default or Event of Default shall have occurred and be continuing (or would result therefrom); and
 - (ii) the Issuer is entitled to Incur an additional US\$1.00 of Indebtedness pursuant to Condition 3.2(a) (*Limitation on Incurrence of Indebtedness*); and
 - (iii) the aggregate amount of such Restricted Payment and all other Restricted Payments since 30 September 2019 would not exceed the sum of (without duplication):
 - (A) 50 per cent. of the Consolidated Net Income accrued during the period (treated as one accounting period) from 30 September 2019 to the end of the most recent financial quarter for which financial statements have been provided under Condition 3.11 (*Reports*) prior to the date of such Restricted Payment (or, in case

such Consolidated Net Income shall be a deficit, minus 100 per cent. of such deficit); plus

- (B) 100 per cent. of the aggregate net cash proceeds received by the Issuer subsequent to 30 September 2019 (i) as a contribution to its ordinary equity capital, (ii) from the issue or sale or exercise of Capital Stock of the Issuer (other than Disqualified Stock), (iii) from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Issuer that have been converted into or exchanged for such Capital Stock (other than Capital Stock (or Disqualified Stock or debt securities) sold to a Subsidiary of the Issuer) or (iv) from the issue of Indebtedness of the Issuer or a Restricted Subsidiary for cash subsequent to 30 September 2019 that has been converted into or exchanged for such Capital Stock (other than Disqualified Stock).

(b) The preceding provisions will not prohibit:

- (i) the payment of any dividend within 180 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of these Conditions;
- (ii) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock) or from the substantially concurrent contribution of ordinary equity capital to the Issuer; *provided that* the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from clause (a)(iii)(2) of this Condition 3.3;
- (iii) the defeasance, redemption, repurchase or other acquisition of Indebtedness of the Issuer or any Restricted Subsidiary that is contractually subordinated to the Notes or any Guarantee with the net cash proceeds from a substantially concurrent incurrence of Refinancing Indebtedness;
- (iv) the repurchase of Capital Stock deemed to occur upon the exercise of stock options or warrants to the extent such Capital Stock represent a portion of the exercise price of such stock options or warrants;
- (v) the repurchase, redemption, or other acquisition for value of Capital Stock of the Issuer or any Restricted Subsidiary of the Issuer representing fractional shares of such Capital Stock in connection with a share dividend, distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of the Issuer or such Restricted Subsidiary, in each case, permitted under these Conditions;
- (vi) so long as no Potential Event of Default or Event of Default has occurred and is continuing and no Potential Event of Default or Event of Default would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio described under Condition 3.2(a) (*Limitation on Incurrence of Indebtedness*);
- (vii) payments or distributions to dissenting shareholders pursuant to applicable law in connection with or contemplation of a merger, consolidation or transfer of assets;

- (viii) the purchase, redemption or other acquisition of Capital Stock of the Issuer or any of its Subsidiaries from employees, former employees, directors or former directors of the Issuer or any of its Subsidiaries (or any of their respective permitted transferees) pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell such Capital Stock in an amount of up to US\$1.0 million in any financial year;
- (ix) so long as no Potential Event of Default or Event of Default has occurred and is continuing and no Potential Event of Default or Event of Default would be caused thereby, other Restricted Payments made since the Issue Date and remaining outstanding in an aggregate amount not to exceed US\$35.0 million; or
- (x) so long as no Potential Event of Default or Event of Default has occurred and is continuing and no Potential Event of Default or Event of Default would be caused thereby, the payment of dividends to shareholders of the Issuer not exceeding US\$35.0 million in any financial year.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined in good faith by the Board of Directors whose resolution with respect thereto will be delivered to the Trustee along with an Officers' Certificate setting out the Fair Market Value. The Trustee may rely on such resolution and such Officers' Certificate without further enquiry and will not be responsible or liable to any Person for so doing.

3.4 Transactions with Affiliates

The Issuer will not, and will not permit any Restricted Subsidiary to, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Issuer (an "**Affiliate Transaction**") unless:

- (a) the terms of the Affiliate Transaction are no less favourable to the Issuer or such Restricted Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's-length dealings with a Person who is not an Affiliate; and
- (b) the Issuer delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$20.0 million, a resolution of the Issuer's Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this Condition 3.4 and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors (or, in the event there is only one disinterested member of the Board of Directors, approved by such disinterested member); *provided, however*, that the provisions of these Conditions 3.4(a) and (b) shall not apply to:
 - (i) any employment agreement, consulting agreement, employee benefit plan, officer and director indemnification agreement or any similar arrangement entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business and compensation (including bonuses and equity compensation) paid to and other benefits (including retirement, health and other benefit plans) and indemnification arrangements provided on

- behalf of directors, officers, consultants and employees of the Issuer or any Restricted Subsidiary;
- (ii) transactions between or among or solely for the benefit of the Issuer and/or its Restricted Subsidiaries;
- (iii) transactions with a Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, Capital Stock in, or controls, such Person;
- (iv) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of the Issuer;
- (v) any issuance of Capital Stock (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer or the receipt of capital contributions by the Issuer from Affiliates of the Issuer;
- (vi) Restricted Payments that do not violate the provisions of Condition 3.3 (*Limitation on Restricted Payments*) or are Permitted Investments;
- (vii) guarantees of third-party loans to the Issuer and/or its Restricted Subsidiaries provided by Namsen LTD;
- (viii) the entering into of a tax sharing agreement, or payments pursuant thereto, between the Issuer and/or one or more Subsidiaries, on the one hand, and any other Person with which the Issuer or such Subsidiaries are required or permitted to file a consolidated tax return or with which the Issuer or such Subsidiaries are part of a consolidated group for tax purposes, on the other hand, *provided that* any payments by the Issuer and the Restricted Subsidiaries required under such agreement are not in excess of the tax liabilities that would have been payable by them on a stand-alone basis; or
- (ix) agreements and arrangements, and transactions pursuant thereto, existing on the Issue Date and any amendment, extension, renewal, refinancing, modification or supplement thereof; *provided that* following such amendment, extension, renewal, refinancing, modification or supplement, the terms of any such agreement or arrangement so amended, modified or supplemented are, on the whole, no less favourable to the Issuer and the Restricted Subsidiaries, as applicable, than the original agreement or arrangement as in effect on the Issue Date.

3.5 Asset Sales

- (a) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:
 - (i) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Capital Stock issued or sold or otherwise disposed of; and
 - (ii) at least 75 per cent. of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash, Cash Equivalents or Additional Assets. For purposes of this clause, each of the following will be deemed to be cash:
 - (A) any liabilities, as shown on the most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation or other agreement

that releases the Issuer and all Restricted Subsidiaries from liability in respect of those liabilities; and

- (B) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days, to the extent of the cash or Cash Equivalents received in that conversion.
- (b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply those Net Proceeds, at its option:
- (i) to acquire or invest in all or substantially all of the assets of, or any Capital Stock of, a Permitted Business if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;
 - (ii) to permanently reduce Indebtedness which ranks senior in right of payment to the Notes and/or the Guarantees or, to the extent that the assets or shares disposed of pursuant to such Asset Sale were subject to a Lien, to prepay, repay, redeem or repurchase Indebtedness of the Issuer or a Restricted Subsidiary that is secured by such assets or shares;
 - (iii) to acquire or invest in other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business, and any current asset, but only to the extent such current asset forms part of the acquisition otherwise permitted by this paragraph (iii);
 - (iv) a combination of prepayment and investment permitted by the foregoing paragraphs (i) to (iii);

provided, however, that any such acquisition or investment made pursuant to the foregoing paragraphs (b)(i) or (b)(iii) that is made pursuant to a definitive agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such acquisition or investment is consummated within six months of such 365th day.

Pending the final application of any Net Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by these Conditions.

- (c) Any Net Proceeds from Asset Sales that are not applied or invested as provided in paragraph (b) of this Condition 3.5 will constitute “**Excess Proceeds**”. On the 366th day after an Asset Sale (or such later date as is contemplated by the proviso to paragraph (b) of this Condition 3.5), if the aggregate amount of Excess Proceeds exceeds US\$50.0 million, the Issuer will make an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in these Conditions with respect to offers to purchase or redeem with the proceeds of sales of assets, to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased with the Excess Proceeds (“**Asset Sale Offer**”). The offer price in any Asset Sale Offer will be equal to at least 100 per cent. of the principal amount of the Notes plus any accrued and unpaid interest and Additional Amounts, if any, to (but excluding) the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by these Conditions. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Issuer select the Notes and such other *pari passu* Indebtedness to be purchased on a pro rata basis; *provided that*

Notes of US\$200,000 or less may only be purchased in whole and not in part. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

- (d) The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations and stock exchange rules, to the extent those laws, regulations and rules are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations or securities or investment exchange rules conflict with this Condition 3.5, the Issuer will comply with the applicable laws, regulations and rules and will not be deemed to have breached its obligations under this Condition 3.5 by virtue of such conflict.

3.6 Limitations on Dividends and Other Payment Restrictions Affecting Subsidiaries

- (a) The Issuer will not, and will not permit any Guarantor to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Guarantor to:
 - (i) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Guarantor, or with respect to any other interest or participation in, or measured by, its profits; or
 - (ii) pay any indebtedness owed to the Issuer or any Guarantor; or
 - (iii) make loans or advances to the Issuer or any Guarantor; or
 - (iv) transfer any of its properties or assets to the Issuer or any Guarantor.
- (b) However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:
 - (i) the Notes or these Conditions (including any Additional Notes) and the Guarantees;
 - (ii) any applicable law, rule, regulation or order;
 - (iii) any encumbrance or restriction pursuant to an agreement in effect on or entered into on the Issue Date and any renewal or replacement thereof, provided, that the encumbrance or restrictions contained in such renewal or replacement are no less favourable to Noteholders than the encumbrance or restriction in effect or entered into on the Issue Date;
 - (iv) any instrument governing Indebtedness of a Person acquired by the Issuer or any Guarantor, as in effect at the time of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided that*, in the case of Indebtedness, such Indebtedness was permitted by the terms of these Conditions to be incurred;
 - (v) customary non-assignment provisions in leases, security agreements, contracts and licenses entered into in the ordinary course of business and non-assignment clauses with respect to export contracts;
 - (vi) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (iv) of the preceding paragraph (a);
 - (vii) any agreement for the sale or other disposition of a Guarantor that restricts distributions by that Guarantor pending the sale or other disposition;

- (viii) Refinancing Indebtedness permitted to be incurred under Condition 3.2(b)(v) (*Limitation on Incurrence of Indebtedness*); *provided that* the restrictions and encumbrances contained in the agreements governing such Refinancing Indebtedness are either (i) no more restrictive or (ii) not materially less favourable to Noteholders in each case, taken as a whole and determined in good faith by the Board of Directors, than the dividend and other payment restrictions contained in the Indebtedness being refinanced;
- (ix) Liens (including Permitted Liens) permitted to be incurred under the provisions of Condition 3.1 (*Limitation on Liens*) that limit the right of the debtor to dispose of the assets subject to such Liens;
- (x) customary provisions limiting the disposition or distribution of Capital Stock, assets or property in joint venture agreements, merger agreements, asset sale agreements, sale-leaseback agreements, share sale agreements and other similar agreements entered into with the approval of the Board of Directors, which limitation is applicable only to the Capital Stock, assets or property that are the subject of such agreements;
- (xi) customary provisions limiting the disposition or distribution of Capital Stock in shareholder agreements;
- (xii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;
- (xiii) any encumbrance or restriction applicable to a Guarantor at the time it becomes a Guarantor that is not created in contemplation thereof; *provided that* such restriction apply only to such Guarantor and provided further that the exception provided by this clause (xiii) shall not apply to any encumbrance or restriction contained in any Indebtedness that refunds, refinances, replaces, defeases or discharges any Indebtedness which was in existence at the time such Guarantor became a Guarantor; and
- (xiv) encumbrances and restrictions arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to Condition 3.2 (*Limitation on Incurrence of Indebtedness*) if such encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer) and the Issuer determines that such encumbrance or restriction will not materially affect its ability to make principal, premium (to the extent premium, if any, is required to be paid under these Conditions) or interest payments on the Notes as and when they become due.

3.7 Merger, Consolidation or Sale of Assets

- (a) The Issuer may not, directly or indirectly, (i) merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation); or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person; unless:
 - (i) either (a) the Issuer is the surviving corporation or (b) the Person formed by or surviving any such merger, consolidation, amalgamation or other combination (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organised or existing under the laws of any member state of the European Union, Ukraine, Luxembourg, or any state of the United States or the District of Columbia;

- (ii) the Person formed by or surviving any such merger, consolidation, amalgamation or other combination (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Notes and the Trust Deeds;
- (iii) immediately after such transaction, the Issuer or such surviving Person certifies to the Trustee that no Potential Event of Default or Event of Default exists or will exist as a result thereof; and
- (iv) the Issuer or the Person (as applicable) formed by or surviving any such merger, consolidation, amalgamation or other combination (if other than the Issuer), or to which such sale, assignment, transfer, conveyance or other disposition has been made:
 - (A) will, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Condition 3.2(a) (*Limitation on Incurrence of Indebtedness*); and
 - (B) will (either directly or through its Restricted Subsidiaries), on the date of such transaction after giving effect thereto, retain all material licenses and other authorisations reasonably required to operate its business as it was conducted prior to such transaction; and
- (v) furnishes to the Trustee an Officers' Certificate confirming that the transaction complies with these Conditions.

In addition, the Issuer may not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person.

(b) A Guarantor may not:

- (i) directly or indirectly consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation); or
- (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of its assets, taken as a whole, in one or more related transactions, to another Person; unless
 - (A) immediately after such transaction, the Issuer or such surviving Person certifies to the Trustee that no Potential Event of Default or Event of Default exists or will exist as a result thereof; and
 - (B) either:
 - (I) (aa) such Guarantor is the surviving corporation; or (bb) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, conveyance or other distribution has been made is a corporation organised or existing under the laws of any member state of the European Union, Ukraine, Luxembourg, or any state of the United States or the District of Columbia, and immediately after such transaction, the surviving corporation assumes all the obligations of that Guarantor under the Notes, the Trust Deeds and the Suretyship Deeds, as applicable, along with an Officers' Certificate confirming that the transaction complies with these Conditions; or

- (II) in the case of the sale or disposition of all or substantially all of the assets of such Guarantor, the Net Proceeds of such sale or other disposition are applied in accordance with these Conditions.

This Condition 3.7 will not apply to (i) a merger between or among the Issuer and any of its Restricted Subsidiaries (so long as not Capital Stock of the Issuer is distributed to any Person), (ii) between or among any Guarantors or (iii) a merger of the Issuer with an Affiliate solely for the purpose and with the sole effect of reincorporating the Issuer in another jurisdiction.

3.8 Claims Pari Passu

The Issuer shall ensure (and shall procure that each Guarantor shall ensure) that at all times the claims of the Noteholders and the Trustee against it and the Non-Ukrainian Guarantors under the Trust Deeds and the Ukrainian Guarantors under the Suretyship Deeds rank at least *pari passu* with the claims of all its other present and future unsubordinated unsecured creditors, save for those claims that are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application or any other mandatory provisions of applicable law.

3.9 Change of Business

The Issuer shall not, and shall procure that the Restricted Subsidiaries do not, make any material change to the Permitted Business.

3.10 Additional Guarantees

- (a) In the event that the total assets or EBITDA of any Restricted Subsidiary that is not a Guarantor, determined on an unconsolidated basis in accordance with IFRS for, or as at the end of, the Issuer's most recently completed fiscal year, accounts for 10 per cent. or more of the Issuer's Total Assets or the Issuer's EBITDA, for, or as at the end of, such period, the Issuer shall, within 90 days (for Restricted Subsidiaries that are not Ukrainian public stock companies of the Issuer) or 180 days (for Restricted Subsidiaries that are Ukrainian public stock companies of the Issuer) of the date the financial statements for such fiscal year are made publicly available, cause the relevant Restricted Subsidiary to execute and deliver to the Trustee an Additional Guarantee, pursuant to which such Restricted Subsidiary will, unconditionally and irrevocably, jointly and severally with all other Guarantors guarantee all moneys payable under the Notes, the Trust Deeds and the Suretyship Deeds; and
- (b) the Issuer shall ensure that on the Issue Date and within 180 days after the date financial statements for the most recently completed fiscal year are made publicly available that:
 - (i) the combined EBITDA (determined separately and without double counting (for the avoidance of doubt, all intra-group items and Investments in Subsidiaries of the Issuer of or by the Issuer or any of its Restricted Subsidiaries shall be excluded)) for the most recently ended fiscal year of the Issuer and the Guarantors shall equal or exceed (i) before the 2024 Notes are repaid, 80.0 per cent. of the Issuer's EBITDA for such fiscal year and (ii) thereafter, 75.0 per cent. of the Issuer's EBITDA for such fiscal year; and
 - (ii) the consolidated total assets (determined separately, without double counting (for the avoidance of doubt, all intra-group items and Investments in Subsidiaries of the Issuer of or by the Issuer or any of its Restricted Subsidiaries shall be excluded)) as of the last day of the most recently ended fiscal year of the Issuer and the Guarantors shall equal or exceed (i) before the 2022 Notes are repaid, redeemed or repurchased in full, 80.0 per cent. of the Issuer's Total Assets as of such date and (ii) thereafter, 75.0 per cent. of the Issuer's Total Assets as of such date,

by causing one or more of its Restricted Subsidiaries that are not Guarantors to become Guarantors to the extent necessary to ensure the foregoing thresholds are met. A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a deed of accession to the Multiparty Trust Deed or, in the case of a Restricted Subsidiary that is organised inside Ukraine, either an accession to the Multiparty Suretyship Deed or a suretyship deed in or substantially in the form of the Additional Suretyship Deeds entered into on the Issue Date, pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes on the terms and conditions set forth in these Conditions, the Trust Deeds and the Suretyship Deeds, as applicable, and, in the case of a Restricted Subsidiary that is organised inside Ukraine, either a deed of accession to the Multiparty Trust Deed or a trust deed in or substantially in the form of the Additional Trust Deeds entered into on the Issue Date, pursuant to which it will enter into contractual arrangements with the Trustee;

provided, in the case of each of (a) and (b) above, that (i) a Restricted Subsidiary will not be required to become an Additional Guarantor if by entering into such guarantee (x) the Restricted Subsidiary would violate applicable law or (y) would breach the provisions of, be in default under, or require the consent of any third party to a waiver of the terms of, or subject the officers, directors or shareholders of such Restricted Subsidiary to liability under, any contract to which the Restricted Subsidiary is a party provided such violation, breach, requirement for consent or liability cannot be prevented or otherwise avoided or, in the case of consent, be obtained through measures reasonably available to the Issuer and/or the Restricted Subsidiary and (ii) a Restricted Subsidiary's Guarantee may be limited to the extent required by law or regulation for the guarantee to be lawful or enforceable under applicable law. At the time of execution of any Additional Guarantee, the Issuer shall deliver an Opinion of Counsel addressed to the Trustee that the Guarantee is legal, valid, binding and enforceable in accordance with its terms.

- (c) Each Additional Guarantee shall provide that, until all amounts which may be or become payable by the Issuer and the Guarantors under the Notes have been irrevocably paid in full, and to the extent lawful, the Guarantor waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any Restricted Subsidiary as a result of any payment by such Guarantor under its Guarantee.
- (d) Each such Guarantee will be released under the circumstances set out under Condition 2.3 (*Release of the Guarantees*).

3.11 Reports

- (a) The Issuer shall deliver to the Trustee and publish, in a manner permitted by the rules of Euronext Dublin, as they become available, but in any event within 120 days after the end of its financial year, (i) copies of the Issuer's consolidated financial statements for the most recent financial year, audited by the Auditors (and including their report) and prepared in accordance with Accounting Standards, including corresponding financial statements for the preceding financial year, (ii) information with respect to any Change of Control that has occurred in the financial year and (iii) information with respect to any change in the Auditors of the Issuer and any resignation of a member of the Board of Directors of the Issuer as a result of a disagreement with the Issuer during the period.
- (b) The Issuer shall as soon as the same become available, but in any event within 90 days after the end of each of the first three financial quarters in each financial year, deliver to the Trustee and publish, in a manner permitted by the rules of Euronext Dublin, the Issuer's unaudited consolidated financial statements for such period and information with respect to any Change of

Control that has occurred in such fiscal quarter and information with respect to any change in the Auditors of the Issuer and any resignation of a member of the Board of Directors of the Issuer as a result of a disagreement with the Issuer during the period.

- (c) The Issuer shall deliver to the Trustee at the time of delivery of any financial statements pursuant to Condition 3.11(a) and within 14 days of any request by the Trustee, an Officers' Certificate certifying which subsidiaries are Restricted Subsidiaries, which are Material Subsidiaries and which are Guarantors along with the calculations required to evidence compliance with Condition 3.10(a) (*Additional Guarantees*) and Condition 2.2 (*Additional Guarantees*).
- (d) The Issuer shall ensure that each set of consolidated financial statements delivered by it pursuant to Condition 3.11(a) is accompanied by a report thereon of the Auditors referred to in Condition 3.11(a).
- (e) If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Material Subsidiaries of the Issuer, then the information required by Condition 3.11(a) shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries of the Issuer.
- (f) The Issuer undertakes to furnish to the Trustee such information as Euronext Dublin (or any other or further stock exchange or stock exchanges or any relevant authority or authorities on which the Notes may, from time to time, be listed or admitted to trading) may require as necessary in connection with the listing or admission to trading on such stock exchange or relevant authority of such instruments at the same time as such information is provided to Euronext Dublin.
- (g) So long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of such Act, the Issuer shall furnish to the Holders of the Notes (with a copy to the Trustee) and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.
- (h) Contemporaneously with the provision of the information discussed above, the Issuer will also either provide the information to a Regulatory News Service or file a press release with the appropriate internationally recognised wire services with respect to such information and post such press release on the Issuer's website.

The Trustee shall have no obligation to read or analyse any information or report delivered to it under this Condition and shall have no obligation to determine whether any such information or report complies with the provisions of this Condition and shall not be deemed to have notice of anything disclosed therein and shall incur no liability by reason thereof.

3.12 Designation of Restricted and Unrestricted Subsidiaries

- (a) The Board of Directors of the Issuer may designate any Restricted Subsidiary (including any newly acquired or newly formed Subsidiaries) to be an Unrestricted Subsidiary if that designation would not cause an Event of Default or a Potential Event of Default. The Board of Directors of the Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause an Event of Default or a Potential Event of Default.

- (b) Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee on the effective date of such designation a certified copy of the Board Resolution giving effect to such designation.
- (c) The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* such designation will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (i) such Indebtedness is permitted under Condition 3.2 (*Limitation on Incurrence of Indebtedness*), calculated on a *pro forma* basis as if such designation had occurred at the beginning of the four-quarter reference period and (ii) no Event of Default or Potential Event of Default would be in existence following such designation.

3.13 Payments for Consent

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of these Conditions, the Trust Deeds or the Suretyship Deeds unless such consideration is offered to be paid to all Holders of Notes that consent, waive or agree to amend in the time frame and on the terms set forth in the solicitation documents relating to such consent, waiver or agreement.

4 Interest

The Notes bear interest from the Issue Date at the rate of 6.75 per cent. per annum, payable semi-annually in arrear on 27 April and 27 October in each year (each an “**Interest Payment Date**”) beginning on 27 April 2021. Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal and any premium (to the extent premium, if any, is required to be paid under these Conditions) is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder and (b) the day seven days after the Trustee or the Principal Paying and Transfer Agent has notified the Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. The period beginning on (and including) 27 October 2020 and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an “**Interest Period**”.

5 Redemption and Purchase

5.1 Redemption at Maturity

- (a) Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 27 October 2027 (the “**Maturity Date**”).
- (b) Other than as specified below, the Notes are not optionally redeemable prior to the Maturity Date.

5.2 [Reserved]

5.3 Optional Redemption in the event of an Equity Offering

- (a) At any time prior to 27 October 2023, having given not less than 30 nor more than 60 days' irrevocable notice to the Noteholders, the Issuer will be entitled at its option on one or more occasions to redeem the Notes (including any Additional Notes) in an aggregate principal amount not to exceed 35 per cent. of the aggregate principal amount of the Notes (including any Additional Notes) originally issued at a redemption price (expressed as a percentage of the principal amount of the Notes) of 106.75 per cent., plus accrued and unpaid interest to (but excluding) the redemption date, with the net cash proceeds from one or more Equity Offerings; provided, however, that:
 - (i) at least 65 per cent. of such aggregate principal amount of Notes (including any Additional Notes) originally issued remains outstanding immediately after the occurrence of each such redemption (other than Notes held, directly or indirectly, by the Issuer or its Subsidiaries); and
 - (ii) each such redemption occurs within 60 days after the date of the related Equity Offering.
- (b) If the optional redemption date is on or after an interest record date and on or before the related Interest Payment Date, then the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.
- (c) Notices of redemption delivered in accordance with this Condition 5.3 will specify (i) the date fixed for redemption, (ii) the amount to be redeemed (which shall be limited by the provisions of Condition 5.3(a)) and (iii) the applicable redemption price (which is set out in Condition 5.3(a)). No such notice of redemption may be given by the Issuer unless it shall have delivered to the Trustee an Officers' Certificate (upon which the Trustee may rely absolutely and without liability to, or further enquiry of, any person) that it will have the funds, not subject to the interest of any other person, required to redeem the Notes at the redemption price of the Notes plus accrued and unpaid interest, if any, on the date specified for redemption. Upon the expiry of any notice of redemption delivered in accordance with this Condition 5.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 5.3.

5.4 Redemption at the Option of the Holders Upon a Change of Control

- (a) Upon the occurrence of any of the events set out at clauses (i) to (iv) (inclusive) below (each a "**Change of Control**"), each Noteholder shall have the right to require that the Issuer repurchase such Noteholder's Notes at a purchase price in cash equal to 100 per cent. of their principal amount on the date of purchase plus accrued and unpaid interest, if any, to (but excluding) the date of purchase. If the date of purchase is on or after an interest record date and on or before the related Interest Payment Date, then the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.
 - (i) (A) Any "person" or "group" (within the meaning of Sections 13(d) or 14(d) of the Exchange Act but excluding any Restricted Subsidiary) other than any of the Permitted Holders has become, directly or indirectly, the beneficial owner, by way of merger, consolidation or otherwise, of more than 33.3 per cent. of the voting power of the Voting Stock of the Issuer on a fully-diluted basis, after giving effect to the conversion and

exercise of all outstanding warrants, options and other securities of the Issuer convertible into or exercisable for Voting Stock of the Issuer (whether or not such securities are then currently convertible or exercisable) and (B) the Permitted Holders, together, beneficially own less; or

- (ii) during any consecutive two-year period following the date the Permitted Holders cease to beneficially own, directly or indirectly, more than 33.3 per cent. of the voting power of the Voting Stock of the Issuer, Continuing Directors cease to constitute a majority of the members of the Board of Directors of the Issuer; or
 - (iii) the adoption of a plan relating to the liquidation or dissolution of the Issuer; or
 - (iv) the Issuer consolidates with, or merges into another Person, or another Person merges or consolidates with or into the Issuer, or the Issuer sells all or substantially all of the assets of the Issuer (determined on a consolidated basis) to another Person (other than, in all such cases, a Person that is controlled by the Permitted Holders), other than (A) in a transaction following which in the case of a merger or consolidation transaction, securities representing 100 per cent. of the Voting Stock of the Issuer immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) constitute at least a majority of the voting power of the Voting Stock of the surviving Person in such merger or consolidation transaction or (B) in the case of a sale of all or substantially all assets, the transferee Person of such assets becomes (i) the obligor in respect of the Notes and/or the Guarantees and (ii) a subsidiary of the transferor of such assets or (C) any other such merger, consolidation or sale of assets in accordance with Condition 3.7 (*Merger, Consolidation or Sale of Assets*).
- (b) Within 30 days following any Change of Control, the Issuer will give notice in accordance with Condition 16 (*Notices*) to each Noteholder with a copy to the Trustee (the “**Change of Control Offer**”) stating:
- (i) that a Change of Control has occurred and that such Noteholder has the right to require the Issuer to purchase such Noteholder’s Notes at a purchase price in cash equal to 100 per cent. of their principal amount on the date of purchase specified in such notice (the “**Change of Control Payment Date**”), plus accrued and unpaid interest, if any, to (but excluding) the Change of Control Payment Date (subject to Condition 5.4(a) above);
 - (ii) the circumstances and relevant facts regarding such Change of Control (including information with respect to *pro forma* historical income, cash flow and capitalisation, in each case after giving effect to such Change of Control);
 - (iii) the Change of Control Payment Date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and
 - (iv) the instructions, as determined by the Issuer, consistent with this Condition 5.4, that a Noteholder must follow in order to have its Notes purchased.
- (c) On the Change of Control Payment Date, the Issuer will, to the extent lawful:
- (i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
 - (ii) deposit with the Principal Paying and Transfer Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

- (iii) deliver or cause to be delivered to the Principal Paying and Transfer Agent the Notes properly accepted together with an Officers' Certificate (co-addressed to the Trustee) stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will promptly pay to each Holder of Notes properly tendered the Change of Control Payment for such Notes, in respect of Global Note Certificates, make such notations thereon as are necessary to reflect the Notes (or interests therein) purchased in such Change of Control Offer and, in respect of Individual Certificates, cause to be authenticated and mailed to each Holder a new certificate equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided that* each new Note or Notes will be in a principal amount of US\$200,000 or an integral multiple of US\$1,000 above US\$200,000 and the Holder has tendered its old Individual Certificate(s) for cancellation.

The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

- (d) The Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in these Conditions applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.
- (e) The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the covenant described hereunder by virtue of its compliance with such securities laws or regulations.
- (f) The provisions described in this Condition 5.4 that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of these Conditions are applicable.

5.5 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount (together with any premium (to the extent premium, if any, is required to be paid under these Conditions) and accrued and unpaid interest to (but excluding) the date fixed for redemption) if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) it (or, if the Guarantees were called, one or more of the Guarantors) has or will become obliged to pay Additional Amounts (as defined in Condition 7 (*Taxation*)) and/or as provided for, or referred to, in any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*)) as a result of any change in, or amendment to, the laws or regulations of Luxembourg (in the case of a payment by the Issuer) and/or the Relevant Jurisdiction of the Guarantor (in the case of a payment by that Guarantor) and/or any other taxing jurisdiction that the Issuer or the relevant Guarantor is, or would at the time of the relevant payment be, subject to and/or, in each case, any political or governmental subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer (or the relevant Guarantor(s), as the case may be) taking reasonable measures available to it or them (as the case may be), *provided that* no such notice of

redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Guarantor(s), as the case may be) would be obliged to pay such Additional Amounts were a payment in respect of the Notes (or the Guarantees, as the case may be) then due; provided, further, that for these purposes, references to the Issuer or any Guarantor shall (if applicable) be read as also referring to any entity substituted for any of them as contemplated in Condition 11.3 (*Substitution*) and Clause 14.2 (*Substitution*) of the Trust Deeds. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (A) an opinion of independent legal counsel of recognised standing that the requirement in (i) above has applied or will apply and (B) an Officers' Certificate signed by two directors of the Issuer (or the relevant Guarantor(s), as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the relevant Guarantor(s), as the case may be) taking reasonable measures available to it or them (as the case may be) and the Trustee shall be entitled to accept such opinion and certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Noteholders. If the optional redemption date is on or after an interest record date and on or before the related Interest Payment Date, then the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

5.6 Redemption at the Option of the Issuer at Make Whole

The Notes may be redeemed at any time prior to 27 October 2023, at the option of the Issuer in whole, but not in part, on the date on which the call option is to be settled (the “**Call Settlement Date**”) at a price equal to 100 per cent. of their principal amount, plus the Make Whole Premium on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the Call Settlement Date at such price plus accrued and unpaid interest, if any, to (but excluding) such date). If the Call Settlement Date is on or after an interest record date and on or before the related Interest Payment Date, then the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

5.7 Optional Redemption

- (a) On and after 27 October 2023, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 30 nor more than 60 days' notice to the Noteholders, at the redemption prices (expressed as a percentage of the principal amount of the Notes) set forth below, plus accrued and unpaid interest, if any, to (but excluding) the applicable redemption date, if redeemed during the periods indicated below:

Period	Percentage
Twelve months beginning on 27 October 2023	103.375%
Twelve months beginning on 27 October 2024	101.6875%
Twenty-four months beginning on 27 October 2025	100%

- (b) If the optional redemption date is on or after an interest record date and on or before the related Interest Payment Date, then the accrued and unpaid interest, if any, will be paid to the Person in

whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

- (c) Notices of redemption delivered in accordance with this Condition 5.7 will specify (i) the date fixed for redemption, (ii) the amount to be redeemed and (iii) the applicable redemption price (determined in accordance with Condition 5.7(a)). No such notice of redemption may be given by the Issuer unless it shall have delivered to the Trustee an Officers' Certificate (upon which the Trustee may rely absolutely and without liability to, or further enquiry of, any person) that it will have the funds, not subject to the interest of any other person, required to redeem the Notes at the redemption price of the Notes plus accrued and unpaid interest, if any, on the date specified for redemption. Upon the expiry of any notice of redemption delivered in accordance with this Condition 5.7, the Issuer shall be bound to redeem the Notes in accordance with this Condition 5.7.

5.8 Purchases

The Issuer, the Guarantors or any of their respective Subsidiaries may at any time purchase Notes in any manner and at any price. The Notes so purchased, while held by or on behalf of any of them, shall not entitle them to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of, inter alia, calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8 (*Events of Default*), 11.1 (*Meetings of Noteholders*) and 13 (*Enforcement*).

5.9 Cancellation

All Notes purchased by or on behalf of the Issuer, the Guarantors or any of their respective Subsidiaries may be surrendered for cancellation by surrendering the Individual Certificate representing such Notes to the Registrar and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantors in respect of any such Notes shall be discharged.

6 Payments

6.1 Method of Payment

Payments of principal, premium (to the extent premium, if any, is required to be paid under these Conditions) and interest shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying and Transfer Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (or any account to which U.S. dollars may be credited or transferred) maintained by the payee with, a bank in New York City and, in the case of payments of principal and premium (to the extent premium, if any, is required to be paid under these Conditions) in respect of the Notes and accrued and unpaid interest payable on a redemption of the Notes otherwise than on an Interest Payment Date, shall only be made upon surrender (or, in the case of part payment only, endorsement) of the relevant Individual Certificates at the Specified Office of the Principal Paying and Transfer Agent.

6.2 Payments subject to laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

6.3 Payments on business days

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be

initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal, premium, if any, and interest payable on redemption or, as the case may be, purchase by or on behalf of the Issuer, the Guarantors or any of their respective Subsidiaries for cancellation) on the later of the due date for payment and the day on which the relevant Individual Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of the Principal Paying and Transfer Agent and (ii) (in the case of payments of interest payable other than on redemption or, as the case may be, purchase by or on behalf of the Issuer, the Guarantors or any of their respective Subsidiaries) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail. In this paragraph, “**business day**” means any day on which banks are open for general business (including dealings in foreign currencies) in London and New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of an Individual Certificate, in the place in which the Individual Certificate is surrendered (or, as the case may be, endorsed).

6.4 Partial payments

If the Principal Paying and Transfer Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of an Individual Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Individual Certificate.

6.5 Record date

Each payment in respect of a Note will be made to the Person shown as the Holder in the Register at the close of business in the place of the Registrar’s Specified Office on the Business Day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

6.6 Agents

The initial Agents and their initial specified offices are listed below. The Issuer and the Guarantors reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Agent and appoint additional or other Agents, *provided that* they will maintain (i) a Registrar and (ii) Principal Paying and Transfer Agent.

Notice of any change in the Agents or their specified offices will promptly be given to the Noteholders.

7 Taxation

All payments of principal, premium (to the extent premium, if any, is required to be paid under these Conditions) and interest (or any other payment made under these Conditions) by or on behalf of the Issuer or the Guarantors in respect of the Notes or under the Guarantees shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Luxembourg (in the case of payments by the Issuer) or the Relevant Jurisdiction of the relevant Guarantor (in the case of payments by that Guarantor) or any authority therein or thereof having power to tax (“**Taxes**”), unless such withholding or deduction is required by law. In the event of such withholding or deduction, the Issuer (or, as the case may be, the Guarantors) shall, save to the extent any such party is not permitted to do so by the laws or regulations of Switzerland at the time, pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had

no such withholding or deduction been required (“**Additional Amounts**”), except that no Additional Amounts shall be payable in respect of any Note presented for payment:

- (a) by or on behalf of a Noteholder who is liable to such Taxes in respect of such Note by reason of his having some connection with Luxembourg (in the case of payments by the Issuer) or the Relevant Jurisdiction of the relevant Guarantor (in the case of payments by that Guarantor) other than the mere holding of the Note; or
- (b) more than 30 days after the Relevant Date, except to the extent that the Noteholder of it would have been entitled to such Additional Amounts on presenting such Note for payment on the last day of such period of 30 days; or
- (c) by or on behalf of a Noteholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

Notwithstanding anything to the contrary in the preceding paragraph, none of the Issuer, any Guarantor or any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (“**FATCA**”), any treaty, law, regulation or other official guidance promulgated under or implementing FATCA, or any intergovernmental agreement enacted by Luxembourg or any Relevant Jurisdiction implementing FATCA, or any agreement between the Issuer or any Guarantor and the United States or any authority thereof implementing FATCA.

“**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying and Transfer Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal, premium and/or interest shall be deemed to include, without duplication, any Additional Amounts in respect of principal, premium or interest (as the case may be) which may be payable under this Condition 7 or any undertaking given in addition to or substitution for it under the Trust Deeds.

8 Events of Default

If any of the events described in Condition 8.1 (*Non-Payment*) through 8.13 (*Analogous Events*) (each, an “**Event of Default**”) shall have occurred and be continuing, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deeds) shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give written notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount, together with any premium (to the extent premium, if any, is required to be paid under these Conditions) and accrued and unpaid interest.

8.1 Non-Payment

Default is made in the payment of principal or premium (to the extent premium, if any, is required to be paid under these Conditions) on any of the Notes when due with no grace period, or default is made in the payment of interest on any of the Notes when due and such failure continues for a period of ten days; or

8.2 Breach of Other Obligations

The Issuer or any Guarantor does not (i) comply with the provisions of Condition 3.7 (*Merger, Consolidation or Sale of Assets*), or (ii) perform or comply within 30 days after notice shall have been

given to the Issuer or the relevant Guarantor by the Trustee with any one or more of its other obligations under the Notes, the Trust Deeds or the Suretyship Deeds; or

8.3 Cross-Payment and Cross-Acceleration

(i) Any other present or future Indebtedness of the Issuer or any Restricted Subsidiary or any of their respective Subsidiaries becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any Restricted Subsidiary or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness, *provided that* the aggregate amount of the relevant Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 8.3 have occurred equals or exceeds US\$35.0 million; or

8.4 Enforcement Proceedings

A distress, attachment, execution or other legal process is levied, enforced or sued out on or against any property, assets or revenues of the Issuer or any Restricted Subsidiary that is a Material Subsidiary (but not for the avoidance of doubt if the value of such property, assets or revenues does not exceed US\$50.0 million) and is not discharged or stayed within 60 days; or

8.5 Security Enforced

Any expropriation, attachment, sequestration, execution or distress is levied against, or an encumbrancer takes possession of or sells, the property, undertaking, revenues or assets of the Issuer or any Restricted Subsidiary (but not for the avoidance of doubt if the value of such property, undertaking, assets or revenues does not exceed US\$50.0 million); or

8.6 Judgment Default

Any one or more judgments or orders is made against the Issuer or any Restricted Subsidiary or any of their respective Subsidiaries involving an aggregate liability not paid or fully covered by insurance in respect of a matter (or a series of related matters) greater than US\$50.0 million or its equivalent in any other currency or currencies and remains outstanding for more than 60 days of their being made unless being appealed in good faith; or

8.7 Insolvency

(a) (A) the Issuer or any Restricted Subsidiary that is a Material Subsidiary seeking, consenting or acquiescing in the introduction of proceedings for its liquidation or bankruptcy or the appointment to it of a liquidator or a similar officer; (B) the presentation or filing of a petition in respect of the Issuer or any Restricted Subsidiary that is a Material Subsidiary in any court, arbitration court or before any agency for its bankruptcy, insolvency, dissolution or liquidation which, in the case of a petition presented or filed by a Person other than the Issuer, or such Restricted Subsidiary or Restricted Subsidiaries, as the case may be, is not dismissed within 90 days; (C) the institution of supervision, external management or bankruptcy management to the Issuer or any Restricted Subsidiary that is a Material Subsidiary; (D) the convening of a meeting of creditors generally of the Issuer or any Restricted Subsidiary that is a Material Subsidiary for the purposes of considering an amicable settlement with its creditors generally; and/or (E) any extra-judicial liquidation or analogous act in respect of the Issuer or any Restricted Subsidiary that is a Material Subsidiary by any governmental agency with jurisdiction over it in, or of, Luxembourg, Ukraine or Switzerland, except, in the case of (A) and (B) above, any liquidation or dissolution for the purpose of and followed by a reconstruction, amalgamation, reorganisation,

merger or consolidation of any Restricted Subsidiary that is a Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, whereby the undertaking and assets of such Restricted Subsidiary or Restricted Subsidiaries are transferred to or otherwise vested in the Issuer or any of its Restricted Subsidiaries;

- (b) the Issuer or any Restricted Subsidiary that is a Material Subsidiary: (A) fails or is unable to pay its debts generally as they become due; (B) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or to the appointment of a custodian of it or of a substantial part of its property;
- (c) a court of competent jurisdiction enters an order for relief or a decree in an involuntary case in bankruptcy or for the appointment of a custodian in respect of the Issuer or any Restricted Subsidiary that is a Material Subsidiary or any part of their respective property and such order or decree remains undischarged for a period of 60 days; or
- (d) the shareholders of the Issuer or any Restricted Subsidiary that is a Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, approve any plan for the liquidation or dissolution of the Issuer or such Restricted Subsidiary; or

8.8 Winding-up

An order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any Restricted Subsidiary that is a Material Subsidiary or the Issuer or any Restricted Subsidiary that is a Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Restricted Subsidiary that is a Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, whereby the undertaking and assets of such Restricted Subsidiary or Restricted Subsidiaries are transferred to or otherwise vested in the Issuer or any of its Restricted Subsidiaries; or

8.9 Nationalisation

All or a material part of the Group's assets taken as a whole are expropriated, seized or nationalised by any person; or

8.10 Authorisation and Consents

Any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and any Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Guarantees, the Suretyship Deeds and/or the Trust Deeds, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Guarantees, the Suretyship Deeds and/or the Trust Deeds admissible in evidence in the courts of the jurisdiction in which the Issuer or relevant Guarantor is organised or incorporated is not taken, fulfilled or done by such entity; or

8.11 Illegality

It is or will become unlawful for the Issuer or any Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Guarantees, the Suretyship Deeds and/or the Trust Deeds, as applicable; or

8.12 Guarantees

The Guarantees are not (or are claimed by the Issuer or any Guarantor, or any Person acting on behalf of the Issuer or any Guarantor, not to be) in full force and effect in accordance with their terms; or

8.13 Analogous Events

Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

9 Prescription

Claims in respect of principal, premium, if any, and interest (or any other payment due under these Conditions) will become void, unless presentation for payment is made as required by Condition 6 (*Payments*) within a period of 10 years, in the case of principal and premium, if any, and five years, in the case of interest, from the appropriate Relevant Date (as defined in Condition 7 (*Taxation*)).

10 Replacement of Individual Certificates

If any Individual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or the Principal Paying and Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Individual Certificates must be surrendered before replacements will be issued.

11 Meetings of Noteholders; Modification, Waiver and Substitution

11.1 Meetings of Noteholders

The Trust Deeds contain provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deeds) of a modification of any of these Conditions or any provisions of the Trust Deeds or the Suretyship Deeds. Such a meeting may be convened by the Issuer, any Guarantor, the Trustee or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more Persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of the following proposals, (i) to change the maturity of the Notes or the due date for any payment in respect of the Notes, (ii) to modify or cancel any of the Guarantees (other than a modification pursuant to Condition 2.2 (*Additional Guarantees*) or Condition 3.10 (*Additional Guarantees*)), (iii) to reduce or cancel the principal amount of, or premium payable on redemption of, or rate of interest on, the Notes, or changing the method of calculating thereof, (iv) to change the currency of payment of the Notes, (v) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing, (vi) to waive a redemption payment with respect to any Note, (vii) to change the governing law of the Notes or (viii) to change the ranking of the Notes or the Guarantees (each of clauses (i) through (viii) being a “**Reserved Matter**”), in which case the necessary quorum will be one or more Persons holding or representing not less than two-thirds in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution passed by a majority of not less than two thirds of the votes cast at a meeting of Noteholders duly convened and held shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed). The Trust Deeds also

provides that (i) a resolution passed electronically or in writing and signed by or on behalf of holders of not less than 50 per cent. of the aggregate principal amount of Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution (other than in respect of a Reserved Matter) passed at a meeting of Noteholders duly convened and held and (ii) a resolution passed electronically or in writing and signed by or on behalf of holders of not less than 75 per cent. of the aggregate principal amount of Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution (with respect to a Reserved Matter) passed at a meeting of Noteholders duly convened and held. Such resolutions passed electronically or in writing may be in one document or several documents in like form, each signed by, or on behalf of, one or more Noteholders.

11.2 Modification and Waiver

The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deeds or the Suretyship Deeds, which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification (except in respect of any Reserved Matter), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deeds or the Suretyship Deeds or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case specified in this clause (ii), it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders). Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be promptly notified to the Noteholders in accordance with Condition 16 (*Notices*).

11.3 Substitution

Subject to the terms of the Trust Deeds, the Trustee, being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders, may, without the consent of the Noteholders, agree to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer (or its successor in business) or any of the Guarantors (or its/their successor(s) in business) or any Subsidiary of the Guarantors (or its/their successor(s) in business) in place of the Issuer (or of any previous substitute under this Condition 11.3) as the principal debtor under the Trust Deeds or the Notes and the Trustee may, being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders, without the consent of the Noteholders, agree to the substitution of any Guarantor's successor in business or any Subsidiary of the Issuer or any Subsidiary of the Guarantors or any of their respective successors in business in place of a Guarantor (or any previous substitute under this Condition 11.3) as a Guarantor under the Trust Deeds, the Suretyship Deeds, the Notes, and the Guarantees.

11.4 Entitlement of the Trustee

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deeds.

12 Trustee Reliance

The Issuer has undertaken in the Trust Deeds to deliver to the Trustee annually a certificate of the Issuer as to (i) there not having occurred an Event of Default or a Potential Event of Default since the date of the last such certificate or, if such event has occurred, as to the details of such event, and (ii) the matters referred to in (c) of Condition 3.11 (*Reports*). The Trustee shall be entitled to rely on any such certificate and shall not be obliged to monitor independently compliance by the Issuer or the Guarantors with the covenants set forth in Condition 3 (*Covenants*) or elsewhere in these Conditions or the Trust Deed or the Suretyship Deeds, nor shall it be liable to any person for not so doing and the Trustee need not enquire further as regards to circumstances existing on the date of such certificate.

13 Enforcement

The Trustee may, at any time at its discretion and without further notice, institute such steps, actions or proceedings against the Issuer and/or the Guarantors or any of them as it may think fit to enforce the terms of the Trust Deeds, the Suretyship Deeds, the Guarantees and the Notes, but it need not take any such steps, actions or proceedings or take any other action under or pursuant to the Trust Deeds, the Suretyship Deeds, the Guarantees or the Notes, unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder may proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deeds contain provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, any Guarantor and any entity related to the Issuer or the Guarantors without accounting for any profit.

The Trustee shall be entitled to rely on reports, certificates and opinions of the Auditors and other experts, notwithstanding that the Auditors' or expert's liability in respect thereof may be limited by reference to a monetary cap or otherwise.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders but subject to these Conditions, including, without limitation, Condition 3.2 (*Limitation on Incurrence of Indebtedness*), create and issue further notes (the "**Additional Notes**") having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so as to be consolidated and form a single series with the Notes or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any Additional Notes issued pursuant to this Condition and forming a single series with the Notes. Any such Additional Notes shall be constituted by a deed supplemental to the Trust Deeds. The Trust Deeds contain provisions for convening a single meeting of the Noteholders and the holders of such further notes where the Trustee so decides.

16 Notices

Notices to the Noteholders required to be given under these Conditions will be sent to them by first-class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the second day after the date of mailing. In addition,

notices to Noteholders required to be given under these Conditions will (so long as the Notes are admitted to trading on the Global Exchange Market of Euronext Dublin and the rules of such exchange so require) be published on the website of Euronext Dublin. Any such notice shall be deemed to have been given on the date of such publication.

So long as the Notes are represented by the Global Note Certificates and the Global Note Certificates are held on behalf of DTC, Euroclear or Clearstream, Luxembourg, notices to Noteholders required to be given under these Conditions may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream, Luxembourg for communication by it to entitled accountholders in substitution for notification as required by these Conditions.

17 Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Arbitration

18.1 Governing Law

The Trust Deeds, the Notes, the Suretyship Deeds and the Guarantees, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law. Articles 470-1 through 470-19 (inclusive) of the Luxembourg Companies' Act 1915, shall be expressly excluded.

18.2 Arbitration

- (a) Any dispute, difference, controversy or claim arising out of or in connection with the Trust Deeds, the Notes, the Suretyship Deeds or the Guarantees (including a dispute regarding the existence, validity, interpretation, performance, breach or termination hereof or thereof or any non-contractual obligations arising out of or in connection herewith or therewith) shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the "Rules") as at present in force and as modified by this Condition 18.2, which Rules are deemed incorporated by reference into this Condition 18.2 (with the exception of Article 6 which shall not apply) and as amended herein.
- (b) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as presiding arbitrator, shall be nominated by agreement of the two party-nominated arbitrators within 15 days of the confirmation of the nomination of the second arbitrator or, in default of such agreement, shall be selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of the nomination of the second arbitrator.
- (c) In the event the claimant(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be selected and appointed by the LCIA Court as soon as possible, and preferably within 15 days of such failure, one of whom the LCIA court shall designate as presiding arbitrator.
- (d) If all the parties to an arbitration so agree in writing, there shall be a sole arbitrator selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of such agreement.

- (e) The seat (legal place) of arbitration shall be London, England and the language of the arbitration shall be English.
- (f) In order to facilitate the comprehensive resolution of related disputes, and upon request of any party to an arbitration pursuant to this Condition 18.2, the arbitral tribunal may consolidate the arbitration with any other arbitration or proposed arbitration involving any of the parties and relating to these Conditions, provided that no date for the final hearing of the arbitration or any other such arbitration has been fixed. The arbitral tribunal shall not consolidate such arbitrations unless it determines that (i) there are issues of fact or law common to the arbitrations so that a consolidated proceeding would be more efficient than separate proceedings and (ii) no party would be materially prejudiced as a result of such consolidation whether through undue delay or otherwise.
- (g) In the event of inconsistent rulings on consolidation of arbitrations by differently constituted arbitration tribunals, the ruling of the arbitral tribunal first formed shall be determinative and final and binding on the parties to the arbitrations sought to be consolidated. The disputes arising in any consolidated proceeding shall be finally resolved by the arbitral tribunal first formed or any other arbitral tribunal formed in accordance with the rules and procedures and at the seat and in the language specified in the arbitration agreement pursuant to which that arbitral tribunal was formed, and the parties shall be deemed to have expressly agreed to the disputes being resolved in this way.

19 Definitions and Interpretation

19.1 References to U.S. dollar amounts

References to any amounts or thresholds specified in U.S. dollars in these conditions shall be deemed to include amounts equivalent thereto in any other currency, whether or not so specified, which shall be determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which the relevant paragraph operates.

19.2 Definitions

In these Conditions, the following terms have the meanings given to them in this Condition 19.2.

“2022 Notes” means the US\$500,000,000 8.75 per cent. guaranteed notes due 31 January 2022 issued by the Issuer.

“2024 Notes” means the US\$300,000,000 6.5 per cent. guaranteed notes due 17 October 2024 issued by the Issuer.

“Accounting Standards” means IFRS or any other internationally recognised set of accounting standards deemed equivalent to IFRS by the Committee of European Securities Regulators from time to time; provided however, that where such term is used with respect to the financial statements of the Subsidiaries of the Issuer, it shall, where financial statements prepared in accordance with IFRS are not available, be deemed to include U.S. GAAP, Ukrainian GAAP or any other generally accepted accounting standards of the jurisdiction of incorporation of the relevant Subsidiary from time to time.

“Acquired Debt” means, with respect to any specified Person Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging, consolidating, amalgamating or otherwise combining with or into, or becoming a Restricted Subsidiary of, such specified Person.

“Additional Amounts” has the meaning given to it in Condition 7 (*Taxation*).

“Additional Assets” means:

- (a) any property, plant or equipment used in a Permitted Business;
- (b) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or another Restricted Subsidiary; and
- (c) Capital Stock constituting a minority interest in any Person that at such time is either (i) a Restricted Subsidiary or (ii) a Permitted Investment;

provided, however, that any such Restricted Subsidiary described in paragraphs (b) or (c) above is primarily engaged in a Permitted Business.

“Additional Guarantees” means guarantees by way of (a) a deed of accession to the Multiparty Trust Deed substantially in the form set out in the schedule to the Multiparty Trust Deed (in the case of an Additional Guarantor organised outside Ukraine); and/or (b) a deed of accession to the Multiparty Suretyship Deed substantially in the form set out in the schedule to the Multiparty Suretyship Deed or a suretyship deed in or substantially in the form of the Additional Suretyship Deeds entered into on the Issue Date (in the case of an Additional Guarantor organised in Ukraine), as applicable, or any other documentation to such effect executed by the Additional Guarantors as a result of the application of the requirements of Condition 3.10 (*Additional Guarantees*) that have not been released in accordance with these Conditions.

“Additional Guarantors” means Persons who become guarantors pursuant to Conditions 2.2 (*Additional Guarantees*) or 3.10 (*Additional Guarantees*) and have not been released from their obligations in accordance with these Conditions.

“Additional Notes” has the meaning given to it in Condition 15 (*Further Issues*).

“Additional Suretyship Deed” and **“Additional Suretyship Deeds”** have the meanings given to them in the introduction to these Conditions.

“Additional Trust Deed” and **“Additional Trust Deeds”** have the meanings given to them in the introduction to these Conditions.

“Affiliate” of any specified Person means any other Person, directly or indirectly controlling, controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, *provided that* ownership of 10 per cent. of the voting securities of any Person shall be deemed to be control. **“Affiliate”** shall include funds advised by the specific Person.

“Affiliate Transaction” has the meaning given to it in Condition 3.4 (*Transaction with Affiliates*).

“Agency” means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not).

“Agency Agreement” has the meaning given to it in the introduction to these Conditions.

“Agent(s)” has the meaning given to it in the introduction to these Conditions.

“Asset Sale” means:

- (a) the sale, lease, conveyance or other disposition of any tangible or intangible assets or rights of the Issuer or a Restricted Subsidiary; *provided that* the sale, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of Condition 5.4 (*Redemption at the Option of the Holders Upon a Change of Control*) and/or the provisions of Condition 3.7 (*Merger, Consolidation or Sale of Assets*) and not by the provisions of Condition 3.5 (*Asset Sales*); and
- (b) the issuance of Capital Stock in any Restricted Subsidiary of the Issuer or the sale of Capital Stock in any of its Subsidiaries (other than directors’ qualifying shares or shares referred by applicable law to be held by a Person other than the Issuer or a Restricted Subsidiary).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (a) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than US\$5.0 million;
- (b) a transfer of assets between or among the Issuer and its Restricted Subsidiaries;
- (c) an issuance of Capital Stock by a Restricted Subsidiary of the Issuer to the Issuer or to a Restricted Subsidiary of the Issuer;
- (d) the sale, lease, conveyance or disposition of assets (including, for the avoidance of doubt, inventory or stock-in-trade, products, services or accounts receivable and licensing of rights) in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business;
- (e) the sale or other disposition of cash or Cash Equivalents or VAT Instruments;
- (f) the creation of a Lien;
- (g) a Restricted Payment that does not violate Condition 3.3 (*Limitation on Restricted Payments*) or a Permitted Investment;
- (h) the waiver, compromise, settlement, release or surrender of any right or claim in the ordinary course of business; and
- (i) the sale or other disposition or assets received by the Issuer or any of its Restricted Subsidiaries in compromise or settlement of claims of the Issuer or any of its Restricted Subsidiaries.

“Attributable Debt” in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended) or the earliest date on which the lessee may terminate such lease without penalty or upon payment of a penalty (in which case the rental payments shall include such penalty). Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS; provided however, that if such Sale and Leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capital Lease Obligation”.

“Auditors” means the auditors for the time being of the Issuer and the Guarantors or, if they are unable or unwilling promptly to carry out any action requested of them under these Conditions, such other firm of accountants as may be nominated or approved in writing by the Trustee for the purpose, provided that

it shall not be obliged to nominate or appoint any such firm unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

“Board of Directors” means, as to any Person, the board of directors or other equivalent executive body of such Person or any duly authorised committee thereof.

“Board Resolution” means a duly authorised resolution of the Board of Directors of the Issuer.

“Business Day” means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Kyiv, Luxembourg, London and New York City.

“Capital Lease Obligation” means, at the time any determination is to be made, the amount of the liability in respect of a lease that would be required to be treated as a balance sheet liability in accordance with IFRS, excluding, on and prior to the last day of the fiscal period preceding the period for which the IFRS 16 Lease Election is effective, any Operating Lease. The Stated Maturity of any Capital Lease Obligation shall be the date of the last payment of rent or any other amount due under the relevant lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“Capital Stock” means, with respect to any Person, any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) of such Person’s equity, including any Preferred Stock of such Person, whether now outstanding or issued after the Issue Date, including without limitation, all series and classes of such Capital Stock but excluding any debt securities convertible into or exchangeable for such Capital Stock.

“Cash Equivalents” means:

- (a) securities (i) issued by, or directly and fully guaranteed or insured by, the U.S. government or any agency or instrumentality of the U.S. government (*provided that* the full faith and credit of the United States is pledged in support of those securities), or (ii) which are denominated in U.S. dollars, euro, hryvnia or the currency of a member state of the European Union and are issued by, or directly and fully guaranteed or insured by, a member of the European Union or Ukraine on the Issue Date, or any agency or instrumentality thereof, in each case having maturities of not more than six months from the date of acquisition;
- (b) certificates of deposit, time deposits and other bank deposits in U.S. dollars or euro with maturities of 12 months or less from the date of acquisition, bankers’ acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any commercial bank (i) having capital and surplus in excess of US\$500.0 million (or its equivalent in any other currency) and a rating of A-/P-1 (or such similar equivalent rating) or better from at least one internationally recognised statistical rating organisation, (ii) licensed or organised in Ukraine or Russia and having a rating from at least one internationally recognised statistical rating organisation that is no less than one rating notch below the lower of the ratings for sovereign bonds issued by Ukraine (in the case of a bank licensed or organised in Ukraine) or Russia (in the case of banks licensed or organised in Russia) from the internationally recognised statistical rating organisations or (iii) licensed or organised in Ukraine or Russia and controlled by another bank organised in the United States or any European Union jurisdiction that meets the requirements of clause (i) of this paragraph; provided, that Cash Equivalents will also include such certificates of deposit, time deposits and other bank deposits in hryvnia or Russian roubles if, at the time of deposit or acquisition, the Issuer or one of its Restricted Subsidiaries has one or more euro or U.S. dollar deposits or bankers’ acceptances with one or more of the institutions

referred to in paragraphs (i) to (iii) above at least equal in value (at then current exchange rates) to the amount of interest payable on the Notes on the next Interest Payment Date;

- (c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in paragraph (b) above entered into with any financial institution meeting the qualifications specified in paragraph (b) above;
- (d) commercial paper having one of the two highest ratings obtainable from S&P or Fitch and in each case maturing within one year after the date of acquisition;
- (e) investments in securities with maturities of six months or less from the date of acquisition issued or guaranteed by any state, commonwealth or territory of a member of the European Union or the United States, or by any political subdivision or authority thereof; and
- (f) money market funds at least 95 per cent. of the assets of which constitute Cash Equivalents of the kinds described in paragraphs (a) to (e) above.

“Change of Control” has the meaning given to it in Condition 5.4(a) (*Redemption at the Option of the Holders Upon a Change of Control*).

“Change of Control Offer” has the meaning given to it in Condition 5.4(b) (*Redemption at the Option of the Holders Upon a Change of Control*).

“Clearstream, Luxembourg” has the meaning given to it in Condition 1.1 (*Form and denomination*).

“Commodity Agreement” means any commodity exchange contract, commodity swap agreement or other similar agreement with respect to commodities, entered into in the ordinary course of business.

“Consolidated Net Income” means, for any period, the profit from continuing operations of the Issuer and its consolidated Subsidiaries for such period as determined in accordance with the Accounting Standards.

“Continuing Directors” means, for any period, any member of the Board of Directors of the Issuer who:

- (a) was a member of such Board of Directors at the beginning of such period; or
- (b) was nominated for election or was elected to such Board of Directors with the approval of a majority of the members of the Board of Directors who were members of the Board of Directors at the beginning of such period or whose nomination for election or election was previously so approved.

“Currency Agreement” means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values, entered into in the ordinary course of business.

“Determination Agent” means an internationally recognised financial adviser or bank which is independent of the Issuer appointed by the Issuer for the purpose of determining the Make Whole Premium.

“Disqualified Stock” means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

- (a) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;

- (b) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or
- (c) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to the first anniversary of the Stated Maturity of the Notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the first anniversary of the Stated Maturity of the Notes shall not constitute Disqualified Stock if (i) the “change of control” provisions applicable to such Capital Stock are not more favourable to the holders of such Capital Stock than the terms applicable to the Notes and set forth in Condition 5.4 (*Redemption at the Option of the Holders Upon a Change of Control*), (ii) the “asset sale” provisions are not inconsistent with the provisions of Condition 3.5 (*Asset Sales*) and (iii) any such requirement only becomes operative after compliance with such terms applicable to the Notes.

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to these Conditions; *provided, however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

“**DTC**” has the meaning given to it in Condition 1.1 (*Form and denomination*).

“**EBITDA**” means, for any period:

- (a) with respect to the Issuer, the sum of the profit from operating activities of the Issuer and its consolidated Subsidiaries for such period as determined in accordance with the Accounting Standards; plus depreciation and amortisation expense of the Group determined in accordance with the Accounting Standards; in each case for such period; and
- (b) with respect to any Subsidiary, the sum of the profit from operating activities of the Subsidiary for such period as determined in accordance with the Accounting Standards plus depreciation and amortisation expense of the Subsidiary determined in accordance with the Accounting Standards; in each case for such period (excluding intra-group items and investments in other Subsidiaries).

“**Equity Offering**” means a public offering for cash by the Issuer of its Capital Stock, or options, warrants or rights with respect to its Capital Stock, other than (x) public offerings with respect to the Issuer’s Capital Stock, or options, warrants or rights, in connection with a merger or business combination or an offering to employees as part of a benefit plan or performance incentive plan, (y) an issuance to any Subsidiary or (z) any offering of Capital Stock issued in connection with a transaction that constitutes a Change of Control.

“**Euroclear**” has the meaning given to it in Condition 1.1 (*Form and denomination*).

“**Euronext Dublin**” mean The Irish Stock Exchange plc, trading as Euronext Dublin.

“**European Union**” means the European Union, including any country that is a Member State as of 1 January 2006, but not including any country which becomes a member of the European Union after such date.

“**Event of Default**” has the meaning given to it in Condition 8 (*Events of Default*).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Extraordinary Resolution**” has the meaning given to it in the Trust Deeds.

“**Fair Market Value**” means the price that would be paid in an arm’s length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors of the Issuer or the relevant Restricted Subsidiary (unless otherwise provided in these Conditions) whose determination shall be conclusive.

“**FATCA**” has the meaning given to it in Condition 7 (*Taxation*).

“**Fitch**” means Fitch Ratings Ltd and its successors.

“**Fixed Charge Coverage Ratio**” means, for any period, the ratio of the EBITDA of the Issuer and its consolidated Subsidiaries for such period to the Fixed Charges of the Issuer and its consolidated Subsidiaries for the most recently completed four fiscal quarters for which financial information has been published immediately preceding the date on which such Indebtedness is incurred.

In the event that the Issuer or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (for the purpose of this definition, the “**Calculation Date**”) (but not giving effect to any additional Indebtedness to be incurred or discharged on the Calculation Date as part of the same transaction or series of transactions pursuant to clause (b) of Condition 3.2 (*Limitation on Incurrence of Indebtedness*)), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect (as determined in good faith by the chief financial officer or a responsible financial or accounting officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same, including the realisation of synergies and expense reductions (as determined in good faith by the chief financial officer or a responsible financial or accounting officer of the Issuer), had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions by the Issuer or any of its Restricted Subsidiaries of business entities or property and assets of any Person, including through mergers or consolidations, or by any Person or any of its subsidiaries which are acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by the specified Person’s chief financial officer or a responsible financial or accounting officer of such Person) and may include anticipated synergies, benefits and expense and cost reductions (as determined in good faith by the chief financial officer or a responsible financial or accounting officer of the Issuer) as if they had occurred on the first day of the four-quarter reference period;

- (2) the EBITDA attributable to discontinued operations, as determined in accordance with the Accounting Standards, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (3) EBITDA shall be calculated after deduction of Operating Lease expenses for any fiscal period preceding the period for which the IFRS 16 Lease Election is effective;
- (4) the Fixed Charges attributable to discontinued operations, as determined in accordance with the Accounting Standards, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the Issuer or its Restricted Subsidiaries following the Calculation Date;
- (5) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (6) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four quarter period;
- (7) if any Indebtedness bears a floating rate of interest such Indebtedness is to be given pro forma effect, it shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least the remaining term of such Indebtedness);
- (8) the Fixed Charges attributable to any premiums, fees or commissions (other than any payment of accrued interest) paid in connection with the repurchase, redemption, defeasance or other discharge of any Indebtedness with the proceeds of Indebtedness being incurred that has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being repurchased, redeemed, defeased or otherwise discharged will be excluded;
- (9) Interest on an obligation treated as a Capital Lease Obligation for purposes of the calculating the Fixed Charge Coverage Ratio shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest determined in accordance with IFRS; and
- (10) for purposes of calculating the Fixed Charge Coverage Ratio, depreciation and amortisation expense of the Group shall not include any depreciation and amortisation expense associated with right-of-use asset for any fiscal period preceding the period for which the IFRS 16 Lease Election is effective.

“Fixed Charges” means for any period, the finance costs, net, of the Issuer and its consolidated Subsidiaries for such period as determined in accordance with the Accounting Standards; provided, however, that for purposes of calculating the Fixed Charge Coverage Ratio, interest on any Operating Lease will not be taken into account for any fiscal period preceding the period for which the IFRS 16 Lease Election is effective.

“Freight Hedging Agreement” means any freight hedging contract, swap agreement or other similar agreement with respect to hedging against fluctuations in freight rates, entered into in the ordinary course of business.

“Global Note Certificate” has the meaning given to it in Condition 1.1 (*Form and denomination*).

“Grain and Oil Seed Products” means grain, oil seeds and products derived therefrom, including, soybean, soybean meal, wheat, corn, rapeseed, rapeoil or canola, palm oil, soybean oil, sunflower seeds, sunflower oil and sunflower meal.

“Group” means the Issuer and its consolidated Subsidiaries.

“guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

- (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term “guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning. The term “guarantor” shall mean any Person guaranteeing any obligation.

“Guarantees” means the guarantees of the Non-Ukrainian Guarantors under the Multiparty Trust Deed and the Suretyships of the Ukrainian Guarantors under the Suretyship Deeds, and **“Guarantee”** means any of them.

“Guarantors” means at any time, the Initial Guarantors that at such time have not been released from their obligations in accordance with these Conditions and any entities that at such time have become and remain Additional Guarantors in accordance with these Conditions.

“Hedging Obligations” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Commodity Agreement, Currency Agreement or Freight Hedging Agreement.

“Holder” or **“Noteholder”** has the meaning given to it in Condition 1.2 (*Register*).

“IFRS” means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect from time to time.

“IFRS 16 Lease Election” means an irrevocable election that may be made by the Issuer by written notice to the Trustee to re-designate Operating Leases in accordance with IFRS 16 for the purposes of these Conditions, which notice shall also specify the first fiscal period for which such re-designation shall be effective.

“Incur” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Indebtedness or other obligation of such Person (and **“Incurrence,” “Incurred”** and **“Incuring”** shall have meanings correlative to the preceding). Indebtedness of any acquired Person or any of its Subsidiaries existing at the time such acquired Person becomes a Restricted Subsidiary (or is merged into or consolidated with the Issuer or any Restricted Subsidiary), whether or not such Indebtedness was Incurred in connection with, as a result of, or in contemplation of, such acquired Person becoming a Restricted Subsidiary (or being merged into or consolidated with the Issuer or any Restricted Subsidiary), shall be deemed Incurred at the time any such acquired Person becomes a Restricted Subsidiary (or merges into or consolidates with the Issuer or any Restricted Subsidiary);

provided, that, solely for purposes of determining compliance with Condition 3.2 (*Limitation on Incurrence of Indebtedness*) the following will not be deemed to be an Incurrence:

- (a) the amortisation of debt discount or the accretion of principal with respect to a non-interest bearing or other discount security;
- (b) the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Capital Stock in the form of additional Capital Stock of the same class and with the same terms; and
- (c) the obligation to pay a premium in respect of Indebtedness arising in connection with the issuance of the notice of redemption or the making of a mandatory offer to purchase such Indebtedness.

“Indebtedness” means, with respect to any Person on any date of determination (without duplication):

- (a) the principal in respect of (i) indebtedness of such Person for money borrowed and (ii) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable, including, in each case, any premium on such indebtedness to the extent such premium has become due and payable;
- (b) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale and Leaseback Transactions entered into by such Person;
- (c) obligations to pay for assets acquired or services supplied deferred for a period of over 180 days (or 360 days if such deferral is in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied) after the relevant assets were or are to be acquired or the relevant services were or are to be supplied, to the extent that these would be accounted for as indebtedness under IFRS;
- (d) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers’ acceptance or similar credit transaction;
- (e) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock of such Person or, with respect to any Preferred Stock of any Subsidiary of such Person, the principal amount of such Preferred Stock to be determined in accordance with these conditions (but excluding, in each case, any accrued dividends);
- (f) all obligations of the type referred to in paragraphs (a) through (e) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee;
- (g) all obligations of the type referred to in paragraphs (a) through (f) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property or assets and the amount of the obligation so secured; and
- (h) to the extent not otherwise included in this definition, Hedging Obligations of such Person;

in each case, to the extent it appears on the balance sheet as a liability in accordance with the Accounting Standards.

Notwithstanding the foregoing, the term “Indebtedness” will exclude (i) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet

or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter and (ii) non-interest bearing instalment obligations and accrued liabilities incurred in the ordinary course of business.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above.

“**Individual Certificate**” has the meaning given to it in Condition 1.1 (*Form and denomination*).

“**Initial Guarantors**” means Agropolis, LLC, Ahrofirma Khliborob, LLC, Avere Commodities SA, Bandursky VOEP LLC, Black Sea Industries Ukraine Limited, LLC, Druzhba-Nova, ALLC, Ensenco Agro, LLC, Hovtva, ALLC, Inerco Trade SA, Kalyna, LLC, Kernel-Capital, LLC, Kernel-Trade, LLC, Kononivskiy Elevator, LLC, Mriia, LLC, Podillia-Agroservice, LLC, Poltavsky VOEP, PJSC, Prydniprovskiyi Krai, ALLC, Prydniprovskiyi OEP, LLC, Prykolotnjansky OEP, LLC, Starokostiantynivskiy OEP, LLC and Transgrainterminal, LLC.

“**Interest Payment Date**” has the meaning given to it in Condition 4 (*Interest*).

“**Interest Period**” has the meaning given to it in Condition 4 (*Interest*).

“**Interest Rate Agreement**” means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates.

“**Investment**” in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of guarantee or similar arrangement) or capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person, together with all items that would be classified as investments on a balance sheet prepared in accordance with IFRS (*provided that*, for the avoidance of doubt, cash balances in a current account with any bank or financial institution held by the Issuer or any of its Subsidiaries in euros, U.S. dollars, Hryvnia or any other currency used or received by the Issuer or any Subsidiary of the Issuer in the ordinary course of business shall not constitute an Investment). If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary of such Person remaining after giving effect thereto will be deemed to be a new Investment at such time. The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person at such time. Except as otherwise provided for herein, the amount of an Investment shall be its Fair Market Value at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of “Unrestricted Subsidiary”, the definition of “Restricted Payment” and Condition 3.3 (*Limitation on Restricted Payments*):

- (a) “**Investment**” shall include the portion (proportionate to the Issuer’s Capital Stock in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary equal to an amount (if positive) equal to (A) the Issuer’s “Investment” in such Subsidiary at the time of such

redesignation less (B) the portion (proportionate to the Issuer's Capital Stock in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

- (b) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"Issue Date" has the meaning given to it in the introduction to these Conditions.

"Issuer" has the meaning given to it in the introduction to these Conditions.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Affiliate of the seller, or any agreement to give any security interest) securing any obligation of any Person.

"Make Whole Premium" means, with respect to a Note at any time as determined by the Determination Agent, the excess of (a) the present value of the Notes at the Call Settlement Date (including any Notes to be redeemed pursuant to Condition 5.6 (*Redemption at the Option of the Issuer*) on the Call Settlement Date), plus any required interest payments that would otherwise be due to be paid on such Notes from the Call Settlement Date through to the Maturity Date calculated using a discount rate equal to the Treasury Rate at the Call Settlement Date plus 50 basis points, over (b) the outstanding aggregate principal amount of the Notes at the Call Settlement Date (including any Notes to be redeemed pursuant to Condition 5.6 (*Redemption at the Option of the Issuer*) on the Call Settlement Date), provided that if the value of the Make Whole Amount at any time would otherwise be less than zero, then in such circumstances, the value of the Make Whole Amount will be equal to zero.

"Material Subsidiary" means at any relevant time a Subsidiary of the Issuer:

- (a) whose total consolidated assets (excluding intercompany loans, intercompany payables, intercompany receivables and intercompany unrealised gains and losses in inventories) represent not less than 10 per cent. of the total consolidated assets of the Issuer or whose gross consolidated revenues (excluding intercompany revenues) or operating income represent not less than 10 per cent. of the gross consolidated revenues or operating income of the Issuer (determined by reference to the most recent publicly available annual or interim financial statements of the Issuer prepared in accordance with Accounting Standards and the latest financial statements of the Subsidiary determined in accordance with Accounting Standards); or
- (b) to which is transferred all or substantially all the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary, save that each Guarantor shall at all times be deemed to be a Material Subsidiary.

"Maturity Date" has the meaning given to it in Condition 5.1 (*Redemption at Maturity*).

"Multiparty Suretyship Deed" has the meaning given to it in the introduction to these Conditions.

"Multiparty Trust Deed" has the meaning given to it in the introduction to these Conditions.

"Net Proceeds" means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale, but only as and when received), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, sales commission and any relocation expenses incurred as a

result of the Asset Sale, and taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions, any tax sharing arrangements and any amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with IFRS.

“Non-Ukrainian Guarantors” means Avere Commodities SA and Inerco Trade SA and any Additional Guarantors not organised in Ukraine.

“Notes” has the meaning given to it in the introduction to these Conditions.

“Obligations” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“Officers’ Certificate” means a certificate signed by such number of managing directors who are authorised to represent the Issuer.

“Operating Lease” means any lease, concession or licence of property (or guarantee thereof) which would have been considered an operating lease under IFRS as in effect prior to the fiscal year commencing 1 July 2019.

“Opinion of Counsel” means a written opinion from legal counsel of international standing who is acceptable to the Trustee.

“Permitted Business” means (i) a business in the agro-industrial sector, including without limitation, the sourcing, processing and sale of (a) agricultural raw materials or products and (b) energy resources in connection with the agro-industrial sector and (ii) any activity or business that is an extension or expansion of, or reasonably related or ancillary to, the business described in (i).

“Permitted Holders” means Andrii Verevskyi and any Related Party.

“Permitted Investments” means:

- (a) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:
 - (i) such Person becomes a Restricted Subsidiary; or
 - (ii) such Person is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;
- (b) any acquisition of assets or Capital Stock solely in exchange for the issuance of Capital Stock (other than Disqualified Stock) of the Issuer;
- (c) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or pursuant to foreclosure of Liens; or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (d) loans or advances to employees made in the ordinary course of business of the Issuer or a Restricted Subsidiary in an aggregate principal amount not to exceed US\$5.0 million at any one time outstanding;

- (e) any advances or loans not exceeding US\$25.0 million in aggregate at any one time outstanding to enable employees to participate in any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer;
- (f) repurchases or redemptions of the Notes;
- (g) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (h) any Investment in any Person to the extent such Investment consists of prepaid expenses, negotiable instruments held for collection and lease, workers' compensation, performance and other similar deposits made in the ordinary course of business by the Issuer or any Restricted Subsidiary;
- (i) guarantees permitted to be Incurred by Condition 3.2 (*Limitation on Incurrence of Indebtedness*);
- (j) any agreement or agreements pursuant to which the Issuer or a Restricted Subsidiary loans to a Restricted Subsidiary the proceeds of Indebtedness Incurred by the Issuer;
- (k) Investments existing on the Issue Date and any amendment, modification, restatement, supplement, extension, renewal, refunding, replacement or refinancing, in whole or in part, thereof, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Issue Date);
- (l) investments in joint ventures and minority interests in third parties, in each case, which principally conduct a Permitted Business; taken together with all other Investments made pursuant to this clause (l) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed 5.0 per cent. of the Issuer's Total Assets; and
- (m) investments in the financing (including, for the avoidance of doubt loans and guarantees) of third party suppliers of crops and oils in connection with, or in furtherance of, a Permitted Business, *provided* that such financing (i) does not exceed US\$7.0 million per individual supplier outstanding at any time and (ii) is repaid by such third party within 12 months; taken together with all other Investments made pursuant to this clause (m) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed 7.5 per cent. of the Issuer's Total Assets.

"Permitted Liens" means:

- (a) Liens in favour of the Issuer or a Restricted Subsidiaries to secure obligations which are not pledged to secure Indebtedness owing to third parties;
- (b) Liens on property of a person existing at the time such person is merged, consolidated, amalgamated or otherwise combined with or into the Issuer or any Subsidiary of the Issuer; *provided that* such Liens were in existence prior to the contemplation of such merger, consolidation, amalgamation or other combination and do not extend to any assets other than

those of the person merged, consolidated, amalgamated or combined with the Issuer or the Subsidiary;

- (c) Liens on property (including Capital Stock) existing at the time of acquisition of the property or of the Restricted Subsidiary which owns the property by the Issuer or any Subsidiary of the Issuer, *provided that* such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;
- (d) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;
- (e) Liens to secure Indebtedness incurred pursuant to Condition 3.2(b)(xii) (*Limitation on Incurrence of Indebtedness*) or other Indebtedness incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, land, plant or equipment used in the business of the Issuer or any of its Restricted Subsidiaries, whether through the direct purchase of assets or the ordinary shares of any Person owning such assets (including any Indebtedness deemed to be incurred in connection with such purchase, design, construction, installation or improvement) covering only the assets acquired, designed, constructed, installed or improved with or financed by such Indebtedness or assets or properties appurtenant or attached thereto;
- (f) Liens existing on the Issue Date (including the extension, re-issuance or renewal of such Liens in connection with Refinancing Indebtedness permitted to be incurred under Condition 3.2(b)(v) (*Limitation on Incurrence of Indebtedness*));
- (g) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings instituted within a reasonable period of time and diligently pursued, *provided that* any reserve or other appropriate provision as is required in conformity with IFRS has been made therefore;
- (h) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens or other similar Liens, in each case, incurred in the ordinary course of business;
- (i) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (j) Liens created for the benefit of (or to secure) the Notes (or the Guarantees);
- (k) Liens securing Hedging Obligations permitted under Condition 3.2(b)(v) (*Limitation on Incurrence of Indebtedness*) and any Lien the principle purpose of which is to allow the setting off or netting of obligations under or in connection with any Hedging Obligation, in either case, so long as such Lien is over only (i) the assets that secure the Indebtedness that is the subject of the relevant Hedging Obligations or (ii) cash or Cash Equivalents securing such Hedging Obligations;
- (l) Liens incurred or deposits made in connection with workers' compensation, unemployment insurance, other types of social security and other types of related statutory obligations;
- (m) rights of set-off under contracts that do not relate to Indebtedness for borrowed money;

- (n) Liens in favour of customs or revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;
- (o) Liens resulting from escrow arrangements unrelated to Indebtedness for borrowed money entered into in connection with a disposition of assets;
- (p) any retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller;
- (q) Liens arising out of or in connection with pre-judgment legal process or a judgment or a judicial awarded relating to security for costs;
- (r) Liens on pledges of Capital Stock of any Unrestricted Subsidiary securing any Indebtedness of such Unrestricted Subsidiary;
- (s) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;
- (t) any right of refusal, right of first offer, option or other agreement to sell or otherwise dispose of an asset of the Issuer or any Restricted Subsidiary;
- (u) Liens to secure any Refinancing Indebtedness as a whole, or in part, in respect of any Indebtedness secured by any Lien referred to in paragraphs (d), (e), (f) and (g) of this definition; *provided, however, that:*
 - (i) such new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
 - (ii) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (x) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under paragraphs (d), (e), (f) and (g) of this definition at the time the original Lien became a Permitted Lien and (y) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;
- (v) Liens to secure Indebtedness incurred pursuant to trade credit facilities permitted by Condition 3.2(b)(xi) (*Limitation on Incurrence of Indebtedness*) covering only (i) the assets acquired with, or financed by, such Indebtedness or (ii) the finished products produced with such assets and the receivables and proceeds arising upon the sale of such products;
- (w) Liens on VAT Instruments securing Indebtedness incurred pursuant to VAT Facilities;
- (x) any Lien securing reimbursement obligations of the Issuer or any of its Restricted Subsidiaries with respect to letters of credit or bank guarantees encumbering only documents and other property relating to such letters of credit or bank guarantees and the products or proceeds thereof in the ordinary course of business; provided that such letters of credit or bank guarantees do not constitute Indebtedness;
- (y) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (y); *provided that* any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall

not extend to any additional property or assets and that to the extent such Lien secures Indebtedness, the principal amount of the Indebtedness so secured is not increased; and

- (z) any other Liens where the aggregate value of the assets subject to such Liens incurred pursuant to this paragraph (z) does not exceed 20 per cent. of the Issuer's Total Assets as calculated by reference to the then latest consolidated accounts of the Group prepared in accordance with the Accounting Standards (and for the avoidance of doubt, this paragraph (z) does not include any Lien created in accordance with paragraphs (a) to (y) above).

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organisation or government or any Agency or political subdivision thereof.

"Potential Event of Default" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Event of Default.

"Preferred Stock", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Principal Paying and Transfer Agent" has the meaning given to it in the introduction to these Conditions.

"Purchase Money Indebtedness" means Indebtedness:

- (a) Incurred to finance the acquisition, construction, improvement or lease of such property, or other assets (including Capital Stock in any Person), thereto; and
- (b) where the aggregate principal amount of such Indebtedness does not exceed the lesser of Fair Market Value of such property or other assets as at the date of the Incurrence thereof or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of Refinancing,

provided, however, that such Indebtedness is Incurred within 180 days after the acquisition, construction, improvement or lease of such property or other assets by the Issuer or a Subsidiary.

"Record Date" has the meaning given to it in Condition 6.5 (*Record date*).

"Refinance" means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part, and **"Refinanced"** and **"Refinancing"** shall have correlative meanings.

"Refinancing Indebtedness" means Indebtedness of the Issuer or any Restricted Subsidiary that Refinances any Indebtedness of the Issuer or any Restricted Subsidiary existing on the Issue Date or Incurred in compliance with these Conditions, including Indebtedness that Refinances Refinancing Indebtedness; *provided, however*, that:

- (a) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;

- (b) such Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced;
- (c) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus accrued interest, fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced, except that this paragraph (c) shall not apply to a Refinancing of Indebtedness incurred in connection with an extension of any lease for land leased by the Issuer or any Restricted Subsidiary in the ordinary course of its Permitted Business; and
- (d) if the Indebtedness being Refinanced is subordinated in right of payment to the Notes or any Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes and such Guarantee at least to the same extent as the Indebtedness being Refinanced,

provided further, however, that Refinancing Indebtedness shall not include (A) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor or (B) Indebtedness of the Issuer or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

“**Register**” has the meaning given to it in Condition 1.1 (*Form and denomination*).

“**Registrar**” has the meaning given to it in the introduction to these Conditions.

“**Regulation S**” means Regulation S under the Securities Act.

“**Regulation S Individual Certificates**” has the meaning given to it in Condition 1.1 (*Form and denomination*).

“**Regulation S Notes**” mean the Notes offered and sold outside the United States pursuant to Regulation S.

“**Related Party**” means the spouse of or immediate family member of Andrii Verevskyi or any trust, corporation, partnership or other entity, the only beneficiaries, stockholders, partners or owners of which consist of Andrii Verevskyi, his spouse, and/or immediate family members of Andrii Verevskyi.

“**Relevant Date**” has the meaning given to it in Condition 7 (*Taxation*).

“**Relevant Jurisdiction**” means, in the case of any Guarantor, the jurisdiction in which such Guarantor is resident for tax purposes.

“**Restricted Payment**” with respect to any Person means:

- (a) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than (A) dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to purchase such stock, (B) dividends or distributions payable solely to the Issuer or a Wholly Owned Restricted Subsidiary and (C) pro rata dividends or other distributions made by a Subsidiary that is not a wholly-owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

- (b) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock of the Issuer held by any Person (other than by a Restricted Subsidiary) or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Issuer (other than by a Restricted Subsidiary), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Issuer that is not Disqualified Stock); or
- (c) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations of the Issuer or any Guarantor (other than (A) from the Issuer or a Restricted Subsidiary or (B) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement).

“Restricted Subsidiary” means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

“Rule 144A” means Rule 144A under the Securities Act.

“Rule 144A Global Note Certificates” has the meaning given to it in Condition 1.1 (*Form and denomination*).

“Rule 144A Individual Certificates” has the meaning given to it in Condition 1.1 (*Form and denomination*).

“Rule 144A Notes” means the Notes offered and sold to persons who are “qualified institutional buyers” as defined in Rule 144A.

“Russia” means the Russian Federation.

“Sale and Leaseback Transaction” means an arrangement relating to property owned by the Issuer or a Restricted Subsidiary on the Issue Date or thereafter acquired by the Issuer or a Restricted Subsidiary whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or a Restricted Subsidiary leases it from such Person.

“Securities Act” has the meaning given to it in Condition 1.4 (*Transfers*).

“Stated Maturity” means:

- (a) with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final instalment of principal of such Indebtedness is due and payable; and
- (b) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified in such Indebtedness as the fixed date on which such instalment is due and payable.

“Subordinated Obligation” means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Notes or a Guarantee, pursuant to a written agreement to that effect.

“Subsidiary” of any Person means:

- (a) any corporation more than 50 per cent. of the outstanding voting power of the Capital Stock of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof;

- (b) any limited partnership of which such Person or any Subsidiary of such Person is a general partner;
- (c) any other Person in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries, directly or indirectly, has more than 50 per cent. of the outstanding partnership or similar interests or has the power, by contract or otherwise, to direct or cause the direction of the policies, management and affairs thereof; or
- (d) any Person whose financial statements are required by Accounting Standards to be fully consolidated into the consolidated financial statements of the Issuer.

“**Suretyship**” has the meaning given to it in the introduction to these Conditions.

“**Suretyship Deed**” and “**Suretyship Deeds**” have the meanings given to them in the introduction to these Conditions.

“**S&P**” means Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies Inc. and any successor to its rating agency business.

“**Taxes**” has the meaning given to it in Condition 7 (*Taxation*).

“**Total Assets**” means with respect to the Issuer, the total assets of the Group as calculated by reference to the then latest consolidated accounts of the Group prepared in accordance with the Accounting Standards; provided, however, that any asset in respect of an Operating Lease will not be treated as an asset for the purposes of determining Total Assets unless the Issuer has otherwise made an IFRS 16 Lease Election.

“**Treasury Rate**” means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity most nearly equal to the period from the Call Settlement Date to the Maturity Date. The Issuer will obtain such yield to maturity from information compiled and published in the most recent Federal Reserve Statistical Release H.15 which has become publicly available at least two Business Days (but not more than five Business Days) prior to the Call Settlement Date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith); provided, however, that if the period from the Call Settlement Date to the Maturity Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield can be derived, the Treasury Rate shall be obtained by the Issuer by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields can be derived, except that if the period from the Call Settlement Date to the Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used by the Issuer.

“**Trust Deed**” and “**Trust Deeds**” have the meaning given to them in the introduction to these Conditions.

“**Trustee**” has the meaning given to it in the introduction to these Conditions.

“**Ukrainian GAAP**” means generally accepted accounting principles, standards and practices in Ukraine.

“**Ukrainian Guarantors**” means Agropolis, LLC, Ahrofirma Khliborob, LLC, Bandursky VOEP LLC, Black Sea Industries Ukraine Limited, LLC, Druzhba-Nova, ALLC, Enselco Agro, LLC, Hovtva, ALLC, Kalyna, LLC, Kernel-Capital, LLC, Kernel-Trade, LLC, Kononivskiy Elevator, LLC, Mriia, LLC, Podillia-Agroservice, LLC, Poltavsky VOEP, PJSC, Prydniprovskiy Krai, ALLC, Prydniprovskiy

OEZ, LLC, Prykolotnjansky OEP, LLC, Starokostiantynivskyi OEZ, LLC and Transgrainterminal, LLC and any Additional Guarantors organised in Ukraine.

“Unrestricted Subsidiary” means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary in accordance with Condition 3.12 (*Designation of Restricted and Unrestricted Subsidiaries*) pursuant to a Board Resolution (and any Subsidiary of an Unrestricted Subsidiary), but only to the extent that:

- (a) immediately after giving effect to such designation the Issuer could incur US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Condition 3.2(a) (*Limitation on Incurrence of Indebtedness*); and
- (b) such designation and the Investment of the Issuer or a Restricted Subsidiary in such Unrestricted Subsidiary complies with Condition 3.3 (*Limitation on Restricted Payments*).

“U.S. Dollar Equivalent” means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with the applicable foreign currency as quoted by Reuters at approximately 11:00 am (New York time) on the date not more than two Business Days prior to the date of determination.

“U.S. GAAP” means generally accepted accounting principles, standards and practices in the United States of America.

“VAT” means Ukrainian or Russian value-added tax.

“VAT Facilities” means credit facilities entered into among the Issuer, or any Restricted Subsidiary, and the lenders party thereto from time to time, as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid or extended from time to time (whether in whole or in part), that are secured solely by VAT Instruments.

“VAT Instruments” means such instruments as may be issued from time to time to any Restricted Subsidiary organised in Ukraine or Russia by the relevant governmental or taxing authority thereof in respect of VAT recoverable by such Restricted Subsidiary of the Issuer.

“Voting Stock” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (a) the sum of the products obtained by multiplying:
 - (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
 - (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment, by
- (b) the then outstanding aggregate principal amount or liquidation preference, as the case may be, or such Indebtedness.

BOOK-ENTRY, DELIVERY AND FORM

The Global Note Certificates

The Regulation S Notes will be evidenced on issue by the Regulation S Global Note Certificate registered in the name of a nominee for, and deposited with the Common Depositary. Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See “—*Book-entry Procedures for the Global Note Certificates*”. By acquisition of a beneficial interest in the Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is located outside the United States.

The Rule 144A Notes will be evidenced on issue by the Rule 144A Global Note Certificate deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Rule 144A Global Note Certificate may only be held through DTC at any time. See “—*Book-entry Procedures for the Global Note Certificates*”. By acquiring a beneficial interest in the Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deeds. See “*Selling and Transfer Restrictions*”.

Beneficial interests in Global Note Certificates will be subject to certain restrictions on transfer set forth therein and in the Trust Deeds, and the Global Note Certificates will bear the applicable legends regarding the restrictions set forth under “*Selling and Transfer Restrictions*”. A beneficial interest in the Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate only in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in the Regulation S Global Note Certificate and become an interest in the Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and become an interest in the Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of Definitive Certificates. The Notes are not issuable in bearer form.

In addition, each Global Note Certificate will contain a provision which modifies the Conditions as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of this provision:

Exchange and Registration of Title

Owners of interests in the Notes in respect of which the Global Note Certificate is issued will only be entitled to have title to the Notes registered in their names and to receive individual definitive Notes if a Global Note Certificate is held by or on behalf of (a) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Note Certificate or ceases to be a “clearing agency” registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC or (b) Euroclear or Clearstream, Luxembourg (or any other clearing system as shall have been designated by the Issuer and approved by the Trustee on behalf of which the Notes evidenced by the Global Note Certificate may be held), as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Issuer will cause sufficient individual definitive Notes to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholders. A person with an interest in the Notes in respect of which the Global Note Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Notes.

If only one of the Global Note Certificates (the “Exchanged Global Note Certificate”) becomes exchangeable for Definitive Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Definitive Certificates issued in exchange for beneficial interests in the Exchanged Global Note Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note Certificate.

Legends

The holder of a Definitive Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Certificate bearing the legend referred to under “*Selling and Transfer Restrictions*”, or upon specific request for removal of the legend on a Rule 144A Definitive Certificate, the Issuer will deliver only Rule 144A Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Book-entry Procedures for the Global Note Certificates

Euroclear, Clearstream, Luxembourg and DTC

Custodial and depository links have been established between Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See “—*Book-entry Ownership—Settlement and Transfer of Notes*”.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Note Certificates directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“Direct Participants”) or indirectly (“Indirect Participants” and, together with Direct Participants, “Participants”) through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants (“DTC Participants”) and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic computerised book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Participant, directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note Certificate directly through DTC if they are DTC Participants in the DTC system, or indirectly through organisations which are DTC Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more DTC Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Note Certificates as to which such DTC Participant or DTC Participants has or have given such direction. However, in the circumstances described under “*Book-entry Ownership*”, DTC will surrender the relevant Rule 144A Global Note Certificates for exchange for individual Rule 144A Definitive Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note Certificate will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with the Common Depositary.

The address of Euroclear is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

DTC

The Rule 144A Global Note Certificate will have a CUSIP number, an ISIN and a Common Code and will be deposited with a custodian (the “Custodian”) for, and registered in the name of a nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under the Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the Common Depositary, or nominee in whose name it is registered, will immediately credit the relevant participants’ or account holders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants or DTC Participants, as the case may be, in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants or DTC Participants, as the case may be, in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants or DTC Participants, as the case may be, which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the “Beneficial Owner”) will in turn be recorded on the Direct Participants’ or DTC Participants’, as the case may be, records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or DTC Participants, as the case may be, through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Direct Participants or DTC Participants, as the case may be, acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Definitive Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants or DTC Participants, as the case may be, to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants or DTC Participants, as the case may be, will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems

to Direct Participants or DTC Participants, as the case may be, by Direct Participants to Indirect Participants, and by Direct Participants, Indirect Participants or DTC Participants, as the case may be, to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. Because DTC can only act on behalf of DTC Participants, the ability of a person having an interest in the Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars or, free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between DTC Participants.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 p.m., New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Rule 144A Global Note Certificate will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange

delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Note Certificates among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct Participants, Indirect Participants or DTC Participants, as the case may be, of their respective obligations under the rules and procedures governing their operations.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Note Certificates contain provisions which apply to the Notes in respect of which the Global Note Certificates are issued, some of which modify the effect of the Conditions set out in these Listing Particulars. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder of each Global Note Certificate will be treated as having one vote in respect of each US\$1,000 in principal amount of Notes for which the Global Note Certificates are issued. The Trustee may allow a person with an interest in Notes in respect of which the Global Note Certificates have been issued to attend and speak (but not vote) at a meeting of Noteholders on appropriate proof of his identity and interest.

Trustee's Powers

In considering the interests of Noteholders while the Global Note Certificates are registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Notes and (b) consider such interests on the basis that such accountholders were the holders of the Notes in respect of which the Global Note Certificates are issued.

Payment

Payments of principal, interest and premium (if any) in respect of Notes represented by the Global Note Certificates will be made to the person who appears at the relevant time on the Register without presentation and, if no further payment is to be made in respect of the Notes, against presentation and surrender of the Global Note Certificates to or to the order of the Principal Paying Agent and Transfer Agent or such other Paying Agent and Transfer Agent as shall have been notified to the Noteholders for such purpose.

Notices

So long as the Notes are represented by a Global Note Certificate and the Global Note Certificate is held on behalf of DTC, Euroclear or Clearstream, Luxembourg or any alternative clearing system, notices to Noteholders may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream, Luxembourg, or such alternative clearing system (as the case may be), for communication by it to entitled accountholders in substitution for notification as required by the Conditions, provided that, for so long as the Notes are listed and admitted to trading on Euronext Dublin and for so long as required by the rules of Euronext Dublin, notices will also be filed at the Companies Announcements Office of Euronext Dublin.

Prescription

Claims in respect of principal, premium and interest on the Notes while the Notes are represented by the Global Note Certificates will be prescribed after 10 years, in the case of principal and premium, and five years, in the case of interest, from the appropriate Relevant Date (as defined in Condition 7 (*Taxation*)).

SELLING AND TRANSFER RESTRICTIONS

The Notes and the Guarantees have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes and the Guarantees are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement (as defined in “*Subscription and Sale*”) provides that the Joint Lead Managers and Bookrunners may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes and the Guarantees within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the Offering of the Notes and the Guarantees, an offer or sale of Notes and the Guarantees within the United States by a dealer whether or not participating in the Offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Rule 144A Notes

Each purchaser of Rule 144A Notes within the United States, by accepting delivery of these Listing Particulars and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) it is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A;
- (1) it understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs each of which is purchasing not less than US\$200,000 principal amount of Notes, (b) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), and in each case in accordance with any applicable securities laws of any state of the United States;
- (2) it understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “QIB”) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN AN AMOUNT NOT LESS THAN US\$200,000 PRINCIPAL AMOUNT OF NOTES OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S

UNDER THE SECURITIES ACT (“REGULATION S”), OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

- (3) the Issuer, the Registrar, the Joint Lead Managers and Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account; and
- (4) it understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

Regulation S Notes

Each purchaser of Regulation S Notes outside the United States will be deemed to have represented, agreed and acknowledged that:

- (1) it understands that the Notes and the Guarantees have not been and will not be registered under the Securities Act, and such Notes and the Guarantees are being offered and sold in accordance with Regulation S;
- (2) it or any person on whose behalf it is acting is, or at the time the Notes and the Guarantees are purchased will be, the beneficial owner of such Notes and the Guarantees and (i) it is purchasing the Notes and the Guarantees in an offshore transaction (within the meaning of Regulation S) and (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (3) it will not offer, sell, pledge or otherwise transfer Notes, except in accordance with the Securities Act and any applicable securities laws of any states of the United States; and
- (4) the Issuer, the Registrar, the Joint Lead Managers and Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

SUBSCRIPTION AND SALE

J.P. Morgan Securities plc (the “Sole Global Coordinator”) and Crédit Agricole Corporate and Investment Bank and Natixis (together, the “Joint Bookrunners” and together with the Sole Global Coordinator, the “Joint Lead Managers and Bookrunners”) have agreed with the Issuer and the Guarantors, pursuant to a subscription agreement and individual representation, warranty and indemnity agreements, each to be dated on or about the date of these Listing Particulars (together, the “Subscription Agreement”), severally and not jointly and subject to the satisfaction of certain conditions, to subscribe for the Notes.

The Issuer will pay the Joint Lead Managers and Bookrunners a customary fee and will reimburse the Joint Lead Managers and Bookrunners for certain expenses related to the Offering.

The Issuer and the Guarantors have agreed, jointly and severally, to indemnify the Joint Lead Managers and Bookrunners against certain liabilities, including liabilities under the Securities Act.

Purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of the Notes.

The Issuer and the Guarantors have agreed that, for a period of 90 days from the Closing Date, they will not, without the prior written consent of the Joint Lead Managers and Bookrunners, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, any debt securities of the Issuer or the Guarantors which are substantially similar to the Notes (including, without limitation, direct issues of debt securities by the Issuer or the Guarantors or by any other person and guaranteed by the Issuer or the Guarantors) or that are convertible into, or exchangeable for, the Notes or such other debt securities.

If a jurisdiction requires that the Offering be made by a licenced broker or dealer and one or more of the Joint Lead Managers and Bookrunners is/are or any affiliate of one or more of the Joint Lead Managers and Bookrunners is/are a licenced broker or dealer in that jurisdiction, the Offering shall be deemed to be made by such Joint Lead Manager(s) and Bookrunner(s) or such affiliate(s) on behalf of the Issuer and the Guarantors in such jurisdiction.

Selling Restrictions

Prohibition of Sales to EEA and UK Retail Investors

Each Joint Lead Manager and Bookrunner has severally (and not jointly or jointly and severally) represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA or in the UK. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
- (b) a customer within the meaning of Directive 2016/97/EU (as amended or superseded, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act or any state securities laws of any other jurisdiction and may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager and Bookrunner has severally (and not jointly or jointly and severally) represented that it has not offered or sold, and agrees that it will not offer or sell, the Notes or the Guarantees as part of its distribution at

any time except (i) outside the United States in offshore transactions in accordance with Rule 903 or 904 of Regulation S or (ii) to persons reasonably believed to be QIBs in reliance on Rule 144A. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantees. Terms used in the paragraph have the meaning given to them by Regulation S.

Each Joint Lead Manager and Bookrunner has severally (and not jointly or jointly and severally) represented, warranted and undertaken that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D), nor any person acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Notes and the Guarantees in the United States.

The Joint Lead Managers and Bookrunners may directly or through their respective U.S. registered broker-dealer affiliates arrange for the offer and resale of Notes and the Guarantees in the United States only to QIBs in accordance with Rule 144A.

Each Joint Lead Manager and Bookrunner has severally (and not jointly or jointly and severally) represented that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes and the Guarantees except with its affiliates or with the prior written consent of the Issuer.

United Kingdom

Each Joint Lead Manager and Bookrunner has severally (and not jointly or jointly and severally) represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ukraine

Each Joint Lead Manager and Bookrunner has severally (and not jointly or jointly and severally) represented, warranted and agreed that the Notes shall not be offered for circulation, distribution, placement, sale, purchase or other transfer in the territory of Ukraine.

Accordingly, nothing in these Listing Particulars or any other documents, information or communications related to the Notes shall be interpreted as containing any offer or invitation to, or solicitation of, any such circulation, distribution, placement, sale, purchase or other transfer in the territory of Ukraine.

Hong Kong

Each Joint Lead Manager and Bookrunner has severally (and not jointly or jointly and severally) represented, warranted and agreed that:

- (a) it has not be offered or sold and will not offer or sell in Hong Kong, by means of any document, the Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Republic of Italy

The Offering of the Notes has not been registered with *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered and no copies of these Listing Particulars or of any other document relating to any Notes may be distributed in the Republic of Italy (“Italy”), except in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Lead Manager and Bookrunner has severally (and not jointly or jointly and severally) represented, warranted and undertaken that it has not made and will not make an offer of Notes which are the subject of the Offering contemplated by these Listing Particulars to the public in Italy other than:

- (a) to qualified investors (*investitori qualificati*) as referred to in Article 2, paragraph (e) of Regulation (EU) 2017/1129, as amended; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of Legislative Decree No. 58, 24 February 1998 (the “Financial Services Act”) and Article 34-ter, first paragraph of CONSOB Regulation No. 11971, 14 May 1999.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “Banking Act”) and CONSOB regulation No. 20307, 15 February 2018, all as amended; and
- (ii) in compliance with any other applicable laws and regulations, including any relevant limitations or requirements which may be imposed by CONSOB and/or the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian competent authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations

These Listing Particulars and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of these Listing Particulars may rely on them or their contents.

Singapore

Each Joint Lead Manager and Bookrunner has acknowledged that these Listing Particulars have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager and Bookrunner has severally (and not jointly or jointly and severally) represented, warranted and agreed that

it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, these Listing Particulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each, as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (A) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (B) where no consideration is or will be given for the transfer;
- (C) where the transfer is by operation of law;
- (D) as specified in Section 276(7) of the Securities and Futures Act; or
- (E) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the Securities and Futures Act is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the Securities and Futures Act or any provision in the Securities and Futures Act is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Switzerland

Neither these Listing Particulars nor any other offering or marketing material relating to the Notes constitutes a prospectus within the meaning of the Swiss Code of Obligations ("CO"), a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated facility in Switzerland or a prospectus or a simplified prospectus within the meaning of the Swiss Collective Investment Schemes Act.

Each Joint Lead Manager and Bookrunner severally (and not jointly or jointly and severally) has represented and agreed that it will not, directly or indirectly, (i) publicly offer, sell, or advertise the Notes in, into or from Switzerland, as such terms are defined or interpreted under the CO, and (ii) distribute or otherwise make

available these Listing Particulars or any other offering or marketing material relating to the Notes in Switzerland in a way that would constitute a public offering within the meaning of the CO of the Notes.

Each Joint Lead Manager and Bookrunner severally (and not jointly or jointly and severally) has represented and has agreed that the Notes will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland and that neither these Listing Particulars nor any other offering or marketing material relating to the Offering, the Issuer, the Group, the Guarantors, the Notes or the Guarantees has been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

General

No action has been or will be taken in any jurisdiction by any Joint Lead Manager and Bookrunner, the Issuer or the Guarantors that would permit a public offering of the Notes, or possession or distribution of these Listing Particulars (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither these Listing Particulars nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. These Listing Particulars do not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession these Listing Particulars come are advised to inform themselves about, and to observe any restrictions relating to, the Offering, the distribution of these Listing Particulars and re-sale of the Notes. See “*Selling and Transfer Restrictions*”.

Other Relationships

The Joint Lead Managers and Bookrunners and their respective affiliates have engaged and may engage in transactions with the Issuer and other members of the Group (including, credit agreements and credit lines) in the ordinary course of their business, performing various investment banking, financial advisory, and other services for Kernel and its subsidiaries, for which they received and may receive customary fees. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources and Borrowings*” and “*Shareholders and Related Party Transactions*”.

The Joint Lead Managers and Bookrunners and their respective affiliates expect to provide such services in the future.

Natixis is a party to the Natixis PXF Facility as facility agent, security agent and overdraft bank and has also provided a bilateral loan facility to certain entities within the Group.

Credit Agricole Securities (USA) Inc., J.P. Morgan Securities plc and Natixis are acting as the joint dealer managers in respect of the Tender Offer.

TAXATION

The following summary of certain Luxembourg, Swiss, Ukraine and United States tax consequences of ownership of the Notes is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of these Listing Particulars. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to Noteholders. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to Noteholders. Each prospective Noteholder is urged to consult its own tax advisers as to the particular tax consequences to such holder of the ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as at the date of these Listing Particulars, and of any actual changes in applicable tax laws after such date.

Luxembourg

Please be aware that the residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu des personnes physiques*) generally. Corporate taxpayers may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax, net wealth tax as well as the solidarity surcharge apply to most corporate tax payers resident in Luxembourg for tax purposes. Individual tax payers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual tax payers acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg tax residency of the Noteholders

A Noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their entitlements thereunder.

Withholding Tax

Resident Noteholders

Under the Luxembourg law dated 23 December 2005 as amended (the “Law”), there is no withholding tax on payments of principal, premium or interest (paid or accrued) made to Luxembourg resident corporate Noteholders, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident corporate Noteholders.

Under the Law, payments of interest made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg, will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his private wealth. Responsibility for the withholding tax is assumed by the Luxembourg paying agent. This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, Luxembourg resident individuals acting in the course of the management of their private wealth, who are the beneficial owners of interest payments made by a paying agent established outside Luxembourg in a Member State of the European Union or of the EEA or in certain jurisdictions having concluded a particular agreement with Luxembourg, may also opt for a final 20% levy. In such case, the 20% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 20% levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year.

Non-resident Noteholders

Under the Luxembourg tax law currently in effect, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident Noteholder. There is also no Luxembourg withholding tax upon repayment of the principal, sale, refund or redemption of the Notes.

Taxation of the Noteholders

Luxembourg resident individuals

A Luxembourg resident individual Noteholder acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a final withholding tax has been levied on such payments in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption of the Notes by a Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth are not subject to Luxembourg income tax provided this sale or disposal took place more than six months after the acquisition of the Notes and the Notes do not constitute zero coupon notes. A Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement, except if a final withholding tax or levy has been levied in accordance with the Law.

Luxembourg resident individual Noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, must include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg corporate residents

Luxembourg corporate Noteholders must include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg corporate residents benefiting from a special tax regime

Luxembourg corporate resident Noteholders who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the amended law of 17 December 2010, (ii) specialised investment funds subject to the amended law dated 13 February 2007 or (iii) family wealth management companies subject to the amended law dated 11 May 2007, and (iv) reserved alternative investment funds subject to the amended law of 23 July 2016, are exempt from income tax in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to Luxembourg income taxes.

Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale, disposal or exchange, in any form whatsoever, of any Notes.

Noteholders who are non-residents of Luxembourg and who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable have to include any interest received or accrued, as well as any capital gain realised on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Net Wealth Tax

Luxembourg resident Noteholders or non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg wealth tax on such Notes, except if the Noteholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the amended law of 17 December 2010, (iii) a securitisation company governed by the amended law of 22 March 2004 on securitisation, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialised investment fund subject to the amended law of 13 February 2007, (vi) a family wealth management company subject to the amended law of 11 May 2007, (vii) a professional pension institution governed by the amended law of 13 July 2005 or (viii) a reserved alternative investment fund vehicle governed by the amended law of 23 July 2016.

However, (i) a Luxembourg resident securitisation company governed by the amended law of 22 March 2004 on securitisation, (ii) a professional pension institution governed by the amended law of 13 July 2005, (iii) a reserved alternative investment fund vehicle (opting for the treatment as a venture capital vehicle) governed by the amended law of 23 July 2016, and (iv) a Luxembourg resident company governed by the amended law of 15 June 2004 on venture capital vehicles shall be subject to the minimum net wealth tax (“MNWT”).

The MNWT is only levied on companies having their statutory seat or central administration in Luxembourg. For entities for which the sum of fixed financial assets, transferable securities, such as the Notes, and cash at bank exceeds 90% of their balance sheet and €350,000, the MNWT is set at €4,815. For all other companies having their statutory seat or central administration in Luxembourg which do not fall within the scope of the €4,815 MNWT, the MNWT ranges from €535 to €32,100, depending on the company’s total balance sheet.

Other Taxes

Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. There is no obligation to register the Notes in Luxembourg. However, a registration duty may be due upon voluntary registration of the Notes in Luxembourg or in the situation where the Notes are (a) appended to a document that requires obligatory registration or (b) deposited in the minutes of a notary.

Value added tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Inheritance tax and gift tax

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

United States

The following is a summary of certain U.S. federal income tax considerations of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This discussion deals only with initial purchasers of Notes at the “issue price” (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial Offering that are U.S. Holders and that will hold Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax, the net investment income tax or special rules for the taxable year of inclusion for accrual basis taxpayers under Section 451) and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Federal Income Tax Characterisation of the Notes

U.S. Treasury regulations provide that, subject to certain exceptions, a debt instrument that provides for one or more contingent payments is a “contingent payment debt instrument” (“CPDI”). In certain circumstances, the Issuer may be obligated to make additional payments on the Notes in excess of the stated interest and principal amount (e.g., as described under “*Terms and Conditions of the Notes—Redemption and Purchase—Optional Redemption in the event of an Equity Offering*” and “*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the Option of the Issuer*”). These potential payments may implicate the provisions of the U.S. Treasury regulations relating to CPDIs. If the Notes were treated as CPDIs, U.S. Holders would be required to recognise income for U.S. federal income tax purposes at different times and in different amounts than described below, to treat any income realised on the sale, retirement or other taxable disposition of a Note as ordinary income rather than capital gain, and potentially to suffer additional adverse U.S. federal income tax consequences. To the extent the Issuer is required to take a position, the Issuer intends to take the position that the Notes are not CPDIs for U.S. federal income tax purposes. The Issuer’s determination is binding on a U.S. Holder unless such U.S. Holder expressly discloses that it is adopting a contrary position on its income tax return. No assurance, however, can be given that this characterisation will be accepted by the U.S. Internal Revenue Service or a court. Prospective purchasers of the Notes should consult their tax advisors regarding the possible treatment of the Notes as CPDIs. The remainder of this discussion assumes that the Notes will not be treated as CPDIs.

Payments of Interest

General.

Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder’s method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Sale and Retirement of the Notes

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder’s adjusted tax basis in the Note. A U.S. Holder’s adjusted tax basis in a Note generally will be its U.S. dollar cost. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

Gain or loss recognised by a U.S. Holder on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Certain noncorporate U.S. Holders (including certain individuals) may be eligible for preferential tax rates in respect of long-term capital gains. Deductions for capital losses are subject to limitations. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Notes.

Substitution of the Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Reporting and backup withholding

Payments of principal, and interest on, and the proceeds of sale or other disposition of Notes by a U.S. paying agent or other U.S. intermediary will be reported to the Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain "specified foreign financial assets".

Taxation on Noteholders relating to the Guarantees

The following is a summary of Swiss and Ukrainian taxation considerations relevant to payments by the Issuer under the Notes and payments by the Guarantors on the Guarantees, as applicable, to Noteholders not tax-resident in the jurisdiction of the Guarantor.

Switzerland

The following is a summary of certain material Swiss tax considerations relating to the Notes based on the legislation and administrative practices as of the date of these Listing Particulars. Modifications of the applicable legal regulations may require a re-evaluation of the tax consequences. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in the Notes. The tax treatment for each investor depends on the particular situation. Prospective Noteholders are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Swiss Federal Withholding Tax

A ruling from the Swiss federal tax administration has been obtained confirming that payments by the Issuer of interest on the Notes will not be subject to Swiss federal withholding tax on interest, provided that the Issuer is at all times resident and managed outside Switzerland for Swiss withholding tax purposes and provided that Avere's and Inerco's (and/or any Additional Swiss Guarantor's) liabilities under the Guarantees are limited to the freely disposable equity, being the balance sheet profits and non-statutory reserves available for the distribution as dividends at the time of enforcement of the Guarantees of Avere and Inerco (and/or any Additional Swiss Guarantor) as stipulated by Swiss corporate law.

Payments by Avere and Inerco (and/or any Additional Swiss Guarantor) to the Noteholders under the Guarantees will be subject to Swiss federal withholding tax on formal or deemed dividends (currently levied at a rate of 35%), unless Avere and Inerco (and/or any Additional Swiss Guarantor) successfully shows that the Guarantees and payments thereunder were made on arm's length conditions. A ruling from the Swiss federal tax administration to manage this position is in preparation.

Current Swiss withholding tax provisions stipulate that such Swiss federal withholding tax needs to be borne by the beneficiary of the payment subject to Swiss federal withholding tax and that any agreement to the contrary is void (art. 14 of the Swiss Federal Withholding Tax Act). Avere's and Inerco's (and/or any Additional Swiss Guarantor's) undertakings to make all payments without deductions of Swiss withholding tax or to gross-up the payments accordingly (as provided under Condition 7 (*Taxation*)) may not be enforceable.

On 3 April 2020, the Swiss Federal Council proposed draft legislation and opened the consultation procedure regarding the reform of the Swiss withholding tax regime, which had previously been suspended. The main aspect of the draft legislation is the exemption of Swiss-domiciled legal entities and foreign investors from withholding tax on Swiss domestic interest-based investments. Draft legislation would replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Swiss withholding tax. Broadly, this paying agent-based regime would (i) subject all interest payments made through paying agents in Switzerland to individuals resident in Switzerland to Swiss withholding tax and (ii) exempt from Swiss withholding tax interest payments to all other persons, including to Swiss-domiciled legal entities and foreign investors (other than for indirect interest payments via foreign and domestic collective investments vehicles). If such a new paying agent-based regime were to be enacted and were to result in the deduction or withholding of Swiss withholding tax on any interest payments in respect of the Notes, the holders of the Notes would not be entitled to receive any additional amounts as a result of such deduction or withholding under the terms of the Notes.

Swiss Federal Securities Transfer Tax

Purchases or sales of the Notes where a Swiss or a Liechtenstein domestic bank or a Swiss or Liechtenstein domestic securities dealer (as defined in the Swiss Federal Stamp Duty Act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal securities transfer tax on dealings in securities at a currently enacted rate of up to 0.3% of the purchase price of the Notes. Where the seller, the purchaser and the intermediaries are non-residents of Switzerland or Liechtenstein, no Swiss federal securities transfer tax on dealing in the Notes is payable.

Income Taxation on Principal or Interest paid on Notes Held by Non-Swiss Holders

Payments by the Issuer, the Guarantors or any guarantor which accedes to the Trust Deed of interest and repayment of principal to, and gain realised on the sale or redemption of the Notes by a Noteholder who is not a resident of Switzerland and who during the relevant tax year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Notes are attributable to and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

Automatic exchange of information

The implementation of the AEOI in Switzerland is through the Swiss AEOI law supplemented by the AEOI ordinance and guidance. The legal basis for the AEOI entered into force in Switzerland on 1 January 2017. As of August 2020, Switzerland has signed AEOI agreements with over 107 partner jurisdictions (of which 97 have been activated) to bring about the exchange of financial account information.

The effective date of those partner jurisdiction agreements varies, with the first agreements becoming effective in 2017 (first reporting in 2018) with the EU Member States and a limited number of additional jurisdictions. As of August 2020, there are over 4,200 bilateral exchange relationships activated with respect to more than 100 jurisdictions committed to the AEOI across the world.

The AEOI is designed to ensure reporting by entities classified as financial institutions regarding financial accounts they maintain for reportable account holders resident in AEOI exchange jurisdictions. Therefore, any AEOI reporting for the holders of the Notes in respect of the holding and receipt of income / gains from the

Notes will depend upon whether the country of tax residence of the holder and the country of tax residence of the reporting entity have an AEOI exchange agreement in place.

Ukraine

No deduction or withholding on account of tax is required to be made under the laws of Ukraine from any payment that may be required to be made by the Issuer under the Notes provided that: (1) the relevant Noteholder receiving payment is not tax resident of Ukraine and has no permanent establishment in Ukraine; and (2) the Issuer is not tax resident of Ukraine, has no permanent establishment in Ukraine and its operations in Ukraine do not constitute a permanent establishment. Noteholders who are Ukrainian tax residents and Ukrainian permanent establishments of non-residents will be subject to taxes in Ukraine by way of self-assessment, meaning that the Issuer (who is not tax resident of Ukraine) will not be required to withhold the relevant amounts.

Payments by a Ukrainian Guarantor under a Suretyship Deed may be subject to Ukrainian withholding tax at the rate of 15% (if payments are made to a non-resident legal entity) or 19.5% (if payments are made to a non-resident individual). In the event of the imposition of such tax, the Ukrainian Guarantors may be obliged under the Suretyship Deeds or the Conditions to pay additional amounts such that the recipient receives the amount it would have received had no such withholding been required. Until 23 May 2020, Ukrainian law generally prohibited payment of tax for another person and contractual provisions requiring such payment. With the entry into force of the Tax Code Amendments Law, such prohibition was abolished. However, Ukrainian tax authorities have not issued any clarifications in this respect, and, as a result, gross-up provisions may be unenforceable in Ukraine.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

GENERAL INFORMATION

Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer on 2 October 2020. The giving of the Guarantees was duly authorised by the Board of Directors (or the Sole Director, as applicable) of the Non-Ukrainian Guarantors on 2 October 2020. The entry into the Suretyship Deeds was duly authorised by resolutions of the competent governing bodies of the Ukrainian Guarantors on 10 September 2020, 18 September 2020 and 25 September 2020.

Listing Information

Application has been made to Euronext Dublin for the approval of this document as listing particulars. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, which is the exchange-regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of the MiFID II. Notification of any optional redemption of the Notes will be provided by the Issuer to Euronext Dublin.

The Irish listing agent is Arthur Cox Listing Services Limited and the address of its registered office is Arthur Cox Building, Ten Earlsfort Terrace, Dublin 2, Ireland. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the Global Exchange Market.

The Issuer will maintain a listing agent in Ireland for as long as any of the Notes are listed on Euronext Dublin. The Issuer reserves the right to vary such appointment.

The total fees and expenses in connection with the admission of the Notes to trading on the Global Exchange Market are expected to be approximately €4,500.

Admission to Trading

It is expected that admission of the Notes to the Official List and to trading on the Global Exchange Market will be granted on or before the next working day after the Closing Date, subject only to the issue of the Global Note Certificates. Prior to official listing and admission to trading, however, dealings will be permitted by Euronext Dublin in accordance with its rules. Transactions will normally be effected for settlement in U.S. dollars and for delivery on the third working date after the day of the transaction.

Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The CUSIP, Common Code and ISIN for the Rule 144A Notes are 49229QAC8, 224976631 and US49229QAC87, respectively, and the Common Code and ISIN for the Regulation S Notes are 224492782 and XS2244927823, respectively.

No significant change or material change

There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2020 and there has been no material adverse change in the prospects of the Group since 30 June 2020.

Litigation

Save as disclosed above, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of these Listing Particulars which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

Documents

For so long as the Notes are listed on the Official List and admitted to trading on the Global Exchange Market, copies of the following documents will be available in electronic format, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection during usual business hours at the registered office of the Issuer, at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents:

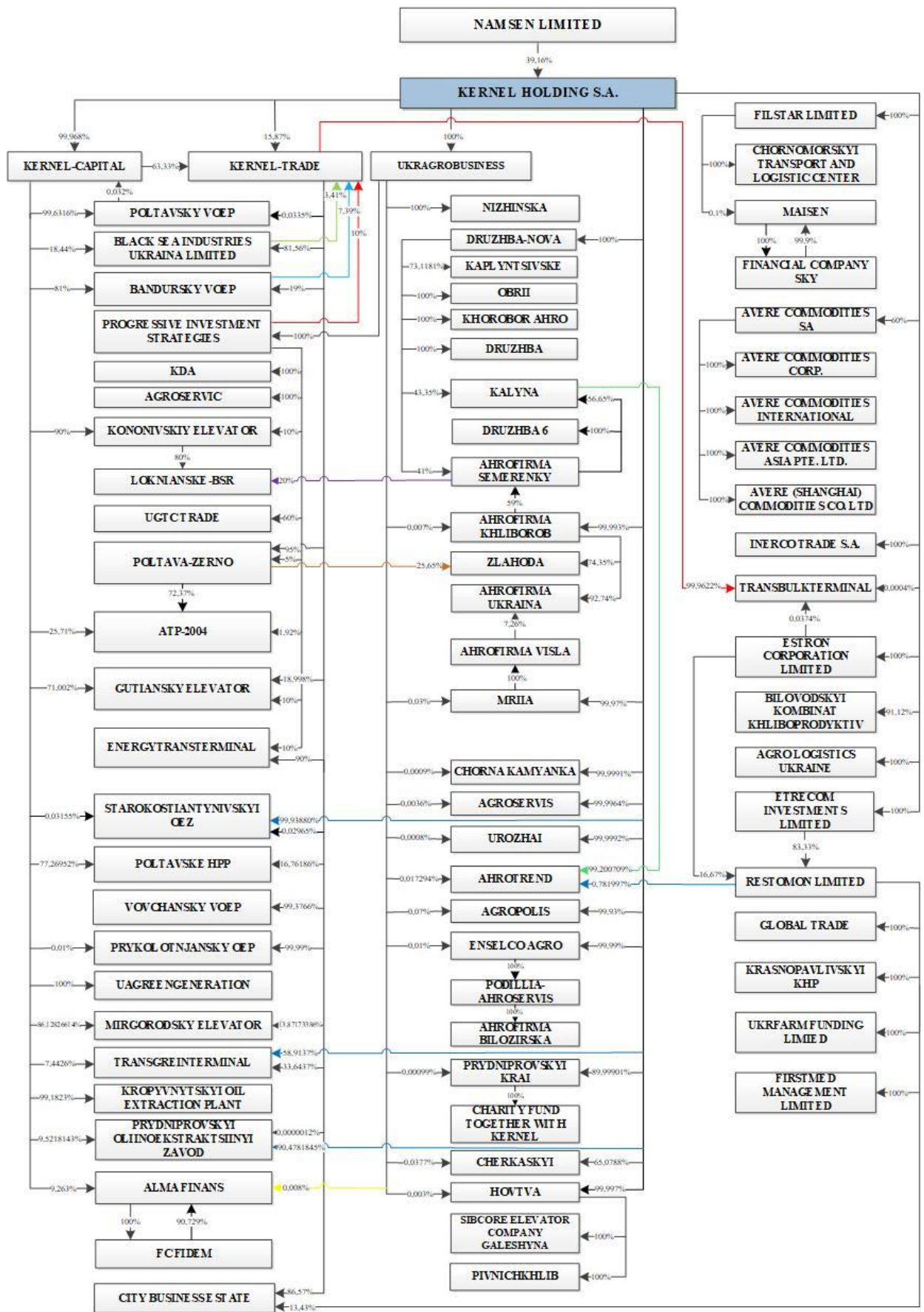
- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the consolidated audited financial statements of the Group in respect of each of the two financial years ended 30 June 2020 and 2019, in each case, together with the audit reports in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the most recently published unaudited consolidated interim financial statements (if any) of the Issuer together with the review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated interim accounts on a six-monthly basis; and
- (d) the Trust Deeds, the Agency Agreement and the Suretyship Deeds.

Independent Reporting Auditors

The Group's Consolidated Financial Statements prepared in accordance with IFRS as endorsed by the European Union, included elsewhere in these Listing Particulars, have been audited in accordance with International Standards on Auditing, by Deloitte Audit S.a r.l., who are members of Institut des Réviseurs d'Entreprises in Luxembourg, and approved audit firm under the supervision of the Commission de Surveillance du Secteur Financier as the competent authority for the public oversight of the audit profession in Luxembourg.

Group structure

The Group conducts its business through a number of subsidiaries. The chart below shows the Group's corporate structure and certain ownership information relating to its subsidiaries, all as at the date of these Listing Particulars.



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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Kernel Holding S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 30 June 2020, the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income for the year then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 June 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p>Valuation of biological assets</p> <p>As indicated in the Notes 3 and 13, the Group measures biological assets at fair value as of reporting date in accordance with IAS 41. As of 30 June 2020, the carrying amount of biological assets consisted primarily of current biological assets (mainly crops in fields) in amount of USD 252,184 thousand. Crops in fields are measured using the discounted cash flow technique</p> <p>Given the significant judgments made by management to estimate the fair value of Biological assets, performing audit procedures to evaluate the reasonableness of management's estimates related to expected yields, prices and discount rates, required a high degree of auditor judgment and an increased extent of effort.</p>	<p>We obtained an understanding of controls surrounding valuation of biological assets.</p> <p>We challenged management's assumptions with reference to historical data (yields) and, where applicable, external benchmarks (prices) and market data noting the assumptions used fell within an acceptable range.</p> <p>We performed an independent recalculation of fair value of biological assets as of 30 June 2020 using prices forecast based on futures' prices, median actual yields for last seven years and a discount rates verified by our internal valuation specialists.</p> <p>We tested the accuracy and methodology of valuation models.</p> <p>We tested discount rate with the assistance of our internal valuation specialists and carried out audit procedures on management's sensitivity calculations.</p> <p>We considered the appropriateness of the related disclosures provided in the consolidated financial statements (Note 13 to the consolidated financial statements).</p>

Impairment of goodwill

As indicated in Note 3 and 17, annually, as of the reporting date, or as required per IAS 36 “Impairment of Assets” more frequently, if there are indicators that the carrying amount of goodwill is no longer recoverable, the Group performs an impairment test. The Group manages its goodwill at the group of cash generating unit (“CGU”) level. Impairment is tested with reference to fair value less cost to sell or the value-in-use, typically based on the cash flow forecast for each CGU.

Impairment considerations were significant to our audit because the goodwill balance of USD 123,487 thousand as of 30 June 2020 is material to the consolidated financial statements. In addition, management’s assessment process is complex, involves judgment and is based on assumptions, which are affected by expected future market and economic conditions. Based on our risk assessment, we focused our procedures on the Oil Processing CGU due to the high sensitivity of the following inputs into the model that required a high degree of auditor judgment and an increased extent of effort :

- The discount rate (“WACC”), which is based on the weighted average cost of capital.
- Terminal growth rate.
- Business assumptions, including but not limited to expected operating margins, future production and sales volumes, which are volatile.

Further, key considerations included determination of CGUs, whether the value in use calculation and valuation method used complied with the requirements of IFRS.

We obtained an understanding of controls around goodwill impairment test.

Our procedures included, among other, using internal valuation experts to assist us in evaluating the methodology and data used to estimate the WACC of each CGU’s value-in-use estimate.

We have also focused on those assumptions that have the most significant effect on the determination of the recoverable amount of goodwill by performing sensitivity analysis.

More specifically:

We performed audit procedures on impairment models relating to oil processing CGU. We evaluated reasonableness of the models by comparing the assumptions made to internal and external data. In particular, we:

- compared short-term revenue growth rates and other inputs to the latest approved budgets and found them to be consistent;
- Compared long-term revenue growth rates to the forecasts obtained from publicly available data;
- challenged the reasonableness of the assumptions in management’s forecasts with reference to past performance, market conditions and external benchmarks, where applicable;
- assessed the historical forecasting and budgeting accuracy;
- tested the integrity and mathematical accuracy of the models;
- tested discount rate with the assistance of our internal valuation specialists and carried out audit procedures on management’s sensitivity calculations;
- prepared our independent estimation of value-in-use for the tested CGUs and compared amount obtained to the carrying value of non-current assets of these CGUs.

We also considered the adequacy of the Group's disclosures in respect of goodwill impairment testing (Note 17 to the consolidated financial statements) and whether disclosures, related to the sensitivity of the valuation model used, properly reflecting the risks inherent in such assumptions.

Revenue recognition

The Group sells different commodities, goods and services to various counterparties as disclosed in Note 25, and operates in different business and geographical segments as described in Note 6 in the consolidated financial statements.

ISAs require an auditor in assessing risk of material misstatement to presume fraud risk in revenue recognition. There could be a pressure for management to meet the requirements and expectations of third parties due to profitability level expectations of shareholders, investment analysts and significant creditors. Additionally, given the inherent uncertainty related to Covid - 19 there may be incentives to improperly recognize or derecognize revenue in the right accounting period which required an increased extent of auditor effort.

We obtained an understanding of the process and controls in respect of timely recognition of revenue.

We have performed our risk assessment as to period for cut-off testing before and after the reporting date and evaluated completeness of accounting records for the respective period.

On a sample basis, we have performed substantive detailed testing for revenue recognition in a correct period:

- verified agreement terms including point of control transfer;
- checked and agreed the date and quantity to the source documents.

Adoption of IFRS 16 “Leases”

As disclosed in Note 3 the Group has adopted IFRS 16 “Leases” as of 1 July 2019. The Group applied the standard retrospectively without restating comparative information.

We consider adoption of IFRS 16 as a key audit matter because it required the Group to substantially modify existing business processes related to financial reporting and to apply significant judgement, in particular, when determining whether the contract is, or contains, a lease, the lease term and discount rates used. In addition to that, the carrying amounts of Right of Use Assets and Lease Liabilities are significant at the reporting date, equaling to USD 347,296 thousand and 310,000 thousand, respectively.

See also Note 15 “Right-of-use assets” and Note 22 “Lease liabilities”.

We obtained understanding of the Group’s policy, processes and controls over the lease accounting as of the adoption date and the reporting date.

We assessed the appropriateness of the transitional provisions applied as of 1 July 2019 in accordance with the requirements of IFRS 16.

We have verified that selected practical expedients were applied correctly.

We tested discount rate (incremental borrowing rate) used with the assistance of our internal valuation specialists.

We have tested lease agreements on a sample basis for an appropriate:

- determination whether the contract is, or contains, a lease (for the leases as of the date of IFRS 16 adoption and commenced during the year ended 30 June 2020);
- identification of lease payments;
- determination of lease term;

We have checked the mathematical accuracy of management’s calculations of lease liabilities, right-of-use assets, interest expenses on lease liabilities and depreciation charged in respect of right-of-use assets for the year ended 30 June 2020.

We have assessed completeness and accuracy of the relevant disclosures in the consolidated financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the strategic report and the Corporate Governance Statement, but does not include the consolidated financial statements and our report of “réviseur d'entreprises agréé” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information; we are required to report this fact. We have nothing to report in this regard.

Responsibilities of Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the « Réviseur d'Entreprises Agréé » for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain a reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have been appointed as « Réviseur d'Entreprises Agréé » by the General Meeting of the Shareholders on 10 December 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 9 years.

The strategic report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, included in the strategic report (in corporate governance section) and as published on the Group's website <http://www.kernel.ua> is the responsibility of the Board of Directors. The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The strategic report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audited services referred to in the EU Regulation No 537/2014 on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, *Cabinet de Révision Agréé*

Marco Crosetto, *Réviseur d'Entreprises Agréé*
Partner

2 October 2020

Consolidated Statement of Financial Position

for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2020	As of 30 June 2019
Assets			
Current assets			
Cash and cash equivalents	8, 36	369,117	76,801
Trade accounts receivable, net	3, 9, 33, 36	215,279	183,196
Prepayments to suppliers and other current assets, net	3,10	148,916	129,822
Corporate income tax prepaid	24	247	8,484
Taxes recoverable and prepaid, net	11	132,748	118,575
Inventory	12	303,402	357,610
Biological assets	13	252,184	309,030
Other financial assets	36	108,692	70,835
Assets classified as held for sale		432	2,079
Total current assets		1,531,017	1,256,432
Non-current assets			
Property, plant and equipment, net	14	984,368	764,686
Right-of-use assets	3, 15	347,296	—
Intangible assets, net	16	68,085	114,942
Goodwill	17	123,487	107,735
Investments in joint ventures	32	—	51,252
Deferred tax assets	24	9,152	8,447
Corporate income tax prepaid		—	4,374
Other non-current assets	18, 33	101,298	155,732
Total non-current assets		1,633,686	1,207,168
Total assets		3,164,703	2,463,600
Liabilities and equity			
Current liabilities			
Trade accounts payable	36	87,508	136,043
Advances from customers and other current liabilities	19, 33	170,534	104,976
Short-term borrowings	20	44,581	183,692
Current portion of long-term borrowings	21	6,871	1,233
Current portion of lease liabilities	3, 22	44,872	—
Interest on bonds issued	23, 36	21,945	17,949
Other financial liabilities	36	36,282	35,867
Total current liabilities		412,593	479,760
Non-current liabilities			
Long-term borrowings	21	172,403	63,680
Lease liabilities	3, 22	265,128	—
Obligations under finance leases	3	—	5,230
Deferred tax liabilities	24	24,449	29,010
Bonds issued	23	793,777	496,051
Other non-current liabilities	7, 36	2,230	43,843
Total non-current liabilities		1,257,987	637,814
Equity attributable to Kernel Holding S.A. equity holders			
Issued capital	2	2,219	2,164
Share premium reserve		500,378	481,878
Additional paid-in capital		39,944	39,944
Equity-settled employee benefits reserve	2	4,624	9,111
Revaluation reserve		62,249	62,249
Other reserves	3	(3,523)	—
Translation reserve		(697,555)	(734,396)
Retained earnings		1,584,331	1,489,996
Total equity attributable to Kernel Holding S.A. equity holders		1,492,667	1,350,946
Non-controlling interests		1,456	(4,920)
Total equity		1,494,123	1,346,026
Total liabilities and equity		3,164,703	2,463,600
Additional information			
Book value		1,492,667	1,350,946
Number of shares	2, 37	84,031,230	81,941,230
Book value per share (in USD)		17.76	16.49
Diluted number of shares	37	83,328,986	82,820,378
Diluted book value per share (in USD)		17.91	16.31

On behalf of the Board of Directors

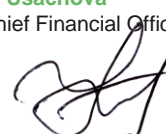
Andrii Verevskyi

Chairman of the Board of Directors



Anastasiia Usachova

Director, Chief Financial Officer



Consolidated Statement of Profit or Loss


for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

	Notes	For the year ended 30 June 2020	For the year ended 30 June 2019 ¹
Revenue	25, 33	4,106,780	3,960,231
Net change in fair value of biological assets and agricultural produce	13	(20,979)	9,140
Cost of sales	26, 33	(3,623,812)	(3,635,510)
Gross profit		461,989	333,861
Other operating income, net	27	7,017	41,878
General and administrative expenses	28, 33	(131,730)	(106,532)
Profit from operating activities		337,276	269,207
Finance costs, net	29, 33	(147,220)	(82,319)
Foreign exchange (loss)/gain, net	30	(1,012)	12,860
Other expenses, net	31, 33	(50,524)	(8,376)
Share of income/(loss) of joint ventures	32	6,305	(966)
Profit before income tax		144,825	190,406
Income tax expenses	24	(22,075)	(11,902)
Profit for the period from continuing operations		122,750	178,504
Profit for the period		122,750	178,504
Profit/(Loss) for the period attributable to:			
Equity holders of Kernel Holding S.A.		117,865	189,464
Non-controlling interests		4,885	(10,960)
Earnings per share			
From continuing operations			
Weighted average number of shares	37	82,983,367	81,941,230
Profit per ordinary share (in USD)		1.42	2.31
Diluted number of shares	37	83,328,986	82,820,378
Diluted profit per ordinary share (in USD)		1.41	2.29
On behalf of the Board of Directors			

Andrii Verevskyi
Chairman of the Board of Directors



Anastasiia Usachova
Director, Chief Financial Officer



¹ During the year ended 30 June 2020, the Group has changed presentation of remeasurement movements on the commodity derivatives and included them into Revenue and Cost of sales instead of Other operating income. Comparative information was reclassified respectively. Please see Note 3 for more details and description of changes in accounting policy and reclassifications made.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

	Notes	For the year ended 30 June 2020	For the year ended 30 June 2019
Profit for the period		122,750	178,504
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property	14	—	25,833
Income tax related to components of other comprehensive income	24	—	(4,650)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		37,053	(10,979)
Loss arising on cash flow hedge	3	(5,644)	—
Income tax related to this item	3	785	—
Other comprehensive income, net		32,194	10,204
Total comprehensive income for the period		154,944	188,708
Total comprehensive income/(loss) attributable to:			
Equity holders of Kernel Holding S.A.		151,183	200,305
Non-controlling interests		3,761	(11,597)

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors



Anastasiia Usachova

Director, Chief Financial Officer



Consolidated Statement of Changes in Equity

for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

Attributable to Kernel Holding S.A. shareholders											
	Issued capital	Share premium reserve	Additional paid-in capital	Equity- settled employee benefits reserve	Revalu- ation reserve	Other reserve	Translation reserve	Retained Earnings	Total	Non- controlling interests	Total equity
Balance as of 30 June 2018 (as previously reported)	2,164	481,878	39,944	8,114	43,815	—	(724,054)	1,318,872	1,170,733	6,871	1,177,604
Effect of IFRS 9 implementation (Note 9)	—	—	—	—	—	—	—	(314)	(314)	—	(314)
Balance as of 1 July 2018 (re-stated)	2,164	481,878	39,944	8,114	43,815	—	(724,054)	1,318,558	1,170,419	6,871	1,177,290
Profit/(Loss) for the period	—	—	—	—	—	—	—	189,464	189,464	(10,960)	178,504
Other comprehensive income/(loss)	—	—	—	—	21,183	—	(10,342)	—	10,841	(637)	10,204
Total comprehensive income/(loss) for the period	—	—	—	—	21,183	—	(10,342)	189,464	200,305	(11,597)	188,708
Distribution of dividends (Note 2)	—	—	—	—	—	—	—	(20,485)	(20,485)	—	(20,485)
Disposal of subsidiaries	—	—	—	—	(1,626)	—	—	1,626	—	—	—
Effect of changes on minority interest	—	—	—	—	—	—	—	(290)	(290)	(194)	(484)
Recognition of share-based payments (Note 2)	—	—	—	997	—	—	—	—	997	—	997
Transfer of revaluation reserve	—	—	—	—	(1,123)	—	—	1,123	—	—	—
Balance as of 30 June 2019	2,164	481,878	39,944	9,111	62,249	—	(734,396)	1,489,996	1,350,946	(4,920)	1,346,026
Profit for the period	—	—	—	—	—	—	—	117,865	117,865	4,885	122,750
Other comprehensive (loss)/income	—	—	—	—	—	(3,523)	36,841	—	33,318	(1,124)	32,194
Total comprehensive (loss)/income for the period	—	—	—	—	—	(3,523)	36,841	117,865	151,183	3,761	154,944
Increase in share capital (Note 2)	55	13,555	—	—	—	—	—	—	13,610	—	13,610
Distribution of dividends (Note 2)	—	—	—	—	—	—	—	(21,008)	(21,008)	—	(21,008)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(16)	(16)
Effect of changes on minority interest	—	—	—	—	—	—	—	(2,631)	(2,631)	2,631	—
Recognition of share-based payments (Note 2)	—	4,945	—	(4,487)	—	—	—	109	567	—	567
Balance as of 30 June 2020	2,219	500,378	39,944	4,624	62,249	(3,523)	(697,555)	1,584,331	1,492,667	1,456	1,494,123

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors



Anastasiia Usachova

Director, Chief Financial Officer



Consolidated Statement of Cash Flows

for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

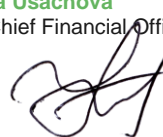
	Notes	As of 30 June 2020	As of 30 June 2019
Operating activities:			
Profit before income tax		144,825	190,406
Adjustments for:			
Amortization and depreciation		105,742	76,303
Finance costs, net	29	147,220	82,319
Movement in allowance for doubtful receivables	28	2,367	7,905
Other accruals		3,824	5,036
Gain on disposal of property, plant and equipment	31	(969)	(605)
Net foreign exchange gain		(2,564)	(13,840)
Write-offs and impairment loss/(reversal)	16, 17, 31	658	(116)
Net change in fair value of biological assets and agricultural produce	13	20,979	(9,140)
Share of (income)/loss of joint ventures	32	(6,305)	966
Loss/(Gain) on sales of subsidiaries and joint ventures	7, 31	36,634	(4,833)
Net (gain)/loss arising on financial assets classified as at fair value through profit or loss		(28,280)	23,662
Other (gain)/losses		(1,957)	10,234
Operating profit before working capital changes		422,174	368,297
Changes in working capital:			
Change in trade and other accounts receivable ¹		(43,070)	(131,516)
Change in prepayments and other current assets		(26,137)	(13,706)
Change in restricted cash balance		(1,771)	538
Change in taxes recoverable and prepaid		(19,130)	441
Change in biological assets		113,403	18,779
Change in inventories		(15,070)	(24,160)
Change in trade accounts payable		(51,120)	60,055
Change in advances from customers and other current liabilities		32,797	(4,328)
Cash generated from operations		412,076	274,400
Interest paid		(139,500)	(76,233)
Interest received		4,940	3,829
Income tax paid		(8,160)	(3,346)
Net cash generated by operating activities		269,356	198,650
Investing activities:			
Purchase of property, plant and equipment		(215,651)	(166,988)
Proceeds from disposal of property, plant and equipment		5,533	9,754
Payment for lease agreements		(4,462)	—
Purchase of intangible and other non-current assets		(3,738)	(25,375)
Acquisition of subsidiaries, net of cash acquired	7	(28,564)	(56,272)
Disposal of subsidiaries	7	8,966	11,313
Disposal of joint ventures		65,313	—
Amount advanced for subsidiaries		3,131	3,873
Amount advanced to related parties		(21,984)	(10,085)
Proceeds from return of loans by related parties		2,375	—
Payment to acquire financial assets		—	(7,624)
Loans for stock options execution		(13,610)	—
Net cash used in investing activities		(202,691)	(241,404)
Financing activities:			
Proceeds from borrowings		512,991	577,983
Repayment of borrowings		(536,913)	(516,713)
Payment of dividends	2	(21,008)	(20,485)
Financing for farmers		(1,028)	(11,083)
Repayment of lease liabilities		(37,709)	—
Proceeds from share capital increase		13,555	—
Issued capital		55	—
Proceeds from bonds issued		297,660	—
Transactions costs related to corporates bonds issue		(1,895)	—
Net cash generated by financing activities		225,708	29,702
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,586)	(600)
Net increase/(decrease) in cash and cash equivalents		290,787	(13,652)
Cash and cash equivalents, at the beginning of the year	8	76,417	90,069
Cash and cash equivalents, at the end of the year	8	367,204	76,417

For non-cash financing activities please see Note 8.

On behalf of the Board of Directors
Andrii Verevskyi
 Chairman of the Board of Directors



Anastasiia Usachova
 Director, Chief Financial Officer



¹ Includes movement in other financial assets

Notes to the Consolidated Statements

for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

1. Corporate Information

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

Kernel Holding S.A. has been a publicly traded company since 2007. Its ordinary shares are traded on the Warsaw stock exchange.

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly corn, soybean, wheat and barley), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities is primarily based in Ukraine. As of 30 June 2020, the Group employed 11,928 people (13,397 people as of 30 June 2019).

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

The principal operating office of the Group is located at 3 Tarasa Shevchenka Lane, Kyiv, 01001, Ukraine.

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

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest and voting rights as of	
			30 June 2020	30 June 2019
Jerste S.a.r.l. ¹	Holding companies.	Luxembourg	0.0%	100.0%
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%
Avere Commodities SA		Switzerland	72.5%	60.0%
Ukragroinvest LLC ²		Ukraine	0.0%	100.0%
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%
Prykolotnoe OEP LLC		Ukraine	100.0%	100.0%
Kropyvnytskyi OEP PJSC		Ukraine	99.2%	99.2%
BSI LLC		Ukraine	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%	100.0%
Estron Corporation Ltd		Cyprus	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.0%	94.0%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%
Bilovodskyi KHP PJSC		Ukraine	91.12%	91.12%
Hliborob LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%
Prydniprovskyi Kray ALLC		Ukraine	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	100.0%

These consolidated financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 2 October 2020.

¹ The company was merged to Kernel Holding S.A. in March 2020

² The company was disposed in December 2019

Notes to the Consolidated Statements continued

for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg). The issued capital of the Holding as of 30 June 2020, consisted of 84,031,230 ordinary electronic shares without indication of the nominal value (30 June 2019: 81,941,230). Ordinary shares have equal voting rights and rights to receive dividends.

The shares were distributed as follows:

	As of 30 June 2020		As of 30 June 2019	
	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Equity holders				
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	32,903,278	39.16%	32,716,775	39.93%
Free float	51,127,952	60.84%	49,224,455	60.07%
Total	84,031,230	100.00%	81,941,230	100.00%

As of 30 June 2020 and 2019, 100% of the beneficial interest in the Major Equity Holder was held by Andrii Mykhailovych Verevskyi (hereinafter the 'Beneficial Owner').

In December 2019, with purpose to exercise vested options granted to the management (2,090,000 vested options with a strike price of PLN 29.61), Kernel increased the Company's share capital by the issue of 2,090,000 new Ordinary Shares without indication of a nominal value. As a result of the increase, the Company's share capital is set at USD 2,219 thousand divided into 84,031,230 shares without indication of nominal value and share premium reserve increased by USD 18,500 thousand.

On 10 December 2019, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share, which were paid in full in the amount of USD 21,008 thousand on 30 April 2020.

As of and during the year ended 30 June 2020, the fair value of the share-based options granted to the management was USD 4,624 thousand and USD 567 thousand was recognized as an expense (part of payroll and payroll related expenses), with a corresponding increase in equity over the vesting period (as of and during the year ended 30 June 2019: USD 9,111 thousand and USD 997 thousand, respectively) and USD 5,054 thousand decrease in the fair value of the share-based options was recognized as a result of exercised share-based options (30 June 2019: nil).

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 216 thousand as of 30 June 2020 (30 June 2019: USD 216 thousand), may not be distributed as dividends.

3. Summary of Significant Accounting Policies

Basis of Preparation and Accounting

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment for oilseeds processing segment, assets held for sale, biological assets, agricultural produce and certain financial assets and liabilities - measured at fair value. The consolidated financial statements have been prepared on a going concern basis.

The Group's Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group's Subsidiaries' accounts under local accounting regulations, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Adoption of New and Revised Standards

IFRS 16 Leases

The Group has adopted IFRS 16 Leases with application of cumulative catch-up approach and did not restate comparatives, as permitted under the transitional provisions of the standard. The classifications of existing contracts and the adjustments were recognized as the cumulative effect of initially applying this standard starting from 1 July 2019.

The standard establishes principles for the recognition, measurement, presentation, and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment (on-balance sheet) in the financial statements of both lessees and lessors.

It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group has chosen to apply the next practical expedients available under the standard:

- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics;

Notes to the Consolidated Statements continued

for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

- Leases with the lease term ending within 12 months of the date of initial application will remain accounted for as operating expenditures;
- Not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the Group continues to apply this Standard to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease.

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use assets and the lease liabilities are accounted for applying IFRS 16 from 1 July 2019. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract).

The Group as a lessee

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

The Group assesses whether a contract is, or contains, a lease at the inception of the contract. The Group recognizes right-of-use assets and corresponding lease liabilities with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less).

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities as of 30 June 2020 was 18.4% and as of 1 July 2019 was 18.7%. The average term of leases entered into is 9 years, these lease contracts do not include emphyteusis. As of 30 June 2020 and 1 July 2019, the Group is committed to USD 758 thousand for short-term leases and USD 2,738 thousand respectively.

For the year ended 30 June 2020 interest expense on lease liabilities in the amount of USD 53,951 thousand was recognized within the line "Finance costs, net" in the consolidated statement of profit or loss.

The reconciliation between the operating lease commitments as at 30 June 2019 and the opening balance for the lease liabilities as at 1 July 2019 is as follows:

	Amount
Operating lease commitments at 30 June 2019	591,547
Short-term lease	(2,738)
Effect of discounting	(305,008)
Total additional lease liabilities recognized on adoption of IFRS 16	283,801
Existing finance lease obligations at 30 June 2019	7,714
Total lease liabilities at 1 July 2019	291,515
Of which	
Current portion of lease liabilities	34,706
Lease liabilities	256,809

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 1 July 2019. There were no onerous lease contracts that would have required an

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adjustment to the right-of-use assets at the date of the initial application.

They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The recognized right-of-use assets relate to the following types of assets:

	As of 30 June 2020	As of 1 July 2019
Land	334,449	318,876
Property, plant and equipment ¹	12,847	14,697
Total right-of-use assets	347,296	333,573

The right-of-use assets are measured at cost at the commencement date and comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct cost.

The increase in right-of-use assets is associated with signing of new contracts in the amount of USD 29,682 thousand and a change in conditions in the amount of USD 48,258 thousand, while depreciation for the period amounts to USD 43,211 thousand.

For short-term leases and leases low-value assets, the Group recognized a leases expense on a straight-line basis as permitted by IFRS 16. This expense is presented within "Cost of sales" in the statement of profit or loss in the amount of USD 1,380 thousand for the year ended 30 June 2020.

For the year ended 30 June 2020, the amount of depreciation charge on right-of-use assets of USD 23,076 thousand was recognized as an expense within the line "Cost of sales" in the statement of profit or loss and of USD 20,136 thousand was capitalized in "Biological assets".

The Group separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The effect from the adoption of IFRS 16 on the consolidated statement of financial positions is as following:

	As of 30 June 2019	As of 1 July 2019	IFRS 16 effect
Current assets , of which	1,256,432	1,249,094	(7,338)
Other current assets	24,137	16,799	(7,338)
Non-current assets , of which	1,207,168	1,495,553	288,385
Property, plant and equipment	764,686	755,519	(9,167)
Intangible assets	114,942	78,921	(36,021)
Right-of-use assets	—	333,573	333,573
Total assets	2,463,600	2,744,647	281,047
Current liabilities , of which	479,760	509,228	29,468
Obligation under finance lease	2,484	—	(2,484)
Settlements with land lessors	2,754	—	(2,754)
Current portion of lease liabilities	—	34,706	34,706
Non-current liabilities , of which	637,814	889,393	251,579
Obligations under finance lease	5,230	—	(5,230)
Lease liabilities	—	256,809	256,809
Total liabilities	1,117,574	1,398,621	281,047

The implementation of IFRS 16 on 1 July 2019 resulted in a decrease to net profit for FY 2020 of USD 21,628 thousand and a decrease in ordinary and diluted earnings per share of USD 0.26.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Derivatives and hedging activities

¹ including Agricultural equipment and vehicles and buildings

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The Group enters into a variety of derivative financial instruments to manage its exposure to commodity price and foreign exchange risk.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. On the date a derivative contract is entered, the Group designates certain derivatives as a hedge of a commodity price risk of highly probable forecast Cash flow hedge.

Derivatives expected to be settled within a year after the end of the reporting period are classified as current liabilities or current assets. For cash flow hedge gains and losses, the effective portion of changes in the fair value of derivatives is recognized in the cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge and recycled to profit or loss as the hedged transaction occurs. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts deferred in equity are transferred to the statement of profit or loss and classified as income or expense in the same periods during which the cash flows, such as hedged highly probable sales, affect the statement of profit or loss.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Ineffectiveness is recognized on hedges where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. Ineffectiveness may arise if the timing of the transaction changes from what was originally estimated, or other differences arise between the designated hedged risk and hedging instrument.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

The risk management objective is to hedge commodity price risk exposure arising from the changes in sunflower oil market price. In order to comply with its risk management strategy, the Group enters into sunflower oil commodity sales agreements with counterparties matching the highly probable forecasted sale quantity per time bucket in the end destination to hedge the identified commodity price exposure for its future sales at end destination. There is an economic relationship between the hedged items and the hedging instruments as the designated hedged item's and hedging instruments' quantities and timing of the cash flows is matching and there is high correlation in movement of prices for hedged item and hedging instrument. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

During the year ended 30 June 2020, the Group started applying cash flow hedge accounting for its forecasted sunflower oil highly probable sales at end destination and designated sunflower oil derivative contracts as hedging instruments in cash flow hedge relationship, hedging the sunflower oil commodity price risk for the future cash flows. For the year ended 30 June 2020, loss resulted from change in fair value of hedging instruments under cash flow hedge accounting was USD 5,644 thousand. The Other reserves includes cash flow hedge reserve representing the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges, which is attributable to the shareholders of the Group. The remaining part of cash flow hedge reserve is included in non-controlling interests. There were derivative financial instruments outstanding as at 30 June 2020 relating to 72,500 tons of sunflower oil designated as hedging instruments. The fair value of expired commodity price contract is recorded in Cost of sales when the hedged item is recorded in Revenue.

The Group's risk management strategies are aligned with the requirements of IFRS 9 and are thus the designated derivatives are treated as cash flow hedges under IFRS. As of 30 June 2020, the hedges were mostly effective, and ineffectiveness in the amount USD 4,760 thousand was recorded through Statement of Profit or Loss within Cost of sales. As of 30 June 2020, the amount reclassified from the cash flow hedge reserve into profit or loss (in Cost of sales) as a reclassification adjustment due to hedge rebalancing was equal to USD 6,543 thousand.

If the commodity prices of the hedging transactions accounted for using cash flow hedge accounting had been 5 per cent higher (lower) as of 30 June 2020, Other comprehensive income would have been USD 1,078 thousand lower (USD 1,136 thousand higher).

The Group has adopted the other standards and interpretations effective for annual periods beginning on or after 1 July 2019.

The adoption of other new or revised standards did not have any material effect on the consolidated financial position or performance of the Group and any disclosures in the Group's consolidated financial statements.

Change in Accounting Policy

IFRIC agenda decision on the Physical Settlement of Contracts

In March 2019, the International Financial Reporting Interpretations Committee (IFRIC) issued an agenda decision on the Physical Settlement of Contracts to Buy or Sell a non-financial Item. The committee concluded that, for physical commodity contracts within the scope of IFRS 9 Financial instruments, settlement of the underlying forward contract accumulated derivative gains or losses recognized under the standard on a forward sales contract should be recognized in Revenue and similarly on a forward purchase contract in Cost of sales.

The Group previously recognized mark-to-market movements on the remeasurement of physical forward contracts that do not meet own use exemption, within Other operating income line. Following the agenda decision this IFRIC, the Group has reconsidered recognition of

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remeasurement movements on physical forward sales contracts that do not meet own use exemption within the revenue line and for physical forward purchase contracts that do not meet the own use exemption, within cost of sales. Due to the adoption of this change, the previous year revenue and cost of sales decreased by an equal amount of USD 31,902 thousand, the change in accounting policies had no effect on earnings per share either in the current or previous periods.

Similarly, the Group decided to change presentation on recognition of remeasurement movements on the rest of commodity derivatives such as futures and options, which previously was recognized within Other operating income line, and recognized them within Cost of sales. Due to the adoption of this change, the previous year other operating income, net and cost of sales increased by an equal amount of USD 13,650 thousand, the change in accounting policies had no effect on earnings per share either in the current or previous periods.

This approach is most commonly used in the industry and the Group's management believes that such change in accounting policy will provide more precise, relevant and consistent approach towards gross profit result of the Group.

The effect of the retrospective application of this policy on the Consolidated Financial Statement of Profit or Loss was as follows:

	For the year ended 30 June 2020			For the year ended 30 June 2019		
	New Policy	Old Policy	Effect of the change in accounting policy	New Policy	Old Policy	Effect of the change in accounting policy
Revenue	4,106,780	4,083,631	23,149	3,960,231	3,992,133	(31,902)
Cost of sales	(3,623,812)	(3,679,829)	56,017	(3,635,510)	(3,653,762)	18,252
Other operating income, net	7,017	86,183	(79,166)	41,878	28,228	13,650

Standards and Interpretations Issued but not Effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations, as well as amendments to the standards had been issued but were not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
IFRS 17 Insurance contracts	1 January 2023
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to IFRS 3 Definition of a Business	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 9, IFRS 7 and IAS 40: Interest rate Benchmark Reform	1 January 2020
Amendment to IFRS 16: Covid-19 Related rent Concession	1 June 2020

For other standards and interpretations, management anticipates that their adoption will not have a material effect on the consolidated financial statements of the Group in future periods.

Functional and Presentation Currency

The Group's presentation currency is the United States dollar (USD). The functional currency of the majority of the Group's foreign Subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil, for which USD was selected as the functional currency.

Foreign Currencies

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

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Consolidated Statement of Profit or Loss and Other Comprehensive Income accumulated in 'Translation reserve'.

The exchange rates during the period of the financial statements were as follows:

Currency	Closing rate as of 30 June 2020	Average rate for the year ended 30 June 2020	Closing rate as of 30 June 2019	Average rate for the year ended 30 June 2019
USD/UAH	26.6922	25.3688	26.1664	27.2935
USD/EUR	0.8913	0.9046	0.8781	0.8767
USD/PLN	3.9806	3.9428	3.7336	3.7681

The average exchange rates for each period are calculated as the arithmetic mean of the exchange rates for all trading days during this period. The sources of exchange rates are the official rates set by the National Bank of Ukraine for USD/UAH and by the National Bank of Poland for USD/EUR and USD/PLN.

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All foreign exchange gain or loss that occurs on revaluation of monetary balances, presented in foreign currencies, is allocated as a separate line in the Consolidated Statement of Profit or Loss.

Basis of Consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Holding (Subsidiaries) as of 30 June 2020.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its Subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a Subsidiary begins when the Company obtains control over the Subsidiary and ceases when the Company loses control of the Subsidiary. Specifically, income and expenses of a Subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the over Subsidiary.

All inter-company transactions and balances between the Group's enterprises are eliminated for the consolidation purpose. Unrealized gains and losses resulting from inter-company transactions are also eliminated, except for unrealized losses that cannot be recovered.

Non-controlling interests as of the reporting date represent the non-controlling equity holders' portion of the fair values of the identifiable assets and liabilities of the Subsidiary at the acquisition date and the non-controlling equity holders' portion of movements in equity since the date of acquisition. The total comprehensive income of Subsidiaries is attributed to the equity holders of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and equity interests issued by the Group in exchange for control of the acquire. Acquisition costs are expensed when incurred and included in general and administrative expenses.

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

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

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

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

Goodwill

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

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Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any noncontrolling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. The cash generated units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the entity.

Investments in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the profit or loss in the period in which the investment is acquired.

Non-current assets held for sale and Discontinued Operations

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

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

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control, and there is sufficient evidence that the Group remains committed to its plan to sell the asset. In such circumstances, the asset is measured at its fair value less costs to sell at each reporting date. Any impairment loss arising subsequent to reclassification as held for sale is recognized in the Consolidated Statement of Profit or Loss. Non-current assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the balance sheet.

If criteria for classification of the asset as held for sale are no longer met at the reporting date, the Group ceases to classify the asset as held for sale.

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

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

The result from discontinued operations is presented in the Consolidated Statement of Profit or Loss as a separate item after the profit from continuing operations. If the criteria for classification of the disposal group held for sale are met after the reporting date, the disposal group is not presented as held for sale in those consolidated financial statements when issued. However, when those criteria are met after the reporting date but before the authorization of the consolidated financial statements for issue, the Group discloses the relevant information in the notes to the consolidated financial statements.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Inventories

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

Biological Assets and Agricultural Produce

The Group classifies crops in fields and cattle as biological assets. The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any resulting gain or loss recognized in the Consolidated Statement of Profit or Loss. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell estimated at the point of harvest. A gain or loss arising from the initial recognition of agricultural produce at fair value less costs to sell is included in the Consolidated Statement of Profit or Loss.

Biological assets for which quoted market prices are not available and for which alternative estimates of fair value are considered to be clearly unreliable are measured using the present value of expected net cash flows from the sale of an asset discounted at a current market-determined rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition.

Cost of agricultural preparation of fields before seeding is recorded as work-in-progress in inventories. After seeding, the cost of field preparation is recognized as biological assets held at fair value less costs to sell.

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets. All of the Group's biological assets except non-current cattle were classified as current, as their average useful life is less than one year.

Property, Plant, and Equipment

Buildings, constructions, production machinery and equipment (Oilseed Processing segment) are accounted for at revalued amounts, being the fair value, which is determined using external professional expert evaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated in revaluation reserve in equity. However, such an increase is recognized in the Consolidated Statement of Profit or Loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in the Consolidated Statement of Profit or Loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the Consolidated Statement of Profit or Loss. However, such a decrease is debited directly to the Other Comprehensive Income or Loss to the extent of any credit balance existing in the revaluation surplus with respect to that asset.

Depreciation on revalued assets is charged to the Consolidated Statement of Profit or Loss. On the subsequent sale or retirement of revalued assets, the revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized. Property, plant and equipment are depreciated over the estimated useful economic lives of assets under the straight-line method.

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Useful lives of property, plant, and equipment are as follows:

Buildings and constructions	20 - 50 years
Production machinery and equipment	10 - 20 years
Agricultural equipment and vehicles	3 - 10 years
Other fixed assets	5 - 20 years
Construction in progress (CIP) and uninstalled equipment	not depreciated

Except for land, building and constructions and production machinery and equipment of Oilseed Processing segment, all other property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses and is not depreciated.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of assets or increase their revenue-generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are presented the Consolidated Statement of Profit or Loss as incurred.

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

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

Leases

The Group assesses whether a contract is, or contains, a lease at the inception of the contract. The Group recognizes right-of-use assets and corresponding lease liabilities with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less).

For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, any lease incentives received and any initial direct costs. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease.

The right-of-use assets and lease liabilities are presented as a separate line in the consolidated statement of financial position.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated depreciation and accumulated impairment losses. Amortization is primarily recognized within "Cost of Sales" on a straight-line basis over their estimated useful lives. The amortization method and estimated useful life are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately shall not be amortized and are carried at cost less accumulated

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for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

impairment loss.

Trademarks

The 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks have indefinite useful lives and are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

Land Lease Rights

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

Amortization of land lease rights is calculated on a straight-line basis during the term of a lease contract. For land lease rights acquired in business combination, the amortization period varies from 1 to 22 years.

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the Consolidated Statement of Profit or Loss when the asset is derecognized.

Impairment of tangible and intangible assets, except Goodwill

At each reporting date, the Group reviews the carrying amounts of the Group's non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Financial Instruments

Financial asset and financial liability are recognized in the Group's Consolidated Statement of Financial Position when, and only when, the Group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets are classified as either to the following categories financial assets at amortized cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL). The classification depends on the nature and purpose of the financial assets or financial liabilities and is determined at the time of initial recognition.

The Group does not have financial instruments carried at FVTOCI. The Group measures derivative instruments and investments made in equity instruments at FVTPL, all other financial instruments are measured at amortized cost.

Financial assets and financial liabilities are initially measured at fair value. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Amortized cost and effective interest method

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses

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for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

are recognized in profit or loss when the asset is derecognized, modified or impaired.

The effective interest method calculates the amortized cost of a debt instrument and allocates interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss. The effect of initial recognition of financial assets and liabilities obtained/incurred at terms below the market is recognized net of the tax effect as an income or expense, except for financial assets and liabilities with shareholders or entities under common control, whereby the effect is recognized through equity.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

Derecognition of financial assets

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

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

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

Impairment of financial assets

The Group recognizes a loss allowance for ECL (expected credit losses) on a financial asset, other than those at FVTPL, at the end of each reporting period. The amount of ECL and other current assets is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies a simplified approach permitted by IFRS to measuring ECL which uses a lifetime expected loss allowance for trade receivables and other current assets. The ECL on trade receivables and other current assets is estimated using a provision matrix, based on historical credit loss experience and credit rating of customers, adjusted on observable and reasonable information.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

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for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

- (1) the carrying amount of the liability before the modification; and
- (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

Commodity derivatives

The Group enters into variety of derivative financial instruments including futures, options and physical contracts to buy or sell commodities, which do not meet the own use exemption. These derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in the profit or loss within Cost of sales unless the derivative is designated and effective hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Fair values are determined using quoted market prices, broker quotations or using models and other valuation techniques.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Other financial assets include margin accounts that are represented by variation margin and initial margin held in respect of open exchange-traded futures and forwards contracts. Margin accounts are measured at amortized cost.

For the financial assets and liabilities subject to enforceable master netting or similar arrangements above, each agreement between the Group

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and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis (Note 36). In the absence of such an election, financial assets and liabilities may be settled on a gross basis, however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party or bankruptcy.

Taxes Recoverable and Prepaid

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

Employee Benefits

Certain entities within the Group participate in a mandatory government defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period.

The liability recognized in the Consolidated Statement of Financial Position with respect to the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date, less adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid.

Equity-settled Transactions

Equity-settled share-based payments with employees are measured by reference to the fair value at the grant date and are recognized as an expense over the vesting period, which ends on the date the relevant employees become fully entitled to the award.

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

At each reporting date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognized in the Consolidated Statement of Profit or Loss, with a corresponding entry in equity.

Provisions

A provision is recognized in the Consolidated Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation amount can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation.

Contingencies

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

Revenue recognition

Revenue is derived principally from the sale of goods and finished products, farming and rendering services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The point of revenue recognition for sale commodity goods is dependent upon contract sales terms (Incoterms). When goods are sold on a Cost and freight (CFR) or Cost, insurance, and freight (CIF) basis, the Group is responsible for providing services carriage and freight to the customer. The Group revenue recognizes as a separate performance obligation and allocate part of the transaction price to a carriage and freight services incorporated in some contracts that the Group undertakes to perform. The Group allocates the transaction price based on the relative stand-alone selling prices of the commodities and supporting services. The revenue from these carriage and freight services is recognized over time.

A receivable is recognized by the Group when the control over goods is transferred to the wholesaler as this represents the point of time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Timing of billing is generally close to the timing of performance obligation satisfaction, respectively, amount of contract assets and contract liabilities is not material. When the Group obtains a contract from a customer, the Group enters into a contract with one of those service providers, directing the service provider to render freight and other services for the customer. The Group is obliged to pay the service provider even if the customer fails to pay. Also, the Group is responsible for inventory risk during the freight service provision

Rendering of Services

Revenue is recognized over the period of time as the service is rendered. The main type of services provided by the Group are transshipment services by terminals and crop cleaning, drying and storage services by the Group's silos. Revenue from transshipment services is recognized using input methods based on a time-and-materials basis as the services are provided. Revenue from grain cleaning, drying and storage services is recognized on an accrual basis, based on the fees for the specific service, volumes of crops under service and days of storage.

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VAT benefits

Till 31 December 2016, in accordance with the Tax Code of Ukraine the Group's enterprises that qualify as agricultural producers were entitled to retain a portion of net VAT payable which were recognized as VAT benefits. Starting from 1 January 2017 the special VAT treatment regime has been abolished but VAT benefits on prepayments received up to this date are recognized upon subsequent sales.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Borrowing Costs

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

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

All other borrowing costs are recognized in the Consolidated Statement of Profit or Loss in the period in which they are incurred. The interest expense component of finance lease payments is recognized in the Consolidated Statement of Profit or Loss using the effective interest rate method.

Taxation

Income taxes have been provided for in the consolidated financial statements in accordance with legislation currently enacted in the legal jurisdictions where the operating entities are located. Income tax expense represents the sum of the tax currently payable and deferred tax expense.

Current and deferred tax for the year

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

Current tax

The current income tax charge is the amount expected to be paid to, or recovered from, taxation authorities with respect to taxable profit or losses for the current or previous periods. It is calculated using tax rates that have been enacted or substantially enacted by the reporting date in the countries where the Holding and its Subsidiaries operate and generate taxable income. Taxable profit differs from 'profit before tax' because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible taxes other than income tax are recorded within operating expenses. Some of the Group's companies that are involved in agricultural production are exempt from income taxes and pay the Unified Agricultural Tax instead.

Deferred tax

Deferred income tax is recognized on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period that are expected to apply to the period when the temporary differences will reverse, or the tax loss carried forward will be utilized. Deferred tax assets for deductible temporary differences and tax losses carried forward are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when:

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

Reclassifications

Notes to the Consolidated Statements continued

for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

Certain reclassifications have been made to the consolidated financial statements as of 30 June 2019 and for the year then ended to conform to the current year's presentation.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The application of IFRS requires the use of reasonable judgments, assumptions and estimates. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The estimates are based on the information available as of the reporting date. Actual results could differ from these estimates.

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

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue Recognition

In the normal course of business, the Group engages in sale and purchase transactions for the purpose of exchanging grain in various locations to fulfill the Group's production and trading requirements. In accordance with the Group's accounting policy, revenue is not recognized with respect to the exchange transactions involving goods of a similar nature and value. The Group's management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying grain is of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying grain indicates that the substance of the transaction is an exchange of similar goods. The amount of exchange transactions involving goods of a similar nature amounted to USD 80,870 thousand and USD 105,783 thousand for the years ended 30 June 2020 and 2019, respectively.

Revaluation of Property, Plant and Equipment

As described in Note 3, the Group applies the revaluation model to the measurement of buildings and constructions and production machinery and equipment (Oilseed Processing segment). At each reporting date, the Group carries out a review of the carrying amount of these assets to determine whether the carrying amount differs materially from fair value. The Group carries out such a review by preparing a discounted cash flow analysis involving assumptions on projected revenues and costs, and a discount rate. Additionally, the Group considers economic stability and the availability of transactions with similar assets in the market when determining whether to perform a fair value assessment in a given period.

Based on the results of this review, the Group concluded that the carrying amount of buildings, constructions, production machinery and equipment (Oilseed Processing segment) does not materially differ from the fair value as of 30 June 2020.

Useful Lives of Property, Plant and Equipment

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

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

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

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

Key sources of estimation uncertainty

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

Impairment Testing of Property, Plant and Equipment

Management reviews the carrying amounts of assets to determine whether there is any indication that those assets are impaired.

In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

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

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

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As of 30 June 2020, no indicators of property, plant and equipment impairment have been identified (Note 14).

Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives

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

As of 30 June 2020, the carrying amount of goodwill and intangible assets with indefinite useful lives amounted to USD 135,930 thousand (30 June 2019: USD 120,836 thousand). As of 30 June 2020, USD 658 thousand impairment loss for intangible assets with indefinite useful lives was recognized (Notes 16, 17) (30 June 2019: USD 708 thousand). Details of the management assumptions used to assess the recoverable amount of cash-generating units for which goodwill and intangible assets with indefinite useful lives have been allocated to are provided in Note 16 and Note 17.

Provision for ECL of trade and other receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating). The amount of ECL is sensitive to changes in circumstances and of forecasts economic conditions. The Group uses reasonable and supportable forward-looking information for the forecast of economic conditions when measuring ECL. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Determination of incremental borrowing rate

The Group uses incremental borrowing rate as discounting factor for the purpose of calculation of lease liability. Incremental borrowing rate is determined as reference interest rates which were derived from the yields of corporate bonds in the currency similar to the lease contracts, for a period up to 10 years. The weighted-average discount rate applied on 1 July 2019 was 18,7%.

Fair Value of Biological Assets and Agricultural Produce

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

- Expected crop output (for crops in fields);
- Expected future inflows from livestock;
- Average number of heads of milk cows and its weight;
- Productive life of one milk cow;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell; and
- Discount rate.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results (Note 13).

Fair value measurements

Derivative instruments are carried at fair value for which the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by IFRS 13 Fair Value Measurement. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring Group to make market-based assumptions (Level 3). Level 3 inputs therefore include the highest level of estimation uncertainty.

5. Operating Segments

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

Segments in the consolidated financial statements are defined in accordance with the type of activity, products sold or services provided.

The Group is presenting its segment results within three business segments: Oilseed Processing, Infrastructure and Trading, and Farming.

In Oilseed Processing segment, the Group combines oilseed origination, edible oil production and sales of bottled sunflower oil. Sunflower oil in bulk is mostly sold further to the Infrastructure and Trading segment for the global marketing.

In Infrastructure and Trading segment, the Group combines results of grain trading, silo services and export terminals operations. These parts of the business form an integrated supply chain which is managed jointly. Under current framework, the management considers export terminals and grain storage facilities as production assets which serve grain merchandizing business and consequently uses a combined throughput margin to evaluate performance of Infrastructure and Trading business. In FY2020, 100% of the Group's export terminals capacity and majority of grain storage capacity were used for the Group's own export volumes. The results of the Infrastructure and Trading segment incorporate savings achieved by acquiring and employing the Company's own railcar park. Also, the Infrastructure and Trading segment include the results of the Avere Commodities S.A. and its subsidiaries (hereinafter, Avere).

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In Farming segment, the Group reports results of its crop production business, which includes growing of corn, wheat, soybean, sunflower seed and rapeseed on the leasehold land, as well as some minor crops and small cattle farming operations.

Presentation of the operating segments' activities is as follows:

Operating segments	Activities
Oilseed Processing	Sunflower seed origination and sunflower oil production. Sales of bottled oil sunflower oil.
Infrastructure and Trading	Sourcing and merchandising of wholesale sunflower oil, grain, provision of silo services, grain handling and transshipment services.
Farming	Agricultural farming. Production of corn, wheat, soybean, sunflower seed and rapeseed.

Income and expenses unallocated to any segment, which are related to the administration of the Group, were included in the 'Other' line.

The measure of profit and loss, and assets and liabilities is based on the Group accounting policies, which are in compliance with IFRS, as adopted by the European Union.

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

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

Since financial management of the Group's companies is carried out centrally, borrowings, obligations under financial lease, deferred taxes and some other assets and liabilities are not allocated directly to the respective operating segments and are presented in the 'Other' segment. Consequently, the assets and liabilities shown for individual segments do not include borrowings, obligations under financial leases, deferred taxes and some other assets and liabilities.

Seasonality of operations

The Oilseed Processing segment normally has seasonally lower sales in the first quarter of the financial year, which corresponds to the end of the crushing season and lower production levels. The operations of the Farming segment reflect seasonality in the context of seeding and harvesting campaigns, which are conducted mainly in November-May and June-November, respectively. The Infrastructure and Trading segment usually experiences somewhat higher volumes in the several months after the commencement of the harvesting campaign (July for early grains and September for crops harvested in autumn). In addition, the farming segment usually reflects a higher effect from the IAS 41 valuation of biological assets in the last quarter of the financial year when more acreage is revalued to fair value less costs to sell and a higher effect from the IAS 41 valuation of agricultural produce in the first half of the financial year due to the completion of the harvesting campaign.

6. Key Data by Operating Segment

Key data by operating segment for the year ended 30 June 2020:

	Oilseed Processing	Infrastructure and Trading	Farming	Other ¹	Reconciliation	Continuing operations
Revenue (external)	712,194	3,364,970	29,616	—	—	4,106,780
Intersegment sales	834,813	61,319	574,413	—	(1,470,545)	—
Total revenue	1,547,007	3,426,289	604,029	—	(1,470,545)	4,106,780
Net change in fair value of biological assets and agricultural produce	—	—	(20,979)	—	—	(20,979)
Other operating income, net	5,820	(10,250)	8,087	3,360	—	7,017
Profit/(Loss) from operating activities	134,102	193,014	71,168	(61,008)	—	337,276
Finance costs, net						(147,220)
Foreign exchange loss, net						(1,012)
Other expenses, net						(50,524)
Share of gain of joint ventures						6,305
Income tax expenses						(22,075)
Profit for the period from continuing operations						122,750
Total assets	1,230,621	982,516	854,729	96,837	—	3,164,703
Capital expenditures	153,948	81,500	124,848	3,734	—	364,030
Amortization and depreciation	17,662	22,787	63,079	2,214	—	105,742
Liabilities	84,854	143,762	354,919	1,087,045	—	1,670,580

¹ Income, expenses, assets and liabilities unallocated to any segment, included in the 'Other' line

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Key data by operating segment for the year ended 30 June 2019:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Reconciliation	Continuing operations
Revenue (external)	878,835	3,051,413	29,983	—	—	3,960,231
Intersegment sales	614,437	56,601	571,602	—	(1,242,640)	—
Total revenue	1,493,272	3,108,014	601,585	—	(1,242,640)	3,960,231
Net change in fair value of biological assets and agricultural produce	—	—	9,140	—	—	9,140
Other operating income, net	1,729	26,558	13,591	—	—	41,878
Profit/(Loss) from operating activities	92,598	92,601	136,813	(52,805)	—	269,207
Finance costs, net						(82,319)
Foreign exchange gain, net						12,860
Other expenses, net						(8,376)
Share of loss of joint ventures						(966)
Income tax expenses						(11,902)
Profit for the period from continuing operations						178,504
Total assets	914,414	748,022	744,796	56,368	—	2,463,600
Capital expenditures	53,431	115,368	91,285	3,600	—	263,684
Amortization and depreciation	16,419	13,134	45,069	1,681	—	76,303
Liabilities	74,532	150,899	69,470	822,673	—	1,117,574

Allocated revenue of promised goods and services by operating segment for the year ended 30 June under requirements IFRS 15 was as follows:

	For the year ended 30 June 2020				For the year ended 30 June 2019			
	Oilseed Processing	Infrastructure and Trading	Farming	Continuing operations	Oilseed Processing	Infrastructure and Trading	Farming	Continuing operations
Revenue from sales of commodities	667,276	3,229,420	29,616	3,926,312	865,222	2,914,517	29,983	3,809,722
Freight and other services	44,918	135,550	—	180,468	13,613	136,896	—	150,509
Total external revenue from contracts with customers	712,194	3,364,970	29,616	4,106,780	878,835	3,051,413	29,983	3,960,231

During the year ended 30 June 2020, revenues of approximately USD 335,007 thousand (2019: USD 314,471 thousand) are derived from a single external customer. These revenues are attributed to Oilseed processing and Infrastructure and Trading segments. Also, during that period, export sales amounted to 96.9% of total external sales (2019: 97.0%).

For the year ended 30 June 2020, revenue from the Group's top five customers accounted for approximately 30.2% of total revenue (for the year ended 30 June 2019, revenue from the top five customers accounted for 36.0% of total revenue).

Among other, intersegment sales between Oilseed Processing segment and Infrastructure and Trading segment comprise of sunflower oil which is marketed by Avere, the activities of which are included in Infrastructure and Trading segment results.

The Group's revenue from external customers (based on the location where sale occurred) and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	As of and for the year ended 30 June 2020		As of and for the year ended 30 June 2019	
	Revenue from external customers	Non-current assets	Revenue from external customers	Non-current assets
Ukraine	2,234,045	1,562,212	2,083,289	1,144,221
Europe	1,656,333	3,439	1,094,994	2,451
North America	216,402	501	781,948	276
Other locations	—	380	—	51,773
Total	4,106,780	1,566,532	3,960,231	1,198,721

None of the other locations represented more than 10% of total revenue or non-current assets individually. Revenue from external customers allocated based on the location, where the sale occurred.

As of 30 June 2019, non-current assets that relate to other locations included investments in a joint venture (grain export terminal at the Taman port).

Gain/loss from Avere operations with financial derivatives are presented within Infrastructure and Trading segment.

7. Acquisition and Disposal of Subsidiaries

On 4 December 2019, Prydniprovskiy OEP LLC, 100% subsidiary of Kernel Holding S.A., acquired assets of an active oilseed crushing plant, that was qualified as a business combination as defined in IFRS 3. Purchase consideration equaled to USD 44,600 thousand and were paid in cash

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(out of which USD 20,914 thousand paid within the reporting period). As of the date of acquisition, the net assets of the acquired oilseed crushing plant, which mostly consisted of property, plant and equipment, amounted to USD 28,379 thousand. The goodwill in the amount of USD 16,221 thousand comprises the value of expected synergies arising from the high profitability of the acquired business and launch additional products. Goodwill is allocated entirely to the Oilseeds processing segment. It will not be deductible for tax purposes.

The Group does not disclose the amount of revenue and net profit contributed by Prydniprovskiy OEP LLC since the acquisition date to the Group revenue and net profit as it is impracticable to determine the mentioned amounts due to the full integration of the acquired and existing businesses under one entity. The Group does not disclose the revenue and net profit of the acquired oilseed crushing plant as if it has been acquired at the beginning of the reporting period as it is impracticable due to the fact that no IFRS financial information is available for the acquired plant as from the beginning of the reporting period and up to the date of acquisition.

During the year, ended 30 June 2020, according to management's plan, the Group disposed one of its export terminals, previously classified as assets held for sale, located in Mykolaiv region. The net assets as of the date of disposal amounted to USD 1,073 thousand. The cash consideration received was USD 3,918 thousand (out of which USD 1,879 thousand was received during this reporting period).

During the year, ended 30 June 2020, as a result of business optimization and optimization of its logistic assets, the Group disposed of five silos, located in Kirovohrad, Poltava and Mykolaiv regions, one holding company, located in Poltava region, one farming entity with about 3,000 ha of leasehold farmland located in Odesa region and trading companies located in the Russian Federation (which have been inactive for the last periods). The net assets of the disposed entities as of the date of disposal were equal to USD 4,944 thousand and the cash consideration receivable was USD 11,839 thousand (out of which USD 7,087 thousand was received during this reporting period, USD 2,627 thousand received during the previous period and USD 2,125 thousand will be paid during the next period).

During the year ended 30 June 2020, the Company disposed of 50% interest in a joint venture, a deep-water grain export terminal in Taman port (the Russian Federation). Fair value of investment, which was accounted for using the equity method, as of the date of disposal was equal to USD 60,187 thousand. Accumulated foreign exchange differences previously recognized in other comprehensive income in the amount of USD 54,500 thousand of loss, as of the date of the disposal was reclassified to profit or loss. As a result, loss on disposal of Taman comprised to USD 46,374 thousand and recognized within the line "Other income/(expenses), net".

The cash consideration received was USD 68,313 thousand (out of which USD 65,313 thousand was received during this reporting period).

During the year, ended 30 June 2019, to protect the Company against ever rising logistic costs and to procure the smooth and efficient flow of grains from inland silos, the Group has acquired 100% effective ownership obtaining shares in Rail Transit Kargo Ukraine LLC (herein "RTK-Ukraine"): a railcar business that managed about 2,949 grain railcars.

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As of the date of acquisition, the fair values of assets and liabilities were as follows:

	Fair value
Assets	
Current assets:	
Cash and cash equivalents	1,137
Trade accounts receivable, net	1,696
Prepayments to suppliers and other current assets, net	2,085
Taxes recoverable and prepaid, net	1,982
Inventory	11
Total current assets	6,911
Non-current assets:	
Property, plant and equipment, net	56,925
Total non-current assets	56,925
Total assets	63,836
Liabilities	
Current liabilities:	
Advances from customers and other current liabilities	1,096
Total current liabilities	1,096
Non-current liabilities:	
Deferred tax liabilities	6,328
Total non-current liabilities	6,328
Total liabilities	7,424
Fair value of net assets of acquired Subsidiaries	56,412
Non-controlling interest	-
Fair value of acquired net assets	56,412
Goodwill	3,867
Fair value of purchase consideration	60,279
Less: acquired cash	(1,137)
Net cash outflow on acquisition of subsidiaries	(48,016)

Revenue and net profit of the acquired entity from the date of acquisition to 30 June 2019 were as follows:

	Total
Revenue	6,002
Net profit	1,832

The Group did not disclose the revenue and net profit of the acquired entity as if it had been acquired at the beginning of the reporting period as it is impracticable due to the fact that no IFRS financial information is available for the acquired entity as from the beginning of the reporting period and up to the date of acquisition.

At the moment of acquisition, nominal value of consideration amounted to USD 64,833 thousand and comprised of USD 49,153 thousand paid in cash and USD 15,680 thousand payable (out of which USD 15,000 thousand of deferred consideration payable over 5 years). At the moment of acquisition, fair value of consideration was USD 60,279 thousand (including USD 11,126 thousand payable) calculated as the present value of amounts payable at discount rate 7.5% (represented within the line 'Other non-current liabilities'). As of 30 June 2020, as a result of accelerated payments of USD 15,000 thousand, made after the acquisition date, the consideration paid comprised USD 64,153 thousand and the present value of amount payable was USD 680 thousand.

The goodwill in the amount of USD 3,867 thousand arising from the accounting for acquisition of RTK-Ukraine as business combination is attributable to the protection the Company against the rising logistic costs and the synergies expected to be gained efficient flow of grains from inland silos to the ports. It will not be deductible for tax purposes.

During the year ended 30 June 2019, as a result of the optimization process, the Group disposed of farming entities managing about 12,350 hectares of leasehold suboptimal farmlands located in Zhytomyr, Volyn and Mykolaiv regions and grain elevators, located in Ternopil, Kyiv, Cherkiv and Kharkiv regions.

The net assets of the disposed entities as of the date of disposal were equal to USD 7,671 thousand and the cash consideration receivable was USD 11,857 thousand (out of which USD 6,300 thousand was received during this reporting period).

Fair value of cash consideration receivable which should be repaid in full in arrears up to 1 December 2020, were calculated at a discount rate 7.5% and as of the reporting date the outstanding amount comprised to USD 4,820 thousand (USD 4,722 thousand as of the date of disposal) and is presented within the lines 'Prepayments to suppliers and other current assets, net' and 'Other non-current assets'.

During the year ended 30 June 2019, according to management's plan, the Group disposed of one of its oilseeds crushing plants, previously classified as assets held for sale, located in Mykolaiv region.

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The net assets as of the date of disposal amounted to USD 14,432 thousand (including goodwill in the amount of USD 8,096 thousand). The cash consideration received was USD 15,079 thousand (out of which USD 5,013 thousand was received during this reporting period).

8. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 June 2020	As of 30 June 2019
Cash in banks in USD	340,737	64,109
Cash in banks in UAH	18,140	4,448
Cash in banks in other currencies	10,235	8,237
Cash on hand	5	7
Total	369,117	76,801
Less restricted and blocked cash on security bank accounts	(1,909)	(138)
Less bank overdrafts (Note 20)	(4)	(246)
Cash for the purposes of cash flow statement	367,204	76,417

In accordance with the international rating agency of Fitch, credit ratings of the banks with which the Group had the accounts opened as of 30 June were as follows:

	As of 30 June 2020	As of 30 June 2019
International bank with F1 rating	181,667	24,740
International bank with F1+ rating	53,490	2,395
Ukrainian bank with B rating	49,250	—
International bank with F3 rating	45,679	562
Ukrainian subsidiaries of international banks with B rating	22,005	—
Ukrainian subsidiaries of international banks without international ratings	7,451	27,504
Foreign banks without ratings	4,638	478
Ukrainian banks without ratings	4,554	—
International bank with F2 rating	379	21,122
International bank with B rating	4	—
Total	369,117	76,801

The reconciliation in the table below presents changes in the Group's liabilities arising from financing activities by incorporating cash flows and non-cash changes over the reporting period.

Reconciliation of liabilities arising from financing activities:

	Bank borrowings, (Note 20, 21)	Finance lease obligations	Lease liabilities (Note 22)	Bonds issued (Note 23)	Total
As of 30 June 2018	188,280	10,946	—	494,796	694,022
Cash flow from proceeds/ (repayments)	64,947	(3,677)	—	—	61,270
Non-cash movements					
Amortization of one-off and transaction costs	2,398	—	—	1,255	3,653
Foreign exchange movements	(4,015)	3	—	—	(4,012)
Other changes ¹	(4,537)	442	—	—	(4,095)
As of 30 June 2019	247,073	7,714	—	496,051	750,838
Impact of adoption of IFRS 16	—	(7,714)	291,515	—	283,801
As of 1 July 2019	247,073	—	291,515	496,051	1,034,639
Cash flow from proceeds/ (repayments)	(18,555)	—	(37,709)	297,660	241,396
Transactions costs related to corporates bonds issue paid	(5,367)	—	—	(1,895)	(7,262)
Non-cash movements					
Additions and change of terms of lease liabilities	—	—	84,016	—	84,016
Disposals of lease liabilities	—	—	(12,859)	—	(12,859)
Non-cash settlement of lease liabilities	—	—	(6,402)	—	(6,402)
Amortization of one-off and transaction cost	3,712	—	—	1,961	5,673
Foreign exchange movements	2,296	—	483	—	2,779
Other changes ¹	(6,719)	—	(9,044)	—	(15,763)
As of 30 June 2020	222,440	—	310,000	793,777	1,326,217

¹ Other changes include translation difference and other non-cash changes.

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9. Trade Accounts Receivable, net

The balances of trade accounts receivable, net were as follows:

	As of 30 June 2020	As of 30 June 2019
Trade accounts receivable	222,767	189,669
Allowance for expected credit losses	(7,488)	(6,473)
Total	215,279	183,196

As of 30 June 2020, accounts receivable from one European customer accounted for approximately 8.3% (30 June 2019: for approximately 14.3% respectively).

For the period ended 30 June 2020, the average credit period on sales of goods was 20 days (for the period ended 30 June 2019: 17 days). No interest is charged on the outstanding balances of trade accounts receivable.

The Group applies IFRS 9 simplified approach for measuring ECL which uses a lifetime expected loss allowance for all trade accounts receivables. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and credit rating, adjusted for an assessment of current and forward-looking information based on general economic conditions affecting the ability of the customers to settle the receivables. Trade receivables are collectively assessed, except for certain receivables that have differing credit risk characteristics.

The Group has recognized a loss allowance of 100 per cent against all receivables over 90 days past due, which were not secured, because historical experience has indicated that these receivables are generally not recoverable.

On this basis, the loss allowance as at 30 June was determined for trade accounts receivables as follows:

	As at 30 June 2020				As at 30 June 2019			
	Current	Less than 90 days past due	More than 90 days past due	Total	Current	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate ¹	0.3%	2.9%	98.6%		0.2%	27.8%	84.6%	
Gross carrying amount – trade accounts receivables	192,716	23,678	6,373	222,767	176,559	8,874	4,236	189,669
Loss allowance	(529)	(677)	(6,282)	(7,488)	(423)	(2,465)	(3,585)	(6,473)

The loss allowances for trade accounts receivables as of 30 June reconcile to the opening loss allowances as follows:

	Trade accounts receivables		
	Collectively assessed	Individually assessed	Total
Opening loss allowance as of 30 June 2018 under IAS 39	390	726	1,116
Adjustment upon application of IFRS 9	314	—	314
Opening loss allowance as of 1 July 2018 under IFRS 9	704	726	1,430
Increase in loss allowance recognized in profit or loss during the year	4,899	1,040	5,939
Trade receivables written off during the year as uncollectible	(896)	—	(896)
Closing loss allowance as of 30 June 2019	4,707	1,766	6,473
Increase in loss allowance recognized in profit or loss during the year	—	1,482	1,482
Trade receivables written off during the year as uncollectible	(455)	—	(455)
Unused amount reversed	(12)	—	(12)
Closing loss allowance as of 30 June 2020	4,240	3,248	7,488

During the year ended 30 June 2020, a customer with gross carrying amount of USD 2,024 thousand was assessed as doubtful and individual allowance for the whole amount of trade receivables due from the latter was recognized.

Impairment losses on trade accounts receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

There has not been any significant change in the gross amounts of financial assets that has affected the estimation of the loss allowance.

10. Prepayments to Suppliers and Other Current Assets, net

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

	As of 30 June 2020	As of 30 June 2019
Prepayments to suppliers	111,005	111,461
Other current assets	40,487	24,137
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(2,576)	(5,776)
Total	148,916	129,822

¹ Differences in expected loss rate are possible due to rounding

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11. Taxes Recoverable and Prepaid, net

The balances of taxes recoverable and prepaid, net were as follows:

	As of 30 June 2020	As of 30 June 2019
VAT ('value added tax') recoverable and prepaid	132,492	117,880
Other taxes recoverable and prepaid	256	695
Total	132,748	118,575

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on the domestic market in Ukraine. Management expects that these balances will be recovered in full within 12 months after the reporting date through cash collection or set-off with respective VAT liabilities. For the year ended 30 June 2020, the amount of VAT refunded by the government in cash was USD 392,243 thousand (30 June 2019: USD 331,719 thousand).

12. Inventory

The balances of inventories were as follows:

	As of 30 June 2020	As of 30 June 2019
Raw materials	148,517	148,205
Finished products	94,744	105,569
Goods for resale	35,575	47,355
Fuel	6,383	7,075
Agricultural products	4,268	38,560
Work in progress	2,547	1,478
Packaging materials	1,429	1,620
Other inventories	9,939	7,748
Total	303,402	357,610

As of 30 June 2020, raw materials mostly consisted of sunflower seed stock in the amount of USD 121,402 thousand (30 June 2019: USD 103,661 thousand).

As of 30 June 2020, finished products mostly consisted of sunflower oil in bulk in the amount of USD 78,893 thousand (30 June 2019: USD 75,518 thousand).

The cost of inventories recognized as an expense includes USD 750 thousand (2019: USD 1,709 thousand) in relation to the write-downs of inventory to net realizable value.

As of 30 June 2020 inventories with a carrying amount of USD 118,657 thousand (30 June 2019: USD 166,245 thousand) have been pledged as security for short-term borrowings (Note 20).

13. Biological Assets

The balances of biological assets were as follows:

	As of 30 June 2020	As of 30 June 2019
Non-current assets		
Non-current cattle (Note 18)	6,786	5,271
Total	6,786	5,271
Current assets		
Crops in fields	250,672	307,115
Current cattle	1,512	1,915
Total	252,184	309,030

As of 30 June 2020, non-current cattle were represented mainly by 5,058 heads of milk cows of USD 6,781 thousand (30 June 2019: 5,058 heads of USD 5,271 thousand) and the remaining amount composed of horses.

As of 30 June 2020, current cattle were represented mainly by 4,316 heads of calves in the amount of USD 1,495 thousand (30 June 2019: 4,707 heads of calves in the amount of USD 1,915 thousand) and the remaining amount composed of bees. The change in the balances caused by a change in the mix of cattle and variation in prices and exchange rates between reporting dates.

For the year ended 30 June 2020, the net loss arising from changes in the fair value of biological assets in the amount of USD 20,979 thousand (2019: gain of USD 9,140 thousand) includes a USD 97 thousand gain on changes in current and non-current cattle's fair value (2018: loss of USD 3,700 thousand).

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The balances of crops in fields were as follows:

	As of 30 June 2020		As of 30 June 2019	
	Hectares	Value	Hectares	Value
Corn	256,317	114,872	231,115	130,075
Sunflower seed	147,989	94,457	136,537	87,855
Wheat	73,113	30,544	97,072	66,304
Rapeseed	9,011	8,520	9,447	9,077
Soybean	3,607	1,916	24,283	10,031
Other	1,736	363	5,262	3,773
Total	491,773	250,672	503,716	307,115

The following table represents the changes in the carrying amounts of crops in fields during the years ended 30 June 2020 and 2019:

	Capitalized expendi- tures	Effect of biological transfor- mation	Fair value of biological assets
As of 30 June 2018	233,277	53,581	286,858
Expenditures capitalized in biological assets (harvest 2018)	126,979	—	126,979
Decrease due to harvest (harvest 2018)	(360,256)	(53,581)	(413,837)
Decrease resulting from disposal of Subsidiaries	(970)	(265)	(1,235)
Expenditures capitalized in biological assets (harvest 2019)	246,203	—	246,203
Decrease due to harvest (harvest 2019)	(333)	(71)	(404)
Gain arising from changes in fair value biological assets (sowing under harvest 2019)	—	53,385	53,385
Exchange difference	8,023	1,143	9,166
As of 30 June 2019	252,923	54,192	307,115
Expenditures capitalized in biological assets (harvest 2019)	137,361	—	137,361
Decrease due to harvest (harvest 2019)	(390,284)	(54,192)	(444,476)
Decrease resulting from disposal of Subsidiaries	(1,232)	140	(1,092)
Expenditures capitalized in biological assets (harvest 2020)	222,334	—	222,334
Decrease due to harvest (harvest 2020)	—	—	—
Gain arising from changes in fair value biological assets (sowing under harvest 2020)	—	42,512	42,512
Exchange difference	(10,967)	(2,115)	(13,082)
As of 30 June 2020	210,135	40,537	250,672

The fair value of agricultural produce was estimated based on market prices as at the date of harvest and is within level 2 of fair value hierarchy. Crops in fields and non-current cattle of the Group are measured using discounted cash flow technique and are within the level 3 of the fair value hierarchy. Current cattle is measured based on market prices of livestock of similar age, breed and genetic merit, which is within level 2 of the fair value hierarchy.

There were no changes in valuation technique since previous year. There were no transfers between any levels during the year.

Description	Fair value as of 30 June 2020	Valuation tech- niques	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Crops in field	250,672	Discounted cash flows	Crops yield	2.33 – 7.67 (5.70) tons per hectare	The higher the crop yield, the higher the fair value
			Discount rate	12.95% (in UAH, short- term)	The higher the discount rate, the lower the fair value
Milk cows	6,781	Discounted cash flows	Milk yield – liter per cow	17.82 – 22.61 (20.22) liters per cow per day	The higher the milk yield, the higher the fair value
			Weight of 1 calf	23 – 32 (31) kg	The higher the weight, the higher the fair value
			Average yield of calves from 100 cows per year	55 – 77 (66) calves	The higher the yield, the higher the fair value
			Discount rate, %	12.20% (in UAH, long- term)	The higher the discount rate, the lower the fair value

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If the above unobservable inputs to the valuation model were 5 per cent higher/lower while all other variables were held constant, the carrying amount of the current and non-current biological assets would increase/decrease by USD 22,247 thousand and USD 22,334 thousand, respectively.

Description	Fair value as of 30 June 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Crops in field	307,115	Discounted cash flows	Crops yield	2.41 - 7.20 (5.39) tons per hectare	The higher the crop yield, the higher the fair value
			Discount rate	17.88% (in UAH, short term)	The higher the discount rate, the lower the fair value
Milk cows	5,271	Discounted cash flows	Milk yield – liter per cow	17.48 – 22.03 (19.72) liters per cow per day	The higher the milk yield, the higher the fair value
			Weight of 1 calf	29 - 33 (31) kg	The higher the weight, the higher the fair value
			Average yield of calves from 100 cows per year	61 - 75 (69) calves	The higher the yield, the higher the fair value
			Discount rate, %	15.82% (in UAH, long term)	The higher the discount rate, the lower the fair value

If the above unobservable inputs to the valuation model were 5 per cent higher/lower while all other variables were held constant, the carrying amount of the current and non-current biological assets would increase/decrease by USD 23,048 thousand and USD 23,155 thousand, respectively.

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14. Property, Plant and Equipment, net

The following table represents movements in property, plant and equipment for the year ended 30 June 2020:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Total
Net Book Value as at 30 June 2019	352,672	220,924	167,383	23,707	764,686
Land	852	377	74	1,110	2,413
Buildings and Constructions	207,882	69,295	17,604	19,391	314,172
Production machinery and equipment	87,437	32,844	34,650	20	154,951
Agricultural equipment and vehicles	4,584	55,117	74,816	801	135,318
Other fixed assets	4,049	2,232	8,826	2,375	17,482
CIP and uninstalled equipment	47,868	61,059	31,413	10	140,350
Additions	153,525	78,076	49,934	2,482	284,017
CIP and uninstalled equipment	153,525	78,076	49,934	2,482	284,017
Reclassification	(301)	54,012	(53,845)	134	—
Land	—	—	(4)	—	(4)
Buildings and Constructions	370	137	(479)	(213)	(185)
Production machinery and equipment	(226)	270	(24,226)	1,652	(22,530)
Agricultural equipment and vehicles	52	26,662	(1,866)	(36)	24,812
Other fixed assets	(497)	644	(971)	(1,269)	(2,093)
CIP and uninstalled equipment	—	26,299	(26,299)	—	—
Additions from acquisition of subsidiaries	29,988	—	—	—	29,988
Buildings and Constructions	18,958	—	—	—	18,958
Production machinery and equipment	11,009	—	—	—	11,009
Agricultural equipment and vehicles	21	—	—	—	21
Transfers	—	—	—	—	—
Land	115	—	14	—	129
Buildings and Constructions	7,147	39,606	4,642	136	51,531
Production machinery and equipment	9,322	16,104	6,452	395	32,273
Agricultural equipment and vehicles	753	12,143	16,306	586	29,788
Other fixed assets	860	2,143	2,939	271	6,213
CIP and uninstalled equipment	(18,197)	(69,996)	(30,353)	(1,388)	(119,934)
Transfers to Right-of-use assets	—	—	(9,167)	—	(9,167)
Agricultural equipment and vehicles	—	—	(9,167)	—	(9,167)
Disposals (at NBV)	(770)	(3,974)	(2,273)	(181)	(7,198)
Buildings and Constructions	(407)	(2,842)	(919)	(102)	(4,270)
Production machinery and equipment	(160)	(453)	(172)	(3)	(788)
Agricultural equipment and vehicles	(44)	(11)	(861)	(19)	(935)
Other fixed assets	(10)	(54)	(230)	(25)	(319)
CIP and uninstalled equipment	(149)	(614)	(91)	(32)	(886)
Depreciation expense	(17,241)	(22,126)	(30,994)	(1,494)	(71,855)
Buildings and constructions	(6,851)	(5,329)	(1,746)	(511)	(14,437)
Production machinery and equipment	(8,264)	(4,371)	(5,917)	(295)	(18,847)
Agricultural equipment and vehicles	(1,079)	(11,557)	(20,590)	(234)	(33,460)
Other fixed assets	(1,047)	(869)	(2,741)	(454)	(5,111)
Translation difference	(249)	(5,250)	(180)	(424)	(6,103)
Land	—	3	(14)	(21)	(32)
Buildings and Constructions	—	(2,381)	(425)	(322)	(3,128)
Production machinery and equipment	—	(782)	1,888	(10)	1,096
Agricultural equipment and vehicles	(78)	(81)	(1,499)	(1)	(1,659)
Other fixed assets	(2)	(176)	(50)	3	(225)
CIP and uninstalled equipment	(169)	(1,833)	(80)	(73)	(2,155)
Net Book Value as at 30 June 2020	517,624	321,662	120,858	24,224	984,368
Land	967	380	70	1,089	2,506
Buildings and Constructions	227,099	98,486	18,677	18,379	362,641
Production machinery and equipment	99,118	43,612	12,675	1,759	157,164
Agricultural equipment and vehicles	4,209	82,273	57,139	1,097	144,718
Other fixed assets	3,353	3,920	7,773	901	15,947
CIP and uninstalled equipment	182,878	92,991	24,524	999	301,392

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The following table represents movements in property, plant and equipment for the year ended 30 June 2019:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Total
Net Book Value as at 30 June 2018	302,717	123,496	138,255	23,659	588,127
Land	842	560	64	1,109	2,575
Buildings and Constructions	205,210	73,152	17,517	19,737	315,616
Production machinery and equipment	86,436	36,253	21,883	18	144,590
Agricultural equipment and vehicles	3,590	2,234	81,262	923	88,009
Other fixed assets	2,522	2,185	6,930	1,858	13,495
CIP and uninstalled equipment	4,117	9,112	10,599	14	23,842
Additions	53,339	58,240	66,249	1,455	179,283
CIP and uninstalled equipment	53,339	58,240	66,249	1,455	179,283
Reclassification	(5)	—	6	(1)	—
Land	—	—	7	—	7
Buildings and Constructions	(587)	—	—	—	(587)
Production machinery and equipment	(756)	—	(6)	—	(762)
Agricultural equipment and vehicles	35	—	(377)	—	(342)
Other fixed assets	1,303	—	382	(1)	1,684
CIP and uninstalled equipment	—	—	—	—	—
Additions from acquisition of subsidiaries	—	56,925	—	—	56,925
Agricultural vehicles and equipment	—	56,925	—	—	56,925
Transfers	—	—	—	—	—
Land	80	—	3	—	83
Buildings and Constructions	1,414	3,090	2,773	141	7,418
Production machinery and equipment	5,148	1,460	17,822	6	24,436
Agricultural equipment and vehicles	1,739	378	20,755	136	23,008
Other fixed assets	989	601	3,524	1,201	6,315
CIP and uninstalled equipment	(9,370)	(5,529)	(44,877)	(1,484)	(61,260)
Revaluation	15,599	—	—	—	15,599
Buildings and Constructions	10,133	—	—	—	10,133
Production machinery and equipment	5,466	—	—	—	5,466
Disposals (at NBV)	(3,127)	(4,631)	(4,266)	(36)	(12,060)
Land	(70)	(124)	—	—	(194)
Buildings and Constructions	(1,875)	(2,152)	(1,107)	—	(5,134)
Production machinery and equipment	(839)	(839)	(42)	(1)	(1,721)
Agricultural equipment and vehicles	(26)	(16)	(2,169)	(35)	(2,246)
Other fixed assets	(25)	(60)	(227)	—	(312)
CIP and uninstalled equipment	(292)	(1,440)	(721)	—	(2,453)
Transfers to Assets classified as held for sale	—	(1,380)	—	—	(1,380)
Land	—	(54)	—	—	(54)
Buildings and Constructions	—	(966)	—	—	(966)
Production machinery and equipment	—	(174)	—	—	(174)
Agricultural vehicles and equipment	—	(1)	—	—	(1)
Other fixed assets	—	(10)	—	—	(10)
CIP and uninstalled equipment	—	(175)	—	—	(175)
Depreciation expense	(15,992)	(12,506)	(33,809)	(1,395)	(63,702)
Buildings and constructions	(6,413)	(3,805)	(1,637)	(494)	(12,349)
Production machinery and equipment	(8,018)	(3,812)	(5,575)	(4)	(17,409)
Agricultural equipment and vehicles	(825)	(4,400)	(24,686)	(206)	(30,117)
Other fixed assets	(736)	(489)	(1,911)	(691)	(3,827)
Translation difference	141	780	948	25	1,894
Land	—	(5)	—	1	(4)
Buildings and Constructions	—	(24)	58	7	41
Production machinery and equipment	—	(44)	568	1	525
Agricultural equipment and vehicles	71	(3)	31	(17)	82
Other fixed assets	(4)	5	128	8	137
CIP and uninstalled equipment	74	851	163	25	1,113
Net Book Value as at 30 June 2019	352,672	220,924	167,383	23,707	764,686
Land	852	377	74	1,110	2,413
Buildings and Constructions	207,882	69,295	17,604	19,391	314,172
Production machinery and equipment	87,437	32,844	34,650	20	154,951
Agricultural equipment and vehicles	4,584	55,117	74,816	801	135,318
Other fixed assets	4,049	2,232	8,826	2,375	17,482
CIP and uninstalled equipment	47,868	61,059	31,413	10	140,350

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Total cost of property, plant and equipment and total accumulated depreciation as of 30 June 2020 and 2019 were as follows:

	Cost as of 30 June 2020	Accumulated depreciation as of 30 June 2020	Cost as of 30 June 2019	Accumulated de- preciation as of 30 June 2019
Land	2,506	—	2,413	—
Buildings and constructions	427,651	(65,010)	364,745	(50,573)
Production machinery and equipment	237,867	(80,703)	216,807	(61,856)
Agricultural equipment and vehicles	335,255	(190,537)	292,395	(157,077)
Other fixed assets	37,228	(21,281)	33,652	(16,170)
CIP and uninstalled equipment	301,392	—	140,350	—
Total	1,341,899	(357,531)	1,050,362	(285,676)

Had the Group's buildings and constructions and production machinery and equipment (Oilseed Processing segment) been measured on a historical cost basis, their carrying amount would have been as follows:

	As of 30 June 2020	As of 30 June 2019
Buildings and constructions	202,980	185,317
Production machinery and equipment	79,464	69,195
Total	282,444	254,512

During the year ended 30 June 2020, the Group has made reclassification between groups of property, plant equipment. Agricultural equipment and vehicles mostly consisted of railway cars was reallocated from the Farming segment to the Infrastructure and Trading segment in the amount USD 25,174 thousand since the Group increased share of commodities purchased from third parties in total quantity of grain delivered to ports using own railway cars. Construction in progress and uninstalled equipment consisted mainly of silos were reallocated from the Farming segment to the Infrastructure and Trading segment in the amount USD 26,299 thousand since silos are going to be used not only for the Farming segment, but also for Infrastructure and Trading sourcing. Production machinery and equipment in the amount of USD 25,065 thousand was reallocated to agricultural equipment and vehicles for more consistent presentation.

For the year ended 30 June 2020, interest was capitalized in the amount of USD 7,653 thousand (2019: USD 307 thousand). Apart from project specific borrowings, the rate used to determine the amount of borrowing costs eligible for capitalization was 3.4%.

As of 30 June 2020, property, plant and equipment with a carrying amount of USD 254,939 thousand (30 June 2019: USD 104,053 thousand) were pledged by the Group as collateral against short-term and long-term bank loans (Notes 20, 21).

As of 30 June 2020, property, plant and equipment with a carrying amount of USD 28,462 thousand (30 June 2019: USD 29,228 thousand) were pledged by the Group as a collateral for amount due and payable within the acquisition of 560,000 tons oilseed crushing plant located in Kirovograd region, completed as of 30 June 2016.

As of 30 June 2019, the net carrying amount of property, plant and equipment, represented by agricultural equipment and vehicles held under finance lease agreements was USD 9,269 thousand.

15. Right-of-use assets

The following table represents movements in right-of-use assets for the year ended 30 June 2020:

	Land	Agricultural equipment and vehicles	Buildings	Total
As of 30 June 2019	—	—	—	—
Impact of adoption of IFRS 16	318,876	9,167	5,530	333,573
Cost as of 1 July 2019	318,876	9,167	5,530	333,573
Additions	25,695	1,625	2,362	29,682
Change in terms	48,258	—	—	48,258
Disposals	(15,876)	—	—	(15,876)
Translation difference	(8,084)	(120)	(115)	(8,319)
Cost as of 30 June 2020	368,869	10,672	7,777	387,318
Accumulated depreciation as of 1 July 2019	—	—	—	—
Depreciation	(37,609)	(4,973)	(629)	(43,211)
Disposals	1,502	—	—	1,502
Translation difference	1,687	—	—	1,687
Accumulated depreciation as of 30 June 2020	(34,420)	(4,973)	(629)	(40,022)
Net book value as of 30 June 2020	334,449	5,699	7,148	347,296

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16. Intangible Assets, net

The following table represents movements in intangible assets for the year ended 30 June 2020:

	Trademarks	Land lease rights	Other intangible assets	Total
Cost as of 1 July 2019	22,036	169,633	8,157	199,826
Additions	—	—	2,073	2,073
Disposals	—	(548)	(1,162)	(1,710)
Transfers to the Right-of-use assets	—	(37,006)	—	(37,006)
Exchange difference	—	(1,893)	(775)	(2,668)
Cost as of 30 June 2020	22,036	130,186	8,293	160,515
Accumulated amortization and impairment loss as of 1 July 2019	(8,935)	(71,897)	(4,052)	(84,884)
Amortization charge	—	(9,846)	(965)	(10,811)
Disposals	—	196	760	956
Transfers to the Right-of-use assets	—	985	—	985
Impairment loss recognized in the Statement of Profit or Loss	(658)	—	—	(658)
Exchange difference	—	1,845	137	1,982
Accumulated amortization and impairment loss as of 30 June 2020	(9,593)	(78,717)	(4,120)	(92,430)
Net book value as of 30 June 2020	12,443	51,469	4,173	68,085

The following table represents movements in intangible assets for the year ended 30 June 2019:

	Trade- marks	Land lease rights	Other intangible assets	Total
Cost as of 1 July 2018	22,036	149,069	6,200	177,305
Additions	—	24,501	2,975	27,476
Disposals	—	(5,033)	(951)	(5,984)
Transfers to Assets classified as held for sale	—	—	(7)	(7)
Exchange difference	—	1,096	(60)	1,036
Cost as of 30 June 2019	22,036	169,633	8,157	199,826
Accumulated amortization and impairment loss as of 1 July 2018	(9,051)	(60,323)	(3,465)	(72,839)
Amortization charge	—	(11,643)	(958)	(12,601)
Disposals	—	600	376	976
Transfers to Assets classified as held for sale	—	—	5	5
Reduction of loss on impairment recognized in the Statement of Profit or Loss	116	—	—	116
Exchange difference	—	(531)	(10)	(541)
Accumulated amortization and impairment loss as of 30 June 2019	(8,935)	(71,897)	(4,052)	(84,884)
Net book value as of 30 June 2019	13,101	97,736	4,105	114,942

Capitalized expenses for finance lease arrangements in the amount of USD 37,006 thousand and related depreciation of USD 985 thousand have been reclassified to the Right-of-use assets. There has been no change in the amount recognized.

Included in the intangible assets of Subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with net book values of USD 4,457 thousand, USD 5,122 thousand, USD 2,685 thousand and USD 179 thousand, respectively, in 2020 (USD 4,567 thousand, USD 5,122 thousand, USD 3,233 thousand and USD 179 thousand, respectively, in 2019). These trademarks are used by the Group for the sale of bottled sunflower oil mostly in the Ukrainian market.

In management's view, there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group.

The Group believes that, as a result of further promotion of the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks, the market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them for an indefinite period of time.

Accordingly, the trademarks that belong to the Group are considered to have an indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

The impairment testing of the value of trademarks as of 30 June 2020 was performed by an independent appraiser. The recoverable amount of trademarks was based on the fair value less costs to sell method using the royalty approach of valuation and is classified within level 3 of the fair value hierarchy. This calculation uses cash flow projections based on financial budgets approved by management and covering a five-year period. The total amount of the trademarks was allocated to the Oilseed Processing segment (as one cash-generating unit).

Key assumptions used for the calculation were as follows:

- The royalty rate used was determined at the weighted average market level of 5.00%;
- Growth rates are based on the expected market growth rate for sunflower oil consumption. As of 30 June 2020, management believed that the market for bottled oil was saturated and for a period of five years no cumulative growth is expected; and
- As bottled oil is predominantly sold within Ukraine, the discount rate used was based on the weighted average cost of capital rate of 15.95% for UAH denominated cash flow projections.

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As a result of testing performed as of 30 June 2020, recoverable amounts of the trademarks 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' were USD 4,457 thousand, USD 5,158 thousand, USD 2,685 thousand and USD 238 thousand, respectively (30 June 2019: USD 5,567 thousand, USD 5,122 thousand, USD 3,233 thousand and USD 320 thousand, respectively).

As a result of testing performed, impairment loss for the trademarks 'Stozhar' recognized in prior periods was partly reversed in the amount of USD 824 thousand as of 30 June 2019. Reversal was recognized as a reduction of loss on impairment of intangible assets within 'Other expenses, net' (Note 31). Value recovery was caused primarily by increase of export sales. This impairment loss was attributable to the Oilseed Processing segment. Impairment was caused primarily by shrinkage of consumer demand for premium segment bottled sunflower oil.

17. Goodwill

The balance of goodwill comprised of:

	As of 30 June 2020	As of 30 June 2019
Cost	118,103	114,705
Accumulated impairment losses	(10,837)	(10,837)
Other movements	16,221	3,867
Total	123,487	107,735

The following table represents movements in goodwill for the year:

	As of 30 June 2020	As of 30 June 2019
Cost at beginning of the year	118,572	114,528
Acquisitions of Subsidiaries (Note 7)	16,221	3,867
Exchange differences	(469)	177
Cost at the end of the year	134,324	118,572
Accumulated impairment losses at the beginning of the year	(10,837)	(10,837)
Impairment losses recognized in the year	—	—
Accumulated impairment losses at the end of the year	(10,837)	(10,837)
Balance at the end of the year	123,487	107,735

The Group allocates goodwill to individual entities as to separate cash-generating units (CGU). A summary of goodwill allocation to separate CGUs is presented below:

Segment	Cash-generating unit	Goodwill carrying value	
		As of 30 June 2020	As of 30 June 2019
Oilseed Processing	BSI LLC	35,331	35,331
	Kropyvnytskyi OEP PJSC (former Kirovogradoliya PJSC)	31,334	31,334
	Ellada	16,221	—
	Prydniprovskyi OEP LLC	13,225	13,225
	Prykolotnoe OEP LLC	2,147	2,147
	Volchansk	1,906	1,906
Infrastructure and Trading	Transbulkterminal LLC	10,515	10,727
	RTK-Ukraine	3,948	4,027
Farming	Druzhba-Nova Group and other agricultural farms	8,860	9,038
Total		123,487	107,735

The group tests whether goodwill has suffered any impairment on an annual basis or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of Oilseed Processing and Infrastructure and Trading CGUs were determined based on a value in use calculation, which uses cash flow projections based on the most recent financial budgets approved by the management and covering a five-year period and a discount rate of 7.4% per annum (2019: 8.6%). The value in use estimates developed by the Group to estimate the recoverable amount of cash-generating units represent the best available estimate based on the analysis of the Group's past performance, market knowledge and internal assumptions as to future trends on the market.

The discount rate reflects the current market assessment of the risks specific to the cash-generating units. The discount rate was determined by the weighted average cost of capital based on observable inputs from external sources of information. The discount rate used as of 30 June 2020 was 7.4% (30 June 2019: 8.6%). Cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate. As of 30 June 2020, the assumptions for expected sunflower oil prices were USD 699 to 747 per one metric ton in 2021-2025 with a corresponding cost of USD 335 to 351 per one metric ton of sunflower seeds, which corresponds to a margins of USD from 79 to 100 for one metric ton of oil. As of 30 June 2019, the assumptions for expected sunflower oil prices were USD 688 to 769 per one metric ton in 2020-2024 with a corresponding cost of USD 340 to 349 per one metric ton of sunflower seeds, which corresponds to a margins of USD from 67 to 100 for one metric ton of oil. Management believes that the margin per one metric ton of sunflower oil depends on the supply-demand balance for raw material in Ukraine rather than on the level of prices.

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Excess of recoverable amount over carrying amount of individual CGUs summarized below:

Segment	Cash-generating unit	Excess of recoverable amount	
		As of 30 June 2020	As of 30 June 2019
Oilseed Processing	Prydniprovskiy OEP LLC	221,392	144,963
	BSI LLC	143,462	159,465
	Kropyvnytskyi OEP PJSC (former Kirovogradoliya PJSC)	105,224	100,453
	Volchansk	66,162	50,465
	Ellada	56,508	—
	Prykolotnoe OEP LLC	25,338	8,477

The recoverable amount of Druzhba-Nova Group and other agricultural farms have been determined based on fair value less cost to sell estimates. The valuation method is based on the market approach and observable market prices, adjusted for the age and liquidity of the assets, which is within level 2 of the fair value hierarchy.

Management believes that no reasonably possible change in the key assumptions would cause the carrying amount of Transbulkterminal LLC and Oilseed Processing CGUs to exceed its recoverable amount. Management believes that no reasonably possible change in the key assumptions on which the recoverable amount of Druzhba-Nova Group and other agricultural farms is based will cause the carrying amount to exceed their recoverable amount.

The recoverable amount of RTK CGU was determined based on a value in use calculation, which uses cash flow projections based on the most recent financial budgets approved by the management and covering railcars useful life period and a discount rate of 7.4% per annum and is classified within Level 3 of fair value hierarchy. Management believes that no reasonably possible change in the key assumptions on which the recoverable amount of RTK is based will cause the carrying amount to exceed their recoverable amount.

As of 30 June 2020 and 2019, no impairment of goodwill was identified.

18. Other Non-current Assets

The balances of other non-current assets were as follows:

	As of 30 June 2020	As of 30 June 2019
Loans provided to related parties (Note 33)	32,528	19,769
Prepayments for property, plant and equipment	32,189	87,849
Loans to farmers	12,657	11,083
Investments in financial asset	7,513	7,341
Non-current biological assets (Note 13)	6,786	5,271
Prepayments for business acquisitions	4,321	4,500
Other non-current assets	5,304	19,919
Total	101,298	155,732

19. Advances from Customers and Other Current Liabilities

The balances of advances from customers and other current liabilities were as follows:

	As of 30 June 2020	As of 30 June 2019
Settlements for acquired Subsidiaries	42,892	5,537
Payable for legal claims (Note 34)	34,047	31,872
Accrued payroll, payroll related taxes and bonuses	28,986	16,929
Accounts payable for property, plant and equipment	22,076	9,230
Taxes payable and provision for tax liabilities	16,396	9,748
Advances from customers	10,123	7,277
Provision for unused vacations and other provisions	6,561	6,334
Settlements with land lessors	—	2,754
Obligation under finance lease payable within one year	—	2,484
Other current liabilities	9,453	12,811
Total	170,534	104,976

Increase in Settlements for acquired Subsidiaries is connected with final amount payable due in February 2021 for the acquisition of 560,000 tons oilseed crushing plant located in Kirovograd region, completed as of 30 June 2016.

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20. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 June 2020	As of 30 June 2019
Bank credit lines	43,166	182,160
Interest accrued on long-term borrowings	931	527
Interest accrued on short-term borrowings	480	759
Bank overdrafts (Note 8)	4	246
Total	44,581	183,692

The balances of short-term borrowings as of 30 June 2020 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+2.25%	USD	January 2021	14,578
European bank	Libor+2.00%	USD	October 2020	11,715
European bank	Libor+1.90%	USD	February 2021	8,786
European bank	Libor+2.50%	USD	July 2020	6,884
European bank	Libor+2.45%	USD	October 2020	1,207
Total bank credit lines				43,170
Interest accrued on long-term loans				931
Interest accrued on short-term loans				480
Total				44,581

The balances of short-term borrowings as of 30 June 2019 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	4.00%	USD	July 2019	48,700
European bank	Libor + 2.25%	USD	July 2019	43,447
European bank	Libor + 3.95%	USD	July 2019	32,860
European bank	Libor + 4.00%	USD	July 2019	15,032
Ukrainian subsidiary of European bank	18.00%	UAH	July 2019	10,261
Ukrainian subsidiary of European bank	18.50%	UAH	July 2019	8,102
Ukrainian subsidiary of European bank	4.30%	USD	July 2019	7,300
European bank	Libor + 1.50%	USD	July 2019	6,992
Ukrainian subsidiary of European bank	19.00%	UAH	July 2019	3,803
European bank	Libor + 1.65%	USD	March 2020	2,903
Ukrainian subsidiary of European bank	18.25%	UAH	July 2019	2,484
European bank	Libor + 2.45%	USD	July 2019	522
Total bank credit lines				182,406
Interest accrued on short-term loans				759
Interest accrued on long-term loans				527
Total				183,692

As of 30 June 2020, undrawn short-term bank credit lines amounted to USD 831,204 thousand (as of 30 June 2019: USD 708,866 thousand).

Short-term borrowings from banks were secured as follows:

	As of 30 June 2020	As of 30 June 2019
Assets pledged		
Inventory (Note 12)	118,657	166,245
Future sales receipts	46,005	85,365
Property, plant and equipment (Note 14)	722	626
Total	165,384	252,236

21. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 June 2020	As of 30 June 2019
Long-term bank borrowings	179,274	64,913
Current portion of long-term borrowings	(6,871)	(1,233)
Total	172,403	63,680

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The balances of long-term borrowings as of 30 June 2020 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+2.78%	USD	February 2029	50,000
European bank	Libor+4.50%	USD	May 2027	48,000
European bank	Libor+2.80%	USD	October 2029	20,000
European bank	Libor+2.78%	USD	December 2029	17,000
European bank	Libor+2.79%	USD	January 2030	14,500
European bank	Libor+2.77%	USD	April 2029	12,140
European bank	Libor+2.84%	USD	September 2029	8,093
European bank	Libor+1.00%	USD	May 2027	8,000
Ukrainian subsidiary of European bank	Libor+4.50%	USD	August 2021	1,541
Total				179,274

The balances of long-term borrowings as of 30 June 2019 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 2.78%	USD	February 2029	50,000
European bank	Libor + 2.77%	USD	April 2029	12,140
Ukrainian subsidiary of European bank	Libor + 4.50%	USD	August 2021	2,773
Total				64,913

As of 30 June 2020, undrawn long-term borrowings amounted to USD 128,267 thousand (as of 30 June 2019: USD 243,860 thousand).

Long-term bank borrowings from banks were secured as follows:

	As of 30 June 2020	As of 30 June 2019
Assets pledged		
Property, plant and equipment (Note 14)	254,217	103,427
Total	254,217	103,427

22. Lease liabilities

The following is the maturity analysis of lease payments under the lease agreements as of 30 June 2020:

Maturity	As of 30 June 2020
Payable within one year	48,496
Payable in the second to fifth years	273,467
Payable after five years	449,176
Total	771,139
less	
Future finance charges	(461,139)
Present value of lease obligations	310,000
less	
Current portion	(44,872)
Lease obligations, long-term portion	265,128

The following is the maturity analysis of lease payments under obligations under finance lease agreements as of 30 June 2019:

Maturity	As of 30 June 2019
Payable within one year	3,113
Payable in the second to fifth years	5,983
Payable after five years	—
Total	9,096
less	
Future finance charges	(1,382)
Present value of lease obligations	7,714
less	
Current portion	(2,484)
Lease obligations, long-term portion	5,230

23. Bonds issued

The balances of bonds issued were as follows:

	Maturity	As of 30 June 2020	As of 30 June 2019
US 300,000 thousand 6.5% coupon bonds	October 2024	296,229	—
US 500,000 thousand 8.75% coupon bonds	January 2022	497,548	496,051
Total		793,777	496,051

In October 2019, the Group issued USD 300,000 thousand unsecured notes ('the Notes'), that will mature on 17 October 2024. The Notes bear

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interest from 17 April 2020 at the rate of 6.5% per annum payable semi-annually in arrears.

The Notes are unsecured, ranking equally with all existing and future senior unsecured indebtedness of the Issuer and have been unconditionally and irrevocably guaranteed by designated Group subsidiaries on the joint and several basis to the maximum extent permitted by law.

The Notes contain certain restrictive covenants that limit the ability of the Issuer and, where applicable, its restricted subsidiaries to create or incur certain liens, make restricted payments, engage in amalgamations, mergers or consolidations, or combination with other entities; make certain disposals and transfers of assets; and enter into transactions with affiliates.

As of 30 June 2020, accrued interest on bonds issued was USD 21,945 thousand (30 June 2019: USD 17,949 thousand).

24. Income Tax

The Company is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 24.94% as of 30 June 2020 (2019: 27.08%). The effective income tax rate in Switzerland as of 30 June 2020 was in range 11.64% - 13.99%. Income tax rate in the US as of 30 June 2020 was 21.00%. The corporate income tax rate in Ukraine, where the main operations of the Group are located, was 18% as of 30 June 2020 and 2019. The majority of the Group's operating entities are located in Ukraine, therefore effective tax rate reconciliations is completed based on Ukrainian statutory tax rates.

The majority of the Group's companies that are involved in agricultural production pay the Unified Agricultural Tax (UAT) in accordance with the Tax Code of Ukraine. The UAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty, and Trade Patent. The UAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. The UAT does not constitute an income tax and, as such, is recognized in the Consolidated Statement of Profit or Loss in cost of sales.

The components of income tax expense were as follows:

	For the year ended 30 June 2020	For the year ended 30 June 2019
Current income tax charge	(28,491)	(3,359)
Deferred tax benefit/(expenses) relating to origination and reversal of temporary differences	6,416	(8,543)
Total income tax expenses recognized in the reporting period	(22,075)	(11,902)

The income tax expense is reconciled to the profit before income tax per Consolidated Statement of Profit or Loss as follows:

	As of 30 June 2020	As of 30 June 2019
Profit before income tax	144,825	190,406
Tax expense at Ukrainian statutory tax rate of 18%	(26,069)	(34,273)
Effect of income that is exempt from taxation (farming)	16,685	34,984
Effect of different tax rates of Subsidiaries operating in other jurisdictions	2,478	1,527
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	(6,434)	764
Other expenditures not allowable for income tax purposes and non-taxable income, net	(8,735)	(14,904)
Income tax expenses	(22,075)	(11,902)

For the year ended 30 June 2020, USD 785 thousand income tax benefit were recognized in other comprehensive income (for the year ended 30 June 2019: USD 4,650 thousand expenses).

The primary components of the deferred tax assets and deferred tax liabilities were as follows:

	As of 30 June 2020	As of 30 June 2019
Tax losses carried forward	5,428	4,821
Valuation of property, plant and equipment	9,307	9,417
Others	1,501	674
Deferred tax assets	16,236	14,912
Valuation of property, plant and equipment	(28,704)	(32,438)
Valuation of intangible assets	(1,875)	(1,952)
Others	(954)	(1,085)
Deferred tax liabilities	(31,533)	(35,475)
Net deferred tax liabilities	(15,297)	(20,563)

As of 30 June 2020, based upon projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Group will realize the benefits of deferred tax assets of USD 5,428 thousand (2019: USD 4,821 thousand) recognized with respect to tax losses carried forward by the subsidiaries. The amount of future taxable income required to be generated by the Subsidiaries to utilize the tax benefits associated with the tax loss carried forward is approximately USD 30,156 thousand (2019: USD 26,783 thousand). However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

Tax losses incurred by subsidiaries registered in Ukraine can be brought forward for a reasonable period of time.

As of 30 June 2020, unrecognized deferred tax assets arising from tax losses carried forward by the Group's subsidiaries amounted to USD 6,434

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thousand (30 June 2019: nil).

The Group does not recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries as it is able to control the timing of the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is an analysis of the deferred tax balances (after offset) as they are presented in the Consolidated Statement of Financial Position:

	As of 30 June 2020	As of 30 June 2019
Deferred tax assets	9,152	8,447
Deferred tax liabilities	(24,449)	(29,010)
Net deferred tax liabilities	(15,297)	(20,563)

25. Revenue

The Group's revenue was as follows:

	For the year ended 30 June 2020	For the year ended 30 June 2019
Revenue from edible oils sold in bulk, meal and cake	2,209,232	1,736,004
Revenue from agriculture commodities merchandizing	1,724,811	2,069,714
Revenue from bottled sunflower oil	132,973	114,526
Revenue from farming	29,616	29,983
Revenue from transshipment services	5,099	4,085
Revenue from grain silo services	5,049	5,919
Total	4,106,780	3,960,231

The transaction price allocated to unsatisfied performance obligations as of 30 June 2020 is USD 1,164 thousand (30 June 2019: USD 1,952 thousand). This amount represents revenue from carriage, freight and insurance services under CIF/CFR Incoterms contracts which are to be executed in July 2020, when the goods are delivered to the point of destination and under which the Group has already recognized revenue from sale of goods at a point in time as of 30 June 2020.

Revenue for the year ended 30 June 2019 was changed as a result of IFRIC decision on the physical settlement of contracts adoption (see Note 3). As a result of this change, for the year ended 30 June 2019, revenue from edible oils sold in bulk, meal and cake was decreased by USD 8,283 thousand and revenue from agriculture commodities merchandizing by USD 23,619 thousand (USD 31,902 thousand in total).

26. Cost of Sales

Cost of sales was as follows:

	For the year ended 30 June 2020	For the year ended 30 June 2019
Cost of goods for resale and raw materials used	3,000,366	3,099,276
Shipping and handling costs	363,175	307,525
Amortization and depreciation	100,636	71,947
Payroll and payroll related costs	84,889	65,666
Rental payments	53,060	71,765
Other operating costs	21,686	19,331
Total	3,623,812	3,635,510

Starting from 1 July 2019, the Group decided to change the policy and recognize result on operations with commodity futures within Cost of sales line (Note 3), previously recognized in the Other operating income, net line. Presentation of Cost of sales for the year ended 30 June 2019 was changed accordingly, as a result of which it increased for the amount of USD 13,650 thousand (Cost of goods for resale and raw materials used line). Additionally, as result of adoption IFRIC decision on the physical settlement of contracts (Note 3), Cost of sales decreased by USD 31,902 thousand (Cost of goods for resale and raw materials used line).

27. Other Operating Income, net

Other operating income/(expenses), net was as follows:

	For the year ended 30 June 2020	For the year ended 30 June 2019
Contracts wash-out (price difference settlement)	(15,796)	2,838
Stock-take	8,850	9,693
Transshipment quota entitlement	6,773	8,000
VAT benefits and other government grants	1,255	6,922
(Loss)/Gain on sale of hard currency	234	1,989
Demurrage, dispatch fees and other fines	205	8,803
Other operating income	5,496	3,633
Total	7,017	41,878

Starting from 1 July 2019, the Group decided to change the policy and recognize result on operations with commodity futures within Cost of sales line (Note 3), previously recognized in the Other operating income, net line. Presentation of Other operating income, net for the year ended 30

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June 2019 was changed accordingly, as a result of which it increased for the amount of USD 13,650 thousand (loss on operations with commodity futures).

28. General and Administrative Expenses

General and administrative expenses were as follows:

	For the year ended 30 June 2020	For the year ended 30 June 2019
Payroll and payroll related costs	78,634	60,381
Audit, legal and other professional fees	16,007	11,052
Repairs and material costs	8,358	7,454
Amortization and depreciation	4,728	3,805
Business trip expenses	4,681	4,955
Bank services	4,664	1,444
Taxes other than income tax	2,501	2,287
Rental payments	2,484	2,158
Bad debts expenses	2,367	7,905
Communication expenses	1,760	1,522
Insurance	1,299	1,918
Other expenses	4,247	1,651
Total	131,730	106,532

Audit, legal and other professional fees for the year ended 30 June 2020 include the auditor's remuneration in the amount of USD 739 thousand and consultancy and assurance fees in the amount of USD 249 thousand for the respective period (for the year ended 30 June 2019: USD 659 thousand and nil, respectively).

29. Finance Costs, net

Finance costs, net were as follows:

	For the year ended 30 June 2020	For the year ended 30 June 2019
Interest on corporate bonds (Note 23)	57,496	44,886
Interest on lease liabilities	53,951	—
Interest expense on bank loans	21,878	26,520
Other finance costs, net	13,895	10,913
Total	147,220	82,319

30. Foreign Exchange Gain/(Loss), net

For the year ended 30 June 2020, foreign exchange loss, net amounted to USD 1,012 thousand (30 June 2019: gain USD 12,860 thousand). The result for the period is mostly connected with fluctuations of the Ukrainian hryvnia exchange rate which influenced on revaluation of balances denominated in other than functional currencies, VAT and borrowings (including intra-group balances: the Company's subsidiaries operate with different functional currencies and during the normal course of business issue intercompany financing which, when revalued, causes either foreign exchange gains or losses at one of the Company's subsidiaries if they had different functional currencies).

For the years ended 30 June 2020 and 2019, the Ukrainian hryvnia rate remained relatively stable against the US dollar.

31. Other Expenses, net

Other expenses, net were as follows:

	For the year ended 30 June 2020	For the year ended 30 June 2019
Loss/ (Gain) on disposal of Subsidiaries and Joint Ventures (Note 7, 32)	36,634	(4,833)
Charity	7,714	2,303
Loss on derivatives sales, net	2,351	—
Fines and penalties (Note 34)	2,114	1,610
Other material expenses	1,865	1,341
Impairment/(Reduction of impairment) of intangible assets and goodwill, net (Note 16,17)	658	(116)
Gain on disposal of property, plant and equipment	(969)	(605)
Gain on write-off of trade payables	(1,421)	—
Revaluation losses of property, plant and equipment (Note 14)	—	10,234
Other expenses/(income), net	1,578	(1,558)
Total	50,524	8,376

32. Investments in Joint Ventures

During the year ended 30 June 2020, the Company disposed of its share in a joint venture, a deep-water grain export terminal in Taman port (see Note 7). For the year ended 30 June 2020 and up to the date of disposal, the share of revenue of joint venture (Taman) amounted to USD 16,712 thousand (for the year ended 30 June 2019: USD 11,609 thousand). Share of profit and other comprehensive income for the year ended 30 June 2020 and up to the date of disposal equaled USD 6,305 thousand (for the year ended 30 June 2019: other comprehensive loss USD 966 thousand).

The aforementioned result includes depreciation and amortization expenses in the amount of USD 1,394 thousand (for the year ended 30 June

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2019: USD 2,043 thousand) and interest expenses in the amount of USD 307 thousand (for the year ended 30 June 2019: USD 672 thousand).

33. Transactions with Related Parties

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

The Group had the following balances outstanding with related parties:

	Related party balances as of 30 June 2020	Total category as per consolidated state- ment of financial posi- tion as of 30 June 2020	Related party balances as of 30 June 2019	Total category as per consolidated statement of financial position as of 30 June 2019
Trade accounts receivable, net (Note 9)	586	215,279	785	183,196
Prepayments to suppliers and other current assets, net (Note 10)	22,366	148,916	9,675	129,822
Other non-current assets (Note 18)	32,528	101,298	19,769	155,732
Advances from customers and other current liabilities (Note 19)	8,706	170,534	4,462	104,976

As of 30 June 2020 and 30 June 2019, the Group did not create an allowance for trade accounts receivable, prepayments to suppliers and other current and non-current assets from related parties.

As of 30 June 2019, prepayments to suppliers and other current assets included a trade prepayment to Zernovoy Terminalny Complex Taman LLC according to the transshipment agreement in the amount of USD 4,358 thousand, which was repaid as of 30 June 2020 in full amount.

As of 30 June 2019, prepayments to suppliers and other current assets and other non-current assets included a loan at rate comparable to the average commercial rate of interest in the amount of USD 2,575 thousand provided to Taman Grain Terminal Holding, which was repaid as of 30 June 2020 in full amount.

As of 30 June 2020, prepayments to suppliers and other current assets and other non-current assets included loans at rate comparable to the average commercial rate of interest in the amount of USD 30,882 thousand provided to the company under control of the Beneficial Owner (30 June 2019: USD 10,459 thousand).

As of 30 June 2020, prepayments to suppliers and other current assets and other non-current assets included an interest-free 3-year term financing in the amount of USD 18,084 thousand and a loan at a rate comparable to the market rate in the amount of USD 1,750 thousand provided to key management personnel (30 June 2019: USD 5,493 thousand and USD 1,000 thousand, respectively).

As of 30 June 2020, advances from customers and other current liabilities included USD 6,669 thousand in bonuses payable to the management (30 June 2019: USD 3,099 thousand).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

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

Transactions with related parties were as follows:

	Amount of opera- tions with related parties, for the year ended 30 June 2020	Total category as per consolidated statement of finan- cial position as of 30 June 2020	Amount of opera- tions with related parties, for the year ended 30 June 2019	Total category per consolidated state- ment of profit or loss for the year ended 30 June 2019
Revenue (Note 25)	402	4,106,780	1,165	3,960,231
Cost of sales (Note 26)	(1,913)	(3,623,812)	(4,192)	(3,635,510)
General and administrative expenses (Notes 28)	(11,479)	(131,730)	(8,377)	(106,532)
Finance costs, net (Note 29)	(365)	(147,220)	(611)	(82,319)
Other expenses, net (Note 31)	714	(50,524)	3,178	(8,376)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

As of 30 June 2020, the Board of Directors consisted of the following eight directors: the chairman of the board, three non-executive directors and four directors employed by Subsidiaries. Remuneration of the Board of Directors (8 Directors) for the year ended 30 June 2020 amounted to USD 500 thousand (30 June 2019: 8 directors, USD 500 thousand). The non-executive directors were also refunded, to a reasonable extent, any expenses incurred by them in performing their duties, including reasonable traveling expenses.

Four directors employed by Subsidiaries are entitled to remuneration for their services as members of the management team of the Group. Remuneration of the management team of the Group, totaling 12 people, amounted USD 8,834 thousand for the year ended 30 June 2020 (2019: 12 people, USD 5,518 thousand) including USD 6,326 thousand of variable bonus as per approved remuneration scheme (2019: USD 3,099 thousand).

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Members of the Board of Directors and management team are not granted any pensions, retirement or similar benefits by the Group. The management of the Group has been provided with options to purchase shares of the Holding (Note 2).

34. Commitments and Contingencies

Operating Environment

Since 2016, the Ukrainian economy has demonstrated signs of stabilization after years of political and economic tension. During the year 30 June 2020, the Ukrainian economy declined and real GDP showed decrease of around 2% (2019: 3%), modest annual inflation of 2.4% (2019: 9%), and stabilization of the national currency (appreciation of the national currency by around 7% to USD and 10% to EUR comparing to previous year averages).

Ukraine continues to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. As a result of this, the Ukrainian economy is refocusing on the European Union (the "EU") market by realizing potentials of established Deep and Comprehensive Free Trade Area with the EU.

To further facilitate business activities in Ukraine, the National Bank of Ukraine (the "NBU") starting from 20 June 2019 has lifted the surrender requirement for foreign currency proceeds, cancelled all limits on repatriation of dividends since July 2019 and gradually decreased its discount rate for the first time during the recent two years, from 18.0% in April 2019 to 11.0% in January 2020 with further decrease to 6.0% in June 2020.

The degree of macroeconomic uncertainty in Ukraine in 2020 still remains high due to a significant amount of public debt scheduled for repayment in 2019-2020, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. At the same time, Ukraine has passed through the period of presidential and parliamentary elections. All newly elected authorities have demonstrated their commitment to introduce reforms in order to boost economic growth, while maintaining macro-fiscal stability and liberalizing economic environment. These changes have resulted in, inter alia, improved Fitch's rating of Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings from "B-" to "B", with a positive outlook. Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned structural reforms and effective cooperation with the International Monetary Fund (the "IMF").

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Ukrainian economy.

Retirement and Other Benefit Obligations

Employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund for the year ended 30 June 2020 were USD 21,124 thousand (2019: USD 18,619 thousand).

The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance some post-retirement benefits of its former employees. The only obligation of the Group with respect to this pension plan is to make the specified contributions. For the year ended 30 June 2020, there were no retirement and other pension obligation expenses of the Group recognized (2019: USD 222 thousand). As of 30 June 2020 and 2019, the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Capital Commitments

As of 30 June 2020, the Group had commitments under contracts with a group of suppliers for a total amount of USD 61,488 thousand, mostly for the construction of an oil-crushing plant and port terminal (30 June 2019: USD 152,851 thousand, mostly for the purchase of agricultural equipment and reconstruction of a terminal).

Contractual Commitments on Sales

As of 30 June 2020, the Group had entered into commercial contracts for the export of 761,000 tons of grain, 307,902 tons of sunflower oil and 416,036 tons of sunflower meal and other related products, corresponding to an amount of USD 146,112 thousand, USD 233,685 thousand and USD 84,371 thousand, respectively, in contract prices as of the reporting date.

As of 30 June 2019, the Group had entered into commercial contracts for the export of 802,375 tons of grain, 225,449 tons of sunflower oil and 320,668 tons of sunflower meal and other related products, corresponding to an amount of USD 156,194 thousand, USD 158,883 thousand and USD 68,567 thousand, respectively, in contract prices as of the reporting date.

Taxation and Legal Issues

In April 2012, the Group entered into a call option agreement to acquire Stiom Holding, a farming company located in the Khmelnytskyi region of Ukraine. As of 30 June 2018, the consideration paid for Stiom Holding by the Group comprised US\$33,472 thousand. A final payment was due and payable only after fulfilment 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 (the "Stiom Sellers") in respect of the non-fulfilment of the Stiom Sellers' obligations. In December 2012, the Group received a request for arbitration from the Stiom Sellers in which the Stiom Sellers claimed amounts alleged to be payable to them. The arbitral tribunal delivered its award in late February 2018. That award was in part subject to challenge by the Group in the High Court in London. In March 2019, the High Court remitted the award to the tribunal for reconsideration in certain respects and a further hearing

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took place before the tribunal in September 2019. Pursuant to the tribunal's revised award, which was delivered in December 2019, the Group is required to pay the sellers an aggregate amount of approximately US\$30.3 million.

The Stiom Sellers have made further claims against the Group for interest on the amounts due to them at the rate of 10% per annum (corresponding to US\$5,944 per day since the date of the initial arbitral award in late February 2019), and have initiated court proceedings in Luxembourg and Switzerland in respect of such interest due, as well as took actions enforce the payment of the arbitral award. The Group disputes the Stiom Seller's claims for interest due. In Switzerland, the Stiom Sellers have obtained attachment orders against certain bank accounts of the Group. In Luxembourg, the Stiom Sellers have initiated attachment proceedings to put in place conservatory measures against Kernel's bank accounts. Furthermore, former counsel to the Stiom Sellers has also obtained an attachment order against the Group, which prevents the Group from paying any amounts to the Stiom Sellers until the attachment order is lifted. Finally, a third party brought claims in Swiss courts asserting that one of the Stiom Seller's claims has been assigned to them, which the Stiom Sellers dispute. As a result of these conflicting claims and proceedings, the Group has been unable to discharge its payment obligations in respect of the arbitral award to the Stiom Sellers, pending the resolution of these issues.

As of 30 June 2018, the Group recognised a provision regarding the arbitral and the related proceedings. The provision represents the directors' best estimate of the maximum future outflow that will be required in respect of the award. The carrying amount of the payables for legal claims was US\$34,047 thousand as of 30 June 2020 (2019: US\$31,872 thousand), and related expenses in the amount of US\$2,175 thousand were recognised within the year ended 30 June 2020 (2019: US\$2,901 thousand) and included within the line "Other expenses, net".

The Group performed certain sale and acquisition transactions and other concentrations which could have required the obtaining of the prior approval of the Antimonopoly Committee of Ukraine ("AMC"). In February 2019, the Group acquired RTK-Ukraine LLC (the "Acquisition"). In July 2019, the AMC initiated investigation in respect of the Acquisition claiming that the Group had to obtain the AMC approval for the concentration prior to acquisition of RTK Ukraine. The Group believes that the AMC approval for the concentration was not required as the Acquisition falls under the exemption allowing not to obtain the AMC approval for the concentration. In December 2019, the AMC decided to drop the investigation and close the case, thus confirming that no AMC approval for the concentration prior to acquisition of RTK Ukraine was required.

As of 30 June 2020, the Group's management assessed its maximum exposure to tax risks related to VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues for total amount of USD 24,812 thousand (30 June 2019: USD 21,493 thousand), from which USD 18,240 thousand related to VAT recoverability (30 June 2019: USD 7,797 thousand), USD 4,847 thousand related to corporate income tax (30 June 2019: 10,592 thousand) and USD 1,724 thousand related to other tax issues (30 June 2019: 3,104 thousand).

As of 30 June 2020, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 24,144 thousand (30 June 2019: USD 20,471 thousand), included in the abovementioned amount. Out of this amount, USD 1,924 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (30 June 2019: USD 7,613 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Ukraine's tax environment characterizes by complexity in tax administration, arbitrary interpretation by tax authorities of tax laws and regulations that could increase fiscal pressure on taxpayers. Inconsistent application, interpreting, and enforcement of tax laws can lead to lawsuits resulting in the imposition of additional taxes, penalties, and interest.

Key characteristics of Ukrainian tax system:

- Ukraine operates a classic corporate income tax system, under which taxable profit of companies (i.e. financial profit adjusted by tax differences) is subject to 18% tax rate.
- Transfer pricing rules apply to transactions with related non-residents and "low-tax" non-residents (i.e. non-residents, taxed domestically at a significantly lower corporate income tax rate than the Ukrainian tax rate of 18%), subject to a company's minimum income threshold of UAH 150 million and transactions volume threshold with each individual non-resident of UAH 10 million.
- Domestic supply of goods and services, as well as the import of goods and certain services, are subject to value-added tax at the standard rate of 20%. Reduced tax rate of 0% applies to the export of goods from Ukraine.
- Payment of passive income (i.e. interest, royalties, dividends etc.) to non-residents of Ukraine is subject to withholding tax at a standard 15% rate unless double tax treaties or the Tax Code of Ukraine provide another tax rate.
- Agrarian producers of raw materials are allowed to apply a simplified tax system, given that at least 75% of their income is attributable to sales of agricultural raw materials produced by such company. Under the simplified tax system, companies are subject to a fixed tax, which depends on the type, location and monetary value of farmland used by such companies.

By the end of 2019, MLI Convention (BEPS Action plan step 15) entered into force in Ukraine, which allows Ukraine to amend its double tax treaties with other countries, which have also ratified MLI Convention. Ukraine has already amended a part of its double tax treaties and may amend more treaties in the future.

Recently, the new anti-BEPS Law entered into force, which significantly changed the Ukrainian Tax Code, introducing a significant portion of BEPS Action plan steps (3, 4, 6, 7, 8, 13 and 14) to the local tax legislation. Among other changes, the new Law has introduced:

- Controlled foreign companies regulations, which allow taxing undistributed profits of CFCs at the level of the Ukrainian tax resident – owner (controlling shareholder) of the CFC. An income of CFC would be taxable unless an exemption is applicable. If a controlling shareholder (resident of Ukraine) meets the minimum control threshold, income would be attributed to that shareholder (based on the proportion of ownership), included to the annual income of a controlling shareholder and reported within an annual tax return. An 18% tax applies to the undistributed income of a CFC. Distributed income of a CFC could be subject to an 18% or 9% rate depending on the period of distribution. A 9% rate applies if CFC's income is distributed to the resident controlling shareholder as dividends before filing the CFC report in Ukraine or by the end of the second calendar year that follows the reporting year. An 18% rate applies if the distribution is made at a later date. The new CFC rules will be

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introduced in phases over the period 2021 to 2023. The first CFC report should be filed in 2022 for the reporting year 2021.

- Principal purpose test, alongside with beneficial ownership regulation for double tax treaties application purposes. If the tax authority identifies that the main purpose of a transaction is obtaining a double tax treaty benefits, they may disallow the application of a reduced WHT rate.
- Mutual agreement procedure, which allows resolving tax disputes under double tax treaties in case either resident or non-resident of Ukraine believes actions or decisions of the tax authorities (both Ukrainian and foreign) have resulted or will result in taxation incompliant with the relevant tax treaty.
- New thin capitalization rules, which apply to transactions with both related and unrelated parties (whether or not resident in Ukraine) starting from 1 January 2021. Under the new rules, if the debt-to-equity ratio of 3.5 is exceeded, only a portion of a company's interest expense, which is equal to 30% of its EBITDA, would be tax-deductible. The residual amount of interest expenses may be carried forward to future periods, subject to 5% annual disallowance.
- Three-tiered transfer pricing reporting, which added requirements for multinational enterprises to prepare a master file and a country-by-country report (CbCR), subject to the revenue threshold of EUR 50 million for master file and EUR 750 million for CbCR. The first reporting year is expected to be 2021.
- New upward adjustment (an increase of taxable base) by 30% of sales of goods and services to "low-tax" non-residents (i.e. non-residents, taxed domestically at a significantly lower corporate income tax rate than the Ukrainian tax rate of 18%).
- Abolishment of the temporary VAT exemption of soybean and rapeseed export transactions (i.e. traders of these crops are eligible for 0% VAT export rate application, which gives them the opportunity to recover VAT credit accumulated from the purchase of these goods).

The further amendment of anti-BEPS Law is expected, which would allow adjusting some of its provisions, which quickly became controversial and rather fiscal for Ukrainian companies. However, most of the previous attempts to amend the Law have failed and, therefore, we are not able to assess the probability of its further amendment.

Additionally, by the end of 2019, the Law on the market of agricultural land has been adopted. The Law introduced changes to the Land Code of Ukraine aimed at the abolishment of the moratorium for sale of land. However, the Law will enter into force on 1 July 2021 and provides a set of restrictions related to the maximum land size, which can be sold to an individual buyer, restrictions to sell land in certain areas and to certain types of buyers. Also, regardless of the expected abolishment of moratorium, sale of land is subject to provisions and/or restrictions of the Land Code of Ukraine, as well as other branch laws in certain cases.

35. Financial risk management

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing return to shareholders through a combination of debt and equity capital. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and risks associated with each class of capital. Based on recommendations from management, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital based on the carrying amount of borrowings less cash and cash equivalents as presented in the statement of financial position. The Group is not subject to any externally imposed capital requirements.

Gearing Ratio

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

	As of 30 June 2020	As of 30 June 2019
Equity ¹	1,492,667	1,350,946
Debt liabilities ² (Notes 20, 21, 22, 23)	1,349,577	770,319
Net debt	980,460	693,518
Less cash and cash equivalents (Note 8)	(369,117)	(76,801)
Net debt liabilities to capital	66%	51%

Financial instruments risk

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

- Credit risk.
- Liquidity risk.
- Market risk.

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

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

¹ Equity includes issued capital, share-premium reserve, additional paid-in capital, revaluation reserve, equity-settled employee benefits reserve, retained earnings, other reserve and translation reserve attributable to Kernel Holding S.A. shareholders.

² Debt includes short-term and long-term borrowings, obligations under finance leases, bonds issued and accrued interest.

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Credit Risk

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

The Group's most significant customer is an international customer, which accounted for USD 24,003 thousand out of total trade accounts receivable as of 30 June 2020 (30 June 2019: one international customer accounted for USD 26,198 thousand).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base, including the default risk of the industry and country, in which the major customers operate, has less of an influence on credit risk.

The management of the Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references, and also counterparty recommendations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the management of the Group. These limits are reviewed quarterly. Customers that fail to meet the Group's benchmark for creditworthiness may transact with the Group only on a prepayment basis. To reduce non-payment risk in international markets, the Group presents title documents via banking channels and uses payment instruments such as letters of credit and bank guarantees. The Group holds collaterals against loans provided to farmers in the form of future harvest and immovable property in the quantity that covers loans provided according to market price.

Guarantees

As of 30 June 2020, the Company has guaranteed to unrelated party that certain subsidiaries of the group will release the assets pledged under the 3-year loan provided by the Company to unrelated party. In case subsidiaries do not release those after the loan repayment, then the Company has to pay the amount that is equal to the market price of the assets or USD 29,900 thousand. The guarantee is valid for the term of the loan agreement.

Liquidity Risk

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

As of 30 June 2020, the carrying amount of the Group's maximum exposure to financial obligations (including lease liabilities) was USD 1,578,092 thousand (30 June 2019: USD 1,041,369 thousand).

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

The average credit period on purchases of goods is 14 days.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2020 and 2019. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
30 June 2020						
Trade accounts payable	87,508	(87,508)	(87,508)	—	—	—
Short-term borrowings (Note 20)	44,581	(45,033)	(45,033)	—	—	—
Long-term borrowings (Note 21)	179,274	(207,344)	(13,101)	(27,599)	(82,851)	(83,793)
Bonds issued (Note 23)	815,722	(975,250)	(63,250)	(563,250)	(348,750)	—
Other current liabilities	102,495	(108,710)	(108,710)	—	—	—
Other non-current liabilities	2,230	(2,230)	—	(1,002)	(1,228)	—
Total	1,231,810	(1,426,075)	(317,602)	(591,851)	(432,829)	(83,793)
30 June 2019						
Trade accounts payable	136,043	(136,043)	(136,043)	—	—	—
Short-term borrowings (Note 20)	183,692	(184,754)	(184,754)	—	—	—
Long-term borrowings (Note 21)	64,913	(82,988)	(4,510)	(7,802)	(30,141)	(40,535)
Obligations under finance leases	7,714	(9,095)	(3,113)	(2,924)	(3,058)	—
Bonds issued (Note 23)	514,000	(631,250)	(43,750)	(43,750)	(543,750)	—
Other current liabilities	55,297	(55,297)	(55,297)	—	—	—
Other non-current liabilities	43,843	(60,236)	(1,868)	(52,651)	(5,717)	—
Total	1,005,502	(1,159,663)	(429,335)	(107,127)	(582,666)	(40,535)

Financial liabilities, which were not included above, are repayable within one year.

The concentration of liquidity risk is limited due to different repayment terms of financial liabilities and sources of borrowing facilities.

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Market Risk

The Group's activities expose it primarily to the market risks of changes in foreign currency exchange rates, interest rates and commodity risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group measures and manages market risk using a variety of tools and metrics such as Drawdown and Value at Risk.

Value at Risk (VaR) is a statistical estimate of the potential loss in value of our positions due to adverse market movements. The Avere companies calculate VaR over a one-day time horizon with a 95 percent confidence level based on a Log-Normal assumption of Returns. Parameters are estimated using an Exponentially Weighted Moving Average over a 75 days period with a weight of 0.94. Market risk VaR was USD 6,338 thousand as of 30 June 2020.

The Group's VaR should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

- VaR model does not capture the liquidity of different risk positions and therefore does not estimate potential losses if the company liquidates large positions over a short period of time.
- VaR is based on historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations.

The Group does not disclose sensitivity analysis based on VaR as of year-end since such analysis is unrepresentative of a risk inherent in financial instruments during the year.

Drawdown measures the difference in value from the most recent peak to the most recent trough in the market. Maximum drawdown is an indicator used to assess the relative riskiness of one instrument screening strategy versus another, as it focuses on capital preservation.

Currency Risk

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

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

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

The table below covers UAH and USD denominated assets and liabilities carried by Subsidiaries having distinct functional currencies.

The Group's exposure to foreign currency risk as of 30 June 2020 and 2019 was as follows:

	30 June 2020		30 June 2019	
	UAH	USD	UAH	USD
Cash and cash equivalents	16,142	9,026	1,242	146
Trade accounts receivable, net	9,042	—	11,069	—
Other current assets	534	1,666	4,798	—
Other non-current assets	320	—	5,373	4,500
Trade accounts payable	(25,234)	(4)	(30,442)	—
Other current liabilities	(43,768)	(1,923)	(1,323)	(1,479)
Current portion of lease liabilities (Note 3, 22)	(252)	(1,070)	—	—
Other non-current liabilities	(615)	(680)	(35,936)	—
Short-term borrowings from Ukrainian subsidiary of European bank (Note 20)	—	—	(24,650)	—
Long-term borrowings European Bank (Note 21)	—	(90,233)	—	(62,140)
Obligations under finance leases	—	—	—	(4,015)
Lease liabilities (Note 3, 22)	(1,725)	(1,871)	—	—
Net exposure	(45,556)	(85,089)	(69,869)	(62,988)

10% change of the UAH against the USD would prompt a fluctuation in the equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

A strengthening/ depreciation of the Ukrainian hryvnia against US dollar at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below:

	30 June 2020		30 June 2019	
	Strengthening	Depreciation	Strengthening	Depreciation
UAH (10% movement)	3,180	(4,899)	(1,261)	(12)

During the year ended 30 June 2020, the Ukrainian hryvnia held out quite steadily against major foreign currencies. Foreign exchange gains and losses reflected the Ukrainian hryvnia fluctuation against the US dollar for the years ended 30 June 2020 and 2019. The Group recognized a net foreign exchange loss in the amount of USD 1,012 thousand for the year ended 30 June 2020 and USD 12,860 thousand gain for the year ended 30 June 2019 (Note 30). In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year. Foreign exchange gain mostly consisted of gain incurred from operations resulted from normal operating activity during the year ended 30 June 2020.

The concentration of currency risk is limited due to not significant net open position of balances in foreign currencies.

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Management of the Group optimizes the influence of currency risk in Ukrainian hryvnia through export sales expressed in USD and EUR: out of total sales amounting to USD 4,106,780 thousand, sales in USD comprised USD 3,785,044 thousand and in EUR comprised USD 195,735 thousand for the year ended 30 June 2020. Export sales represented 97% of the total sales volume.

Interest Rate Risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

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

	Carrying amount as of 30 June 2020	Carrying amount as of 30 June 2019
Fixed rate instruments	1,120,491	595,226
Variable rate instruments	229,086	210,960
Total	1,349,577	806,186

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

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

If interest rates had been 100 basis points higher/lower, and all other variables were held constant, the Group's profit for the year (before income tax) ended 30 June 2020 would decrease/increase by USD 2,291 thousand (2019: decrease/increase by USD 2,101 thousand). This was mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Commodity price risk

The Group enters into derivative financial instruments to manage its exposure using commodity options, futures contracts for managing the exposures associated with agricultural commodity prices. Fair value of future contracts is evaluated based on quoted prices on international markets. Changes in the fair value of these contracts are recognized in the Consolidated Statement of Profit and Loss (Note 27). For the years ended 30 June 2020 and 2019, net gain/(loss) arising on financial assets and financial liabilities mandatorily measured at FVTPL amounted to gain of USD 79,166 thousand and loss in the amount USD 13,650 thousand, respectively.

Financial instruments with commodity price risk are entered into in relation to following activities: hedging of prices realized on commodity contracts and starting from FY 2020 cash flow hedging of revenues from sunflower oil, forecasted highly probable transactions as disclosed in Note 3.

36. Financial Instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 'Financial Instruments: Disclosure' and IFRS 13 'Fair value measurement'. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

As at 30 June 2020 and 2019, the financial assets and liabilities are presented by class in the tables below at their carrying values:

	As at 30 June 2020			As at 30 June 2019		
	Amortized cost	FVTPL ¹	Total	Amortized cost	FVTPL ²	Total
Assets						
Cash and cash equivalents (Note 8)	369,117	—	369,117	76,801	—	76,801
Trade accounts receivable, net (Note 9)	215,279	—	215,279	183,196	—	183,196
Other current assets (Note 10)	32,803	—	32,803	20,221	—	20,221
Other financial assets	63,339	45,353	108,692	48,533	22,302	70,835
Other non-current assets	50,489	7,513	58,002	33,833	7,341	41,174
Liabilities						
Trade accounts payable	87,508	—	87,508	136,043	—	136,043
Borrowings (Note 20, 21)	223,855	—	223,855	248,605	—	248,605
Lease liabilities (Note 3, 22)	310,000	—	310,000	—	—	—
Obligations under finance lease	—	—	—	7,714	—	7,714
Bonds issued and interest accrued (Note 23)	815,722	—	815,722	514,000	—	514,000
Other financial liabilities	—	36,282	36,282	—	35,867	35,867
Other current liabilities	102,495	—	102,495	55,297	—	55,297
Other non-current liabilities	2,230	—	2,230	43,843	—	43,843

As of 30 June 2020, other financial assets include initial margin used as collateral for derivatives in the amount of USD 19,022 thousand (30 June 2019: USD 22,147 thousand). The cash collateral does not meet the offsetting criteria in IAS 32, but it can be set off against the net amount of the derivative asset and derivative liability in the case of default and in accordance with associated collateral arrangements.

¹ FVTPL – Fair value through profit and loss.

² FVTPL – Fair value through profit and loss.

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The derivative asset and liability meet the offsetting criteria per IAS 32. Consequently, the gross derivative liability is set off against the gross derivative asset, on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognized amounts and intention either to settle on a net basis, or to realize the asset and settle the liabilities simultaneously.

The financial assets and liabilities, which meet the criteria of offsetting as at 30 June 2020 were as follows:

	As of 30 June 2020					
	Amounts set off in the statement of financial position			Amounts not set off in the statement of financial position		Total as presented in the consolidated statements of financial position
	Gross amount of financial assets	Gross amount of financial liabilities	Net amount	Margin account with brokers	Not under master netting agreements	
Derivative assets	147,348	(133,174)	14,174	—	31,171	45,345
Derivative liabilities	4,048	(11,893)	(7,845)	—	(27,946)	(35,791)
Margin account with brokers	—	—	—	45,388	—	45,388
Payable to brokers	—	—	—	(490)	—	(490)
Total	151,396	(145,067)	6,329	44,898	3,225	54,452

The financial assets and liabilities, which meet the criteria of offsetting as at 30 June 2019 were as follows:

	As of 30 June 2019					
	Amounts set off in the statement of financial position			Amounts not set off in the statement of financial position		Total as presented in the consolidated statements of financial position
	Gross amount of financial assets	Gross amount of financial liabilities	Net amount	Margin account with brokers	Not under master netting agreements	
Derivative assets	392	(174)	218	—	31,101	31,319
Derivative liabilities	8,238	(17,608)	(9,370)	—	(26,397)	(35,767)
Margin account with brokers	—	—	—	39,075	—	39,075
Total	8,630	(17,782)	(9,152)	39,075	4,704	34,627

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table below represents comparison of carrying amounts and fair value of the financial instruments:

Financial liabilities ¹	As of 30 June 2020		As of 30 June 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note 21)	179,274	180,284	64,913	65,066
Obligations under finance lease	—	—	7,714	7,709
Bonds issued (Note 23)	815,722	816,230	514,000	527,330

For the year ended 30 June 2020, the fair value of bank long-term borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 3.39% (2019: 5.12%) that is within level 2 of the fair value hierarchy.

The fair value of Bonds issued was estimated based on published price quotations in an active market and is within Level 1 of the fair value hierarchy.

The following table below represents the fair values of the derivative financial instruments including trade related financial and physical forward purchase as at 30 June 2020 and 2019.

	As at 30 June 2020			As at 30 June 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Other financial assets						
Physical forwards	—	31,180	31,180	—	21,591	21,591
Futures	6,679	—	6,679	318	—	318
Options	7,494	—	7,494	393	—	393
Total	14,173	31,180	45,353	711	21,591	22,302
Other financial liabilities						
Physical forwards	—	22,303	22,303	—	26,397	26,397
Futures	1,358	—	1,358	9,470	—	9,470
Derivatives held for hedging	—	5,644	5,644	—	—	—
Options	6,977	—	6,977	—	—	—
Total	8,335	27,947	36,282	9,470	26,397	35,867

¹ Including accrued interests

Notes to the Consolidated Statements continued

for the year ended 30 June 2020 (in thousands of US dollars, unless otherwise stated)

Derivative instruments are carried at fair value for which the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the two hierarchy levels, Level 1 and 2, as prescribed by IFRS 13 Fair Value Measurement. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1) or by observable quoted prices sourced from exchanges or brokers in active markets for identical assets or liabilities (Level 2).

Valuation of the Group's commodity physical forward contracts categorized within level 2 is based on observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities and broker mark ups derived from observable quotations representing differentials, as required, including geographic location and local supply and demand.

Major part of other financial liabilities has contractual maturity due within 6 months.

The fair value is estimated to be the same as the carrying value of cash and cash equivalents, trade accounts receivable, other current assets, trade accounts payable, other current liabilities and short-term borrowings due to the short-term nature of the financial instruments. Cash and cash equivalents and short-term borrowings are classified as level 2 fair values in the fair value hierarchy due to the inclusion of directly and indirectly observable inputs. Trade receivables, other current assets and trade accounts payable, other current liabilities are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the year ended 30 June 2020, the fair value of other non-current assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the year ended 30 June 2020, the fair value of other non-current assets recognized at FVTPL was estimated by market comparable approach that is within level 2 in the fair value hierarchy.

As of 30 June 2020, fair value of other non-current assets and liabilities does not differ materially from its carrying amount and are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk. For the year ended 30 June 2020, the fair value of other non-current assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

There were no transfers between levels of fair value hierarchy.

There were no changes in the valuation technique since the previous year.

37. Earnings per Share

Basic earnings per share from continuing and discontinued operations are computed by dividing net income from continuing and discontinued operations available to ordinary shareholders by the weighted-average number of ordinary shares outstanding (as of 30 June 2020 and 2019, 84,031,230 and 81,941,230 shares and 82,983,367 and 81,941,230 weighted average number of ordinary shares for the periods ended then, respectively), excluding any dilutive effects of stock options. Diluted earnings per share are computed in the same way as basic earnings per share, except that the weighted-average number of ordinary shares outstanding is increased to include additional shares from the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options, except those which are not dilutive, were exercised and that the proceeds from such an exercise were used to acquire ordinary shares at the average market price during the reporting period. For calculating diluted earnings per share, an average number of 83,328,986 ordinary shares is taken into account (30 June 2019: 82,820,378).

As of 30 June 2020 and 2019, total of 3,000,000 options granted under the management incentive scheme were excluded from the weighted-average number of ordinary shares calculation for the purpose of diluted earnings per share as antidilutive.

Impact from adoption of new standards on both basic and diluted earnings per share was not material.

38. Subsequent Events

As of 18 September 2020, the agency has affirmed Kernel Holding S.A.'s Long-Term Foreign and Local-Currency (LC) Long-Term Issuer Default Ratings (IDR) at 'BB-' with Stable Outlook, according to a report on the rating agency's website.

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

INDEPENDENT AUDITOR'S REPORT REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Opinion

We have audited the consolidated financial statements of Kernel Holding S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 30 June 2019, the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income for the year then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 June 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p>Valuation of biological assets</p> <p>Under IAS 41, the Group has to measure biological assets at fair value as of reporting date. As of 30 June 2019, the carrying amount of biological assets consisted primarily of current biological assets (mainly crops in fields) in amount of USD 309,030 thousand.</p> <p>Crops in fields are measured using the discounted cash flow technique.</p> <p>The key assumptions used in the preparation of forecasts (see Note 13 to the consolidated financial statements) are:</p> <ul style="list-style-type: none"> - expected yields; - prices; - discount rates. 	<p>We obtained an understanding of controls surrounding valuation of biological assets.</p> <p>We challenged management's assumptions with reference to historical data (yields) and, where applicable, external benchmarks (prices) and market data noting the assumptions used fell within an acceptable range.</p> <p>We performed an independent recalculation of fair value of biological assets as of 30 June 2019 using actual prices subsequent to year end, median actual yields for last five years and a discount rates calculated by our internal valuation specialists.</p> <p>We tested the accuracy and methodology of valuation models.</p> <p>We tested discount rate with the assistance of our internal valuation specialists and carried out audit procedures on management's sensitivity calculations.</p> <p>We considered the appropriateness of the related disclosures provided in the consolidated financial statements (Note 13 to the consolidated financial statements).</p>

Impairment of goodwill

Annually, as of the reporting date, or as required per IAS 36 "Impairment of Assets" more frequently, if there are indicators that the carrying amount of goodwill is no longer recoverable, the Group performs an impairment test. The Group manages its goodwill at the group of cash generating unit ("CGU") level. Impairment is tested with reference to fair value less cost to sell or the value-in-use, typically based on the cash flow forecast for each CGU.

Impairment considerations were significant to our audit because the goodwill balance of USD 107,735 thousand as of 30 June 2019 is material to the consolidated financial statements. In addition, management's assessment process is complex, involves judgment and is based on assumptions, which are affected by expected future market and economic conditions. The key assumptions with the most significant impact on the cash flow forecasts (see Note 17 to the consolidated financial statements) were:

- The discount rate ("WACC"), which is based on the weighted average cost of capital.
- Terminal growth rate.
- Business assumptions, including but not limited to expected operating margins, future production and sales volumes, which are volatile.

Further, key considerations included determination of CGUs, whether the value in use calculation and valuation method used complied with the requirements of IFRS.

We obtained an understanding of controls around goodwill impairment test.

Our procedures included, among other, using internal valuation experts to assist us in evaluating the assumptions and valuation methodologies used by the Group, in particular those relating to the methodology and data used to estimate the WACC of each CGU's value-in-use estimate.

We have also focused on those assumptions that have the most significant effect on the determination of the recoverable amount of goodwill by performing sensitivity analysis.

More specifically:

We performed audit procedures on impairment models relating to sunflower oil and export terminal CGUs. We evaluated reasonableness of the models by comparing the assumptions made to internal and external data. In particular, we:

- compared short-term revenue growth rates to the latest approved budgets and found them to be consistent;
- challenged the reasonableness of the assumptions in management's forecasts with reference to past performance, market conditions and external benchmarks, where applicable;
- assessed the historical forecasting and budgeting accuracy;
- tested the integrity and mathematical accuracy of the models;
- tested discount rate with the assistance of our internal valuation specialists and carried out audit procedures on management's sensitivity calculations;
- prepared our independent estimation of value-in-use for the tested CGUs and compared amount obtained to the carrying value of non-current assets of these CGUs.

We also considered the adequacy of the Group's disclosures in respect of goodwill impairment testing (Note 17 to the consolidated financial statements) and whether disclosures, related to the sensitivity of the valuation model used, properly reflecting the risks inherent in such assumptions.

Revenue recognition

The Group sells different commodities, goods and services to various counterparties as disclosed in Note 25, and operates in different business and geographical segments as described in Note 6 in the consolidated financial statements.

ISAs require an auditor in assessing risk of material misstatement to presume fraud risk in revenue recognition. Given the high volume of underlying transactions and high number of counterparties, we consider a risk that goods can be sold to certain counterparties per prices lower than market prices, with part of the profit margin arising from those sales not included into the consolidated statement of profit or loss.

We obtained an understanding of controls in respect of completeness of revenue.

We have disaggregated revenue population for first-class counterparties (public companies, companies with good reputation identified in prior periods), and less known counterparties or new counterparties ("second tier counterparties").

For second tier counterparties we have performed background search to obtain information about these counterparties. We have compared sales prices for a sample of transactions with such counterparties to market prices at the date of the transactions.

Additionally, we have performed analysis for companies owned by management and the Major Equity Holder and ensured that no such companies are related to the Group's customers.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the Corporate Governance Statement, but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information; we are required to report this fact. We have nothing to report in this regard.

Responsibilities of Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the « Réviseur d'Entreprises Agréé » for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain a reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have been appointed as « Réviseur d'Entreprises Agréé » by the General Meeting of the Shareholders on 10 December 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, included in the management report (in corporate governance section) and as published on the Group's website <http://www.kernel.ua> is the responsibility of the Board of Directors. The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audited services referred to in the EU Regulation No 537/2014 on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, *Cabinet de révision agréé*



Marco Crosetto, *Réviseur d'entreprises agréé*
Partner

27 September 2019

Consolidated Statement of Financial Position

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2019	As of 30 June 2018
Assets			
Current assets			
Cash and cash equivalents	8, 36	76,801	132,018
Trade accounts receivable, net	3, 9, 33, 36	183,196	92,355
Prepayments to suppliers and other current assets, net	3, 10	129,822	113,342
Corporate income tax prepaid	24	8,484	6,937
Taxes recoverable and prepaid, net	11	118,575	114,695
Inventory	12	357,610	368,453
Biological assets	13	309,030	289,436
Other financial assets	36	70,835	72,344
Assets classified as held for sale	14	2,079	14,689
Total current assets		1,256,432	1,204,269
Non-current assets			
Property, plant and equipment, net	15	764,686	588,127
Intangible assets, net	16	114,942	104,466
Goodwill	17	107,735	103,691
Investments in joint ventures	32	51,252	52,218
Deferred tax assets	24	8,447	18,536
Corporate income tax prepaid		4,374	4,645
Other non-current assets	18, 33	155,732	134,562
Total non-current assets		1,207,168	1,006,245
Total assets		2,463,600	2,210,514
Liabilities and equity			
Current liabilities			
Trade accounts payable	36	136,043	73,629
Advances from customers and other current liabilities	19, 33	104,976	104,898
Short-term borrowings	20	183,692	224,773
Current portion of long-term borrowings	21	1,233	2,811
Interest on bonds issued	23, 29, 36	17,949	17,949
Other financial liabilities	36	35,867	51,456
Total current liabilities		479,760	475,516
Non-current liabilities			
Long-term borrowings	21	63,680	2,812
Obligations under finance leases	0	5,230	7,710
Deferred tax liabilities	24	29,010	19,570
Bonds issued	23	496,051	494,796
Other non-current liabilities	7, 33, 36	43,843	32,506
Total non-current liabilities		637,814	557,394
Equity attributable to Kernel Holding S.A. equity holders			
Issued capital		2,164	2,164
Share premium reserve		481,878	481,878
Additional paid-in capital		39,944	39,944
Equity-settled employee benefits reserve		9,111	8,114
Revaluation reserve		62,249	43,815
Translation reserve		(734,396)	(724,054)
Retained earnings		1,489,996	1,318,872
Total equity attributable to Kernel Holding S.A. equity holders		1,350,946	1,170,733
Non-controlling interests		(4,920)	6,871
Total equity		1,346,026	1,177,604
Total liabilities and equity		2,463,600	2,210,514
Book value		1,350,946	1,170,733
Number of shares	37	81,941,230	81,941,230
Book value per share (in USD)		16.49	14.29
Diluted number of shares	37	82,820,378	82,887,231
Diluted book value per share (in USD)		16.31	14.12

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

www.kernel.ua

Kernel Holding S.A. Annual Report and Accounts 30 June 2019

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Consolidated Statement of Profit or Loss

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2019	As of 30 June 2018 ¹
Revenue	25, 33	3,992,133	2,403,003
Net change in fair value of biological assets and agricultural produce	13	9,140	18,699
Cost of sales	26, 33	(3,653,762)	(2,261,230)
Gross profit		347,511	160,472
Other operating income, net	27	28,228	59,092
General and administrative expenses	28, 33	(106,532)	(79,999)
Profit from operating activities		269,207	139,565
Finance costs, net	29, 33	(82,319)	(65,099)
Foreign exchange gain, net	30	12,860	5,375
Other expenses, net	31, 33	(8,376)	(30,980)
Share of (loss)/income of joint ventures	32	(966)	1,193
Profit before income tax		190,406	50,054
Income tax (expenses)/benefit	24	(11,902)	5,900
Profit for the period from continuing operations		178,504	55,954
Profit for the period		178,504	55,954
Profit for the period attributable to:			
Equity holders of Kernel Holding S.A.		189,464	52,143
Non-controlling interests		(10,960)	3,811
Earnings per share			
From continuing operations			
Weighted average number of shares	37	81,941,230	81,941,230
Profit per ordinary share (in USD)		2.31	0.64
Diluted number of shares	37	82,820,378	82,887,231
Diluted profit per ordinary share (in USD)		2.29	0.63

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors

Anastasiia Usachova

Director, Chief Financial Officer

¹ During the year ended 30 June 2019, the Group has changed its accounting policy due to IFRS 15 adoption and changed presentation of Distributions costs and included them in Cost of sales. Comparative information was reclassified respectively. Please see Note 3 for more details and description of changes in accounting policy and reclassifications made

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

	30 June 2019	30 June 2018
Profit for the period	178,504	55,954
Other comprehensive income/ (loss)		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of property (Note 15)	25,833	—
Income tax related to components of other comprehensive income (Note 24)	(4,650)	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(10,979)	(16,574)
Other comprehensive income/(loss), net	10,204	(16,574)
Total comprehensive income for the period	188,708	39,380
Total comprehensive income/(loss) attributable to:		
Equity holders of Kernel Holding S.A.	200,305	35,547
Non-controlling interests	(11,597)	3,833

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors

Anastasiia Usachova

Director, Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Attributable to Kernel Holding S.A. shareholders										
	Issued capital	Share premium reserve	Additional paid-in capital	Equity-settled employee benefits reserve	Revaluation reserve	Translation reserve	Retained Earnings	Total	Non-controlling interests	Total equity
Balance as of 30 June 2017	2,164	481,878	39,944	7,014	43,815	(707,458)	1,285,671	1,153,028	4,581	1,157,609
Profit for the period	—	—	—	—	—	—	52,143	52,143	3,811	55,954
Other comprehensive (loss)/income	—	—	—	—	—	(16,596)	—	(16,596)	22	(16,574)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(16,596)	52,143	35,547	3,833	39,380
Distribution of dividends	—	—	—	—	—	—	(20,485)	(20,485)	—	(20,485)
Effect of changes in non-controlling interests	—	—	—	—	—	—	1,543	1,543	(1,543)	—
Recognition of share-based payments (Note 2)	—	—	—	1,100	—	—	—	1,100	—	1,100
Balance as of 30 June 2018 (as previously reported)	2,164	481,878	39,944	8,114	43,815	(724,054)	1,318,872	1,170,733	6,871	1,177,604
Effect of IFRS 9 implementation (Note 3, 9)	—	—	—	—	—	—	(314)	(314)	—	(314)
Balance as of 1 July 2018 (restated)	2,164	481,878	39,944	8,114	43,815	(724,054)	1,318,558	1,170,419	6,871	1,177,290
Profit/(Loss) for the period	—	—	—	—	—	—	189,464	189,464	(10,960)	178,504
Other comprehensive income/(loss)	—	—	—	—	21,183	(10,342)	—	10,841	(637)	10,204
Total comprehensive income/(loss) for the period	—	—	—	—	21,183	(10,342)	189,464	200,305	(11,597)	188,708
Distribution of dividends (Note 2)	—	—	—	—	—	—	(20,485)	(20,485)	—	(20,485)
Disposal of subsidiaries	—	—	—	—	(1,626)	—	1,626	—	—	—
Effect of changes on minority interest	—	—	—	—	—	—	(290)	(290)	(194)	(484)
Recognition of share-based payments (Note 2)	—	—	—	997	—	—	—	997	—	997
Transfer of revaluation reserve	—	—	—	—	(1,123)	—	1,123	—	—	—
Balance as of 30 June 2019	2,164	481,878	39,944	9,111	62,249	(734,396)	1,489,996	1,350,946	(4,920)	1,346,026

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors

Anastasiia Usachova

Director, Chief Financial Officer

Consolidated Statement of Cash Flows

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2019	As of 30 June 2018
Operating activities:			
Profit before income tax		190,406	50,054
Adjustments for:			
Amortization and depreciation		76,303	82,975
Finance costs, net	29	82,319	65,099
Movement in allowance for doubtful receivables		7,905	997
Other accruals	31	5,036	44,870
Gain on disposal of property, plant and equipment		(605)	(791)
Net foreign exchange gain		(13,840)	(12,179)
Write-offs and (reversal)/impairment loss	16, 17, 31	(116)	577
Net change in fair value of biological assets and agricultural produce	13	(9,140)	(18,699)
Gain on bargain purchase	7, 31	—	(2,309)
Share of loss/(income) of joint ventures	32	966	(1,193)
Gain on sales of subsidiaries	7, 31	(4,833)	(2,972)
Net loss/(gain) arising on financial assets classified as at fair value through profit or loss		23,662	(23,137)
Other losses		10,234	—
Operating profit before working capital changes		368,297	183,292
Changes in working capital:			
Change in trade and other accounts receivable ¹		(131,516)	(7,902)
Change in prepayments and other current assets		(13,706)	(52,382)
Change in restricted cash balance		538	3,251
Change in taxes recoverable and prepaid		441	3,273
Change in biological assets		18,779	1,675
Change in inventories		(24,160)	9,866
Change in trade accounts payable		60,055	19,049
Change in advances from customers and other current liabilities		(4,328)	(8,065)
Cash generated from operations		274,400	152,057
Interest paid		(76,233)	(69,482)
Interest received		3,829	5,106
Income tax paid		(3,346)	(5,204)
Net cash generated by operating activities		198,650	82,477
Investing activities:			
Purchase of property, plant and equipment		(166,988)	(146,565)
Proceeds from disposal of property, plant and equipment		9,754	7,053
Purchase of intangible and other non-current assets		(25,375)	(15,670)
Acquisition of subsidiaries, net of cash acquired	7	(56,272)	(46,512)
Disposal of subsidiaries	7	11,313	24,706
Amount advanced for subsidiaries		3,873	(1,996)
Amount advanced to related parties		(10,085)	—
Proceeds from disposal of financial assets		—	23,290
Payment to acquire financial assets		(7,624)	—
Net cash used in investing activities		(241,404)	(155,694)
Financing activities:			
Proceeds from borrowings		577,983	777,599
Repayment of borrowings		(516,713)	(680,026)
Payment of dividends	2	(20,485)	(20,485)
Financing for farmers		(11,083)	—
Net cash generated by financing activities		29,702	77,088
Effects of exchange rate changes on the balance of cash held in foreign currencies		(600)	(967)
Net increase in cash and cash equivalents		(13,652)	2,904
Cash and cash equivalents, at the beginning of the year		90,069	87,165
Cash and cash equivalents, at the end of the year		76,417	90,069

For non-cash financing activities please see Note 8.

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors

Anastasiia Usachova

Director, Chief Financial Officer

¹ Includes movement in other financial assets

Notes to the Consolidated Statements

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

1. Corporate Information

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

Kernel Holding S.A has been a publicly traded company since 2007. Its ordinary shares are traded on the Warsaw stock exchange.

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly corn, soybean, wheat and barley), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities is primarily based in Ukraine. As of 30 June 2019, the Group employed 13,397 people (15,116 people as of 30 June 2018).

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

The principal operating office of the Group is located at 3 Tarasa Shevchenka Lane, Kyiv, 01001, Ukraine.

As of 30 June 2019 and 30 June 2018, the primary Subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest and voting rights as of	
			30 June 2019	30 June 2018
Jerste S.a.r.l.	Holding companies.	Luxembourg	100.0%	100.0%
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%
Avere Commodities SA		Switzerland	60.0%	60.0%
Ukragroinvest LLC		Ukraine	100.0%	100.0%
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%
Prykolotnoe OEP LLC		Ukraine	100.0%	100.0%
Kropyvnytskyi OEP PJSC ¹		Ukraine	99.2%	99.2%
Ekotrans LLC ²		Ukraine	0.0%	100.0%
BSI LLC		Ukraine	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%	100.0%
Estron Corporation Ltd		Cyprus	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.0%	94.0%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%
Bilovodskyi KHP PJSC		Ukraine	91.12%	91.12%
Unigrain-Agro (Semenivka) LLC ³	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	0.0%	100.0%
Agrofirma Arshytsya LLC ⁴		Ukraine	0.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%
Vyshneve Agro ALLC ⁵		Ukraine	0.0%	100.0%
Prydniprovskyi Kray ALLC		Ukraine	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%
Agro Invest Ukraine LLC ⁵		Ukraine	0.0%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	100.0%
Buymerske PE ⁶		Ukraine	0.0%	100.0%

These consolidated financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 27 September 2019.

¹ The company was renamed from Kirovogradoliya PJSC

² The company was disposed on 30 July 2018

³ The company merged with Prydniprovskyi Kray ALLC

⁴ The company merged with Hovtva ALLC

⁵ The company merged with Hliborob LLC

⁶ The company merged with AF Semerenky LLC

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg). The issued capital of the Holding as of 30 June 2019, consisted of 81,941,230 ordinary electronic shares without indication of the nominal value (30 June 2018: 81,941,230). Ordinary shares have equal voting rights and rights to receive dividends.

The shares were distributed as follows:

	As of 30 June 2019		As of 30 June 2018	
	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Equity holders				
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	32,716,775	39.93%	32,344,404	39.47%
Free float	49,224,455	60.07%	49,596,826	60.53%
Total	81,941,230	100.00%	81,941,230	100.00%

As of 30 June 2019 and 2018, 100% of the beneficial interest in the Major Equity Holder was held by Andrii Mykhailovych Verevskyi (hereinafter the 'Beneficial Owner').

As of and during the year ended 30 June 2019, the fair value of the share-based options granted to the management was USD 9,111 thousand and USD 997 thousand was recognized as an expense (part of payroll and payroll related expenses), with a corresponding increase in equity over the vesting period (as of and during the year ended 30 June 2018: USD 8,114 thousand and USD 1,100 thousand, respectively).

On 10 December 2018, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share amounting to USD 20,485 thousand.

On 25 April 2019, the dividends were fully paid to the shareholders.

On 10 November 2017 the Company received a notification from Cascade Investment Fund, regarding the acquisition of shares in Kernel Holding S.A. The Cascade Investment Fund held 5,397,453 shares in the Company, representing 6.59% of the share capital and entitling it to 5,397,453 votes at the Company's general shareholders' meeting, equal to 6.59% of the total number of votes.

On 18 June 2018, the Company received a notification from Julius Baer Group Ltd, regarding the acquisition of shares in Kernel Holding S.A. that on 8 June 2018 it had crossed 5% threshold. The Julius Baer Group Ltd held 5,098,297 shares in the Company, representing 6.22% of the share capital.

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 216 thousand as of 30 June 2019 and 2018, may not be distributed as dividends.

3. Summary of Significant Accounting Policies

Basis of Preparation and Accounting

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment for bulk and bottled oil segments, assets held for sale, biological assets, agricultural produce and certain financial assets and liabilities - measured at fair value. The consolidated financial statements have been prepared on a going concern basis.

The Group's Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group's Subsidiaries' accounts under local accounting regulations, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Adoption of New and Revised Standards

In the current year, the Group has adopted a number of new and revised IFRS standards that became effective as of 1 July 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduced a 5-step model to revenue recognition where entities have to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The Group elected the modified retrospective method (without practical expedients) with the effect of initially applying this standard recognized at the date of initial application as of 1 July 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 July 2018. As the majority of the Group's revenue is derived from commodity sales, for which the point of recognition is dependent upon contract sales terms (Incoterms), the transfer of risks and rewards as defined by IAS 18 and the transfer of control as defined by IFRS 15 could differ. The application of IFRS 15 has an impact on the Group's commodity sales as it may be necessary to recognize a separate performance obligation and allocate part of the transaction price to a carriage and freight services incorporated in some contracts that the Group undertakes to perform. The Group allocates the transaction price based on the relative stand-alone selling prices of the commodities and supporting services. The revenue from these carriage and freight services is recognized over time.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has been entitled for receipt of consideration from the customer. Contract liabilities are included in advances from customers and other current liabilities line item.

As of 30 June 2018, there were no incomplete contracts, which will materially affect revenue recognition retrospectively. As such, the adoption of this standard has had no material impact in respect of timing and amount of revenue recognized by the Group and accordingly retained earnings have not been impacted by the first application of the standard.

The Group's accounting policies for its revenue streams are disclosed in detail in note below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group. However, in context of IFRS 15, the Group decided to change its accounting policy for presentation of distribution costs as illustrated below in paragraph 'Change in Accounting Policy'.

The adoption of IFRS 15 has had no material impact with respect to timing of recognition for carriage, freight and insurance services

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group reassess classification of financial assets from four to three primary categories (amortized cost, fair value through profit and loss, fair value through other comprehensive income). Reclassification depends on the business model for managing the financial assets and the contractual terms of the cash flows characteristics. Financial liabilities continue to be measured at either fair value through profit and loss or amortized cost. In addition, IFRS 9 introduced an expected credit loss ("ECL") impairment model, which means that anticipated as opposed to incurred credit losses are recognized resulting in earlier recognition of impairments.

In accordance with the transitional guidance, comparative figures have not been restated for prior year other than certain presentation changes. Therefore, the difference between the carrying amount of financial instruments under IAS 39 and the carrying amount under IFRS 9 has been recognized in the opening retained earnings as at date of initial application as of 1 July 2018.

The following summarizes the impact of transition to IFRS 9 on the opening balance of reserves, retained earnings and non-controlling interest:

- Presentational changes primarily in the trade accounts receivable (Note 9) and prepayments to suppliers and other current assets (Note 10) disclosures to reflect the business model and cash flow characteristics of these assets and liabilities and group them into their respective IFRS 9 category or other IFRS classification;
- Additional disclosure around classification and measurement of financial instruments; and
- An additional net credit loss allowance of USD 314 thousand as at 1 July 2018, recognized against opening retained earnings.

The Group considered that the new classification requirements do not have a material impact on its accounting for financial assets and liabilities previously classified as receivables and loans. Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. An increase of USD 314 thousand in the allowance for impairment over these receivables was recognized in opening retained earnings at 1 July 2018 on transition to IFRS 9.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: disclosures that are applied to disclosures about 2018, but have not been generally applied to comparative information.

The Group has adopted the other standards and interpretations effective for annual periods beginning on or after 1 July 2018.

The adoption of new standards, except for IFRS 15, had no effect on earnings per share either in the current or previous periods.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The adoption of other new or revised standards did not have any material effect on the consolidated financial position or performance of the Group and any disclosures in the Group's consolidated financial statements.

Standards and Interpretations Issued but not Effective

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment (on-balance sheet) in the financial statements of both lessees and lessors. Under the new standard, a lessee is required to recognize the present value of the unavoidable lease payments as a lease liability on the statement of financial position (including those currently classified as operating leases) with a corresponding right of use asset. The unwind of the financial charge on the lease liability and amortization of the leased asset are recognized in the statement of income based on the implied interest rate and contract term respectively. On transition, for leases previously accounted for as operating leases exist exemptions for short-term leases and leases of low-value items. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Furthermore, extensive disclosures are required by IFRS 16.

The Group will apply this standard retrospectively with the cumulative effect recognized in retained earnings at the date of initial application on 1 July 2019 as permitted under the specific transition provisions in the standard. Under this approach, the Group will not restate amounts previously reported and will apply the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 July 2019. The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting is as follows:

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet. On initial application of IFRS 16, for all leases (except as noted below), the Group will:

- Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis. Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of USD 591,547 thousand. A preliminary assessment indicates, and hence the Group may recognize a right-of-use asset and a corresponding lease liability in a range between USD 245,000 thousand and USD 335,000 thousand in respect of all these leases, other than short-term leases and leases of low-value assets. The impact on the consolidated statement of profit or loss and other comprehensive income, the Group will be recognizing depreciation charges on right to use-of-asset and the interest expense from unwinding the lease the discount on the lease liability instead of rental payments in cost of sales and general and administrative expenses.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities and to increase net cash used in financing activities by the same amount.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Group will present equipment previously included in property, plant and equipment within the respective note lines in property, plant and equipment, disclosing them as right-of-use assets and the lease liability, previously presented within obligations under finance lease, will be presented in a separate note line within lease liabilities.

The above assessment for IFRS 16 is preliminary because not all transition work has been finalized. The actual effect of adopting IFRS 16 may change because their adoption will require the Group to revise its accounting processes and internal controls and these changes are not yet completed. The new accounting policies, assumptions, judgements and estimation techniques are subject to changes until the Group finalizes its first consolidated financial statements that include the date of initial application.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Standards and Interpretations Issued but not Effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations, as well as amendments to the standards had been issued but were not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance contracts	1 January 2021
Amendments to IAS19: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Annual improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 3 Definition of a Business	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

For other standards and interpretations, management anticipates that their adoption will not have a material effect on the consolidated financial statements of the Group in future periods.

Change in Accounting Policy

Starting from 1 July 2018, the Group voluntarily changed its accounting policy relating to the classification of distribution expenses charged to its customers. The Group sells products to customers based on different selling terms, which include among other carriage and freight services, storage and dispatch services which are relating to costs incurred to store and to prepare goods for delivery and some other distribution services (custom, certification and sanitation services and other services). These services are relating to costs incurred to deliver goods to the customers' indicated locations and consist mostly of services provided by third parties. Carriage and freight, storage and dispatch costs and other distribution expenses have been previously presented cumulative as distribution costs.

The Group decided to change the accounting policy regarding classification of distribution costs upon analysis of its performance obligations and principal versus agent considerations according to the requirements of the new revenue standard (IFRS 15), adopted by the Group starting from 1 July 2018. More specifically, the Group has identified a separate performance obligation relating to freight and other related services. Furthermore, since the control over promised goods or services is transferred to the customers only upon their receipt of the goods or services, the Group is considered to be a principal in providing freight and other services. As such and since the proceeds from freight and other services are presented gross within Revenues, the corresponding cost of such services should be also presented gross in Cost of sales. Based on the above, the Group decided to present all cost relating to freight and other related services within Cost of sales and to apply the above mentioned change in the accounting policy retrospectively in order to eliminate inconsistency in presentation of carriage and freight and other related distribution expenses and to comply with the requirements of the new revenue standard.

This approach is most commonly used in the industry and the Group's management believes that such change in accounting policy will provide more precise, relevant and consistent approach towards gross profit result of the Group.

The effect of the retrospective application of this policy on the Consolidated Financial Statement of Profit or Loss was as follows:

	For the year ended 30 June 2019			For the year ended 30 June 2018		
	New Policy	Old Policy	Effect of the change in accounting policy	New Policy	Old Policy	Effect of the change in accounting policy
Cost of sales	3,653,762	3,345,500	308,262	2,261,230	2,107,677	153,553
Distribution costs	—	308,262	(308,262)	—	153,553	(153,553)

The change in accounting policies had no effect on earnings per share either in the current or previous periods.

Functional and Presentation Currency

The Group's presentation currency is the United States dollar (USD). The functional currency of the majority of the Group's foreign Subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil, for which USD was selected as the functional currency.

Foreign Currencies

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

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Consolidated Statement of Profit or Loss and Other Comprehensive Income accumulated in 'Translation reserve'.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The exchange rates during the period of the financial statements were as follows:

Currency	Closing rate as of 30 June 2019	Average rate for the year ended 30 June 2019	Closing rate as of 30 June 2018	Average rate for the year ended 30 June 2018
USD/UAH	26.1664	27.2935	26.1892	26.5878
USD/EUR	0.8781	0.8767	0.8584	0.8385
USD/PLN	3.7336	3.7681	3.7440	3.5495

The average exchange rates for each period are calculated as the arithmetic mean of the exchange rates for all trading days during this period. The sources of exchange rates are the official rates set by the National Bank of Ukraine for USD/UAH and by the National Bank of Poland for USD/EUR and USD/PLN.

All foreign exchange gain or loss that occurs on revaluation of monetary balances, presented in foreign currencies, is allocated as a separate line in the Consolidated Statement of Profit or Loss.

Basis of Consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Holding (Subsidiaries) as of 30 June 2019.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its Subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a Subsidiary begins when the Company obtains control over the Subsidiary and ceases when the Company loses control of the Subsidiary. Specifically, income and expenses of a Subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the over Subsidiary.

All inter-company transactions and balances between the Group's enterprises are eliminated for the consolidation purpose. Unrealized gains and losses resulting from inter-company transactions are also eliminated, except for unrealized losses that cannot be recovered.

Non-controlling interests as of the reporting date represent the non-controlling equity holders' portion of the fair values of the identifiable assets and liabilities of the Subsidiary at the acquisition date and the non-controlling equity holders' portion of movements in equity since the date of acquisition. The total comprehensive income of Subsidiaries is attributed to the equity holders of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and equity interests issued by the Group in exchange for control of the acquire. Acquisition costs are expensed when incurred and included in general and administrative expenses.

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

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

For each business combination, the Group measures the non-controlling interests in the acquire either at fair value or at a proportionate share of the acquirer's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

which the combination occurs, only provisional amounts are reported, which can be adjusted during a measurement period of 12 months after the acquisition date.

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

Goodwill

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

Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. The cash generated units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the entity.

Investments in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the profit or loss in the period in which the investment is acquired.

Non-current assets held for sale and Discontinued Operations

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

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

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control, and there is sufficient evidence that the Group remains committed to its plan to sell the asset. In such circumstances, the asset is measured at its fair value less costs to sell at each reporting date. Any impairment loss arising subsequent to reclassification as held for sale is recognized in the Consolidated Statement of Profit or Loss. Non-current assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the balance sheet.

If criteria for classification of the asset as held for sale are no longer met at the reporting date, the Group ceases to classify the asset as held for sale.

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

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

The result from discontinued operations is presented in the Consolidated Statement of Profit or Loss as a separate item after the profit from continuing operations. If the criteria for classification of the disposal group held for sale are met after the reporting date, the disposal group is not

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presented as held for sale in those consolidated financial statements when issued. However, when those criteria are met after the reporting date but before the authorization of the consolidated financial statements for issue, the Group discloses the relevant information in the notes to the consolidated financial statements.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Inventories

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

Biological Assets and Agricultural Produce

The Group classifies crops in fields and cattle as biological assets. The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any resulting gain or loss recognized in the Consolidated Statement of Profit or Loss. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell estimated at the point of harvest. A gain or loss arising from the initial recognition of agricultural produce at fair value less costs to sell is included in the Consolidated Statement of Profit or Loss.

Biological assets for which quoted market prices are not available and for which alternative estimates of fair value are considered to be clearly unreliable are measured using the present value of expected net cash flows from the sale of an asset discounted at a current market-determined rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition.

Cost of agricultural preparation of fields before seeding is recorded as work-in-progress in inventories. After seeding, the cost of field preparation is recognized as biological assets held at fair value less costs to sell.

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets. All of the Group's biological assets except non-current cattle were classified as current, as their average useful life is less than one year.

Property, Plant, and Equipment

Buildings, constructions, production machinery and equipment (oilseeds processing segment) are accounted for at revalued amounts, being the fair value, which is determined using external professional expert evaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated in revaluation reserve in equity. However, such an increase is recognized in the Consolidated Statement of Profit or Loss to the

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extent that it reverses a revaluation decrease of the same asset previously recognized in the Consolidated Statement of Profit or Loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the Consolidated Statement of Profit or Loss. However, such a decrease is debited directly to the Other Comprehensive Income or Loss to the extent of any credit balance existing in the revaluation surplus with respect to that asset.

Depreciation on revalued assets is charged to the Consolidated Statement of Profit or Loss. On the subsequent sale or retirement of revalued assets, the revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized. Property, plant and equipment are depreciated over the estimated useful economic lives of assets under the straight-line method.

Useful lives of property, plant, and equipment are as follows:

Buildings and constructions	20 - 50 years
Production machinery and equipment	10 - 20 years
Agricultural equipment and vehicles	3 - 10 years
Other fixed assets	5 - 20 years
Construction in progress (CIP) and uninstalled equipment	not depreciated

Except for land, building and constructions and production machinery and equipment of oilseeds processing segment, all other property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses and is not depreciated.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of assets or increase their revenue-generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are presented the Consolidated Statement of Profit or Loss as incurred.

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

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

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated depreciation and accumulated impairment losses. Amortization is primarily recognized within "Cost of Sales" on a straight-line basis over their estimated useful lives. The amortization method and estimated useful life are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately shall not be amortized and are carried at cost less accumulated impairment loss.

Trademarks

The 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks have indefinite useful lives and are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

Land Lease Rights

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

Amortization of land lease rights is calculated on a straight-line basis during the term of a lease contract. For land lease rights acquired in business combination, the amortization period varies from 1 to 22 years. The amortization period for emphyteusis contracts varies from 20 to 90 years.

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the Consolidated Statement of Profit or Loss when the asset is derecognized.

Impairment of tangible and intangible assets, except Goodwill

At each reporting date, the Group reviews the carrying amounts of the Group's non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks

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specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Financial Instruments

Financial asset and financial liability are recognized in the Group's Consolidated Statement of Financial Position when, and only when, the Group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets are classified as either to the following categories financial assets at amortized cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL). The classification depends on the nature and purpose of the financial assets or financial liabilities and is determined at the time of initial recognition.

The Group does not have financial instruments carried at FVTOCI. The Group measures derivative instruments and investments made in equity instruments at FVTPL, all other financial instruments are measured at amortized cost.

Financial assets and financial liabilities are initially measured at fair value. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Amortized cost and effective interest method

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The effective interest method calculates the amortized cost of a debt instrument and allocates interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss. The effect of initial recognition of financial assets and liabilities obtained/incurred at terms below the market is recognized net of the tax effect as an income or expense, except for financial assets and liabilities with shareholders or entities under common control, whereby the effect is recognized through equity.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and all the risks and rewards to another entity. If the Group neither transfers nor substantially retains all the risks and rewards of ownership

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and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group substantially retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes collateralized borrowing for the proceeds received.

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

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

Impairment of financial assets

The Group recognizes a loss allowance for ECL (expected credit losses) on a financial asset, other than those at FVTPL, at the end of each reporting period. The amount of ECL and other current assets is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies a simplified approach permitted by IFRS to measuring ECL which uses a lifetime expected loss allowance for trade receivables and other current assets. The ECL on trade receivables and other current assets is estimated using a provision matrix, based on historical credit loss experience and credit rating of customers, adjusted on observable and reasonable information.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

- (1) the carrying amount of the liability before the modification; and
- (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

Commodity derivatives

The Group enters into variety of derivative financial instruments including futures, options and physical contracts to buy or sell commodities, which do not meet the own use exemption. These derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in the profit or loss within Other operating income, net, unless the derivative is designated and effective hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Fair values are determined using quoted market prices, broker quotations or using models and other valuation techniques.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Other financial assets include margin accounts that are represented by variation margin and initial margin held in respect of open exchange-traded futures and forwards contracts. Margin accounts are measured at amortized cost.

Derivatives are not offset in the consolidated financial statements unless the Group has both legal right and intention to offset. As of 30 June 2019 and 2018, the impact of the Master Netting Agreements on the Group's financial position was not material.

Leases

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as an obligation under finance lease.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

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Taxes Recoverable and Prepaid

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

Employee Benefits

Certain entities within the Group participate in a mandatory government defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period.

The liability recognized in the Consolidated Statement of Financial Position with respect to the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date, less adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid.

Equity-settled Transactions

Equity-settled share-based payments with employees are measured by reference to the fair value at the grant date and are recognized as an expense over the vesting period, which ends on the date the relevant employees become fully entitled to the award.

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

At each reporting date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognized in the Consolidated Statement of Profit or Loss, with a corresponding entry in equity.

Provisions

A provision is recognized in the Consolidated Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation amount can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Contingencies

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

Revenue from contracts with customers

Sale of Goods and Finished Products

The Group produces and sells a range of agricultural commodities, sunflower oil and meal in the wholesale market. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. A receivable is recognized by the Group when the control over goods is transferred to the wholesaler as this represents the point of time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Timing of billing is generally close to the timing of performance obligation satisfaction, respectively, amount of contract assets and contract liabilities is not material.

The promise to provide freight and insurance services after control is transferred is a separate performance obligation for which part of the transaction price is allocated. Revenue relating to these services is recognized over time. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service. For provision of such services the Group regularly engages third-party service providers to provide freight and other services to its customers. When the Group obtains a contract from a customer, the Group enters into a contract with one of those service providers, directing the service provider to render freight and other services for the customer. The Group is obliged to pay the service provider even if the customer fails to pay. Also, the Group is responsible for inventory risk during the freight service provision.

Rendering of Services

Revenue is recognized over the period of time as the service is rendered. The main type of services provided by the Group are transshipment services by terminals and crop cleaning, drying and storage services by the Group's silos. Revenue from transshipment services is recognized using input methods based on a time-and-materials basis as the services are provided. Revenue from grain cleaning, drying and storage services is recognized on an accrual basis, based on the fees for the specific service, volumes of crops under service and days of storage.

VAT benefits

Till 31 December 2016, in accordance with the Tax Code of Ukraine the Group's enterprises that qualify as agricultural producers were entitled to retain a portion of net VAT payable which were recognized as VAT benefits. Starting from 1 January 2017 the special VAT treatment regime has been abolished but VAT benefits on prepayments received up to this date are recognized upon subsequent sales.

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Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Borrowing Costs

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

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

All other borrowing costs are recognized in the Consolidated Statement of Profit or Loss in the period in which they are incurred. The interest expense component of finance lease payments is recognized in the Consolidated Statement of Profit or Loss using the effective interest rate method.

Taxation

Income taxes have been provided for in the consolidated financial statements in accordance with legislation currently enacted in the legal jurisdictions where the operating entities are located. Income tax expense represents the sum of the tax currently payable and deferred tax expense.

Current and deferred tax for the year

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

Current tax

The current income tax charge is the amount expected to be paid to, or recovered from, taxation authorities with respect to taxable profit or losses for the current or previous periods. It is calculated using tax rates that have been enacted or substantially enacted by the reporting date in the countries where the Holding and its Subsidiaries operate and generate taxable income. Taxable profit differs from 'profit before tax' because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible taxes other than income tax are recorded within operating expenses. Some of the Group's companies that are involved in agricultural production are exempt from income taxes and pay the Unified Agricultural Tax instead.

Deferred tax

Deferred income tax is recognized on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period that are expected to apply to the period when the temporary differences will reverse, or the tax loss carried forward will be utilized. Deferred tax assets for deductible temporary differences and tax losses carried forward are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when:

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

Reclassifications

Certain reclassifications have been made to the consolidated financial statements as of 30 June 2018 and for the year then ended to conform to the current year's presentation.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The application of IFRS requires the use of reasonable judgments, assumptions and estimates. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The estimates are based on the information available as of the reporting date. Actual results could differ from these estimates.

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

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue Recognition

In the normal course of business, the Group engages in sale and purchase transactions for the purpose of exchanging grain in various locations to fulfill the Group's production and trading requirements. In accordance with the Group's accounting policy, revenue is not recognized with respect to the exchange transactions involving goods of a similar nature and value. The Group's management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying grain is of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying grain indicates that the substance of the transaction is an exchange of similar goods. The amount of exchange transactions involving goods of a similar nature amounted to USD 105,783 thousand and USD 34,305 thousand for the years ended 30 June 2019 and 2018, respectively.

Revaluation of Property, Plant and Equipment

As described in Note 3, the Group applies the revaluation model to the measurement of buildings and constructions and production machinery and equipment (bulk and bottled oil segments). At each reporting date, the Group carries out a review of the carrying amount of these assets to determine whether the carrying amount differs materially from fair value. The Group carries out such a review by preparing a discounted cash flow analysis involving assumptions on projected revenues and costs, and a discount rate. Additionally, the Group considers economic stability and the availability of transactions with similar assets in the market when determining whether to perform a fair value assessment in a given period.

Useful Lives of Property, Plant and Equipment

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

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

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

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

Key sources of estimation uncertainty

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

Revaluation of Property, Plant and Equipment

The Group appointed an independent appraiser to perform a revaluation of buildings, constructions, production machinery and equipment used in the sunflower oil segments (oilseeds processing segment) as of 30 June 2019. The independent appraiser has performed the valuation in accordance with International Valuation Standards applying the following techniques:

- depreciated replacement cost for buildings and constructions; and
- depreciated replacement cost and market comparable approach, if applicable, for production machinery and equipment.

Depreciated replacement cost reflects the cost to a market participant to purchase or construct the comparable asset, adjusted for physical, functional or economical depreciation, and obsolescence. Depreciated replacement cost approach was based on internal sources and analysis of the Ukrainian and international markets for similar property, plant and equipment. Economical obsolescence was determined using the discounted cash flow method. Cash flows were projected based on past experience, actual operating results and analyses of market inputs. The fair value of non-specialized in nature property, plant and equipment had been determined using market approach that reflects recent transaction prices for comparable assets.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Key assumptions used by the independent appraiser in assessing the fair value of property, plant and equipment using the replacement cost and market comparable methods were as follows:

- present condition of particular assets based on examination of valuation experts and physical wear-and-tear;
- changes in prices of equipment, construction materials and services from the date of their acquisition/construction to the date of valuation represented by inflation rates;
- external prices for production machinery and equipment; and
- other external and internal factors that might have effect on fair value of property, plant and equipment under review.

The results of revaluation using the depreciated replacement cost and market comparable approaches were then compared with results of income approach for corresponding assets to test whether impairment indicators exist.

Description	Fair value as of 30 June 2019	Value techniques	Fair value hierarchy	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Buildings and constructions	207,882	Depreciated replacement cost	Level 3	Index of physical depreciation	0 - 80% (36%)	The higher the index of physical depreciation, the lower the fair value
Production machinery and equipment	68,314	Depreciated replacement cost	Level 3	Index of physical depreciation	0 - 82 (56%)	The higher the index of physical depreciation, the lower the fair value
Production machinery and equipment	19,123	Market comparables	Level 3	Index of physical depreciation	0 - 82 (69%)	The higher the index of physical depreciation, the lower the fair value

If the above unobservable inputs to the valuation model were 5 p. p. higher/lower while all other variables were held constant, the carrying amount of the buildings and constructions and production machinery and equipment would decrease/increase by USD 20,349 thousand and USD 22,154 thousand, respectively.

Distribution of revaluation surpluses to participants is denoted by local legislation.

Impairment Testing of Property, Plant and Equipment

Management reviews the carrying amounts of assets to determine whether there is any indication that those assets are impaired.

In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

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

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

As of 30 June 2019, no indicators of property, plant and equipment impairment have been identified except for the results of revaluation of property, plant and equipment (Note 31).

Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives

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

As of 30 June 2019, the carrying amount of goodwill and intangible assets with indefinite useful lives amounted to USD 120,836 thousand (30 June 2018: USD 116,676 thousand). As of 30 June 2019, no impairment loss for goodwill and intangible assets with indefinite useful lives was recognized (Notes 16, 17) (30 June 2018: USD 577 thousand). Details of the management assumptions used to assess the recoverable amount of cash-generating units for which goodwill and intangible assets with indefinite useful lives have been allocated to are provided in Notes 16 and Note 17.

Provision for ECL of trade and other receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating). The amount of ECL is sensitive to changes in circumstances and of forecasts economic conditions. The Group uses reasonable and supportable forward-looking information for the forecast of economic conditions when measuring ECL. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Fair Value of Biological Assets and Agricultural Produce

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

- Expected crop output (for crops in fields);
- Expected future inflows from livestock;
- Average number of heads of milk cows and its weight;
- Productive life of one milk cow;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell; and
- Discount rate.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results (Note 13).

Fair value measurements

Derivative instruments are carried at fair value for which the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by IFRS 13 Fair Value Measurement. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring Group to make market-based assumptions (Level 3). Level 3 inputs therefore include the highest level of estimation uncertainty.

5. Operating Segments

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

Segments in the consolidated financial statements are defined in accordance with the type of activity, products sold or services provided.

Starting from FY 2019, the Group has changed the presentation of segment information in line with the performance management approach to its business activities. Comparative information as of 30 June 2018 was restated to reflect the changes in presentation.

Starting with 1 July 2018, Kernel is presenting its segment results within three business segments: Oilseeds Processing, Infrastructure and Trading, and Farming. The reason behind this aggregation is to align representation with the management decision making, as business processes within the historical six business segments are not separate and decisions are mostly made to account for the combined effect on several segments.

In Oilseeds Processing segment, the Group combines what was previously reported as Sunflower Oil Sold in Bulk and Bottled Oil segments. With expansion of the Group's oilseed processing capacities devoted to bulk oil, the share of Kernel's sales of sunflower oil through bottled oil channel has naturally declined, thus decreasing materiality of this sales channel. Furthermore, other sales channels emerged as the size of oilseed processing business evolved, while oil sold through different channels exhibit similar profitability trends. In the financial year ended 30 June 2018, bottled oil contributed less than 10% to the Company's EBITDA. Kernel's oilseed crushing business is managed jointly and thus split into segments is not justifiable.

In Infrastructure and Trading segment, the Group combines what was previously presented in Export Terminals, Silo Services, and Grain segments. These parts of the business form an integrated supply chain which is managed jointly. The management's decision-making has evolved compared with previous years to account for a throughput margin while making a decision on whether to buy or not a specific volume of grain. Under current framework, the management considers export terminals and grain storage facilities as production assets which serve grain merchandizing business and consequently uses a combined throughput margin to evaluate performance of Infrastructure and Trading business. In FY2019, 99% of the Group's export terminals capacity and majority of grain storage capacity were used for the Group's own export volumes. The results of the Infrastructure and Trading segment incorporate savings achieved by acquiring and employing the Company's own railcar park. Also, the Infrastructure and Trading segment include the results of the Avere Commodities S.A. and its subsidiaries (hereinafter, Avere).

In Farming segment, the Group continues to report results of its crop production business, which includes growing of corn, wheat, soybean, sunflower seed and rapeseed on the leasehold land, as well as some minor crops and small cattle farming operations. The scope of the farming segment under new segment reporting structure corresponds to the farming segment reported previously.

Presentation of the operating segments' activities in previous consolidated financial statements was as follows:

Operating segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil sold in bulk	Production and sales of sunflower oil sold in bulk (crude and refined) and meal.
Export terminals	Grain handling and transshipment services in the ports of Chornomorsk and Mykolaiv.
Farming	Agricultural farming. Production of corn, wheat, soybean, sunflower seed and rapeseed
Grain	Sourcing and merchandising of wholesale grain and other agriculture commodities, proprietary trading
Silo services	Provision of grain cleaning, drying and storage services.
Other	Income and expenses unallocated to other segments, which are related to the administration of the Holding.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The measure of profit and loss, and assets and liabilities is based on the Group accounting policies, which are in compliance with IFRS, as adopted by the European Union.

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

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

Since financial management of the Group's companies is carried out centrally, borrowings, obligations under financial lease, deferred taxes and some other assets and liabilities are not allocated directly to the respective operating segments and are presented in the 'Other' segment. Consequently, the assets and liabilities shown for individual segments do not include borrowings, obligations under financial leases, deferred taxes and some other assets and liabilities.

Seasonality of operations

The Oilseeds Processing segment normally has seasonally lower sales in the first quarter of the financial year, which corresponds to the end of the crushing season and lower production levels. The operations of the Farming segment reflect seasonality in the context of seeding and harvesting campaigns, which are conducted mainly in November-May and June-November, respectively. The Infrastructure and Trading segment usually experiences somewhat higher volumes in the several months after the commencement of the harvesting campaign (July for early grains and September for crops harvested in autumn). In addition, the farming segment usually reflects a higher effect from the IAS 41 valuation of biological assets in the last quarter of the financial year when more acreage is revalued to fair value less costs to sell and a higher effect from the IAS 41 valuation of agricultural produce in the first half of the financial year due to the completion of the harvesting campaign.

6. Key Data by Operating Segment

Key data by operating segment for the year ended 30 June 2019:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Reconciliation	Continuing operations
Revenue (external)	878,835	3,083,315	29,983	—	—	3,992,133
Intersegment sales	614,437	56,601	571,602	—	(1,242,640)	—
Total revenue	1,493,272	3,139,916	601,585	—	(1,242,640)	3,992,133
Net change in fair value of biological assets and agricultural produce	—	—	9,140	—	—	9,140
Other operating income, net	1,729	14,755	11,744	—	—	28,228
Profit/(Loss) from operating activities	92,598	92,601	136,813	(52,805)	—	269,207
Finance costs, net						(82,319)
Foreign exchange gain, net						12,860
Other expenses, net						(8,376)
Share of loss of joint ventures						(966)
Income tax expenses						(11,902)
Profit for the period from continuing operations						178,504
Total assets	914,414	748,022	744,796	56,368	—	2,463,600
Capital expenditures	53,431	115,368	91,285	3,600	—	263,684
Amortization and depreciation	16,419	13,134	45,069	1,681	—	76,303
Liabilities	74,532	150,899	69,470	822,673	—	1,117,574

Allocated revenue of promised goods and services by operating segment for the year ended 30 June 2019 under requirements IFRS 15 was as follows:

	Oilseeds Processing	Infrastructure and Trading	Farming	Continuing operations
Revenue from sales of commodities	865,222	2,946,419	29,983	3,841,624
Freight and other services	13,613	136,896	—	150,509
Total external revenue from contracts with customers	878,835	3,083,315	29,983	3,992,133

During the year ended 30 June 2019, revenues of approximately USD 314,471 thousand (2018: USD 245,201 thousand) are derived from a single external customer. These revenues are attributed to Oilseeds processing and Infrastructure and Trading segments. Also, during that period, export sales amounted to 97.0% of total external sales.

For the year ended 30 June 2019, revenue from the Group's top five customers accounted for approximately 36.0% of total revenue (for the year ended 30 June 2018, revenue from the top five customers accounted for 38.6% of total revenue).

Among other, intersegment sales between Oilseeds Processing segment and Infrastructure and Trading segment comprise of sunflower oil which is marketed by Avere, the activities of which are included in Infrastructure and Trading segment results.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The Group's revenue from external customers (based on the location where sale occurred) and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	Revenue from external customers Year ended 30 June 2019	Non-current assets As of 30 June 2019
Ukraine	2,083,289	1,144,221
Europe	1,102,392	2,451
North America	806,452	276
Other locations	—	51,773
Total	3,992,133	1,198,721

None of the other locations represented more than 10% of total revenue or non-current assets individually. Revenue from external customers allocated based on the location, where the sale occurred.

Non-current assets that relate to other locations include investments in a joint venture (grain export terminal at the Taman port).

Gain/loss from Avere operations with financial derivatives are presented within Infrastructure and Trading segment.

Key data by operating segment for the year ended 30 June 2018:

	Oilseeds Processing	Infrastructure and Trading	Farming	Other	Reconciliation	Continuing operations
Revenue (external)	1,393,491	957,983	51,529	—	—	2,403,003
Intersegment sales	—	66,596	418,960	—	(485,556)	—
Total revenue	1,393,491	1,024,579	470,489	—	(485,556)	2,403,003
Net change in fair value of biological assets and agricultural produce	—	—	18,699	—	—	18,699
Other operating income, net	4,712	36,748	17,632	—	—	59,092
Profit/(Loss) from operating activities	60,214	91,968	32,557	(45,174)	—	139,565
Finance costs, net						(65,099)
Foreign exchange gain, net						5,375
Other expenses, net						(30,980)
Share of income of joint ventures						1,193
Income tax benefit						5,900
Profit for the period from continuing operations						55,954
Total assets	888,310	540,907	700,052	81,245	—	2,210,514
Capital expenditures	7,804	30,045	91,751	3,784	—	133,384
Amortization and depreciation	16,464	8,870	56,174	1,467	—	82,975
Liabilities	72,046	91,659	84,099	785,106	—	1,032,910

Presentation of the operating segments' activities in previous consolidated financial statements for the year ended 30 June 2018:

	Bottled sun- flower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Other	Reconcili- ation	Continuing operations
Revenue (external)	129,859	1,263,632	423	51,529	951,252	6,308	—	—	2,403,003
Intersegment sales	—	—	52,826	418,960	—	65,946	—	(537,732)	—
Total revenue	129,859	1,263,632	53,249	470,489	951,252	72,254	—	(537,732)	2,403,003
Net change in fair value of biological assets and agricultural produce	—	—	—	18,699	—	—	—	—	18,699
Other operating income, net	14	4,698	4	17,632	34,520	2,224	—	—	59,092
Profit/(Loss) from operating activities	11,561	48,653	35,897	32,557	17,492	38,579	(45,174)	—	139,565
Finance costs, net									(65,099)
Foreign exchange gain, net									5,375
Other expenses, net									(30,980)
Share of income of joint ventures									1,193
Income tax benefit									5,900
Profit for the period from continuing operations									55,954
Total assets	60,403	827,907	119,386	700,052	330,571	90,950	81,245	—	2,210,514
Capital expenditures	607	7,197	7,689	91,751	—	22,356	3,784	—	133,384
Amortization and depreciation	1,805	14,659	3,205	56,174	—	5,665	1,467	—	82,975
Liabilities	3,533	68,513	4,700	84,099	84,945	2,014	785,106	—	1,032,910

The accompanying notes are an integral part of these financial statements.

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for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

For the purpose of segment reporting, revenue from the sale of sunflower meal and cake is allocated to the bottled sunflower oil segment in proportion to the share of total sunflower oil production used for bottled sunflower oil sales, while remaining amounts are allocated to the sunflower oil sold in bulk segment.

The Group's revenue from external customers (based on the location where sale occurred) and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	Revenue from external customers	Non-current assets
	Year ended	As of
	30 June 2018	30 June 2018
Ukraine	1,519,128	933,149
North America	815,361	21
Europe	58,471	2,303
Other locations	10,043	52,236
Total	2,403,003	987,709

None of the other countries constituted more than 10% of total revenue or non-current assets individually. Revenue from external customers allocated based on the location, where the sale occurred.

Non-current assets that relate to other locations include investments in a joint venture (grain export terminal at the Taman port).

Gain/loss from Avere operations with financial derivatives are presented within Infrastructure and Trading/Grain segment.

7. Acquisition and Disposal of Subsidiaries

On 14 February 2019, to protect the Company against ever rising logistic costs and to procure the smooth and efficient flow of grains from inland silos, the Group has acquired 100% effective ownership obtaining shares in Rail Transit Kargo Ukraine LLC (herein "RTK-Ukraine"): a railcar business that manages about 2,949 grain railcars.

As of the date of acquisition, the fair values of assets and liabilities were as follows:

	Fair value
Assets	
Current assets:	
Cash and cash equivalents	1,137
Trade accounts receivable, net	1,696
Prepayments to suppliers and other current assets, net	2,085
Taxes recoverable and prepaid, net	1,982
Inventory	11
Total current assets	6,911
Non-current assets:	
Property, plant and equipment, net	56,925
Total non-current assets	56,925
Total assets	63,836
Liabilities	
Current liabilities:	
Advances from customers and other current liabilities	1,096
Total current liabilities	1,096
Non-current liabilities:	
Deferred tax liabilities	6,328
Total non-current liabilities	6,328
Total liabilities	7,424
Fair value of net assets of acquired subsidiaries	56,412
Non-controlling interest	—
Fair value of acquired net assets	56,412
Goodwill	3,867
Fair value of purchase consideration	60,279
Less: acquired cash	(1,137)
Net cash outflow on acquisition of subsidiaries	(48,016)

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Revenue and net profit of the acquired entity from the date of acquisition to 30 June 2019 were as follows:

	Total
Revenue	6,002
Net profit	1,832

The Group does not disclose the revenue and net profit of the acquired entity as if it has been acquired at the beginning of the reporting period as it is impracticable due to the fact that no IFRS financial information is available for the acquired entity as from the beginning of the reporting period and up to the date of acquisition.

Since initial accounting is incomplete as of the reporting date due to finalization of relevant calculations and market valuations, only provisional amounts were recognized to determine net assets, and result of acquisition. After finalization of relevant information retrospective adjustments to the provisional amounts will be made. The Group supposes to finalize result of acquisition and relevant amounts till the end of the period ended 31 March 2020.

At the moment of acquisition, nominal value of consideration amounted to USD 64,833 thousand and comprised of USD 49,153 thousand paid in cash and USD 15,680 thousand payable (out of which USD 15,000 thousand of deferred consideration payable over 5 years). At the moment of acquisition, fair value of consideration was USD 60,279 thousand (including USD 11,126 thousand payable) calculated as the present value of amounts payable at discount rate 7.5% (represented within the line 'Other non-current liabilities'). As of 30 June 2019, as a result of accelerated payments of USD 7,350 thousand, made after the acquisition date, the consideration paid comprised USD 56,272 thousand and the present value of amount payable was USD 5,638 thousand.

The goodwill in the amount of USD 3,867 thousand arising from the accounting for acquisition of RTK-Ukraine as business combination is attributable to the protection the Company against the rising logistic costs and the synergies expected to be gained efficient flow of grains from inland silos to the ports. It will not be deductible for tax purposes.

During the year ended 30 June 2019, as a result of the optimization process, the Group disposed of farming entities managing about 12,350 hectares of leasehold suboptimal farmlands located in Zhytomyr, Volyn and Mykolaiv regions and grain elevators, located in Ternopil, Kyiv, Chernihiv and Kharkiv regions.

The net assets of the disposed entities as of the date of disposal were equal to USD 7,671 thousand and the cash consideration receivable was USD 11,857 thousand (out of which USD 6,300 thousand was received during this reporting period).

Fair value of cash consideration receivable which should be repaid in full in arrears up to 1 December 2020, were calculated at a discount rate 7.5% and as of the reporting date the outstanding amount comprised to USD 4,820 thousand (USD 4,722 thousand as of the date of disposal) and is presented within the lines 'Prepayments to suppliers and other current assets, net' and 'Other non-current assets'.

During the year ended 30 June 2019, according to management's plan, the Group disposed of one of its oilseed crushing plants, previously classified as assets held for sale, located in Mykolaiv region.

The net assets as of the date of disposal amounted to USD 14,432 thousand (including goodwill in the amount of USD 8,096 thousand). The cash consideration received was USD 15,079 thousand (out of which USD 5,013 thousand was received during this reporting period).

On 4 July 2017, the Group has acquired 100% effective ownership of AIU (Agro Invest Ukraine) Group: a farming business that manages about 27,500 hectares of leasehold farmland and over 170,000 tons of grain storage capacity.

The primary subsidiaries of the acquired Group are as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Agro Logistics Ukraine LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100.00%	04 July 2017
Agro Invest Ukraine LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.00%	04 July 2017

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

As of the date of acquisition, the fair values of assets, liabilities and contingent liabilities were as follows:

	Fair value
Assets	
Current assets:	
Cash and cash equivalents	4
Trade accounts receivable, net	176
Prepayments to suppliers and other current assets, net	316
Corporate income tax prepaid	29
Taxes recoverable and prepaid, net	2,735
Inventory	1,574
Biological assets	12,006
Total current assets	16,840
Non-current assets:	
Property, plant and equipment, net	23,161
Intangible assets, net	14,385
Deferred tax assets	40
Other non-current assets	270
Total non-current assets	37,856
Total assets	54,696
Liabilities	
Current liabilities:	
Trade accounts payable	3,021
Advances from customers and other current liabilities	687
Total current liabilities	3,708
Non-current liabilities:	
Deferred tax liabilities	1,463
Total non-current liabilities	1,463
Fair value of net assets of acquired subsidiaries	49,525
Non-controlling interest	—
Fair value of acquired net assets	49,525
Gain on bargain purchase	(2,309)
Total cash considerations due and payable	47,216
Less: acquired cash	(4)
Net cash outflow on acquisition of subsidiaries	(46,512)
Net cash due and payable	(700)

The Group does not disclose the revenue and net profit of the acquired group as if it has been acquired at the beginning of the reporting period due to the fact that the beginning of the reporting period almost coincides with the date of acquisition.

Acquired group manages world-class grain storage infrastructure which complemented the recent expansion of our farmland bank in the region and completes our land bank expansion strategy.

Based on the knowledge available as of 30 June 2018 the management verified that all acquired or assumed liabilities have been fully accounted for, and net assets acquired have not been overstated. Gain on bargain purchase was recognized in the amount of USD 2,309 thousand within 'Other expenses, net' in the consolidated statement of profit or loss.

Agro-Invest Ukraine was a Ukrainian subsidiary of Serbian-based agroholding MK Group, willing to exit Ukraine since 2014 as part of their business restructuring. Kernel participated in the organized process of acquisition of Agro-Invest Ukraine, being very flexible and providing the best offer in terms of consideration payment schedule but receiving instead a price discount.

During the year ended 30 June 2018, as a result of the optimization process of its legal structure, the Group disposed of one grain elevator located in Poltava region. The net assets of the disposed entity as of the date of disposal were equal to USD 137 thousand and the cash consideration received was USD 2,013 thousand (out of which USD 1,404 thousand was received during this reporting period).

During the year ended 30 June 2018, as a result of business optimization, the Group disposed of farming entities managing more than 40,000 ha of leasehold suboptimal farmlands located in Northern and Western regions of Ukraine.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Net assets of the disposed farming entities as of the date of disposal were as follows:

	Fair value
Assets	
Current assets:	
Cash and cash equivalents	263
Trade accounts receivable, net	1,238
Prepayments to suppliers and other current assets, net	2,583
Taxes recoverable and prepaid, net	1,989
Inventory	3,449
Biological assets	3,040
Total current assets	12,562
Non-current assets:	
Property, plant and equipment, net	6,184
Intangible assets, net	13,295
Other non-current assets	1
Total non-current assets	19,480
Total assets	32,042
Liabilities	
Current liabilities:	
Trade accounts payable	959
Advances from customers and other current liabilities	8,378
Short-term borrowings	10
Total current liabilities	9,347
Non-current liabilities:	
Other non-current liabilities	52
Total liabilities	9,399
Net assets disposed	22,643
Non-controlling interest	—
Net assets of disposed companies	22,643
Total cash consideration receivable	23,739
Less: cash from assets disposed	(263)
Less: accounts receivable for subsidiaries disposed of	(174)
Net cash inflow from subsidiaries disposed of	23,302
Gain on disposal	1,096

8. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 June 2019	As of 30 June 2018
Cash in banks in USD	64,109	92,617
Cash in banks in UAH	4,448	20,407
Cash in banks in other currencies	8,237	18,989
Cash on hand	7	5
Total	76,801	132,018
Less restricted and blocked cash on security bank accounts	(138)	(676)
Less bank overdrafts (Note 20)	(246)	(41,273)
Cash for the purposes of cash flow statement	76,417	90,069

In accordance with the international rating agency of Fitch, credit ratings of the banks with which the Group had the accounts opened as of 30 June 2019 were as follows:

	As of 30 June 2019	As of 30 June 2018
Ukrainian subsidiaries of international banks without international ratings	27,504	28,371
International banks with F1 rating	24,740	46,514
International banks with F2 rating	21,122	34,496
International banks with F1+ rating	2,395	75
International banks with F3 rating	562	12,643
Foreign banks without ratings	478	9,919
Total	76,801	132,018

The reconciliation in the table below presents changes in the Group's liabilities arising from financing activities by incorporating cash flows and non-cash changes over the reporting period.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Reconciliation of liabilities arising from financing activities:

	As of 30 June 2018	Cash flow from pro- ceeds/ (repayments)	New finance leases	Non-cash movements			As of 30 June 2019
				Amortization of one-off and trans- action costs	Foreign exchange movements	Other changes ¹	
Bank borrowings (Note 20, 21)	188,280	64,947	—	2,398	(4,015)	(4,537)	247,073
Finance lease obligations (Note 22)	10,946	(3,677)	—	—	3	442	7,714
Bonds issued (Note 23)	494,796	—	—	1,255	—	—	496,051
Total	694,022	61,270	—	3,653	(4,012)	(4,095)	750,838

	As of 30 June 2017	Cash flow from pro- ceeds/(repayments)	New finance leases	Non-cash movements			As of 30 June 2018
				Amortization of one-off and trans- action costs	Foreign exchange movements	Other changes ¹	
Bank borrowings (Note 20, 21)	87,210	105,173	—	1,798	(1,587)	(4,314)	188,280
Finance lease obligations (Note 22)	5,744	(7,600)	11,572	—	(35)	1,265	10,946
Bonds issued (Note 23)	493,648	—	—	1,148	—	—	494,796
Total	586,602	97,573	11,572	2,946	(1,622)	(3,049)	694,022

9. Trade Accounts Receivable, net

The balances of trade accounts receivable, net were as follows:

	As of 30 June 2019	As of 30 June 2018
Trade accounts receivable	189,669	93,471
Allowance for expected credit losses	(6,473)	(1,116)
Total	183,196	92,355

As of 30 June 2019, accounts receivable from one European customer accounted for approximately 14.3% (30 June 2018: for approximately 27.9% respectively).

The average credit period on sales of goods was 17 days (for the period ended 30 June 2018: 16 days). No interest is charged on the outstanding balances of trade accounts receivable.

The Group applies IFRS 9 simplified approach for measuring ECL which uses a lifetime expected loss allowance for all trade accounts receivables.

To measure ECL, trade accounts receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified actual losses per each group to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As the Group's historical credit loss experience does not show significantly different loss patterns for different customer groups, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

On this basis, the loss allowance as at 30 June 2019 was determined for trade accounts receivables as follows:

	Current	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate ²	0.2%	27.8%	84.6%	
Gross carrying amount – trade accounts receivables	176,559	8,874	4,236	189,669
Loss allowance	(423)	(2,465)	(3,585)	(6,473)

¹ Other changes include translation difference, repayment of transactions costs and one-off borrowing commissions and other non-cash changes.

² Differences in expected loss rate are possible due to rounding
The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The loss allowances for trade accounts receivables as of 30 June reconcile to the opening loss allowances as follows:

	Trade accounts receivables		Total
	Collectively assessed	Individually assessed	
Opening loss allowance as of 1 July under IAS 39	390	726	1,116
Adjustment upon application of IFRS 9 (Note 3)	314	–	314
Opening loss allowance as of 1 July under IFRS 9	704	726	1,430
Increase in loss allowance recognized in profit or loss during the year	4,899	1,040	5,939
Trade receivables written off during the year as uncollectible	(896)	–	(896)
Unused amount reversed	–	–	–
Closing loss allowance as of 30 June	4,707	1,766	6,473

Trade accounts receivables are written off, where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade accounts receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

10. Prepayments to Suppliers and Other Current Assets, net

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

	As of 30 June 2019	As of 30 June 2018
Prepayments to suppliers	111,461	110,509
Other current assets	24,137	8,901
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(5,776)	(6,068)
Total	129,822	113,342

Increase of prepayments to suppliers and other current assets as of 30 June 2019 in comparison with 30 June 2018 is mostly connected with financing of suppliers for future commodities purchases.

11. Taxes Recoverable and Prepaid, net

The balances of taxes recoverable and prepaid, net were as follows:

	As of 30 June 2019	As of 30 June 2018
VAT ("value added tax") recoverable and prepaid	117,880	114,192
Other taxes recoverable and prepaid	695	503
Total	118,575	114,695

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on the domestic market in Ukraine. Management expects that these balances will be recovered in full within 12 months after the reporting date through cash collection or set-off with respective VAT liabilities. For the year ended 30 June 2019, the amount of VAT refunded by the government in cash was USD 331,719 thousand (30 June 2018: USD 265,048 thousand).

12. Inventory

The balances of inventories were as follows:

	As of 30 June 2019	As of 30 June 2018
Raw materials	148,205	81,543
Finished products	105,569	210,687
Goods for resale	47,355	37,072
Agricultural products	38,560	22,132
Fuel	7,075	4,411
Packaging materials	1,620	1,634
Work in progress	1,478	1,620
Other inventories	7,748	9,354
Total	357,610	368,453

As of 30 June 2019, raw materials mostly consisted of sunflower seed stock in the amount of USD 103,661 thousand (30 June 2018 USD 57,603 thousand).

As of 30 June 2019, finished products mostly consisted of sunflower oil in bulk in the amount of USD 75,518 thousand (30 June 2018 USD 193,460 thousand).

Write-downs of inventories to net realizable value amounted to USD 1,709 thousand (2018: USD 5,459 thousand).

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

As of 30 June 2019 and 2018, the inventory balances in the amounts of USD 166,245 thousand and USD 200,849 thousand, respectively, were pledged as security for short-term borrowings (Note 20).

13. Biological Assets

The balances of crops in fields were as follows:

	As of 30 June 2019		As of 30 June 2018	
	Hectares	Value	Hectares	Value
Corn	231,115	130,075	225,267	123,885
Sunflower seed	136,537	87,855	134,816	80,926
Wheat	97,072	66,304	100,505	56,136
Soybean	24,283	10,031	36,485	16,419
Rapeseed	9,447	9,077	4,605	4,396
Other	5,262	3,773	19,231	5,096
Total	503,716	307,115	520,909	286,858

The following table represents the changes in the carrying amounts of crops in fields during the years ended 30 June 2019 and 30 June 2018:

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2017	230,672	23,810	254,482
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2017)	114,658	—	114,658
Increase resulting from business acquisitions	11,832	—	11,832
Decrease due to harvest (harvest 2017)	(357,162)	(23,810)	(380,972)
Decrease resulting from disposal	(2,946)	(94)	(3,040)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2018)	231,304	—	231,304
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2018)	—	52,350	52,350
Exchange difference	4,919	1,325	6,244
As of 30 June 2018	233,277	53,581	286,858
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2018)	126,979	—	126,979
Decrease due to harvest (harvest 2018)	(360,256)	(53,581)	(413,837)
Decrease resulting from disposals	(970)	(265)	(1,235)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2019)	246,203	—	246,203
Decrease due to harvest (harvest 2019)	(333)	(71)	(404)
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2019)	—	53,385	53,385
Exchange difference	8,023	1,143	9,166
As of 30 June 2019	252,923	54,192	307,115

As of 30 June 2019, non-current cattle in the amount of USD 5,271 thousand (30 June 2018: USD 7,606 thousand) was represented mainly by 5,058 heads of milk cows (30 June 2018: 7,164 heads) (Note 18), and current cattle of USD 1,915 thousand (30 June 2018: USD 2,578 thousand) was represented mainly by 4,707 heads of calves (30 June 2018: 6,871 heads). The change in the balances was mainly represented by a change in the mix of cattle and variation in prices and exchange rates between reporting dates. For the year ended 30 June 2019, the net gain arising from changes in the fair value of biological assets in the amount of USD 9,140 thousand (2018: gain of USD 18,699 thousand) includes a USD 3,700 thousand loss on changes in current and non-current cattle's fair value (2018: loss of USD 3,805 thousand).

As a result of business acquisitions, the Group purchased biological assets in the amount of USD 12,006 thousand (Note 7) for the year ended 30 June 2018 (30 June 2019: nil), out of which crops in fields amounted to USD 11,832 thousand (30 June 2019: nil). The fair value of agricultural produce was estimated based on market prices as at the date of harvest and is within level 2 of fair value hierarchy. Crops in fields and non-current cattle of the Group are measured using discounted cash flow technique and are within the level 3 of the fair value hierarchy. Current cattle is measured based on market prices of livestock of similar age, breed and genetic merit, which is within level 2 of the fair value hierarchy.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

There were no changes in valuation technique since previous year. There were no transfers between any levels during the year.

Description	Fair value as of 30 June 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Crops in field	307,115	Discounted cash flows	Crops yield	2.41 - 7.20 (5.39) tons per hectare	The higher the crop yield, the higher the fair value
			Discount rate	17.88% (in UAH, short term)	The higher the discount rate, the lower the fair value
Milk cows	5,271	Discounted cash flows	Milk yield – liter per cow	17.48 – 22.03 (19.72) liters per cow per day	The higher the milk yield, the higher the fair value
			Weight of 1 calf	29 - 33 (31) kg	The higher the weight, the higher the fair value
			Average yield of calves from 100 cows per year	61 - 75 (69) calves	The higher the yield, the higher the fair value
			Discount rate, %	15.82% (in UAH, long term)	The higher the discount rate, the lower the fair value

If the above unobservable inputs to the valuation model were 5% higher/lower while all other variables were held constant, the carrying amount of the current and non-current biological assets would increase/decrease by USD 23,048 thousand and USD 23,155 thousand, respectively.

Description	Fair value as of 30 June 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Crops in field	286,858	Discounted cash flows	Crops yield	1.91 - 7.2 (4.55) tons per hectare	The higher the crop yield, the higher the fair value
			Discount rate	22.90% (in UAH, short term)	The higher the discount rate, the lower the fair value
Milk cows	7,606	Discounted cash flows	Milk yield – liter per cow	16.97 – 21.93 (19.45) liters per cow per day	The higher the milk yield, the higher the fair value
			Weight of 1 calf	27 - 33 (30) kg	The higher the weight, the higher the fair value
			Average yield of calves from 100 cows per year	62 - 66 (64) calves	The higher the yield, the higher the fair value
			Discount rate, %	17.70% (in UAH, long term)	The higher the discount rate, the lower the fair value

If the above unobservable inputs to the valuation model were 5% higher/lower while all other variables were held constant, the carrying amount of the current and non-current biological assets would increase/decrease by USD 22,506 thousand and USD 22,469 thousand, respectively.

14. Assets Classified as Held for Sale and Discontinued Operations

As of 30 June 2019, according to management's plan to dispose one of export terminals and silo, their net assets, which predominantly consist of property, plant and equipment in the amount of USD 1,380 thousand were classified as assets held for sale. As of 30 June 2019, advances for sale of the subsidiaries in the amount of USD 2,290 thousand has been received and represented within the line 'Advances from Customers and Other Current Liabilities' (Note 19). The above-mentioned export terminal was disposed in August 2019. Their operations weren't presented as discontinued operations as they do not meet the criteria of recognition since the entities do not represent a separate major line of business or geographical area of operations.

During the year ended 30 June 2019, according to management's plan, the Group disposed of one of its oilseed crushing plants, previously classified as assets held for sale, located in Mykolaiv region. The net assets as of the date of disposal amounted to USD 14,432 thousand (including goodwill in the amount of USD 8,096 thousand). The cash consideration received was USD 15,079 thousand (out of which USD 5,013 thousand was received during this reporting period).

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for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

15. Property, Plant and Equipment, net

The following table represents movements in property, plant and equipment for the year ended 30 June 2019:

	Oilseeds Processing	Infrastructure and Trading	Farming	Other	Total
Net Book Value as at 30 June 2018	302,717	123,496	138,255	23,659	588,127
Land	842	560	64	1,109	2,575
Buildings and Constructions	205,210	73,152	17,517	19,737	315,616
Production machinery and equipment	86,436	36,253	21,883	18	144,590
Agricultural equipment and vehicles	3,590	2,234	81,262	923	88,009
Other fixed assets	2,522	2,185	6,930	1,858	13,495
CIP and uninstalled equipment	4,117	9,112	10,599	14	23,842
Additions	53,339	58,240	66,249	1,455	179,283
CIP and uninstalled equipment	53,339	58,240	66,249	1,455	179,283
Reclassification	(5)	—	6	(1)	—
Land	—	—	7	—	7
Buildings and Constructions	(587)	—	—	—	(587)
Production machinery and equipment	(756)	—	(6)	—	(762)
Agricultural equipment and vehicles	35	—	(377)	—	(342)
Other fixed assets	1,303	—	382	(1)	1,684
CIP and uninstalled equipment	—	—	—	—	—
Additions from acquisition of subsidiaries	—	56,925	—	—	56,925
Agricultural vehicles and equipment	—	56,925	—	—	56,925
Transfers	—	—	—	—	—
Land	80	—	3	—	83
Buildings and Constructions	1,414	3,090	2,773	141	7,418
Production machinery and equipment	5,148	1,460	17,822	6	24,436
Agricultural equipment and vehicles	1,739	378	20,755	136	23,008
Other fixed assets	989	601	3,524	1,201	6,315
CIP and uninstalled equipment	(9,370)	(5,529)	(44,877)	(1,484)	(61,260)
Revaluation	15,599	—	—	—	15,599
Buildings and Constructions	10,133	—	—	—	10,133
Production machinery and equipment	5,466	—	—	—	5,466
Disposals (at NBV)	(3,127)	(4,631)	(4,266)	(36)	(12,060)
Land	(70)	(124)	—	—	(194)
Buildings and Constructions	(1,875)	(2,152)	(1,107)	—	(5,134)
Production machinery and equipment	(839)	(839)	(42)	(1)	(1,721)
Agricultural equipment and vehicles	(26)	(16)	(2,169)	(35)	(2,246)
Other fixed assets	(25)	(60)	(227)	—	(312)
CIP and uninstalled equipment	(292)	(1,440)	(721)	—	(2,453)
Transfers to Assets classified as held for sale	—	(1,380)	—	—	(1,380)
Land	—	(54)	—	—	(54)
Buildings and Constructions	—	(966)	—	—	(966)
Production machinery and equipment	—	(174)	—	—	(174)
Agricultural vehicles and equipment	—	(1)	—	—	(1)
Other fixed assets	—	(10)	—	—	(10)
CIP and uninstalled equipment	—	(175)	—	—	(175)
Depreciation expense	(15,992)	(12,506)	(33,809)	(1,395)	(63,702)
Buildings and constructions	(6,413)	(3,805)	(1,637)	(494)	(12,349)
Production machinery and equipment	(8,018)	(3,812)	(5,575)	(4)	(17,409)
Agricultural equipment and vehicles	(825)	(4,400)	(24,686)	(206)	(30,117)
Other fixed assets	(736)	(489)	(1,911)	(691)	(3,827)
Translation difference	141	780	948	25	1,894
Land	—	(5)	—	1	(4)
Buildings and Constructions	—	(24)	58	7	41
Production machinery and equipment	—	(44)	568	1	525
Agricultural equipment and vehicles	71	(3)	31	(17)	82
Other fixed assets	(4)	5	128	8	137
CIP and uninstalled equipment	74	851	163	25	1,113
Net Book Value as at 30 June 2019	352,672	220,924	167,383	23,707	764,686
Land	852	377	74	1,110	2,413
Buildings and Constructions	207,882	69,295	17,604	19,391	314,172
Production machinery and equipment	87,437	32,844	34,650	20	154,951
Agricultural equipment and vehicles	4,584	55,117	74,816	801	135,318
Other fixed assets	4,049	2,232	8,826	2,375	17,482
CIP and uninstalled equipment	47,868	61,059	31,413	10	140,350

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The following table represents movements in property, plant and equipment for the year ended 30 June 2018:

	Oilseeds Pro- cessing	Infrastructure and Trading	Farming	Other	Total
Net Book Value as at 30 June 2017	319,221	104,321	123,066	23,106	569,714
Land	2,280	332	48	1,163	3,823
Buildings and Constructions	214,124	62,829	18,933	19,944	315,830
Production machinery and equipment	95,174	33,779	2,512	24	131,489
Agricultural equipment and vehicles	1,580	1,727	93,733	599	97,639
Other fixed assets	2,681	1,054	4,333	1,362	9,430
CIP and uninstalled equipment	3,382	4,600	3,507	14	11,503
Additions	6,457	14,565	57,333	1,991	80,346
CIP and uninstalled equipment	6,457	14,565	57,333	1,991	80,346
Reclassification	36	(61)	(4)	29	—
Land	—	—	—	—	—
Buildings and Constructions	—	(4)	—	162	158
Production machinery and equipment	—	2,021	—	—	2,021
Agricultural equipment and vehicles	56	(76)	(4)	14	(10)
Other fixed assets	(20)	(2,002)	—	(147)	(2,169)
CIP and uninstalled equipment	—	—	—	—	—
Additions from acquisition of subsidiaries	—	15,297	7,584	280	23,161
Land	—	228	10	—	238
Buildings and Constructions	—	12,275	1,487	—	13,762
Production machinery and equipment	—	2,546	57	—	2,603
Agricultural vehicles and equipment	—	172	5,832	—	6,004
Other fixed assets	—	76	191	280	547
CIP and uninstalled equipment	—	—	7	—	7
Transfers	—	—	—	—	—
Land	140	3	5	—	148
Buildings and Constructions	272	3,103	1,128	464	4,967
Production machinery and equipment	1,798	2,047	22,368	4	26,217
Agricultural equipment and vehicles	2,527	838	21,325	503	25,193
Other fixed assets	551	3,432	4,035	1,003	9,021
CIP and uninstalled equipment	(5,288)	(9,423)	(48,861)	(1,974)	(65,546)
Disposals (at NBV)	(641)	(1,333)	(10,174)	(399)	(12,547)
Land	—	—	—	(49)	(49)
Buildings and Constructions	(1)	(818)	(1,874)	(269)	(2,962)
Production machinery and equipment	(575)	(35)	(1,383)	(8)	(2,001)
Agricultural equipment and vehicles	(2)	(10)	(6,162)	—	(6,174)
Other fixed assets	(3)	(5)	(254)	(36)	(298)
CIP and uninstalled equipment	(60)	(465)	(501)	(37)	(1,063)
Transfers to Assets classified as held for sale	(6,480)	—	—	—	(6,480)
Land	(1,578)	—	—	—	(1,578)
Buildings and Constructions	(2,551)	—	—	—	(2,551)
Production machinery and equipment	(1,853)	—	—	—	(1,853)
Agricultural vehicles and equipment	(1)	—	—	—	(1)
Other fixed assets	(35)	—	—	—	(35)
CIP and uninstalled equipment	(462)	—	—	—	(462)
Depreciation expense	(16,012)	(8,840)	(39,101)	(1,273)	(65,226)
Buildings and constructions	(6,634)	(3,952)	(2,029)	(492)	(13,107)
Production machinery and equipment	(8,108)	(4,050)	(1,794)	(4)	(13,956)
Agricultural equipment and vehicles	(622)	(415)	(33,814)	(206)	(35,057)
Other fixed assets	(648)	(423)	(1,464)	(571)	(3,106)
Translation difference	136	(453)	(449)	(75)	(841)
Land	—	(3)	1	(5)	(7)
Buildings and Constructions	—	(281)	(128)	(72)	(481)
Production machinery and equipment	—	(55)	123	2	70
Agricultural equipment and vehicles	52	(2)	352	13	415
Other fixed assets	(4)	53	89	(33)	105
CIP and uninstalled equipment	88	(165)	(886)	20	(943)
Net Book Value as at 30 June 2018	302,717	123,496	138,255	23,659	588,127
Land	842	560	64	1,109	2,575
Buildings and Constructions	205,210	73,152	17,517	19,737	315,616
Production machinery and equipment	86,436	36,253	21,883	18	144,590
Agricultural equipment and vehicles	3,590	2,234	81,262	923	88,009
Other fixed assets	2,522	2,185	6,930	1,858	13,495
CIP and uninstalled equipment	4,117	9,112	10,599	14	23,842

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Total cost of property, plant and equipment and total accumulated depreciation as of 30 June 2019 and 2018 were as follows:

	Cost as of 30 June 2019	Accumulated depreciation as of 30 June 2019	Cost as of 30 June 2018	Accumulated de- preciation as of 30 June 2018
Land	2,413	-	2,575	—
Buildings and constructions	364,745	(50,573)	356,489	(40,873)
Production machinery and equipment	216,807	(61,856)	189,624	(45,034)
Agricultural equipment and vehicles	292,395	(157,077)	222,320	(134,311)
Other fixed assets	33,652	(16,170)	25,272	(11,777)
CIP and uninstalled equipment	140,350	—	23,842	—
Total	1,050,362	(285,676)	820,122	(231,995)

Had the Group's buildings and constructions and production machinery and equipment (Oilseeds Processing segment) been measured on a historical cost basis, their carrying amount would have been as follows:

	As of 30 June 2019	As of 30 June 2018
Buildings and constructions	185,317	193,568
Production machinery and equipment	69,195	75,352
Total	254,512	268,920

Revaluation of property, plant and equipment of oil plants is comprised of impairment loss recognized in other expenses in the amount of USD 10,234 thousand (Note 31) and revaluation surplus recognized in other comprehensive income in the amount of USD 25,833 thousand.

As of 30 June 2019, property, plant and equipment with a carrying amount of USD 104,053 thousand (30 June 2018: USD 540 thousand) were pledged by the Group as collateral against short-term and long-term bank loans (Notes 20, 21).

As of 30 June 2019, property, plant and equipment with a carrying amount of USD 29,228 thousand (30 June 2018: USD 25,742 thousand) were pledged by the Group as a collateral for amount due and payable within the acquisition of 560,000 tons oilseed crushing plant located in Kirovograd region, completed as of 30 June 2016.

As of 30 June 2019 and 30 June 2018, the net carrying amount of property, plant and equipment, represented by agricultural equipment and vehicles held under finance lease agreements was USD 9,269 thousand and USD 15,976 thousand, respectively.

16. Intangible Assets, net

The following table represents movements in intangible assets for the year ended 30 June 2019:

	Trade- marks	Land lease rights	Other intangible assets	Total
Cost as of 1 July 2018	22,036	149,069	6,200	177,305
Additions	—	24,501	2,975	27,476
Disposals	—	(5,033)	(951)	(5,984)
Transfers to Assets classified as held for sale	—	—	(7)	(7)
Exchange difference	—	1,096	(60)	1,036
Cost as of 30 June 2019	22,036	169,633	8,157	199,826

	Trade- marks	Land lease rights	Other intangible assets	Total
Accumulated amortization and impairment loss as of 1 July 2018	(9,051)	(60,323)	(3,465)	(72,839)
Amortization charge	—	(11,643)	(958)	(12,601)
Disposals	—	600	376	976
Transfers to Assets classified as held for sale	—	—	5	5
Reduction of loss on impairment recognized in the Statement of Profit or Loss	116	—	—	116
Exchange difference	—	(531)	(10)	(541)
Accumulated amortization and impairment loss as of 30 June 2018	(8,935)	(71,897)	(4,052)	(84,884)
Net book value as of 30 June 2019	13,101	97,736	4,105	114,942

The following table represents movements in intangible assets for the year ended 30 June 2018:

	Trade- marks	Land lease rights	Other intangible assets	Total
Cost as of 1 July 2017	22,036	136,259	4,589	162,884
Additions from acquisition of subsidiaries (Note 7)	—	14,385	—	14,385
Additions	—	13,613	1,879	15,492
Disposals	—	(14,687)	(203)	(14,890)
Transfers to Assets classified as held for sale	—	—	(17)	(17)
Exchange difference	—	(501)	(48)	(549)
Cost as of 30 June 2018	22,036	149,069	6,200	177,305

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

	Trade- marks	Land lease rights	Other intangible assets	Total
Accumulated amortization and impairment loss as of 1 July 2017	(10,729)	(44,606)	(2,688)	(58,023)
Amortization charge	—	(16,981)	(768)	(17,749)
Disposals	—	1,392	79	1,471
Reduction of loss on impairment recognized in the Statement of Profit or Loss	1,678	—	—	1,678
Exchange difference	—	(128)	(88)	(216)
Accumulated amortization and impairment loss as of 30 June 2018	(9,051)	(60,323)	(3,465)	(72,839)
Net book value as of 30 June 2018	12,985	88,746	2,735	104,466

Included in the intangible assets of Subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with net book values of USD 4,567 thousand, USD 5,122 thousand, USD 3,233 thousand and USD 179 thousand, respectively, in 2019 (USD 4,967 thousand, USD 4,298 thousand, USD 3,541 thousand and USD 179 thousand, respectively, in 2018). These trademarks are used by the Group for the sale of bottled sunflower oil mostly in the Ukrainian market.

In management's view, there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group.

The Group believes that, as a result of further promotion of the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks, the market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them for an indefinite period of time.

Accordingly, the trademarks that belong to the Group are considered to have an indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

The impairment testing of the value of trademarks as of 30 June 2019 was performed by an independent appraiser. The recoverable amount of trademarks was based on the fair value less costs to sell method using the royalty approach of valuation and is classified within level 3 of the fair value hierarchy. This calculation uses cash flow projections based on financial budgets approved by management and covering a five-year period. The total amount of the trademarks was allocated to the oilseeds processing segment (as one cash-generating unit).

Key assumptions used for the calculation were as follows:

- The royalty rate used was determined at the weighted average market level of 5.00%;
- Growth rates are based on the expected market growth rate for sunflower oil consumption. As of 30 June 2019, management believed that the market for bottled oil was saturated and for a period of five years no growth is expected; and
- As bottled oil is predominantly sold within Ukraine, the discount rate used was based on the weighted average cost of capital rate of 19.24% for UAH denominated cash flow projections.

As a result of testing performed as of 30 June 2019, recoverable amounts of the trademarks 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' were USD 4,567 thousand, USD 5,122 thousand, USD 3,233 thousand and USD 320 thousand, respectively (30 June 2018: USD 4,967 thousand, USD 4,298 thousand, USD 3,541 thousand and USD 301 thousand, respectively).

As a result of testing performed, impairment of the trademarks 'Zolota' and 'Schedry Dar' in the amount of USD 308 thousand and USD 400 thousand, respectively, was recognized as of 30 June 2019 (30 June 2018: 'Zolota' in the amount of USD 368 thousand) as a loss on impairment of intangible assets within 'Other expenses, net' (Note 31). This impairment loss was attributable to the Oilseeds Processing segment. Impairment was caused primarily by shrinkage of consumer demand for premium segment bottled sunflower oil.

As a result of testing performed, impairment loss for the trademarks 'Stozhar' recognized in prior periods was partly reversed in the amount of USD 824 thousand as of 30 June 2019 (30 June 2018: 'Stozhar' and 'Schedry Dar' in the amount of USD 1,054 thousand and USD 992 thousand, respectively). Reversal was recognized as a reduction of loss on impairment of intangible assets within 'Other expenses, net' (Note 31). Value recovery was caused primarily by increase of export sales.

For the year ended 30 June 2019, additions included USD 24,501 thousand of amounts paid per land lease agreements, where USD 15,305 thousand of this amount related to agreements with an average lease term of 77 years (for the year ended 30 June 2018: USD 11,608 thousand and 87 years accordingly), amortized using straight-line method. The amount of amortization of the above-mentioned rights for the year ended 30 June 2019 amounted to USD 107 thousand (for the year ended 30 June 2018: USD 127 thousand).

17. Goodwill

The following table represents movements in goodwill for the year:

	As of 30 June 2019	As of 30 June 2018
Cost	114,705	122,624
Accumulated impairment losses	(10,837)	(10,837)
Other movements	3,867	(8,096)
Total	107,735	103,691
	As of 30 June 2019	As of 30 June 2018

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Cost at beginning of the year	114,528	122,692
Acquisitions of Subsidiaries (Note 7)	3,867	—
Transfer to Assets classified as held for sale (Note 14)	—	(8,096)
Exchange differences	177	(68)
Balance at the end of the year	118,572	114,528

Accumulated impairment losses

	As of 30 June 2019	As of 30 June 2018
Balance at the beginning of the year	(10,837)	(8,582)
Impairment losses recognized in the year	—	(2,255)
Balance at the end of the year	(10,837)	(10,837)

The Group allocates goodwill to individual entities as to separate cash-generating units (CGU). A summary of goodwill allocation to separate CGUs is presented below:

Segment	Cash-generating unit	Goodwill carrying value	
		As of 30 June 2019	As of 30 June 2018
Oilseeds Processing	BSI LLC	35,331	35,331
	Kropyvnytskyi OEP PJSC (former Kirovogradoliya PJSC)	31,334	31,334
	Prydniprovskyi OEP LLC	13,225	13,225
	Prykolotnoe OEP LLC	2,147	2,147
	Other	1,906	1,906
Export terminals	Transbulkterminal LLC	10,727	10,755
Farming	Druzhba-Nova Group and other agricultural farms	9,038	8,993
	RTK-Ukraine	4,027	—
Total		107,735	103,691

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amounts of oilseeds processing and export terminals CGUs were determined based on a value in use calculation, which uses cash flow projections based on the most recent financial budgets approved by the management and covering a five-year period and a discount rate of 8.6% per annum (2018: 10.2%). The value in use estimates developed by the Group to estimate the recoverable amount of cash-generating units represent the best available estimate based on the analysis of the Group's past performance, market knowledge and internal assumptions as to future trends on the market.

The discount rate reflects the current market assessment of the risks specific to the cash-generating units. The discount rate was determined by the weighted average cost of capital based on observable inputs from external sources of information. The discount rate used as of 30 June 2019 was 8.6% (30 June 2018: 10.2%). Cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate. As of 30 June 2019, the assumptions for expected sunflower oil prices were USD 688 to 769 per one metric ton in 2020-2024 with a corresponding cost of USD 340 to 349 per one metric ton of sunflower seeds, which corresponds to a margins of USD from 67 to 100 for one metric ton of oil. As of 30 June 2018, the assumptions for expected sunflower oil prices were USD 750 to 811 per one metric ton in 2019-2023 with a corresponding cost of USD 368 to 381 per one metric ton of sunflower seeds, which corresponds to a margins of USD from 52 to 100 for one metric ton of oil. Management believes that the margin per one metric ton of sunflower oil depends on the supply-demand balance for raw material in Ukraine rather than on the level of prices.

Excess of recoverable amount over carrying amount of individual CGUs summarized below:

		As of 30 June 2019
Oilseeds Processing	BSI LLC	159,465
	Prydniprovskyi OEP LLC	144,963
	Kropyvnytskyi OEP PJSC (former Kirovogradoliya PJSC)	100,453
	Volchansk	50,465
	Prykolotnoe OEP LLC	8,477

The recoverable amount of Druzhba-Nova Group and other agricultural farms have been determined based on fair value less cost to sell estimates. The valuation method is based on the market approach and observable market prices, adjusted for the age and liquidity of the assets, which is within level 2 of the fair value hierarchy.

Management believes that no reasonably possible change in the key assumptions would cause the carrying amount of Transbulkterminal LLC and Oilseeds Processing CGUs to exceed its recoverable amount. Management believes that no reasonably possible change in the key assumptions on which the recoverable amount of Druzhba-Nova Group and other agricultural farms is based will cause the carrying amount to exceed their recoverable amount.

The recoverable amount of RTK CGU was determined based on a value in use calculation, which uses cash flow projections based on the most recent financial budgets approved by the management and covering railcars useful life period and a discount rate of 14.3% per annum and is classified within Level 3 of fair value hierarchy.

The accompanying notes are an integral part of these financial statements.

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As of 30 June 2019 and 2018, no impairment of goodwill was identified except for the impairment of goodwill allocated to BSI LLC oilseed crushing plant relating to the Oilseeds Processing segment was recognized in the amount of USD 2,255 thousand for the year ended 30 June 2018 within 'Other expenses, net'.

18. Other Non-current Assets

The balances of other non-current assets were as follows:

	As of 30 June 2019	As of 30 June 2018
Prepayments for property, plant and equipment	87,849	94,047
Loans provided to related parties (Note 33)	19,769	10,124
Loans to farmers	11,083	—
Investments in financial asset	7,341	—
Non-current biological assets (Note 13)	5,271	7,606
Prepayments for business acquisitions	4,500	4,500
Other non-current assets	19,919	18,285
Total	155,732	134,562

19. Advances from Customers and Other Current Liabilities

The balances of advances from customers and other current liabilities were as follows:

	As of 30 June 2019	As of 30 June 2018
Provision for legal claims (Note 35)	31,872	28,971
Accrued payroll, payroll related taxes and bonuses	16,929	8,160
Taxes payable and provision for tax liabilities	9,748	13,296
Accounts payable for property, plant and equipment	9,230	2,434
Advances from customers	7,277	13,309
Provision for unused vacations and other provisions	6,334	5,911
Settlements for acquired Subsidiaries	5,537	12,364
Settlements with land lessors	2,754	2,048
Obligation under finance lease payable within one year (Note 22)	2,484	3,236
Other current liabilities	12,811	15,169
Total	104,976	104,898

20. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 June 2019	As of 30 June 2018
Bank credit lines	182,160	182,657
Interest accrued on short-term borrowings	759	718
Interest accrued on long-term borrowings	527	125
Bank overdrafts (Note 8)	246	41,273
Total	183,692	224,773

The balances of short-term borrowings as of 30 June 2019 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	4.00%	USD	July 2019	48,700
European bank	Libor + 2.25%	USD	July 2019	43,447
European bank	Libor + 3.95%	USD	July 2019	32,860
European bank	Libor + 4.00%	USD	July 2019	15,032
Ukrainian subsidiary of European bank	18.00%	UAH	July 2019	10,261
Ukrainian subsidiary of European bank	18.50%	UAH	July 2019	8,102
Ukrainian subsidiary of European bank	4.30%	USD	July 2019	7,300
European bank	Libor + 1.50%	USD	July 2019	6,992
Ukrainian subsidiary of European bank	19.00%	UAH	July 2019	3,803
European bank	Libor + 1.65%	USD	March 2020	2,903
Ukrainian subsidiary of European bank	18.25%	UAH	July 2019	2,484
European bank	Libor + 2.45%	USD	July 2019	522
Total bank credit lines				182,406
Interest accrued on short-term loans				759
Interest accrued on long-term loans				527
Total				183,692

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The balances of short-term borrowings as of 30 June 2018 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.15%	USD	July 2018	58,672
European bank	Libor + 2.25%	USD	July 2018	41,273
Ukrainian subsidiary of European bank	3.75%	USD	July 2018	29,971
European bank	Libor + 4.00%	USD	July 2018	23,286
European bank	Libor + 3.50%	USD	July 2018	19,200
European bank	Libor + 3.20%	USD	July 2018	10,500
Ukrainian subsidiary of European bank	3.80%	USD	July 2018	6,900
Ukrainian subsidiary of European bank	3.50%	USD	July 2018	6,800
Ukrainian subsidiary of European bank	3.55%	USD	August 2018	6,700
Ukrainian subsidiary of European bank	3.50%	USD	December 2018	5,800
Ukrainian subsidiary of European bank	16.40%	UAH	September 2018	5,475
Ukrainian subsidiary of European bank	3.55%	USD	July 2018	4,500
Ukrainian subsidiary of European bank	16.30%	UAH	July 2018	1,993
Ukrainian subsidiary of European bank	16.40%	UAH	August 2018	1,860
Ukrainian subsidiary of European bank	3.75%	USD	July 2018	1,000
Total bank credit lines				223,930
Interest accrued on short-term loans				718
Interest accrued on long-term loans				125
Total				224,773

As of 30 June 2019, undrawn short-term bank credit lines amounted to USD 708,866 thousand (as of 30 June 2018: USD 121,908 thousand).

Short-term borrowings from banks were secured as follows:

	As of 30 June 2019	As of 30 June 2018
Assets pledged		
Inventory (Note 12)	166,245	200,849
Future sales receipts	85,365	41,273
Property, plant and equipment (Note 15)	626	540
Total	252,236	242,662

21. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 June 2019	As of 30 June 2018
Long-term bank borrowings	64,913	5,623
Current portion of long-term borrowings	(1,233)	(2,811)
Total	63,680	2,812

The balances of long-term borrowings as of 30 June 2019 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 2.78%	USD	February 2029	50,000
European bank	Libor + 2.77%	USD	April 2029	12,140
Ukrainian subsidiary of European bank	Libor + 4.50%	USD	August 2021	2,773
Total				64,913

The balances of long-term borrowings as of 30 June 2018 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 1.65%	USD	March 2020	5,623

As of 30 June 2019, undrawn long-term borrowings amounted to USD 243,860 thousand (as of 30 June 2018: nil).

Long-term bank borrowings from banks were secured as follows:

	As of 30 June 2019	As of 30 June 2018
Assets pledged		
Property, plant and equipment (Note 15)	103,427	—
Total	103,427	—

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

22. Obligations under Finance Leases

The Group entered into finance lease arrangements for part of its agricultural equipment, vehicles and production machinery. Leases are denominated in USD and UAH. The average term of finance leases is 5 years.

The major components of finance lease liabilities were as follows:

	As of 30 June 2019		As of 30 June 2018	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amounts payable due to the finance lease:				
Within one year (Note 19)	3,113	2,484	3,979	3,236
Later than one year and not later than five years	5,983	5,230	9,096	7,710
Total	9,096	7,714	13,075	10,946
Less future finance charges	(1,382)	—	(2,129)	—
Present value of lease obligations	7,714	7,714	10,946	10,946

The average effective interest rate contracted for the year ended 30 June 2019 was at the level of 9.74% (30 June 2018: 9.44%).

23. Bonds issued

	As of 30 June 2019	As of 30 June 2018
Unsecured senior notes	500,000	500,000
Less: Unamortized debt issue costs	(3,949)	(5,204)
Total	(496,051)	494,796

In January 2017 the Group issued USD 500,000 thousand unsecured notes ('the Notes'), that will mature on 31 January 2022. The Notes bear interest from 31 January 2017 at the rate of 8.75% per annum payable semi-annually in arrears on 31 January and 31 July each year commencing from 31 July 2017.

As of 30 June 2019 and 2018, accrued interest on bonds issued was USD 17,949 thousand.

The Notes are unsecured, ranking equally with all existing and future senior unsecured indebtedness of the Issuer and have been unconditionally and irrevocably guaranteed by designated Group subsidiaries on the joint and several basis to the maximum extent permitted by law.

The Notes contain certain restrictive covenants that limit the ability of the Issuer and, where applicable, its restricted subsidiaries to create or incur certain liens, make restricted payments, engage in amalgamations, mergers or consolidations, or combination with other entities; make certain disposals and transfers of assets; and enter into transactions with affiliates.

The Notes may be redeemed in whole, but not in part, at the option of the Issuer at a price equal to 100 per cent of their principal amount, plus accrued and unpaid interest to the redemption date, in case of specified taxation event. The Notes could be redeemed at any time, at the option of the Issuer, up to 35 per cent of the principal aggregate amount of the Notes ('Equity Offering') at redemption price of 108.75 per cent of their principal amount, plus accrued and unpaid interest to the redemption date.

Upon a change of control event each noteholder has the right, but not the obligation, to require the Issuer to purchase the Notes at the purchase price equal to 100 per cent of their principal amount, plus accrued and unpaid interest to the purchase date.

The Notes were rated in line with the Issuer's IDR by Fitch (B+) and S&P (B), which is two notches and one notch above the sovereign at the issue date, respectively.

24. Income Tax

The Company is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 27.08% as of 30 June 2019 and 2018. The effective income tax rate in Switzerland as of 30 June 2019 was in range 9.92% - 11.64%. Income tax rate in the US as of 30 June 2019 was 23.60%. The corporate income tax rate in Ukraine, where the main operations of the Group are located, was 18% as of 30 June 2019 and 2018. The majority of the Group's operating entities are located in Ukraine, therefore effective tax rate reconciliations is completed based on Ukrainian statutory tax rates.

The majority of the Group's companies that are involved in agricultural production pay the Unified Agricultural Tax (UAT) in accordance with the Tax Code of Ukraine. The UAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty, and Trade Patent. The UAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. The UAT does not constitute an income tax and, as such, is recognized in the Consolidated Statement of Profit or Loss in other operating income.

The accompanying notes are an integral part of these financial statements.

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for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The components of income tax expense were as follows:

	For the year ended 30 June 2019	For the year ended 30 June 2018
Current income tax charge	(3,359)	(7,391)
Deferred tax (expenses)/benefit relating to origination and reversal of temporary differences	(8,543)	13,291
Total income tax (expenses)/ benefit recognized in the reporting period	(11,902)	5,900

The income tax expense is reconciled to the profit before income tax per Consolidated Statement of Profit or Loss as follows:

	As of 30 June 2019	As of 30 June 2018
Profit before income tax	190,406	50,054
Tax expense at Ukrainian statutory tax rate of 18%	(34,273)	(9,010)
Effect of income that is exempt from taxation (farming)	34,984	15,996
Effect of different tax rates of Subsidiaries operating in other jurisdictions	1,527	(3,402)
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	764	(510)
Other expenditures not allowable for income tax purposes and non-taxable income, net	(14,904)	2,826
Income tax (expenses)/ benefit	(11,902)	5,900

For the year ended 30 June 2019, USD 4,650 thousand income tax expenses were recognized in other comprehensive income (2018: nil).

The primary components of the deferred tax assets and deferred tax liabilities were as follows:

	As of 30 June 2019	As of 30 June 2018
Tax losses carried forward	4,821	16,611
Valuation of property, plant and equipment	9,417	11,620
Valuation of inventory	307	334
Valuation of advances and other temporary differences	367	494
Deferred tax assets	14,912	29,059
Valuation of property, plant and equipment	(32,438)	(27,781)
Valuation of intangible assets	(1,952)	(2,026)
Valuation of prepayments to suppliers and other temporary differences	(1,085)	(286)
Deferred tax liabilities	(35,475)	(30,093)
Income tax liability, net	(20,563)	(1,034)

As of 30 June 2019, based upon projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Group will realize the benefits of deferred tax assets of USD 4,821 thousand (2018: USD 16,611 thousand) recognized with respect to tax losses carried forward by the subsidiaries. The amount of future taxable income required to be generated by the Subsidiaries to utilize the tax benefits associated with the tax loss carried forward is approximately USD 26,783 thousand (2018: USD 92,283 thousand). However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

Tax losses incurred by subsidiaries registered in Ukraine can be brought forward for a reasonable period of time.

There were no unrecognized deferred tax assets arising from tax losses carried forward by the Group's subsidiaries as of 30 June 2019 (as of 30 June 2018: USD 764 thousand).

The Group does not recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries as it is able to control the timing of the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is an analysis of the deferred tax balances (after offset) as they are presented in the Consolidated Statement of Financial Position:

	As of 30 June 2019	As of 30 June 2018
Deferred tax assets	8,447	18,536
Deferred tax liabilities	(29,010)	(19,570)
Net deferred tax liabilities	(20,563)	(1,034)

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

25. Revenue

The Group's revenue was as follows:

	For the year ended 30 June 2019	For the year ended 30 June 2018
Revenue from agriculture commodities merchandizing	2,093,333	951,252
Revenue from edible oils sold in bulk, meal and cake	1,744,287	1,286,645
Revenue from bottled sunflower oil	114,526	106,846
Revenue from farming	29,983	51,529
Revenue from grain silo services	5,919	6,308
Revenue from transshipment services	4,085	423
Total	3,992,133	2,403,003

Revenue for the period is comprised of the following:

	For the year ended 30 June 2019
Sale of commodities	3,841,624
Freight, storage and other services	150,509
Total	3,992,133

Revenue is obtained principally from the sale of commodities, recognized once the control of the goods has transferred from the Company to the customer. Revenue derived from freight, storage and other services is recognized over time as the service is rendered. Disaggregated revenue for each reportable segment is presented in the Note 6.

The transaction price allocated to unsatisfied performance obligations as of 30 June 2019 is of USD 1,952 thousand. This amount represents revenue from carriage, freight and insurance services under CIF/CFR (INCOTERMS) contracts which are to be executed in July 2019 when the goods are delivered to the point of destination and under which the Group has already recognized revenue from sale of goods at a point in time as of 30 June 2019

26. Cost of Sales

Cost of sales was as follows:

	For the year ended 30 June 2019 ¹	For the year ended 30 June 2018
Cost of goods for resale and raw materials used	3,117,528	1,876,392
Shipping and handling costs (Note 3)	307,525	153,553
Amortization and depreciation	71,947	79,789
Rental payments	71,765	72,694
Payroll and payroll related costs	65,666	55,792
Other operating costs	19,331	23,010
Total	3,653,762	2,261,230

27. Other Operating Income, net

For the year ended 30 June 2019, other operating income, net amounted to USD 28,228 thousand (2018: USD 59,092 thousand). Decrease was mainly caused by loss on operations with commodity futures in the amount of USD 13,650 thousand, basically driven by result of Avere operations with derivative instruments, including its revaluation as of year-end (2018: gain in the amount of USD 32,317 thousand).

For the year ended 30 June 2019, together with income from assigning transshipment quota entitlement in Zernovoy Terminalny Complex Taman LLC for the amount of USD 8,000 thousand (2018: USD 7,800 thousand) (Note 32), other operating income included result from price difference settlements namely contracts wash-out and circles, fines and penalties, VAT benefits and other state dotations and other income from operating activities.

¹ During the year ended 30 June 2019, the Group has changed its accounting policy due to IFRS 15 adoption and changed presentation of Distributions costs and included them in Cost of sales. Comparative information was reclassified respectively. Please see Note 3 for more details and description of changes in accounting policy and reclassifications made.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

28. General and Administrative Expenses

General and administrative expenses were as follows:

	For the year ended 30 June 2019	For the year ended 30 June 2018
Payroll and payroll related costs	60,381	46,887
Audit, legal and other professional fees	11,052	6,841
Bad debts expenses	7,905	997
Repairs and material costs	7,454	6,858
Business trip expenses	4,955	5,073
Amortization and depreciation	3,805	2,870
Taxes other than income tax	2,287	2,478
Rental payments	2,158	1,815
Insurance	1,918	2,554
Communication expenses	1,522	878
Bank services	1,444	1,658
Other expenses	1,651	1,090
Total	106,532	79,999

Audit, legal and other professional fees for the year ended 30 June 2019 include the auditor's remuneration in the amount of USD 659 thousand and no consultancy fees for the respective period (for the year ended 30 June 2018: USD 495 thousand and nil, respectively).

29. Finance Costs, net

Finance costs, net were as follows:

	For the year ended 30 June 2019	For the year ended 30 June 2018
Interest on corporate bonds (Note 23)	44,886	44,619
Interest expense on bank loans	26,520	15,336
Other finance costs, net	10,913	5,144
Total	82,319	65,099

30. Foreign Exchange Gain/(Loss), net

For the year ended 30 June 2019, foreign exchange gain, net amounted to USD 12,860 thousand (30 June 2018: USD 5,375 thousand). The result is mostly connected with fluctuation of exchange rates which influenced on revaluation of balances denominated in other than functional currencies, namely trade balances, VAT and income tax prepaid, borrowings (including intra-group balances: the Company's subsidiaries operate with different functional currencies and during the normal course of business issue intercompany financing which, when revalued, causes either foreign exchange gains or losses at one of the Company's subsidiaries if they had different functional currencies) (Note 35).

31. Other Expenses, net

Other expenses, net were as follows:

	For the year ended 30 June 2019	For the year ended 30 June 2018
Revaluation losses of property, plant and equipment (Note 15)	10,234	—
Charity	2,303	2,440
Fines and penalties (Note 34)	1,610	28,923
Other material expenses	1,341	2,084
Gain on bargain purchase (Note 7)	—	(2,309)
(Reduction of impairment)/Impairment of intangible assets and goodwill, net (Note 16, 17)	(116)	577
Gain on disposal of property, plant and equipment	(605)	(791)
Gain on disposal of Subsidiaries (Note 7)	(4,833)	(2,972)
Other (gain)/expenses, net	(1,558)	3,028
Total	8,376	30,980

32. Investments in Joint Ventures

On 27 September 2012, a 50/50 joint venture was formed with Renaisco BV, a Subsidiary of Glencore International PLC. The joint venture acquired a 100% interest in a deep-water grain export terminal in Taman port (the Russian Federation). Taman port provides storage and transshipment services as well as an efficient freight forwarding process.

As of 30 June 2019, the Group assigned its transshipment quota entitlement for the year ended 30 June 2020 (2,000,000 tons) in Zernovoy Terminalny Complex Taman LLC to a third party (year ended 30 June 2019: 2,000,000 tons). For the year ended 30 June 2019, income received for the quota entitlement amounted to USD 8,000 thousand (2018: USD 7,800 thousand) and was included in Other operating income, net (Note 27).

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The investment in the joint venture is accounted for using the equity method from the date of acquisition. The Group has the following significant interests in joint ventures (all related to the export terminal in Taman port):

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group	
			As of 30 June 2019	As of 30 June 2018
Taman Grain Terminal Holdings Limited	Holding Company	Cyprus	50.0%	50.0%
Taman Invest Limited CJSC	Holding Company	Russian Federation	50.0%	50.0%
Zernovoy Terminalny Complex Taman LLC	Grain export terminal	Russian Federation	50.0%	50.0%

Financial data in regard to joint ventures, reflecting 100% interest in the underlying joint venture, was as follows:

	As of 30 June 2019	As of 30 June 2018
Current assets	3,331	5,621
Non-current assets	64,735	66,260
Current liabilities	(20,911)	(17,914)
Non-current liabilities	(9,274)	(14,154)
Net assets of joint ventures	37,881	39,813

The above amount of assets and liabilities include the following:

	As of 30 June 2019	As of 30 June 2018
Cash and cash equivalents	20	1,055
Property, plant and equipment, net	63,586	65,633
Current financial liabilities (excluding trade and other payables and provisions)	(4,618)	(5,050)
Non-current financial liabilities (excluding trade and other payables and provisions)	(5,877)	(10,532)

Summarized statement of profit or loss and other comprehensive income of joint ventures was as follows:

	For the year ended 30 June 2019	For the year ended 30 June 2018
Revenue	23,217	35,572
Cost of sales	(23,849)	(29,104)
Other operating income	1,244	—
General and administrative expenses	(3,304)	(3,566)
(Loss)/Profit from operating activities	(2,692)	2,902
Other income, net	70	542
(Loss)/Profit before income tax	(2,622)	3,444
Income tax benefit/(expenses)	690	(1,058)
(Loss)/Profit for the period and total comprehensive (loss)/income	(1,932)	2,386

The above information for the period includes the following:

	Year ended 30 June 2019	Year ended 30 June 2018
Depreciation and amortization	4,086	4,217
Interest expenses	1,344	2,271

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

	Year ended 30 June 2019	Year ended 30 June 2018
Net assets of the joint venture	37,881	39,813
Proportion of the Group's ownership interest in the joint venture	50.0%	50.0%
Goodwill	32,311	32,311
Carrying amount of the Group's interest in the joint venture	51,252	52,218

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

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33. Transactions with Related Parties

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

The Group had the following balances outstanding with related parties:

	Related party balances as of 30 June 2019	Total category as per consolidated state- ment of financial posi- tion as of 30 June 2019	Related party balances as of 30 June 2018	Total category as per consolidated state- ment of financial posi- tion as of 30 June 2018
Trade accounts receivable, net (Note 9)	785	183,196	106	92,355
Prepayments to suppliers and other current assets, net (Note 10)	9,675	129,822	9,714	113,342
Other non-current assets (Note 18)	19,769	155,732	13,366	134,562
Advances from customers and other current liabilities (Note 19)	4,462	104,976	8,204	104,898
Other non-current liabilities	—	43,843	1,058	32,506

As of 30 June 2019, and 30 June 2018, prepayments to suppliers and other current assets included a trade prepayment to Zernovoy Terminalny Complex Taman LLC according to the transshipment agreement in the amount of USD 3,574 thousand and USD 4,358 thousand, respectively.

As of 30 June 2019, prepayments to suppliers and other current assets and other non-current assets included a loan at rate comparable to the average commercial rate of interest in the amount of USD 2,575 thousand provided to Taman Grain Terminal Holding (30 June 2018: USD 2,484 thousand).

As of 30 June 2019, other non-current assets included a loan at rate comparable to the average commercial rate of interest in the amount of USD 10,459 thousand provided to the company under control of the Beneficial Owner (30 June 2018: nil).

As of 30 June 2019, other non-current assets included an interest-free financing in the amount of USD 5,493 thousand and loan at a rate comparable to the market rate in the amount of USD 1,000 thousand provided to key management personnel (30 June 2018: USD 6,076 thousand and USD 1,000 thousand, respectively).

As of 30 June 2019, advances from customers and other current liabilities included USD 3,099 thousand in bonuses payable to the management (30 June 2018: USD 1,413 thousand).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

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

Transactions with related parties were as follows:

	Amount of opera- tions with related parties, for the year ended 30 June 2019	Total category as per consolidated statement of finan- cial position as of 30 June 2019	Amount of opera- tions with related parties, for the year ended 30 June 2018	Total category per consolidated state- ment of profit or loss for the year ended 30 June 2018
Revenue (Note 25)	1,165	3,992,133	—	2,403,003
Cost of sales (Note 26)	(4,192)	(3,653,762)	—	(2,261,230)
General and administrative expenses (Notes 28)	(8,377)	(106,532)	(7,944)	(79,999)
Finance costs, net (Note 29)	(611)	(82,319)	94	(65,099)
Other expenses, net (Note 31)	3,178	(8,376)	(2)	(30,980)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

As of 30 June 2019, the Board of Directors consisted of the following eight directors: the chairman of the board, three non-executive independent directors and four directors employed by Subsidiaries. Remuneration of the Board of Directors (8 Directors) for the year ended 30 June 2019 amounted to USD 500 thousand (30 June 2018: 8 directors, USD 568 thousand). The non-executive directors were also refunded, to a reasonable extent, any expenses incurred by them in performing their duties, including reasonable traveling expenses.

Four directors employed by Subsidiaries are entitled to remuneration for their services as members of the management team of the Group. Remuneration of the management team of the Group, totaling 12 people, amounted to USD 5,518 thousand for the year ended 30 June 2019 (30 June 2018: 12 people, USD 3,294 thousand), including USD 3,099 thousand of variable bonus as per approved remuneration scheme (30 June 2018: USD 827 thousand).

Members of the Board of Directors and management team are not granted any pensions, retirement or similar benefits by the Group. The management of the Group has been provided with options to purchase shares of the Holding (Note 2).

The accompanying notes are an integral part of these financial statements.

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for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

34. Commitments and Contingencies

Operating Environment

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2018-2019, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease of GDP, illiquidity, and volatility of financial markets.

During the year ended 30 June 2019, annual inflation rate amounted to 9% (2018: 10%). The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in GDP smooth growth for the year ended 30 June 2019 for 3% (2018: 3%) and stabilization of national currency. From trading perspective, the economy continued to demonstrate refocusing on the European Union ("EU") market, in such a way effectively reacting to mutual trading restrictions imposed between Ukraine and Russia.

To further facilitate business activities in Ukraine, the National Bank of Ukraine (NBU) lifts the surrender requirement of a share of foreign currency proceeds. The requirement that obliged entrepreneurs to sell certain share of their foreign currency proceeds was abolished starting from 20 June 2019.

In line with the currency liberalization the National Bank of Ukraine ("NBU") streamlined currency supervision of compliance with settlement deadlines for export and import transactions in foreign currency from 120 to 365 days and cancelled all limits on repatriation of dividends since July 2019 (from March 2018, companies were allowed to pay dividends to foreign investors in foreign currency at the amount under USD 7 million per month regardless of the period, when such dividends were accrued).

Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts and cooperation with the International Monetary Fund ("IMF"), yet further economic and political developments are currently difficult to predict.

Retirement and Other Benefit Obligations

Employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund for the year ended 30 June 2019 were USD 18,619 thousand (2018: USD 15,594 thousand).

The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance some post-retirement benefits of its former employees. The only obligation of the Group with respect to this pension plan is to make the specified contributions. For the year ended 30 June 2019, there were USD 222 thousand retirement and other pension obligation expenses of the Group recognized (2018: nil). As of 30 June 2019, and 30 June 2018, the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Capital Commitments

As of 30 June 2019, the Group had commitments under contracts with a group of suppliers for a total amount of USD 152,851 thousand, mostly for the construction of an oil-crushing plant and port terminal (30 June 2018: USD 109,681 thousand, mostly for the purchase of agricultural equipment and reconstruction of a terminal).

Contractual Commitments on Sales

As of 30 June 2019, the Group had entered into commercial contracts for the export of 802,375 tons of grain and 546,117 tons of sunflower oil and meal, corresponding to an amount of USD 156,194 thousand and USD 227,450 thousand, respectively, in contract prices as of the reporting date.

As of 30 June 2018, the Group had entered into commercial contracts for the export of 1,631,918 tons of grain and 503,369 tons of sunflower oil and meal, corresponding to an amount of USD 314,269 thousand and USD 248,196 thousand, respectively, in contract prices as of the reporting date.

Commitments on leases of property plant and equipment

As of 30 June 2019, following the strategy to increase port capacity, the Group entered into a 49-year lease contract of property plant and equipment with a renewal option according to the market rent. The Group is obliged to perform fixed monthly payments adjusted on the rate of inflation. The Group will not obtain the right to acquire property plant and equipment after expiration of the lease contract.

The future minimum lease payments:

Lease term	Future minimum lease payment as of 30 June 2019	Future minimum lease payment as of 30 June 2018
Less than 1 year	548	550
From 1 to 5 years	2,193	2,198
More than 5 years	21,683	22,289
Total	24,424	25,037

The accompanying notes are an integral part of these financial statements.

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for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Commitments on land operating leases

As of 30 June 2019 and 2018, the Group had outstanding commitments under non-cancellable operating lease agreements with the following maturities:

Lease term	Future minimum lease payment as of 30 June 2019	Future minimum lease payment as of 30 June 2018
Less than 1 year	50,718	77,582
From 1 to 5 years	228,739	270,884
More than 5 years	312,090	287,127
Total	591,547	635,593

Taxation and Legal Issues

In April 2012, the Group entered into a call option agreement to acquire Stiom Holding, a farming company located in the 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 30 June 2019, the consideration paid for Stiom Holding by the Group comprised USD 33,472 thousand. A final payment was due and payable only after fulfilment 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 of the non-fulfilment of the sellers' obligations. In December 2012, the Group received a request for arbitration from the sellers in which the sellers claimed amounts said to be due to them. An arbitral tribunal was formed; the parties exchanged written statements on the case in which the Group asserted its counterclaims and thereafter written statements of evidence and expert reports were also exchanged. The hearing took place in November 2015. The tribunal delivered its award in late February 2018. That award was in part subject to challenge by the Group in the High Court in London. In March 2019 the High Court remitted the award to the tribunal for reconsideration in certain respects and a further hearing took place before the tribunal at the end of September 2019. The tribunal's revised award is awaited and is due by no later than 21 December 2019.

As of 30 June 2018, the Group has recognized a provision regarding the above-mentioned award. The provision represents the directors' best estimate of the maximum future outflow that will be required in respect of the award. The directors believe there are good prospects of success on the remitted issues but the amount of the provision has not been discounted for the purposes of this estimate, since at the moment of estimation both the outcome of the challenge and the expected period of time in which the Court will make its decision are unknown.

The carrying amount of the provision for legal claims is USD 31,872 thousand as of 30 June 2019 (2018: USD 28,971 thousand), and related expenses in the amount of USD 2,901 thousand were recognized within the year ended 30 June 2019 (2018: USD 28,971 thousand) and included within the line "Other expenses, net" (Note 31). No payment has been made to the claimant pending the outcome of the award on the remitted issues.

The Group performed certain sale and acquisition transactions and other concentrations which could have required the obtaining of the prior approval of the Antimonopoly Committee of Ukraine ("AMC"). In February 2019, the Group acquired RTK-Ukraine LLC (the "Acquisition"). In July 2019, the AMC initiated investigation in respect of the Acquisition claiming that the Group had to obtain the AMC approval for the concentration prior to acquisition of RTK Ukraine. The Group believes that the AMC approval for the concentration was not required as the Acquisition falls under the exemption allowing not to obtain the AMC approval for the concentration. The investigation is currently pending. Exact amount of potential fines and penalties could be defined after investigation finalized. Management believes that based on the past history, it is unlikely that any material settlement will arise and no respective provision is required in the Group's financial statements as of the reporting date.

As of 30 June 2019, the Group's management assessed its maximum exposure to tax risks related to VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues for total amount of USD 21,493 thousand (30 June 2018: USD 60,604 thousand), from which USD 7,797 related to VAT recoverability (30 June 2018: USD 42,882 thousand), USD 10,592 thousand related to corporate income tax (30 June 2018: 17,382 thousand) and USD 3,104 thousand related to other tax issues (30 June 2018: 340 thousand).

As of 30 June 2019, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 20,471 thousand (30 June 2018: USD 31,480 thousand), included in the abovementioned amount. Out of this amount, USD 7,613 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (30 June 2018: USD 19,159 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Ukraine's tax environment is characterized by complexity in tax administration, arbitrary interpretation by tax authorities of tax laws and regulations that, inter alia, could increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigations resulting in the imposition of additional taxes, penalties, and interest, which could be material.

Key characteristics of Ukrainian tax system:

- Ukraine currently operates a classic corporate income tax system under which companies are taxed at a rate of 18%.
- Value-added tax at the standard rate of 20% is levied on the supply of domestic goods and on the import of goods and auxiliary services. VAT at 7% rate is applied to pharmaceuticals and healthcare products. Exported goods and auxiliary services are zero-rated.
- Transfer pricing rules are also effective in Ukraine and apply to taxpayers with annual revenue exceeding UAH 150 million that engage in controlled transactions exceeding UAH 10 million with one counterparty. Controlled transactions include, inter alia, transactions with non-resident related parties, non-residents from low-tax jurisdiction, non-residents with specific legal forms, etc.
- In Ukraine thin capitalization rules apply to all loans received by resident companies from nonresident related parties where the debt is greater than 3.5 times the company's equity. Deduction for interest paid on such loans is limited to 50% of profits before tax plus the amount of financing expenses and depreciation for the relevant tax period.

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- 15% withholding tax is levied on dividends, royalties and interest and other passive income paid to the nonresident unless the rate is reduced under the tax treaty in force.

Facing the current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting significant amendments of the Tax Code of Ukraine which became effective from 1 January 2015, 1 January 2016, 1 January 2017 and 1 January 2018 except for certain provisions, which take effect at a later date. The Draft Law on new amendments to the Tax Code of Ukraine was registered with the Parliament on 30 August 2019. The major changes proposed by the Draft Law are as follows:

- The rules of thin capitalization may be changed, notably the deduction for interest paid on both controlled and uncontrolled loans is to be limited by a more fiscal approach.
- Foreign exchange gains/losses are to be excluded from taxable income calculation.
- Additional VAT accrual on the supply below "normal price" (in case of self-produced goods) or purchase price is to be applicable for export operations (previously – only for domestic sales).
- Insignificant changes in the administration of withholding tax, the transfer pricing principles, the definition of the controlling person and beneficiary owner, expansion of the definition of dividends (this issue led to a lot of disputes), etc.

Since the Ukrainian tax environment changes dynamically, we are not able to access the probability of the Draft Law adoption and/or modification.

Possible changes in Ukrainian land legislation

According the Land Code of Ukraine, there exists a prohibition on the sale of agricultural land plots (hereinafter – "the Moratorium"). The Moratorium is in force until 1 January 2020, unless the Parliament decides to prolong its validity. As of September 2019, the President Administration together with the Government plans to draft and adopt the Law on the market of agricultural land and cancel the Moratorium. The Parliament is expected to adopt the law by 1 December 2019.

On 19 September 2019, the Government announced the plan to launch the market of land starting from 1 October 2020. Only Ukrainian nationals and legal entities will be entitled to buying or selling the land. If the changes are adopted, Ukrainian entities of Kernel Group will be entitled not only to renting agricultural land plots, but also to buying them.

Since respective legislation acts have not been adopted yet, we are not able to comment on their impact on Ukrainian tax and legal environment.

35. Financial risk management

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing return to shareholders through a combination of debt and equity capital. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and risks associated with each class of capital. Based on recommendations from management, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital based on the carrying amount of borrowings less cash and cash equivalents as presented in the statement of financial position. The Group is not subject to any externally imposed capital requirements.

Gearing Ratio

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

	As of 30 June 2019	As of 30 June 2018
Equity ¹	1,350,946	1,170,733
Debt liabilities ² (Notes 20, 21, 22, 23)	770,319	754,087
Net debt	693,518	622,069
Less cash and cash equivalents (Note 8)	(76,801)	(132,018)
Net debt liabilities to capital	51%	53%

Financial instruments risk

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

- Credit risk.
- Liquidity risk.
- Market risk.

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

Risk management policies have been established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions

¹ Equity includes issued capital, share-premium reserve, additional paid-in capital, revaluation reserve, equity-settled employee benefits reserve, retained earnings and translation reserve.

² Debt includes short-term and long-term borrowings, obligations under finance leases, bonds issued and accrued interest.

The accompanying notes are an integral part of these financial statements.

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for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

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

The Group's most significant customer is an international customer, which accounted for USD 26,198 thousand out of total trade accounts receivable as of 30 June 2019 (30 June 2018: one international customer accounted for USD 25,785 thousand).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base, including the default risk of the industry and country, in which the major customers operate, has less of an influence on credit risk.

The management of the Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references, and also counterparty recommendations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the management of the Group. These limits are reviewed quarterly. Customers that fail to meet the Group's benchmark for creditworthiness may transact with the Group only on a prepayment basis. To reduce non-payment risk in international markets, the Group presents title documents via banking channels and uses payment instruments such as letters of credit and bank guarantees. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Guarantees

As of 30 June 2019, the Company has guaranteed to unrelated party that certain subsidiaries of the group will release the assets pledged under the 3-year loan provided by the Company to unrelated party. In case subsidiaries do not release those after the loan repayment, then the Company has to pay the amount that is equal to the market price of the assets or USD 29,900. The guarantee is valid for the term of the loan agreement.

Liquidity Risk

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

As of 30 June 2019, the carrying amount of the Group's maximum exposure to financial obligations was USD 1,041,369 thousand (30 June 2018: USD 960,300 thousand).

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

The average credit period on purchases of goods is 12 days.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2019 and 2018. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Trade accounts payable	136,043	(136,043)	(136,043)	—	—	—
Short-term borrowings (Note 20)	183,692	(184,754)	(184,754)	—	—	—
Long-term borrowings (Note 21)	64,913	(82,988)	(4,510)	(7,802)	(30,141)	(40,535)
Obligations under finance leases (Note 22)	7,714	(9,095)	(3,113)	(2,924)	(3,058)	—
Bonds issued (Note 23)	514,000	(631,250)	(43,750)	(43,750)	(543,750)	—
Other current liabilities	55,297	(55,297)	(55,297)	—	—	—
Other non-current liabilities	43,843	(60,236)	(1,868)	(52,651)	(5,717)	—
Total	1,005,502	(1,159,663)	(429,335)	(107,127)	(582,666)	(40,535)

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Trade accounts payable	73,629	(73,629)	(73,629)	—	—	—
Short-term borrowings (Note 20)	224,773	(225,824)	(225,824)	—	—	—
Long-term borrowings (Note 21)	5,623	(5,995)	(3,124)	(2,871)	—	—
Obligations under finance leases (Note 22)	10,946	(13,075)	(3,979)	(3,113)	(5,983)	—
Bonds issued (Note 23)	512,745	(675,000)	(43,750)	(43,750)	(587,500)	—
Other current liabilities	47,779	(47,779)	(47,779)	—	—	—
Other non-current liabilities	32,506	(56,064)	(1,867)	(3,007)	(51,190)	—
Total	908,001	(1,097,366)	(399,952)	(52,741)	(644,673)	—

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

Financial liabilities, which were not included above, are repayable within one year.

The concentration of liquidity risk is limited due to different repayment terms of financial liabilities and sources of borrowing facilities.

Market Risk

The Group's activities expose it primarily to the market risks of changes in foreign currency exchange rates, interest rates and commodity risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group measures and manages market risk using a variety of tools and metrics such as Drawdown or Value at Risk.

Value at Risk (VaR) is a statistical estimate of the potential loss in value of our positions due to adverse market movements. The Avere companies calculate VaR over a one-day time horizon with a 95 percent confidence level based on a Log-Normal assumption of Returns. Parameters are estimated using an Exponentially Weighted Moving Average over a 75 days period with a weight of 0.94. Market risk VaR was USD 3,451 thousand as of 30 June 2019.

The Group's VaR should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

- VaR model does not capture the liquidity of different risk positions and therefore does not estimate potential losses if the company liquidates large positions over a short period of time.
- VaR is based on historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations.

The Group does not disclose sensitivity analysis based on VaR as of year end since such analysis is unrepresentative of a risk inherent in financial instruments during the year.

Currency Risk

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

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

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

The table below covers UAH and USD denominated assets and liabilities carried by Subsidiaries having distinct functional currencies.

The Group's exposure to foreign currency risk as of 30 June 2019 and 2018 was as follows:

	30 June 2019		30 June 2018	
	UAH	USD	UAH	USD
Cash and cash equivalents	1,242	146	2,215	4,622
Trade accounts receivable, net	11,069	—	10,354	—
Other current assets	4,798	—	—	—
Other non-current assets	5,373	4,500	14,887	—
Trade accounts payable	(30,442)	—	(15,702)	(137)
Other current liabilities	(1,323)	(1,479)	—	—
Other non-current liabilities	(35,936)	—	(31,208)	—
Short-term borrowings from Ukrainian subsidiary of European bank (Note 20)	(24,650)	—	(9,328)	—
Long-term borrowings European Bank (Note 21)	—	(62,140)	—	—
Obligations under finance leases	—	(4,015)	—	(5,087)
Net exposure	(69,869)	(62,988)	(28,782)	(602)

10% change of the UAH against the USD would prompt a fluctuation in the equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Sensitivity of changes in the exchange rate of Ukrainian hryvnia (UAH) against US dollar (USD) is as follows:

Profit or loss (before income tax) effect for the year ended 30 June 2019:

10% strengthening of UAH.....(1,261)

10% depreciation of UAH..... (12)

Profit or loss effect for the year ended 30 June 2018:

10% strengthening of UAH..... (2,823)

10% depreciation of UAH.....2,811

As of 30 June 2019, the Ukrainian hryvnia stabilized against major foreign currencies. Foreign exchange gains and losses reflected the Ukrainian hryvnia fluctuation against the US dollar for the years ended 30 June 2019 and 2018. The Group recognized a net foreign exchange gain in the amount of USD 12,860 thousand for the year ended 30 June 2019 and USD 5,375 thousand for the year ended 30 June 2018 (Note 31). In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year. Foreign exchange gain mostly consisted of gain incurred from operations resulted from normal operating activity during the year ended 30 June 2019.

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Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

The concentration of currency risk is limited due to not significant net open position of balances in foreign currencies.

Management of the Group optimizes the influence of currency risk in Ukrainian hryvnia through export sales expressed in USD and EUR: out of total sales amounting to USD 3,992,133 thousand, sales in USD comprised USD 3,799,394 thousand and in EUR comprised USD 52,589 thousand for the year ended 30 June 2019. Export sales represented 97% of the total sales volume.

Interest Rate Risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

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

	Carrying amount as of 30 June 2019	Carrying amount as of 30 June 2018
Fixed rate instruments	595,226	583,911
Variable rate instruments	210,960	225,267
Total	806,186	809,178

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

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

If interest rates had been 100 basis points higher/lower, and all other variables were held constant, the Group's profit for the year (before income tax) ended 30 June 2019 would decrease/increase by USD 2,101 thousand (2018: decrease/increase by USD 2,253 thousand). This was mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Commodity price risk

The Group enters into derivative financial instruments to manage its exposure using commodity options, futures contracts for managing the exposures associated with agricultural commodity prices. Fair value of future contracts is evaluated based on quoted prices on international markets. Changes in the fair value of these contracts are recognized in the Consolidated Statement of Profit and Loss (Note 27).

36. Financial Instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of International Financial Reporting Standards 7 'Financial Instruments: Disclosure' and 13 'Fair value measurement'. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

As at 30 June 2019, the financial assets and liabilities are presented by class in the tables below at their carrying values:

Assets	Amortized cost	FVTPL ¹	Total
Cash and cash equivalents (Note 8)	76,801	—	76,801
Trade accounts receivable, net (Note 9)	183,196	—	183,196
Other current assets (Note 10)	20,221	—	20,221
Other financial assets	48,533	22,302	70,835
Other non-current assets	33,833	7,341	41,174
Liabilities			
Trade accounts payable	136,043	—	136,043
Borrowings (Note 20, 21)	248,605	—	248,605
Obligations under finance lease (Note 22)	7,714	—	7,714
Bonds issued and interest accrued (Note 23)	514,000	—	514,000
Other financial liabilities	—	35,867	35,867
Other current liabilities	55,297	—	55,297
Other non-current liabilities	43,843	—	43,843

¹ FVTPL – Fair value through profit and loss.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2019 (in thousands of US dollars, unless otherwise stated)

As at 30 June 2018 the financial assets and liabilities are presented by class in the tables below at their carrying values:

Assets	Amortized cost	FVTPL ¹	Total
Cash and cash equivalents (Note 8)	132,018	—	132,018
Trade accounts receivable, net (Note 9)	92,355	—	92,355
Other financial assets	—	72,344	72,344
Other non-current assets	10,123	—	10,123
Liabilities			
Trade accounts payable	73,629	—	73,629
Borrowings	230,396	—	230,396
Obligations under finance lease (Note 22)	10,946	—	10,946
Bonds issued (Note 23)	512,745	—	512,745
Other financial liabilities	—	51,456	51,456
Other current liabilities	48,622	—	48,622
Other non-current liabilities	32,506	—	32,506

As of 30 June 2019, other financial assets include Initial margin used as collateral for derivatives in the amount of USD 22,147 thousand. The cash collateral does not meet the offsetting criteria in IAS 32, but it can be set off against the net amount of the derivative asset and derivative liability in the case of default and in accordance with associated collateral arrangements.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table below represents comparison of carrying amounts and fair value of the financial instruments:

Financial liabilities ²	30 June 2019		30 June 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note 21)	64,913	65,066	5,623	5,623
Obligations under finance lease (Note 22)	7,714	7,709	10,946	10,873
Bonds issued (Note 23)	514,000	527,330	512,745	499,205

For the year ended 30 June 2019, the fair value of bank long-term borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5.12% (2018: 4.42%) that is within level 2 of the fair value hierarchy.

The fair value of Bonds issued was estimated based on published price quotations in an active market and is within Level 1 of the fair value hierarchy.

The following table below represents the fair values of the derivative financial instruments including trade related financial and physical forward purchase as at 30 June 2019 and 2018.

As at 30 June 2019

Other financial assets	Level 1	Level 2	Total
Physical forwards	—	21,591	21,591
Futures	318	—	318
Options	393	—	393
Total	711	21,591	22,302
Other financial liabilities			
Physical forwards	—	26,397	26,397
Futures	9,470	—	9,470
Total	9,470	26,397	35,867

¹ FVTPL – Fair value through profit and loss.

² Including accrued interests

The accompanying notes are an integral part of these financial statements.

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As at 30 June 2018

Other financial assets	Level 1	Level 2	Total
Physical forwards	—	67,303	67,303
Futures	4,856	—	4,856
Options	185	—	185
Total	5,041	67,303	72,344

Other financial liabilities

Physical forwards	—	49,023	49,023
Futures	1,003	—	1,003
Options	1,430	—	1,430
Total	2,433	49,023	51,456

Derivative instruments are carried at fair value for which the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the two hierarchy levels, Level 1 and 2, as prescribed by IFRS 13 Fair Value Measurement. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1) or by observable quoted prices sourced from exchanges or brokers in active markets for identical assets or liabilities (Level 2).

Valuation of the Group's commodity physical forward contracts categorized within level 2 is based on observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities and broker mark ups derived from observable quotations representing differentials, as required, including geographic location and local supply and demand.

Major part of other financial liabilities has contractual maturity due within 6 months.

The fair value is estimated to be the same as the carrying value of cash and cash equivalents, trade accounts receivable, other current assets, trade accounts payable, other current liabilities and short-term borrowings due to the short-term nature of the financial instruments. Cash and cash equivalents and short-term borrowings are classified as level 2 fair values in the fair value hierarchy due to the inclusion of directly and indirectly observable inputs. Trade receivables, other current assets and trade accounts payable, other current liabilities are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the year ended 30 June 2019, the fair value of obligations under finance lease was estimated by discounting the expected future cash outflows by a market rate of finance lease of 12.10% (2018: 11.08%) that is within level 2 of the fair value hierarchy.

For the year ended 30 June 2019, the fair value of other non-current assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the year ended 30 June 2019, the fair value of other non-current assets recognized at FVTPL was estimated by market comparable approach that is within level 2 in the fair value hierarchy.

As of 30 June 2019, fair value of other non-current assets and liabilities does not differ materially from its carrying amount and are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk. For the year ended 30 June 2019, the fair value of other non-current assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the years ended 30 June 2019 and 2018, the fair value of other non-current liabilities was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 24.88% and 22.93%, respectively.

There were no transfers between levels of fair value hierarchy.

There were no changes in the valuation technique since the previous year.

37. Earnings per Share

Basic earnings per share from continuing and discontinued operations are computed by dividing net income from continuing and discontinued operations available to ordinary shareholders by the weighted-average number of ordinary shares outstanding (as of 30 June 2019 and 2018, 81,941,230 weighted average number of ordinary shares for the periods ended then), excluding any dilutive effects of stock options. Diluted earnings per share are computed in the same way as basic earnings per share, except that the weighted-average number of ordinary shares outstanding is increased to include additional shares from the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options, except those which are not dilutive, were exercised and that the proceeds from such an exercise were used to acquire ordinary shares at the average market price during the reporting period. For calculating diluted earnings per share, an average number of 82,820,378 ordinary shares is taken into account (30 June 2018: 82,887,231).

As of 30 June 2019 and 2018, total of 3,000,000 options granted under the management incentive scheme were excluded from the weighted-average number of ordinary shares calculation for the purpose of diluted earnings per share as antidilutive.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

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Impact from adoption of new standards on both basic and diluted earnings per share was not material.

38. Subsequent Events

On 13 August 2019, according to management's plan, the Company disposed one of export terminals, assets of which as of 30 June 2019 were classified as assets held for sale.

As of 3 September 2019, the Company entered pre-export credit facility with a syndicate of European banks. Total available limit under amended facility was increased up to USD 390 million by adding additional tranche of USD 100 million maturing 31 August 2021. Moreover, the tenors of existing tranches were extended for one year: USD 200 million till 31 August 2022 and USD 90 million till 31 August 2020, respectively. Financing will be used by the Company to fund the working capital needs of its sunflower oil production business in Ukraine.

As of 6 September 2019, Fitch Ratings has upgraded Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) to 'B' from 'B-', the outlooks are positive, according to a report on the rating agency's website.

As of 23 September 2019, the Company entered pre-export credit facility with a syndicate of European banks. Total available limit under amended facility was increased up to USD 300 million by adding additional tranche of USD 200 million maturing 30 June 2021. Moreover, the tenor of existing USD 100 million tranche was extended for one year till 30 June 2022.

The accompanying notes are an integral part of these financial statements.

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