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CONFIRMATION OF YOUR REPRESENTATION: You have accessed the Listing Particulars on the basis that you have confirmed your representation to Kernel Holding S.A., a public company with limited liability (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg (the "**Issuer**"), to Agropolis, LLC, Agrocompany Arshitzia, LLC, Ahrofirma Khliborob, LLC, Bandursky VOEP LLC, Black Sea Industries Ukraina Limited, LLC, Chorna Kamianka, LLC, Druzhba-Nova, ALLC, Enselco Agro, LLC, Estron Corporation Limited, Etrecom Investments Limited, Hovtva, ALLC, Inerco Trade SA, Kernel-Capital, LLC, Kernel-Trade, LLC, "Kononivskiy Elevator", LLC, Mriia, ALLC, Palmira, ALLC, Poltavske HPP, PJSC, Poltavsky VOEP, PJSC, Restomon Limited, Trading Company "Russian Oils" LLC, Unigrain-Agro, LLC and Vyshneve-Agro, ALLC (each a "**Guarantor**" and together, the "**Guarantors**"), and to J.P. Morgan Securities plc and ING Bank N.V., London Branch (together, the "**Joint Lead Managers**") that (1) 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, you will be doing so pursuant to Regulation S under the Securities Act, (2) 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) 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.

The materials relating to the offering 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, the Issuer or the Guarantors that would or is intended to, permit a public offering of the securities, or possession or distribution of the Listing Particulars (in preliminary or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer and the Guarantors in such jurisdiction.

The Listing Particulars are being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) 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 "**Financial Promotion Order**"), (iii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iv) 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) in connection with the issue of any securities may otherwise lawfully be communicated or cause to be communicated, or (v) those persons to whom they may otherwise lawfully be distributed (all such persons referred to in (i) through (v) together being referred to as "relevant persons"). The Listing Particulars are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Listing Particulars relate are available only to relevant persons and will be engaged in only with relevant persons.

The Listing Particulars have been sent to you in an electronic format. 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 or their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Issuer, the Guarantors, the Joint Lead Managers 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.

Kernel Holding S.A.

(incorporated in Luxembourg)

US$500,000,000

8.75% Guaranteed Notes due 2022

Issue Price: 99.504%

Kernel Holding S.A. (the "**Issuer**" or the "**Company**") is offering (the "**Offering**") US$500,000,000 8.75% Guaranteed Notes due 2022 (the "**Notes**"). The Notes will be constituted by the Multiparty Trust Deed (as defined below). Each of the Guarantors organised outside Ukraine (the "**Non-Ukrainian Guarantors**") will, pursuant to the guarantee contained in the multiparty trust deed to be dated on or about 31 January 2017 (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 or by the Guarantors under the Suretyship Deeds (as defined below), the Trust Deeds or the Notes. 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 "**Individual Trust Deed**" and, together, the "**Individual Trust Deeds**", and together with the Multiparty Trust Deed, the "**Trust Deeds**", and each, a "**Trust Deed**"), and including any accessions, amendments or supplements thereto).

The Ukrainian Guarantors will unconditionally and irrevocably, jointly and severally with every other Guarantor, to the maximum extent permitted by law, agree to ensure the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds or by the Guarantors under the Suretyship Deeds, the Trust Deeds or the Notes (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 "**Individual Suretyship Deed**" and, together, the "**Individual Suretyship Deeds**" and together with the Multiparty Suretyship Deed, the "**Suretyship Deeds**", and each, a "**Suretyship Deed**", and including any accessions, amendments or supplements thereto). The Suretyships will constitute suretyships (in Ukrainian: *poruka*) for the purposes of Ukrainian law and shall not constitute a guarantee obligation (in Ukrainian: *garantiya*) as that term is interpreted under Ukrainian law.

Interest on the Notes is payable semi-annually in arrear on 31 January and 31 July in each year, commencing on 31 July 2017. 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 31 January 2022 at their principal amount together with accrued interest. The Notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of Luxembourg, Ukraine or other specified jurisdictions as set out in Condition 5.5 (*Redemption for Taxation Reasons*). The Issuer will, at the option of any Noteholder, redeem any Notes held by such Noteholder at any time following a Change of Control (as defined in Condition 5.4 (*Redemption at the Option of the Holders upon a Change of Control*)), at 100% of their principal amount, together with accrued interest. The Issuer may redeem the Notes at any time in whole, but not in part, on the date on which the call option is to be settled 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 date on which the call option is to be settled in accordance with the terms and conditions and the Notes (the "**Conditions**"). See Condition 5.6 (*Redemption at the option of the Issuer*).

There is currently no established trading market for the Notes. Application has been made to The Irish Stock Exchange plc for the approval of this document as listing particulars. Application has been made to The Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List of the Irish Stock Exchange (the "**Official List**") and to trading on the Global Exchange Market of the Irish Stock Exchange (the "**Global Exchange Market**"), which is the exchange-regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of EU Directive 2004/39/EC (as amended) (the "**Markets in Financial Instruments Directive**").

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 25 to read about important risks that prospective investors should consider before investing in the Notes.

None of the Notes, the Guarantees nor the Suretyships 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 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. Prospective purchasers 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 "B+" by Fitch Ratings Ltd ("**Fitch**"), two notches above Ukrainian sovereign, and "B" by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), one notch above 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 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 depositary (the "**Common Depositary**") for, and registered in the name of a nominee of, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**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 and their respective participants.

Joint Bookrunners and Joint Lead Managers

J.P. Morgan **ING**

The date of these Listing Particulars is 27 January 2017.

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, the Guarantees and the Suretyships which is material in the context of the issue and Offering of the Notes, the Guarantees and the Suretyships; 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, the Guarantees or the Suretyships, 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 (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 comes are required by the Issuer, the Guarantors and the Joint Lead Managers 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. 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 it 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 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 or on its behalf in connection with the Issuer, the Guarantors, the Group or the issue and offering of the Notes, the Guarantees or the Suretyships. Each Joint Lead Manager 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 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 nor the Trustee assumes any responsibility for the accuracy or completeness of the information set forth in these Listing Particulars. 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 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, the Guarantees or the Suretyships 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 proposed 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 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 this offering of the Notes at any time. The Issuer, the Guarantors and the Joint Lead Managers 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 purchaser 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 (the "**Stabilising Manager**") (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, there is no obligation on the Stabilising Manager (or persons acting on its behalf) to do this. 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 relevant Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

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 Group's Consolidated Financial Statements and the Group's Condensed Interim Consolidated Financial Statements included elsewhere or incorporated by reference 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'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 certain crops, including sunflower seeds, as part of its farming operations.

In the year ended 30 June 2016, the Group had total revenue of US$1,988.5 million, operating profit of US$287.2 million and net profit of US$226.8 million. In the three months ended 30 September 2016 (referred to as Q1 FY2017), the Group had total revenue of US$384.1 million, operating profit of US$58.5 million and net profit of US$63.1 million. As at 30 June 2016 and 30 September 2016, the Group had total assets of US$1,509.4 million and US$1,652.4 million, respectively.

The Group's revenue and operating profit are derived across three business lines, reported under six segments in the Group's Consolidated Financial Statements and the Group's Condensed Interim Consolidated Financial Statements, as set out below.

Sunflower oil business line

Bulk Sunflower Oil

In FY2016, the Group was the largest exporter of bulk sunflower oil in Ukraine, exporting 983,904 tonnes for revenue of US$1,032.1 million (51.9% of the Group's total revenue) and operating profit of US$96.5 million.

Bottled Sunflower Oil

In FY2016, the Group was the largest producer and vendor of bottled sunflower oil in Ukraine, selling 93.7 million litres, both domestically and internationally, for revenue of US$102.6 million (5.2% of the Group's total revenue) and operating profit of US$13.0 million.

Grain and infrastructure business line

Grain

Over the past three years, the Group has exported approximately 10% of total grain and oil-bearing crops exports from Ukraine and 4% from Russia, and in FY2016, the Group was the third largest exporter of grain and oil-bearing crops in Ukraine, exporting 4,409,465 tonnes for revenue of US$821.7 million (41.3% of the Group's total revenue) and operating profit of US$46.3 million.

Silo Services

The Group operates the largest private grain silo network in Ukraine with an aggregate storage capacity of 2.4 million tonnes, and in FY2016 the silo services segment generated external revenue of

US$7.3 million and intersegment revenue of US$30.9 million, for operating profit of US$19.9 million with respect to such external and intersegment revenue.

Export Terminals

The Group operates shipping terminals, including Transbulkterminal transhipment facility ("**TBT**"), which is one of the three largest grain export terminals in Ukraine as well as Taman grain transhipment facility ("**TGT**"), a grain export terminal on the Russian coast of the Black Sea operated as a 50/50 joint venture with Glencore. In FY2016, the export terminals segment generated external revenue of US$0.2 million and intersegment revenue of US$57.1 million, for operating profit of US$34.5 million with respect to such external and intersegment revenue (and excluding TGT, which is reported under the equity method of accounting).

Farming business line

The Group is the second largest crop producer in Ukraine, producing wheat, corn, soybeans, sunflower seeds, and rapeseed on approximately 385,000 hectares of leasehold farmland. In FY2016, the Farming business line sold 1,818,292 tonnes of produce and generated external revenue of US$25.1 million and intersegment revenue of US$333.0 million, for operating profit of US$112.9 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 FY2016, the Group sold 4.4 million tonnes of grain and oilseed and processed a total of approximately 2.7 million tonnes of sunflower seeds.

The Group's products are primarily sold on international markets, with 96% of revenue derived from exports in FY2016.

Competitive strengths

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

- *Integrated world-class asset base* - The Group is the largest oilseed crusher in Ukraine with an annual capacity of 3.5 million tonnes, surpassing its nearest competitor by more than threefold. The Group owns the largest inland silo network with 2.4 million tonnes of storage capacity in Ukraine, which provides it with a unique geographical footprint to source soft commodities from local producers. The Group has an annual deep-water transhipment capacity of 6.0 million tonnes, which provides it with a cost-effective gateway to international markets. The Group is a leading producer of different crops, with approximately 385,000 hectares of farmland under management. This integration across the value chain, from the farm gate to international destinations, allows the Group to profit from each stage of the process. Further, the Group's vertical integration enables it to manage costs, from the point of origination until the commodity is exported at one of its terminals, and has also reduced the Group's dependence on third party service providers.

- *Strategically located and diversified asset base* - The Group benefits from a well-invested and diversified asset base of strategically located farmland, silo network, crushing facilities and export terminals, which provide the Group with 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 silos are located across 11 farming regions in Ukraine, providing farmers with a number of attractive locations to deposit their crops, reducing long travel distances. All of the Group's crushing 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 TGT, the Group's transhipment terminals, are located on the Black Sea, with developed in-land infrastructure for inbound deliveries.

- *Cost leadership through large-scale operations and an efficient asset base* - The Group is the largest single buyer of soft commodities in the region, sourcing more than 7 million tonnes of different grains and oilseeds annually. This enables it to access economies of scale through its infrastructure. 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 export terminals are deep-water facilities capable of servicing Panamax-sized vessels with deadweight of up to 70,000 tonnes. This servicing capability provides for cost-effective delivery to destination markets, with cost-savings being captured by the Group. The Group typically operates its assets at above the regional average utilisation, which allows it to position itself as a cost-effective business in the market.

- *Business model* - The Group has a balanced composition of businesses, with its margin-driven sunflower oil and grain and infrastructure business lines, complemented by its upstream farming business and supported by prudent risk management policies. The margin-driven businesses are not dependent on the volatility of international soft commodity prices but rather on the supply and demand of that commodity in the source region. The upstream farming business, however, is able to benefit from strong commodity prices but is also susceptible to any downward price cycles. The Group follows a 'balanced book' policy, 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, which allows it to effectively lock in the margin when the raw materials and commodities are purchased. The complementary nature of the business lines supports the Group's earnings and enables the Group to limit its exposure to domestic markets and commodity price fluctuations. For example, in FY2016 the decline in the contribution to Adjusted EBITDA from the sunflower oil business was compensated for by an increase in Adjusted EBITDA from the farming business line. The Group's business model also enables approximately 95% of the Group's Adjusted EBITDA to be earned offshore, which minimises the Group's exposure to current and potential future domestic regulations restricting movements of capital.

- *Strong financial performance and healthy capital structure* - Despite a 28.9% decline in the Group's revenues from FY2013 to FY2016, Adjusted EBITDA has grown by 20.5%. The Group has performed strongly during that period, with profit from continuing operations increasing from US$114.6 million in FY2013 to US$243.9 million in FY2016. The Group has also significantly deleveraged its balance sheet over recent years and as at 30 September 2016, the Group's ratio of net debt to Adjusted EBITDA (calculated as short-term and long-term interest bearing debt less cash and cash equivalents over Adjusted EBITDA) was 0.9 and its ratio of debt to equity (calculated as short-term and long-term interest bearing debt over equity) was 0.4. The Group remains one of the few regional corporates which has not had to restructure its debt. The Group's credit track record has provided it with an uninterrupted and continuous ability to access the international bank debt during the past 10 years to finance the Group's working and expansion capital needs, such that during the challenging economic conditions in Ukraine, the Group has been able to rely on pre-export facilities to finance approximately 70% of its working capital requirements during peak periods.

- *Integrity and experience of the management team* - The Group has a professional team of leaders who have worked effectively together for long period of time. The team has complementary backgrounds and experiences, and has led and developed the Group to be one of the market leaders in each of its three main business lines. A substantial part of the team's compensation is linked to the long-term financial performance and stability of the Group, which aligns management's interests with the Group's shareholders and other stakeholders.

Strategy

The key pillars of the Group's strategy are:

- *Geographic focus* – The Group's belief is that the Black Sea region, with Ukraine and Russia playing a principal role, is one of the world's fastest growing suppliers of agricultural commodities to the international market. The Group aims to utilise its local footprint and experience to capitalise on this opportunity for growth.

- *Strong asset base* – The Group aims to control critical and efficient assets across the food export supply chain, which will serve as the Group's backbone for increasing exports of different agricultural commodities and for improving the quality of its earnings.

- *Operational discipline* – The Group's 'balanced book' policy of selling agricultural commodities through forward contracts at 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 minimised. The Group also monitors and seeks to minimise counterparty risk.

Medium-term strategy:

- *Consolidate the oilseed crushing industry* – The Group believes that the recent decline in crushing margins is a strong catalyst for crushing industry consolidation. With a 23% market share in Ukraine, the Group has a significant industry presence and is well-positioned to be a driver of this process.

- *Significantly increase its grain exports from the Black Sea region* – The recently launched greenfield construction of a deep-water grain transhipment facility in the port of Chornomorsk in Ukraine, which is anticipated to be commissioned in 2018, should enable the Group to remove bottlenecks in its transhipment capabilities and to potentially add 4 million tonnes a year of incremental capacity, doubling the Group's current grain exports. The new facility is a key part of increasing the Group's export volumes from the region and should contribute to growth in the Group's export terminals and grain segments in the medium term.

- *Achieve sustainable low-cost crop production* – The Group launched a '#DigitalAgriBusiness' project in 2016 with the aim to further strengthen its leading position in large-scale efficient crop production. The project also seeks to obtain higher productivity from the Group's farming business line through implementing an intelligent IT crop production management system capable of integrating and analysing 'big data', and providing solutions for timely planning, execution and monitoring of field works. The Group is also considering expanding its farming business line by acquiring further leasehold rights for additional farmland in Ukraine.

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

- *Export restrictions or increases in export duties by the Ukrainian or Russian governments 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 could face increased competition from other grain traders in southern Russia or other export terminal infrastructure*
- *The Group's products are commodities and their prices are subject to fluctuations that may affect the Group's profitability*
- *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 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's inability to attract and retain key personnel could adversely affect its business*
- *The Group is significantly influenced by Namsen, which is beneficially owned by Mr. Verevskyy, 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 may be subject to penalties imposed by the Antimonopoly Committee of Ukraine*
- *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*
- *Detrimental price controls could be introduced for the Group's key products*
- *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 release 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 under the Group's land lease agreements may increase*
- *The Group has not registered its rights to land plots underlying or adjacent to several of its grain silos; as a result, the Group may be subject to penalties imposed by the land and tax authorities; its title to the grain silos may be challenged and such grain silos may be demolished*
- *The Group's bulk 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*
- *The Issuer's operating subsidiaries have minority shareholders*
- *The interpretation and application of Ukrainian tax laws and regulations continues to evolve, which increases the risks associated with our operations and investment in Ukraine*
- *The Issuer may become tax resident in a jurisdiction other than Luxembourg*
- *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 in the course of tax audits*
- *The Group may incur non-refundable advance CIT on distributions of dividends by its Ukrainian subsidiaries*
- *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 working capital may be decreased due to the introduction of an electronic system of VAT administration*
- *Risks relating to the Notes, Guarantees and Suretyships*
- *Risks relating to Ukraine*

Use of Proceeds from the Offering

The Issuer intends to use the proceeds of the issuance of the Notes (US$498 million before taking into account commissions, fees and expenses) to repay indebtedness, finance working capital needs and for general corporate purposes, which may include acquisitions, should opportunities arise. For more information on the Group's existing indebtedness, see "*Description of Material Indebtedness*".

Trading Update

In 2016, Ukraine harvested 65 million tonnes of grain, including wheat, barley and corn which, according to the USDA, is 7.3% higher than the harvest in 2015. Grain exports remained marginally unchanged at 39 million tonnes, which is 0.2% higher than in 2015 according to USDA.

The Group exported 2,706 thousand tonnes of grains in the six months ended 31 December 2016, up 20.3% from previous year exports, primarily driven by the robust performance of the Group's farming division. Growth in grains exports has fuelled the Group's silo services segment, which in the six months ended 31 December 2016 experienced an 8.9% increase from previous year results, reaching a record 2,932 thousand tonnes of throughput volume. Export terminals throughput stood at 1,662 thousand tonnes in the six months ended 31 December 2016, with only a marginal decrease of 2.0% as compared to prior year, reflecting higher utilization of Ukrainian ports, offset by lower utilization of Taman grain transshipment facility.

The Group's total oilseed crushing was 1,188 thousand tonnes in the six months ended 31 December 2016 as compared to 1,333 thousand tonnes in the six months ended 31 December 2015, a decrease of 10.9%, driven by farmers reluctance to sell their crops at the beginning of the 2016/2107 marketing season and an accumulation of sizable sunflower oil carry-over stock. As a consequence, the total amount of bulk oil exported was 503 thousand tonnes in the six months ended 31 December 2016, which is 10.6% higher than last year. In the six months ended 31 December 2016, bottled sunflower oil sales grew to 58 million litres, a 18.1% growth from previous year results, driven by an increase in export deliveries.

Recent Developments and Outlook

In preparation for the upcoming marketing year, Black Sea Industries underwent improvements in its storage and pre-crush facilities, which, together with a renegotiated tolling agreement between Kernel-Trade and PE Ellada, added approximately 275,000 tonnes of crushing capacity and raised the Group's total installed capacity to a record 3.5 million tonnes of sunflower seeds. This installed capacity represents a 30% increase as compared to FY2015, and the Group believes it is well positioned to execute on its medium-term strategy of benefitting from the consolidation of the oilseed crushing industry in Ukraine while maintaining high operational standards.

Within the grain and infrastructure segment, Ukraine's total grain exports are forecasted to increase by 7% in 2017, as compared to 2016, and the Group expects to maintain its market share in this growth environment based on the recent trends in the Group's exports and farming production. The Group believes that Ukraine and Russia are among the few regions in the world capable of materially increasing grain production and exports. Through continued development of its existing port capacity, the Group intends to capitalise on this expected growth and nearly double its grain export volumes in the longer term.

In FY2017, the Group expects the overall contribution from the farming segment to be comparable to the contribution in FY2016, reflecting the Group's commitment to sustainable efficiency and increasing productivity. The Group expects crop yields to increase in average by double digit percentages in FY2017, driven by favourable weather during the pollination periods for the Group's major crops, combined with changes in cultivation and tillage technology. In the longer term, the Group expects its recently launched #DigitalAgriBusiness project will transform the traditional way of thinking about large-scale farming and its operations to streamline processes and result in prompt-decision making through the use of big data analytics and machine learning.

In addition, the Group expects to receive commitments from its core banks for up to US$300 million in Syndicated Secured Pre-Export Finance Facilities by 20 January 2017, for new credit facilities with a maturity of three years. The funds under these facilities would be used for funding pre-payments for sunflower seed procurement, their storage, transportation and processing as well as for the processing of rapeseeds and their further storage, transportation and export and to finance transhipment, freight and other marine transportation/brokerage costs. Since 30 September 2016, the Group has also obtained additional cash for working capital needs through its existing ING–UniCredit Facility and Natixis Facility for US$104 million and US$67.7 million, respectively. The Group also obtained a short-term loan for US$9.1 million with Uksibbank in December 2016. In addition, the Group decreased its long-term loans balances by a total of US$16.5 million through repayments to its VTB Facility, Terminal Facility and BSI Facility.

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$500,000,000 8.75% Guaranteed Notes due 2022.
Additional Notes	The Issuer may, in accordance with Condition 15 (*Further Issues*), create and issue Additional Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue price, issue date and/or first payment of interest) so as to be consolidated and form a single series with the Notes.
Issuer	Kernel Holding S.A.
Guarantors	Agropolis, Arshitzia, Bandursky, Black Sea Industries, Chorna Kamianka, Druzhba-Nova, Enselco, Estron, Etrecom, Hovtva, Inerco, Kernel-Capital, Kernel-Trade, Khliborob, Kononivskiy, Mriia, Palmira, Poltavske HPP, Poltavsky, Restomon, “Russian Oil”, Unigrain-Agro, Vyshneve-Agro and any Additional Guarantors.
Joint Lead Managers	J.P. Morgan Securities plc and ING Bank N.V., London Branch
Maturity Date	31 January 2022.
Issue Date	31 January 2017.
Interest	The Notes will bear interest from 31 January 2017 at a rate of 8.75% per annum payable semi-annually in arrear on 31 January and 31 July in each year, commencing on 31 July 2017.
Guarantees and Suretyship	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 or by the Guarantors under the Suretyship Deeds, the Trust Deeds or the Notes. 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 maximum extent permitted by law, ensure the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds or by the Guarantors under the Suretyship Deeds, the Trust Deeds or the Notes. The Suretyships shall not constitute a guarantee obligation (in Ukrainian: *garantiya*) as that term is interpreted under Ukrainian law. The Initial Guarantors, on a consolidated basis, collectively generated approximately 99.6% of the Issuer’s consolidated revenue and approximately 85.2% of its consolidated Adjusted EBITDA for the financial year ended 30 June 2016, and collectively held, on a consolidated basis, approximately 85.9% of the Issuer’s consolidated total assets as at 30 June 2016. 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.
Ranking of the Notes and the	The Notes will constitute senior obligations of the Issuer and shall (a) rank

Guarantees	*pari passu* in right of payment to all existing and future senior unsecured Indebtedness of the Issuer, (b) rank senior in right of payment to all existing and future Indebtedness of the Issuer that is expressly subordinated to the Notes, (c) be effectively subordinated to all existing and future secured Indebtedness of the Issuer and the Guarantors to the extent of the assets securing such Indebtedness, and (d) be structurally subordinated to all existing and future indebtedness of the Subsidiaries of the Issuer that are not Guarantors or Additional Guarantors. Each Suretyship and Guarantee will rank *pari passu* in right of payment to all existing and future senior unsecured indebtedness of that Guarantor. 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 Guarantees, the Issuer and such Guarantors will be dependent on receiving payments from their Subsidiaries.
Optional Redemption	The Issuer may, at any time, redeem the Notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more Equity Offerings, at a redemption price equal to 108.75% of the principal amount redeemed, plus accrued and unpaid interest, if any, to the date of redemption, provided that at least 65% of the principal amount of the Notes remains outstanding immediately after each such redemption. See Condition 5.3 (*Optional Redemption in the Event of an Equity Offering*). In addition, the Issuer may redeem the Notes at any time in whole, but not in part, on the date on which the call option is to be settled 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 date on which the call option is to be settled. See Condition 5.6 (*Redemption at the option of the Issuer*).
Withholding Tax; Gross-up	All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantors in respect of the Notes or under the Guarantees or under the Suretyships, 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, the British Virgin Islands, the Russian Federation, Cyprus, Switzerland or Ukraine, as the case may be, 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 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*). Payments under the guarantees provided by Inerco (and/or any other, future guarantors incorporated under the laws of Switzerland which accede to the Trust Deed) will be subject to Swiss federal withholding tax (currently levied at a rate of 35%), unless 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. In addition, if the tax ruling described under "*Taxation—Switzerland*" is not granted prior to the issue of the Notes, there is a risk that the Swiss federal tax administration will re-characterise the Notes into Swiss issued notes and, thus, the interest paid on the Notes would be subject to the above withholding tax. In light of art. 14 of the Swiss Federal Withholding Tax Act there is a risk

that the Issuer's and any Guarantor's (in circumstances where the Notes are re-characterised into Swiss issued notes) 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*".

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.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at 100% of their principal amount, plus accrued and unpaid interest, in the event of specified developments relating to taxation. See Condition 5.5 (*Redemption for Taxation Reasons*).

Change of Control

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 100% of their principal amount, plus accrued and unpaid interest. See Condition 5.4 (*Redemption at the Option of the Holders Upon a Change of Control*).

Asset Sales

In certain circumstances, the Issuer must offer to repurchase the Notes at an offer price equal to 100% of the principal amount of Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, with the proceeds from the sale of certain assets. See Condition 3.5 (*Asset Sales*).

Certain Covenants

The Conditions will, among other things, restrict the ability of the Issuer and, where applicable, its Restricted Subsidiaries (as defined in Condition 19 (*Definitions*)) to:

- 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;
- issue guarantees of indebtedness;
- designate Restricted Subsidiaries as Unrestricted Subsidiaries; and
- enter into sale and leaseback transactions.

Each of these covenants is subject to significant exceptions and qualifications. See Condition 3 (*Covenants*).

Lock-up	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, 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.
Form and Denomination	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.
Initial Delivery of Notes	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 a common depositary for Euroclear and Clearstream, Luxembourg. 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 common nominee for Euroclear and Clearstream, Luxembourg.
Listing and admission to trading	Currently, there is no public market for the Notes. Application has been made to the Irish Stock Exchange 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 of the Irish Stock Exchange. There is no assurance that the Notes will be listed and admitted to trading on the Global Exchange Market of the Irish Stock Exchange.
Selling Restrictions	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.
Governing Law	The Trust Deed, 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.
Trustee	BNY Mellon Corporate Trustee Services Limited.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon.
U.S. Paying Agent, Transfer Agent and Registrar	The Bank of New York Mellon.
Risk Factors	An investment in the Notes involves a high degree of risk. See "*Risk Factors*".

Security Codes	Regulation S ISIN: XS1533923238 Regulation S Common Code: 153392323 Rule 144A ISIN: US49229QAA22 Rule 144A Common Code: 098266623 Rule 144A CUSIP: 49229QAA2

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The tables below set forth the summary consolidated financial information extracted from the Group's unaudited condensed consolidated financial statements as at and for the three months ended 30 September 2016, the audited annual financial statements as at and for the year ended 30 June 2016 (as it relates to consolidated financial information as at and for the two years ended 30 June 2016 and 2015) and the audited annual financial statements as at and for the year ended 30 June 2015 (as it relates to the consolidated financial information for the as at and for the year ended 30 June 2014). The summary consolidated financial information as at and for the year ended 30 June 2014 have not been restated for the discontinued operations that occurred in FY2016 as described in Note 14 in the Group's Consolidated Financial Statements for the year ended 30 June 2016.

The unaudited condensed consolidated financial statements as at and for the three months ended 30 September 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. The audited annual financial statements as at and for the years ended 30 June 2016, and 30 June 2015 have been prepared in accordance with IFRS, as endorsed by the European Union. These unaudited condensed consolidated financial statements and these annual 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 and the Group's Condensed Interim Consolidated Financial Statements 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 September		**As at 30 June**		
	2015	**2016**	**2014**	**2015**	**2016**
	(US$ in thousands unless otherwise stated)				
BALANCE SHEET DATA					
Cash and cash equivalents	76,144	93,336	65,400	129,121	60,372
Total assets	1,488,269	1,652,447	1,919,022	1,465,618	1,509,355
Short-term borrowings	303,318	272,558	405,821	298,005	179,615
Long-term borrowings (including current portion of long-term borrowings)	148,881	138,886	324,860	158,236	156,676

	For the three months ended 30 September		**For the year ended 30 June**		
	2015	**2016**	**2014[(1)]**	**2015**	**2016**
	(US$ in thousands unless otherwise stated)				
INCOME STATEMENT DATA					
Revenue	377,722	384,063	2,393,251	2,329,507	1,988,520
Net change in fair value of biological assets and agricultural produce	2,119	33,383	(17,110)	(6,789)	20,134
Cost of sales	(305,694)	(322,791)	(1,967,974)	(1,805,573)	(1,548,474)
Gross profit	74,147	94,655	408,167	517,145	460,180
Other operational income	3,161	9,664	60,474	82,420	44,617
Distribution costs	(23,619)	(31,924)	(262,920)	(197,098)	(158,323)
General and administrative expenses	(12,787)	(13,852)	(77,004)	(66,910)	(59,284)
Profit from operating activities	40,902	58,543	128,717	335,557	287,190
Finance costs, net	(10,310)	(11,188)	(72,459)	(64,809)	(57,121)
Foreign exchange (loss)/gain, net	(2,716)	15,091	(98,805)	(143,443)	30,442
Other income/(expenses), net	1,794	5,497	(51,777)	(9,554)	(16,608)

	For the three months ended 30 September		For the year ended 30 June		
	2015	2016	2014[1]	2015	2016
	(US$ in thousands unless otherwise stated)				
Share of (loss)/gain of joint ventures....	1,301	(1,196)	3,901	5,087	3,886
Profit/(Loss) before income tax	30,971	66,747	(90,423)	122,838	247,789
Income tax expenses............................	(2,522)	(3,675)	(11,372)	(1,152)	(3,910)
Profit/(Loss) for the period from continuing operations	28,449	63,072	(101,795)	121,686	243,879
CASH FLOW DATA					
Operating profit before working capital changes.....................................	57,842	41,386	195,544	338,715	330,453
Net cash (used in)/generated by operating activities................................	(29,535)	(29,734)	82,472	404,723	133,723
Net cash used in investing activities.....	(18,343)	(12,874)	(83,210)	(24,305)	(60,732)
Net cash (used in)/provided by financing activities................................	(4,711)	60,645	6,868	(309,824)	(134,469)

	As at 30 September		As at 30 June		
	2015	2016	2014	2015	2016
	(US$ in thousands unless otherwise stated)				
EQUITY DATA					
Book value[2]............................	894,369	1,028,510	1,029,661	889,554	995,329
Weighted average number of shares.......................................	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410
Book value per share	11.22	12.91	12.92	11.16	12.49
Diluted weighted average number of shares......................	81,020,112	81,894,124	79,856,603	79,779,975	81,384,851
Diluted book value per share ...	11.04	12.56	12.89	11.15	12.23

(1) FY2014 figures in relation to income statement data and other financial and operating items have been extracted from the comparative information included in the audited annual financial statements as at and for the year ended 30 June 2015 and thus have not been restated for the discontinued operations that occurred in FY2016.

(2) The Group defines book value as the equity attributable to Kernel Holding S.A. 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 FY2016, the Group derived most of its revenue from the sale of sunflower-derived products and other crops. 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 and in southern Russia. 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. 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. In particular, the Group's ability to source a sufficient quantity of oilseed for its crushing and processing business and grain for its grain marketing 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. 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 to remedy the situation, 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.

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 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 or Russian governments 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 or Russian governments 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. In 2010 and 2011, the 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, Russia 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 compensated for through 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, as well as unofficial, policies implemented by other countries or international organisations to limit imports from certain countries, including Ukraine and Russia, 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. For example, in 2008, some shipments of Ukrainian sunflower oil, including the Group's sunflower oil, were discovered to be contaminated with mineral oil. In response, the EU temporarily banned the import of all Ukrainian sunflower oil. Although the Group has implemented various measures to ensure the quality of its goods sold for export (the Group, for example, controls the sunflower oil production process from sunflower seeds origination through to sunflower oil production and delivery to buyers' vessels), 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 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 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.

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 sunflower 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. 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, Ukrainian or Russian economies;
- changes in global supply and demand of 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, 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 the multinational companies, may have greater financial, purchasing, marketing or distribution resources, and the Group may not be able to compete successfully with them and any 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 and, to a lesser extent, with other export terminals for the transhipment of grain. 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, particular where they have surplus production or infrastructure capacity, 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 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 and trucks on commercially acceptable terms or at the required levels. Such increased competition could prevent the Group from growing further and 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, when sold under its own labels, is particularly sensitive to the actions of competitors. The bottled sunflower oil industry is highly price sensitive and requires the Group's 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, it is possible that the Group will experience tangible pricing pressure from its customers and/or competitors in relation to its exported bottled sunflower oil.

Additionally, supermarket retail market is highly competitive and 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 could face increased competition from other grain traders in southern Russia or other export terminal infrastructure

The Group's Russian grain trading business purchases grain from suppliers at its export terminal, the TGT (a 50/50 joint venture with Glencore), predominantly on "**DAP**" terms. As the only significant port terminal in the southern Russian Black Sea region and with little marketing effort from the Group, suppliers transport large quantities of grain to the terminal where the Group's Russian trading entity purchases it and the terminal arranges for loading onto ships for export. As a result, the Group's Russian grain trading business and TGT is exposed to potential competition from other grain traders and from other providers of export terminal infrastructure. Accordingly, any of these factors could reduce the competitiveness of the Group's Russian grain training business and the throughput of TGT, which could have a material adverse effect on 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 and governmental regulation. 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 percentage 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. However, the Group's farming business line is directly exposed to global commodity prices for the crops it grows, particularly corn and sunflower seeds. 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's sunflower 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. In particular, the Group plans to expand its export terminal facilities in the near future, as well as other aspects of its operations such as the further consolidation of the crushing industry and expansion of its sunflower oil processing capacities and its farming operations and land portfolio. These development plans involve significant capital expenditure 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. In addition, certain Ukrainian currency control regulations may hinder the Group's ability to obtain hard currency denominated financing from international lenders on favourable terms, because loans in foreign currency extended to Ukrainian borrowers are subject to prior registration with the National Bank of Ukraine (the "**NBU**").

These regulations may be subject to changes and varying interpretations, complicating both the process of determining whether registration is required and the process of obtaining such registration. If the Group cannot obtain adequate funds to satisfy its future capital requirements, it may need to curtail or discontinue the expansion of its facilities or operations, which would slow the Group's growth, lead to a loss of market share and otherwise have a material adverse effect on 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.

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 extensive contacts and relationships of Mr. Verevskyy and senior management in the region and in the industry, are also of significant benefit to the Group. 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. Verevskyy, who oversees the strategic development and overall management of the Group. The Group does not maintain a key person life insurance policy on Mr. Verevskyy. The loss of Mr. Verevskyy'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. Verevskyy, whose interests may conflict with those of the Noteholders

Namsen, which is beneficially owned by Mr. Verevskyy, holds 38.72% of its share capital and has a significant interest in 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 2016, 2015 and 2014 and Note 20 to the Group's Interim Condensed Consolidated Financial Statements for the first three months ended 30 September 2016. 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, 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

The Group's grain, sunflower oil and by-products are subject to quality standards and regulations and are vulnerable to potential contamination. 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 oil pipelines and port terminals. For example, in 2008, some shipments of Ukrainian sunflower oil, including the Group's sunflower oil, were discovered to be contaminated with mineral oil. In response, the EU temporarily banned the import of all Ukrainian sunflower oil. See "*—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*".

Under Ukrainian law, a consumer who has sustained damages 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 Public Joint Stock Company "Ukrainian Railway" ("**Ukrzaliznytsia**"). At present, there are no alternative suppliers of railway transportation services in Ukraine. The Ukrainian government sets domestic rail freight prices, subject to annual adjustment for a number of factors and the terms of transportation. 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, 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 rolling stock, 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 and Russia, including rail and road networks, is sometimes inadequate, or has not been adequately funded and maintained. Road conditions in Ukraine and Russian may also be poor, with many roads not meeting modern quality requirements. Similarly, other Ukrainian and Russian infrastructure, such as power generation and transmission and communications systems, is sometimes inadequate or has not been adequately funded and maintained. Failure by the relevant 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. There is no rail connection to TGT in southern Russia and that terminal is solely dependent upon deliveries of products by truck. Any disruption or bottleneck in the local road infrastructure could inhibit or prevent the timely delivery of grain for export, which would adversely impact the operations of that terminal. The poor condition or further deterioration of the physical infrastructure in Ukraine or Russia 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 may be subject to penalties imposed by the Antimonopoly Committee of Ukraine

In the course of its business activities, 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 recent years, the AMC has sought to increase business transparency and improve the competitive environment in Ukraine through changes to competition legislation and procedures for conducting investigations and through challenges to various anticompetitive practices. Applicable antitrust legislation restricts companies and individuals from directly or indirectly acquiring control over other companies or from performing concentration (in Ukrainian: *Kontsentratsiia*), including, among others, mergers of several independent companies into a new company, absorption of one company by another, establishment of companies without the prior approval of the AMC where financial thresholds stipulated by the effective competition laws are met. Although the management of the Group believes that the Group is generally in compliance with the requirement for obtaining the AMC approvals for such transactions and the Group intends to comply with such requirement in the future, the failure to obtain required approvals could cause the Group (and all entities related to it through relations of control) to be subject to fines in the amount of up to 5% of the Group's consolidated revenue in the year immediately preceding the year of imposition of the fine, for each failure to obtain such approvals, which may be material. If an acquisition led to a particular market becoming monopolistic or competition being significantly restricted on such market or part thereof, the AMC may seek the invalidation of such transactions by the Ukrainian courts, which in turn may lead to the compulsory divestment of the relevant companies. In practice, however, the AMC has never imposed this type of penalty.

The submission of an inaccurate or incomplete filing to the AMC could also result in fines and even the relevant approval could be annulled.

The filing by the Group of an inaccurate and incomplete submission to the AMC in the past could result in the imposition of fines in an amount of up to 1% of Group's consolidated revenue in the year immediately preceding the imposition of the fine. There can be no assurance regarding the future actions of the Ukrainian state authorities, and the laws and regulations in respect of such matters are vague in certain parts and subject to varying interpretations. Any penalties imposed by the AMC on the Group could have a material adverse effect on Group's business, financial condition and results of operations.

The Group's operations may be limited by antitrust law

The Group is one of the leading producers and exporters of sunflower oil (including bottled sunflower oil) in 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, the Group 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 or the Group's 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 examples, 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. Ukrainian law does not provide clear guidance as to which particular actions amount to an abuse of a dominant position and the AMC of Ukraine has discretion in this matter. 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 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.

Each of the Group's Ukrainian subsidiaries prepares separate financial statements under national Ukrainian accounting standards. The treatment of certain items in such national accounting standards such as, for example, with regards to biological assets and taxation, may differ significantly from IFRS. 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 borrowings, which amounted to US$358.2 million, or 87% of total borrowings outstanding as at 30 September 2016. 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, against other currencies, such as the euro and the hryvnia, may have an adverse effect on the Group's results of operations. In FY2016 approximately 87% of the Group's external sales were made in U.S. dollars and approximately 9% of external sales were made in euros. The remaining 4% represent sales of bottled sunflower oil, 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 FY2016 approximately 85% of its operating costs were denominated in or linked to U.S. dollars, the remaining approximately 15% were denominated in hryvnia or the rouble and not linked to the U.S. dollar. In addition, the state's VAT obligation to the Group is denominated in hryvnia and roubles. 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 those in which it generates revenues. However, the short-term impact of changes in exchanges 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 and roubles) 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 (and to a lesser extent, the rouble) could have a material adverse effect on the Group's business, financial condition and results of operations.

Detrimental price controls could be introduced for the Group's key products

Under Ukrainian legislation, local state authorities may regulate prices of certain food products, including bulk and bottled sunflower oil. In particular, the local state authorities may from time to time oblige producers of certain food products, including producers of bulk and bottled sunflower oil, to obtain approval from such authorities before increasing the wholesale prices of such products by more than 1% in any given month. Furthermore, the Cabinet of Ministers of Ukraine (the "**CMU**") has introduced in the past a procedure for the determination of prices of food products which are subject to state regulation (the "**CMU procedure**"). This procedure provides a formula for the calculation of wholesale prices of food products and profits from such sales and it limits the profit margin charged on such products.

Most recently, the CMU introduced a pilot project to cancel the state regulation of prices of certain food products for the period from 1 October 2016 to 1 January 2017. The CMU procedure and other regulatory acts concerning state regulation of food product prices will not apply during this period. The reported aim of the pilot project is to assess the effectiveness of state price food products regulation and to propose ways for improvement.Although management believes that the approach the Group uses for determining the wholesale prices for the Group's products is in line with the formula established by the CMU procedure, if, upon completion of the pilot project, detrimental price controls are introduced for the Group's key products or the Group fails to comply with the Ukrainian price regulation mechanism described above, or other change in the procedure for the determination of prices becomes effective, its business, financial condition and results of operations could be materially adversely affected.

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 Ukrainian 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. 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 or 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 and Russia, 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 or Russia 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*".

Any of the above factors may adversely affect the Group's business, financial condition and results of operations.

A release 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. Currently, such moratorium is effective until 1 January 2018. Although the management of the Group believes that the release of the moratorium is likely to have a positive impact on the Ukrainian agricultural industry, the effects of such a release are unknown and could potentially have a material adverse effect on the Group's business, results of operations and financial condition. The release of this 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 purpose of 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 (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 State Register of Proprietary Rights to Immovable Property. Management of the Group believes that most of the land lease rights held by the Group has been registered with the State Register of Proprietary Rights to Immovable Property. However, if certain parts of the land lease rights held by the Group have not been registered with the State Register of Proprietary Rights to Immovable Property, such unregistered lease rights to the land plots are less publicly traceable compared to the registered lease rights, though the Group believes that it will be able to prevent potential attempts of a fraudulent lessor or other third parties to challenge the unregistered right.

In addition, the Group's land lease agreements are entered into for varied periods of time, with an average term of ten 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 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. However, the annual lease payments in respect of agricultural land held in state or municipal ownership may not be lower than 3% and may not exceed 12% of the appraised value of a particular land plot. 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 is reviewed at least once every 5 to 7 years. The lease payments for the municipal- or state-owned agricultural land are reviewed once every three years. 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 are reviewed with the parties' consent. However, lease payments in respect of privately owned agricultural lands must be at least 3% of the appraised value of the land. If the appraised value of the land increases, private lessors are entitled to increase the lease payments accordingly. 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 has not registered its rights to land plots underlying or adjacent to a small number of its grain silos; as a result, the Group may be subject to penalties imposed by the land and tax authorities; its title to the grain silos may be challenged and such grain silos may be demolished

Ukrainian law distinguishes between ownership rights with respect to land and buildings, and requires registration both of the ownership to the buildings and of land plots underlying the buildings. Certain companies of the Group have not yet registered either their ownership or land lease rights to the land plots underlying or adjacent to a small number of grain silos. The failure to register lease or ownership rights to the land plots may result in the imposition of penalties on respective companies by the land and tax authorities. Moreover, although not currently believed to be a concern for the Group, the construction of buildings on a land plot without a prior registration of the right to own or occupy such land plot is deemed to be an unauthorised construction under Ukrainian law. The court may recognise and confirm the company's ownership right to the object of unauthorised construction or rule to demolish it if such construction substantially breaches construction norms and standards and/or interests of third parties.

Although there are certain factors that mitigate the above risk, the failure to register lease or ownership rights to the relevant land plots may result in the land and tax authorities imposing penalties on the relevant Group companies and/or the title to a small number of grain silos being challenged and, in the worst case scenario, such grain silos being demolished. If these risks materialise, this could adversely affect the Group's business, financial condition, and results of operations.

The Group's bulk 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

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 FY2016, the Group's top five bulk oil customers accounted for approximately 41% of the bulk sunflower oil segment's revenue. Although the Group's management believes that the impact would be lessened due to the commoditised nature of the business, 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, although management believes that the Group's commercial relationships with its customers are strong, 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 and goodwill associated with brand names and trademarks used by it, in particular "*Chumak*", "*Zolota*", "*Domashnia oliia*", "*Shchedryi Dar*" and "*Stozhar*", 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.

The Issuer's operating subsidiaries have minority shareholders

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 individual minority shareholders. For example, minority shareholders hold approximately 0.34% and 5.97%, respectively, in the share capital of Poltavsky and Poltavske HPP (both Guarantors 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 30 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 our 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 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 legislation. Furthermore, the complicated process of tax inspections and the contradictory rules on when they should be held reduce predictability for the taxpayers.

In July 2014, a military duty was introduced in Ukraine. The duty is withheld by employers from salary and salary-like remunerations at a rate of 1.5% of the relevant amount. Although initially intended to be a temporary measure, it has been prolonged and extended to any other payments to individuals. This measure is to remain in effect until completion of Ukraine's military forces reform. Additionally, the Tax Code was significantly amended by laws approved by Parliament on 28 December 2014 (most of which became effective starting from 1 January 2015). Such amendments provide for a decrease in the number of taxes from 22 to 11 and significantly revise the corporate income tax computation rules, personal income tax rates, rate of the rent tax and broaden the tax base of a number of different taxes. These amendments revise the corporate income tax, personal income tax, VAT and other taxes.

Amendments, for example, introduced real estate tax on commercial (non-dwelling) real estate situated in Ukraine. Production facilities are excluded from the scope of the real estate tax. However, it is unclear whether administration facilities and other premises, which are not expressly listed in the exemption for production facilities, will be exempt from this tax.

In accordance with the amendments, the land tax rate will be determined by local authorities. However, the maximum allowed rate of land tax was increased from 1% to 12% of the normative appraisal of the land plot for certain types of land plots.

Further, 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.

Additionally, the Ministry of Finance of Ukraine developed a new set of amendments to the Tax Code aimed at improving of various issues in administration of taxes in general, as well as with respect to particular issues concerning the application of CIT, VAT, personal income tax and other taxes.

Differing opinions regarding the legal interpretation often exist, both among and within governmental ministries and organisations, including the tax authorities, creating uncertainties and areas of conflict. See also "*Risks relating to operating in Ukraine–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 UAH 800,000 for 2017 (approximately equivalent to US$29,000) (based on the UAH1,600 living minimum set forth in the 2017 budget for January-April 2017) 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).

Differing opinions regarding the legal interpretation and application of tax laws and regulations, or changes in the tax laws could materially adversely affect the Group's financial condition and results of operations.

The Issuer may become tax resident in a jurisdiction other than Luxembourg

The Issuer is incorporated in Luxembourg and is currently considered by management to be Luxembourg resident for tax purposes. Generally, in order to maintain its Luxembourg tax residence, management and control of a company must take place in Luxembourg. If management and control of the Issuer were to be conducted in a jurisdiction other than Luxembourg, the existing tax residence of the Issuer could be jeopardised. Consequently, the Issuer must meet all applicable requirements for Luxembourg tax residence under Luxembourg tax legislation.

If management and control of the Issuer takes place in another jurisdiction, or strategic or significant operational decisions or other management activities take place in that jurisdiction, the Issuer may be subject to tax in that other jurisdiction. Whether this is the case will depend upon the tax laws of that other jurisdiction and, in certain cases, the impact of any tax residence "tie-breaker" provision in any double tax treaty between Luxembourg and that jurisdiction. Taxation of the Issuer in a jurisdiction other than Luxembourg could materially adversely affect the Issuer'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 assesses its maximum exposure to tax claims raised by Ukrainian tax authorities as UAH588 million (US$22.7 million). 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 UAH588 million (US$22.7 million) maximum exposure to tax claims, UAH212 million (US$8.2 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.

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. Therefore, 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 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 may incur non-refundable advance CIT on distributions of dividends by its Ukrainian subsidiaries

Under the Tax Code, certain distributions of dividends by Ukrainian companies trigger an obligation to pay so-called advance corporate income tax ("**Advance CIT**"). Advance CIT is not a withholding tax on dividends, but in general represents an advance payment of Ukrainian CIT triggered by the distribution of dividends. Any Advance CIT has to be paid by the Ukrainian company distributing the dividends at the general CIT rate accrued on the gross amount of the dividends distributed.

The base for the Advance CIT payments is calculated as the excess of dividends over the amount of taxable profit for the reporting year in respect of which such dividends are paid. If dividends are paid for a year that is not yet finished, for the purposes of computing such excess, the taxable profit is calculated on a pro-rata basis to the number of months for which the dividends are paid.

Advance CIT is part of the CIT and applies to dividend distributions by Ukrainian companies even if the recipient shareholders are not resident in Ukraine for tax purposes. This tax may not be reduced or eliminated under a double tax treaty. Certain dividends are exempt from Advance CIT, including, among others, to the extent they do not exceed the dividends received by the relevant company from its subsidiaries (whether Ukrainian resident or non-resident), dividends paid out of income exempt from CIT, dividends paid out of taxed profits of the distribution period, the corporate income tax liability for which was settled in full and several other.

As a result, upon distribution of dividends to any non-resident shareholder, the Ukrainian entity distributing such dividends may have to pay simultaneously (or beforehand) Advance CIT at a standard rate of 18% of the amount of such dividends. Payment of Advance CIT would have to be made from the Ukrainian companies' own funds irrespective of the availability of taxable income within the relevant reporting period.

In principle, any Advance CIT could then be set off against the relevant company's regular CIT liability in the current or subsequent reporting periods. Companies in the Group eligible for the preferential agricultural taxation regime (that is, the "fourth group" of taxpayers of the Single Tax) are not subject to CIT. However, the Advance CIT provisions do not provide for a specific exemption from Advance CIT for single tax payers. Therefore, certain Group companies (which are paying the Single Tax) may be required to pay Advance CIT when distributing dividends to their shareholders but, unlike CIT payers, single tax payers would not be able to set off the amounts of Advance CIT paid as they do not have their own CIT liabilities. In such a case, these companies may also be precluded from carrying forward any amounts of Advance CIT paid to be offset against CIT liabilities in the event of a future change in the company's tax status (i.e. conversion of a single tax payer into a CIT payer).

Therefore, Ukrainian entities of the Group may incur liabilities for non-refundable Advance CIT payment obligations. As a result, obligations of the Group to pay Advance CIT may significantly increase its consolidated tax burden and could have a material adverse effect on its 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, and arguably also certain domestic, 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 and in December 2016 with effect from 1 January 2017 (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 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; and (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 (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).

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 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.

The Group is currently involved in proceedings amounting to UAH356 million (US$14 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 adjustments of tax losses of UAH156 million (US$6 million) and assessment of additional corporate income tax and fines thereon of UAH37 million (US$1.5 million). Although there is ambiguity in the relevant Ukrainian law, the Group challenged the adjustments and believes the court will likely find that its contracts were properly classified. However, due to lack of court practice on transfer pricing matters and ambiguity of the law, there can be no assurance that the Group will successful in its challenge of the transfer pricing adjustments. 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 31 December 2016, 22 Ukrainian subsidiaries of the Group elected to pay the Single Tax in lieu of the other taxes mentioned above. In the nine months ended 30 September 2016 and in the calendar year ended 31 December 2015, profit generated by Single Tax payers in the Group (and therefore exempt from CIT) based on National Accounting Standards was US$61.5 million and US$221.0 million (converted from hryvnia at the period-end exchange rate), respectively. In the same years, such companies paid the Single Tax, which represented approximately 1.5% and 0.9% of their net profits for those years. Although the Single Tax regime for agricultural producers has been extended for an unlimited period of time, there is no guarantee that the Single Tax regime will not be discontinued in the future, and in particular, there are drafts laws that propose to abolish the Single Tax regime (See *—"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, until 1 January 2017 qualifying agricultural producers in Ukraine, including certain companies in the Group, have been permitted to retain a certain portion of their VAT payable (being the difference between VAT that they charge on sales of their agricultural products (currently at the rate of 20%) and the VAT that they pay on purchases of goods or services for their agricultural operations) rather than remitting such amounts to the state budget as other taxpayers were required to do. The amount of VAT retained was transferred to a special bank account and could be further used for agricultural production purposes. Agricultural producers qualified for this special VAT regime provided that sales of their own-produced agricultural products and related services represent more than 75% of their total gross revenue during the preceding twelve months.

Until 1 January 2017, the portion of the VAT payable that could be retained by the agricultural producers was as follows:

- 15% for sales of grain and technical crops;
- 50% for other agricultural commodities / related services; and
- 80% for sales of animal products.

The remaining portion of VAT payable (that is, 85% for sales of grain and technical crops, 50% for other agricultural commodities / related services and 20% for sales of animal products) was paid to the state budget in the usual manner.

This benefit was received by the Group in FY2016 and was available up to 1 January 2017. Since 1 January 2017, the relevant companies have become regular VAT payers. It is not likely that the beneficial regime described above will be re-instated because it would contradict the Memorandum of Cooperation Ukraine has signed with the International Monetary Fund.

The change in VAT treatment and any cancellation or limitations of the other tax benefits discussed above which are currently available to agricultural producers in Ukraine could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's working capital may be decreased 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 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 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 decreases 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$619.3 million VAT refunds over the last 3 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 owed to the Group will not be paid promptly, which will lead to decreases in working capital. There is also a risk that the 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, at certain periods of time in the past the Tax Code provided for an exemption of exports and internal supply of grain and technical crops from VAT. 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). For this reason, taxpayers exporting grain and technical crops were unable to receive VAT refunds and were required to include the amounts of input VAT into the cost of the goods sold. As a part of tax reform approved on 24 December 2015, this exemption was abolished with effect from 1 January 2016. However, there can be no assurance that the VAT exemption for exports of these types of goods will not be re-introduced in the future. If re-introduced, such exemption from VAT will 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 working capital may be decreased due to the introduction of an electronic system of VAT administration

In July 2014, the Parliament adopted changes to the Tax Code introducing a special electronic system of VAT administration, effective as of 1 January 2015. On 28 December 2014, the Parliament amended the Tax Code and postponed the introduction of the special electronic system to 1 February 2015 in test mode, with full application from 1 July 2015. Such electronic system establishes special VAT accounts for each VAT payer in Ukraine. The VAT accounts are used to store advance payments of VAT paid by the taxpayer (which will be a pre-requisite for issue of a valid VAT invoice to its customers).

The Tax Code currently allows repayment of amounts from the VAT accounts, if they are in excess of the taxpayer's current VAT obligation. However, such repayments may not be processed adequately or effectively by the State Fiscal Service of Ukraine, the authority responsible for operating the VAT accounts. The inadequate or inefficient operation of the electronic VAT administration system could result in an outflow of funds to the VAT accounts of the Group's Ukrainian companies, which could have a material adverse effect on the Group's working capital, business, financial condition and results of operations.

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 Government, the Parliament (the Verkhovna Rada of Ukraine) (the "**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.

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) 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 advisors 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 the Parliament has made it difficult for the 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 through the normal process involving political alliances or through constitutional amendments.

Following the 2004 "Orange Revolution", the rise of the former president Victor Yushchenko and former Prime Minister Yuliya Tymoshenko and the lack of reform, as a result of and in combination with the worldwide economic crisis, enabled Victor Yanukovych to become President in 2010 following elections which were the subject of a number of controversies involving the Parliament, the Government and the President.

Following the election of Viktor Yanukovych as President, the Constitutional Court of Ukraine (the "**CCU**") declared certain 2004 constitutional amendments to be unconstitutional, which turned Ukraine into a "parliamentary presidential" republic by giving the President powers to exercise direct executive powers over the decisions and actions of the Government.

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 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. These laws were adopted by the majority in Parliament by way of a show of hands and without the normal procedures, including prior notification on the Parliamentary agenda and Parliamentary discussions.

On 17 December 2013, the president of Russia and the former president of Ukraine announced a package of economic support, including US$15 billion of financial support, to be provided by Russia to Ukraine. As part of this promised financial package Russia provided US$3 billion of financial support by indirectly purchasing the entirety of Ukraine's US$3 billion 5% notes due 2015. However, the remainder of the promised US$15 billion of financial support was suspended following Mr. Yanukovych's fall from power, and the US$3 billion notes remain outstanding. On 18 December 2015, the Ukrainian Government declared a moratorium on payments under the US$3 billion notes as well as on certain state-guaranteed loans of state-owned entities included within the perimeter of the overall debt operation. On 17 February 2016, The Law Debenture Trust Corporation plc, acting in its capacity as trustee on behalf of the holders of the US$3 billion notes, filed a lawsuit against Ukraine in London's High Court seeking payment of principal and accrued interest thereunder. There can be no certainty as to the outcome of these proceedings or the impact of such proceedings on Ukraine's relationship with the Russian Federation.

On 28 January 2014, at an extraordinary session, the Parliament resolved to cancel nine of the twelve laws adopted on 16 January 2014. Immediately following such resolution, the then Prime Minister, Mykola Azarov, tendered his resignation. A week later, the President appointed Serhiy Arbuzov as acting Prime Minister pending the formation of a new government able to command a parliamentary majority.

On 22 February 2014, President Yanukovych left Kyiv, and all 328 Members of Parliament present voted to remove Mr Yanukovych 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 *"— 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. On 27 March 2014, the Parliament ratified the appointment of former opposition leader Arseniy Yatsenyuk as the new Prime Minister. The United States and the EU recognised the new Government in Kyiv; however the Russian Federation did not recognise the legitimacy of the new authorities.

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. Poroshenko's closest rival, former Prime Minister Yuliya Tymoshenko gained 12.8% and the Radical Party leader Oleh Lyashko received 8.3% of the votes. On 24 July 2014, the "European Choice" party was dissolved, and on 27 August 2014, the President dissolved Parliament and called for new extraordinary elections to be held on 26 October 2014. Following those elections, the two biggest parties represented in Parliament are those of president Poroshenko (Petro Poroshenko Bloc) and of prime minister Arseniy Yatsenyuk ('Narodniy Front). The new coalition "European Ukraine" was formed on 27 November 2014 and formed a new pro-European government on 2 December 2014. Illegitimate elections were held on 2 November 2014 in the conflict zones spread throughout some parts of Donetsk and Luhansk regions, which have been denounced by the Government in Kyiv and not recognised by western countries.

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. The referendum was held in breach of the requirements of the Constitution of Ukraine concerning changes to Ukraine's territory. On 17 March 2014, the parliament of the Autonomous Republic of Crimea declared independence from Ukraine and applied to the Russian authorities with a request to join Russia, which on 18 March 2014 was followed by the signing of an agreement between the Russian Federation and the Autonomous Republic of Crimea on the acceptance of the Republic of Crimea into the Russian Federation. 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. For more information, see " – *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.

On 16 September 2014, during a closed session, the Parliament passed the Law of Ukraine "On Special Regime of Local Self-Government in Certain Regions of Donetsk and Luhansk Regions" (the "**Donbas Special Regime Law**") establishing for a three-year period a special regime of local self-government in certain districts, towns and villages of Donetsk and Luhansk regions, as determined by the Parliament. On 17 March 2015, the Parliament passed another law amending the Donbas Special Regime Law by modifying its provisions. The new law expressly states that the provisions of the

Donbas Special Regime Law would apply only to the local self-government bodies and authorities, which will be formed following special elections yet to be called and held.

One of the most crucial points of the current reform process in Ukraine are the amendments to the Ukrainian Constitution. Two draft laws on amendments to the Constitution of Ukraine have been submitted to the Parliament. The first draft law submitted on 1 July 2015 covers decentralisation of powers and proposes a new system of local governance. On 30 July 2015, the first draft law was approved by the CCU, although four judges dissented with the court's opinion. On 31 August 2015, the adoption of the first draft law by Parliament led to a civil protest that killed three people and injured many others. As of the date of these Listing Particulars, the adoption of the first draft law remains pending. The second draft law on the Amendments to the Constitution of Ukraine was submitted to Parliament on 25 November 2015 and calls for the independence of the judiciary and for transparency of the judges. On 20 January 2016, the second draft law was approved by the CCU, although seven judges dissented with the court's opinion. The second draft law was adopted by the Parliament on 2 June 2016 and became effective on 30 September 2016, for more information, see "*—Uncertainties relating to Ukraine's judicial system could have an adverse effect on its economy*".

On 25 October 2015, 26.7 million Ukrainian voters were called to elect their 168,450 local and regional representatives in the first local elections since the Euro-Maidan Revolution. The turnout was relatively low and included only 46.62% of the eligible voters, excluding Russian-annexed Crimea and the embattled Donetsk and Luhansk regions. On 12 November 2015, the second local elections took place, and the turnout was 34% of the eligible voters. As a result of the vote, 29 mayors were elected. After the elections, Vitalii Klitchko kept his position as mayor of Kyiv, having received 66.49% of total votes cast.

On 10 April 2016, the Prime Minister, Arseniy Yatseniuk, announced his intention to resign, and on 14 April 2016, the Members of Parliament voted in favour of Mr Yatseniuk's resignation. On 14 April 2016, former Speaker of Parliament Volodymyr Groysman's appointment as Prime Minister and the appointment of a new Cabinet of Ministers of Ukraine was approved by the Parliament.

On 17 July 2016 the interim elections of members of the Parliament took place. The elections were held in 7 electoral districts and resulted in the election of 7 members of the Parliament. Interim elections were appointed by the Central Election Commission due to early resignations of certain members of the Parliament previously elected at the single-seat electoral district.

Recent political developments have also highlighted potential inconsistencies between the Constitution of Ukraine and various laws and presidential decrees. Further, such developments have raised questions regarding the judicial system's independence from economic and political influences. A number of factors could adversely affect political stability in Ukraine. These could include:

- lack of agreement within the factions and among individual deputies in the Parliament;
- disputes between factions supporting the President and the Government, and opposition factions on major policy issues, including Ukraine's foreign, energy and fiscal policies;
- instability within the parliamentary majority coalition, including the risk of further factions leaving the coalition (as did the Radical party in early September 2015);
- court action taken by opposition parliamentarians against decrees and other actions of the President or the Government or the Parliament; or
- court action taken by the President against Parliamentary or governmental resolutions or actions.

If political instability occurs and continues, it may have negative effects on the Ukrainian economy and, as a result, a material adverse effect on the Group's business, financial condition and results of operations.

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

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.

In late February 2014, following the Euro-Maidan Revolution which led to President Yanukovych's removal from power, masked Russian soldiers without insignia appeared at strategic military and governmental locations across the Autonomous Republic of Crimea and in the City of Sevastopol. On 27 February 2014, these Russian forces occupied the Crimean parliament and other government buildings, and a vote was held in the Crimean parliament replacing the lawful Crimean government with a pro-Russian regime. On 6 March 2014, the Crimean parliament, in violation of Ukrainian law, voted in favour of joining the Russian Federation and holding a referendum to approve this decision. Based on the reported results of the referendum that took place on 16 March 2014, the President of the Russian Federation, Mr. Vladimir Putin, and representatives of the *de facto* government of Crimea executed an agreement for the annexation of Crimea to the Russian Federation. On 21 March 2014, Mr. Putin signed legislation annexing the Autonomous Republic of Crimea and the City of Sevastopol to the Russian Federation. The Ukrainian Parliament has declared the Crimean referendum unconstitutional and its legitimacy and results have generally not been recognised internationally.

Furthermore, in February 2014, demonstrations by pro-Russian separatists and anti-Government groups took place in several major cities across Eastern and Southern Ukraine. In April 2014, armed groups took over government buildings, seized military and other state assets and prevented the exercise of lawful government authority in parts of the Donetsk and Luhansk regions. The breakdown of law and order in the affected regions prompted the Ukrainian authorities to launch anti-terrorist operations in Eastern Ukraine against the armed groups.

According to the United Nations, between 16 August and 15 November 2015, 47 civilians were killed and 131 injured in Eastern Ukraine. The total death toll since April 2014 through 15 February 2016 was at least 9,167 persons, with another 21,044 persons being injured (including civilians, Ukrainian armed forces and armed groups). An estimated 3.5 million people living in the conflict area or close to it continue to face difficulties in exercising their economic and social rights, in particular access to quality medical care, accommodation, social services and benefits, as well as access to the compensation mechanisms for damaged, seized or looted property.

Although 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 (the "**OSCE**"), as well as separatist representatives from the self-proclaimed 'Donetskaya Narodnaya Respublika and 'Luhanskaya Narodnaya Respublika. Sporadic heavy fighting continued and the conflict again escalated in January 2015 as fighting intensified over control of the Donetsk International Airport. On 12 February 2015, a new ceasefire agreement (known as "**Minsk II**") brokered by France and Germany with Russia's participation, was agreed in Minsk by President Poroshenko and separatist representatives from the Donetsk and Luhansk regions.

However, as at the date of these Listing Particulars, Minsk II has 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. On 17 March 2015, Parliament amended the above law to provide that the special regime for self-government in certain regions of the Donetsk and Luhansk regions is conditional upon there being successful local elections for the new self-governing authorities. Such elections are required to be held in accordance with Ukrainian law, democratic principles and subject to certain other conditions, including, inter alia, withdrawal of all illegal military groups and weaponry from Ukraine. On 31 August 2015, Parliament adopted, with a majority of 265 votes, in first reading, a draft law proposing certain amendments to the Constitution of Ukraine regarding the decentralisation of power and, in particular, the reform of the status of local government and administrative-territorial units. The proposed amendments provide for a specific procedure for the implementation of local self-government in several districts of the Donetsk and Luhansk regions, which are to be regulated by a separate law. The draft law requires a minimum of 300 votes in favour to be passed into law and was scheduled to be voted on by close of the parliamentary session ending on 2 February 2016. On 20 January 2016, 51 Members of Parliament made a submission to the CCU regarding the interpretation of the term "next regular current parliamentary session" with a view to determine whether there was a timeframe after 2 February 2016 allowing further vote on the draft law. As of the date of these Listing Particulars, the CCU is considering the submission and the adoption of the draft law by Parliament remains pending. For more information on the Donbas Special Regime Law and the draft amendments, see "—*Ukraine may continue to experience political instability or uncertainty*" above.

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.

The occupation and annexation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine's relationship with the Russian Federation

In late February 2014, following the Euro Maidan Revolution which led to the removal from power of President Yanukovych, masked Russian soldiers without insignia appeared at strategic military and governmental locations across the Autonomous Republic of Crimea and in the City of Sevastopol. On 27 February 2014, these Russian forces occupied the Crimean parliament and other government buildings and a vote was held in the Crimean parliament replacing the lawful Crimean government with a pro Russian regime. On 6 March 2014, the Crimean parliament, in violation of Ukrainian law, voted in favour of joining the Russian Federation and holding a referendum to approve this decision. Based on the reported results of the referendum that took place on 16 March 2014, the President of the Russian Federation, Mr. Vladimir Putin and representatives of the de facto government of Crimea executed an agreement for the annexation of the Autonomous Republic of Crimea to the Russian Federation. On 21 March 2014, Mr. Putin signed legislation annexing the Autonomous Republic of Crimea and the City of Sevastopol to the Russian Federation.

The Ukrainian 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 annexation of Crimea by the Russian Federation as being in violation of international law.

Ukraine does not recognise the results of the illegal referendum conducted on 16 March 2014, does not recognise Crimea as a sovereign state or as part of the Russian Federation and considers the Autonomous Republic of Crimea to form an integral part of Ukraine, as an autonomous region in accordance with the Constitution of Ukraine. In April 2015, Parliament reaffirmed the status of the Autonomous Republic of Crimea as part of Ukraine's sovereign territory by adopting the "Occupied

Territory Law" which, among other things, includes a provision that Ukraine treat the Autonomous Republic of Crimea as an integral part of its territory. Ukraine considers the Autonomous Republic of Crimea to be, as at the date of this Listing Particulars, territory under occupation of the Russian Federation. While Ukraine is committed to reaching a peaceful settlement of the Crimean crisis, currently there is no indication as to when or if the Russian occupation will end.

- The occupation of the Autonomous Republic of Crimea may continue to adversely affect Ukraine's economic and political stability, including through its impact on the following:
- Ukraine's domestic trading market, as the loss of trade with the Autonomous Republic of Crimea reduces the overall volume of trade;
- Ukraine's finances, as the anticipated costs of reconstruction as well as loss of tax revenue from the region are significant;
- Ukraine's economy, which has temporarily lost the benefit of a large number of valuable private and state owned assets and property (including Sevastopol Naval Base and local oil and gas assets) in the region;
- Ukraine's GDP, through the disruption caused in the region's industry and resulting loss of goods and services produced;
- Ukraine's domestic gas supply, as Ukraine currently has lost access to its gas production assets located in the Autonomous Republic of Crimea or gas stored there, as well as to its oil and gas reserves located in Crimea and in certain parts of the Black Sea; and
- Ukraine's relations with the Russian Federation, as Russia's occupation of the Autonomous Republic of Crimea has been a source of conflict between the Russian Federation and Ukraine since the crisis began, further complicating their relationship.

At the date of this Listing Particulars, the occupation of the Autonomous Republic of Crimea continues to, and could further, strain the general resources of Ukraine and so have a material adverse effect on Ukraine's economy and political stability and thus could have a material adverse effect on the Group's business, results of operations and financial condition.

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 12.89%, 18.98% and 28.03% as at 31 December 2013, 31 December 2014, 31 December 2015. As at 30 June 2016 the proportion of loans represented by doubtful and bad loans was 30.37%. 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, inter alia, at Bank Finance and Credit Bank Mykhailivskyi and Commercial Bank Khreshchatyk. As of the date of this 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 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. 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 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 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.

While Russian banks retain a strong presence in Ukraine, 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. The recent political changes may affect the presence of Russian banks in Ukraine.

The continuation or worsening of the financial position of Ukrainian banks, including possible Government intervention and nationalisation of Ukrainian banks, increased constraints on liquidity and growth of doubtful or bad loans or the failure by the 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 UAH 7.99 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 UAH 15.77 to one U.S. dollar. As at 31 December 2015 and 31 October 2016 the NBU official UAH/USD exchange rate was UAH 24.00 to one U.S. dollar and UAH 25.50 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%. Further, the discount rate was gradually reduced and effectively from 28 October 2016 amounts to 14%. The NBU has also started preparations to adopt 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. Recent restrictions included a requirement to sell in the local market, for hryvnia, a portion of foreign currency funds (with some exceptions) received and restrictions on payments of dividends to foreign shareholders. In addition, the NBU has since September 2014 introduced certain restrictions on cross border payments of dividends by Ukrainian entities. For more information, see "*—Risks relating to the Notes—Ukrainian currency control regulations may impact a Ukrainian Guarantor's ability to make payments under the Suretyship Deeds.*"

The Ukrainian currency may depreciate further in the future, given the weak economic condition, the continuing political instability, the absence of significant currency inflow from exports and foreign investment, limited foreign currency reserves, 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, electricity and telephone 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 European Bank for Reconstruction and Development (the "**EBRD**"), the World Bank, the EU and the IMF comprised Ukraine's only significant sources of external financing.

In 2013, Ukraine has successfully completed three Eurobond issues in the aggregate amount of US$5.25 billion and borrowed a syndicated loan in the amount of US$750 million. On 14 May 2014, Ukraine raised US$1 billion through the sale of a US-Backed Eurobond issue (the "**US-Backed Eurobonds**") and further US$1 billion from sale of US-Backed Eurobonds in each 2015 and 2016. 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 and the third tranche amount of US$1 billion on 15 September 2016. These funds were used to support gold and foreign exchange reserves. The third tranche under 2015 EFF was delayed several times and the next tranche expected in November could be delayed to 2017.

Since April 2015 the Ministry of Finance has engaged in negotiations with an ad hoc committee of creditors (the "**AHC**") made up of some of the largest holders of its outstanding notes and on 27 August 2015, it was announced that the Government reached an agreement in principle with the AHC on restructuring the Ukraine's Eurobonds and state-guaranteed Eurobonds of the State Enterprise "Financing of Infrastructural Projects" (FinInPro). This agreement in principle provided, inter alia, for a 20% nominal haircut, an increase in coupon to 7.75% per annum, extension of the maturities of the notes to fall in the period of 2019-2027, and introduction of GDP-linked securities providing potential value recovery to holders from 2021 to 2040 conditional on real-GDP growth reaching certain thresholds. The notes of external state borrowing and GDP-linked securities issued as a result of this restructuring were issued on 12 November 2015.

At present, Ukraine's access to international debt markets is limited, and the Government relies to a significant extent on official or multilateral borrowings to finance part of the budget deficit, fund its payment obligations under domestic and international borrowings and maintain foreign exchange reserves. 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;
- managing the budget deficit in order to restore confidence in fiscal sector sustainability;
- reducing tax and budgetary arrears and indebtedness for electricity and gas; and
- improving the sovereign debt credit ratings.

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 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 depends 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 comprise 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 *"—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 of Ukrainian goods to Russia decreased by 50.7% in 2015 and by 31.1% as of 30 September 2016, and total value of goods exported from Ukraine decreased by 29.3% and 8.7%, as compared to 2014 and the same period in 2015, 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 recent tension between Ukraine and Russia over the Crimean peninsula, Gazprom decided not to continue to implement the agreed discount on gas prices for Ukraine. On 2 April 2014, the Russian government unilaterally annulled an agreement signed in 2010 on the temporary stationing of the Russian Black Sea Fleet in the territory of Ukraine, thus cancelling the discount for gas export duties. In June 2014, Gazprom 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. According to the public sources, the provisional amount of claims totalledUS$14 billion. After four months of negotiations, on 29 and 30 October 2014, the last round of trilateral negotiations between Russia, Ukraine and the European Union was carried out in Brussels, which ended with the conclusion of an interim agreement (the so-called "winter package") on the Russian-Ukrainian gas dispute. The agreement prescribed that for the period from November 2014 until 31 March 2015 Gazprom would supply the gas on a prepayment basis at the price as determined by the agreement with a discount of US$100 per 1,000 cubic meters. Ukraine managed to suspend the 'take or pay' clause for five months, which had been a key demand since the beginning of the negotiations. Naftogaz paid to Gazprom US$3.1 billion in November and December 2014 (US$1.45 billion for the natural gas supplied during November-December 2013 and US$1.65 billion for the gas supplied during April-June 2014) which was calculated by applying the price of US$268.5 per 1.000 cubic meters.

The gas supply from Gazprom to Naftogaz continued in the second quarter of 2015 due to the reaching of the agreement on the discount for the gas supply from the side of Russia and cancellation of the "take or pay" clause. From November 2015 and during 2016, Naftogaz did not buy gas from Gazprom.

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 Organization ("**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 this Listing Particulars, approximately 40 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 programs 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 31.5% and 34.1% of all exports in 2014 and 2015, respectively, according to the State Statistics Service, making it the third largest external trade partner of Ukraine after Russia and Asian countries. In 2014, the total exports from Ukraine to EU increased by 2.6 % against the same period in 2013 despite the 33.7% decline in exports to Russia in the same period and was primarily due to increased exports to Italy, Poland and Germany. In 2015, the total exports from Ukraine to EU decreased by 23.4% and to Russia decreased by 50.7% as compared to 2014. For the nine months ended 30 September 2016, the exports from Ukraine to the EU increased by 3.28% comparing to the same period in 2015.

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, declined by 10.1% and 13.0% in 2014 and 2015, respectively, increased by 2.0% for the nine months ended 30 September 2016 as compared to the same period in 2015. 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 2015 and for the nine months ended 30 September 2016 exports of Ukrainian goods to Russia decreased by 50.7% and by 31.1% and total value of goods exported from Ukraine decreased by 29.3% and by 8.7%, in each case, as compared to 2014 and the same period in 2015. 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, the 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 18 August 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.

There can be no assurance that the 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. 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 to 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.

Judicial reform is still in process. The Ukrainian judicial system is to become less complicated and hierarchical. It will consist of 3 levels (local courts, courts of appeal and cassation). The existing courts of cassation and the Supreme Court of Ukraine will be liquidated. Instead, a new Supreme Court must be established. The judges of the new Supreme Court are to be selected anew, which procedure is expected to be completed by March-April 2017. Certain local courts are also to be re-organized. New specialized courts – the High Court on Intellectual Property Matters and the High Anticorruption Court – are to be established. To implement these changes in full, significant number of legislative acts are still to be adopted. This creates additional uncertainties as regards efficiency of the Ukrainian judiciary.

Recent legislative amendments have significantly changed the procedure for appointment and dismissal of Ukrainian judges as well as the procedure for holding them liable for misconduct. In practice, this led to numerous resignations of judges and increased the caseload of judges retaining their offices. As a result, the time for consideration of a case has increased significantly.

Enforcement of court orders and judgments can, in practice, be difficult in Ukraine. The State Enforcement Service, as a part of the Ministry of Justice of Ukraine, is responsible for the enforcement of court orders and judgments in Ukraine. As a result of the judicial reform, private bailiffs are also to start functioning from 2017. They will have predominately the same status and powers as public bailiffs, however, would not be able to enforce certain categories of judgments, e.g. decisions against the State, state authorities, the National Bank of Ukraine, or local municipal authorities, as well as decisions of administrative courts and of the European Court of Human Rights.

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 have limited authority to enforce court orders and judgments quickly and efficiently. Ukrainian 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 unrealizable. 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. In practice, the procedures employed by the Ministry of Justice of Ukraine do not always comply with the applicable legal requirements, resulting in delays to or failures in enforcement of court orders and judgments.

The uncertainties described above also extend to certain rights, including investor rights. In Ukraine, there is no established history of investor rights or responsibility to investors and in certain cases, the courts may not enforce these rights. For example, it is unclear how PrivatBank's investors will be treated in light of the nationalisation of the bank by the Government on 21 December 2016. In the event courts take a consistent approach in protecting rights of investors granted under applicable Ukrainian law, the legislature of Ukraine may attempt legislatively to overrule any such court decisions by adopting changes to or cancelling the existing laws or regulations with retroactive effect.

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 the Parliament on 28 December 2014 generally improved business climate 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 introduction of a flat 18% personal income tax rate applicable to most types of income, change of basic reporting period for corporate income tax payers from a year to a quarter, abolition of monthly advance payments of corporate income tax with certain transition rules and improvement of procedure for budget refund of VAT. On 5 October 2016 the Government of Ukraine approved the draft law "On amendments to the Tax Code of Ukraine", if passed by the Parliament, the draft law will introduce a wide range of changes mostly related to the tax administration. 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 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 October 2016 Ukrainian employers had an outstanding indebtedness for salaries in the amount of UAH1.98 billion (excluding ATO zone), as compared to UAH1.9 billion as at 1 October 2015, 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) formation of a legal entity was performed with defects that cannot be remedied, (ii) the charter capital of the joint stock company is below the minimum amount of the charter capital determined by law, and (iii) if after the end of the second and each subsequent financial year upon incorporation of the joint stock company and limited liability company the amount of its net assets becomes less than the minimum amount of a charter capital established 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 convoke the 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 the 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) 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) imposition of sanctions against persons operating within specified sectors of the Russian economy, and (iv) 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 deepwater, 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 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. Furthermore, Bureau of Industry and Security of the U.S. Department of Commerce included additional 81 entity to the sanctions list to ensure the efficacy of existing sanctions against Russian Federation for violating international law and provoking the conflict in eastern parts of Ukraine. The above sanctions are in force until 6 March 2017 and may be further prolonged.

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 15 March 2017. The general sanctions list covers 146 individuals and 37 entities.

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 17 June 2016, the EU officially prolonged these sanctions until 23 June 2017.

Ukraine Sanctions

On 14 August 2014, the 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 blocking of assets, restricting trade, restrictions on outflow of capital from Ukraine, prohibition on lease and privatisation of state assets, termination of trade agreements and joint projects and industrial programmes and others. 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 the 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 licenses to conduct business in Ukraine, blocking of assets, etc.

On 17 October 2016, the President approved the new Defence Council Decision dated 17 October 2016 which imposes new personal sanctions against 335 individuals and 167 entities, including prohibition of privatization and investments activities, issuing of the licenses by the NBU allowing transactions in the foreign currency, transit of goods and natural resources and others. In addition, it extends the sanctions adopted in September 2015 against 347 individuals and 104 entities for one more year. This decision is effective until 17 October 2017.

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. The continued deterioration of Ukraine’s trade with Russia is likely to have a material adverse effect on Ukraine’s export industries and economy.

It is not yet possible to predict the political and diplomatic consequences of the sanctions imposed by the EU and the United States and the reciprocal sanctions imposed by Russia or the impact of these sanctions on foreign direct investment and other inbound capital flows and it is entirely possible that further sanctions may be imposed on or by Russia. 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, the Guarantees and the Suretyships

The Notes will be structurally subordinated to other liabilities

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 and therefore effectively 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 prices 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 at any time, and the Issuer shall redeem all outstanding Notes in accordance with the Conditions. 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 of the Notes

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, the British Virgin Islands, Cyprus, Russia, 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 Deed, 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 Deed 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 or 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*) of the Notes.

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, with effect from 23 September 2014, the NBU restricted (with some exceptions) cross-border payments of dividends by Ukrainian companies. As a result, the Ukrainian subsidiaries will be able to pay to their foreign shareholders only limited amounts of dividends and only for 2014 and 2015 years results. Such restrictions on the payment of dividends to foreign shareholders were extended by the NBU on 13 December 2016 for an indefinite period, particularly in light of the current shortage of foreign currency in Ukraine. There can be no assurance that the financial results of the Issuer 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 dividend 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 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 or satisfy obligations under the Notes and/or the Guarantees and/or the Suretyships, which could in turn have a material adverse effect on the Group's business, results of operations and financial condition. Further, the Issuer 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 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 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.

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 Issuer and its subsidiaries have and will continue to have a substantial amount of outstanding indebtedness and obligations with respect to the servicing of such indebtedness. As at 30 September 2016, the Group's total indebtedness stood at US$419.5 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 of the Notes.

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 forth in further detail in "*Description of Material Indebtedness*") 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 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.

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

As at 30 September 2016, the Group had pledged assets with a carrying value of US$342.2 million as security for long and short-term loans of the Group's companies. See also "*Description of Material*

Indebtedness”. 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 and the Non-Ukrainian Guarantors’ obligations under the Notes and the Ukrainian Guarantors’ obligations under the Suretyship Deeds, all of which are unsecured. As a result, if the Issuer defaults under the Notes, and this default triggers an event of default under 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 its cash flow and impair its ability to expand or finance its future operations*”.

Guarantees issued by Inerco would be subject to restrictions imposed by Swiss corporate and tax law and payments by the Issuer and any Guarantor with respect to the Notes and by the Swiss Guarantor with respect to the Guarantees could be subject to Swiss withholding tax

The enforcement of the guarantees provided by Inerco (and/or any other, future guarantors incorporated under the laws of Switzerland which accede to the Multiparty Trust Deed (an "***Additional Swiss Guarantor***")) would be 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 Inerco (and/or any Additional Swiss Guarantor).

In particular, financial assistance provided by 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 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 Inerco (and/or any Additional Swiss Guarantor) under the guarantees are limited under Swiss law to the amount of 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, Inerco (and/or any Additional Swiss Guarantor) is under no obligation to maintain a specific level of distributable profits and non-statutory reserves and if Inerco (and/or any Additional Swiss Guarantor) has distributable profits and/or non-statutory reserves it may distribute dividends that reduce its distributable profits and non-statutory reserves to zero. Accordingly, there can be no assurances that Inerco (and/or any Additional Swiss Guarantor) will have distributable profits and non-statutory reserves available to satisfy its obligations under the guarantees. In addition, the payments under the guarantees by 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.

Payments by the Issuer with respect to the Notes could be subject to Swiss federal withholding tax on interest, currently levied at the rate of 35%, from the gross payments, if the Notes are re-characterised into Swiss issued notes. A tax ruling as described under "*Taxation – Switzerland*" has been applied for seeking confirmation that payments by the Issuer of interest on the Notes will not be subject to Swiss federal withholding tax. There is a risk that such tax ruling will not be granted prior to the issue of the Notes. In such a case there is a risk that the Swiss federal tax administration will re-characterise the Notes into Swiss issued notes and, thus, the interest paid on the Notes would be subject to the above withholding tax.

Also, payments under the guarantees provided by Inerco (and/or any Additional Swiss Guarantor) will be subject to Swiss federal withholding tax, currently levied at the rate of 35%, from the gross payments, unless Inerco (and/or any Additional Swiss Guarantor) successfully shows that the guarantees and payments thereunder were made on arm's length conditions..

In light of art. 14 of the Swiss Federal Withholding Tax Act there is a risk that the Issuer's and any Guarantor's (in circumstances where the Notes are re-characterised into Swiss issued notes) 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 the beneficial owner of the payment. Under such new paying agent-based regime, if enacted, the Issuer's and any Guarantor's (in circumstances where the Notes are re-characterised into Swiss issued notes) 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 may enter into treaties with countries pursuant to which an issuer, guarantor or a paying agent must levy a final withholding tax on capital gains and/or certain income items. Under such treaties, if enacted, the Issuer's and any Guarantor's payments of interest under the Notes (in circumstances where the Notes are re-characterised into Swiss issued notes) and Inerco's (and/or any Additional Swiss Guarantor's) payments under the guarantees may become subject to a final withholding tax. In addition, 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 for under Condition 7 (*Taxation*) may not be enforceable. See "*Taxation — Switzerland*".

The insolvency laws of Luxembourg, Switzerland, Cyprus, the British Virgin Islands and Ukraine may not be as favourable as the bankruptcy 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 with regard to equivalent instruments 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 insolvency laws of Luxembourg may not be as favourable to the Noteholders as insolvency laws of jurisdictions with which investors may be familiar.

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 concerned 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, 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

One of the Guarantors, Inerco, is organised under the laws of Switzerland and, in the event of an insolvency of 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 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, your ability to receive payment under the Inerco's guarantee maybe 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 as from July 1, 2016 ("**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 recognized 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, Inerco and the Trustee (among other parties) will enter into the Multiparty Trust Deed. Swiss insolvency laws may prohibit Inerco from making payments pursuant to the Multiparty Trust Deed. In the event of the bankruptcy of Inerco, its 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 Inerco that is 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 or security interest.

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 may be recognized in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, inter alia, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland.

Cyprus

Two of the Guarantors, Etrecom and Estron, are incorporated in Cyprus. In the event of an insolvency of such entities, Cypriot insolvency law may apply, although this will depend on where the relevant entity's "centre of main interests" (or "**COMI**") is situated (as defined in EC Regulation No. 1346/2000 of 29 May 2000 on Insolvency Proceedings (the "**Insolvency Regulation**")). Assuming that the relevant entity's COMI is in Cyprus, a company may be wound up (a) by the applicable Cypriot courts, (b) voluntarily, or (c) become subject to the supervision of the applicable Cypriot courts.

The Cypriot Companies Law, Cap 113, as amended ("**Cyprus Companies Law**") allows for a formal court-supervised corporate rehabilitation/recovery process examinership which is designed to enable potentially viable companies to explore all opportunities to ensure their survival as a going concern. An examiner is appointed to review a company's affairs, consider its viability for the future and, if feasible, formulate proposals for the company's financial survival. Importantly, the examinership triggers a protection period creating a moratorium which may impact the enforcement of a guarantee against the Cypriot guarantors.

Under the Cyprus Companies Law, assets subject to security fall outside the estate of a company that is available for distribution to ordinary creditors in the event of liquidation.

In the event of a Cypriot company’s insolvency, persons in whose favour the company has pledged or charged its rights, claims or property or any part thereof will be secured creditors of the company and will have priority against unsecured creditors, provided that the relevant pledges/charges have been validly constituted and that the legislative provisions regarding registration of charges that fall within the category of registrable charges under the Cyprus Companies Law have been complied with.

After the settlement of the rights accruing to the secured creditors of a company, the following preferential unsecured creditors in the order set out below have prior ranking over unsecured creditors:

- all local and national taxes that became payable within the preceding twelve months and that were owed by a Cypriot company at the relevant date;
- wages or salary due to persons in the employment of a Cypriot company;
- compensation payable by a Cypriot company to its employees for personal injuries sustained in the course of their employment;
- accrued holiday remuneration becoming payable to the employees of a Cypriot company; and
- expenditures associated with the conduct of the liquidation (bankruptcy) proceedings and expenses of the liquidator.

Further to the settlement by a company of any monies due to preferential unsecured creditors, the remaining assets are distributed pari passu to the remaining unsecured creditors.

As with most developed insolvency laws, certain transactions may be challenged during a liquidation if they were entered into during specified periods and at a time when the company was insolvent; such voidable transactions include unfair preferences.

British Virgin Islands

In the event of the insolvency of a British Virgin Islands company, persons in whose favour the company has pledged its property or part thereof will (subject to issues related to voidable transactions) be secured creditors of the company and will on liquidation receive the realisation proceeds of the asset subject to the security interest in priority to all other claims and, if the realisation proceeds of the secured assets are insufficient to meet the debt, as far as the balance is concerned, the secured creditor may claim as an unsecured creditor. Payment of unsecured creditors’ claims, such as those of the Noteholders, rank behind (a) the costs and expenses properly incurred in the liquidation in accordance with the prescribed priority and (b) preferential claims admitted by the liquidator.

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;
- 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 20 of the Law of Ukraine "On Restoration of a Debtor's Solvency or Declaration of its Bankruptcy" dated 14 May 1992 (the "**Bankruptcy Law**") permits a court to invalidate agreements or reverse asset-related actions entered into or made by a debtor after the commencement of the bankruptcy proceedings or within one year prior to the commencement of the bankruptcy proceedings, upon application of an insolvency manager or a competitive creditor. The Suretyship Deeds and/or asset-related actions in connection with the Suretyship Deeds may be challenged in bankruptcy proceeding on the following grounds: (i) the Ukrainian Guarantor assumed obligations without any pecuniary actions of the other party, (ii) 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 (iii) the Ukrainian Guarantor made payment to a creditor on the day when the amount of creditors' claims exceeded the value of assets (or similar).

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 to the Ukrainian Guarantor for the value of such assets at the market prices as of the date of the relevant transaction. The creditor would then be in position either (i) to demand payment of its debt from the Ukrainian Guarantor as a first-ranking creditor, or (ii) to request specific performance from the Ukrainian Guarantor after termination of the bankruptcy proceedings.

As at the date of these Listing Particulars the clawback provisions of the Bankruptcy Law are not properly tested and may be subject to varying interpretations.

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.

Ukrainian currency control regulations may impact a Ukrainian Guarantor's ability to make payments under the Suretyship Deeds

The NBU is empowered to establish policies for and to regulate currency operations in Ukraine and has the power to establish restrictions on currency operations and repatriation. Ukrainian currency controls and practice are subject to continuing change, with the NBU exercising considerable autonomy in interpretation and practice.

The obligations of the Ukrainian Guarantors under the Suretyship Deeds will constitute a suretyship under Ukrainian law. Under applicable Ukrainian legislation, a resident Ukrainian entity acting as surety may be required to obtain a Foreign Payment Licence in order to make cross-border payments pursuant to a suretyship (although no Foreign Payment Licence is required for a resident Ukrainian entity to enter into a suretyship deed). However, the NBU does not issue Foreign Payment Licences in advance or for contingent payments when the exact amount and date of a cross-border payment are not known. Taking into account that the NBU has discretion in the issuance of Foreign Payment Licences, there is no assurance that a Ukrainian Guarantor will obtain a Foreign Payment Licence to make cross-border payment under its Suretyship Deed at the time of making such cross-border payment.

The failure or refusal of the NBU to grant such a Foreign Payment Licence should not affect the validity of the underlying legal obligation and such failure or refusal by the NBU may be challenged in a Ukrainian court. The Ukrainian court may order that the NBU issue the Foreign Payment Licence should it decide that such Foreign Payment Licence was unlawfully rejected.

As a contingency measure aimed at the stabilisation of the Ukrainian currency market, the NBU temporarily prohibited the carrying out of payments by Ukrainian resident entities pursuant to the Foreign Payment Licences, except that such prohibition will not apply to the payments in the aggregate amount not exceeding US$50,000 (or its equivalent in other currencies) per month.

The ability of a Ukrainian Guarantor to make cross-border payments under a Suretyship Deed would be further impeded by Ukrainian currency control regulations restricting a resident Ukrainian entity's ability to purchase or use borrowed foreign currency in order to make cross-border payments under such Suretyship Deed.

A Ukrainian Guarantor may also be restricted in its ability to use its own foreign currency funds to make payments under a Suretyship Deed due to the compulsory sale of foreign currency proceeds by Ukrainian companies introduced by the NBU. Ukrainian banks servicing the respective Ukrainian company's accounts are required to initiate compulsory sales of foreign currency funds within one business day of crediting such foreign currency funds to its account, regardless of whether the Ukrainian bank has obtained instruction from its client. The requirement for the compulsory sale of foreign currency revenues was, on numerous occasions, extended by the NBU and currently applies to 65% of each foreign currency amount (with some exceptions) received by a Ukrainian company.

Moreover, under Resolution 386, the NBU has further extended measures requiring any foreign currency purchase and/or payment by a Ukrainian resident entity abroad and/or to a UAH correspondent account of a foreign bank in the amount equal to or exceeding US$50,000 (or equivalent in other currencies) to be reported to the NBU in order to obtain its approval for carrying out such operation. If refused by the NBU (at its sole discretion) any such currency purchase and/or payment may not be carried out by a servicing bank. As a result, to the extent rejected by the NBU on this basis, the making of cross-border payments by a Ukrainian Guarantor under the Suretyship Deeds would be restricted.

The validity of a Suretyship Deed of a Ukrainian Guarantor could be challenged

A Suretyship Deed creates a suretyship (in Ukrainian, "*poruka*"), which is a secondary liability of a Ukrainian Guarantor in relation to the underlying obligations of 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. 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 Civil Code of Ukraine allows provision of suretyships by any person. However, under the Law of Ukraine "On Financial Services and the State Regulation of the Financial Services Markets" dated 12 July 2001, suretyships are considered "financial services", which may only be rendered by a duly licensed bank or other financial institution or, as an exception, by a non-financial institution when expressly permitted by a law of Ukraine or the competent state authorities of Ukraine. The National Commission of Ukraine on the Regulation of Financial Services Markets of Ukraine (the "**Commission**") by its Regulation No. 5555 adopted on 31 March 2006 permitted legal entities which are not financial institutions to provide suretyships, subject to compliance with the Ukrainian anti-money laundering legislation. A risk exists that the validity of the Suretyship Deeds could be challenged in connection with non-compliance with such Ukrainian anti-money laundering legislation. At the same time, Ukrainian companies (such as any of the Ukrainian Guarantors) often enter into suretyship deeds (such as the Suretyship Deeds), and neither the Commission nor Ukrainian courts have as yet recognised such practice as invalid, including in connection with non-compliance with the Ukrainian anti-money laundering legislation.

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 terms and conditions of the Notes to pay additional amounts such that the recipient receives the amount it would have received had no such withholding been required. Ukrainian law generally prohibits payment of tax for another person and contractual provisions requiring such payment. In May 2012, the State Tax Service of Ukraine issued a letter expressing the view that clauses in agreements between Ukrainian residents and their foreign counterparties providing for the payment of an amount compensating a foreign counterparty for the withholding of tax in Ukraine contradict certain provisions of Ukrainian legislation that prohibit a Ukrainian resident from assuming a foreign counterparty's tax payment obligation.

Therefore, there is a risk that such restriction would also apply to the gross-up provisions of the Surety Agreements. Accordingly, the gross-up provisions of the Suretyship Deeds and the Notes may be deemed invalid and 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.

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 "B+" by Fitch, two notches above Ukrainian sovereign, and "B" by S&P, one notch above Ukrainian sovereign. The foregoing credit rating does 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 or 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 a common depositary on behalf of Euroclear and Clearstream, Luxembourg. 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.

The Issuer and the Guarantors will discharge their payment obligations under the Notes by making payments through DTC or to the common depositary for Euroclear and Clearstream, Luxembourg 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 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.

Additional Notes issued in additional offerings by the Issuer may not be fungible for U.S. federal income tax purposes with the Notes issued in the original offering

Additional Notes issued in additional offerings by the Issuer may not be fungible for U.S. federal income tax purposes with the Notes issued in the original Offering. Whether any Additional Notes would be fungible for such purposes will depend on the date such Additional Notes are issued, the yield of the outstanding Notes at that time (based on their market value), whether the original Notes were issued with original issue discount ("**OID**") and whether the Notes are publicly traded or quoted at the time of the issuance of Additional Notes. If Additional Notes are not treated as fungible with the Notes issued in the original Offering for U.S. federal income tax purposes, the Additional Notes may be issued with OID (or with a greater amount of OID, if any, on the original Notes). In such event, unless the Additional Notes can be distinguished from the original Notes, the issuance of Additional Notes with OID (or a greater amount of OID) may adversely affect the market value of the original Notes.

Noteholders may be required to recognize taxable income for U.S. federal income tax purposes on the Notes in a taxable year in excess of cash payments made on the Notes

The Notes may be issued with OID for U.S. federal income tax purposes. U.S. Holders generally will be required to include OID in gross income on a constant yield to maturity basis in advance of the receipt of cash payment thereof regardless of such holders' method of accounting for U.S. federal income tax purposes. See "Taxation—United States" for a further discussion on the tax considerations with respect to the Notes.

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 notes in definitive registered form, or Definitive Note 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 depository, or its nominee, for the clearing systems will be the sole registered holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Note representing 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 common depository for the clearing systems, none of the Issuer, the Guarantors, the Joint Lead Managers, the Trustee or the Agents will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of the book-entry interests. Accordingly, 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 Trust Deed.

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 under the Trust Deed, unless and until Definitive Note 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, the Guarantees and the Suretyships 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 Deed 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 exceptions, under the Securities Act.

The liquidity of the market for the Notes may be diminished if the proposed financial transactions or any similar tax were adopted.

The European Commission published a proposal for a directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). In December 2015, Estonia withdrew from the group of states willing to introduce the FTT

The proposed financial transactions tax has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and the scope of any tax is uncertain. Additional Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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 advisors 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 Inerco, Restomon, Etrecom, Estron and Russian Oils.

"**Ukrainian Guarantors**" means Agropolis, Arshitzia, Bandursky, Black Sea Industries, Chorna Kamianka, Druzhba-Nova, Enselco, Hovtva, Kernel-Trade, Kernel-Capital, Khliborob, Kononivskiy, Mriia, Palmira, Poltavske HPP, Poltavsky, Unigrain-Agro and Vyshneve-Agro.

"**Agropolis**" means Agropolis, LLC; "**Arshitzia**" means Agrocompany Arshitzia, LLC; "**Bandursky**" means Bandursky VOEP LLC; "**Black Sea Industries**" means Black Sea Industries Ukraina Limited, LLC; "**Chorex**" means Chorex Developments Limited; "**Chorna Kamianka**" means Chorna Kamianka, LLC; "**Corolex**" means Corolex Public Co. Limited; "**Druzhba-Nova**" means Druzhba-Nova, ALLC; "**Ekotrans**" means Ekotrans, LLC; "**Enselco**" means Enselco Agro, LLC; "**Estron**" means Estron Corporation Limited; "**Etrecom**" means Etrecom Investments Limited; **"Hovtva"** means Hovtva, ALLC; **"Gutyanskiy"** means "Gutyanskiy Elevator", LLC; "**Inerco**" means Inerco Trade SA; "**Jerste**" means Jerste B.V.; "**Kernel-Capital**" means Kernel-Capital, LLC; "**Kernel-Trade**" means Kernel-Trade, LLC; "**Khliborob**" means Ahrofirma Khliborob, LLC; "**Kirovogradoliya**" means Kirovogradoliya, PJSC; "**Kononivskiy**" means "Kononivskiy Elevator", LLC; "**Lanen**" means Lanen S.A.; "**Mriia**" means Mriia, ALLC; "**Palmira**" means Palmira, ALLC; "**Poltavske HPP**" means Poltavske HPP, PJSC; "**Poltavsky**" means Poltavsky VOEP, PJSC; "**Prydniprovskyi**" means Prydniprovskyi OEZ, LLC; "**Prykolotnjansky**" means Prykolotnjansky Oil Extraction Plant, LLC; "**Pryluky**" means "VOEP "Pryluky", LLC; "**Restomon**" means Restomon Limited; "**Russian Oils**" means Trading Company "Russian Oils" LLC; "**Russian Oils Don**" means "Russian Oils Don" LLC; "**TBT**" means Transbulkterminal, JV LLC, or the terminal owned by it, as appropriate; "**Ukrros**" means PJSC "Sugar Union "Ukrros"; "**Unigrain-Agro**" means Unigrain-Agro, LLC; "**Vyshneve-Agro**" means Vyshneve-Agro, ALLC; "**Vovchansky**" means PJSC "Vovchansky VOEP".

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 "rouble" are to the currency of the Russian Federation, 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$**", "**U.S.$**", "**U.S. dollar**" 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 2016 and as at and for the financial year ended 30 June 2015 (including comparison information in respect of the financial year ended 30 June 2014) (the "**Group's Consolidated Financial Statements**"), and unaudited condensed consolidated financial statements for the three months ended 30 September 2016 and 2015 (the "**Group's Condensed Interim Consolidated Financial Statements**"). The Group's Condensed Interim Consolidated Financial Statements are used in these Listing Particulars only in respect of discussions of the Group's quarterly results and not for providing information with respect to the subsidiary guarantors. The Group's Consolidated Financial Statements have been prepared in accordance with IFRS as endorsed by the European Union and the Group's Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") and for the financial years ended 30 June 2016 and 2015 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 2015 is derived from the comparative information included in the financial statements as at and for the year ended 30 June 2016 and not from the information included in the financial statements as at and for the year ended 30 June 2015. Reclassifications were made in respect of FY2015 when included in the Group's Consolidated Financial Statements in respect of FY2016. In particular, the Group's Consolidated Financial Statements in respect of FY2015 do not include the adjustments made in respect of discontinued operations, stated in Note 14 to the Group's Consolidated Financial Statements in respect of FY2016.

Unless otherwise stated, the presentation of the Group's financial information as at and for the year ended 30 June 2014 is derived from the comparative information included in the financial statements as at and for the year ended 30 June 2015. Reclassifications were made in respect of FY2014 when included in the Group's Consolidated Financial Statements in respect of FY2015 for certain discontinuing operations that occurred in FY2015. However, the comparative information in respect of FY2014 were not adjusted in respect of discontinued operations that occurred in FY2016.

For further information, see also Note 3 of the Group's Consolidated Financial Statements in respect of FY2016.

References in these Listing Particulars to "**FY2016**", "**FY2015**" and "**FY2014**" refer to the twelve month periods ended 30 June 2016, 2015 and 2014, respectively.

References in these Listing Particulars to "**Q1 FY2017**" and "**Q1 FY2016**" refer to the three month periods ending 30 September 2016 and 2015, respectively.

Supplemental Non-IFRS Measures

These Listing Particulars include certain non-IFRS measures, including Adjusted EBITDA; Adjusted EBITDA Margin; Adjusted Fixed Assets Investments; Adjusted Investing Cash Flows; free cash flow; other non-cash items; funds from operations and net debt (together, the "**Supplemental Non-IFRS Measures**"). The Supplemental Non-IFRS Measures are presented as supplemental measures of the Group's operating performance 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, which the Group uses as a key measure of operating performance and which is defined as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation;

- Adjusted EBITDA margin, which the Group uses as a key measure of operating performance and which is defined as Adjusted EBITDA divided by revenue;

- adjusted working capital, which the Group uses 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) minus current liabilities (excluding short-term bank borrowings and current portion of long-term borrowings);

- Adjusted Fixed Assets Investments, which the Group uses as a measure of its expenditures on fixed assets maintenance and which is defined as the net cash used in investing activities plus purchase of property, plant and equipment and proceeds from disposal of property, plant and equipment;

- Adjusted Investing Cash Flows, which the Group uses as a measure of its expenditures on investments and which is defined as the net cash used in investing activities plus purchase of property, plant and equipment, less proceeds from disposal of property, plant and equipment;

- Free cash flow, which the Group uses as a measure of its available cash and which is, defined as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, less cash used in the purchase of property, plant and equipment, cash from proceeds from disposal of property, finance costs paid, income tax paid, discontinued operations, movement in allowance for doubtful receivables, (gain)/loss from changes in fair value of biological assets, other accruals, net non-realised foreign exchange (gain/loss), other, dividends paid, change in adjusted working capital, cash from the purchase of intangible and other non-current assets, cash used in the acquisition of subsidiaries, cash from the disposal of subsidiaries and amount advanced for subsidiaries;

- Other non-cash items, which the Group uses as a measure of non-cash impacts on its financial performance and which is defined as the sum of results from discontinued operations, movement in allowance for doubtful receivables, (gain)/loss from changes in fair value of biological assets, other accruals, net non-realised foreign exchange (gain/loss) and other;

- Funds from operations, which the Group uses as a measure of the cash generation of its core business operations and which is defined as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, less cash used in the purchase of property, plant and equipment, cash from proceeds from disposal of property, finance costs paid, income tax paid, results from discontinued operations, movement in allowance for doubtful receivables, (gain)/loss from changes in fair value of biological assets, other accruals, net non-realizable foreign exchange (gain/loss) and other; and

- net debt, which the Group uses as a measure of its liquidity and which is defined as gross interest-bearing debt less cash and cash equivalents.

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

IFRS) to the Group's Consolidated Financial Statements and the Group's Condensed Interim 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 and the Group's Condensed Interim 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 under IFRS and should not be considered as alternatives to revenue, gross profit, operating profit, net cash generated by operating 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.

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 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.

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 financing costs, which can be significant and could further increase if the Group incurs more borrowings, on the Group's operating performance;

- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of income 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, depleted and/or amortised will need to be replaced in the future and such depreciation and amortisation expense may approximate the cost of replacing 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 replacements;

- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of share of gain of joint ventures, which are accounted for under the equity method ;

- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of foreign exchange gain/(loss), which the Group does not consider to be part of its core operating performance because the Group is not involved in any foreign currency transactions apart from those arising from differences between functional currencies in the normal course of business; and

- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of other expenses, net, as such expenses are not a part of the Group's operations.

Readily marketable inventories

These Listing Particulars also include information related to readily marketable inventories ("**RMI**") and adjusted net debt. RMI includes agricultural inventories, namely sunflower oil and meal and grains, which the Group treats as readily convertible into cash because of their commodity characteristics and widely available markets and international pricing mechanisms. Adjusted net debt is calculated as net debt less RMI. For a discussion of RMI, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Readily marketable inventories"*.

RMI and adjusted net debt are presented as supplemental measures of the Group's liquidity, which the Group uses to provide a supplement tool to assist management and investors in evaluating current business performance and in calculating credit ratios under certain of the Group's financing arrangements. RMI and adjusted net debt have limitations as analytical tools, and investors should not consider these metrics in isolation, or as a substitute for analysis of the Group's liquidity as reported under IFRS. Other companies in the Group's industry may calculate RMI and adjusted net debt differently or may use them for different purposes than the Group, limiting their usefulness as comparative measures.

The Group relies primarily on its IFRS operating results and uses RMI and adjusted net debt only supplementally. See the Group's Consolidated Financial Statements and the Group's Condensed Interim Consolidated Financial Statements included elsewhere in these Listing Particulars. RMI and adjusted net debt are not defined by, or presented in accordance with, IFRS, are not measurements of the Group's operating performance under IFRS and should not be considered as alternatives to revenue, gross profit, operating profit, net cash generated by operating 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, RMI and net debt 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 ("**SCSU**"), the United States Department of Agriculture ("**USDA**") and the National Sunflower Association 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 tons.

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 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. Unless proven otherwise, reciprocity is deemed to exist in relations between Ukraine and the country where the judgment was rendered. Ukrainian law does not provide any clear rules on the application of the principle of reciprocity and there is no official interpretation or court practice in this respect. 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 applicable Ukrainian legislation.

The contractual agreements provide for resolution of disputes by arbitration under the LCIA Arbitration Rules with the seat of arbitration in London, England. Ukraine and the United Kingdom are parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). 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 procedural requirements under Ukrainian law.

Russia

Judgments rendered by a court in any jurisdiction outside the Russian Federation will generally be recognised by courts in the Russian Federation only if (a) an international treaty exists between the Russian Federation and the country where the judgment was rendered providing for the recognition of judgments in civil cases and/or (b) a federal law of the Russian Federation providing for the recognition and enforcement of foreign court judgments is adopted and/or (c) on the basis of reciprocity, if courts of the country where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. No such federal law has been passed, and no such treaty exists, between the Russian Federation, on the one hand, and the United States or the United Kingdom, on the other hand.

The Company is aware of at least two instances in which Russian courts have recognised and enforced a foreign court judgment (including the judgment of an English court). The basis for this was the principle of reciprocity and (in the case of the enforcement of an English court judgment) the existence of a number of bilateral and multilateral treaties to which both the United Kingdom and the Russian Federation are parties. Nevertheless, the existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognise and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English court.

Even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Russian law. For example, a Russian court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict Russian public policy. Therefore, foreign judgments against Russian companies or Russian assets may not be enforced or their enforcement may require completion of the complicated procedures specified above. In addition, in the absence of established court practice, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognise and enforce an English (or U.S.) court judgment on these grounds. Furthermore, Russian courts have limited experience in the enforcement of foreign court judgments.

The Notes and the Guarantees will be governed by English law and will provide that any dispute between the parties thereto may be finally settled by arbitration in accordance with the Rules of the LCIA (formerly the London Court of International Arbitration), with the seat of such arbitration being in London, England. The United Kingdom and the Russian Federation are parties to the New York Convention on the Enforcement and Recognition of Foreign Arbitral Awards (the "**New York Convention**"). Consequently, an arbitral award from an arbitral tribunal in London, England should generally be recognised and enforced in the Russian Federation on the basis of the rules of the New York Convention, subject to qualifications set out therein and in compliance with applicable Russian legislation. However, it may be difficult to enforce arbitral awards in the Russian Federation due to:

- the inexperience of the Russian courts in international commercial transactions;
- official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors;
- the difficulties of existing mechanisms for enforcement of such awards in the Russian Federation;
- and corruption.

The Arbitrazh Procedural Code of the Russian Federation (the "**Arbitrazh Procedural Code**") establishes the procedure for Russian courts to refuse to recognise and enforce such arbitral award. The Arbitrazh Procedural Code and other Russian procedural legislation could change; therefore, inter alia, other grounds for Russian courts to refuse the recognition and enforcement of foreign courts' judgments and foreign arbitral awards could arise in the future. In practice, reliance upon international treaties may be met with resistance or a lack of understanding on the part of a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in the Russian Federation.

Under current Russian law, state duty may be payable upon the initiation of any action or proceeding (including any proceeding for enforcement) arising out of the Notes or the Guarantees in any court of the Russian Federation.

Switzerland

The following summarizes certain matters of Swiss law as currently in force and applied. A final and conclusive judgment, based on non-Swiss civil law securities laws, of a competent court in the United Kingdom or in the Unites States, respectively, would be recognized by the Swiss courts against Inerco (and/or any Additional Swiss Guarantor) pursuant to and to the extent provided by 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 18.2 of the Conditions (as defined below)) would be recognized and enforced by Swiss courts pursuant to and to the extent provided by the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Enforcement of a final and conclusive judgement of a competent court in the United Kingdom or the Unites States or 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, reorganization, 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 Inerco (and/or any Additional Swiss Guarantor) or in the event of any moratorium or similar occurrence affecting Inerco (and/or any Additional Swiss Guarantor). See "*Risk Factors — Risks relating to the Notes, the Guarantees and the Suretyships — The insolvency laws of Luxembourg, Switzerland, Cyprus, the British Virgin Islands and Ukraine may not be as favourable as the bankruptcy laws of other jurisdictions with which the Noteholders are familiar — Switzerland*".

A direct service of process on a Swiss party in Switzerland other than by a Swiss court would need to be made in accordance with the Hague Convention of November 15, 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters or other applicable treaties.

Cyprus

A judgment given in an European Union state (other than Denmark) (a "**Regulation State**") and enforceable in that state is enforceable in Cyprus without any re-examination of its substance subject to the provisions of Regulation (EU) 1215/2012 of the European Parliament and of the Council of 12 December, 2012. If the country where the judgment was rendered is not a Regulation State, the judgment will generally be enforced in Cyprus if (a) there is a bilateral treaty or convention for reciprocal enforcement of judgments between Cyprus and such country or (b) by bringing an action at common law.

A final and conclusive judgment of a foreign court may be enforced in Cyprus by an action at common law if it is a judgment for a debt, or definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty), provided (1) the court giving the judgment had jurisdiction to give that judgment in the view of Cyprus law and (2) the judgment is not impeachable (a) for fraud, (b) on the ground that its enforcement would be contrary to public policy or (c) on the ground that the proceedings in which the judgment was obtained were opposed to natural justice.

Cyprus has concluded a bilateral treaty with the USSR on legal assistance in civil and criminal matters (the "**Treaty**"). The Treaty was signed on 19 January, 1984 and ratified in Cyprus by Law No. 172 of 1986. All rights and obligations of the USSR under the Treaty have been assumed by the Russian Federation as from 24 December 1991.

Cyprus is a party to the New York Convention. An arbitration award made pursuant to an arbitration agreement in the territory of a state, other than Cyprus, which is a party to the New York Convention and arising out of differences which are considered as "commercial" as well as an arbitration award which is the outcome of "international commercial arbitration" should generally be recognised as binding in Cyprus and a Cyprus court should, on submission of the relevant application to it, issue an order for its enforcement subject to the qualifications set out in the New York Convention and Cyprus law.

British Virgin Islands

The Subscription Agreement, the Suretyship Deeds, the Agency Agreements and the Trust Deeds are governed by and shall be construed in accordance with, English law. A final and conclusive judgment in the courts of the Foreign Courts against the Company under which a sum of money is payable (not being in respect of multiple damages, or a fine, penalty, tax or other charge of similar nature) would, on registration in accordance with the provisions of the Reciprocal Enforcement of Judgments Act be enforceable in the High Court of the British Virgin Islands against the Company without the necessity of any retrial of the issues subject of such judgment or any re-examination of the underlying claims.

The Subscription Agreement, the Suretyship Deeds, the Agency Agreements and the Trust Deeds provide for resolution of disputes by arbitration under the LCIA Arbitration Rules with the seat of arbitration in London, England. An award granted pursuant to arbitration proceedings in London and conducted in accordance with the English Laws against the Company based upon the Documents would be enforceable in the British Virgin Islands under the Arbitration Act, 2013 (which incorporates the Convention on the Recognition and Enforcement of Foreign Arbitral Awards adopted by the United Nations Conference on International Commercial Arbitration on 10 June 1958) either by action or by leave of the Court or a judge thereof, in the same manner as a judgment or order to the same effect, and where leave is so given, judgment may be entered in the terms of the award. Enforcement of an award may be refused if the person against whom it is invoked proves:

(a) that a party to the arbitration agreement was (under the law applicable to that party) under some incapacity; or

(b) that the arbitration agreement was not valid under the law to which the parties subjected it or, failing any indication thereof, under the law of the country where the award was made; or

(c) that he was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case; or

(d) that the award deals with a difference not contemplated by or not falling within the terms of the submission to arbitration or contains decisions on matters beyond the scope of the submission to arbitration; or

(e) that the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties or, failing such agreement, with the law of the country where the arbitration took place; or

(f) that the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the law of which, it was made.

Enforcement may also be refused if the award is in respect of a matter which is not capable of settlement by arbitration under the laws of the British Virgin Islands, if it would be contrary to public policy to enforce the award, or for any other reason the court considers it just to do so.

USE OF PROCEEDS

The Issuer intends to use the proceeds of the issuance of the Notes (US$498 million before taking into account commissions, fees and expenses) to repay outstanding indebtedness; finance working capital and for general corporate purposes, which may include acquisitions, should opportunities arise. For more information on the Group's existing indebtedness, see "*Description of Material Indebtedness*".

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 16 January 2017 was UAH 27.66 to US$1.00. The rates may differ from the actual rates used in the preparation of the Group's Consolidated Financial Statements and the Group's Condensed Interim 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			
Year	**High**	**Low**	**Average(1)**	**Period end**
2011	7.99	7.93	7.97	7.99
2012	7.99	7.98	7.99	7.99
2013	7.99	7.99	7.99	7.99
2014	15.85	7.99	11.87	15.77
2015	30.01	15.75	21.81	24.00
Month				
January 2016	25.15	23.27	24.32	25.15
February 2016	27.25	25.45	26.38	27.05
March 2016	27.09	25.52	26.38	26.22
April 2016	26.22	25.19	25.60	25.19
May 2016	25.45	25.10	25.22	25.17
June 2016	25.14	24.85	24.96	24.85
July 2016	24.86	24.79	24.82	24.80
August 2016	25.65	24.78	25.06	25.65
September 2016	26.85	25.77	26.25	25.91
October 2016	25.94	25.50	25.75	25.50
November 2016	26.35	25.52	25.70	25.60
December 2016	27.19	25.56	26.23	27.19
January 2017 (through 16 January)	27.66	26.28	27.02	27.66

Source: NBU

(1) The average annual exchange rate is the average of the exchange rates on the last day of each full month during the relevant year. The average monthly exchange rate is the average of the exchange rates for each business day of that month.

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 Condensed Interim Consolidated Financial Statements as at and for the three months ended 30 September 2016, the Group's Consolidated Financial Statements as at and for the year ended 30 June 2016 (as it relates to consolidated financial information as at and for the two years ended 30 June 2016 and 2015) and the Group's Consolidated Financial Statements as at and for the year ended 30 June 2015 (as it relates to the consolidated financial information as at and for the year ended 30 June 2014). The summary consolidated financial information as at and for the year ended 30 June 2014 have not been restated for the discontinued operations that occurred in FY2016 as described in Note 14 in the Group's Consolidated Financial Statements for the year ended 30 June 2016.

The Group's Condensed Interim Consolidated Financial Statements as at and for the three months ended 30 September 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. The Group's Consolidated Financial Statements as at and for the years ended 30 June 2016, and 30 June 2015 have been prepared in accordance with IFRS, as endorsed by the European Union. The Group's Condensed Interim Consolidated Financial Statements and the Group's Consolidated 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 and Group's Condensed Interim Consolidated Financial Statements 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 September		**As at 30 June**		
	2015	**2016**	**2014**	**2015**	**2016**
	(US$ in thousands unless otherwise stated)				
BALANCE SHEET DATA					
Cash and cash equivalents	76,144	93,336	65,400	129,121	60,372
Total assets	1,488,269	1,652,447	1,919,022	1,465,618	1,509,355
Short-term borrowings	303,318	272,558	405,821	298,005	179,615
Long-term borrowings (including current portion of long-term borrowings)	148,881	138,886	324,860	158,236	156,676

	For the three months ended 30 September		**For the year ended 30 June**		
	2015	**2016**	**2014**	**2015**	**2016**
	(US$ in thousands unless otherwise stated)				
INCOME STATEMENT DATA					
Revenue	377,722	384,063	2,393,251	2,329,507	1,988,520
Net change in fair value of biological assets and agricultural produce	2,119	33,383	(17,110)	(6,789)	20,134
Cost of sales	(305,694)	(322,791)	(1,967,974)	(1,805,573)	(1,548,474)
Gross profit	74,147	94,655	408,167	517,145	460,180
Other operational income	3,161	9,664	60,474	82,420	44,617
Distribution costs	(23,619)	(31,924)	(262,920)	(197,098)	(158,323)
General and administrative expenses	(12,787)	(13,852)	(77,004)	(66,910)	(59,284)
Profit from operating activities	40,902	58,543	128,717	335,557	287,190
Finance costs, net	(10,310)	(11,188)	(72,459)	(64,809)	(57,121)

Foreign exchange (loss)/gain, net	(2,716)	15,091	(98,805)	(143,443)	30,442
Other income/(expenses), net	1,794	5,497	(51,777)	(9,554)	(16,608)
Share of gain of joint ventures	1,301	(1,196)	3,901	5,087	3,886
Profit/(loss) before income tax	30,971	66,747	(90,423)	122,838	247,789
Income tax expenses	(2,522)	(3,675)	(11,372)	(1,152)	(3,910)
Profit/(loss) for the period from continuing operations	28,449	63,072	(101,795)	121,686	243,879
CASH FLOW DATA					
Operating profit before working capital changes	57,842	41,386	195,544	338,715	330,453
Net cash used in/ (generated by operating activities)	(29,535)	(29,734)	82,472	404,723	133,723
Net cash used in/(generated by) investing activities	(18,343)	(12,874)	(83,210)	(24,305)	(60,732)
Net cash used in financing activities	(4,711)	60,645	6,868	(309,824)	(134,469)

	As at 30 September		As at 30 June		
	2015	2016	2014(1)	2015	2016
	(US$ in thousands unless otherwise stated)				
EQUITY DATA					
Book value(2)	894,369	1,028,510	1,029,661	889,554	995,329
Weighted average number of shares	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410
Book value per share	11.22	12.91	12.92	11.16	12.49
Diluted weighted average number of shares	81,020,112	81,894,124	79,856,603	79,779,975	81,384,851
Diluted book value per share	11.04	12.56	12.89	11.15	12.23

(1) FY2014 figures in relation to income statement data and other financial and operating items have been extracted from the comparative information included in the audited annual financial statements as at and for the year ended 30 June 2015 and thus have not been restated for the discontinued operations that occurred in FY2016.

(2) The Group defines book value as the equity attributable to Kernel Holding S.A. 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, 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 and the Group's Condensed Interim Consolidated Financial Statements, see "—*Reconciliation of additional data (Non IFRS) to the Group's Consolidated Financial Statements and the Group's Condensed Interim Consolidated Financial Statements*".

	As at 30 September	
	2015	2016
	(US$ in thousands unless otherwise stated)	
Adjusted EBITDA(1)	55,115(2)	72,402(2)

Adjusted working capital(3)	513,553	624,931
Gross debt(4)	462,959	419,494
Net debt(4)	386,815	326,158
Readily marketable inventories(5)	275,259	402,208
Adjusted net debt(6)	111,556	(76,050)
Net debt / LTM Adjusted EBITDA(7)	0.9x	0.9x
Adjusted net debt / LTM Adjusted EBITDA(7)	0.3x	(0.2x)

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(1) The Group is not presenting Adjusted EBITDA as a measure of operating results. Adjusted EBITDA is not an IFRS measure and Adjusted EBITDA should not be construed as an alternative to profit/(loss) from continuing operations or to cash flow from operations, investing activities or financing activities, which are measures that have been determined in accordance with IFRS. Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. See also "Description of Material Indebtedness", included elsewhere in these Listing Particulars.

(2) For the purposes of presenting "Adjusted EBITDA" as at and for the three months ended 30 September 2015 and 2016, Adjusted EBITDA is calculated as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, in each case, as determined from the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2016 and Q1 FY2017, respectively. For the purposes of presenting Adjusted EBITDA reconciliation, the Group's financial information as at and for the three months ended 30 September 2015 is derived from the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2016, and not from the financial information presented for the year ended 30 September 2016 in the Group's Consolidated Financial Statements in respect of Q1 FY2017. Reclassifications regarding discontinued operations were made to the financial information presented for the year ended 30 September 2015 in the Group's Consolidated Financial Statements in respect of Q1 FY2017. For further information, see Note 11 of the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2017.

(3) The Group defines adjusted working capital as current assets (excluding cash and cash equivalents and assets classified as held for sale) minus current liabilities (excluding short-term bank borrowings and current portion of long-term borrowings).

(4) The Group defines gross debt as the sum of short-term borrowings, current portion of long-term borrowings, long-term borrowings and present value of minimum lease payments. The Group defines net debt as gross interest-bearing debt minus cash and cash equivalents. The table below presents the calculations for gross debt and net debt for Q1 FY2016 and Q1 FY2017.

	For the three months ended 30 September	
	2015	**2016**
Sum of:	*(US$ thousands)*	
Short-term borrowings	303,318	272,558
Current portion of long-term borrowings	71,418	75,675
Long-term borrowings..	77,463	63,211
Present value of minimum lease payments........................	10,760	8,050
Gross debt...	**462,959**	**419,494**
less Cash and cash equivalents	76,144	93,336
Net debt...	**386,815**	**326,158**

(5) The Group treats agricultural inventories as readily marketable inventories ("**RMI**") where the Group has determined the inventories are readily convertible into cash because of their commodity characteristics, widely available markets and international pricing mechanisms. For further information on how the Group classifies inventories as RMI, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Readily marketable inventories*".

(6) The Group defines adjusted net debt as net debt less RMI The table below presents the calculations for adjusted net debt for Q1 FY2016 and Q1 FY2017

	For the three months ended 30 September	
	2015	**2016**
	(US$ thousands)	
Net debt..	386,815	326,158
less Readily marketable inventories	275,259	402,208
Adjusted net debt	**111,556**	**(76,050)**

(7) LTM Adjusted EBITDA Q1 2017 is calculated as Adjusted EBITDA for FY2016 plus Adjusted EBITDA for Q1 FY2017 less Adjusted EBITDA for Q1 FY2016. LTM Adjusted EBITDA for Q1 FY2016 is calculated as Adjusted EBITDA for FY2015 plus Adjusted EBITDA for Q1 FY2016 less Adjusted EBITDA for Q1 FY2015.

As at 30 June

	2014	2015	2016
	(US$ in thousands unless otherwise stated)		
Adjusted EBITDA[(1) (3)]	223,025	396,564	346,353[(4)]
Adjusted working capital[(2)]	681,104	436,191	537,638
Gross debt[(5)]	749,417	468,514	343,136
Net debt[(5)]	684,017	339,393	282,764
Readily marketable inventories[(6)]	243,379	140,050	183,675
Adjusted net debt[(7)]	440,638	199,343	99,089
Net debt / LTM Adjusted EBITDA	3.1x	0.9x	0.8x
Adjusted net debt / LTM Adjusted EBITDA	2.0x	0.5x	0.3x
Adjusted EBITDA / finance costs, net	3.1x	5.8x	6.1x
Adjusted Fixed Assets Investments[(8)]	(41,724)	(22,676)	(30,356)
Other non-cash items[(9)]	(27,481)	(57,849)	(15,900)
Funds from operations[(10)]	41,622	234,641	239,691
Adjusted Investing Cash Flows[(11)]	(41,486)	(1,629)	(30,376)
Free cash flow[(12)]	(738)	360,497	53,070

(1) The Group is not presenting Adjusted EBITDA as a measure of operating results. Adjusted EBITDA is not an IFRS measure and Adjusted EBITDA should not be construed as an alternative to profit/(loss) from continuing operations or to cash flow from operations, investing activities or financing activities, which are measures that have been determined in accordance with IFRS. Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. See also "Description of Material Indebtedness", included elsewhere in these Listing Particulars.

(2) The Group defines adjusted working capital as current assets (excluding cash and cash equivalents and assets classified as held for sale) minus current liabilities (excluding short-term bank borrowings and current portion of long-term borrowings).

(3) For the purposes of presenting "Adjusted EBITDA" as at and for the years ended 30 June 2014, 2015 and 2016, Adjusted EBITDA is calculated as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, in each case, as determined from the Group's Consolidated Financial Statements in respect of FY2014, FY2015 and FY2016, respectively. For the purposes of presenting Adjusted EBITDA reconciliation, the Group's financial information as at and for the year ended 30 June 2015 is derived from the Group's Consolidated Financial Statements in respect of FY2015, and not from the financial information presented for the year ended 30 June 2016 in the Group's Consolidated Financial Statements in respect of FY2016. Reclassifications regarding discontinued operations were made to the financial information presented for the year ended 30 June 2015 in the Group's Consolidated Financial Statements in respect of FY2016. For further information, see Note 14 of the Group's Consolidated Financial Statements in respect of FY2016.

(4) For the purpose of calculating Adjusted EBITDA for the year ended 30 June 2016, the Group has subtracted US$839 thousand from amortization and depreciation attributable to discontinued operations. For further information on these discontinued operations, see Note 14 of the Group's Consolidated Financial Statements in respect of FY2016.

(5) The Group defines gross debt as the sum of short-term borrowings, current portion of long-term borrowings, long-term borrowings and present value of minimum lease payments. The Group defines net debt as gross interest-bearing debt less cash and cash equivalents. The table below presents the calculations for gross debt and net debt for FY2014, FY2015 and FY2016.

	For the year ended 30 June		
	2014	**2015**	**2016**
Sum of:		*(US$ thousands)*	
Short-term borrowings	405,821	298,005	179,615
Current portion of long-term borrowings	77,335	69,335	74,835
Long-term borrowings	247,525	88,901	81,841
Present value of minimum lease payments	18,736	12,273	6,845
Gross debt	**749,417**	**468,514**	**343,136**
less Cash and cash equivalents	65,400	129,121	60,372
Net debt	**684,017**	**339,393**	**282,764**

(6) The Group treats agricultural inventories as RMI where the Group has determined the inventories are readily convertible into cash because of their commodity characteristics, widely available markets and international pricing mechanisms For further information on how the Group classifies inventories as RMI, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Readily marketable inventories*".

(7) The Group defines adjusted net debt as net debt less RMI The table below presents the calculations for adjusted net debt for FY2014, FY2015 and FY2016

	For the year ended 30 June		
	2014	2015	2016
		(US$ thousands)	
Net debt	**684,017**	**339,393**	**282,764**
less Readily marketable inventories	243,379	140,050	183,675
Adjusted net debt	**440,638**	**199,343**	**99,089**

(8) The Group defines Adjusted Fixed Assets Investments as the net cash used in investing activities plus the purchase of property, plant and equipment and proceeds from disposal of property.

(9) The Group defines other non-cash items as results from discontinued operations, movement in allowance for doubtful receivables, (gain)/loss from changes in fair value of biological assets, other accruals, net non-realised foreign exchange (gain/loss) and other, amounts which are taken for the purpose of cash flow statements.

(10) The Group defines funds from operations as defined as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, less cash used in the purchase of property, plant and equipment, cash from proceeds from disposal of property, finance costs paid, income tax paid, results from discontinued operations, movement in allowance for doubtful receivables, (gain)/loss from changes in fair value of biological assets, other accruals, net non-realizable foreign exchange (gain/loss) and other.

(11) The Group defines Adjusted Investing Cash Flows as the net cash used in investing activities plus purchase of property, plant and equipment, less proceeds from disposal of property, plant and equipment.

(12) The Group defines free cash flow as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, less cash used in the purchase of property, plant and equipment, cash from proceeds from disposal of property, finance costs paid, income tax paid, discontinued operations, movement in allowance for doubtful receivables, (gain)/loss from changes in fair value of biological assets, other accruals, net non-realised foreign exchange (gain/loss), other, dividends paid, change in adjusted working capital, cash from the purchase of intangible and other non-current assets, cash used in the acquisition of subsidiaries, cash from the disposal of subsidiaries and amount advanced for subsidiaries.

Reconciliation of additional data (Non IFRS) to the Group's Consolidated Financial Statements and the Group's Condensed Interim Consolidated Financial Statements

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

	For the three months ended 30 September	
	2015	2016
	(US$ in thousands unless otherwise stated)	
Reconciliation		
(Loss)/Profit from continuing operations	24,071	63,072
plus Income tax expenses	3,683	3,675
Share of gain/(loss) of joint ventures	(1,301)	1,196
Other income/(expenses), net	(2,783)	(5,497)
Foreign exchange (loss)/gain, net	4,661	(15,091)
Finance costs, net	11,237	11,188
Amortization and depreciation	15,547	13,859
Adjusted EBITDA[(1)]	**55,115**	**72,402**

(1) For the purposes of presenting "Adjusted EBITDA" as at and for the three months ended 30 September 2015 and 2016, Adjusted EBITDA is calculated as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, in each case, as determined from the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2016 and Q1 FY2017, respectively. For the purposes of presenting Adjusted EBITDA reconciliation, the Group's financial information as at and for the three months ended 30 September 2015 is derived from the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2016, and not from the financial information presented for the year ended 30 September 2016 in the Group's Consolidated Financial Statements in respect of Q1 FY2017. Reclassifications regarding discontinued operations were made to the financial information presented for the year ended 30 September 2015 in the Group's Consolidated Financial Statements in respect of Q1 FY2017. For further information, see Note 11 of the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2017.

The following table reconciles profit/ from operations to Adjusted EBITDA, Adjusted Fixed Assets Investments, other non-cash items, funds from operations, Adjusted Investing Cash Flows and free cash flow for the periods indicated:

For the year ended 30 June

	2014	2015	2016
Reconciliation			
(Loss)/Profit from continuing operations	(101,795)	100,882	243,879
Income tax expenses	11,372	445	3,910
Share of gain/(loss) of joint ventures	(3,901)	(5,087)	(3,886)
Other income/(expenses), net	51,777	10,520	16,608
Foreign exchange (loss)/gain, net	98,805	152,942	(30,442)
Finance costs, net	72,459	68,575	57,121
Amortization and depreciation	94,308	68,287	59,163[(2)]
Adjusted EBITDA[(1)]	**223,025**	**396,564**	**346,353**
Purchase of property, plant and equipment	**(49,906)**	**(24,728)**	**(33,863)**
Proceeds from disposal of property, plant and equipment	8,182	2,052	3,507
Adjusted Fixed Assets Investments	**(41,724)**	**(22,676)**	**(30,356)**
Finance costs paid	**(72,002)**	**(68,371)**	**(57,595)**
Income tax paid	**(40,196)**	**(13,027)**	**(2,811)**
Discontinued operations	(7,006)	(4,083)	(1,676)
Movement in allowance for doubtful receivables	6,133	2,279	1,595
Gain/(loss) from changes in fair value of biological assets	17,110	6,789	(20,134)
Other accruals	1,024	4,463	4,452
Net foreign exchange (gain)/loss	(19,672)	(59,704)	(765)
Other	(25,070)	(7,593)	628
Other non-cash items	**(27,481)**	**(57,849)**	**(15,900)**
Funds from operations	**41,622**	**234,641**	**239,691**
Dividend paid	**-**	**(19,921)**	**(19,921)**
Change in adjusted working capital[(3)]	**(874)**	**147,406**	**(136,324)**
Net cash used in investing activities	**(83,210)**	**(24,305)**	**(60,732)**
Purchase of property, plant and equipment.............	49,906	24,728	33,863
Proceeds from disposal of property, plant and equipment	(8,182)	(2,052)	(3,507)
Adjusted Investing Cash Flows	**(41,486)**	**(1,629)**	**(30,376)**
Free cash flow	**(738)**	**360,497**	**53,070**

(1) For the purposes of presenting "Adjusted EBITDA" as at and for the years ended 30 June 2014, 2015 and 2016, Adjusted EBITDA is calculated as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, in each case, as determined from the Group's Consolidated Financial Statements in respect of FY2014, FY2015 and FY2016, respectively. For the purposes of presenting Adjusted EBITDA reconciliation, the Group's financial information as at and for the year ended 30 June 2015 is derived from the Group's Consolidated Financial Statements in respect of FY2015, and not from the financial information presented for the year ended 30 June 2016 in the Group's Consolidated Financial Statements in respect of FY2016. Reclassifications regarding discontinued operations were made to the financial information presented for the year ended 30 June 2015 in the Group's Consolidated Financial Statements in respect of FY2016. For further information, see Note 14 of the Group's Consolidated Financial Statements in respect of FY2016.

(2) For the purpose of calculating Adjusted EBITDA for the year ended 30 June 2016, the Group has subtracted US$839 thousand from amortization and depreciation attributable to discontinued operations. For further information on these discontinued operations, see Note 14 of the Group's Consolidated Financial Statements in respect of FY2016.

(3) For the Group's calculation of change in adjusted working capital, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Flows - Net cash provided by operating activities*".

The following table reconciles profit from segment operations to Segment Adjusted EBITDA for Q1 FY2017:

	Bottled sunflower oil	Bulk sunflower oil	Export terminals	Grain	Silo services	Farming
	(US$ in thousands unless otherwise stated)					
Segment Adjusted EBITDA Reconciliation[(1)]						
Profit from operating activities	1,498	7,030	9,733	4,344	6,394	69,729
plus Other expenses	-	-	-	-	-	-
plus Amortization and depreciation	455	3,575	744	-	732	8,004
Segment Adjusted EBITDA	1,953	10,605	10,477	4,344	7,126	77,733

(1) Segment Adjusted EBITDA and Segment Adjusted EBITDA margin are 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 profit from segment operations to Segment Adjusted EBITDA for Q1 FY2016:

	Bottled sunflower oil	Bulk sunflower oil	Export terminals	Grain	Silo services	Farming
	(US$ in thousands unless otherwise stated)					
Segment Adjusted EBITDA Reconciliation[(1)]						
Profit from operating activities	2,691	18,305	4,696	10,433	4,194	13,929
plus Other expenses	-	-	-	-	-	-
plus Amortization and depreciation	711	4,208	760	-	938	8,685
Segment Adjusted EBITDA	3,402	22,513	5,456	10,433	5,132	22,614

(1) Segment Adjusted EBITDA and Segment Adjusted EBITDA margin are 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 profit/(loss) from segment operations to Segment Adjusted EBITDA for FY2016:

	Bottled sunflower oil	Bulk sunflower oil	Export terminals	Grain	Silo services	Farming
	(US$ in thousands unless otherwise stated)					
Segment Adjusted EBITDA Reconciliation[(1)]						
Profit/(loss) from operating activities	13,035	96,463	34,480	46,265	19,907	112,857
plus Other expenses	-	-	-	-	-	-

plus Amortization and depreciation	2,793	16,557	2,999	-	3,486	33,049
Segment Adjusted EBITDA	15,828	113,020	37,479	46,265	23,393	145,906

(1) Segment Adjusted EBITDA and Segment Adjusted EBITDA margin are 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 profit from segment operations to Segment Adjusted EBITDA for FY2015:

	Bottled sunflower oil	Bulk sunflower oil	Export terminals	Grain	Silo services	Farming
	(US$ in thousands unless otherwise stated)					
Segment Adjusted EBITDA Reconciliation(1)						
Profit from operating activities	17,582	175,847	33,768	59,369	13,684	58,404
plus Other expenses	-	-	-	-	-	-
plus Amortization and depreciation	2,958	16,703	3,028	-	4,640	39,535
Segment Adjusted EBITDA	20,540	192,550	36,796	59,369	18,324	97,939

(1) Segment Adjusted EBITDA and Segment Adjusted EBITDA margin are 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 profit from segment operations to Segment Adjusted EBITDA for FY2014:

	Bottled sunflower oil	Bulk sunflower oil	Export terminals	Grain	Silo services	Farming
	(US$ in thousands unless otherwise stated)					
Segment Adjusted EBITDA Reconciliation(1)						
Profit/(Loss) from operating activities	24,707	130,990	24,019	59,357	30,748	(102,868)
plus Other expenses	-	-	-	-	-	-
plus Amortization and depreciation	1,926	20,212	3,288	12	8,407	58,571
Segment Adjusted EBITDA	26,633	151,202	27,307	59,369	39,155	(44,297)

(1) Segment Adjusted EBITDA and Segment Adjusted EBITDA margin are 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 profit from segment operations to Segment Adjusted EBITDA for FY2013:

	Bottled	Bulk	Export	Grain	Silo	Farming

	sunflower oil	sunflower oil	terminals		services	
	(US$ in thousands unless otherwise stated)					
Segment Adjusted EBITDA Reconciliation[(1)]						
Profit from operating activities............	22,735	154,092	23,871	12,463	12,345	17,216
plus Other expenses.............................	-	-	-	-	-	-
plus Amortization and depreciation......	3,048	19,096	3,218	46	7,018	50,445
Segment Adjusted EBITDA.................	25,783	173,188	27,089	12,509	19,363	67,661

(1) Segment Adjusted EBITDA and Segment Adjusted EBITDA margin are 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 profit from segment operations to Segment Adjusted EBITDA for FY2012:

	Bottled sunflower oil	Bulk sunflower oil	Export terminals	Grain	Silo services	Farming
	(US$ in thousands unless otherwise stated)					
Segment Adjusted EBITDA Reconciliation[(1)]						
Profit from operating activities............	30,061	150,064	10,385	26,963	12,084	41,216
plus Other expenses.............................	-	-	-	-	-	-
plus Amortization and depreciation......	1,770	16,574	3,281	46	6,212	32,572
Segment Adjusted EBITDA.................	31,831	166,638	13,666	27,009	18,296	73,788

(1) Segment Adjusted EBITDA and Segment Adjusted EBITDA margin are 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 Group uses Adjusted EBITDA and Adjusted EBITDA margin as a supplemental measure of the performance of the Group's core operating activities and the Directors believe that the above exclusions from the calculation of Adjusted EBITDA and Adjusted EBITDA margin provide both management and investors with a supplemental measure which is useful in comparing performance year-on-year because it excludes one-off or external factors. Other companies in the Group's industry may calculate the Supplemental Non-IFRS Measures differently or may use them for different purposes than the Group, limiting their usefulness as comparative measures. Some of these limitations are as follows:

- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of financing costs, which can be significant and could further increase if the Group incurs more borrowings, on the Group's operating performance;
- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of income 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, depleted and/or amortised will need to be replaced in the future and such depreciation and amortisation expense may approximate the cost of replacing 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 replacements;

- Adjusted EBITDA does not include share of gain of joint ventures;

- Adjusted EBITDA and Adjusted EBITDA margin do not include foreign exchange gain/(loss) because the Group is not involved in any foreign currency transactions apart from those arising from differences between functional currencies in the normal course of business; and

- Adjusted EBITDA and Adjusted EBITDA margin do not include other expenses, net, as such expenses are not a part of the Group's operations.

The following table reconciles total current assets to adjusted working capital for Q1 FY2016, Q1 FY2017, FY2014, FY2015 and FY2016:

	As at 30 September		**As at 30 June**		
	2015	**2016**	**2014[(1)]**	**2015**	**2016**
	(US$ in thousands unless otherwise stated)				
Total current assets	706,589	867,588	872,529	658,558	720,467
less:					
Cash and cash equivalents	76,144	93,336	65,400	129,121	60,372
Assets classified as held for sale	2,423	-	11,818	2,482	3,602
Total current liabilities	489,205	497,554	597,363	458,104	373,305
add back:					
Short-term borrowings	303,318	272,558	405,821	298,005	179,615
Current portion of long-term borrowings	71,418	75,675	77,335	69,335	74,835
Adjusted working capital	**513,553**	**624,931**	**681,104**	**436,191**	**537,638**

(1) Adjusted working capital in FY2014 also includes US$1,268 thousand in liabilities directly associated with assets classified as held for sale.

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 and the Group's Condensed Interim 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 under IFRS and should not be considered as alternatives to revenue, gross profit, operating profit, net cash generated by operating 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, Adjusted EBITDA and Adjusted EBITDA margin 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 three months ended 30 September 2015 and 2016, and as at and for the years ended, 30 June 2014, 2015 and 2016 should be read together with the Group's Consolidated Financial Statements and the Group's Condensed Interim 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 three months ended 30 September 2015 and 2016 and as at and for the financial years ended 30 June 2014, 2015 and 2016 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

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 certain crops, including sunflower seeds, as part of its farming operations.

In the year ended 30 June 2016, the Group had total revenue of US$1,988.5 million, profit from operating activities of US$287.2 million and profit for the period of US$226.8 million. In the three months ended 30 September 2016 (referred to as Q1 FY2017), the Group had total revenue of US$384.1 million, profit from operating activities of US$58.5 million and profit for the period of US$63.1 million. As at 30 June 2016 and 30 September 2016, the Group had total assets of US$1,509.4 million and US$1,652.4 million, respectively.

The Group's revenue and operating profit are derived across three business lines, reported under six segments in the Group's Consolidated Financial Statements and the Group's Condensed Interim Consolidated Financial Statements, as set out below.

Sunflower oil business line

Bulk Sunflower Oil

In FY2016, the Group was the largest exporter of bulk sunflower oil in Ukraine, exporting 983,904 tonnes for revenue of US$1,032.1 million (51.9% of the Group's total revenue) and operating profit of US$96.5 million.

Bottled Sunflower Oil

In FY2016, the Group was the largest producer and vendor of bottled sunflower oil in Ukraine, selling 93.7 million litres, both domestically and internationally, for revenue of US$102.6 million (5.2% of the Group's total revenue) and operating profit of US$13.0 million.

Grain and infrastructure business line

Grain

Over the past three years, the Group has exported approximately 10% of total grain and oil-bearing crops exports from Ukraine and 4% from Russia, and in FY2016, the Group was the third largest exporter of grain and oil-bearing crops in Ukraine, exporting 4,409,465 tonnes for revenue of US$821.7 million (41.3% of the Group's total revenue) and operating profit of US$46.3 million.

Silo Services

The Group operates the largest private grain silo network in Ukraine with an aggregate storage capacity of 2.4 million tonnes, and in FY2016 the silo services segment generated external revenue of US$7.3 million and intersegment revenue of US$30.9 million, for operating profit of US$19.9 million with respect to such external and intersegment revenue.

Export Terminals

The Group operates shipping terminals, including TBT which is one of the three largest grain export terminals in Ukraine as well as TGT, a grain export terminal on the Russian coast of the Black Sea operated as a 50/50 joint venture with Glencore. In FY2016, the export terminals segment generated external revenue of US$0.2 million and intersegment revenue of US$57.1 million, for operating profit of US$34.5 million with respect to such external and intersegment revenue (and excluding TGT, which is reported under the equity method of accounting).

Farming business line

The Group is the second largest crop producer in Ukraine, producing wheat, corn, soybeans, sunflower seeds, and rapeseed on approximately 385,000 hectares of leasehold farmland. In FY2016, the Farming business line sold 1,818,292 tonnes of produce and generated external revenue of US$25.1 million and intersegment revenue of US$333.0 million, for operating profit of US$112.9 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 FY2016, the Group sold 4.4 million tonnes of grain and oilseed processed a total of approximately 2.7 million tonnes of sunflower seeds.

The Group's products are primarily sold on international markets, with 96% of revenue derived from exports in FY2016.

Functional and presentation currency

The Group's Consolidated Financial Statements and the Group's Condensed Interim Consolidated Financial Statements are presented in U.S. dollars and the functional currency of Kernel Holding S.A. 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 FY2016 and Note 3 of the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2017 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 official NBU rates 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 equity and included in *"Cumulative translation adjustment"*.

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

Currency	Closing rate as at 30 Sept 2015	Average rate for the 3 months ended 30 Sept 2015	Closing rate as at 30 Sept 2016	Average rate for the 3 months ended 30 Sept 2016	Closing rate as at 30 June 2014	Average rate for the 12 months ended 30 June 2014	Closing rate as at 30 June 2015	Average rate or the 12 months ended 30 June 2015	Closing rate as at 30 June 2016	Average rate for the 12 months ended 30 June 2016
USD/UAH	21.5275	21.7219	25.9119	25.3760	11.8233	9.1307	21.0154	17.4029	24.8544	23.8630
USD/EUR	0.8907	0.8989	0.8942	0.8957	0.7324	0.7372	0.8975	0.8359	0.8994	0.9011
USD/RUB	66.2367	62.9784	63.1581	64.6245	33.6306	33.8131	55.5240	49.5381	64.2575	67.3438
USD/PLN	3.7754	3.7646	3.8558	3.8879	3.0473	3.0934	3.7645	3.4846	3.9803	3.8706

Source: NBU, National Bank of Poland, cross rate used for USD/EUR, Central Bank of the Russian Federation

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 between companies in the Group.

The most significant category of intersegment sales is the farming segment's sales to the bulk sunflower oil, bottled sunflower oil and grain segments, which totalled US$139.9 million in Q1 FY2017 (95.5% of total sales by the farming segment) and US$333.0 million in FY2016 (93.0% of total sales by the farming segment). The export terminals segment had intersegment sales to the grain segment in the amount of US$12.4 million in Q1 FY2017 (99.5% of total sales by the export terminals segment) and US$57.1 million in FY2016 (99.7% of total sales for the export terminals segment). The silo services segment also had substantial intersegment sales, primarily to the bulk sunflower oil, bottled sunflower oil and grain segments, which were US$8.3 million in Q1 FY2017 (79.1% of total sales by the silo services segment) and US$30.9 million in FY2016 (80.9% of total sales by the silo services segment).

Intersegment sales are conducted and accounted for as follows:

Grain handling and export terminals – when the grain segment uses the services of the export terminals segment, the grain segment pays an arm's length price and the transaction is recorded as revenue for the export terminals segment and distribution expense for the grain segment;

Silo services – when the sunflower oil or grain segments use the Group's silos for storage, the respective segment pays an arm's length price and the transaction is recorded as revenue for the silo services segment and cost of goods sold or distribution expense for the sunflower oil or grain segment; and

Farming – when the sunflower oil or grain 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 cost of goods sold for the sunflower oil or grain 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 operating profit 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*."

For the purposes 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 the remaining amounts are allocated to the bulk sunflower oil segment.

The tables below set forth external and intersegment transactions for the three months ended 30 September 2015 and 2016 and the years ended 30 June 2014, 2015 and 2016:

	Three months ended 30 September					
	2015			2016		
	External sales	Inter-segment sales	Total	External sales	Inter Segment sales	Total
Bottled Sunflower oil	20,482	-	20,482	23,336	-	23,336
Bulk sunflower oil	169,879	-	169,879	152,226	-	152,226
Export terminals	66	9,091	9,157	61	12,370	12,431
Farming	8,666	47,497	56,163	6,519	139,854	146,373
Grain	176,333	-	176,333	199,717	-	199,717
Silo services	2,296	6,207	8,503	2,204	8,336	10,540
Sugar	-	-	-	-	-	-
Other	-	-	-	-	-	-
Reconciliation	-	(62,795)	(62,795)	-	(160,560)	(160,560)
Total	**377,722**	**–**	**377,722**	**384,063**	**-**	**384,063**

	For the year ended 30 June								
	2014			2015			2016		
	External sales	Inter Segment sales	Total	External sales	Inter-segment sales	Total	External sales	Inter-segments sales	Total
					(US$ in thousands)				
Bottled sunflower oil	132,637	-	132,637	114,060	-	114,060	102,608	-	102,608
Bulk sunflower oil	1,079,037	-	1,079,037	1,099,674	-	1,099,674	1,032,137	-	1,032,137
Export terminals	3,180	42,284	45,464	76	55,186	55,262	186	57,142	57,328
Farming	62,322	227,764	290,086	29,010	281,383	310,393	25,063	333,013	358,076
Grain	1,053,613	-	1,053,613	1,053,267	-	1,053,267	821,671	-	821,671
Silo services	27,538	46,923	74,461	7,668	34,725	42,393	7,306	30,899	38,205
Sugar	35,953	-	35,953	27,446	-	27,446	-	-	-
Reconciliation	-	(316,971)	(316,971)	-	(371,294)	(371,294)	-	(421,054)	(421,054)
Discontinued operations	(1,029)	-	(1,029)	(1,694)	-	(1,694)	(451)	-	(451)
Total	**2,393,251**	**–**	**2,393,251**	**2,329,507**	**–**	**2,329,507**	**1,988,520**	**–**	**1,988,520**

Factors affecting comparability

Acquisitions and disposals

Farmland acquisitions. In FY2014, the Group acquired an entity holding 1,010 hectares of leasehold farmland located in the Khmelnytskyi region for consideration of US$394 thousand. This acquisition resulted in an increase to the farmland managed by the Group, increasing the scale of the farming segment in subsequent periods.

Crushing plants. In 2016, the Group acquired, by way of enforcement over certain fixed assets, the sunflower oil crushing plant previously owned by PE "Ellada", which has a total crushing capacity of 560,000 tonnes per year. Title to these assets has been registered for Prydniprovskyi. The acquisition was made by first acquiring a non-performing loan made by JSB "Ukrgasbank", which was secured by, among others, security over the plant. Furthermore, there have been unsuccessful attempts of third parties to challenge an acquisition. As of 30 June 2016, the consideration paid comprised US$49.9 million and the amount due and payable was US$25.3 million calculated as the present value of amounts payable in arrears within the next five years, the last of which is due in March 2021 and is secured by integral property complexes of the oil crushing plants owned by Vovchansky and Prykolotnjansky. The amount is shown as a liability in the line "Other non-current liabilities" (for the long-term part) and "Advances from customers and other current liabilities" (for the short-term part). See also Note 4 to the Group's Consolidated Financial Statements in respect of FY2016. In FY2016, the Group also disposed of the Ust-Labinsk oilseed crushing plant and the Georgievsk oilseed crushing plant, sold its interest in the edible oil part of an oil transhipment terminal, as well as contracted to dispose of Mykolaiv oil crushing plant and granted an option to a third party purchaser to acquire the remaining dry cargo part at oil transhipment terminal, although these transactions did not have a material effect on the results of operations of the Group. See also Note 14 of the Group's Consolidated Financial Statements in respect of FY2016 and Note 11 of the Group's Consolidated Financial Statements in respect of Q1 FY2017.

Sugar business disposal. In FY2013 and FY2014 the Group disposed of Chortkivskyi Sugar Plant and Orzhitskiy Sugar Plant, following a strategic decision to exit the volatile and local-currency-exposed sugar business. In FY2015, the Group disposed of Tsukrove, LLC and completed its exit from this business in FY2016 with the disposal of the Pryluky assets (also referred to as Palmira sugar plant) and such business has been classified as a discontinuing operation.

Capacity expansion

In addition to the acquisitions described above, the Group has made investments in expansion of the daily crushing capacity of the Black Sea Industries (Chornomorsk) and Bandurka oilseed crushing plants, from 1,500 tonnes each to 1,700 tonnes each in FY2015 and further expanding the Black Sea Industries plant's daily crushing capacity from 1,700 tonnes to 1,900 tonnes in FY2016, as well as developing new facilities and upgrades at existing facilities to expand its oilseed processing capacity. In mid-2015, the Group (jointly with Glencore) completed the expansion of TGT, installing additional silo bins and bringing the total storage capacity to 194,000 tonnes at the site and increasing its grain intake capacity by 500 tonnes per hour. By removing bottlenecks, the Group was able to expand annual throughput capacity from 3 million tonnes to 4 million tonnes.

In FY2015 and FY2016, the Group modernised TBT, expanding its annual throughput capacity from 3 million to 4 million tonnes by increasing intake and offloading capacity of the facility. Also in FY2015 and FY2016 the Group expanded the intake capacities at its inland silos in Ukraine, by adding an additional 12,000 tonnes of daily intake capacity, an additional 7,520 tonnes of drying capacity and an additional 7,200 tonnes of cleaning and offtake capacity, allowing the Group to accommodate a larger volume of its own crop production.

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—grows 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 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. Generally, contracts for the purchase of feedstocks are entered into in the fourth quarter of the Group's financial year to procure the operating activity in the first quarter of the following financial year before a new harvest arrives.

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 approximately 70% 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 2014 and 2015 harvests, which impacted FY2015 and FY2016 results, were generally good in Ukraine as a result of favourable weather conditions and the implementation of new farming techniques by local crop producers.

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 immediately 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. 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 for its edible oils and grain and infrastructure business lines, because the Group seeks to purchase from farmers at a price determined by the price at which it has agreed to sell (referred to as a "net back" price). 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 such circumstances, its margins are adversely impacted. For example, in FY2016, the Group's crushing margins were materially reduced because of a mismatch in the physical demand for and supply of sunflower seeds, caused largely by the commissioning of new crushing capacities within a relatively short time frame.

The Group's farming business, as a producer of raw materials, exposed to global commodity prices and the farming segment's results of operations may be affected accordingly. However, in the periods under review, despite a general downward trend in global commodity prices, the farming segment has benefited from improvements in yields and the positive effect, in U.S. dollar terms, on its labour and other costs as a result of the devaluation of the hryvnia. See also "*—Fluctuations in currency exchange rate*" below and "*—Functional and presentation currency*" above.

Product mix

The Group's product mix may vary by period, depending on prevailing market prices for its products, as well as the cost and availability of grain and oilseed in the market. For the Group's bulk sunflower oil and bottled sunflower oil segments, the relative volume of bottled sunflower oil produced in a given year as compared to the amount of bulk sunflower oil produced will depend on the profit margins for each product. Bulk sunflower oil will depend largely on crushing volumes, while for bottled sunflower oil, the Group will produce more if margins are relatively more attractive. For example, in FY2015, the Group produced less bottled sunflower oil domestically than in FY2014, as a result of hryvnia devaluation against the U.S. dollar, which decreased the purchasing power of domestic consumers along with the prices the Group could obtain in U.S. dollar terms on sales of bottled oil domestically. For the Group's grain segment, the mix of products will vary depending on factors such as the harvest size and grain availability as well as the general trading terms. For the Group's farming segment, the crop mix has remained relatively consistent, with corn being the dominant crop with an approximately 41% share for FY2016, followed by wheat and sunflower seed at approximately 19% and 16% respectively, and soybean with approximately 17%.

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. 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 borrowings, which are carried as liabilities on the balance sheet. The total carrying value for these borrowings, including current portion of long-term borrowings and obligations under finance lease, was US$343.1 million as at 30 June 2016. The Group is exposed to interest rate fluctuations on its floating-rate borrowings, which amounted to US$305.8 million, or 89.1% of total borrowings, as at 30 June 2016. The Group's floating-rate indebtedness is tied to LIBOR. See *"—Liquidity and Capital Resources—Capital Resources"*. 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. The Group's weighted average cost of debt for FY2014, FY2015 and FY2016 was 9.9%, 13.9% and 10.3%, respectively.

Value Added Tax

Ukraine

VAT in Ukraine impacts the Group's bulk sunflower oil, bottled sunflower oil, farming and grain segments. For the bulk sunflower oil and grain 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 bulk oil and grain products, 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. The Group also benefits from VAT subsidies in Russia and does not anticipate any significant changes in the relevant VAT administration order in Russia.

For the farming segment, the Group has been able to benefit from a VAT subsidy provided by the Government to encourage farming. Qualifying agricultural producers involved in the production of grains and oilseeds were permitted to retain a certain portion of their VAT payable (being the difference between VAT charged on sales of agricultural products (currently at the rate of 20%) and the VAT paid on purchases of goods or services for their agricultural operations) rather than remitting such amounts to the Ukrainian state budget as other taxpayers were required to do. Until 31 December 2015, agricultural producers were entitled to retain 100% of the relevant amount and use it to cover their production costs, including the purchase of production inputs and equipment. From the beginning of 2016, amendments to the Tax Code came into force which changed the VAT rules, including rules for VAT administration. From the beginning of 2016 to the beginning of 2017, the percentage that could be retained was 15% for sales of grain and technical crops. In anticipation of this change, the Group's farming segment accelerated its sale of crops to the Group's grain business, to obtain the greater VAT subsidy, while the Group's grain business sold the crops for exports after the change, to obtain the reinstated VAT refund. This benefit was received by the Group in FY2016 but is not available from 1 January 2017. After 1 January 2017, the relevant companies became regular VAT payers.

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

Russia

VAT in Russia impacts the Group's grain market and facilitates its development, as reflected in the record production and grain export volumes over 2015-2016. This is because the sale of agricultural products on the territory of the Russian Federation, including grain crops, maize and sunflower seeds, is subject to a reduced VAT of 10%, in comparison with a standard rate of 18%. Consequently, agricultural producers receive state assistance in the form of tax benefits due to the recovery from the federal budget of the difference in VAT rate under the agriproducts sold and the raw materials used in agricultural production, purchases of which are subject to the standard 18% rate.

The export of agricultural produce as well as transshipment services are subject to a reduced tax rate of 0%, which enabled the Group to recover a 100% refund of VAT paid for the procurement of agriproducts and for the goods, works and services, including production costs for transshipment services, on export.

Over the last three years, no significant changes in existing VAT administration order occurred and no significant changes for 2017 are planned.

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 products of the Group's bulk sunflower oil and grain segments, which constituted 91.6% of the Group's revenue in Q1 FY2017 and 93.2% of the Group's revenue in FY2016, are based on global commodity prices that are U.S. dollar denominated. Raw materials costs for the sourcing of grain and sunflower seed, which constituted 91.8% of the total cost of sales in Q1 FY2017 and 91.4% of total cost of sales in FY2016, 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 and rouble denominated are payroll costs, transportation costs and farm land lease payments.

The majority of the Group's borrowings are also denominated in U.S. dollars (94.4% as at 30 September 2016 and 100% as at 30 June 2016). As at 30 September 2016, approximately US$75.7 million, or 100% of the current portion of the long-term bank borrowings was denominated in U.S. dollars and as at 30 June 2016, approximately US$74.8 million, or 100%, of the current portion of the long-term borrowings was denominated in U.S. dollars. Approximately US$138.9 million, or 100% of the long-term borrowings was denominated in U.S. dollars as at 30 September 2016 and approximately US$156.7 million, or 100% of the long-term borrowings was denominated in U.S. dollars as at 30 June 2016.

The Group does, however, have exposure to fluctuations in currency, principally the hryvnia. The majority of the Group's farming and silo services assets are located in Ukraine. Consequently, a decline in the value of hryvnia against the U.S. dollar could lead to a decrease in the Group's equity value. In addition, the VAT refunds, due from the government to the Group, which totalled US$130.4 million in FY2016 and are recorded on the balance sheet as taxes recoverable, are denominated in hryvnia. Accordingly, 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 segment. 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 different exchange rates for transactions than those used for reporting under IFRS. The Group buys and sells currency at the market exchange rate, while it reports based on the official rates. In situations where the official UAH/USD rate is higher than the market UAH/USD rate, then revenue from sales in hryvnia translate into more U.S. dollars than if it was done at the market rate, meaning that a foreign exchange gain is created. This gain is created under the line item "Foreign exchange gain/(loss), net". In situations where the official UAH/USD rate is lower than the market UAH/USD rate, a foreign exchange loss is recorded. This result simultaneously increases or decreases costs of goods sold.

Inflation

The revenue and operating costs of the Group's silo services segment and in respect of certain services provided by the grain infrastructure segments 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 both its revenue and costs is somewhat limited despite being at high levels, since the key revenue segments (bulk sunflower oil 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. Consumer price inflation in Ukraine was 99.8 in 2013, 124.9 in 2014, 143.3 in 2015 and 106.4 for the nine months that ended on 30 September 2016.

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 income statement 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 in respect of FY2016 and Note 10 of the Condensed Interim Consolidated Financial Statements in respect of Q1 FY2017 included elsewhere in these Listing Particulars.

Recent Developments and Outlook

In preparation for the upcoming marketing year, Black Sea Industries underwent improvements in its storage and pre-crush facilities, which, together with a renegotiated tolling agreement between Kernel-Trade and PE Ellada, added approximately 275,000 tonnes of crushing capacity and raised the Group's total installed capacity to a record 3.5 million tonnes of sunflower seeds. This installed capacity represents a 30% increase as compared to FY2015 and the Group believes it is well positioned to execute on its medium-term strategy of benefitting from the consolidation of the oilseed crushing industry in Ukraine while maintaining high operational standards.

Within the grain and infrastructure segment, Ukraine's total grain exports are forecasted to increase by 7% in 2017, as compared to 2016, and the Group expects to maintain its market share in this growth environment based on the recent trends in the Group's exports and farming production. The Group believes that Ukraine and Russia are among the few regions in the world capable of materially increasing grain production and exports. Through continued development of its existing port capacity, the Group intends to capitalise on this expected growth and nearly double its grain export volumes in the longer term.

In FY2017, the Group expects the overall contribution from the farming segment to be comparable to the contribution in FY2016, reflecting the Group's commitment to sustainable efficiency and increasing productivity. The Group expects crop yields to increase in average by double digit percentages in FY2017, driven by favourable weather during the pollination periods for the Group's major crops, combined with changes in cultivation and tillage technology. In the longer term, the Group expects its recently launched #DigitalAgriBusiness project will transform the traditional way of thinking about large-scale farming and its operations to streamline processes and result in prompt-decision making through the use of big data analytics and machine learning.

In addition, the Group expects to receive commitments from its core banks for up to US$300 million in Syndicated Secured Pre-Export Finance Facilities by 20 January 2017, for new credit facilities with a maturity of three years. The funds under these facilities would be used for funding pre-payments for sunflower seed procurement, their storage, transportation and processing as well as for the processing of rapeseeds and their further storage, transportation and export and to finance transhipment, freight and other marine transportation/brokerage costs. Since 30 September 2016, the Group has also obtained additional cash for working capital needs through its existing ING–UniCredit Facility and Natixis Facility for US$104 million and US$67.7 million, respectively. The Group also obtained a short-term loan for US$9.1 million with Uksibbank in December 2016. In addition, the Group decreased its long-term loans balances by a total of US$16.5 million through repayments to its VTB Facility, Terminal Facility and BSI Facility.

Trading update

In 2016, Ukraine harvested 65 million tonnes of grain, including wheat, barley and corn which, according to the USDA, is 7.3% higher than the harvest in 2015. Grain exports remained marginally unchanged at 39 million tonnes, which is 0.2% higher than in 2015 according to USDA.

The Group exported 2,706 thousand tonnes of grains in the six months ended 31 December 2016, up 20.3% from previous year exports, primarily driven by the robust performance of the Group’s farming division. Growth in grains exports has fuelled the Group’s silo services segment, which in the six months ended 31 December 2016 experienced an 8.9% increase from previous year results, reaching a record 2,932 thousand tonnes of throughput volume. Export terminals throughput stood at 1,662 thousand tonnes in the six months ended 31 December 2016, with only a marginal decrease of 2.0% as compared to prior year, reflecting higher utilization of Ukrainian ports, offset by lower utilization of Taman grain transshipment facility.

The Group's total oilseed crushing was 1,188 thousand tonnes in the six months ended 31 December 2016 as compared to 1,333 thousand tonnes in the six months ended 31 December 2015, a decrease of 10.9%, driven by farmers reluctance to sell their crops at the beginning of the 2016/2107 marketing season and an accumulation of sizable sunflower oil carry-over stock. As a consequence, the total amount of bulk oil exported was 503 thousand tonnes in the six months ended 31 December 2016, which is 10.6% higher than last year. In the six months ended 31 December 2016, bottled sunflower oil sales grew to 58 million litres, a 18.1% growth from previous year results, driven by an increase in export deliveries.

Explanation of Key Income Statement Items

Revenues. The Group's revenues comprise sales of bulk and bottled sunflower oil products, grain and oilseed products, and fees charged for the use of its grain handling, export terminals and silo services. A significant portion of the Group's revenues from export terminal, silos services and farming segment are attributable to intersegment sales. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, revenue can be reliably measured and the Group retains neither continuing managerial involvement of the degree normally associated with ownership nor effective control over the goods sold. Revenues from services are recognised when such services are rendered and revenue can be reliably measured.

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

Other Operating Income, Net. Other operating income principally comprises the portion of VAT that the farming segment has been entitled to as part of the VAT subsidy. See also "*–Factors affecting the Group's results of operations–Value Added Tax*". This line item also includes contracts wash-out, premiums for quality 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 bulk oil segment and constitute a small portion of operating income.

Other Expenses, Net. Other expenses, net includes certain non-operational unallocated costs.

General and Administrative Expenses. Administrative expenses are principally comprised of professional services and administrative staff costs for the Group, except for payroll expenses related to the operation of grain elevators, which are included in Cost of Sales.

Distribution Costs. Distribution costs relate primarily to transportation and transshipment, including railway and marine expenses, but also include marketing costs.

Finance Costs, Net. Finance costs comprise interest expense on the Group's short-term and long-term debt and finance lease charges, including amortisation of one-off fees and commissions on insurance of debt as well as loss/gain on initial recognition of financial assets. 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 Expenses. Income tax expenses includes accruals made by the Group in respect of corporate income tax. Profits generated by Ukrainian entities subject to VAT are exempt from corporate income tax.

Results of operations

Three months ended 30 September 2016 compared to the three months ended 30 September 2015

The following section sets an analysis of the Group's results of operations for the three months ended 30 September 2016 compared to the three months ended 30 September 2015.

Revenue

The Group's total revenue was US$384.1 million in Q1 FY2017 as compared to US$377.7 million in Q1 FY2016, representing an increase of 1.7% over the period primarily due to period on period increases in sales volumes offset in part by lower international agricultural prices.

The following table presents the Group's external revenues by type for Q1 FY2017 and Q1 FY2016:

	For the three months ended 30 September				
	2015		2016		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change from 2015 to 2016
	(US$ in thousands, unless otherwise indicated)				
Bottled sunflower oil	20,482	5.4%	23,336	6.1%	13.9%
Bulk sunflower oil	169,879	45.0%	152,226	39.6%	(10.4%)
Export terminals	66	-	61	-	(7.6%)
Farming....................................	8,666	2.3%	6,519	1.7%	(24.8%)
Grain..	176,333	46.7%	199,717	52.0%	13.3%
Silo Services	2,296	0.6%	2,204	0.6%	(4.0%)
Total revenue	**377,722**	**100.0%**	**384,063**	**100.0%**	**1.7%**

Bottled Sunflower Oil

Revenue from sales of bottled sunflower oil to external customers was US$23.3 million in Q1 FY2017, as compared to US$20.5 million in Q1 FY2016, representing a 13.9% increase over the period primarily due to an increase in export sales.

Bulk Sunflower oil

Revenues from sales of sunflower oil in bulk to external customers was US$152.2 million in Q1 FY2017, as compared to US$169.9 million in Q1 FY2016, representing a decrease of 10.4% over the period. This was primarily due to weaker international sunflower oil prices and a negligible increase in sales volumes.

Export terminals

In Q1 FY2017, the export terminals segment generated external revenues of US$61 thousand and US$12.4 million in intersegment sales. In Q1 FY2016, the export terminals segment generated external revenue of US$66 thousand and intersegment sales of US$9.1 million . This increase in intersegment sales from Q1 FY2016 to Q1 FY2017 was primarily due to the increase in grain export volumes described more fully below, which was a primary reason for the decrease in external revenues over the period.

Farming

In Q1 FY2017, the farming segment generated external revenues of US$6.5 million and US$139.9 million in intersegment sales for total sales of US$146.4 million. In Q1 FY2016, the farming segment generated revenue of US$8.7 million and intersegment sales of US$47.5 million for total sales of US$56.2 million. This decrease in external revenue was due to increased intersegment sales fuelled by higher production and changes in VAT legislation in Ukraine, effective 1 January 2016. See also "–*Factors affecting the Group's results of operations–Value Added Tax*".

Grain

The Group's revenue from its sales of grain to external customers, shown in the grain segment, was US$199.7 million in Q1 FY2017, as compared to US$176.3 million in Q1 FY2016, representing an increase of 13.3% over the period. The increase was due to larger export volumes offset in part by lower selling prices.

Silo services

In Q1 FY2017, the silo services segment generated external revenue of US$2.2 million and intersegment sales of US$8.3 million for total sales of US$10.5 million. In Q1 FY2016, the silo services segment generated external revenue of US$2.3 million and intersegment sales of US$6.2 million for total sales of US$8.5 million, primarily due to larger production within the farming division and stock procurement at the beginning of the new marketing season.

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$33.4 million gain in Q1 FY2017, as compared to US$2.1 million in Q1 FY2016. This reflects the revaluation of crops in fields and agricultural produce balances to their fair value as of 30 September 2016. The positive effect in the amount was due to double digit growth in crop yields as a result of improvements in cultivation technology and overall favourable weather conditions.

Cost of Sales

The Group's cost of sales were US$322.8 million in Q1 FY2017 as compared to US$305.7 million in Q1 FY2016, representing an increase of 5.6% over the period. The increase was primarily attributable to increase in cost of raw materials and goods for resale, specifically for purchasing prices of sunflower seeds and corn. Overall, cost of sales as a percentage of total revenue was 84.0% in Q1 FY2017 and 80.9% in Q1 FY2016.

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

	For the three months ended 30 September				
	2015		2016		
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Change from 2015 to 2016
	(US$ in thousands, unless otherwise indicated)				
Cost of goods for resale and raw materials used	278,675	91.2%	296,334	91.8%	6.3%
Depreciation and amortization	14,499	4.7%	13,157	4.1%	(9.3%)
Payroll and payroll related costs	6,153	2.0%	5,529	1.7%	(10.1%)
Rental payments	4,330	1.4%	4,322	1.3%	(0.2%)

Other operating costs	2,037	0.7%	3,449	1.1%	69.3%
Total cost of sales	**305,694**	**100.0%**	**322,791**	**100.0%**	**5.6%**

Gross Profit

Gross profit was US$94.7 million in Q1 FY2017, as compared to US$74.1 million in Q1 FY2016, representing an increase of 27.8% over the period primarily due to improved operating performance of the farming, export terminals and silo services divisions. The Group's gross profit margin increased over the period to 24.6% in Q1 FY2017, as compared to 19.6% in Q1 FY2016.

Other Operating Income

Other operating income was US$9.7 million in Q1 FY2017, as compared to US$3.2 million in Q1 FY2016, representing an increase of 203.1% over the period. This was primarily due to farming-related VAT benefits.

Distribution Costs

Distribution costs were US$31.9 million in Q1 FY2017, as compared to US$23.6 million in Q1 FY2016, representing an increase of 35.2% over the period. This was primarily attributable to higher grain export volumes. As a result, distribution costs were 8.3% of revenue in Q1 FY2017 compared to 6.3% in Q1 FY2016.

General and Administrative Expenses

General and administrative expenses were US$13.9 million in Q1 FY2017, as compared to US$12.8 million in Q1 FY2016, representing an increase of 8.6% over the period, primarily attributable to an increase in bad debt expenses and payroll. The Group's general and administrative costs as a percentage of revenue was relatively stable at 3.6% in Q1 FY2017 and 3.4% in Q1 FY2016.

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

The Group's operating profit increased by 43.1% in Q1 FY2017, as compared to Q1 FY2016 for the reasons discussed above and below.

The following table provides information relating to the Group's operating profit by segments for the three months ended 30 September 2015 and 2016:

	For the three months ended 30 September				
	2015		2016		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change from 2015 to 2016
	(US$ in thousands, unless otherwise indicated)				
Bottled sunflower oil	2,691	0.7%	1,498	0.4%	(44.3%)
Bulk sunflower oil	18,305	4.8%	7,030	1.8%	(61.6%)
Export terminals	4,696	1.2%	9,733	2.5%	107.3%
Farming	13,929	3.7%	69,729	18.2%	400.6%
Grain	10,433	2.8%	4,344	1.1%	(58.4%)
Silo services	4,194	1.1%	6,394	1.7%	52.5%
Other operations	(8,019)	n/m	(9,358)	n/m	16.7%
Reconciliation	(6,661)	n/m	(30,827)	n/m	362.8%
Discontinued operations	1,334	0.4%	-	-	(100.0%)
Total profit from operating activities	**40,902**	**10.8%**	**58,543**	**15.2%**	**43.1%**

Bottled sunflower oil

Operating profit from the Group's bottled sunflower oil operations was US$1.5 million in Q1 FY2017, as compared to US$2.7 million in Q1 FY2016, representing a decrease of 44.3% over the period. The decrease was attributable to lower crushing volumes and margins for the reasons described below under "—*Adjusted EBITDA*".

Bulk sunflower oil

Operating profit from the Group's bulk sunflower oil operations was US$7.0 million in Q1 FY2017, as compared to US$18.3 million in Q1 FY2016, representing a decrease of 61.6% over the period. The decrease was mainly attributable to lower crushing volumes and margins for the reasons described below under "—*Adjusted EBITDA*".

Export terminals

Operating profit from the Group's export terminals segment was US$9.7 million in Q1 FY2017, compared to US$4.7 million in Q1 FY2016, representing an increase of 107.3% over the period. This was primarily attributable to an increase in grain and sunflower meal exports and decreases in operating costs due to signing new agreements with port facilities.

Farming

Operating profit from the Group's farming operations was US$69.7 million in Q1 FY2017, as compared to US$13.9 million in Q1 FY2016, representing an increase of 400.6% over the period. This was primarily attributable to positive revaluation of biological assets and agricultural produce at harvest and in fields, as well as further reduction in production costs per hectare, due to payroll costs and energy costs (reflecting the devaluation of the hryvnia) as well as further efficiencies in crop cultivation and technology advancements.

Grain

Operating profit from the Group's grain operations was US$4.3 million in Q1 FY2017 and US$10.4 million in Q1 FY2016, representing a decrease of 58.4% over the period. This reflected farmers' reluctance to sell their crops and accumulation of expensive carry-over stock at the end of the marketing season to meet the contracted volumes in Q1 FY2017.

Silo services

Operating profit from the Group's silo services operations was US$6.4 million in Q1 FY2017, as compared to US$4.2 million in Q1 FY2016, representing an increase of 52.5% over the period. This was primarily attributable to decreases in costs, driven largely by lower prices of energy.

Other operations

Other operations includes certain general and administrative expenses that have not been allocated to the Group's other segments. The operating loss from the Group's other operations was US$9.4 million in Q1 FY2017, as compared to US$8.0 million in Q1 FY2016, representing an increase of 16.7% over the period.

Reconciliation

The amount of US$30.8 million in Q1 FY2017 as compared to US$6.7 million in Q1 FY2016 reflects unrealised profit, arisen upon intragroup sales of agricultural products by the farming segment, which remained unsold to the third parties as of the end of the reporting periods.

Discontinued operations

There was no operating profit from discontinued operations in Q1 FY2017. Operating profit from the Group's discontinued operations, consisting primarily of its sugar business (disposal of which was completed in FY2016) and disposal of two oilseed crushing plants located in the Russian Federation, which together were classified by the Group as discontinued operations, was US$1.3 million in Q1 FY2016.

Finance costs, net

Finance costs were US$11.2 million in Q1 FY2017, as compared to US$10.3 million in Q1 FY2016, representing an increase of 8.7% over the period. This was primarily due to changes in the composition of the Group's borrowings.

Foreign exchange gain/(loss), net

The Group's net foreign exchange profit was US$15.1 million in Q1 FY2017, as compared to a loss US$2.7 million in Q1 FY2016. This was primarily due to positive revaluations of intercompany transactions and borrowings between entities with different functional currencies. The Group's subsidiaries generally use U.S. dollars as their functional currency, except for entities in the farming, export terminals and silo services segments. As a result, the devaluation of the hryvnia caused foreign exchange gains on their balances and borrowings nominated in other currencies, most of which related to intra-group loans between Group members with different functional currencies. See also "*–Factors affecting the Group's results of operations–Fluctuations in currency exchange rate*". This was partially offset by a reduction in VAT recoverable and prepaid and corporate income tax prepaid, reflecting the devaluation of the hryvnia.

Other income/(expenses), net

The Group's other income, net was US$5.5 million in Q1 FY2017, as compared to US$1.8 million in Q1 FY2016, representing an increase of 205.6% over the period. This was primarily attributable to the sale of edible oil part of an oil transhipment terminal located in the Mykolaiv region and two silos in the Mykolaiv region.

Share of (loss)/gain of joint ventures

The Group's share of loss in joint ventures was US$1.2 million in Q1 FY2017, as compared to a gain of US$1.3 million in Q1 FY2016. This change is mainly attributable to provisioning for irrecoverable receivables.

Profit before income tax

The Group's profit before income tax was US$66.7 million in Q1 FY2017, as compared to a profit of US$31.0 million in Q1 FY2016, due to the reasons stated above, representing an increase of 115.5% over the period.

Income tax expenses

Income tax expenses were US$3.7 million in Q1 FY2017, as compared to US$2.5 million in Q1 FY2016, representing an increase of 48.0% over the period. This increase was largely due to improved operating performance of the Group.

Profit from Continuing Operations

Profit from continuing operations was US$63.1 million in Q1 FY2017, as compared to US$28.5 million in Q1 FY2016, representing an increase of 121.4% over the period, due to the reasons stated above.

Year ended 30 June 2016 compared to the year ended 30 June 2015

The following section sets of an analysis of the Group's results of operations for the year ended 30 June 2016 compared to the year ended 30 June 2015.

Revenue

The Group's total revenue was US$1,988.5 million in FY2016 as compared to US$2,329.5 million in FY2015, representing a decrease of 14.6% over the period. As further described below, this decrease was in part due to a decrease in volumes sold across the Group's edible oils and grain business lines, as the Group moved some sales to Q1 FY2017, as well as a general decrease in global prices for agricultural commodities, which was reflected in the Group's revenues and the cost of raw materials.

The following table presents the Group's revenues (excluding intersegment sales) by type for FY2015 and FY2016:

	For the year ended 30 June				
	2015		2016		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change from 2015 to 2016
	(US$ in thousands, unless otherwise indicated)				
Bottled sunflower oil	114,060	4.9%	102,608	5.1%	(10.0%)
Bulk sunflower oil	1,099,674	47.2%	1,032,137	51.9%	(6.1%)
Export terminals	76	0.0%	186	0.0%	144.7%
Farming....................................	29,010	1.2%	25,063	1.3%	(13.6%)
Grain..	1,053,267	45.2%	821,671	41.3%	(22.0%)
Silo Services	7,668	0.3%	7,306	0.4%	(4.7%)
Sugar..	27,446	1.2%	-	-	(100.0%)
Discontinued operations	(1,694)	n/a	(451)	n/a	(73.4%)
Total revenue	**2,329,507**	**100.0%**	**1,988,520**	**100.0%**	**(14.6%)**

Bottled Sunflower Oil

Revenue from sales of bottled sunflower oil to external customers was US$102.6 million in FY2016, as compared to US$114.1 million in FY2015, representing a 10.0% decrease over the period. The decrease was primarily attributable to weaker demand, reflecting a deterioration in purchasing power of Ukrainian consumers of bottled oil due to the devaluation of the hryvnia over the period and the prior period, as well as limiting supply to suppliers and large-scale retailers with higher counterparty risk.

Bulk Sunflower oil

Revenues from sales of sunflower oil in bulk to external customers was US$1,032.1 million in FY2016, as compared to US$1,099.7 million in FY2015, representing a decrease of 6.1% over the period. This was primarily due to a decrease in volumes sold (despite an increase in crushing volumes), as some volumes were contracted for delivery in Q1 FY2017 instead.

Export terminals

In FY2016, the export terminals segment generated external revenues of US$0.2 million and US$57.1 million in intersegment sales for total sales of US$57.3 million. In FY2015, the export terminals segment generated external revenue of US$0.1 million and intersegment sales of US$55.2 million for total sales of US$55.3 million. The Group increased the share of grain exports transhipped through its own terminals after removing the bottlenecks in its corn handling at its facilities, and the Group's grain exports from Ukraine also grew. See also "*–Factors affecting comparability–Capacity expansion*".

Farming

In FY2016, the farming segment generated external revenues of US$25.1 million and US$333.0 million in intersegment sales for total sales of US$358.1 million. In FY2015, the farming segment generated revenue of US$29.0 million and intersegment sales of US$281.4 million for total sales of US$310.4 million. This increase was due to an increase in intragroup sales in the first half of FY2016 and changes in VAT legislation in Ukraine, effective 1 January 2016. See also *"–Factors affecting the Group's results of operations–Value Added Tax*".

Grain

The Group's revenue from its sales of grain to external customers, shown in the grain segment, was US$821.7 million in FY2016, as compared to US$1,053.3 million in FY2015, representing a decrease of 22.0% over the period. The decrease was attributable to a general decrease in global commodity prices over the period, together with a smaller decrease in trading volumes.

Silo services

In FY2016, the silo services segment generated external revenue of US$7.3 million and intersegment sales of US$30.9 million for total sales of US$38.2 million. In FY2015, the silo services segment generated external revenue of US$7.7 million and intersegment sales of US$34.7 million for total sales of US$42.4 million, primarily due to drier weather conditions resulting in a decrease in volumes of drying services provided.

Sugar

The Group completed the disposal of its sugar business in FY2016 and does not analyse it further. See "*–Factors affecting comparability–Acquisitions and disposals–Sugar business disposal*".

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$20.1 million gain in FY2016, as compared to a US$6.8 million loss in FY2015. This included an increase in the amount from revaluating crops in fields to fair value less costs to sell those crops as at 30 June 2016, compared to the amount recorded in FY2015, as well as a change in the fair value of live animals. The positive amount for FY2016 reflects an expected larger harvest, with higher yields, and a reduction in the farming segment's cost base through improved operations.

Cost of Sales

The Group's cost of sales were US$1,548.5 million in FY2016 as compared to US$1,805.6 million in FY2015, representing a decrease of 14.2% over the period. The decrease was primarily attributable to a decrease in the costs of goods for resale and raw materials used, reflecting the lower volumes sold and lower global commodity prices, in each case for the Group's edible oils and grain trading businesses in FY2016. Overall, cost of sales as a percentage of total revenue remained relatively stable at 77.5% in FY2015 and 77.9% in FY2016.

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

	For the year ended 30 June				
	2015		2016		
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Change from 2015 to 2016
	(US$ in thousands, unless otherwise indicated)				
Cost of goods for resale and raw materials used	1,668,902	92.4%	1,415,227	91.4%	(15.2%)
Depreciation and amortization	64,364	3.6%	55,852	3.6%	(13.2%)
Payroll and payroll related costs	33,841	1.9%	33,436	2.2%	(1.2%)
Rental payments	20,786	1.2%	31,571	2.0%	51.9%
Other operating costs	17,680	0.9%	12,388	0.8%	(29.9%)
Total cost of sales	**1,805,573**	**100.0%**	**1,548,474**	**100.0%**	**(14.2%)**

Gross Profit

Gross profit was US$460.2 million in FY2016, as compared to US$517.1 million in FY2015, representing a decrease of 11.0% over the period and broadly in line with the decrease in revenue. The Group's gross profit margin increased over the period to 23.1% in FY2016, as compared to 22.2% in FY2015.

Other Operating Income

Other operating income was US$44.6 million in FY2016, as compared to US$82.4 million in FY2015, representing a decrease of 45.9% over the period. This was primarily due to a significant reduction in the gain on sale of hard currency, as the market rate more closely matched NBU's official foreign exchange rates, which is the market rate the Group used for reporting purposes. In FY2015 (and FY2014), the difference between the market and official exchange rates for the conversion of hryvnias to U.S. dollars was significant and gave rise to increases in gains on sale of hard currency. The reduction in the gain on sale of hard currency was offset in part by an increase in VAT benefits for the farming segment (which was entitled to retain 100% of the difference between input VAT paid on items purchased (or crops grown) and VAT charged on products sold until 1 January 2016 and 15% subsequently) and an increase in gains on the Group's futures contracts (related to hedging its farming harvest). See also "*–Factors affecting the Group's results of operations–Value Added Tax*".

Distribution Costs

Distribution costs were US$158.3 million in FY2016, as compared to US$197.1 million in FY2015, representing a decrease of 19.7% over the period. This was primarily attributable to a further devaluation of the hryvnia against hard currencies, reducing the U.S. dollar value of the Group's railway tariffs, and lower volumes of agricultural commodities handled, as well as different delivery terms. As a result, distribution costs were relatively stable at 8.0% of revenue in FY2016 compared to 8.5% in FY2015.

General and Administrative Expenses

General and administrative expenses were US$59.3 million in FY2016, as compared to US$66.9 million in FY2015, representing a decrease of 11.4% over the period, primarily attributable to a decline in headcount and a further devaluation of the hryvnia. The Group's general and administrative costs as a percentage of revenue was stable at 3.0% in FY2016 and 2.9% in FY2015.

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

The Group's operating profit decreased by 14.4% in FY2016, as compared to FY2015. This decrease arose from a decrease in the operating level more than at the gross profit level, as a result of changes discussed above driven by the segments' performance offset by a decrease in depreciation and amortization caused by the devaluation of the hryvnia over the period.

The following table provides information relating to the Group's operating profit by segments for the years ended and 30 June 2015 and 2016:

	For the year ended 30 June				
	2015		2016		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change from 2015 to 2016
	(US$ in thousands, unless otherwise indicated)				
Bottled sunflower oil	17,582	0.8%	13,035	0.7%	(25.9%)
Bulk sunflower oil	175,847	7.5%	96,463	4.9%	(45.1%)
Export terminals	33,768	1.4%	34,480	1.7%	2.1%
Farming	58,404	2.5%	112,857	5.7%	93.2%
Grain	59,369	2.5%	46,265	2.3%	(22.1%)
Silo services	13,684	0.6%	19,907	1.0%	45.5%
Sugar	4,262	0.2%	-	-	(100%)
Other operations	(34,334)	n/m	(38,332)	n/m	11.6%
Discontinued operations	6,975	0.3%	2,515	0.1%	(63.9%)
Total profit from operating activities	**335,557**	**14.4%**	**287,190**	**14.4%**	**(14.4%)**

Bottled sunflower oil

Operating profit from the Group's bottled sunflower oil operations was US$13.0 million in FY2016, as compared to US$17.6 million in FY2015, representing a decrease of 25.9% over the period. The decrease was mainly attributable to a shift in volumes from the domestic bottled market to export sales to eliminate currency risk and limit counterparty risk, together with lower bottled oil profitability.

Bulk sunflower oil

Operating profit from the Group's bulk sunflower oil operations was US$96.5 million in FY2016, as compared to US$175.8 million in FY2015, representing a decrease of 45.1% over the period. The decrease was attributable to higher crushing capacity available on the market and some unwillingness from farmers to sell their crops, lowering sunflower seed supply from October to January, which put downward pressure on margins through higher procurement prices during that period.

Export terminals

Operating profit from the Group's export terminals segment was US$34.5 million in FY2016, compared to US$33.8 million in FY2015, representing an increase of 2.1% over the period. This was primarily attributable to an increase in the share of grain exports through the Group's own terminals after removing bottlenecks for grain intake capacity in Ukraine.

Farming

Operating profit from the Group's farming operations was US$112.9 million in FY2016, as compared to US$58.4 million in FY2015, representing an increase of 93.2% over the period. This was primarily attributable to a reduction in production costs per hectare, due to lower payroll and energy costs (reflecting the devaluation of the hryvnia) as well as further efficiencies in crop cultivation and technology advancements .

Grain

Operating profit from the Group's grain operations was US$46.3 million in FY2016 and US$59.4 million in FY2015, representing a decrease of 22.1% over the period. This reflected an undersupply of grains in the market from October to January, leading to downward pressure on margins as exporters attempted to stimulate farmers to sell by offering higher prices.

Silo services

Operating profit from the Group's silo services operations was US$19.9 million in FY2016, as compared to US$13.7 million in FY2015, representing an increase of 45.5% over the period. This was primarily attributable to decreases in costs, driven largely by lower prices of energy and the devaluation of the hryvnia.

Sugar

The Group's sugar business was finally disposed of in FY2016 and is not analysed further. See "–*Factors affecting comparability–Acquisitions and disposals–Sugar business disposal*".

Other operations

Other operations includes certain general and administrative expenses that have not been allocated to the Group's other segments. The operating loss from the Group's other operations was US$38.3 million in FY2016, as compared to US$34.3 million in FY2015, representing an increase of 11.6% over the period.

Discontinued operations

Operating profit from the Group's discontinued operations, consisting primarily of its sugar business (disposal of which was completed in FY2016) and disposal of two oilseed crushing plants located in the Russian Federation, which together were classified by the Group as discontinued operations, was US$2.5 million in FY2016, as compared to an operating profit of US$7.0 million in FY2015. This was primarily attributable to the disposal of the assets.

Finance costs, net

Finance costs were US$57.1 million in FY2016, as compared to US$64.8 million in FY2015, representing a decrease of 11.9% over the period. This was primarily due to a decrease in interest expense on bank loans as a result of a reduction in the overall borrowings of the Group.

Foreign exchange gain/(loss), net

The Group's net foreign exchange profit was US$30.4 million in FY2016, as compared to a loss US$143.4 million in FY2015. This was primarily due to a significant change in the revaluation of balances nominated in foreign currencies and borrowings and other liabilities nominated in foreign currencies (that is, the hryvnia and the rouble) arising from movements in intercompany balances. The Group's subsidiaries generally use U.S. dollars as their functional currency, except for entities in the farming, export terminals and silo services segments. As a result, the devaluation of the hryvnia caused foreign exchange gains on their balances and borrowings nominated in foreign currencies, most of which related to intra-group loans between Group members with different functional currencies. See also "*–Factors affecting the Group's results of operations–Fluctuations in currency exchange rate*". This was partially offset by a reduction in VAT recoverable and prepaid and corporate income tax prepaid, reflecting the devaluation of the hryvnia.

Other expenses, net

The Group's other expenses, net were US$16.6 million in FY2016, as compared to US$9.6 million in FY2015, representing an increase of 72.9% over the period. This was primarily attributable to a revaluation loss of property, plant and equipment and an impairment of goodwill allocated to the Russian oilseed crushing plants, which were divested in FY2016.

Share of gain of joint ventures

The Group's share of gain of joint ventures was US$3.9 million in FY2016, as compared to US$5.1 million in FY2015, representing a decrease of 23.5% over the period. The decrease reflects the difference in accumulated foreign exchange gain attributable to depreciation of the rouble over the course of FY2015 and its stabilization during FY2016.

Profit before income tax

The Group's profit before income tax was US$247.8 million in FY2016, as compared to a profit of US$122.8 million in FY2015, due to the reasons stated above, representing an increase of 101.8% over the period.

Income tax expenses

Income tax expenses were US$3.9 million in FY2016, as compared to US$1.2 million in FY2015, representing an increase of 225.0% over the period. This increase was largely due to changes in business model of the Group, stemming from earlier implementation of transfer pricing regulations in Ukraine, which gave rise to tax adjustment.

Profit from Continuing Operations

Profit from continuing operations was US$243.9 million in FY2016, as compared to US$121.7 million in FY2015, representing an increase of 100.5% over the period, due to the reasons stated above.

Year ended 30 June 2015 compared to the year ended 30 June 2014

The following section sets of an analysis of the Group's results of operations for the year ended 30 June 2015 compared to the year ended 30 June 2014.

For the purposes of management discussion and analysis of the Group financial performance during the year ended 30 June 2015 compared to the year ended 30 June 2014, the Group's financial information as at and for the year ended 30 June 2015 is derived from the Group's Consolidated Financial Statements in respect of FY2015 and not from the comparative information in respect of FY2015 contained in the Group's Consolidated Financial Statements in respect of FY2016.

Revenue

The Group's total revenue was US$2,329.5 million in FY2015 as compared to US$2,393.3 million in FY2014, representing a decrease of 2.7% over the period.

The following table presents the Group's external revenues by type for FY2014 and FY2015:

	For the year ended 30 June				
	2014		2015		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change from 2014 to 2015
	(US$ in thousands, unless otherwise indicated)				
Bottled sunflower oil	132,637	5.5%	114,060	4.9%	(14.0%)
Bulk sunflower oil	1,079,037	45.1%	1,099,674	47.2%	1.9%
Export terminals	3,180	0.1%	76	0.0%	(97.6%)
Farming	62,322	2.6%	29,010	1.2%	(53.5%)
Grain	1,053,613	44.0%	1,053,267	45.2%	0.0%
Silo Services	27,538	1.2%	7,668	0.3%	(72.2%)
Sugar	35,953	1.5%	27,446	1.2%	(23.7%)
Discontinued operations	(1,029)	n/m	(1,694)	n/m	64.6%
Total revenue	**2,393,251**	**100.0%**	**2,329,507**	**100.0%**	**(2.7%)**

Bottled Sunflower Oil

Revenue from sales of bottled sunflower oil to external customers was US$114.1 million in FY2015, as compared to US$132.6 million in FY2014, representing a 14.0% decrease over the period. The decrease was primarily attributable to a rapid devaluation of the hryvnia against the U.S. dollar in FY2015, as the majority of sales are made in the Ukrainian domestic market.

Bulk Sunflower oil

Revenues from sales of sunflower oil in bulk to external customers was US$1,099.7 million in FY2015, as compared to US$1,079.0 million in FY2014, representing an increase of 1.9% over the period. The increase was primarily attributable to growth in sale volumes as the Group crushed larger volumes of sunflower seeds due to higher initial sunflower seed stocks and the effect of the closure of several competitors in the market reducing demand for the feedstock.

Export terminals

In FY2015, the export terminals segment generated external revenues of US$76 thousand and US$55.2 million in intersegment sales for total sales of US$55.3 million. In FY2014, the export terminals segment generated external revenue of US$3.2 million and intersegment sales of US$42.3 million for total sales of US$45.5 million. The increase was attributable to a 23% increase in throughput at the Group's terminals (to reach 4.8 million tonnes in FY2015), as the Group increased the share of grain export transhipped through its own terminals after removing bottlenecks in corn handling at TBT, as well as increases due to the general market increase in grain exports out of Ukraine.

Farming

In FY2015, the farming segment generated external revenues of US$29.0 million and US$281.4 million in intersegment sales for total sales of US$310.4 million. In FY2014, the farming segment generated revenue of US$62.3 million and intersegment sales of US$227.8 million for total sales of US$290.1 million. The increase was driven by a combination of improved crop yields and lower production costs due to a devaluation of the hryvnia.

Grain

The Group's revenue from its sales of grain to external customers, shown in the grain segment, was US$1,053.3 million in FY2015, as compared to US$1,053.6 million in FY2014. The segment's revenue was virtually unchanged compared to the previous year as a sizable increase in exported volumes was offset by a decrease in international grain prices.

Silo services

In FY2015, the silo services segment generated external revenue of US$7.7 million and intersegment sales of US$34.7 million for total sales of US$42.4 million. In FY2014, the silo services segment generated external revenue of US$27.5 million and intersegment sales of US$46.9 million for total sales of US$74.5 million. The decrease was due to unusually dry weather during autumn 2014, significantly reducing demand for grain drying services, the most revenue-driven service provided by the silo division, and a decrease in farmers' use of off-farm storage.

Sugar

Revenues from sales of sugar to external customers was US$27.5 million in FY2015, as compared to US$36.0 million in FY2014, representing a decrease of 23.6% over the period. The decrease was primarily attributable to a further disposal of the sugar business in FY2015 as part of the Group's exit from this business. See also "*–Factors affecting comparability–Acquisitions and disposals*".

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 loss of US$6.8 million in FY2015 as compared to US$17.1 million in FY2014, representing a decrease of losses of 60.2% over the period. This included an increase in the amount from revaluing crops in fields to fair value less the cost to sell those crops as at 30 June 2015, compared to the amount recorded in FY2014, as well as a change in the fair value of live animals.

Cost of Sales

The Group's cost of sales was US$1,810.5 million in FY2015 as compared to US$1,968.0 million in FY2014, representing a decrease of 8.0% over the period. The decrease was primarily attributable to a 3.7% decrease in the costs of goods for resale and raw materials used, reflecting the lower global prices for commodities, offset in part by larger volume of grains and oilseeds sourced by the Group. Overall, cost of sales as a percentage of total revenue decreased from 82.2% in FY2014 to 77.7% in FY2015 as a result of improved profitability in the bulk sunflower oil segment as well as the farming segment.

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

	For the year ended 30 June				
	2014		2015		
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Change from 2014 to 2015
	(US$ in thousands, unless otherwise indicated)				
Cost of goods for resale and raw materials used	1,736,940	88.2%	1,672,016	92.4%	(3.7%)
Depreciation of property, plant and equipment.........................	91,648	4.7%	65,755	3.6%	(28.3%)

Payroll and payroll related costs	67,236	3.4%	34,127	1.9%	(49.2%)
Rental payments	42,617	2.2%	20,786	1.1%	(51.2%)
Other operating costs	29,533	1.5%	17,800	1.0%	(39.7%)
Total cost of sales	**1,967,974**	**100.0%**	**1,810,484**	**100.0%**	**(8.0%)**

Gross Profit

Gross profit was US$512.2 million in FY2015, as compared to US$408.2 million in FY2014, representing an increase of 25.5% over the period. This was a result of improved operating performance and a devaluation of the hryvnia. The increase reflects the stronger contribution of bulk sunflower oil segments, and the grain, silos services and export terminals segments while the Group's farming division returned to profits from a negative contribution in FY2014. The Group's gross profit margin increased over the period to 22.0% in FY2015, as compared to 17.1% in FY2014.

Other Operating Income

Other operating income was US$82.9 million in FY2015 as compared to US$60.5 million in FY2014, representing an increase of 37.0% over the period. This was due in part to an increase arising from the difference between the market and official exchange rates for the conversion of hryvnias to U.S. dollars in Ukraine. The NBU periodically sets the official exchange rate (which is used for accounting purposes to convert the Group's income and expenses in hryvnias into U.S. dollars, its presentation currency) below the market exchange rate (at which the Group effectively sold U.S. dollars). As a result, the value of costs of goods sold in the Group's financial accounts overstates the cash amount paid, while the difference is recorded under other operating income. The increase in other operating income was also due to increases in amounts from cash settlements under contract washouts. These increases were partially offset by a decrease in VAT benefits due to the operating activity of the farming segment. See also "*–Factors affecting the Group's results of operations–Value Added Tax*".

Distribution Costs

Distribution costs were US$198.5 million in FY2015 as compared to US$262.9 million in FY2014, representing a decrease of 24.5% over the period. This significant decrease was a result of the devaluation of the hryvnia, which resulted a significant decrease in the U.S. dollar value of the Group's distribution costs, primarily the railway tariffs it paid, which made up a major portion of those expenses. Distribution costs as a percentage of revenue decreased from 11.0% in FY2014 to 8.5% in FY2015.

General and Administrative Expenses

General and administrative expenses were US$68.3 million in FY2015 as compared to US$77.0 million in FY2014, representing a decrease of 11.3% over the period, primarily as a result of the devaluation of the hryvnia. General and administrative costs as a percentage of revenue decreased from 3.2% in FY2014 to 2.9% in FY2015.

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

The Group's operating profit increased by 155.0% in FY2015 compared to FY2014 as a result of the factors discussed above. The Group's operating profit margin increased from 5.4% in FY2014 to 14.1% in FY2015.

The following table provides information relating to the Group's operating profit by segments for the years ended 30 June 2014 and 2015:

	For the year ended 30 June				
	2014		2015		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change from 2014 to 2015
	(US$ in thousands, unless otherwise indicated)				
Bottled sunflower oil	24,707	1.0%	17,582	0.8%	(28.8%)
Bulk sunflower oil	130,990	5.5%	175,847	7.5%	34.2%
Export terminals	24,019	1.0%	33,768	1.4%	40.6%
Farming	(102,868)	(4.3%)	58,404	2.5%	n/m
Grain	59,357	2.5%	59,369	2.5%	0.0%
Silo services	30,748	1.3%	13,684	0.6%	(55.5%)
Sugar	(2,779)	(0.1%)	4,262	0.2%	n/m
Other operations	(38,583)	(1.6%)	(34,334)	(1.5%)	(11.0%)
Discontinued operations	3,126	0.1%	(305)	0.0%	n/m
Total profit from operating activities	**128,717**	**5.4%**	**328,277**	**14.1%**	**155.0%**

Bottled sunflower oil

Operating profit from the Group's bottled sunflower oil operations was US$17.6 million in FY2015 as compared to US$24.7 million in FY2014, representing a decrease of 28.8% over the period. The decrease was mainly attributable to a rapid devaluation of the hryvnia against the U.S. dollar in FY2015, as the majority of sales are made in the Ukrainian domestic market.

Bulk sunflower oil

Operating profit from the Group's bulk sunflower oil operations was US$175.9 million in FY2015 as compared to US$131.0 million in FY2014, representing an increase of 34.2% over the period. The increase was attributable to restricted supply of crushing capacity in the market as a result of the closure of several plants in the east of Ukraine and reduced access to working capital for smaller oilseed crushers, all of which improved the margins the Group was able to charge in the peak procurement season.

Export terminals

Operating profit from the Group's export terminals segment was US$33.8 million in FY2015 compared to US$24.0 million in FY2014, representing an increase of 40.6% over the period. This was primarily attributable to an increase in the Group's export terminals' throughput (growing by approximately 23% over the period) and together with a reduction in operating costs due to the devaluation of the hryvnia.

Farming

Operating profit from the Group's farming operations was US$58.4 million in FY2015 as compared to a loss of US$102.9 million in FY2014. This increase in profitability was driven by a combination of significantly improved crop yields and lower production and distribution costs, largely due to the devaluation of the hryvnia, as well as a decrease in dollar-linked costs, such as seeds and fertilizers. Additionally, low precipitation during autumn harvesting resulted in lower drying costs during harvest intake at silos.

Grain

Operating profit from the Group's grain operations was US$59.4 million in both FY2015 and FY2014 and reflecting similarly stable revenue for the segment over the period as growth in export volumes was offset by a decrease in international grain prices, resulting in no change to operating profit.

Silo services

Operating profit from the Group's silo services operations was US$13.7 million in FY2015 as compared to US$30.7 million in FY2014, representing a decrease of 55.5% over the period. This was primarily due to a decrease in demand for grain drying services provided by the silo segment due to dry weather in autumn 2014, significantly reduced demand, as well as decreased farmers' use of off-farm storage. This affected both the profitability and volumes of the silo segment, although the silo segment's total throughput only decreased marginally as the Group increased its storage and intake capacity at its facilities over the period.

Sugar

Operating profit from the Group's sugar segment was US$4.3 million in FY2015 as compared to an operating loss of US$2.8 million in FY2014. This was primarily attributable to a further disposal of the sugar business in FY2015 as part of the Group's exit from this business. See also "*–Factors affecting comparability – Acquisitions and disposals*".

Other operations

Other operations include certain general and administrative expenses that have not been allocated to the Group's other segments. Operating loss from the Group's other operations was US$34.3 million in FY2015 as compared to US$38.6 million in FY2014, representing a decrease of 11.0%, primarily due to the devaluation of the hryvnia.

Discontinued operations

Operating loss from the Group's discontinued operations, consisting primarily of its sugar business (disposal of which was finalised in FY2016) which was classified by the Group as held for sale and as discontinued operations, was US$0.3 million in FY2015 as compared to an operating profit of US$3.1 million in FY2014. This was primarily attributable to a further disposal of the sugar business in FY2015.

Finance costs, net

Finance costs were US$68.6 million in FY2015 as compared to US$72.5 million in FY2014, representing a 5.4% decrease over the period. This decrease was attributable to the decrease in the Group's financial indebtedness over the period.

Foreign exchange loss, net

The Group's net foreign exchange loss was US$152.9 million in FY2015 as compared to US$98.8 million in FY2014, representing an increase of 54.8% over the period. This increase was mainly attributable to the devaluation of hryvnia-denominated monetary assets. The year-end value of the hryvnia against the U.S. dollar was 44% lower than the starting value in FY2015, and 32% lower than the initial value in FY2014. See also "*–Factors affecting the Group's results of operations–Fluctuations in currency exchange rate*". The Group's subsidiaries generally use U.S. dollars as their functional currency, except for entities in the farming, export terminals and silo services segments. As a result, the devaluation of the hryvnia caused foreign exchange losses on their balances and borrowings nominated in foreign currencies, most of which related to intra-group loans between Group members with different functional currencies. Additionally, the Group revalued prepaid VAT and income tax (amounts denominated in hryvnia), which led to the recognition of further losses in FY2015.

Other expenses, net

The Group's other expenses, net were US$10.5 million in FY2015 as compared to US$51.8 million in FY2014, representing a 79.7% decrease over the period. This was primarily attributable to an impairment of certain of the Group's domestic trademarks for its bottled oil products in the premium segment, caused by the devaluation of the hryvnia.

Share of gain of joint ventures

The Group's share of gain of joint ventures was US$5.1 million in FY2015 as compared to US$3.9 million in FY2014, representing a 30.8% increase over the period. This was primarily due to the improved profitability of TGT's operations.

Profit/(Loss) before income tax

The Group's profit before income tax was US$101.3 million in FY2015 as compared to a loss of US$90.4 million in FY2014, due to the reasons stated above.

Income tax expenses

Income tax expenses were US$0.4 million in FY2015 as compared to US$11.4 million in FY2014, representing a decrease of 96.5% over the period. This decrease was due in part to the devaluation of the hryvnia, which caused a tax deductible foreign exchange loss.

Profit from Continuing Operations

Profit from continuing operations was US$100.9 million in FY2015 compared to a loss of US$101.8 million in FY2014, due to the reasons stated above.

Adjusted EBITDA

For the purposes of presenting "Adjusted EBITDA" as at and for the years ended 30 June 2014, 2015 and 2016, Adjusted EBITDA is calculated as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, in each case, as determined from the Group's Consolidated Financial Statements in respect of FY2014, FY2015 and FY2016, respectively. For the purposes of presenting Adjusted EBITDA reconciliation, the Group's financial information as at and for the year ended 30 June 2015 is derived from the Group's Consolidated Financial Statements in respect of FY2015, and not from the financial information presented for the year ended 30 June 2016 in the Group's Consolidated Financial Statements in respect of FY2016. Reclassifications regarding discontinued operations were made to the financial information presented for the year ended 30 June 2015 in the Group's Consolidated Financial Statements in respect of FY2016. For further information, see Note 14 of the Group's Consolidated Financial Statements in respect of FY2016.

For the purposes of presenting "Adjusted EBITDA" as at and for the three months ended 30 September 2015 and 2016, Adjusted EBITDA is calculated as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization and depreciation, in each case, as determined from the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2016 and Q1 FY2017, respectively. For the purposes of presenting Adjusted EBITDA reconciliation, the Group's financial information as at and for the three months ended 30 September 2015 is derived from the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2016, and not from the financial information presented for the year ended 30 September 2016 in the Group's Consolidated Financial Statements in respect of Q1 FY2017. Reclassifications regarding discontinued operations were made to the financial information presented for the year ended

30 September 2015 in the Group's Consolidated Financial Statements in respect of Q1 FY2017. For further information, see Note 11 of the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2017.

The following table presents the Group's Adjusted EBITDA and Adjusted EBITDA margin by segment for Q1 FY2017 and Q1 FY2016:

	Three months ended 30 September			
	2015		**2016**	
	Adjusted EBITDA	**Adjusted EBITDA margin**	**Adjusted EBITDA**	**Adjusted EBITDA margin**
	(USD in millions, unless otherwise stated)			
Selected segments				
Sunflower oil business line				
Bottled sunflower oil	3.4	16.6%	2.0	8.4%
Bulk sunflower oil	22.5	13.3%	10.6	7.0%
Sub-total	*25.9*		*12.6*	
Grain and infrastructure business line				
Export terminals	5.5	59.6%	10.5	84.3%
Grain	10.4	5.9%	4.3	2.2%
Silo services	5.1	60.4%	7.1	67.6%
Sub-total	*21.0*		*21.9*	
Farming business line				
Farming	22.6	40.3%	77.7	53.1%
Group				
Group	55.1	14.6%	72.4	18.9%

The following table presents the Group's Adjusted EBITDA and Adjusted EBITDA margin by segment for FY2016, FY2015 and FY2014:

	For the year ended 30 June					
	2014		**2015**		**2016**	
	Adjusted EBITDA	**Adjusted EBITDA margin**	**Adjusted EBITDA**	**Adjusted EBITDA margin**	**Adjusted EBITDA**	**Adjusted EBITDA margin**
	(USD in millions unless otherwise stated)					
Selected segments						
Sunflower oil business line						
Bottled sunflower oil	26.6	20.1%	20.5	18.0%	15.8	15.4%
Bulk sunflower oil	151.2	14.0%	192.6	17.5%	113.0	11.0%
Sub-total	*177.8*		*213.1*		*128.8*	
Grain and infrastructure business line						
Export terminals	27.3	60.1%	36.8	66.6%	37.5	65.4%
Grain	59.4	5.6%	59.4	5.6%	46.3	5.6%
Silo services	39.2	52.6%	18.3	43.2%	23.4	61.2%
Sub-total	*125.9*		*114.5*		*107.2*	
Farming business line						
Farming	(44.3)	(15.3)%	97.9	31.6%	146.0	40.8%
Group						
Group	223.0	9.4%	396.6	17.0%	346.4	17.4%

Sunflower oil business line

Adjusted EBITDA from the sunflower oil business line was US$12.6 million in Q1 FY2017, as compared to US$25.9 million in Q1 FY2016, representing a decrease of 51.4% over the period. This decrease was primarily driven by a decline in the availability of sunflower seeds in the market, which translated into expensive carry-over stock.

Adjusted EBITDA from the sunflower oil business line was US$128.8 million in FY2016 as compared to US$213.1 million in FY2015, representing a decrease of 39.6% over the period. This decrease was primarily driven by increased crushing capacity and farmers' unwillingness to sell oilseed stock as further described above. The increased crushing capacity led to a higher demand for sunflower seeds, while the farmers' unwillingness to sell caused a weak supply of sunflower seeds from October 2015 to January 2016, which in turn led to a margin squeeze due to higher procurement prices during the period.

Adjusted EBITDA from the sunflower oil business line was US$213.1 million in FY2015 as compared to US$177.8 million in FY2014, representing an increase of 19.9% over the period. This increase was due to the Group's crushing volumes reaching an all-time high of 2.4 million tonnes in FY2015, reflecting significant carryover stocks from the FY2014 sunflower seed harvest and significant procurement throughout the FY2015 season.

Grain and infrastructure business line

Adjusted EBITDA from the grain and infrastructure business line was US$21.9 million in Q1 FY2017, as compared to US$21.0 million in Q1 FY2016, representing an increase of 4.3% over the period. Farmers' reluctance to sell their crops during Q1 FY2017 resulted in an accumulation of expensive brought forward inventory that, despite accelerated sales volumes during Q1 FY2017, has led to a marginal increase in Adjusted EBITDA.

Adjusted EBITDA from the grain and infrastructure business line was US$107.2 in FY2016, as compared to US$114.5 in FY2015, representing a decrease of 6.4% over the period. This decrease was primarily due to slower selling activity by farmers from October 2015 to January 2016 and weaker profitability in Russia, as well as a decline in transhipment fees, as further described above. The decrease was partially offset by improved performance in the silo services segment compared to FY2015, as lower natural gas prices and the devaluation of the hryvnia decreased costs.

Adjusted EBITDA from the grain and infrastructure business line was U$114.5 million in FY2015, as compared with US$125.8 million in FY2014, representing a decrease of 9.0% over the period. This decrease was primarily driven by the performance of the silo services segment, which was impacted by reduced demand for grain and oilseed drying services and off-farm storage due to dry weather. The decline in the silo services' performance was partially offset by improved performances in grain sales and transhipment volumes.

Farming business line

Adjusted EBITDA from the farming business line was US$77.7 million in Q1 FY2017, as compared with US$22.6 million in Q1 FY2016, representing an increase of 243.8% over the period. This increase was primarily due to growth in intra-segment sales stemming from increased production as a result of further improvements in farming technology.

Adjusted EBITDA from the farming business line was US$146.0 million in FY2016, as compared with US$97.9 million in FY2015, representing an increase of 49.1% over the period. This increase was primarily driven by further efficiencies in crop cultivation, technology advancements and lower production costs caused by the hryvnia's depreciation, as described above.

Adjusted EBITDA from the farming business line was US$97.9 million in FY2015, as compared to negative US$44.3 million in FY2014. This increase was primarily driven by lower production costs as a result of rapid devaluation of the hryvnia and improved crop yields, which were up significantly over the period as the Group began to realise the benefits of technology implementations in FY2013 and FY2014.

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 September 2016, the Group had total indebtedness of US$419.5 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 FY2014, FY2015 and FY2016 and for Q1 FY2016 and Q1 FY2017:

	For the three months ended 30 September		**For the year ended 30 June**		
	2015	**2016**	**2014**	**2015**	**2016**
	(US$ in thousands)				
Net cash generated by/(used in) operating activities	(29,535)	(29,734)	82,472	404,723	133,723
Net cash used in investing activities	(18,343)	(12,874)	(83,210)	(24,305)	(60,732)
Net cash (used in)/generated from financing activities	(4,711)	60,645	6,868	(309,824)	(134,469)
Net increase/(decrease) in cash and cash equivalents	**(53,146)**	**17,242**	**(7,296)**	**58,720**	**(63,852)**

Net cash provided by operating activities

The Group's cash used in operating activities was US$29.7 million in Q1 FY2017 as compared to US$29.5 million in Q1 FY2016, representing an increase of 0.7% over the period. This was primarily due to changes in adjusted working capital.

The Group's cash flows provided by operating activities were US$133.7 million in FY2016 as compared to US$404.7 million in FY2015, representing a decrease of 67.0% over the period. This was primarily due to increased year-end inventory, investment in biological assets and increases in VAT balances, owing to the reinstatement of VAT refunds on grain exports from 1 January 2016.

The Group's cash flows provided by operating activities were US$404.7 million in FY2015 as compared to US$82.5 million in FY2014, representing an increase of 390.5% over the period. The increase was attributable to an increase in operating profit before adjusted working capital changes, with the increase explained primarily by the same factors affecting the increase in the Group's operating profit.

The Group defines adjusted working capital as current assets (excluding cash and cash equivalents and assets classified as held for sale) minus current liabilities (excluding short-term bank borrowings and current portion of long-term borrowings). The main contributors to adjusted working capital are the Group's inventories, accounts receivable, accounts payable and taxes recoverable and prepaid.

	For the three months ended 30 September		For the year ended 30 June		
	2015	2016	2014	2015	2016
	(US$ in thousands)				
Changes in adjusted working capital:					
Change in trade accounts receivable	479	34,132	26,419	29,517	(17,204)
Change in prepayments and other current assets	(2,496)	(14,320)	33,594	(10,148)	396
Change in restricted cash balance	(169)	(20)	6,193	(5,000)	4,897
Change in taxes recoverable and prepaid	5,087	6,823	(10,598)	(14,888)	(50,904)
Change in biological assets	82,561	129,636	44,895	18,374	(13,857)
Change in inventories	(183,870)	(254,416)	(29,657)	123,940	(87,671)
Change in trade accounts payable	9,764	4,115	(13,590)	5,509	15,787
Change in advances from customers and other current liabilities	14,437	39,680	(58,130)	102	12,232
Total change in adjusted working capital	**(74,207)**	**(54,370)**	**(874)**	**147,406**	**(136,324)**

In Q1 FY2017, adjusted working capital decreased by US$54.4 million. Some of the key components of adjusted working capital impacted were:

- *Inventory* – the Group's inventories increased with additional working capital of US$254.4 million, due to increased crushing and grain trading volumes.

- *Biological assets* – the Group's biological assets changed by US$129.7 million, reflecting growth in production yields.

In Q1 FY2016, adjusted working capital decreased by US$74.2 million. Some of the key components of adjusted working capital impacted were:

- *Inventory* – the Group's inventories increased with additional working capital of US$183.9 million, due to increased purchases of raw materials and harvested agricultural produce.

- *Biological assets* – the Group's biological assets changed by US$82.6 million, reflecting changes in crop yields.

In FY2016, the adjusted working capital increased by US$136.3 million. Some of the key components of working capital impacted were:

- *Inventory* – the Group's inventories increased with additional working capital of US$87.7 million due to the increased crushing volumes and the effect of some contracted volumes shifted to delivery in Q1 FY2017 instead of FY2016;

- *Taxes recoverable and prepaid* – the Group's taxes recoverable and prepaid changed by US$50.9 million reflecting the pace of the VAT refund on grain exports (effective 1 January 2016), giving rise to larger amounts due from the state; and

- *Biological assets* – the Group's biological assets changed by US$13.9 million reflecting both the expected larger harvest with higher yields and a reduction in the farming segment's cost base through improved operations.

In FY2015, the adjusted working capital decreased by US$147.4 million. Some of the key components of adjusted working capital impacted were:

- *Inventory* – the Group's inventories decreased with less working capital required of US$123.9 million, primarily due to the decline in international commodity prices and the Group having lower sunflower seed and oil inventories at the end of the period; and

- *Taxes recoverable and prepaid* – the Group's taxes recoverable and prepaid changed by US$14.9 million due to an acceleration in the rate of VAT refunds.

Net cash used in investing activities

In Q1 FY2017, net cash used in investing activities was US$12.9 million as compared to US$18.3 million in Q1 FY2016. In Q1 FY2017, cash was used primarily to purchase agricultural vehicles and CAPEX-related prepayments made for the oil segment.

Net cash used in investing activities was US$60.7 million in FY2016, as compared to US$24.3million in FY2015 and US$83.2 million in FY2014.

In FY2016, cash was primarily used to acquire the Prydniprovskyi crushing plant, as described in "—*Factors affecting comparability–Acquisitions and disposals",* and other property, plant and equipment, while cash was generated from the disposal of idle crushing facilities in southern Russia and other assets. In FY2015, cash used in investing activities was limited to maintenance capital expenditure as the Group reduced its discretionary Adjusted Investing Cash Flows in line with a de-leveraging strategy adopted in FY2014. In FY2014, the Group did not make any significant acquisitions and made the remaining payments on previously completed acquisitions. Also in FY2014, the Group capital expenditure included amounts for the construction of silo storage facilities, seed plants for crop production as well as maintenance capital expenditure. It also received the proceeds from the disposal of a sugar plant and its least efficient small oilseed crushing plant in the Russian Federation.

	For the three months ended 30 September		**For the year ended 30 June**		
	2015	**2016**	**2014**	**2015**	**2016**
	(US$ in thousands)				
Purchase of property, plant and equipment	(18,263)	(17,475)	(49,906)	(24,728)	(33,863)
Proceeds from disposal of property, plant and equipment	545	434	8,182	2,052	3,507
Purchase of intangible and other non-current assets	(625)	(189)	(519)	(4,105)	(525)
Acquisition of subsidiaries	-	-	(55,402)	—	(49,957)
Disposal of subsidiaries	-	1,394	14,435	2,476	13,689
Amount advanced for subsidiaries	-	2,962	-	-	6,417
Net cash used in investing activities	**(18,343)**	**(12,874)**	**(83,210)**	**(24,305)**	**(60,732)**

Net cash generated by financing activities

	For the three months ended 30 September		**For the year ended 30 June**		
	2015	**2016**	**2014**	**2015**	**2016**
	(US$ in thousands)				
Proceeds from borrowings	46,798	115,866	654,255	147,265	391,425
Repayment of borrowings	(51,509)	(55,221)	(647,387)	(423,005)	(505,973)
Payment of dividends	-	-	-	(19,921)	(19,921)
Repayment of reimbursed debt	-	-	-	(13,499)	-
Acquisition of non-controlling interests	-	-	-	(664)	-
Net cash (used in)/generated by	**(4,711)**	**60,645**	**6,868**	**(309,824)**	**(134,469)**

financing activities ....

Net cash generated by financing activities was US$60.6 million in Q1 FY2017 as compared to net cash used in financing activities of US$4.7 million in Q1 FY2016. This reflected the accumulation of stock to meet the demand for the new marketing season.

Net cash used in financing activities was US$134.5 million in FY2016, as compared to net cash used in financing activities of US$309.8 million in FY2015 and net cash generated by financing activities of US$6.9 million in FY2014. In FY2016, the Group continued to repay its financial indebtedness, repaying more than it drew and it paid a dividend. In FY2015, the Group repaid significantly more borrowings than it drew, reflecting the material free cash it had generated. It also paid a dividend and repaid related party debt owed to Namsen Ltd. In FY2014, the Group received the proceeds from borrowings and repaid borrowings in approximately the same amount.

Net Increase/Decrease in Cash

Net cash increased by US$17.2 million in Q1 FY2017 and decreased by US$63.9 million in FY2016, increased by US$58.7 million in FY2015 and decreased by US$7.3 million in FY2014 for the reasons described above.

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$59.4 million, US$34.1 million and US$95.1 million in FY2014, FY2015 and FY2016, respectively, and US$10.4 million in Q1 FY2017. 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 maintenance purposes for FY2017 is expected to be approximately US$63 million. Capital expenditure for maintenance purposes for FY2016 was approximately US$51 million, with major investments made in Group's farming business to overhaul production machinery and equipment.

Capital Resources

As at 30 September 2016, the Group had total indebtedness of US$419.5 million, including long-term and short-term borrowings and the present value of lease obligations. The Group's average borrowing rate was 12.5% in FY2016 and 10.3% in FY2015, calculated as the total finance costs for the period divided by quarterly-averaged balances of gross interest-bearing debt, which comprises as a sum of short-term borrowings, current portion of long-term borrowings, long-term borrowings and obligations under finance leases. The Group intends to use a portion of the proceeds of the Notes to repay a certain portion of its indebtedness.

For a description of the Group's material indebtedness and facilities, see "*Description of Material Indebtedness*".

In addition, the Group expects to receive commitments from its core banks for up to US$300 million in Syndicated Secured Pre-Export Finance Facilities by 20 January 2017, for new credit facilities with a maturity of three years. The funds under these facilities would be used for funding pre-payments for sunflower seed procurement, their storage, transportation and processing as well as for the processing of rapeseeds and their further storage, transportation and export and to finance transhipment, freight and other marine transportation/brokerage costs. Since 30 September 2016, the Group has also obtained additional cash for working capital needs through its existing ING–UniCredit Facility and Natixis Facility for US$104 million and US$67.7 million, respectively. The Group also obtained a short-term loan for US$9.1 million with Uksibbank in December 2016. In addition, the Group decreased its long-term loans balances by a total of US$16.5 million through repayments to its VTB Facility, Terminal Facility and BSI Facility.

	As at 30 September 2016
	(US$ in thousands)
Short-term borrowings	272,558
Long-term borrowings	138,886
Short-term lease payments	4,067
Present value of finance lease obligations	3,983
Total Indebtedness	**419,494**

	As at 30 June 2016
	(US$ in thousands)
Maturity before*	
Less than 1 year	272,840
1-2 years	76,417
2-5 years	76,360
More than 5 years	14,532
Total	**440,149**

* Inclusive of short-term borrowings, long-term borrowings and the minimum value of finance lease obligations.

Short-term Borrowings

The table below sets out the Group's short-term borrowings as at 30 September 2016:

	Interest rate	**Currency**	**Maturity***	**Amount due**
				(US$ in thousands)
European bank	Libor + 5.9%	USD	August 2017	99,021
European bank	Libor + 5.65%	USD	June 2017	75,417
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2017	44,827
European bank	5.0%	USD	January 2017	15,702
Ukrainian subsidiary of European bank	18.5%	UAH	December 2016	13,798
Ukrainian subsidiary of European bank	13.0%	UAH	October 2016	7,718
Ukrainian subsidiary of European bank	8.0%	USD	June 2017	7,425
Ukrainian subsidiary of European bank	7.5%	USD	March 2017	5,000
Ukrainian subsidiary of European bank	11.0%	UAH	October 2016	1,615
Total bank credit lines				270,523
Interest accrued on short-term loans				726
Interest accrued on long-term loans				1,309
Total				272,558

Approximately 84.0% or US$352.2 million of the Group's total indebtedness as at 30 September 2016 was represented by short-term indebtedness (including short-term bank borrowings, the current portion of long-term bank borrowings and the current portion of the present value of finance lease obligations) to finance the Group's working capital needs.

Long-term Borrowings

The table below sets out the Group's long-term borrowings as at 30 September 2016:

	Interest rate	Currency	Maturity	Amount due
				(US$ in thousands)
European bank	Libor + 8.0%	USD	August 2018	65,773
European bank	Libor + 7.5%	USD	February 2018	46,000
European bank	Libor + 7.3%	USD	April 2018	17,500
European bank	Libor + 1.65	USD	March 2020	9,613
Total				138,886

Long-term borrowings as at 30 September 2016 include credit lines from banks with an overall outstanding amount of US$138.9 million (as at 30 June 2016 US$156.7 million).

Contractual Obligations

Obligations under Finance Leases

As at 30 June 2016, the major components of finance lease liabilities are as follows:

	Minimum lease payments 30 June 2016	Present value of minimum lease payments 30 June 2016
	(US$ in thousands)	
Amounts payable due to the finance lease:		
Within one year	5,142	4,570
Later than one year and not later than five years	2,536	2,275
	7,678	6,845
Less future finance charges	(833)	-
Present value of lease obligations	**6,845**	**6,845**

The Group's finance leases are related to the leasing of agricultural equipment, vehicles and production machinery.

For other commitments, see Note 34 to the Group's Consolidated Financial Statements in respect of FY2016 included elsewhere in these Listing Particulars.

As at 30 June 2016, the Group did not have any contingent commitments or off-balance sheet arrangements. 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 September 2016, US$342.2 million of the Group's carrying value of pledged assets were pledged as security. As at 30 September 2016, property, plant and equipment with a carrying value of US$98.2 million were pledged as collateral against short-term and long-term loans.

As at 30 September 2016, the security for short-term loans and long-term loans is as follows:

	30 September 2016
	(US$ in thousands)
Assets pledged for short-term loans	
Cash	123
Inventories	243,929
Property, plant and equipment	40,967
Controlling stakes in Subsidiaries	-
Total	285,019
Assets pledged for long-term loans	
Property, plant and equipment	57,183
Controlling stakes in Subsidiaries	Not quantifiable
Total	57,183

In addition, controlling stakes in the following subsidiaries, including one agricultural company, one sunflower oil plant, one export terminal and one holding company, which included the Guarantors under the Notes, were pledged to secure the long-term bank loans of the Group as at 30 September 2016: Black Sea Industries, Druzhba-Nova and Estron.

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. Generally approximately 90% of Kernel's key inventories can be traded and approximately 75% of its subsequent year crop to be harvested is directly hedged with futures and forward contracts as well as options, prior to harvesting.

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 is outstanding ("**DIO**"), calculated as the average inventory over a period divided by cost of sales and multiplied by 365 days, with DIO of 53 days, 46 days and 42 days in FY2014, FY2015 and FY2016, 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 September		As at 30 June		
	2015	**2016**	**2014**	**2015**	**2016**
			(US$ in thousands)		
Sunflower oil & meal	55,856	81,585	81,874	62,167	132,187
Sunflower seed(2)	110,280	144,952	113,810	50,166	13,098
Grains	109,123	175,671	47,695	27,717	38,390
Other	64,889	46,096	56,148	18,706	16,538
Total	340,148	448,304	299,527	158,756	200,213

	As at 30 September		As at 30 June		
	2015	**2016**	**2014**	**2015**	**2016**
			(US$ in thousands)		
Of which:					
Readily marketable inventories	**275,259**	**402,208**	**243,379**	**140,050**	**183,675**

DESCRIPTION OF MATERIAL INDEBTEDNESS

The following is a summary description of the Group's material financing arrangements, and does not purport to be complete. Facilities are listed in the order of earliest maturity to latest maturity. Defined terms used in the description below have the meanings ascribed to them in the relevant facility.

Calyon Credit Facility

In September 2008, Kernel-Trade entered into a multi-currency revolving uncommitted credit facility with JSC "Calyon Bank Ukraine" (subsequently merged into Public JSC "Credit Agricole Bank") for up to US$15.0 million (the "**Calyon Facility**"), under which borrowings were denominated in U.S. dollars, Euros or hryvnia. The purpose of this loan is to finance the working capital needs of the borrower. The agreement was amended and restated several times, most recently on 27 July 2016. It was extended until 30 June 2017 with a maximum principal amount of US$40 million that can be drawn in U.S. dollars, Euros or hryvnia. The amount outstanding as at 30 September 2016 was US$30.6 million, of which US$23.1 million was hryvnia-denominated.

The facility envisages the provision of term loans, the validity of which may not exceed 90 days, with a bullet repayment, and (ii) on-call overdrafts, the validity of which should not exceed 30 days. For U.S. dollars, Euros and hryvnia term loans, the interest rate under the Calyon Facility is the bank's best offered rate plus 4.0% per annum. The interest rate for an on-call overdraft is the interest rate of the British Bankers Association plus a margin of 10% per annum for U.S. Dollars, the interest rate of the European Overnight Inter-bank Average rate plus a margin of 10% per annum for Euros and the interest rate of KIEVPRIME 1 week base plus a margin of 5% per annum for hryvnia.

The Calyon Facility is secured by a mortgage over certain production facilities and a pledge over equipment owned by Poltavske HPP. Sureties have been provided by Poltavske HPP and Kirovogradoliya and a guarantee has been provided by the Issuer.

According to the existing financial covenant package, the ratio of Gross Debt to EBITDA (as defined therein) must not exceed 2.5:1 and the ratio of Gross Debt to Equity (as defined therein) must not exceed 1:1. Financial ratios are calculated based on the Group's annual consolidated audited financial statements. The final maturity date is 30 June 2017.

Avangard Bank Overdraft Credit Facility

In August 2016, Kernel-Trade entered into an overdraft agreement with PJSC Bank Avangard (Ukraine), in relation to the credit facility in the amount of up to UAH 40 million (or approximately US$1.5 million as per the USD/UAH exchange rate established by the NBU on 30 September 2016) to be provided by the bank in the form of an overdraft at the borrower's UAH bank account (the "**Avangard Facility**"). The borrowings are denominated in hryvnia. The purpose of the facility is to finance the working capital needs of the borrower.

As at 30 September 2016, no amount was outstanding under the facility. The normal interest rate under the Avangard Facility is 21.0% per annum and the increased interest rate is 31.0% per annum applicable in case of failure to repay an overdraft by the end of a month or by 10 August 2017. Each overdraft shall be fully repaid at the end of a month, but in any case by 10 August 2017. The Avangard Facility is unsecured. The final maturity date is 10 August 2017.

Alfa Bank Revolving Credit Facility

In April 2016, Kernel-Trade entered into a revolving uncommitted credit facility with PJSC Alfa-Bank (Ukraine) in an amount of up to UAH 126.7 million (or approximately US$4.9 million as per the USD/UAH exchange rate established by the NBU on 30 September 2016) (the "**Alfa Facility**").

The borrowings are denominated in hryvnia. The purpose of the facility is to finance the working capital needs of the borrower.

As at 30 September 2016, no amount was outstanding under the facility. The interest rate under the Alfa Facility is 30% per annum, payable in hryvnia. The facility envisages the provision of term loans, the duration of which may not exceed 10 business days. A guarantee has been provided by the Issuer. The final maturity date is 31 December 2018.

Landesbank Baden-Wurttemberg (Germany) S.A. Facility

In March 2013, Inerco entered into a credit facility with Landesbank Baden-Wurttemberg (Germany) S.A. in the total aggregate amounts of EUR 8.9 million and US$11.1 million (the "**Landesbank Facility**"). The purpose of this loan was to finance the purchase of various agricultural machinery.

As at 30 September 2016, the amount outstanding under the Landesbank Facility was US$9.6 million. The interest rate under the Landesbank Facility is six-month LIBOR plus 1.65% per annum. The facility is a term loan, repayments under which are to be made in 14 equal, semiannual installments.

Suretyships have been provided by Kernel-Trade, Poltavske HPP and Kirovogradoliya and a guarantee has been provided by the Issuer. The final maturity date is 22 March 2020.

Leasing agreements

The Group and its subsidiaries have entered into a number of finance lease agreements with, among others, OTP Leaseing LLC (Ukraine), Raiffeisen Leasing Aval LLC (Ukraine), National JSC "Ukragroleasing" (Ukraine) and UniCredit Leasing LLC (Ukraine) (the "**Lease Agreements**"). As at 30 September 2016, the amount outstanding under Lease Agreements was US$8.1 million. The Lease Agreements have various maturity dates, falling due between 2016 and 2021.

Natixis syndicated pre-export revolving credit facility

In September 2011, Inerco entered into a syndicated pre-export revolving credit facility for up to US$150 million (the "**Natixis Facility**") with Natixis S.A. acting as facility agent and a syndicate of banks acting as lenders, under which the borrowings are denominated in U.S. dollars. The general purpose of this facility is to finance the procurement, storage, transportation and export of grain.

The facility agreement has been renewed annually since 2011, most recently on 8 September 2016 for a maximum principal amount of up to US$215 million. As at 30 September 2016, the outstanding amount was US$75.4 million. The interest rate under the Natixis Facility is one-week LIBOR plus 5.65% per annum.

The borrower has pledged stored commodities in circulation and rights to receive payment under sales contracts to secure their obligations under the Natixis Facility. A guarantee has been provided by the Issuer and Restomon. In addition, a surety has been provided by each of Kernel-Trade, Poltavske HPP, Gutyanskiy and Kononivskiy. Further, Inerco and Restomon have provided account charges over certain offshore collection accounts.

The Natixis Facility contains financial covenants with respect to the Group that require the ratio of EBITDA to finance costs to be greater than 4.0:1, the ratio of Gross Debt to EBITDA to not exceed 2.5:1, the ratio of Adjusted Net Debt to EBITDA (as defined therein) to not exceed 1.3:1 and the ratio of Total Debt to Tangible Net Worth (as defined therein) to not exceed 1.5:1 and 1.3:1 (depending on the relevant testing date) in each case, as at the relevant testing dates. The final maturity date is 30 June 2017.

ABN AMRO Bank N.V. uncommitted overdraft credit facility

In December 2014, Inerco entered into an uncommitted credit facility in an amount of US$ 3 million with ABN AMRO Bank N.V. (the "**ABN AMRO Facility**").

The purpose of facility was to finance initial, variation and margin call requirements related to the hedging of price risks from physical trading activities. A guarantee has been provided by the Issuer.

The ABN AMRO Facility has been amended twice since 2014, most recently on 8 July 2016 for a maximum principal amount of up to US$32 million. The ABN AMRO Facility comprises two tranches: the first tranche is up to US$7 million for financing margin call requirements, and the second tranche is up to US$25 million for financing the purchase, storage and transportation of grain in the Russian Federation and the subsequent export of grain from the Russian Federation. As at 30 September 2016, the outstanding amount was US$15.7 million.

The facility is secured under the first tranche by future lots in the position related to the price hedges and credit balance in the broker's account and, under the second tranche, by goods represented by the full set of original bills of lading, warehouses receipts, account receivables, and/or cash deposits.

Sureties have been provided by Russian Oils and Russian Oils Don.

The interest rate under the first tranche is cost of funds plus 7.5% per annum and under the second tranche is cost of funds plus 5.0% per annum.

The ABN AMRO Facility contains financial covenants with respect to the Group that require the ratio of EBITDA to finance costs to not be less than 4.0:1, the ratio of Total Debt to EBITDA to not exceed 2.5:1, the ratio of Adjusted Net Debt to EBITDA (as defined therein) to not exceed 1.3:1 and the ratio of the Total Debt to Tangible Net Worth (as defined therein) to not exceed 1.5:1 and 1.3:1 (depending on the relevant testing date), in each case, as at the relevant testing dates. The final maturity date is 30 June 2017.

ING Bank N.V. and UniCredit Bank Austria AG syndicated pre-export revolving credit facility

In August 2014, Inerco and Restomon entered into a syndicated pre-export revolving credit facility for up to US$400 million (the "**ING-UniCredit Facility**") with ING Bank N.V. and UniCredit Bank Austria AG acting as mandated lead arrangers and the syndicate of banks acting as lenders, under which borrowings were denominated in U.S. dollars. The purpose of this facility agreement was to finance the procurement of sunflower seeds, the processing of the seeds into sunflower oil and meal, and the related storage, transportation, transshipment and exporting costs of the processed goods and to refinance the outstanding borrowings under the existing facility in an amount not exceeding US$42.5 million.

The facility agreement has been renewed annually since 2014, most recently on 30 August 2016 for an amount of up to US$300 million. As at 30 September 2016, the outstanding amount was US$99.0 million. The interest rate under the facility is one month LIBOR plus 5.9% per annum.

The borrower has pledged certain raw materials, stored commodities, bank deposits and contract rights to receive payment under sales contracts to secure their obligations under the ING-UniCredit Facility. A guarantee has been provided by the Issuer, Inerco and Restomon. In addition, a surety has been provided by each of Kernel-Trade, Kernel-Capital, Poltavsky, Prykolotnjansky, Vovchansky, Bandursky, Black Sea Industries and Kirovogradoliya.

The ING-UniCredit Facility contains financial covenants with respect to the Issuer that require the ratio of EBITDA to finance costs to be greater than 4.0:1, the ratio of Gross Debt to EBITDA to not exceed 2.5:1, the ratio of Adjusted Net Debt to EBITDA (as defined therein) to not exceed 1.3:1 and the ratio of Total Debt to Tangible Net Worth (as defined therein) to not exceed 1.5:1 and 1.3:1

(depending on the relevant testing date), in each case, as at the relevant testing dates. The final maturity date is 31 August 2017.

BNP Paribas (Suisse) SA and Ukrsotsbank PJSC Facility

In February 2012, Estron and the Issuer entered into a credit facility as co-borrowers for up to US$125.0 million (the "**Terminal Facility**"), with BNP Paribas (Suisse) SA and Ukrsotsbank PJSC. The purpose of the loan was to refinance the acquisition of TBT and to provide financing for capital expenditures at the port.

The agreement has been amended and restated from time to time, most recently on 5 February 2016 where the final maturity date was extended for two years with the principal amount of US$29.3 million, with US$2 million new money from one of the existing lenders. Following the accession of Black Sea Trade and Development Bank in June 2016, the principal was increased by US$25 million and amounted to US$51.6 million as of 30 June 2016.

As at 30 September 2016, the amount outstanding under the Terminal Facility was US$46.0 million. The interest rate under the Terminal Facility is three-month LIBOR plus 7.5% per annum. It is a term loan repayable in quarterly instalments.

The borrowers and pledgors have pledged certain real estate assets, equipment, property rights under certain contracts and bank accounts, and shares to secure their obligations under the Terminal Facility. Sureties have been provided by TBT, Poltavsky, Prykolotnjansky, Vovchansky, Kernel-Capital, Kernel-Trade, Poltavske HPP, Black Sea Industries, Bandursky, Kononivskiy and Kirovogradoliya and guarantees have been provided by the Issuer, Inerco, Estron and Restomon.

The Terminal Facility contains financial covenants that require, among other matters, the ratio of Gross Debt to Group Equity to not exceed 1.0:1, the ratio of Gross Debt to EBITDA not to exceed 2.5:1, the ratio of Adjusted Net Debt to EBITDA (as defined therein) to not be greater than 1.3:1, the ratio of EBITDA to Total Debt Costs (as defined therein) to be greater than 4.0:1, the ratio of Consolidated Current Assets to Consolidated Current Liabilities (as defined therein) to not less than 1.3:1, the ratio EBITDA to Group Revenues (as defined therein) to not be less than 10%, the ratio of the Gross Assets, EBITDA and Equity of the Guarantors and Sureties to the consolidated Assets, EBITDA and Equity of the Group (as defined therein) to not be less than 50%, respectively, in each case, as at the relevant testing dates. The final repayment is due on 2 February 2018.

ING Bank N.V. and UniCredit Bank Austria AG Facility

In January 2012, Kernel-Trade entered into a US$100 million credit facility (the "**BSI Facility**"), with ING Bank N.V. and Ukrsotsbank PJSC (Ukrsotsbank PJSC transferred its portion under the facility to UniCredit Bank Austria AG in August 2014). The purpose of this loan was to refinance acquisition of the Black Sea Industries oilseed crushing plant located in Chornomorsk (former Illichivsk).

The agreement has been amended and restated twice since 2012, most recently on 10 May 2016. It was extended for 2 year with a total amount of US$20.0 million. As at 30 September 2016, the amount outstanding under Facility was US$17.5 million. The interest rate under the BSI Facility is one month LIBOR plus 7.3% per annum. The line is term loan with repayments being carried out in equal quarterly instalments.

The borrower and pledgors have pledged certain bank accounts, real estate assets, equipment and shares in Black Sea Industries to secure their obligations under the BSI Facility. Sureties have been provided by Poltavsky, Prykolotnjansky, Vovchansky, Kernel-Trade, Kernel-Capital, Poltavske HPP, Kirovogradoliya and Black Sea Industries and guarantees have been provided by the Issuer, Inerco, Estron and Restomon.

The BSI Facility contains financial covenants that require the ratio of Gross Debt to EBITDA to not exceed 2.5:1, the ratio of Adjusted Net Debt to EBITDA (as defined therein) to not be greater than 1.3:1, the ratio of EBITDA to finance costs (as defined therein) to be greater than 4.0:1, the ratio of Gross Debt to Tangible Net Worth (as defined therein) to not be greater than 1.5:1 and 1.3:1 (as at the relevant testing dates), the ratio of the Gross turnover, EBITDA and Issued Share Capital of the Guarantors and Sureties to the consolidated turnover, EBITDA and Issued Share Capital of the Group (as defined therein) to not be less than 50% respectively, in each case, as at the relevant testing dates.

The final repayment is due on 8 February 2018.

VTB Bank (Austria) AG and VTB Bank (France) SA Facility

In August 2013, Inerco entered into a credit facility with VTB Bank (Austria) AG and VTB Bank (France) SA for up to US$140.0 million (the "**VTB Facility**"), under which borrowings were denominated in U.S. dollars. The purpose of this loan was to refinance the acquisition of Druzhba-Nova. The facility was provided in two tranches: Tranche A for up to US$100 million, and Tranche B for up to US$40 million.

The agreement has been amended three times since 2013, most recently on 27 October 2015. As at 30 September 2016, the amount outstanding under Tranche A was US$65.8 million. Tranche B was fully repaid and cancelled in 2015. Tranche A is repayable in quarterly equal installments. The interest rate under Tranche A is three-month LIBOR plus 8.0% per annum.

The pledgors have pledged certain movable and immovable assets and shares in Druzhba-Nova to secure their obligations under the VTB Facility. The facility is guaranteed by the Issuer and Restomon. Further, sureties have been provided by the following entities: Poltavsky, Vovchansky, Prykolotnjansky, Kirovogradoliya, Ekotrans, Poltavske HPP, Black Sea Industries and Druzhba-Nova.

The VTB Facility contains financial covenants that require, among other matters, the ratio of Gross Debt to EBITDA to not exceed 3.0:1, the ratio of Adjusted Net Debt to EBITDA (as defined therein) to not be greater than 2.2:1, the ratio of EBITDA to finance costs (as defined therein) to be greater than 4.0:1, the ratio of Gross Debt to Shareholder Equity (as defined therein) to not be greater than 1.5:1 and 1.0:1 (depending on the relevant testing date), the ratio of the aggregate total assets of the Obligors to the total consolidated assets of the Group (as defined therein) to not be less than 65%, the ratio of the aggregate EBITDA and Revenues of the Obligors to the total consolidated EBITDA and Revenues of the Group (as defined therein) to not be less than 70%, in each case, as at the relevant testing dates. The maturity date is 20 August 2018.

Pravex Bank Revolving Credit Facility

In March 2016, Kernel-Trade entered into a dual-currency revolving uncommitted credit facility with PJSCCB Pravex-Bank (Ukraine), in an amount of US$5.0 million (the "**Pravex Facility**") available until 1 April 2019. Borrowings were denominated in U.S. dollars and could be drawn in either U.S. dollars or hryvnia. The purpose of credit facility is to finance the working capital needs of the borrower.

As at 30 September 2016, the amount outstanding under the facility was US$5.0 million. The interest rate under the Pravex Facility drawn in U.S. dollars is 7.5% per annum, while the interest under UAH denominated loans shall be determined based on a number of factors as of the date of a loan application. The Pravex Facility envisages the provision of one or several terms loan within the established limit, the duration of each shall be determined in a loan application, with a bullet repayment.

The Pravex Facility is secured by certain real estate assets and equipment. A surety has been provided by Kirovogradoliya and a guarantee has been provided by the Issuer. The Pravex Facility contains financial covenants that require the ratio of EBITDA to finance costs to not be less than 3.0:1, the ratio of Gross Debt to EBITDA (as defined therein) ratio to not exceed 4.5:1, the ratio of Adjusted Net Debt to EBITDA (as defined therein) to not be greater than 2.5:1, the ratio Consolidated Current Assets to Consolidated Current Liabilities (as defined therein) to not be less than 1.1:1 and the ratio of Consolidated Equity to Consolidated Assets (as defined therein) to not be less than 40%, in each case, as at the relevant testing dates.

The outstanding loan amount shall be repaid on 30 March 2017 as a bullet payment.

The Issuer intends to procure repayment by Kernel-Trade the entire outstanding principal amount of borrowings under the Pravex Facility from the proceeds of the Notes.

ING Revolving Credit Facility

In September 2008, Kernel-Trade entered into a dual-currency U.S. dollars and hryvnia revolving committed credit facility with PJSC ING Bank Ukraine, for up to US$45.0 million (the "**ING Facility**"). The purpose of this credit facility is to finance the seasonal working capital needs of the borrower.

The agreement has been amended a number of times, including its restatement in 2011, the most recent amendment was made on 26 September 2016. It was extended and committed for a further 3 years with a US$50.0 million limit, under which borrowings are available in U.S. dollars.

As at 30 September 2016, the amount outstanding under the facility was US$44.8 million. The interest rate under the ING Facility is LIBOR1M plus 5.8% per annum. The facility envisages the provision of term loans, the duration of which may not exceed 3 months, with a bullet repayment.

The ING Facility is secured by certain real estate assets and property rights. A surety has been provided by Kernel-Capital and guarantees have been provided by the Issuer, Inerco and Restomon. The facility agreement contains financial covenants that require the ratio of EBITDA to finance costs (as defined therein) to be greater than 4.0:1, the ratio of Gross Debt to EBITDA (as defined therein) to not exceed 2.5:1, the ratio of Adjusted Net Debt to EBITDA (as defined therein) to not exceed 1.3:1 and the ratio of Total Debt to Tangible Net Worth (as defined therein) to not exceed 1.5:1 and 1.3:1 (depending on the relevant testing date), in each case, as at the relevant testing dates.

The final maturity date is 30 September 2019.

The Issuer intends to procure repayment by Kernel-Trade of the entire outstanding principal amount of borrowings under the ING Facility from the proceeds of the Notes.

Ukrgasbank Assignment Agreement

In February 2016, Prydniprovskyi entered into an assignment agreement with JSB "Ukrgasbank" in an amount of US$95.8 million denominated in hryvnia (the "**Ukrgasbank Agreement**"). According to the Ukrgasbank Agreement, JSB "Ukrgasbank" assigned all its rights under a US$55,000,000 credit line dated 5 September 2012 and a US$35,000,000 facility agreement dated 19 July 2013 between, among others, PJSC "Creative" as borrower, PE "Ellada" as pledgor and surety and JSB "Ukrgasbank" as lender. There have been unsuccessful attempts to challenge an acquisition. Effectively, through the Ukrgasbank Agreement, the Group was able to acquire the Prydniprovskyi sunflower oil crushing plant previously owned by PE "Ellada". In March 2016, Prydniprovskyi received title to the fixed assets of PE "Ellada".

As of 30 September 2016, the consideration paid comprised US$50 million and the amount due and payable was US$25.6 million calculated as the present value of amounts payable in arrears within the next five years, the last of which is due in March 2021 and is secured by integral property complexes of the oil crushing plants owned by Vovchansky and Prykolotnjansky.

The Ukrgasbank Agreement is secured by certain real estate assets and equipment. A guarantee has been provided by the Issuer. The Ukrgasbank Agreement does not contain any financial covenants.

The final repayment is due in March 2021.

Vegetable Oil Industry

Overview

Vegetable oil is an ingredient used frequently for the preparation and processing of food, as well as in the production of certain bio-fuels. There are four main types of vegetable oil: sunflower oil, soybean oil, rapeseed oil and palm oil, which together account for over 85% of the vegetable oil market. According to the USDA, approximately 178 million tonnes of vegetable oil was produced in 2015 and approximately 187 million tonnes of vegetable oil will be produced in the 2016 harvest season. The global market for vegetable oils is estimated to exceed 200 million tonnes by 2020, driven by the increased popularity of healthy, organic and unprocessed/unrefined vegetable oils, and strong demand for palm oil worldwide. 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 flavors and healthy ingredients should contribute to increased consumption.

From 2010 to 2015, global production of vegetable oils has grown at a compound annual growth rate of 3.5%, according to the USDA. Major factors driving global market growth in the region 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 is segmented into palm oil, soybean oil, rapeseed oil, sunflower oil, peanut oil, olive oil and others like mustard oil, coconut oil, corn and cotton seed oil. Palm oil and soybean oil hold 32% and 28% market share, respectively, in 2015/2016, 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.

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*** – meal, which is a by-product of the crushing process, is the primary soy product and is used as cooking oil or in the production of bread, shortening and snack foods; and

- ***Rapeseed oil*** – used in food products 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 exporter in the world, with an international market share of 54% in 2015/2016, based on USDA data.

The table below provides information on world production of major vegetable oils:

	2012/2013	2013/2014	2014/2015	2015/2016
		(in million tonnes)		
Production:				
Palm and palm kernel oil	63.10	66.47	69.03	66.56
Soybean oil	43.10	45.13	49.06	51.99
Rapeseed oil	25.69	27.26	27.63	27.63
Sunflower seed oil	12.90	15.52	14.91	15.13
Peanut oil	6.72	7.13	7.39	7.16
Other(1)	16.81	17.41	16.57	16.42
World Total	**168.32**	**178.92**	**184.59**	**184.89**

Source: USDA "Major Vegetable Oils: World Supply and Distribution", September 2016.

(1) 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.

Sunflower Oil Market

Sunflower Oil Processing

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. Third, the seeds go 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 has consistently accounted for about 8.5% of the total vegetable oil production since 2010. Ukraine, the Russian Federation, the EU and Argentina are the main producers of sunflower oil. Ukraine is the world's leading producer of sunflower oil, with annual production of 4.72 million tonnes in the 2015 harvest season, the largest global producer with 13% market share. A number of other countries such as China, India and the US produce sunflower seed, but in relatively low production levels compared to the leading producers.

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 National Sunflower Association, the total volume of sunflower oil traded on the international market has generally been in the range of 7 million tonnes per year in the last 5 years, of which Ukraine typically supplies more than half as the largest global exporter. The USDA reports that Ukraine exported 4.3 million tonnes of sunflower oil in 2015/2016, which amounted to 54% of global sunflower oil exports (compared to Russia, the second-largest producer, which supplied 20% and the EU, which supplied 5%). Other countries export marginal levels compared to the big three exporters.

Demand for sunflower oil has been driven by the large importing countries or regions, primarily India, the EU, Northern Africa, the Middle East, China and Turkey. According to the USDA, India was the largest importer in 2015/2016 and accounted for 22% of imports, primarily as a result of population growth and an accompanying increase in living standards. National Sunflower Association reports that China and Turkey imported 11% and 10%, respectively, in the same year.

Supply and demand on the Ukraine vegetable oil market

Overall, the oilseed harvest area in Ukraine for 2016/2017 has increased due to an expansion in the planting of sunflower seeds (an increase of 14%, to reach 6.0 million hectares, compared to 5.2 million hectares in 2015/2016) in contrast to soybean planting, for which the area has remained relatively stable in the last year, according to the USDA. The increase in the sunflower area is based on the expanded profitability of this crop for farmers in part due to a decrease in the crushing margins caused by a mismatch in domestic demand and supply.

In 2016/2017, the rapeseed production area decreased to 500 thousand hectares, which is 26% below the planted area for 2015/2016, primarily due to high rates of winterkill (a condition where crops with little-to-no snow cover experience extremely cold temperatures). This crop continues to lose favour with the local farmers due to significant operational performance volatility stemming from the fragility of the crop during the winter period.

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.

It is anticipated that agricultural crop production in 2016/2017 will be influenced by the following factors:

- relatively good weather conditions throughout the production season, albeit with some minor drought in the Western part of Ukraine;

- continued devaluation of the Ukrainian local currency which reduces the local currency-denominated cost base in US dollar terms;

- a global decline in energy prices which further reduces the US dollar-denominated costs of agricultural inputs, including fuel, seed, fertilizer and pesticide chemicals, a significant share of which are traditionally imported; and

- US dollar driven revenues should fuel the profitability of farming businesses above historical averages, which is likely to prompt further investment into the sector.

According to APK-Inform, total oilseed crushing capacity in Ukraine at the beginning of 2016 reached 15 million tonnes. However, the current relatively low crushing margins will likely reduce any further investment into the construction of new crushing plants, while farmers are currently incentivised to produce more oil bearing crops to capitalise on this mismatch in demand and supply, and which should ultimately move the market towards equilibrium.

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 belt of Ukraine. Ukraine has an estimated 33 million hectares of arable land according to APK-Inform, 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 12% CAGR from 3.6 million tonnes (3.2 million tonnes exported and 0.4 million tonnes consumed domestically) in 2012 to 5.7 million tonnes (5.2 million tonnes exported and 0.5 million tonnes consumed domestically) in 2016 according to APK-Inform, the European Commission and the USDA. Meanwhile, sunflower seed production yields in Ukraine have risen slightly from 1.6 tonnes per hectare to 2.3 tonnes per hectare according to APK-Inform, the European Commission and the USDA. The Group, however, has seen an increase in sunflower seed production yield from 2.1 tonnes per hectare to 3.0 tonnes per hectare.

Ukraine produces substantially more sunflower oil than it consumes. For instance, in 2015/2016, Ukraine produced 4.7 million tonnes of sunflower oil and consumed 0.5 million tonnes according to the USDA.

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 bulk 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 have 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.

Ukrainian sunflower oil is exported to over a hundred countries around the world. The EU, India, China, Egypt, Iran and Turkey are the traditional largest buyers, with India usually purchasing over 30% of annual sales from Ukraine, according to the USDA. 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.

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 2011/2012 and have gradually decreased since then. However, the long-term downward trends in prices are likely to continue. The table below shows prices for sunflower seed, crude sunflower oil and sunflower meal:

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
			(US$/tonne)		
Sunflower Seeds................	520	454	382	388	340
Crude Sunflower Oil.........	1,181	1,188	932	826	803
Sunflower Meal................	247	242	245	210	180

Source: USDA, Oil Seeds: World Market & Trade Circular, September 2016.

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 735 million tonnes and coarse grain production reached 2,454 million tonnes in 2015/2016. After two record years in 2013/2014 and 2014/2015 and a slight decline in 2015/2016, the global harvest in grain is expected to recover in 2016/2017 due to severe droughts that affected some countries and regions in earlier periods. For instance, the USDA estimates that the Russian Federation will face a 15% increase in the wheat harvest in 2016/2017. In Ukraine, the increase in the harvest is expected to be 5.6%, returning to the level of 2014/2015. Further, the USDA estimates an increase in grain harvest for most countries and regions in 2016/2017.

The table below provides information on world grain production (total and by crop) in marketing years starting from 2011/2012 to 2015/2016:

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
			(in million tonnes)		
Wheat..................................	696.9	658.3	714.9	727.9	734.8
Coarse grains total..............	1,630.0	1,608.8	1,758.6	1,784.1	1,719.2
including:					
Corn..................................	889.8	869.7	990.8	1,013.6	959.0
Barley...............................	133.2	128.8	144.3	141.9	148.8
Sorghum...........................	57.2	57.6	60.9	65.1	59.8
Oats..................................	28.3	21.1	23.5	22.5	22.6
Rye...................................	12.2	13.7	15.8	14.4	12.2
Other................................	509.3	517.9	523.3	526.6	516.8
Total..................................	**2,326.9**	**2,267.1**	**2,473.5**	**2,512.2**	**2,454.0**

Source: USDA: "Grain World Markets and Trade", September 2016.

World trade in grain

Traditionally, the EU, China, India, Russia and the US 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 Pakistan and Ukraine. Ukraine has become the fastest-growing grain exporter in the world, shipping over 50% of its grain production abroad each year. As the tables below presenting expert volumes demonstrate, Ukraine, for instance, has significantly increased its volumes of exported grains at compound annual growth rates of 25%, 7% and 20% for wheat, corn and barley, respectively

For 2016/2017, the USDA anticipates global production to reach a new record, with increased exports from Australia, Brazil, Kazakhstan, Serbia and Ukraine and decreased exports from the EU.

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 rice and barley. The US remains the leading producer, consumer and exporter of corn. However, expanding corn-based ethanol production is projected to limit the country's export capacity in the future and the US is expected to face increasing competition in international markets from other exporters such as China, Brazil and the EU. The main markets with potential for further growth in coarse grain imports are Mexico, North Africa and 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 the Russian Federation.

The table below provides information on major wheat exporters and wheat export volumes:

	2012/2013	2013/2014	2014/2015	2015/2016
	(in thousand tonnes)			
European Union	22,786	32,032	35,418	34,677
Russian Federation	11,308	18,609	22,800	25,543
Canada	18,953	23,268	24,164	22,134
United States	27,544	32,011	23,518	21,094
Australia	18,647	18,615	16,590	16,000
Ukraine	**7,190**	**9,755**	**11,269**	**17,431**
India	6,824	6,053	3,409	1,060
Kazakhstan	6,288	8,100	5,539	7,600
Argentina	3,550	2,250	5,301	9,100
Turkey	3,439	4,441	4,059	5,534
Total	**126,529**	**155,134**	**152,067**	**160,173**

Source: USDA "Grain: World Markets and Trade", September 2016.

The table below provides information on major corn exporters and world corn export volumes:

	2012/2013	2013/2014	2014/2015	2015/2016
		(in thousand tonnes)		
United States	22,608	49,699	48,225	50,294
Argentina	18,694	17,104	18,905	19,505
Brazil	25,834	21,756	34,792	18,500
Ukraine	**12,770**	**20,070**	**19,689**	**16,450**
Japan	14,411	15,121	14,657	15,000
European Union	13,556	18,418	12,672	15,000
Mexico	6,198	11,450	12,053	14,500
Korea, South	8,174	10,406	10,168	10,300
Egypt	5,062	8,730	7,845	8,510
Iran	3,700	5,500	6,200	5,900
Total	**131,007**	**178,254**	**185,206**	**173,959**

Source: USDA "Grain: World Markets and Trade", September 2016.

The table below provides information on major barley exporters and world barley export volumes:

	2012/2013	2013/2014	2014/2015	2015/2016
		(in thousand tonnes)		
European Union	5,032	5,785	9,635	11,081
Australia	4,484	6,217	5,219	5,500
Ukraine	**2,134**	**2,476**	**4,456**	**4,412**
Russian Federation	2,237	2,709	5,336	4,241
Argentina	3,581	2,891	1,552	2,900
Canada	1,432	1,561	1,517	1,193
Kazakhstan	164	416	483	815
United States	193	311	311	235
India	267	441	431	81
Uruguay	170	34	43	25
Total	**19,694**	**22,841**	**28,983**	**30,483**

Source: APK-Inform

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 need. In 2004 the Ukrainian farming sector began to recover. According to the European Commission, grain production in Ukraine varied widely from as low as 38 million tonnes in 2010 to 60 million tonnes in 2015. Such fluctuations in production levels are a direct consequence of the massive disruptions to the farming sector brought by the fall of the Soviet Union and the structural changes that followed.

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 3.9 tonnes of grain per hectare, Ukraine significantly surpasses its pre-independence production level of 45 million tonnes of grain production per year. While such harvest level is considered usual by current Ukrainian standards, it is still below production levels achieved by leading grain producers. 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 9% CAGR from 45.4 million tonnes (19.2 million tonnes exported and 26.2 million tonnes consumed domestically) in 2012 to 64.5 million tonnes (38.9 million tonnes exported and 25.6 million tonnes consumed domestically) in 2016 according to APK-Inform, the European Commission and the USDA. In 2016/2017, according to the USDA, the grain harvest in Ukraine was 64.5 million tonnes, which is a 6.3% year-on-year increase, in part resulting from favourable weather conditions, leading to better crop performance. Grain production yields in Ukraine have risen from an average of 3.0 tonnes per hectare to an average of 4.5 tonnes per hectare. Meanwhile, the Group has seen an increase in grain production yield from 4.8 tonnes per hectare to 7.5 tonnes per hectare.

Ukraine's 2015/2016 harvest yielded around 26.5 million tonnes of wheat, 23.2 million tonnes of corn, 8.3 million tonnes of barley, and 0.4 million tonnes of rye, according to the Ukrainian State Statistics Service. This data does not include information about crops harvested in the Crimean Peninsula. In 2015/2016, sunflower was the most profitable crop for Ukrainian farmers followed by corn. The USDA expects a 12% year-on-year increase in sunflower seed gross production, 10% year-on-year increase in corn gross production, but a 3% year-on-year decrease in wheat gross production in 2016/2017.

Grain exports

Ukraine is a major supplier of grains to countries in Europe, Northern Africa, the Middle East and Asia. At present, Ukraine is primarily an exporter of feed wheat, corn and barley.

According to the Ukrainian Ministry of Agrarian Policy and Food, Ukraine exported nearly 40 million tonnes of grains to international market in 2015/2016 and is one of the largest global exporters of grains, including being the number two global exporter of barley according to the USDA. In particular, exports of wheat, barley and corn totalled 17.4 million tonnes, 4.7 million tonnes and 16.4 million tonnes, respectively, according to the USDA.

The USDA reports the primary destinations of Ukrainian wheat in 2015/2016 were countries in North Africa (including Egypt), Middle East (in which the USDA includes Indonesia and Thailand) and Asia (in which the USDA includes South Korea and Bangladesh), as well as the European Union.

Ukraine continues to develop closer economic ties with the European Union. 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 EU/Ukraine Deep and Comprehensive Free Trade Area ("**DCFTA**"), and this trend is expected to continue in the years to come.

Ukrainian wheat exports in 2016/2017 are estimated to reach 15.0 million tonnes, a 14% decline compared to the previous year, while corn exports in 2016/2017 are estimated to reach 17.0 million tonnes, a 3% increase compared to the previous year. The main importers of Ukrainian corn are the EU, the Middle East and North African regions and Asia. Barley exports in 2016/2017 are estimated to reach 5.0 million tonnes, a 13.0% increase compared to the previous year. The main importers of Ukrainian grains are the EU and Saudi Arabia.

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 transhipment 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.

Taxation changes

From the beginning of 2016, amendments to the Tax Code have come into force which have changed the rules for valued added tax ("**VAT**"), including rules for VAT administration. Qualifying agricultural producers involved in the production of grains and oilseeds are permitted to retain a certain portion of their VAT payable (being the difference between VAT that they charge on sales of their agricultural products (currently at the rate of 20%) and the VAT that they pay on purchases of goods or services for their agricultural operations) rather than remitting such amounts to the Ukrainian state budget as other taxpayers are required to do. Currently, that percentage is 15% for sales of grain and technical crops. In previous years, agricultural producers were entitled to retain 100% of the relevant amount. Agricultural producers are entitled to use the amounts retained to cover their production costs, including the purchase of production inputs and equipment. For a further explanation, see "*Risk Factors – Risks Relating to the Group – 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*".

This legislative change was enacted simultaneously with the reinstatement of VAT refunds on grain exports. For a further explanation, see "*Risk Factors – Risks Relating to the Group – The Group's working capital may be decreased by a delay or non-repayment of VAT by the Ukrainian tax authorities*".

However, when taken together, these two changes have typically had a positive net impact on farmers' profitability.

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

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 certain crops, including sunflower seeds, as part of its farming operations.

In the year ended 30 June 2016, the Group had total revenue of US$1,988.5 million, profit from operating activities of US$287.2 million and profit for the period of US$226.8 million. In the three months ended 30 September 2016 (referred to as Q1 FY2017), the Group had total revenue of US$384.1 million, profit from operating activities of US$58.5 million and profit for the period of US$63.1 million. As at 30 June 2016 and 30 September 2016, the Group had total assets of US$1,509.4 million and US$1,652.4 million, respectively.

The Group's revenue and operating profit are derived across three business lines, reported under six segments in the Group's Consolidated Financial Statements and the Group's Condensed Interim Consolidated Financial Statements, as set out below.

Sunflower oil business line

Bulk Sunflower Oil

In FY2016, the Group was the largest exporter of bulk sunflower oil in Ukraine, exporting 983,904 tonnes for revenue of US$1,032.1 million (51.9% of the Group's total revenue) and operating profit of US$96.5 million.

Bottled Sunflower Oil

In FY2016, the Group was the largest producer and vendor of bottled sunflower oil in Ukraine, selling 93.7 million litres, both domestically and internationally, for revenue of US$102.6 million (5.2% of the Group's total revenue) and operating profit of US$13.0 million.

Grain and infrastructure business line

Grain

Over the past three years, the Group has exported approximately 10% of total grain and oil-bearing crops exports from Ukraine and 4% from Russia, and in FY2016, the Group was the third largest exporter of grain and oil-bearing crops in Ukraine, exporting 4,409,465 tonnes for revenue of US$821.7 million (41.3% of the Group's total revenue) and operating profit of US$46.3 million.

Silo Services

The Group operates the largest private grain silo network in Ukraine with an aggregate storage capacity of 2.4 million tonnes, and in FY2016 the silo services segment generated external revenue of

US$7.3 million and intersegment revenue of US$30.9 million, for operating profit of US$19.9 million with respect to such external and intersegment revenue.

Export Terminals

The Group operates shipping terminals, including TBT which is one of the three largest grain export terminals in Ukraine as well as TGT, a grain export terminal on the Russian coast of the Black Sea operated as a 50/50 joint venture with Glencore. In FY2016, the export terminals segment generated external revenue of US$0.2 million and intersegment revenue of US$57.1 million, for operating profit of US$34.5 million with respect to such external and intersegment revenue (and excluding TGT, which is reported under the equity method of accounting).

Farming business line

The Group is the second largest crop producer in Ukraine, producing wheat, corn, soybeans, sunflower seeds, and rapeseed on approximately 385,000 hectares of leasehold farmland. In FY2016, the Farming business line sold 1,818,292 tonnes of produce and generated external revenue of US$25.1 million and intersegment revenue of US$333.0 million, for operating profit of US$112.9 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 FY2016, the Group sold 4.4 million tonnes of grain and oilseed processed a total of approximately 2.7 million tonnes of sunflower seeds.

The Group's products are primarily sold on international markets, with 96% of revenue derived from exports in FY2016.

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 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 belt of Ukraine. With this acquisition, the Group diversified its trading business to include the processing of agricultural commodities. Simultaneously, the Group began acquiring 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, transhipment 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 financing 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 transhipment 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 farm land. 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 3.0 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.

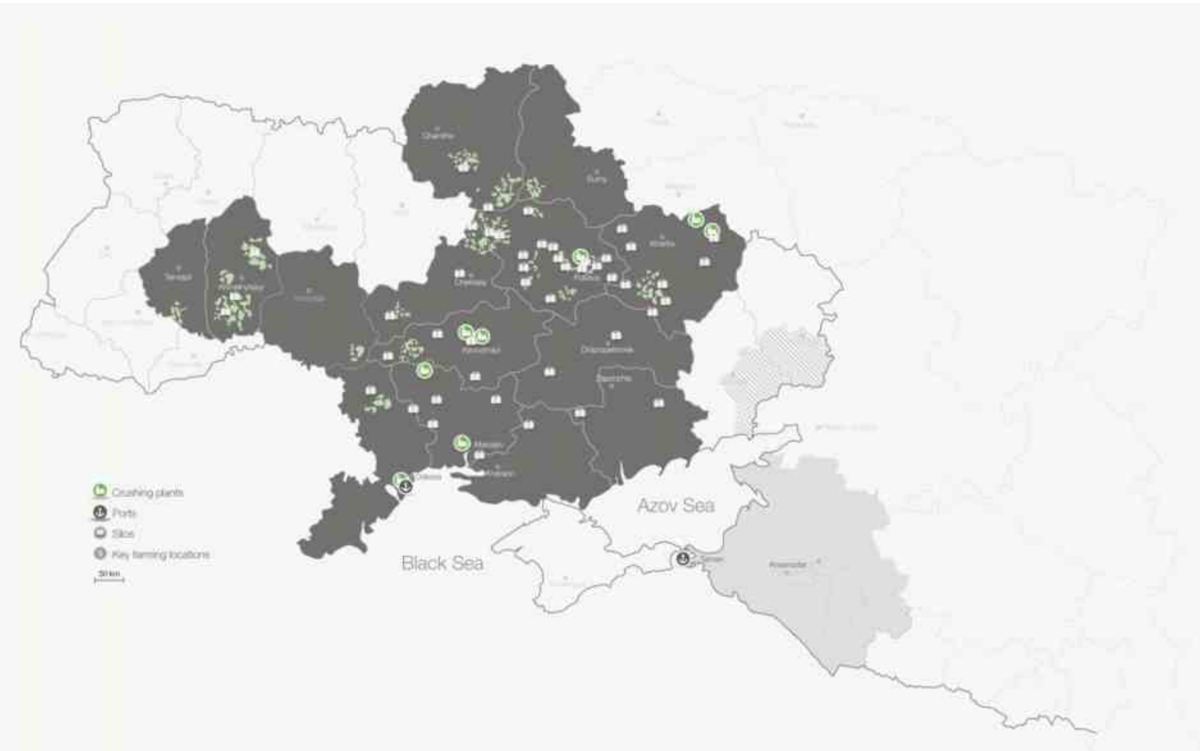
In 2016, the Group acquired, by way of enforcement over certain fixed assets, an oilseed crushing plant for US$96 million. Commissioned in 2012, the advanced facility has crushing capacity of 560,000 tonnes of sunflower seed per year and is located in the Kirovohrad region of Ukraine. The Group also 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. 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 transhipment terminal, contracted to dispose of Mykolaiv crushing plant, and entered into an option arrangement to dispose of the remaining dry cargo part at oil transhipment terminal.

Financial History

The Group's revenues for the last five financial years were US$2,072 million (Ukraine: US$1,968 million; Russia: US$104 million), US$2,797 million (Ukraine: US$2,654 million; Russia: US$143 million), US$2,393 million (Ukraine: US$2,006 million; Russia: US$388 million), US$2,330 million (Ukraine: US$2,020 million; Russia: US$310 million) and US$1,989 million (Ukraine: US$1,749 million; Russia: US$240 million) in FY2012, FY2013, FY2014, FY2015 and FY2016, respectively. The Group's Adjusted EBITDA over the same period was US$319 million (Ukraine: US$281 million; Russia: US$38 million), US$288 million (Ukraine: US$280 million; Russia: US$7 million), US$223 million (Ukraine: US$194 million; Russia: US$29 million), US$397 million (Ukraine: US$387 million; Russia: US$10 million) and US$346 million (Ukraine: US$338 million; Russia: US$8 million) in FY2012, FY2013, FY2014, FY2015 and FY2016, respectively. On an Adjusted EBITDA basis, 88% of the Group's Adjusted EBITDA over the five years ended 30 June 2016 was based on exports.

Geographic Presence

The Group’s geographic presence in Ukraine and southern Russia is illustrated below.



The Group's revenues in Ukraine for the last three financial years were US$2,006 million, US$2,020 million and US$1,749 million for FY2014, FY2015 and FY2016, respectively. The Group's revenues in Russia for the last three financial years were US$388 million, US$310 million and US$240 million for FY2014, FY2015 and FY2016, respectively.

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.

Integrated world-class asset base

The Group is the largest oilseed crusher in Ukraine with an annual capacity of 3.5 million tonnes, surpassing its nearest competitor by more than threefold. The Group owns the largest inland silo network with 2.4 million tonnes of storage capacity in Ukraine, which provides it with a unique geographical footprint to source soft commodities from local producers. The Group has an annual deep-water transhipment capacity of 6.0 million tonnes, which provides it with a cost-effective gateway to international markets. The Group is a leading producer of different crops, with approximately 385,000 hectares of farmland under management. This integration across the value chain, from the farm gate to international destinations, allows the Group to profit from each stage of the process. Further, the Group's vertical integration enables it to manage costs, from the point of origination until the commodity is exported at one of its terminals, and has also reduced the Group's dependence on third party service providers.

Strategically located assets and diversified asset base

The Group benefits from a well-invested and diversified asset base of strategically located farmland, silo network, crushing facilities and export terminals, which provide the Group with 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 silos are located across 11 farming regions in Ukraine, providing farmers with a number of attractive locations to deposit their crops, reducing long travel distances. All of the Group's crushing 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 TGT, the Group's transhipment terminals, are located on the Black Sea, with developed in-land infrastructure for inbound deliveries.

Cost leadership through large-scale operations and an efficient asset base

The Group is the largest single buyer of soft commodities in the region, sourcing more than 7 million tonnes of different grains and oilseeds annually. This enables it to access economies of scale through its infrastructure. 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 export terminals are deep-water facilities capable of servicing Panamax-sized vessels with deadweight of up to 70,000 tonnes. This servicing capability provides for cost-effective delivery to destination markets, with cost-savings being captured by the Group. The Group typically operates its assets at above the regional average utilisation, which allows it to position itself as a cost-effective business in the market.

Business model

The Group has a balanced composition of businesses, with its margin-driven sunflower oil and grain and infrastructure business lines, complemented by its upstream farming business and supported by prudent risk management policies. The margin-driven businesses are not dependent on the volatility of international soft commodity prices but rather on the supply and demand of that commodity in the source region. The upstream farming business, however, is able to benefit from strong commodity prices but is also susceptible to any downward price cycles. The Group follows a 'balanced book' policy, 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, which allows it to effectively lock in the margin when the raw materials and commodities are purchased. The complementary nature of the business lines supports the Group's earnings and enables the Group to limit its exposure to domestic markets and commodity price fluctuations. For example, in FY2016 the decline in the contribution to Adjusted EBITDA from the sunflower oil business was compensated for by an increase in Adjusted EBITDA from the farming business line. The Group's business model also enables approximately 95% of the Group's Adjusted EBITDA to be earned offshore, which minimises the Group's exposure to current and potential future domestic regulations restricting movements of capital.

Strong financial performance and healthy capital structure

Despite a 28.9% decline in the Group's revenues from FY2013 to FY2016, Adjusted EBITDA has grown by 19.2%. The Group has performed strongly during that period, with profit from continuing operations increasing from US$114.6 million in FY2013 to US$243.9 million in FY2016. The Group has also significantly deleveraged its balance sheet over recent years and as at 30 September 2016, the Group's ratio of net debt to Adjusted EBITDA (calculated as short-term and long-term interest bearing debt less cash and cash equivalents over Adjusted EBITDA) was 0.9 and its ratio of debt to equity (calculated as short-term and long-term interest bearing debt over equity) was 0.4. The Group remains one of the few regional corporates which has not had to restructure its debt. The Group's credit track record has provided it with an uninterrupted and continuous ability to access the international bank debt during the past 10 years to finance the Group's working and expansion capital needs, such that during the challenging economic conditions in Ukraine, the Group has been able to rely on pre-export facilities to finance approximately 70% of its working capital requirements during peak periods.

Integrity and experience of the management team

The Group has a professional team of leaders who have worked effectively together for long period of time. The team has complementary backgrounds and experiences, and has led and developed the Group to be one of the market leaders in each of its three main business lines. A substantial part of the team's compensation is linked to the long-term financial performance and stability of the Group, which aligns management's interests with the Group's shareholders and other stakeholders.

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.

The key pillars of the Group's Strategy 2021 are:

Geographic focus

The Group's belief is that the Black Sea region, with Ukraine and Russia playing a principal role, is one of the world's fastest growing suppliers of agricultural commodities to the international market. The Group aims to utilise its local footprint and experience to capitalise on this opportunity for growth.

Strong asset base

The Group aims to control critical and efficient assets across the food export supply chain, which will serve as the Group's backbone for increasing exports of different agricultural commodities and for improving the quality of its earnings.

Operational discipline

The Group's 'balanced book' policy of selling agricultural commodities through forward contracts at 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 minimised. The Group also monitors and seeks to minimise counterparty risk, by dealing with reputable and recognized global commodity traders.

The key growth elements of Strategy 2021 are discretionary in nature and the Group plans to maintain a healthy capital structure, and uses a conservative amount of leverage while executing the strategy. The key targets of the Group's Strategy 2021 are to:

Consolidate the oilseed crushing industry

The Group believes that the recent decline in crushing margins is a strong catalyst for crushing industry consolidation. With a 23% market share in Ukraine, the Group has a significant industry presence and is well-positioned to be a driver of this process. For example, in 2016, the Group acquired an oilseed crushing plant with crushing capacity of 560,000 tonnes of sunflower seed per year located in the Kirovohrad region of Ukraine. The Group aims to acquire up to 1.5 million tonnes of additional crushing capacity in Ukraine through further acquisitions of oilseed crushing plants as the industry consolidates.

Significantly increase its grain exports from the Black Sea region

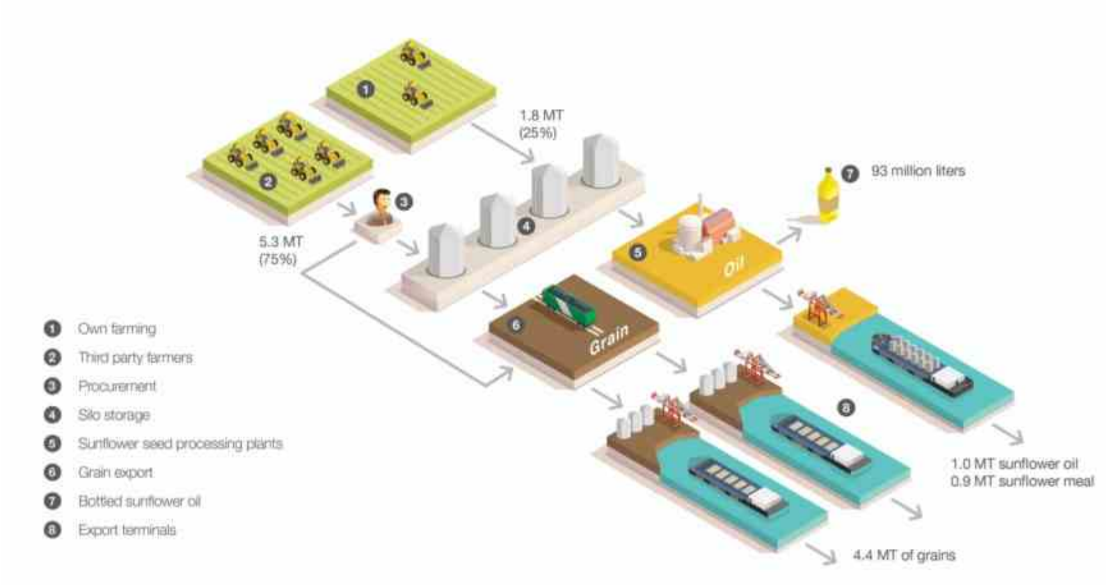
The recently launched greenfield construction of a deep-water grain transhipment facility in the port of Chornomorsk in Ukraine, which is anticipated to be commissioned in 2018, should enable the Group to remove bottlenecks in its transhipment capabilities and to potentially add 4 million tonnes a year of incremental capacity, doubling the Group's current grain exports. The new facility is a key part of increasing the Group's export volumes from the region and should contribute to growth in the Group's export terminals and grain segments in the medium term.

Achieve sustainable low-cost crop production

The Group launched a '#DigitalAgriBusiness' project in 2016 with the aim to further strengthen its leading position in large-scale efficient crop production. The project also seeks to obtain higher productivity from the Group's farming business line through implementing an intelligent IT crop production management system capable of integrating and analysing 'big data', and providing solutions for timely planning, execution and monitoring of field works. The Group is also considering expanding its farming business line by acquiring further leasehold rights for additional farmland in Ukraine.

Description of the Group's operations

The Group's six end product and service segments (bulk sunflower oil, bottled sunflower oil, grain marketing, silo services, export terminals and farming) are supported by the Group's origination and processing functions as depicted in the graphic below.



(1) Quantities and percentages are for FY2016

Origination and Processing of Raw Materials

Origination of Raw Materials

The Group's operations begin with the origination of oilseed and grain from approximately 5,000 farmers, suppliers and regional traders active throughout the oilseed and grain belt of Ukraine and Russia. The origination teams in regional offices sources approximately 7 million tonnes of oilseed and grain annually. This origination team works closely with the Group's silo services segment, which provides intake, loading, cleaning, drying and storage services for the oilseed and grain once it is procured.

The Group sourced 7.1 million tonnes of sunflower seed and grain in FY2016, 2.8 million tonnes of which was sunflower seed.

Ukraine is one of the largest exporters of grain in the world and one of the largest producers of sunflower seed, in FY2016 producing almost three times its domestic requirements. 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), 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 38 inland silos, which offer points of storage and sale throughout Ukraine, serve to attract oilseed farmers whose fields are located nearby.

In FY2016, the Group's origination team sourced 93.5% of the Group's sunflower seed requirements from third party suppliers and 6.5% 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 segment, and the export terminals segments and is harvested between July and November. 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. In contrast, if the Group purchases the grain, the farmer can sell its crops without additional transport and logistics costs or uncertainty as to access.

In FY2016, the Group's origination team sourced 40% of grain from its own farming segment and 60% from third party suppliers.

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.

Unlike Ukraine, nearly all of the Group's Russian grain exports are originated at TGT on a "carriage paid to" (or CPT) basis as suppliers and producers deliver directly to TGT at their own cost. Through this terminal, the Group is able to originate and export up to 2 million tonnes of grain per year.

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, the Group's exposure to fluctuations in commodity prices is limited. 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. Given the fragmented nature of the market and the relatively small volumes in which many farmers operate, farmers are willing price-takers and accept the industry pricing dynamics, which enables the Group to maintain relatively consistent margins. The profitability of margin-driven businesses such as sunflower oil and grain depends of physical supply and demand at the regional source rather than on the volatility of international prices. In FY2016, no single supplier accounted for more than 4.4% 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 plant, Vovchansk plant, Prykolotne plant, Kirovogradoliya plant, Prydniprovskyi plant(near to the Group's Kropyvnytskyi plant), Mykolaiv plant, Bandurka plant and Black Sea Industries plant). Two of the plants have crushing, refining and bottling operations and six have only crushing operations. In addition, the Group is party to tolling agreements through which it is allowed to utilise 100% of the crushing capacity of a plant adjacent to the Prydniprovskyi plant.

The Group's total crushing capacity is approximately 3.5 million tonnes of sunflower seeds (including the plant operated under the tolling agreements) for an expected yield of 1.5 million tonnes of crude sunflower oil per year.

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.

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.

Cake – a semi-solid by-product of the crushing process that has a high residual oil content, which is also sold as animal feed and is only produced at the Mykolaiv plant.

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.

The Group uses high quality processing equipment from such companies as De Smet, Europa Crown, Alfa Laval and others.

One tonne of sunflower oil seeds yields, on average, 440kg of sunflower oil, 390kg of sunflower meal and 160kg of oil husks. Total crushing was 279,951 tonnes in Q1 FY2017 as compared to 417,902 tonnes in Q1 FY2016.

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[(2)]			
Plant name	**2014**	**2015**	**2016**	**Annual capacity[(1)]**
		(tonnes)		
Poltava	389,829	440,991	417,204	429,000
Prykolotne	138,395	107,010	123,927	171,600
Vovchansk	274,864	324,897	302,925	363,000
Bandurka	431,955	498,932	462,011	528,000
Black Sea Industries (Chornomorsk)	432,164	521,496	402,720	627,000
Kirovogradoliya	375,873	453,798	398,124	429,000
Mykolaiv	145,858	84,001	63,934	165,000
Prydniprovskyi	-	-	-	560,000
Nevinnomyssk[(3)]	6,760	-	-	-
Ust-Labinsk[(3)]	66,490	52,007	29,837	-

Georgievsk(3)	73,043	39,638	7,725	-
Tolling agreements for plant adjacent to Prydniprovskyi plant	-	-	466,294	275,000
Total crushing production	**2,335,231**	**2,522,770**	**2,674,701**	**3,547,600**
Crude oil produced (tonnes)	**1,027,616**	**1,099,476**	**1,179,071**	**1,489,218**
Crude oil exported (tonnes)	**920,289**	**1,030,208**	**983,904**	

(1) Capacity stated as at 30 September 2016.
(2) Amounts may be greater than stated capacity as a result of running plants for periods longer than in a normal year.
(3) Nevinnomyssk plant was divested in 2014, Ust-Labinsk and Georgievsk plants were divested in 2016.

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 429,000 tonnes per year. Running at full capacity, the plant can produce up to 192,192 tonnes of crude sunflower oil and 163,020 tonnes of meal. Following refining line improvements, the plant can refine 80,000 tonnes of sunflower oil per year. It can bottle and package 38,000 tonnes of sunflower oil per year. The plant has been ISO 9001 certified since 2006. 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.

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 363,000 tonnes per year. Running at full capacity, the plant can produce up to 156,453 tonnes of crude oil and 144,038 tonnes of meal. The plant has been ISO 9001 certified since 2004. 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.

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 171,600 tonnes of sunflower seeds per year. Running at full capacity, the plant can produce up to 72,587 tonnes of crude oil and 68,091 tonnes of meal per year. It can refine 60,480 tonnes of sunflower oil and bottle and package 62,285 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. The Group owns the land plots associated with the plant for a total area of 16.5 hectares.

Kirovogradoliya plant (crushing)

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. This plant has a crushing capacity of 429,000 tonnes of sunflower seeds per year. Running at full capacity, the plant can produce up to 190,274 tonnes of crude oil and 170,227 tonnes of meal per year. The plant has been ISO 9001 certified since 2006.

Mykolaiv plant (crushing)

The plant is located at the port of Mykolaiv, Mykolaiv region in south-west Ukraine. Built in 2004, the plant was acquired as part of the Allseeds acquisition in 2010. This plant uses simple press technology and does not use solvent extractor, which makes it less efficient than the Group's other crushing plants and led to a preliminary agreement on its disposal dated 4 August 2016 with the expected completion in 2018. In addition to producing crude sunflower oil, the plant also produces cake. This plant has a crushing capacity of 165,000 tonnes of sunflower seed per year. Running at full capacity, the plant can produce up to 63,405 tonnes of crude oil and 65,472 tonnes of cake per year. The plant has been ISO 9001 certified since 2009.

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 528,000 tonnes of sunflower seed per year. Running at full capacity, the plant can produce up to 234,432 tonnes of crude sunflower oil and 209,510 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.

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 627,000 tonnes of sunflower seed per year. Running at full capacity, the plant's oil production capacity can yield up to 275,880 tonnes of crude sunflower oil and 248,794 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.

Prydniprovskyi plant (crushing)

The plant is located in Kropyvnytskyi, Ukraine, near to the Group's Kropyvnytskyi plant and adjacent to the plant at which the Group has tolling arrangements. Commissioned in 2012, the advanced facility has a crushing capacity of 560,000 tonnes of sunflower seed per year. Running at full capacity, the plant's oil production capacity can yield up to 246,400 tonnes of crude sunflower oil and 222,208 tonnes of meal per year. The Group acquired the plant by way of enforcement over certain fixed assets secured under the Ukrgasbank Agreement. As of now, there have been several attempts to challenge the Group's acquisition of Prydniprovskyi plant. The management believes that these claims were ungrounded and the courts ruled in favour of the Group (though, there can be no assurance that similar proceedings will not be commenced in relation to the acquisition of Prydniprovskyi plant in the future).

Tolling agreements for plant adjacent to Prydniprovskyi plant (crushing)

Among other tolling agreements with Private Enterprise "Ellada" adjacent to Prydniprovskyi plant, the Group is party to a tolling agreement for the processing of up to 275,000 tonnes of sunflower seed annually with Private Enterprise "Ellada", which commenced in May 2016 and is for an initial period of about two years. Under the tolling agreement, the Group, for a certain payment, supplies sunflower seed to the plant in Kropyvnytskyi, and in return receives approximately 121,000 tonnes of crude sunflower oil and 109,120 tonnes of meal per year.

End Products and Services

Following the origination and processing of raw materials, the Group derives revenue from its three business lines, divided into six main end products and services: Bulk Sunflower Oil, Bottled Sunflower Oil, Grain Marketing, Silo Services, Export Terminals, and Farming.

As described above, the Group typically originates raw materials only after first receiving orders for Bulk Sunflower Oil, Bottled Sunflower Oil or Grain. In the case of grain, no processing is involved. In the case of sunflower oil, the Group has some flexibility in deciding as to whether it will produce bulk sunflower oil or bottled sunflower oil. Typically, bottled sunflower oil margins generate incremental Adjusted EBITDA margins of approximately 3-5% (over the Adjusted EBITDA margin for crude oil). Of the Group's US$1,445 million in assets for FY2016, excluding US$60 million of unallocated assets, 61% came from sunflower oil, 22% came from farming and 17% came from grain and infrastructure.

To promote its sales on the international market and receive first-hand information on the grain and oil markets, the Group has developed relationships with a number of well-known international brokers, which frequently act as intermediaries between the Group and its ultimate customers.

Sunflower oil business line

The following table shows the sunflower oil segment's sales volumes and Adjusted EBITDA by volume sold for FY2012-FY2016.

		For the year ended 30 June				
		2012	**2013**	**2014**	**2015**	**2016**
Sunflower oil sold in bulk						
Sales volume......................	(thousand tonnes)	828	1,040	920	1,030	984
Revenue	(US$ per tonne)			1,172	1,067	1,049
Adjusted EBITDA	(US$ per tonne)	201	167	164	187	115
Adjusted EBITDA margin...............................		14%	11%	14%	18%	11%
Bottled sunflower oil						
Sales volume......................	(million litres)	132	108	94	99	94
Revenue	(US$ per thousand litres)			1,406	1,153	1,095
Adjusted EBITDA	(US$ per thousand litres)	242	238	282	208	169
Adjusted EBITDA margin...............................		16%	14%	20%	18%	15%
Sunflower oil segment						
Adjusted EBITDA	(US$ millions)	198	199	178	213	129
Adjusted EBITDA margin...............................		14.2%	11.6%	14.7%	17.6%	11.4%

Segment Adjusted EBITDA is presented prior to certain unallocated G&A costs and net of discontinued operations from sugar and assets held for sale.

(a) Bulk Sunflower Oil Segment

In Q1 FY2017, total revenue from the bulk sunflower oil segment was US$152.2 million, which contributed 39.6% to the Group's total revenue. The Group sold 167,266 tonnes of bulk oil in Q1 FY2017 as compared to 158,150 tonnes in Q1 FY2016.

In FY2016, the Group was the largest Ukrainian producer and largest exporter of bulk sunflower oil, which is sold through brokers to its customers throughout Europe, the Middle East, India, China and North Africa. Total revenue from the bulk sunflower oil segment was US$1,032.1 million in FY2016, which contributed 51.9% to the Group's total revenue and represented 983,904 tonnes of bulk oil.

Bulk Sunflower Oil Products

Under the Group's bulk sunflower oil segment, it sells the following products: Bulk Crude Sunflower Oil, Bulk Refined Sunflower Oil, Sunflower Meal, Sunflower Cake 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 FY2016, approximately 70% 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 FY2016, the Group sold 983,904 tonnes of bulk crude oil, of which approximately 99% 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 FY2016, the Group sold 11,359 tonnes of bulk refined sunflower oil.

Sunflower Meal. Each of the Group's plants, with the exception of the Mykolaiv plant, produce meal in addition to sunflower oil and in FY2016, the Group produced 1,022,698 tonnes of meal. The value of meal is significantly less 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 countries in central and Eastern Europe.

Sunflower Cake. The Mykolaiv plant also produces cake, and in FY2016 produced 19,731 tonnes of cake. The cake produced by the Mykolaiv plant is exported rather than sold domestically, with Denmark and Belgium accounting for 67% and 32% of the export revenues, respectively.

Sunflower Seed Hulls. Sunflower seed hulls are another by-product produced by the Group during the sunflower seed crushing process. In FY2016 its production volume was 364,000 tonnes, out of which the Group pelletized and exported 203,000 tonnes. The remaining 61,000 tonnes were burnt as a substitute for natural gas used in the crushing process.

Bulk Sunflower Oil Customers

Over 67% of the Group's bulk sunflower oil segment sales were 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 Glencore in Switzerland, Nidera in the Netherlands, and ADM in Germany and processors of agricultural commodities such as Bunge in the United States, Cargill International, Aves Trade, ECTP (formerly BTG Pactual Commodities) and Louis Dreyfus Commodities. The Group also sells bulk oil to bio-fuel producers such as Saipol in

France and sells sunflower meal to feed compounders such as Agro Supply A/ S and DLA Agro in Denmark and Ravagricola in Italy.

In FY2016, the Group's five largest customers accounted for 41% of bulk sunflower oil segment 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 10% of the Group's total revenue. However, the Group's three largest customers in FY2016 were Bunge (13.2%), Glencore Grain (9.3%), and Alfa Trading (7.1%), together accounting for 29.6% of bulk oil segment revenue. The Group's three largest customers in FY2015 were Noble (13.8%), Louis Dreyfus Commodities (11.2%), and Glencore Grain (11.3%), together accounting for 36.3% of bulk oil segment revenue. The Group's three largest customers in FY2014 were Alfa Trading (15.0%), Noble Resources (12.2%) and Glencore (7.8%), together accounting for 35.0% of bulk oil segment revenues.

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.

(b) Bottled Sunflower Oil Segment

The Group is the largest producer and vendor of bottled sunflower oil in Ukraine, with a market share of approximately 35% in FY2016, serving customers in Ukraine and other countries, principally in the Middle East and the CIS. In Q1 FY2017, the Group refined and bottled 21.3 million litres of sunflower oil as compared to 17.7 million litres in Q1 FY2016. Revenue from the bottled sunflower oil segment in Q1 FY2017 was US$23.3 or 6.1% of the Group's total revenue. In FY2016, the Group refined and bottled 93.7 million litres of sunflower oil, leading to revenue from the bottled sunflower oil segment of US$102.6 million or 5.2% 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 FY2016 approximately 7.5%, or approximately 93 million litres, of the gross bulk sunflower oil produced by the Group was further refined, bottled and sold. The Group sells its bottled oil products under a variety of labels, but is focused on three brands: Shchedryi Dar, Stozhar and Chumak.

Shchedryi Dar. This label is targeted at middle price point consumers. In FY2016, the average sale price to the Group's customers was the hryvnia equivalent of US$1.01 and the average retail price was the hryvnia equivalent of US$1.12 per litre, including VAT.

Stozhar. This label is targeted at upper-middle price point consumers. In FY2016, the average sale price to the Group's customers was the hryvnia equivalent of US$1.04 and the average retail price was the hryvnia equivalent of US$1.16 per litre, including VAT.

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 FY2016, the average sale price to the Group's customers was the hryvnia equivalent of US$1.05 and the average retail price was the hryvnia equivalent of US$1.17 per litre, including VAT.

In aggregate, these brands, all of which are sold through retail networks, accounted for almost 52% of the Group's domestic bottle oil sales revenues in FY2016.

In addition to these brands, smaller amounts of bottled oil are sold under the labels Oriia, Lubon'ka and other private labels. Sales of these products account for approximately 48% of domestic bottled oil revenues in FY 2016.

Bottled Sunflower Oil Customers

In FY2016, the Group sold approximately 49% of its bottled oil products in Ukraine with the remaining 51% exported out of Ukraine. The Group continues to decrease its CIS region sales, bringing the share of CIS exports to 28% (as compared to 60% in FY2015). In Ukraine, the Group sells bottled sunflower oil to 14 nationwide retailers and 28 regional distributors, comprising 66% and 34% of sales, respectively. Recently, the Group has successfully grown export sales, with a 52% increase in FY2016 as compared to FY2015, and this expansion of international distribution channels is expected to continue.

The Group supplies the largest retail chains in Ukraine including Fozzy Group, LLC Ukrainian Retail, Metro C&C, Auchan Ukraine Hypermarket, Alians Market and Fudmerezha. The biggest regional distributors are NikaZahid, Viola+, 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. The Group also sells to independent retail outlets and open air market retailers.

In FY2016, the Group's ten largest customers accounted for 57% of bottled sunflower oil revenue. Although the Group derives a substantial portion of its revenues in the bottled oil segment from key customers, no single customer regularly accounts for more than 5% of the Group's total revenues. The Group's three largest customers in FY2016 by sales were Fozzy Group (14.4%), Olyan Trading (14.0%) and Alsafy Import (7.3%) together accounting for 35.7% of bottled oil revenue. The Group's three largest customers in FY2015 by sales were Fozzy Group (22.0%), ATB-Market (6.7%), and LLC Evrotorg (6.9%), together accounting for 35.6% of bottled oil revenue. The Group's three largest customers in FY2014 by sales were Fozzy Group (23.0%), LLC Evrotorg (6.3%), and Private enterprise "Kupava" (4.8%), together accounting for 34.1% 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.

Grain and infrastructure business line

The following table shows the grain and infrastructure segment's production volumes and Adjusted EBITDA by volume for FY2012-FY2016.

	For the year ended 30 June				
	2012	**2013**	**2014**	**2015**	**2016**
Grain					

Sales volume......................	(thousand tonnes)	2,123	3,022	4,244	4,744	4,409
Revenue.............................	(US$ per tonne)			248	222	186
Adjusted EBITDA	(US$ per tonne)	12.7	4.1	14.0	12.5	10.5
Adjusted EBITDA margin................................		5%	1%	6%	6%	6%
Silo services						
Grain received....................	(million tonnes)	2,059	1,737	2,586	2,523	2,820
Revenue.............................	(US$ per tonne)			29	17	14
Adjusted EBITDA	(US$ per tonne)	8.9	11.1	15.1	7.3	8.3
Adjusted EBITDA margin................................		36%	42%	53%	43%	61%
Export terminals						
Throughput	(million tonnes)	1,809	3,209	3,926	4,822	5,343
Revenue.............................	(US$ per tonne)			16	15	15
Adjusted EBITDA(1)	(US$ per tonne)	7.6	9.3	9.8	10.1	10.1
Adjusted EBITDA margin		47%	55%	60%	67%	65%
Grain and infrastructure segment						
Adjusted EBITDA	(US$ millions)	59.0	59.0	125.8	114.5	107.1
Adjusted EBITDA margin................................		8.7%	5.5%	10.7%	9.9%	11.7%

(1) The Group calculates export terminals adjusted EBITDA as the Group's transhipment services in Ukraine divided by their throughput volumes for the full financial year. This excludes Taman volumes and earnings, which are reported under the equity method of accounting

Segment Adjusted EBITDA is presented prior to certain unallocated G&A costs and net of discontinued operations from sugar and assets held for sale.

Following the Group's entry into the Taman joint venture in Russia in FY2013, a portion of the Group's grain sales volumes has come from Russia. Russia contributed 112 thousand tonnes, 1,462 thousand tonnes, 1,096 thousand tonnes and 1,204 thousand tonnes to the Group's grain sales volumes in FY2013, FY2014, FY2015 and FY2016, respectively.

(a) Grain Segment

The Group is the third largest grain exporter in Ukraine and over the past three years, has exported approximately 10% of the total exported grain volume. The Group also exported approximately 4% of the total exported grain volume in Russia over the past three years. The Group buys, stores, transports, and sells the following types of crops: wheat, barley, corn, peas, soybeans and rapeseed. The Group exported 1,180,937 tonnes of grain in Q1 FY2017 as compared to 927,446 tonnes in Q1 FY2016, a growth of 27.5%, following a release of stock accumulated in FY2016. Total revenue from the grain segment was US$199.7 million in Q1 FY2017, which contributed 52.0% of the Group's total revenue. The Group exported over 4.4 million tonnes of grain in FY2016. Total revenue from the grain segment was US$821.7 million in FY2016, which contributed 41.3% of the Group's total revenue. Corn, barley and wheat accounted for approximately 93% of the Group's grain export values and approximately 93% of grain revenues.

The Group's grain segment is supported by its export terminals segment. In FY2016, 68% of the Group's grain product was exported through TBT, and 27% through TGT. The remaining 5% was exported through thirty-party ports of Berdyansk and Yuzhniy, depending on the region where the grain was purchased.

The following table shows the Group's exports by grain product in the last three years:

	FY2014		FY2015		FY2016	
	(tonnes)	*(%)*	*(tonnes)*	*(%)*	*(tonnes)*	*(%)*
Products						

Wheat	1,759,443	41.5%	1,656,552	34.9%	1,985,924	45.0%
Barley	287,031	6.8%	460,299	9.7%	311,767	7.1%
Corn	2,008,657	47.3%	2,304,032	48.6%	1,947,339	44.2%
Peas	15,291	0.4%	-	-	5,232	0.1%
Soybeans	144,810	3.4%	286,411	6.0%	143,320	3.3%
Rapeseed	26,845	0.6%	36,551	0.8%	980	0.0%
Others	1,472	0.0%	23	0.0%	14,843	0.3%
Total	**4,243,549**	**100%**	**4,743,868**	**100%**	**4,382,405**	**100%**

In the past three years, corn and wheat have typically accounted for nearly 90% of the Group's total grain exports. From FY2013-FY2016, the Group's grain exports grew at a 10% CAGR from 3.0 million tonnes in FY2013 to 4.4 million tonnes in FY2016. Of the 4.4 million. 4.7 million and 4.2 million tonnes of grain exported in FY2016, FY2015 and FY2014, respectively, 1.2 million, 1.1 million and 1.1 million tonnes were originated in Russia in FY2016, FY2015 and FY2014, respectively.

The Group expects to increase the volumes of oil-bearing crops it originates going forward as it benefits from growing farmland under management, improving crop yields and the implementation of new equipment, technology, and the continued modernisation of farming industry in Ukraine.

Grain Customers

The Group's largest customers are global commodity trading firms, including Nidera, Glencore Grain, Noble Resources and Ameropa. The Group's main export destinations for grain are EU countries and countries on the Southern and Eastern coasts of the Mediterranean Sea. In 2015/2016, the Group's grain sales by destination were as follows: 45% Europe; 19% Russia; 23% Asia; and 12% Africa. Top importers of the Group's grain products include Israel, Belgium, Bangladesh, Saudi Arabia, Syria, Egypt and Spain.

In FY2016, the Group's ten largest customers accounted for 68% of grain revenue. Aside from Nidera, no single customer regularly accounts for more than 10% of the Group's total revenue. Although the Group's three largest customers in FY2016 were Nidera (36.5%), Holbud (6.0%), and Fedcominvest Europe (4.9%), together accounting for 47.4% of grain revenue. The Group's three largest customers in FY2015 were Nidera (16.2%), Glencore Grain (8.5%), and Noble Resources (6.7%), together accounting for 31.4% of grain revenue. The Group's three largest customers in FY2014 were Cefetra (10.9%), Holbud (9.4%), and Seaboard Overseas (8.9%), together accounting for 29.2% of grain revenue.

The Group's grain products are sold on the international market on a spot contract basis, with price and volume agreed at the time of signing, for delivery during an agreed future period.

(b) Silo Services Segment

The Group owns and operates the largest private grain silo network in Ukraine, consisting of 37 silos (excluding the port silo in Chornomorsk) providing 2.4 million tonnes of storage capacity. In Q1 FY2017, the silo services segment generated external revenue of US$2.2 million and intersegment sales of US$8.3 million as compared to US$2.3 million and US$6.2 million, respectively, in Q1 FY2016. The operating profit with respect to such external and intersegment revenue was US$6.4 million in Q1 FY2017 as compared to US$4.2 million in Q1 FY2016. In FY2016, the silo services segment generated external revenue of US$7.3 million and intersegment sales of US$30.9 million for operating profit of US$19.9 million with respect to such external and intersegment revenue.

Although the silo services segment does not generate a significant portion of the Group's revenue, it is crucial to 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, the Group typically buys approximately 30% of the seed stored in its silos.

The Group is able to charge fees for four different services for grain and oilseeds at its silos: intake, storage, cleaning and drying and loading. In FY2016, the Group charged US$4.0 per tonne for grain intake or loading, US$1.3 per tonne per month for grain storage and US$2.0 per tonne for grain cleaning and drying.

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.

(c) Export Terminals Segment

The export terminals segment comprises the Group's TBT which handles the Group's grain exports and generates revenue almost entirely through intersegment sales. In Q1 FY2017, the export terminals segment generated total revenue of US$12.4 million as compared to US$9.2 million in Q1 FY2016. The operating profit with respect to such external and intersegment revenue was US$9.7 million in Q1 FY2017 as compared to US$4.7 million in Q1 FY2016. In FY2016, the export terminals segment generated external revenue of US$0.2 million and intersegment revenue of US$57.1 million and operating profit of US$34.5 million with respect to such external and intersegment revenue.

TBT

Located in the Black Sea port of Chornomorsk, Ukraine, TBT is a key gateway to international markets. In FY2016, it was one of the largest export grain terminals in Ukraine, with a maximum throughput under typical operating circumstances up to 4 million tonnes, constituting approximately 7% of total export terminal capacity in Ukraine. In FY2016, TBT handled approximately 90% of the Group's grain exports from Ukraine and 14% 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 200,000 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 alongside berth offers up to 12.2 metre draft, enabling grain to be loaded onto Handy-size and Panamax-sized vessels, including loading two Panamax-sized vessels in parallel, at approximately 55,000 tonnes of grain per vessel. TBT is one of only three Ukrainian grain transhipment 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 FY2016, 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

Located in the port of Taman in Russia, the Group owns a 50% stake in the Taman grain transhipment facility (or TGT), one of the few grain export terminals on the coast of the Black Sea. The Group's share of its capacity was 2.0 million tonnes in FY2016, having increased from 1.5 million tonnes in FY2015 as a result of an expansion. The remaining 50% is owned by Renaisco BV, a subsidiary of Glencore International plc. The facility is strategically located in close proximity to Southern Russia's main grain producing region.

Like TBT, the port is a deep water facility and is able to load Panamax-sized vessels with deadweight of up to 70,000 tonnes, which provide materially cheaper transportation than 3,000-10,000 tonne vessels loaded at shallow water ports. TGT's alongside berth offers 12.1 metre draft, enabling grain to be loaded onto Handy-sized and Panamax-sized vessels, at an average daily loading speed of approximately 30,000 tonnes of grain per vessel.

TGT has a storage capacity, which allows it to manage hundreds of sizeable deliveries of incoming grain each day. TGT's 16 vertical bins, with 186,000 tonnes of grain storage capacity can handle delivery by truck of up to 600 trucks per day, or 13,000 tonnes of grain per day.

In FY2016, the Group utilised approximately 40% of TGT's throughput capacity for its own trading operations and the remaining was utilised by Glencore.

TGT's financial results are not included in the export terminals segment of the Group's Consolidated Financial Statements as they are reported under the equity method of accounting.

Farming business line

The Group's farming operations on approximately 385,000 hectares currently produces wheat, corn, sunflower seeds, soybeans, peas and rapeseed. In Q1 FY2017, the farming segment generated external revenue of US$6.5 million and intersegment revenue of US$139.9 million as compared to US$8.7 million and US$47.5 million, respectively, in Q1 FY2016. The operating profit with respect to such external and intersegment revenue was US$69.7 million in Q1 FY2017 as compared to US$13.9 million in Q1 FY2016. In FY2016, the farming segment produced and sold 1,818,292 tonnes of crops and generated external revenue of US$25.1 million and intersegment revenue of US$333.0 million for operating profit of US$112.9 million with respect to such external intersegment revenue.

In FY2016, approximately 93% of crops produced by the Group's farming operations were sold to other Group segments for processing and/or export. The remaining 7% was sold directly to third parties. Approximately 90% of output flows through Kernel's grain and infrastructure or sunflower oil segments, earning incremental profits. The Group's farming operations produce up to 2.1 million tonnes of grain and oilseed that go through its other business divisions, while third party farmers supply the remaining 5.3 million tonnes.

The following table sets forth information about the Group's crop for harvest seasons in 2013, 2014 and 2015, which correspond to the Group's FY2014, FY2015 and FY2016:

	FY2014	**FY2015**	**FY2016**
Products		*(in tonnes)*	
Wheat	145,941	164,981	368,644
Corn	891,114	1,314,577	1,162,842
Sunflower	217,922	171,698	170,704
Soybeans	87,978	120,974	120,138
Peas	-	4,065	7,278
Rapeseed	20	-	41,774
Others	114,369	22,214	516
Total	**1,457,344**	**1,798,509**	**1,871,896**

The Group produced 392 thousand, 464 thousand, 1,037 thousand, 1,480 thousand and 1,531 thousand tonnes of grains in FY2012, FY2013, FY2014, FY2015 and FY2016, respectively and produced 127 thousand, 140 thousand, 306 thousand, 293 thousand and 333 thousand tonnes of oilseeds in FY2012, FY2013, FY2014, FY2015 and FY2016, 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 farming segment's Adjusted EBITDA for FY2012-FY2016.

	For the year ended 30 June				
	2012	**2013**	**2014**	**2015**	**2016**
	(US$ millions, unless otherwise indicated)				
Adjusted EBITDA	74	68	(44)	98	146
Adjusted EBITDA margin .	43.1%	35.0%	n/m	31.6%	40.7%

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 farm land lease rights. The farms are located in the prime farming regions of Khmelnytsk, Vinnytsa, Cherkasy, Poltava, Kropyvnytskyi, Chernihiv, Sumy, Kharkiv and Odesa, and are leased from their owners, with an average lease term of approximately ten years. The following table shows the farming segment's acreage harvested by crop, taken as a percentage of the total acreage (excluding rapeseed) in FY2016.

	For the year ended 30 June				
	2012	**2013**	**2014**	**2015**	**2016**
Corn	15%	23%	42%	48%	41%
Wheat................................	29%	24%	9%	8%	19%
Sunflower..........................	15%	15%	26%	18%	16%
Soybean	16%	22%	16%	17%	17%
Other.................................	24%	16%	7%	9%	7%
Adjusted EBITDA (US$ per hectare)	278	213	(70)	274	322

The Group’s crops constituted approximately 26% of the total raw materials sourced by the Group in FY2016.

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. In 2016/2017, total crushing capacity in Ukraine is estimated to be approximately 15 million tonnes (an increase of 11% as compared to the previous period), while the expected 2016 harvest and sunflower production is estimated to be approximately 13.5 million tonnes (an increase of 12% as compared to the previous period). The over-supply of crushing capacity has had a negative effect on crushing margins, prompting further increases in sunflower seed planting.

The Group’s three main competitors in sunflower seed processing and oil production are Bunge, MHP and Cargill, who together with the Group accounted for approximately 38% of the sunflower seed crushing capacity in Ukraine as at September 2016. The Group has the largest crushing capacity, with approximately 23% of overall Ukraine capacity, while Cargill, MHP and Bunge, have approximately 3%, 6% and 6%, respectively.

Cargill is an international conglomerate active in the agricultural and industrial sectors with operations in around 70 countries. In Ukraine, Cargill operates one processing facility: the Novaya Kakhovka crushing plant with estimated crushing capacity of 460,000 tonnes per year.

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 Dnipro plant (crushing, refining and bottling) with estimated crushing capacity of 500,000 tonnes per year and the Mykolaiv crushing plant with estimated crushing capacity of 730,000 tonnes per year. The Group's main competitor for bottled oil products is Bunge, which produces its own bottled oil brand called *Oleina*.

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 per year, the Mironovskiy plant with estimated crushing capacity of 330,000 tonnes per year, and the Vynnytsia-2 plant with estimated crushing capacity of 400,000 tonnes per year.

Grain

The grain segment 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 State Food and Grain Corporation of Ukraine, Nibulon, Bunge, Glencore and ADM. With the exception of State Food and Grain Corporation of Ukraine, which exported approximately 12% of total Ukrainian grain exports in 2016, none of the other companies, including the Group, export greater than 11% of total Ukrainian exports.

Export Terminals

With respect to the Group's export terminals segment, the Group's main competitor is TransInvestServices ("**TIS**"), which operates the largest grain terminal in Ukraine located in the port of Yuzhniy on the Black Sea. Some national and international commodities producers and traders, such as ADM, Cargill, 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 Frontier ("DAF")

The Group delivers the goods to an agreed upon location ("frontier"), from which the customer collects the goods.

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 30 days and large national retailers up to 45 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 INCOTERMs 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*" and "*Stozhar*" trademarks and holds licences to "*Chumak*", "*Pryrodna doskonalist*", "*Radist kozhnoho dnia*" and "*Z lanu do stolu*" trademarks under an agreement with JSC "Chumak". The licensing agreement expires on 2 July 2117, which term is conditional on multiple extensions of registration of the trademarks in question. The obligation to procure the prolongations lies on the licensor, JSC "Chumak". As at the date of these Listing Particulars, the expiration dates of the certificates of the licensed trademarks "*Chumak*", "*Pryrodna doskonalist*", "*Radist kozhnoho dnia*" and "*Z lanu do stolu*" are 26 March 2017, 22 September 2024, 12 May 2023 and 4 July 2023, respectively. The terms of the licensing agreement stipulate that after 2 July 2024 the licensee, Kernel-Trade, may use trademarks for only limited manufacturing of sunflower oil of ten 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 18 minimum wages (approximately US$1,000 to 900 minimum wages (approximately US$55,000) 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 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.

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 the 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**"). Despite the requirement of the automatic inclusion of the companies into the New Register, some of the companies of the Group registered as operators of the food facilities were not included on the New

Register. According to management, the Group companies engaged in the food production, which were not included in the New Register currently undertake all necessary measures to be included in the New Register.

The Group must also obtain approval for all newly introduced technological processes from the Ministry of Agrarian Policy and Food of Ukraine. 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 use of water and, in some instances, for sub-soil use. 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 air emissions and 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. 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, but the state environmental inspection has already challenged this decision.

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"*

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

Under applicable Ukrainian law, sunflower oil producing facilities and silos may be considered to pose increased environmental hazards. As such, they may be subject to mandatory state ecological examinations, requiring pre-project documentation and documentation on the installation of new machinery or the introduction of new technologies to be submitted to the state for review. Management believes that the Group complies with these requirements.

In its operations, the Group uses various chemicals and produces solid, liquid and gaseous wastes that, if improperly discharged, could have a negative impact on wildlife and vegetation of surrounding areas. Such activities are subject to various environmental laws and regulations. To compensate for the pollution, the environmental tax was enacted in Ukraine in 2011. 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.

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 (the "**Law on Waste**") requires companies that use packaging in their operations to enter into agreements on organisation of collection, stocking and utilisation of used packaging with specialised companies or to create their own recycling systems. Currently all Group companies are generally in compliance with this requirement for recycling of packaging.

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 in the ordinary course of business, the Issuer, each Guarantor and the Group are involved in legal proceedings relating to their operational and trading activities. However, the Issuer, each Guarantor and the Group are not currently, nor have they been involved in, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which they are aware) which may have or have had in the twelve months before the date of these Listing Particulars, a significant effect on the financial position or profitability of the Issuer, each Guarantor and the Group. As at the date of these Listing Particulars, the Issuer, each Guarantor and the Group are not aware of any such proceedings which are pending or threatened.

Employees

The following table details the numbers of the Group's employees by function as at 30 June 2014, 2015 and 2016:

	As at 30 June		
Employees by function (full and part time)	**2014[(1)]**	**2015**	**2016**
Other[(2)]	3	3	3
Executives	14	14	10
Middle management	1,174	1,149	1,027
Specialists	3,072	3,081	3,141
Workers by function (full and part time)	12,227	10,982	9,894
Total	**16,490**	**15,229**	**14,075**
Including employees in Russia	*565*	*577*	*55*

1) The Group has adjusted the 2014 figure for total employees by function (full and part time) to account for 33 employees who worked at two different locations part-time, 3 non-executive directors of Kernel Holding S.A. and 2 managers of Inerco.

2) Other employees includes non-executive directors and non-residents

The following table details the numbers of the Group's employees by location as at 30 June 2014, 2015 and 2016:

	As at 30 June		
Employees by location (full and part time)	**2014**	**2015**	**2016**
Kyiv	645	683	671
Dnipro (former Dnipropetrovsk)	44	45	46
Zaporizhzhia	62	60	53
Kropyvnytskyi (former Kirovohrad)	1,272	1,177	1,343
Mykolaiv	747	682	645
Donetsk	21	9	19
Vinnytsia	107	105	90
Odesa	544	551	780
Poltava	4,796	4,352	3,983
Chernihiv	2,179	1,881	1,728
Sumy	82	80	66
Kharkiv	2,049	1,878	1,784
Kherson	30	30	30
Cherkasy	1,220	1,151	1,033
Ternopil	357	335	254
Khmelnytskyi	1,765	1,628	1,490
Russia	565	577	55
Other[(1)]	5	5	5
Total	**16,490**	**15,229**	**14,075**

(1) Other includes non-executive directors and non-residents at Trading Companies.

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 2016, 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 "*Description of the 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 Poltavske HPP and Poltavsky, which are 94.03% and 99.66% 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) (the "**Mémorial C**") number 1261 of 24 November 2005. The Company'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;
- 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, one hundred thirty thousand, nine hundred ninety nine U.S. dollars and sixty six cents (US$2,130,996.66) divided into eighty million, seven hundred one thousand, two hundred thirty (80,701,230) 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 "*Description of the 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 and defined as profit/(loss) from continuing operations adding back income tax expenses, share of gain of joint ventures, other expenses, net, foreign exchange (loss)/gain, net, finance costs, net and amortization 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 subsidaries' 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 2016:

(a) the Issuer on a stand-alone basis had negative US$3.0 million of Adjusted EBITDA, an amount equal to negative 0.9% of the Group's consolidated Adjusted EBITDA, and the amount of its net assets was US$169.5 million, an amount equal to 17% of the Group's consolidated net assets;

(b) the Guarantors (excluding the Issuer) on a stand-alone basis but aggregated had US$298.1 million of Adjusted EBITDA, an amount equal to 86.1% of the Group's consolidated Adjusted EBITDA, and the amount of their net assets was US$655.9 million, an amount equal to 65.8% 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$51.3 million, an amount equal to 14.8% of consolidated Group Adjusted EBITDA, and the amount of their net assets was US$171.7 million, an amount equal to 17.2% 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 jointly and severally guaranteed by the Guarantors. For information on risks relating to the Guarantors, see "*Risk Factors—Risks relating to the Notes, the Guarantees and the Suretyships*".

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, Cortkivskyi district, Ternopil region, 48523, Ukraine
Agrocompany Arshitzia, LLC	100%	2-A, Tsentralna Str., village Maiachka, Novosanzharskyi district, Poltava region, 39362, Ukraine
Ahrofirma Khliborob, LLC	100%	village Nalyvaika, Golovanivskyi district, Kirovograd region, 26512, Ukraine
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
Chorna Kamianka, LLC	100%	1, Molodizhna Str., village Viktorivka, Mankivskyi district, Cherkasy region, 20144, 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, Khmelnytsk region, 31134, Ukraine
Estron Corporation Limited	100%	Annis Komninis, 29A, 1061, Nicosia, Cyprus
Etrecom Investments Limited	100%	Agiou Prokopiou, 13 Egkomi, 2406, Nicosia, Cyprus
Hovtva, ALLC	100%	96, Poltavska Str., urban village Reshetylivka, Reshetylivskyi district, Poltava region, 38400, Ukraine
Inerco Trade SA	100%	Rue Jules-Gachet 9, 1260 Nyon, Switzerland
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, ALLC	100%	village Petrivka, Krasnohradskyi district, Kharkiv region, 63340, Ukraine
Palmira, ALLC	100%	52/3 Obukhova Str., Zolotonosha, Cherkasy region, 19700, Ukraine
Poltavske HPP, PJSC	94.03%	24, Pavlenkivska Sq., Poltava, Poltava region, 36014, Ukraine
Poltavsky VOEP, PJSC	99.66%	17, Marshala Biriuzova Str., Poltava, Poltava region, 36007, Ukraine
Restomon Limited	100%	3159, Road Town, Tortola, British Virgin Islands
Trading Company "Russian Oils" LLC	100%	350000, Krasnodar, Red Army, Street No 36,

		Russia
Unigrain-Agro, LLC	100%	17, Tsentralna Str., village Bakumivka, Semenivskyi district, Poltava region, 38252, Ukraine
Vyshneve-Agro, ALLC	100%	village Vyshneve, Orzhytskyi district, Poltava region, 37712, Ukraine

Additional information for certain Guarantors

Additional information for Guarantors which, as at and for the year ended 30 June 2016 had more than 20% of the Group's Adjusted EBITDA or net assets is set out below.

Inerco

Inerco accounted for US$75.4 million, or 21.8%, of the Group's consolidated Adjusted EBITDA and negative US$93.9 million, or negative 9.4%, of the Group's consolidated net assets for the year ended and as at 30 June 2016, 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 *société anonyme* under Swiss law
Statutory auditors of the Guarantor	NB Fiduciary Services SA, with registered seat in Gland (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$79.8 million, or 23.0%, of the Group's consolidated Adjusted EBITDA and US$225.5 million, or 22.6%, of the Group's consolidated net assets for the year ended and as at 30 June 2016, 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 66 The company was incorporated in the form of a limited liability company under Ukrainian law
Statutory auditors of the Guarantor	Absent
Directors	Kostyantyn G. Lytvynskyi

	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 two shareholders: Kernel Holding S.A. and Asset Management Company "Progressive Investment Strategies", LLC, which own 90% and 10% 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 fertilizers), 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. 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 program and sustainable waste disposal program, and the implementation of actions aimed to ensure the sustainable development of the forestry and fishery sectors. In addition, the 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.

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 (if a food product requires specific storage conditions), details on the presence of any GMOs (if applicable), its nutritional and energy value and the sell-by date.

Sanitary Control and Supervision

The State Service on Safety of Food Products and Consumers Protection (the "**SSSFPCSP**") 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 SSSFPCSP officials monitor compliance with applicable sanitary standards for vegetable oil production, storage and transportation. SSSFPCSP officials are also able to inspect food production facilities and plant foods, including sunflower oil, for compliance with applicable sanitary standards and regulations. The SSSFPCSP 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 State Inspectorate for Agriculture of Ukraine 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.

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 "**SLSU**"). The SLSU 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 SLSU 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 SLSU is authorised to impose fines for violations of applicable labour regulations.

Pricing regulation

Under Ukrainian law, the local state authorities may regulate the prices of certain food products, including sunflower oil. In particular, producers of certain food products are obliged to obtain an approval from local state authorities before increasing the wholesale prices of certain food products, including sunflower oil, by more than 1% during any given month. Furthermore, the CMU has introduced a procedure for the formation of prices for food products which are subject to state regulation. This procedure provides a formula for the calculation of wholesale prices of the applicable food products and the profits from such sales and limits the profit margin charged on such products.

On 22 September 2016, the CMU introduced a pilot project for the temporary cancellation of state regulation of the prices for certain food products. In particular, the CMU procedure and other secondary laws on the state regulation of prices for certain food products will not apply during the period 1 October 2016 to 1 January 2017. The reported aim of the pilot project is to assess the effectiveness of state regulated prices for food products and to propose ways for improvement.

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 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 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 a person which acquired the ownership rights to a building with the statutory right to acquire the ownership of, or to lease the land plot underlying such building.

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 servitude; 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 purpose (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 purpose.

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 explicitly grant the right to own any land in Ukraine to Ukrainian companies with 100% foreign ownership. Although this is sometimes viewed as a technical flaw and such subsidiaries are generally treated in the same way as joint ventures, there is a risk that the ownership rights of such subsidiaries to land in Ukraine may be challenged. 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. 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 the Parliament of Ukraine, or from the relevant municipal council, with the approval of the CMU, respectively. Pursuant to the letter of the State Committee of Ukraine on Land Resources dated 1 October 2009, 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.

The Land Code contains a number of transitional provisions which postpone or limit the application of certain provisions of the Land Code (the "**Transitional Provisions**"). As a result, until the relevant legislation "On the Sale of Agricultural Land" becomes effective in Ukraine, but not earlier than 1 January 2017, a number of restrictions will apply to certain types of agricultural land as follows:

- Agricultural land owned by the state or municipalities may not be sold; and
- Change of designated purpose, sale or alienation of commodity or individual farming land plots/ land shares is prohibited.

Exceptions are available if the restricted activities outlined above are necessary for the public good.

As of the date of these Listing Particulars, the Transitional Provisions are set to expire on 1 January 2018, but the application of such provisions may be extended beyond the date of expiry.

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 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. If the lessee has used the land plot in good faith, it can apply to the court and demand acknowledgement of its lease rights, regardless of the fact that the lease agreement has not been registered.

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 upon all other conditions being equal, including paying the price equal to the highest bid if the lease right to the land plot is auctioned. 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.

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-emption right to acquire the land plot in the event that the lessor seeks to sell the leased property. 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 rented 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 is 3% of the normative appraised value of the 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 land lease agreement may be revised upon the mutual consent of the parties. Also, the lease agreements for state and municipal lands generally provide that the amount of lease payment 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 monetary 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 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 land outside of the city borders, foreign legal entities may only purchase it if such land has existing buildings sited on it.

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 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. The ownership of the land arises upon the execution of a land sale acquisition agreement and after 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 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.

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 ali*a, 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.

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 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 intended 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 taxpayers that fall within the "fourth group" of payers of the Single Tax , 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 not lower than minimum land rent established by the Tax Code (currently, the minimum land rent is 3% of the normative appraised value of the land). Land rent for land held in state or municipal ownership may not be higher than 12% of the normative appraised value unless 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 licensing 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 purpose for which the land is to be used. 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

Despite the fact that 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 (for example, extending the scope of liability for intellectual property rights infringement, expanding the "use of a trademark" concept, improving patenting procedures), the legal system in Ukraine generally 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$2,130,996.66 divided into 80,701,230 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 LTD (“**Namsen**”)	31,245,878	38.72%
Towarzystwo Funduszy Inwestycyjnych PZU Spółka Akcyjna	8,151,113	10.10%
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (dawniej ING PTE)	4,200,000	5.20%
Total	**43,596,991**	**54.02%**

Andriy Verevskyy owns 100% of the beneficial interest in Namsen, which in turn directly owns 38.72% of the ordinary shares of the Issuer. By virtue of the shareholding described above, Mr. Verevskyy 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 Andriy Verevskyy, companies under common control of Mr. Verevskyy and the Group’s key management personnel. Other than as described in these Listing Particulars, 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 20 of the Group's Condensed Interim Consolidated Financial Statements in respect of Q1 FY2017 and in Note 33 of the Group's Consolidated Financial Statements in respect of FY2016 and FY2015.

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 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
Andriy Verevskyy	1974	Executive Director
Viktoriia Lukianenko	1975	Executive Director, Chief Legal Officer
Anastasiia Usachova	1971	Executive Director, Chief Financial Officer
Kostiantyn Lytvynskyi	1972	Executive Director, Chief Operating Officer
Yuriy Kovalchuk	1981	Executive Director, Corporate Investment Director
Andrzej Danilczuk	1963	Non-Executive Director
Sergei Shibaev	1959	Non-Executive Director
Nathalie Bachich	1973	Non-Executive Director

Andriy Verevskyy

Andriy Verevskyy is an Executive Director of the Issuer. Mr. Verevskyy 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. Verevskyy oversees the strategic development and overall management of the Group. As at the date of these Listing Particulars, he indirectly owns 39.34% of the Issuer. Mr. Verevskyy 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.

Kostiantyn Lytvynskyi

Kostiantyn Lytvynskyi has served the Group since 2006 and is the Group's Chief Operating Officer. In his current position, Mr. Lytvynskyi is responsible for the export of grains and sunflower oil, raw material procurement, purchase of grains, sale of sugar and logistics. Mr. Lytvynskyi also oversees the Group's procurement, transport, storage, processing and marketing of sunflower seed and grain products on international markets. He develops and implements the Group's trading strategy. Prior to joining the Group in 2006, from

1998 until 2005, Mr. Lytvynskyi held various positions with a Ukrainian based grain trading company, United Grain Group, including as head of foreign trade. From 1994 until 1998, Mr. Lytvynskyi served as the head of the traffic and transit department for Transoil in Odesa, a company specialising in shipping. Mr. Lytvynskyi graduated from the Odesa Marine Engineering Institute as a sea transport engineer in 1994 and completed the Maritime Management Course at the College of Central London in the United Kingdom in 1998.

Yuriy Kovalchuk

Mr. 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.

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 is a Chartered Certified Accountant (FCCA), UK and has a post graduate degrees from the University of International Relations (MGIMO) in Russia and an MBA from Henley Management College in the United Kingdom.

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. Mrs. Bachich is British and a graduate of St Catherine's College, Oxford.

The business addresses for all of the members of the Board of Directors are as follows. The business address for Mr. Verevskyy, Mr. Litvinskiy, 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:

Ievgen Osypov

Mr. Osypov joined the Group in 2013. Mr. Osypov is responsible for general management of the Group`s farming division, including the extensive leasehold farmland cultivated each year. Mr. Osypov previously worked for Industrial Milk Company. With over fifteen years of experience in the farming business, Mr. Osypov's experience includes managing one of the largest farming businesses in Ukraine, where he was responsible for integrating acquired farms into their wider operations, and rolling out modern technology and operation controls.

Lesya Lytvynska

Lesya Litvynska has served the Group since 2008. Ms. Lytvynska is responsible for the handling of grain, oil bearing seeds and oil. Prior to joining the Group, Ms. Lytvynska worked for PII Serna, a Ukrainian based company specialising in the production and sale of agricultural produce as a logistics specialist. In 1993 Ms. Lytvynska graduated from the Kyiv University of Civil Aviation as an economist specialising in foreign economic activity management.

Yuriy Pugach

Mr. Pugach joined the Group in 2009. In his current position, Mr. Pugach is responsible for the management of the Group's oilseed crushing plants. He previously worked for Cargill. Mr. Pugach graduated from the Donetsk Polytechnic Institute in 1995 with a degree in ferrous metallurgy.

Nataliya Khvostova

Nataliya Khvostova has served the Group since 2001, including as an administrative adviser to Mr. Verevskyy, the human resources director and the head of human resources, administrative development and public relations of the Group. Ms. Khvostova oversees the organisational development, human resources and public relations of the Group. From 1997 until 2001 Ms. Khvostova worked as an administrative adviser for a Ukrainian based company "Ukrinterproduct". Ms. Khvostova graduated from the philology department of the Donetsk State University in 1997. Ms. Khvostova obtained the ISO 9001 International Auditor Certificate for quality management systems following completion of the human resource management programme organised by the Kyiv Mohyla Business School in 2005. Ms. Khvostova completed the corporate management programme organised by the United Kingdom Open University in 2008.

Andrei Peshyi

Andrei Peshyi 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 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 program from a Canadian university (New Brunswick). In 1998, he graduated from the Kyiv International University of Civil Aviation.

Oleg Tkachenko

Mr. 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 internal and information security within the Group.

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 rules:

Rule I. – The Issuer does not enable online broadcasts of general meetings over the internet, record general meetings and publish the recordings on the Issuer's website;

Rule IV.10 – The Issuer does not enable its shareholders to participate in a general meeting using electronic communication.

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.

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, three 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 judgment. 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$496 thousand in FY2016, US$382 thousand in FY2015 and US$250 thousand in FY2014.

The Issuer's executive management compensation policy and programs 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, Andriy Verevskyy, 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 FY2016, FY2015 and FY2014 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 2016, a total of 7,407,820 options were issued, of which 4,057,820 were vested. 657,820 options (all vested) have a strike price of PLN 24.00, 3,000,000 options (all vested) have a strike price of PLN 75.00, and 3,750,000 options (of which 400,000 are vested) have a strike price of PLN 29.61. The weighted average remaining contractual life was 12 years. 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.

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$500,000,000 8.75 per cent. Guaranteed Notes due 2022 (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 16 January 2017. The Notes will be constituted by the Multiparty Trust Deed (as defined below). Each of the Guarantors organised outside Ukraine (the "**Non-Ukrainian Guarantors**") will, pursuant to the guarantee contained in the multiparty trust deed dated 31 January 2017 (the "**Issue Date**") entered into between the Issuer, the Guarantors named therein and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include all Persons (as defined in Condition 19 (*Definitions*)) (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 or by the Guarantors under the Suretyship Deeds (as defined below), the Trust Deeds, or the Notes. 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 "**Individual Trust Deed**" and, together, the "**Individual Trust Deeds**", and together with the Multiparty Trust Deed, the "**Trust Deeds**", and each, a "**Trust Deed**", and including any accessions, amendments or supplements thereto).

The Ukrainian Guarantors will unconditionally and irrevocably, jointly and severally with every other Guarantor, to the maximum extent permitted by law, agree to ensure the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds or by the Guarantors under the Suretyship Deeds, the Trust Deeds or the Notes (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 "**Individual Suretyship Deed**" and, together, the "**Individual Suretyship Deeds**" and together with the Multiparty Suretyship Deed, the "**Suretyship Deeds**", and each, a "**Suretyship Deed**", and including any accessions, amendments or supplements thereto). The Suretyships will constitute suretyships (in Ukrainian: *poruka*) for the purposes of Ukrainian law and 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 and the Guarantors named therein have also entered into a paying and transfer agency agreement with the Trustee, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as principal paying and transfer agent (the "**Principal Paying and Transfer Agent**", which expression includes any successor principal paying and transfer agent appointed from time to time in connection with the Notes), and as U.S. paying and transfer agent (the "**U.S. Paying and Transfer Agent**" and, together with the Principal Paying and Transfer Agent, the "**Paying and Transfer Agents**", which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes) dated the Issue Date (the "**Multiparty Agency Agreement**"). Each of the Ukrainian Guarantors will either be a party to the Multiparty Agency Agreement or will separately enter into an agency agreement with the Trustee, the Registrar, the Paying and Transfer Agents, each dated the Issue Date (each, an "**Individual Agency Agreement**", and together the "**Individual Agency Agreements**", and the Individual Agency

Agreements together with the Multiparty Agency Agreement, the "**Agency Agreements**", and each, an "**Agency Agreement**", and including any accessions, amendments or supplements thereto).

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.

The Initial Guarantors, on a consolidated basis, collectively generated approximately 99.6 per cent. of the Issuer's consolidated revenue and approximately 85.2 per cent. of the Issuer's consolidated EBITDA (as defined in these Conditions) for the financial year ended 30 June 2016, and collectively held, on a consolidated basis, 85.9 per cent. of the Issuer's consolidated total assets as of 30 June 2016.

References herein to "**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.

References herein to the "**Agents**" are to the Registrar and the Paying and Transfer Agents 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 Agreements 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 Agreements 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.

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 note 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 Depositary, and registered in the name of The Bank of New York Depository (Nominees) Limited as nominee of the common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**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 any 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, a Transfer Agent will only deliver Individual Certificates with respect to Rule 144A Notes that bear the Rule 144A Legend if there is delivered to such 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 a Transfer Agent receives a written certificate that 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 any 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 relevant 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 any Paying and Transfer Agent but against such indemnity as the Registrar or (as the case may be) such 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 any 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 or by the Guarantors under the Suretyship Deeds, the Trust Deeds or the Notes. 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 maximum extent permitted by 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 or by the Guarantors under the Suretyship Deeds, the Trust Deeds or the Notes. The Suretyships constitute suretyships (in Ukrainian: *poruka*) for the purposes of Ukrainian law.

The obligations of the Ukrainian Guarantors under the Suretyship Deeds create a secondary liability of such Guarantors in relation to the underlying obligations of the Notes and the Non-Ukrainian Guarantors 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 or by the Guarantors under the Suretyship Deeds, the Trust Deeds or the Notes.

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 an individual suretyship deed in or substantially in the form of the Individual 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 or by the Guarantors under the Suretyship Deeds, the Trust Deeds or the Notes. Additional Guarantors that are organised inside Ukraine will also execute and deliver either a deed of accession to the Multiparty Trust Deed or an individual trust deed in or substantially in the form of the Individual 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) and (ii) is not required to be a Guarantor to satisfy the requirements of 3.10(b), 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 in compliance with the terms of Condition 3.12 (*Designation of Restricted and Unrestricted Subsidiaries*); 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 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 Guarantees of the Non-Ukrainian Guarantors constitute direct, unsecured, unsubordinated and unconditional obligations of the Non-Ukrainian Guarantors in relation to the Guarantee and the Ukrainian Guarantors in relation to the Suretyships, and shall at all times rank *pari* *passu* and without any preference among themselves and with all outstanding unsecured and unsubordinated obligations of the Guarantors, as the case may be, present and future.

The Suretyships of the Ukrainian Guarantors constitute direct, unsecured, unsubordinated and unconditional obligations of the Ukrainian Guarantors in relation to the Suretyship and the Non-Ukrainian Guarantors in relation to the Guarantee and shall at all times rank pari passu and without any preference among themselves, with all outstanding unsecured and unsubordinated obligations of the Guarantors, as the case may be, 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 Issuer and its Restricted Subsidiaries will be entitled to Incur any or all of the following Indebtedness:

(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 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) or (xii) 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* such Indebtedness, Disqualified Stock or Preferred Stock are not incurred or issued in connection with such acquisition, merger, consolidation, amalgamation or other combination, and, 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 or (B) VAT Facilities, in each case incurred in order to finance the acquisition, processing and/or distribution and sale of grain and sunflower seeds, and the distribution and sale of sunflower oil 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 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 Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (xii), not exceeding US$25.0 million at any time outstanding; and

(xiii) 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 (xiii), not to exceed US$50.0 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); and

(iii) the aggregate amount of such Restricted Payment and all other Restricted Payments since the Issue Date 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 the beginning of the first financial quarter during which the Issue Date falls 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 the Issue Date (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 the Issue Date that has been converted into or exchanged for such Capital Stock (other than Disqualified Stock); plus

(C) an amount equal to the aggregate net reduction in Restricted Investments (other than any such Investments made pursuant to paragraphs (i) to (ix) of the next succeeding paragraph) by the Issuer or any Restricted Subsidiary and resulting from the repurchase, repayment or redemption of such Restricted Investments for cash, or from cash proceeds realised on the sale of all or part of such Investment or representing a return of capital (excluding dividends) with respect thereto; *provided*, *however*, that the foregoing net reduction shall not exceed the amount (in respect of any Person) of the Restricted Investment previously made (and treated as a Restricted Payment) by the Issuer or any Restricted Subsidiary of such Person; plus

(D) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is redesignated as a Restricted Subsidiary after the Issue Date, the lesser of (i) the Fair Market Value of the Issuer's Investment in such Subsidiary as of the date of such redesignation or (ii) the sum of (A) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Issue Date and (B) the amount of any subsequent Investment by the Issuer and its Restricted Subsidiaries in such Unrestricted Subsidiary made (and treated as a Restricted Payment) after the Issue Date and the original date of designation.

(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);

(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; or

(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$10.0 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$20.0 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 of 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 60 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-l 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 (except to the extent such Indebtedness was incurred in connection with or in contemplation 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); *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 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);

(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, respectively, in each case determined on a consolidated basis in accordance with IFRS 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) on the Issue Date, 85.0 per cent. of consolidated EBITDA of the Issuer for such fiscal year and (ii) after the Issue Date, 80.0 per cent. of consolidated EBITDA for such fiscal year of the Issuer; 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) on the Issue Date, 85.0 per cent. of the consolidated total assets of the Issuer as of such date and (ii) after the Issue Date, 80.0 per cent. of the consolidated total assets of the Issuer 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 an individual suretyship deed in or substantially in the form of the Individual 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 an individual trust deed in or substantially in the form of the Individual 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 the Irish Stock Exchange, 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 the Irish Stock Exchange, 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) 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) (including opinions of such Auditors with accompanying notes and annexes).

(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 the Irish Stock Exchange (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 the Irish Stock Exchange.

(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. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Condition 3.3 (*Limitation on Restricted Payments*) or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. 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 (i) a certified copy of the Board Resolution giving effect to such designation and (ii) an Officers' Certificate certifying that such designation complies with the requirements set out in paragraph (a) above and is permitted by Condition 3.3 (*Limitation on Restricted Payments*), and on which the Trustee may rely absolutely and without liability or further enquiry. If, at any time, any Unrestricted Subsidiary fails to meet the requirements set out in paragraph (a) above, it will thereafter cease to be an Unrestricted Subsidiary for purposes of these Conditions and the Trust Deeds, and any Indebtedness of such Subsidiary will be deemed to be Incurred by a Restricted Subsidiary as of such date, and if such Indebtedness is not permitted to be Incurred as of such date under Condition 3.2 (*Limitation on Incurrence of Indebtedness*), the Issuer will be in default of such Condition.

(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 8.75 per cent. per annum, payable semi-annually in arrear on 31 January and 31 July in each year (each an "**Interest Payment Date**") beginning on 31 July 2017. 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) 31 January 2017 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 31 January 2022.

(b) Other than as specified below, the Notes are not optionally redeemable prior to 31 January 2022.

5.2 Optional Redemption

[*Reserved*]

5.3 Optional Redemption in the event of an Equity Offering

(a) At any time prior to the Maturity Date, 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 108.75 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 (determined in accordance with 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 and Additional Amounts, 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 following events (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 (subject to the right of holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date):

(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 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 the right of holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date);

(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 Certificates(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 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.

5.6 Redemption at the option of the Issuer:

The Notes may be redeemed 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 to (but excluding) such date).

5.7 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*).

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 any 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 or the U.S. Paying 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 a 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 Principal Paying and Transfer Agent, (ii) a Registrar and (iii) Paying and Transfer Agents having specified offices in at least two major European cities approved by the Trustee. In addition, the Issuer and the Guarantors shall forthwith appoint a Paying and Transfer Agent in New York City and shall after such circumstances arise maintain such a 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 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 have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying and Transfer Agent in a member state of the European Union; or

(d) 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 any Relevant Jurisdiction implementing FATCA, or any agreement between the Issuer 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 through 8.13 (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, premium (to the extent premium, if any, is required to be paid under these Conditions) or interest on any of the Notes when due and, in the case of interest, 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$30.0 million or its equivalent in any other currency or currencies (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 this paragraph operates); or

8.4 Enforcement Proceedings

A distress, attachment, execution or other legal process is levied, enforced or sued out on or against any the 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$30.0 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 encumbrance takes possession of or sells 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$30.0 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$30.0 million or its equivalent in any other currency or currencies (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 this paragraph operates) 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 60 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, the British Virgin Islands, Cyprus, the Russian Federation or Switzerland; or

(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, the Principal Paying and Transfer Agent or the U.S. 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*)), (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 Noteholder.

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 (iii) 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, 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 such 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 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 other 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. Application will be made for such Additional Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange.

16. Notices

Notices to the Noteholders 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 will (so long as the Notes are admitted to trading on the Global Exchange Market of the Irish Stock Exchange) be published on the website of the Irish Stock Exchange. 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 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

Save for Condition 3.11(a) (*Reports*), 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.

18.2 Arbitration

Any dispute arising out of or in connection with the Trust Deeds, the Notes, the Suretyship Deeds or the Guarantees shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules. The arbitral tribunal shall consist of three arbitrators. The seat of arbitration shall be London, England and the language of the arbitration shall be English.

19. Definitions

In these Conditions, the following terms have the meanings given to them in this Condition 19.

"**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;

(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 an individual suretyship deed in or substantially in the form of the Individual 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*).

"**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**” and “**Agency Agreements**” have the meanings given to them in the introduction to these Conditions.

“**Agent(s)**” has the meaning given to it in the introduction to these Conditions.

“**Agropolis**” means Agropolis, LLC.

“**Arshitzia**” means Agrocompany Arshitzia, LLC.

“**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$1.0 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.

"**Bandursky**" means Bandursky VOEP LLC.

"**Black Sea Industries**" means Black Sea Industries Ukraina Limited, LLC.

"**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, (a) the amount of the liability in respect of a capital or finance lease that would be required to be capitalised on a balance sheet in accordance with IFRS, and (b) the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty; provided, however, that any liability in respect of a lease, concession or license of property (or guarantee thereof) which would have been considered an operating lease under IFRS as in effect on the Issue Date will not be treated as Capitalised Lease Obligations for purposes of the definition of "*Indebtedness*" and for calculation of the Fixed Charge Coverage Ratio, unless the Issuer has otherwise made an irrevocable election by written notice to the Trustee to re-designate operating leases in accordance with IFRS 16 for purposes of the definition of "*Indebtedness*" and for calculating the Fixed Charge Coverage Ratio.

"**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-l/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).

"**Change of Control Offer**" has the meaning given to it in Condition 5.4(b).

"**Chorna Kamianka**" means Chorna Kamianka, LLC."**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.

"**DTC**" has the meaning given to it in Condition 1.1 (*Form and denomination*).

"**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.

"**Druzhba-Nova**" means Druzhba-Nova, ALLC.

"**EBITDA**" means, for any period,

(i) 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

(iii) 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).

"**Enselco**" means Enselco Agro, LLC.

"**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.

"**Estron**" means Estron Corporation Limited.

"**Etrecom**" means Etrecom Investments Limited.

"**Euroclear**" has the meaning given to it in Condition 1.1 (*Form and denomination*).

"**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 as if any lease that would have been treated as an operating lease under IFRS as in effect on the Issue Date, is treated as an operating lease for purposes of this calculation unless an irrevocable election has been made by the Issuer by written notice to the Trustee to re-designate operating leases in accordance with IFRS 16 for the purposes of calculating the Fixed Charge Coverage Ratio;

(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); and

(8) Interest on an obligation treated as a Capitalised 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 implicit in such Capitalised Lease Obligation in accordance with IFRS.

"**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 Capitalised Lease Obligations that would not have been treated as Capitalised Lease Obligations on the Issue Date will not be taken into account unless an irrevocable election has been made by the Issuer by written notice to the Trustee to re-designate operating leases in accordance with IFRS 16 for the purposes of calculating the Fixed Charge Coverage Ratio.

"**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*).

"**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.

"**Guarantee**" and "**Guarantees**" have the meanings given to them in the introduction to these Conditions.

"**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*).

"**Hovtva**" means Hovtva, ALLC

"**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.

"**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 "**Incurring**" 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 the 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 installment 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 Agency Agreement**" and "**Individual Agency Agreements**" have the meanings given to them in the introduction to these Conditions.

"**Individual Certificate**" has the meaning given to it in Condition 1.1 (*Form and denomination*).

"**Individual Trust Deed**" and "**Individual Trust Deeds**" have the meanings given to them in the introduction to these Conditions.

"**Inerco**" means Inerco Trade SA.

"**Initial Guarantors**" means Agropolis, Arshitzia, Bandursky, Black Sea Industries, Chorna Kamianka, Druzhba-Nova, Enselco, Estron, Etrecom, Hovtva, Inerco, Kernel-Capital, Kernel-Trade, Khliborob, Kononivskiy, Mriia, Palmira, Poltavske HPP, Poltavsky, Restomon, Russian Oils, Unigrain-Agro and Vyshneve-Agro.

"**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. 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.

"**Kernel-Capital**" means Kernel-Capital, LLC.

"**Kernel-Trade**" means Kernel-Trade, LLC.

"**Khliborob**" means Ahrofirma Khliborob, LLC.

"**Kononivskiy**" means "Kononivskiy Elevator", LLC.

"**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, the excess of (a) the present value of the Notes at 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, 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.

"**Mriia**" means Mriia, ALLC.

"**Multiparty Agency Agreement**" 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 Cash Proceeds**", with respect to any issuance or sale of Capital Stock or Indebtedness, means the cash proceeds of such issuance or sale net of legal fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**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-Guarantor Subsidiary**" means a Subsidiary that is not a Guarantor.

"**Non-Ukrainian Guarantors**" means Inerco, Restomon, Estron, Etrecom and Russian Oils 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.

"**Officer**" means, with respect to a Person, the chairman of the Board of Directors, the general director, the chief executive officer, the chairman of the management board, the president, the chief financial officer, the controller, the treasurer or the general counsel of such Person.

"**Officers' Certificate**" means a certificate signed by such number of managing directors who are authorised to represent the Issuer.

"**Opinion of Counsel**" means a written opinion from legal counsel of international standing who is acceptable to the Trustee.

"**Palmira**" means Palmira, ALLC.

"**Paying and Transfer Agents**" has the meaning given to it in the introduction to these Conditions.

"**Permitted Business**" means (i) a business in the agro-industrial sector, including without limitation, the sourcing, processing and sale of agricultural raw materials or products 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 Andreiy Verevskyy and any Related Party.

"**Permitted Investments**" means:

(a) any Investment in the Issuer or in a Restricted Subsidiary;

(b) any Investment in Cash Equivalents and VAT Instruments;

(c) 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;

(d) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to, and in compliance, with Condition 3.5 (*Asset Sales*);

(e) any acquisition of assets or Capital Stock solely in exchange for the issuance of Capital Stock (other than Disqualified Stock) of the Issuer;

(f) 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;

(g) Investments represented by Hedging Obligations;

(h) 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;

(i) 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;

(j) repurchases or redemptions of the Notes;

(k) 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;

(l) 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;

(m) guarantees permitted to be Incurred by Condition 3.2 (*Limitation on Incurrence of Indebtedness*);

(n) 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;

(o) 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);

(p) 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, 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 (p) 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 consolidated total assets as calculated by reference to the then latest consolidated accounts of the Group prepared in accordance with the Accounting Standards; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to Condition 3.3 (*Limitation on Restricted Payments*), such Investment shall thereafter be deemed to have been made pursuant to clause (a) or (c) of the definition of "Permitted Investments" and not this clause; and

(q) 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, 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$5.0 million per individual supplier outstanding at any time and (2) is repaid by such third party within 9 months; taken together with all other Investments made pursuant to this clause (q) 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 consolidated total assets as calculated by reference to the then latest consolidated accounts of the Group prepared in accordance with the Accounting Standards.

"**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 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;

(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));

(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 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

(y) any other Liens where the aggregate value of the assets subject to such Liens incurred pursuant to this paragraph (y) does not exceed 15 per cent. of consolidated 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 (y) does not include any Lien created in accordance with paragraphs (a) to (x) above).

"**Person**" means any individual, corporation, partnership, joint venture, trust, unincorporated organisation or government or any Agency or political subdivision thereof.

"**Poltavske HPP**" means Poltavske HPP, PJSC.

"**Poltavsky**" means Poltavsky VOEP, PJSC.

"**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; 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 Individual Certificates**" has the meaning given to it in Condition 1.1 (*Form and denomination*).

"**Regulation S**" means Regulation S under the Securities Act.

"**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 Andriy Verevskyy or any trust, corporation, partnership or other entity, the only beneficiaries, stockholders, partners or owners of which consist of Andriy Verevskyy, his spouse, and/or immediate family members of Andriy Verevskyy.

"**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.

"**Restomon**" means Restomon Limited.

"**Restricted Investment**" means an investment other than a Permitted Investment.

"**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);

(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); or

(d) the making of any Investment (other than a Permitted Investment) in any Person.

"**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.

"**Russian Oils"** means Trading Company "Russian Oils" LLC.

"**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.

"**Successor Company**" has the meaning given to it in Condition 3.7(a)(i).

"**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*).

"**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 (519) 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 is given, the Treasury Rate shall be obtained 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 are given, 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.

"**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, Arshitzia, Bandursky, Black Sea Industries, Chorna Kamianka, Druzhba-Nova, Enselco, Hovtva, Kernel-Trade, Kernel-Capital, Khliborob, Kononivskiy, Mriia, Palmira, Poltavske HPP, Poltavsky, Unigrain-Agro, Vyshneve-Agro 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); 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.

"**U.S. Paying and Transfer Agent**" has the meaning given to it in the introduction to these Conditions.

"**Unigrain-Agro**" means Unigrain-Agro, LLC.

"**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.

"**Vyshneve-Agro**" means Vyshneve-Agro, ALLC.

"**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 a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. 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 acquisition of 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 Deed. 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 Deed, 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 Agreements 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 Terms and Conditions of the Notes 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 depositary 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 this 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 depositary 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, either 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 "*Exchange for Definitive Notes*", 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 a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

The Rule 144A Global Note Certificate will have a CUSIP number 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 by whom such Note is held, 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 ("**SDFS**") 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 pm, 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), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 pm, 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 being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, 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.

Cancellation

Cancellation of any Note by the Issuer following its redemption or purchase by the Issuer, the Guarantors or any of their respective subsidiaries will be effected by a reduction in the principal amount of the Notes in the Register.

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 without presentation or 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 traded on the Global Exchange Market and are represented by the Global Note Certificate and the Global Note Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any alternative clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg, or such alternative clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions .

Enforcement

For the purposes of enforcement of the provisions of the Trust Deeds against the Trustee, the persons named in a certificate of the holder of the Notes in respect of which the Global Note Certificates are issued shall be recognised as the beneficiaries of the trust set out in the Trust Deeds, to the extent of the principal amount of their interest in the Notes set out in the certificate of the holder, as if they were themselves the holders of Notes in such principal amounts.

Prescription

Claims in respect of principal, premium and interest on the Notes while the Notes are represented by the Global Note Certificates 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, 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, the Guarantees and the Suretyships 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, the Guarantees and the Suretyships are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement provides that the Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes, the Guarantees and the Suretyships 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, the Guarantees and the Suretyships, an offer or sale of Notes, the Guarantees and the Suretyships 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.

(2) 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.

(3) 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.

(4) The Issuer, the Registrar, the Joint Lead Managers 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.

(5) 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, the Guarantees and the Suretyships have not been and will not be registered under the Securities Act, and such Notes, the Guarantees and the Suretyships 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, the Guarantees and the Suretyships are purchased will be, the beneficial owner of such Notes, the Guarantees and the Suretyships and (i) it is purchasing the Notes, the Guarantees and the Suretyships 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.

(4) The Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

SUBSCRIPTION AND SALE

The Joint Lead Managers expect, 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 (the "**Subscription Agreement**"), severally and not jointly, to agree with the Issuer and the Guarantors, subject to the satisfaction of certain conditions, to subscribe for the Notes.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to purchase and accept delivery of the Notes offered hereby are subject to the approval by the Issuer, the Guarantors, and their counsel of certain legal matters and to certain other conditions. The Issuer will pay the Joint Lead Managers a customary fee and will reimburse the Joint Lead Managers for certain expenses related to the Offering.

The Issuer and the Guarantors have agreed, jointly and severally, to indemnify the Joint Lead Managers 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.

The Issuer and the Guarantors have agreed that, subject to certain exceptions, they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities issued or guaranteed by the Issuer or any Guarantor and having maturity of more than one year from the date of issue, without the prior written consent of the Joint Lead Managers for a period of 90 days after the date of these Listing Particulars. The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, pledge, contract to sell, pledge or otherwise dispose of directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Rule 144A under the Securities Act or Regulation S under the Securities Act to cease to be applicable to the offer and sale of the Notes.

Selling Restrictions

United States

The Notes, the Guarantees and the Suretyships 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.

The Subscription Agreement provides that the Joint Lead Managers may offer and sell the Notes within the United States to QIBs in reliance on Rule 144A under the Securities Act. Any offers and sales by the Joint Lead Managers in the United States will be conducted by broker-dealers registered as such under the Exchange Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has severally and not jointly 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 Financial Services and Markets Act 2000 ("**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 has severally and not jointly 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 the Ukraine.

Hong Kong

Each Joint Lead Manager has severally and not jointly represented, warranted and agreed that the Notes may not be offered or sold by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or do not constitute an offer to the public within the meaning of that Ordinance, and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in 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 Securities and Futures Ordinance and any rules made thereunder.

Republic of Italy

The Offering has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of these Listing Particulars or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended ("**Regulation No. 16190**"), which shall apply as provided by Article 34-*ter*, first paragraph letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "**Issuer Regulation**"), implementing Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Italian Financial Act**"); and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and Article 34-ter, first paragraph of the Issuer Regulation and/or any other implementing CONSOB regulations.

Each Joint Lead Manager has severally and not jointly represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or any other document relating to the Notes in the Republic of Italy according to the provisions above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Act, Legislative Decree No. 385 of September 1, 1993, Regulation No. 16190 (in each case, as amended from time to time) and any other applicable laws and regulations; and

(b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or any other relevant Italian authorities.

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 has severally and not jointly represented, warranted and agreed that these Listing Particulars have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, these Listing Particulars and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "***SFA***"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) 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 (b) 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 (as defined in Section 239(1) of the SFA) 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 SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA, (2) where no consideration is or will be given for the transfer, (3) where the transfer is by operation of law, or (4) as specified in Section 276(7) of the SFA.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither these Listing Particulars nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither these Listing Particulars nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

General

No action has been or will be taken in any jurisdiction by any Joint Lead Manager, 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-sales of the Notes. See "*Selling and Transfer Restrictions*".

Other Relationships

The Joint Lead Managers 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. In addition, ING Bank N.V., an affiliate of one of the Joint Lead Managers, at the date of these Listing Particulars, is a shareholder of the Issuer and also a lender to the Group. See "*Description of Material Indebtedness*" and "*Shareholders and Related Party Transactions*".

The Joint Lead Managers and their respective affiliates expect to provide such services in the future.

TAXATION

The following summary of certain British Virgin Island, Luxembourg, Cyprus, Swiss, Russian, Ukraine, United Kingdom 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*) generally. Corporate Noteholders 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 as well as the solidarity surcharge apply to most corporate taxpayers 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 taxpayer 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**") a 10% withholding tax is levied on interest payments (or similar income) made by Luxembourg paying agents to or for the benefit of Luxembourg individual residents. 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 European Economic Area 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

Taxation of Luxembourg residents

Noteholders who are residents of Luxembourg, or non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, must, for income tax purposes, include any interest paid or accrued in their taxable income. Specific exemptions may be available for certain tax payers benefiting from a particular status.

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 withholding tax has been levied by the Luxembourg paying agent on such payments or, in case of a non-resident paying agent, if such individual Noteholder has opted for the 20% levy, 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 on the sale or disposal, in any form whatsoever, of Notes, are not subject to Luxembourg income tax provided this sale or disposal took place six months after the acquisition of the 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.

Luxembourg resident individual Noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to 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. The same tax treatment applies to non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable.

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 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 or exchange 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.

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, (i11) 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 law of 23 July 2016.

However, (i) a Luxembourg resident securitization company governed by the amended law of 22 March 2004 on securitization, (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 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") charge according to the amended law of 16 October 1934 on net wealth tax.

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 total gross assets 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 gross assets.

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.

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 based on present law of certain material U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the original Offering at the original issue price, hold Notes as capital assets and use the U.S. dollar as their functional currency. The discussion is a general summary only; it is not a substitute for tax advice. This summary is not a complete description of all U.S. federal tax considerations relating to the purchase, ownership and disposition of Notes and does not address all of the U.S. federal income tax considerations that may be relevant in light of a U.S. Holder's particular circumstances. This summary does not address the tax treatment of U.S. Holders subject to special rules, such as banks and certain other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, securities traders that elect to mark-to-market, certain U.S. expatriates, individual retirement accounts and other tax-deferred accounts, tax-exempt entities, or investors that will hold Notes as part of a straddle, hedging, conversion or other integrated financial transaction. It also does not address the tax treatment of U.S. Holders that will hold Notes in connection with a permanent establishment or fixed base outside of the United States. This summary does not address U.S. federal taxes other than the income tax (such as estate or gift taxes or alternative minimum tax), state, local, non-U.S. or other tax laws or matters. The Notes are debt in form and the following discussion assumes that the Notes will be characterised as indebtedness for U.S. federal income tax purposes.

For purposes of this discussion, a "**U.S. Holder**" is a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that acquires, holds and disposes of Notes will depend on the status of the partner and the activities of the partnership. Partnerships are urged to consult their own tax advisers regarding the specific tax consequences to their partners of purchasing, owning and disposing of Notes.

Interest

Interest on the Notes will be includible in the income of a U.S. Holder as ordinary income from sources outside the United States according to such U.S. Holder's regular method of accounting for tax purposes. For purposes of the U.S. foreign tax credit, interest generally will be considered passive category income.

A U.S. Holder of a Note issued with original issue discount ("**OID**") must accrue the OID into income on a constant yield to maturity basis whether or not such holder receives cash payments. Generally, the Notes will have been issued with OID to the extent that their stated redemption price at maturity exceeds their issue price. However, Notes generally will not have OID if the excess is less than ¼ of 1% of the Notes' stated redemption price at maturity multiplied by the number of complete years to maturity ("**de minimis OID**"). The issue price of the Notes is the initial price at which a substantial amount of the Notes are first sold (excluding sales to underwriters, placement agents, brokers or similar persons). The stated redemption price at maturity is the total of all payments due on a Note other than payments of qualified stated interest. In general, qualified stated interest is interest that is unconditionally payable at least annually at a single fixed rate or, subject to certain conditions, one or more qualified floating rates. The applicable "make whole" premium or redemption premium, if any, due on an optional redemption of the Notes, in whole or in part, is not treated as part of the stated redemption price for this purpose because under applicable OID rules, an issuer option that would increase a debt instrument's yield to maturity are presumed not to be exercised. OID, if any, will be ordinary income from sources outside of the United States.

A U.S. Holder generally must include in income the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such holder held that Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for a debt instrument issued with OID may be of any length and may vary in length over the term of the debt instrument, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period.

The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the excess, if any, of: (i) the product of the Note's "adjusted issue price" at the beginning of the accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over (ii) the aggregate of all qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, and reduced by any payments previously made on the note other than a payment of qualified stated interest. Under these rules, a U.S. Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all yield on a Note (including de minimis OID) using a constant yield method. The constant yield election generally will apply only to the Note with respect to which it is made, and it may not be revoked without the consent of the IRS.

Interest and OID received by certain individuals, estates and trusts will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Disposition

A U.S. Holder generally will recognise gain or loss on a sale, redemption or other disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realised (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) 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 the amount paid for the Note reduced by any payments other than stated interest.

Gain or loss on disposition of a Note will generally be U.S. source capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. A non-corporate U.S. Holder's long-term capital gain may be taxed at lower rates. Deductions for capital losses are subject to limitations.

Capital gain or loss received by certain individuals, estates and trusts will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Substitution of the Issuer

The terms of the Notes provide that the Trustee may substitute a successor for the Issuer if the substitution is not materially prejudicial to the interests of the Noteholders. If a successor is substituted for the Issuer, the substitution may, depending on the circumstances, be treated as an exchange of the Notes for deemed new notes of the successor. In such an event, unless a nonrecognition provision applies, a U.S. Holder generally will recognize any gain or loss realised in the deemed exchange in an amount equal to the difference, if any, between (i) the issue price of the new notes (as determined for U.S. federal income tax purposes)) and (ii) the U.S. Holder's adjusted tax basis in the Notes. If the new notes received in the deemed exchange are issued with more than de minimis OID, the U.S. Holder must include OID in income on a constant yield to maturity basis, without regard to the timing of receipt of cash payments. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax consequences to them if a successor is substituted for the Issuer.

Reporting and backup withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess.

Certain non-corporate U.S. Holders are required to report information with respect to their investment in Notes not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

Taxation on Noteholders relating to the Guarantees or Suretyships

The following is a summary of British Virgin Islands, Cypriot, Russian, Swiss and Ukrainian taxation considerations relevant to payments by the Issuer under the Notes and payments by the Guarantors on the Guarantees or Suretyships, as applicable, to Noteholders not tax-resident in the jurisdiction of the Guarantor.

British Virgin Islands

No deduction or withholding on account of tax is required to be made under the laws of the British Virgin Islands from any payment that may be required to be made by the Issuer under the Notes or from any payment by Restomon under the Guarantees to Noteholders not tax resident in the British Virgin Islands.

Cyprus

No deduction or withholding on account of tax is required to be made under the laws of the Republic of Cyprus from any payment that may be required to be made by the Issuer under the Notes or from any payment by Etrecom or Estron under the Guarantees to Noteholders not tax resident in Cyprus.

Russia

Russian tax residency

No Noteholders will be deemed to be resident, domiciled, carrying on business or subject to taxation in the Russian Federation by reason only of the holding of the Notes, or the execution, performance and/or enforcement of the Notes and/or the Guarantees.

Withholding tax

Withholding tax on principal amount

No deduction or withholding on account of tax is required to be made by the Russian Guarantor under the laws of the Russian Federation from any principal amount paid by the Russian Guarantor under the Guarantees to corporate and individual Non-Russian tax resident Noteholders.

Withholding tax on interest

No deduction or withholding on account of tax is required to be made under the laws of the Russian Federation from any interest amount paid by the Russian Guarantor under the Guarantees to corporate Non-Russian tax resident Noteholders if both of the following conditions are met:

- the Notes are admitted to trading on the one or several stock exchanges from the list approved by the Russian Federal Financial Markets Service, which includes the Irish Stock Exchange Limited, and
- on the date of payment of any interest amount there is an international treaty on the issues of taxation (double tax treaty) between Russia and the jurisdiction of tax residence of (a) the Issuer of the Notes, (b) the foreign organisation authorised to receive interest income payable on the Notes, (c) the foreign organisation, to which rights and obligations on the Notes have been assigned which can be confirmed by a tax residency certificate of such organisation.

The Trustee is incorporated under the laws of the United Kingdom, therefore, the Russian Guarantor should not be required to deduct Russian withholding tax from any interest amount made to the Trustee acting on behalf of the Noteholders, provided the Russian Guarantor have received from the Trustee a tax residency certificate and the Trustee is deemed to be a foreign organisation authorised to receive interest income payable on the Notes for Russian taxation purposes.

There is a risk that the Trustee could not be viewed as a foreign organisation authorised to receive interest income payable on the Notes for Russian taxation purposes. In this case, one can argue that the Non-Russian tax resident Noteholder–Legal Entity can be viewed as a foreign organisation authorised to receive interest income payable on the Notes In this respect if the Non-Russian tax resident Noteholder–Legal Entity provides the Russian Guarantor with the tax residency certificate confirming that it resides in the jurisdiction having a double tax treaty with Russia, the above exemption could be applicable with the regard to any interest amount payable to such Noteholder.

In case the above exemption is not applicable with the regard to any interest amount paid by the Russian Guarantor under the Guarantees there is a risk that respective payments may be subject to Russian withholding tax unless the Russian withholding tax is reduced or eliminated based on the applicable double tax treaty.

Pursuant to the Russian Tax Code the double tax treaty benefits could be applied only by a Non-Russian tax resident Noteholder who has the actual right to receive any interest amount paid by the Russian Guarantor under the Guarantees (i.e., who qualifies as a “beneficial owner of income”). A Non-Russian tax resident Noteholder claiming double tax treaty benefits which has the actual right to receive income should provide the Russian Guarantor acting as a tax agent that pay Russian source income with a tax residency certificate before the date of the income payment. The Russian Guarantor is obliged to request from a Non-Russian tax resident Noteholder a confirmation that it has an actual right to receive the income in question. There is no list of the particular documents which can be supplied by the Non-Russian tax resident Noteholder for this purpose. Further, there is no explicit guidance or list of the structures which can jeopardize the beneficial owner status of the Non-Russian tax resident Noteholder. Beneficial ownership status is determined under a very broad facts-and-circumstances test and should be analyzed on a case-by-case basis.

It is unlikely that the Trustee will be deemed as beneficial owner of any interest amount paid by the Russian Guarantor under the Guarantees and, consequently, its tax residency certificate (if it will be provided to the Russian Guarantor) could arguably not be relied upon for purpose of application of the double tax treaty benefits.

In this respect if the Non-Russian tax resident Noteholder –Legal Entity is a beneficial owner of any interest amount paid by the Russian Guarantor under the Guarantees and provides the Russian Guarantor with the tax residency certificate and a relevant confirmation that it is a beneficial owner of income, the Russian withholding tax on any interest amount paid by the Russian Guarantor under the Guarantees to such Non-Russian tax resident Noteholder–Legal Entity could be reduced or eliminated based on the applicable double tax treaty. However, there can be no assurance that the double tax treaty relief (or refund of any taxes withheld) will be available for Non-Russian tax resident Noteholder–Legal Entity with respect to payments under the Guarantee in practice.

There can be no assurance that the Russian withholding tax would not be imposed on the payments made under the Guarantee to Non-Russian tax resident Noteholders–Legal Entities not residing for tax purposes in countries which have concluded a double tax treaty with Russia. In such case there is a risk that the Russian Guarantor shall be obliged to deduct Russian withholding tax from any interest amount paid by the Russian Guarantor under the Guarantees.

No deduction or withholding on account of tax is required to be made under the laws of the Russian Federation from interest amount paid by the Russian Guarantor under the Guarantees to individual non-Russian tax resident Noteholders.

Gross-Up and Redemption for Taxation Reasons

Payments by a Russian Guarantor under the Notes may be subject to Russian withholding tax at the rate of 20% (if payments are made to a corporate non-resident legal entity domiciled in state without international agreement with the Russian Federation on the matters of taxation).

In the event of the imposition of such tax, the Russian Guarantor may be obliged under the Conditions to pay additional amounts such that the recipient receives the amount it would have received had no such withholding been required.

The Federal Tax Service of the Russian Federation issued several letters expressing the view that all additional payments paid pursuant to clauses in agreements between Russian residents and their foreign counterparties providing for the payment of an amount compensating a foreign counterparty for the withholding of tax in the Russian Federation shall be treated as additional taxable income of the foreign legal entity and be subject of the withholding tax thereof. The applicable tax rate is 20%.

Other taxes

Transfer taxes and stamp duties

There are no Russian transfer taxes, other documentary taxes, registration, issue or similar duties or taxes or governmental fees and charges are payable in connection with the signing, execution, delivery, filing, performance of or the enforcement by legal proceedings of the Notes and/or the Guarantees or in connection with any payments made thereunder.

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 advisors 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 applied for, seeking confirmation 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 tax purposes and provided that 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 Inerco (and/or any Additional Swiss Guarantor) as stipulated by Swiss corporate law. The Issuer expects this ruling to be granted prior to the issue of the Notes. If such ruling is not received prior to such issuance, there is a risk that the Swiss federal tax administration will not grant the ruling and may re-characterise the Notes as Swiss issued notes such that interest payable by the Issuer on the Notes would be subject to Swiss federal withholding tax on interest, currently levied at the rate of 35% from the gross payments. In such circumstances, the Issuer would be required to gross up the interest payments accordingly (as provided under Condition 7 (*Taxation*).

Payments by 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 Inerco (and/or any Additional Swiss Guarantor) successfully shows that the guarantees and payments thereunder were made on arm's length conditions.

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). Hence, the Issuer's and any Guarantor's (in circumstances where the Notes are re-characterised into a Swiss issued notes) 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 4 November 2015 the Swiss Federal Council announced a mandate to the Swiss Federal Finance Department to institute a group of experts tasked with the preparation of a new proposal for a reform of the Swiss federal withholding tax system. The new proposal is expected to include in respect of interest payments the replacement of the existing debtor-based regime by a paying agent-based regime for Swiss federal withholding tax similar to the one published on 17 December 2014 by the Swiss Federal Council and repealed on 24 June 2015 following the negative outcome of the legislative consultation with Swiss official and private bodies. 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 the beneficial owner of the payment. Under such new paying agent-based regime, if enacted, the Issuer's and any Guarantor's (in circumstances where the Notes are re-characterised into Swiss issued notes) 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.

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 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 with members of the European Union

Switzerland and the European Community signed on 27 May 2015 an amendment protocol to the agreement of 26 October 2004 between the European Community and Switzerland providing for measures equivalent to those laid down in the former Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or similar income (the "Agreement") which introduces an extended automatic exchange of information (the "Extended Automatic Exchange of Information Regime") in accordance with the global standard issued by the OECD Council in July 2014, in lieu of a withholding system. The amendment to the Agreement entered into effect on 1 January 2017.

EU Savings Tax / Foreign final withholding taxes

With the enactment of the Extended Automatic Exchange of Information Regime, the provisions of the Agreement relating to EU savings tax and the treaties on final withholding taxes existing between Switzerland and the United Kingdom and between Switzerland and Austria cease to apply on facts and circumstances materialising after 1 January 2017.

However, Switzerland may enter into other treaties with other countries stipulating a final withholding tax on capital gains and/or certain income items. Under such treaties, if enacted, the Issuer's and any Guarantor's (in circumstances where the Notes are re-characterised into Swiss issued notes) and Inerco's (and/or any Additional Swiss Guarantor's) payments under the guarantees may become subject to a final withholding tax. In addition, the Issuer's and any Guarantor's payments of interest under the Notes (in circumstances where the Notes are re-characterised into Swiss issued notes) 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 for under Condition 7 (*Taxation*) may not be enforceable.

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 terms and conditions of the Notes to pay additional amounts such that the recipient receives the amount it would have received had no such withholding been required. Ukrainian law generally prohibits payment of tax for another person and contractual provisions requiring such payment. In May 2012, the State Tax Service of Ukraine issued a letter expressing the view that clauses in agreements between Ukrainian residents and their foreign counterparties providing for the payment of an amount compensating a foreign counterparty for the withholding of tax in Ukraine contradict certain provisions of Ukrainian legislation that prohibit a Ukrainian resident from assuming a foreign counterparty's tax payment obligation.

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 on 16 January 2017. The giving of the Guarantees was duly authorised by the Board of Directors (or Sole Director, as applicable) of the Non-Ukrainian Guarantors on 16 January 2017. The entry into the Suretyship Deeds was duly authorised by resolutions of the competent governing bodies of the Poltavsky and Kernel-Capital on 26 December 2016, Poltavske HPP on 27 December 2016, Black Sea Industries, Bandursky, Kononivskiy on 10 Janaury 2017, Agropolis, Arshitzia, Khliborob, Druzhba-Nova, Enselco, Hovtva, Mriia, Palmira, Unigrain-Agro, Vyshneve-Agro and Kernel-Trade on 11 January 2017 and Chorna Kamianka on 12 January 2017.

Listing Information

Application has been made to the Irish Stock Exchange for the approval of this document as listing particulars. Application has been made to the Irish Stock Exchange 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 the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of the Markets in Financial Instruments Directive. Notification of any optional redemption of the Notes will be provided by the Issuer to the Irish Stock Exchange.

The Irish listing agent is Arthur Cox Listing Services Limited and the address of its registered office is Arthur Cox Building, Earlsfort Centre, 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 the Irish Stock Exchange. 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 €6,100.

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 Notes. Prior to official listing and admission to trading, however, dealings will be permitted by the Irish Stock Exchange 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 Common Code and ISIN for the Rule 144A Notes are 098266623 and US49229QAA22, respectively, and the Common Code and ISIN for the Regulation S Notes are 153392323 and XS1533923238, respectively.

No significant change or material change

Save as disclosed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent developments*", there has been no significant change in the financial or trading position of the Issuer or of the Group since 30 September 2016 and there has been no material adverse change in the prospects of the Issuer or of the Group since 30 June 2016.

Litigation

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 for inspection from the registered office of the Issuer and from the specified offices of the Trustee and the Principal Paying and Transfer Agent for the time being in London:

(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 2016 and 2015, 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

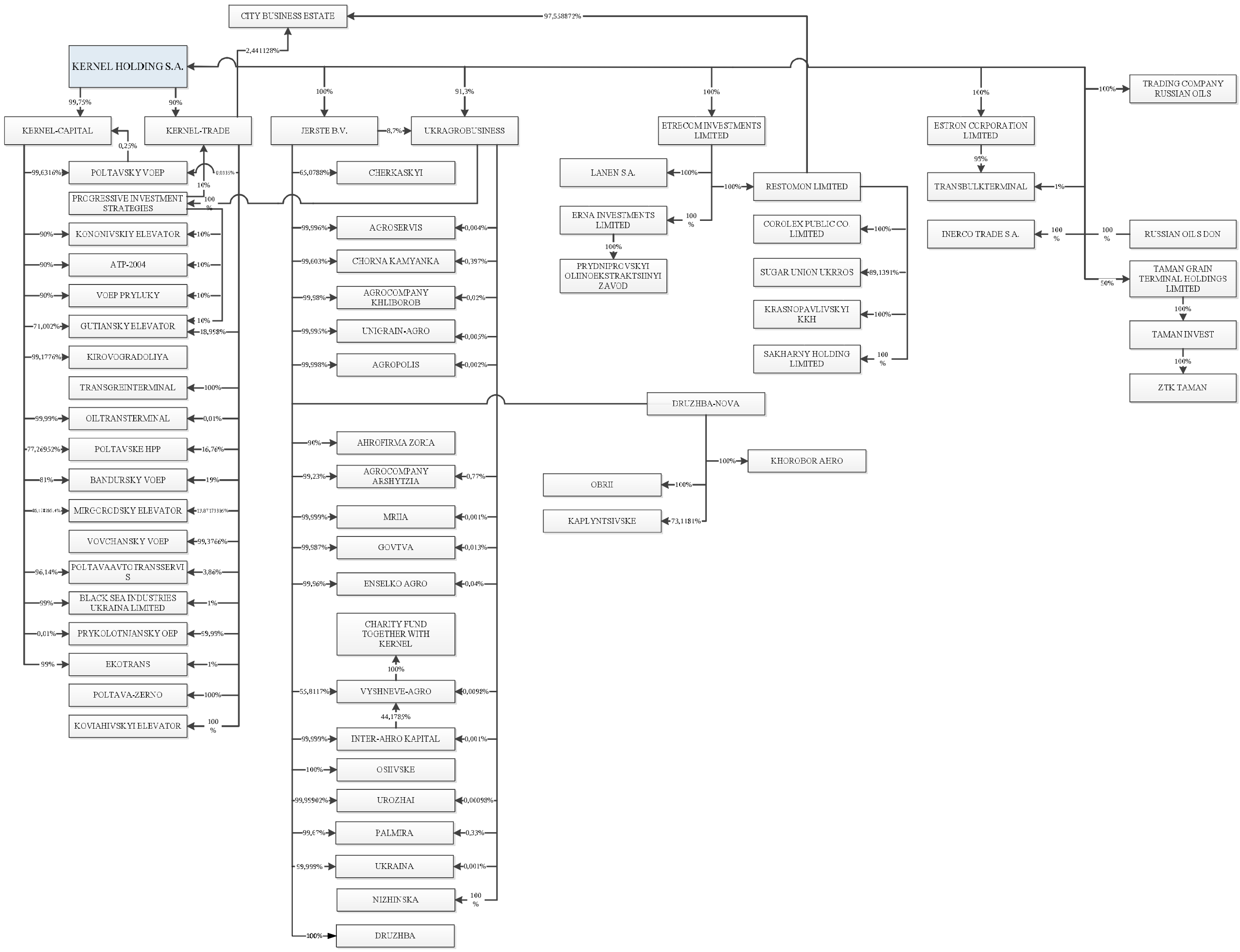
(d) the Trust Deeds, the Agency Agreements and the Suretyship Deeds.

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. The Group's Interim Condensed Consolidated Financial Statements prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by the European Union and have been reviewed in accordance with International Standards on Review Engagements, by Deloitte Audit S.a r.l.

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.


CITY BUSINESS ESTATE
KERNEL HOLDING S.A.
KERNEL-CAPITAL
KERNEL-TRADE
JERSTE B.V.
UKRAGROBUSINESS
ETRECOM INVESTMENTS LIMITED
ESTRON CORPORATION LIMITED
TRADING COMPANY RUSSIAN OILS
POLTAVSKY VOEP
PROGRESSIVE INVESTMENT STRATEGIES
KONONIVSKIY ELEVATOR
ATP-2004
VOEP PRYLUKY
GUTIANSKY ELEVATOR
KIROVOGRADOLIYA
TRANSGREINTERMINAL
OILTRANSTERMINAL
POLTAVSKE HPP
BANDURSKY VOEP
MIRGORODSKY ELEVATOR
VOVCHANSKY VOEP
POLTAVAAVTOTRANSSERVIS
BLACK SEA INDUSTRIES UKRAINA LIMITED
PRYKOLOTNIANSKY OEP
EKOTRANS
POLTAVA-ZERNO
KOVIAHIVSKYI ELEVATOR
CHERKASKYI
AGROSERVIS
CHORNA KAMYANKA
AGROCOMPANY KHLIBOROB
UNIGRAIN-AGRO
AGROPOLIS
DRUZHBA-NOVA
AHROFIRMA ZORIA
AGROCOMPANY ARSHYTZIA
MRIIA
GOVTVA
ENSELKO AGRO
CHARITY FUND TOGETHER WITH KERNEL
VYSHNEVE-AGRO
INTER-AHRO KAPITAL
OSIIVSKE
UROZHAI
PALMIRA
UKRAINA
NIZHINSKA
DRUZHBA
LANEN S.A.
ERNA INVESTMENTS LIMITED
PRYDNIPROVSKYI OLIINOEKSTRAKTSIINYI ZAVOD
RESTOMON LIMITED
COROLEX PUBLIC CO. LIMITED
SUGAR UNION UKRROS
KRASNOPAVLIVSKYI KKH
SAKHARNY HOLDING LIMITED
KHOROBOR AERO
OBRII
KAPLYNTSIVSKE
TRANSBULKTERMINAL
INERCO TRADE S.A.
RUSSIAN OILS DON
TAMAN GRAIN TERMINAL HOLDINGS LIMITED
TAMAN INVEST
ZTK TAMAN

INDEX TO FINANCIAL STATEMENTS

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Condensed Consolidated Interim Statement of Financial Position

as of 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Assets				
Current assets				
Cash and cash equivalents	6	**93,336**	60,372	76,144
Trade accounts receivable, net	7	**41,787**	75,207	57,865
Prepayments to suppliers and other current assets, net	20	**65,662**	52,983	73,648
Corporate income tax prepaid	19	**7,260**	7,400	15,300
Taxes recoverable and prepaid, net	8	**119,621**	130,378	78,135
Inventory	9	**448,304**	200,213	340,148
Biological assets	10	**91,618**	190,312	62,926
Assets classified as held for sale	11	**—**	3,602	2,423
Total current assets		**867,588**	**720,467**	**706,589**
Non-current assets				
Property, plant and equipment, net	12	**532,808**	538,728	526,600
Intangible assets, net		**33,999**	36,818	49,459
Goodwill		**121,063**	121,912	118,857
Investments in joint ventures	13	**52,162**	52,164	47,995
Deferred tax assets		**18,335**	20,161	12,663
Corporate income tax prepaid	19	**7,689**	8,056	15,025
Other non-current assets	20	**18,803**	11,049	11,081
Total non-current assets		**784,859**	**788,888**	**781,680**
Total assets		**1,652,447**	**1,509,355**	**1,488,269**
Liabilities and equity				
Current liabilities				
Trade accounts payable	20	**46,401**	41,910	39,134
Advances from customers and other current liabilities	20	**102,920**	76,945	75,335
Short-term borrowings	14	**272,558**	179,615	303,318
Current portion of long-term borrowings	15	**75,675**	74,835	71,418
Total current liabilities		**497,554**	**373,305**	**489,205**
Non-current liabilities				
Long-term borrowings	15	**63,211**	81,841	77,463
Obligations under finance leases		**3,983**	2,275	5,149
Deferred tax liabilities		**19,195**	17,143	19,795
Other non-current liabilities	20	**38,306**	37,736	1,645
Total non-current liabilities		**124,695**	**138,995**	**104,052**
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital	2	**2,104**	2,104	2,104
Share premium reserve		**463,879**	463,879	463,879
Additional paid-in capital		**39,944**	39,944	39,944
Equity-settled employee benefits reserve		**7,091**	6,582	5,169
Revaluation reserve		**43,815**	43,815	39,456
Translation reserve		**(722,157)**	(691,885)	(605,746)
Retained earnings		**1,193,834**	1,130,890	949,563
Total equity attributable to Kernel Holding S.A. equity holders		**1,028,510**	**995,329**	**894,369**
Non-controlling interests		**1,688**	1,726	643
Total equity		**1,030,198**	**997,055**	**895,012**
Total liabilities and equity		**1,652,447**	**1,509,355**	**1,488,269**
Book value		**1,028,510**	995,329	894,369
Number of shares	2	**79,683,410**	79,683,410	79,683,410
Book value per share (in USD)		**12.91**	12.49	11.22
Diluted number of shares		**81,894,124**	81,384,851	81,020,112
Diluted book value per share (in USD)		**12.56**	12.23	11.04

On behalf of the Board

Andriy Verevskyy	Anastasiia Usachova
Chairman of the Board	Chief Financial Officer

Condensed Consolidated Interim Statement of Profit or Loss

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 30 September 2016	3 months ended 30 September 2015
Revenue	16	**384,063**	**377,722**
Net change in fair value of biological assets and agricultural produce	10	**33,383**	2,119
Cost of sales	17	**(322,791)**	(305,694)
Gross profit		**94,655**	**74,147**
Other operating income, net		**9,664**	3,161
Operating expenses			
Distribution costs	20	**(31,924)**	(23,619)
General and administrative expenses	20	**(13,852)**	(12,787)
Profit from operating activities		**58,543**	**40,902**
Finance costs, net	20	**(11,188)**	(10,310)
Foreign exchange gain/(loss), net	18	**15,091**	(2,716)
Other income, net	20	**5,497**	1,794
Share of (loss)/gain of joint ventures	13	**(1,196)**	1,301
Profit before income tax		**66,747**	**30,971**
Income tax expenses		**(3,675)**	(2,522)
Profit for the period from continuing operations		**63,072**	**28,449**
Discontinued operations			
Loss for the period from discontinued operations	11	**–**	(4,378)
Profit for the period		**63,072**	**24,071**
Profit for the period attributable to:			
Equity holders of Kernel Holding S.A.		**62,944**	**23,902**
Non-controlling interests		**128**	169
Earnings per share			
From continuing and discontinued operations			
Weighted average number of shares		**79,683,410**	79,683,410
Profit per ordinary share (in USD)		**0.79**	0.30
Diluted number of shares		**81,894,124**	81,020,112
Diluted profit per ordinary share (in USD)		**0.77**	0.30
From continuing operations			
Weighted average number of shares		**79,683,410**	79,683,410
Profit per ordinary share (in USD)		**0.79**	0.35
Diluted number of shares		**81,894,124**	81,020,112
Diluted profit per ordinary share (in USD)		**0.77**	0.35

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	3 months ended 30 September 2016	3 months ended 30 September 2015
Profit for the period	63,072	**24,071**
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(30,438)	(20,279)
Other comprehensive loss, net	(30,438)	**(20,279)**
Total comprehensive income for the period	32,634	**3,792**
Total comprehensive income/(loss) attributable to:		
Equity holders of Kernel Holding S.A.	32,672	4,439
Non-controlling interests	(38)	(647)

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Changes in Equity

for the three months ended 30 September 2016 (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 2015	**2,104**	**463,879**	**39,944**	**4,793**	**39,456**	**(586,283)**	**925,661**	**889,554**	**1,290**	**890,844**
Profit for the period	—	—	—	—	—	—	23,902	**23,902**	169	**24,071**
Other comprehensive loss	—	—	—	—	—	(19,463)	—	**(19,463)**	(816)	**(20,279)**
Total comprehensive (loss)/income for the period	—	—	—	—	—	(19,463)	23,902	**4,439**	(647)	**3,792**
Recognition of share-based payments	—	—	—	376	—	—	—	**376**	—	**376**
Balance as of 30 September 2015	**2,104**	**463,879**	**39,944**	**5,169**	**39,456**	**(605,746)**	**949,563**	**894,369**	**643**	**895,012**
Profit for the period	—	—	—	—	—	—	116,459	**116,459**	1,287	**117,746**
Other comprehensive loss	—	—	—	—	—	(70,483)	—	**(70,483)**	(315)	**(70,798)**
Total comprehensive (loss)/income for the period	—	—	—	—	—	(70,483)	116,459	**45,976**	972	**46,948**
Distribution of dividends	—	—	—	—	—	—	(19,921)	**(19,921)**	—	**(19,921)**
Recognition of share-based payments	—	—	—	580	—	—	—	**580**	—	**580**
Balance as of 31 December 2015	**2,104**	**463,879**	**39,944**	**5,749**	**39,456**	**(676,229)**	**1,046,101**	**921,004**	**1,615**	**922,619**
Profit for the period	—	—	—	—	—	—	92,257	**92,257**	23	**92,280**
Other comprehensive loss	—	—	—	—	—	(60,954)	—	**(60,954)**	(321)	**(61,275)**
Total comprehensive (loss)/income for the period	—	—	—	—	—	(60,954)	92,257	**31,303**	(298)	**31,005**
Recognition of share-based payments	—	—	—	424	—	—	—	**424**	—	**424**
Balance as of 31 March 2016	**2,104**	**463,879**	**39,944**	**6,173**	**39,456**	**(737,183)**	**1,138,358**	**952,731**	**1,317**	**954,048**
(Loss)/Profit for the period	—	—	—	—	—	—	(7,468)	**(7,468)**	215	**(7,253)**
Other comprehensive income	—	—	—	—	4,359	45,298	—	**49,657**	194	**49,851**
Total comprehensive income/(loss) for the period	—	—	—	—	4,359	45,298	(7,468)	**42,189**	409	**42,598**
Recognition of share-based payments	—	—	—	409	—	—	—	**409**	—	**409**
Balance as of 30 June 2016	**2,104**	**463,879**	**39,944**	**6,582**	**43,815**	**(691,885)**	**1,130,890**	**995,329**	**1,726**	**997,055**
Profit for the period	—	—	—	—	—	—	62,944	**62,944**	128	**63,072**
Other comprehensive loss						(30,272)	—	**(30,272)**	(166)	**(30,438)**
Total comprehensive (loss)/income for the period	—	—	—	—	—	(30,272)	62,944	**32,672**	(38)	**32,634**
Recognition of share-based payments	—	—	—	509	—	—	—	**509**	—	**509**
Balance as of 30 September 2016	**2,104**	**463,879**	**39,944**	**7,091**	**43,815**	**(722,157)**	**1,193,834**	**1,028,510**	**1,688**	**1,030,198**

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Cash Flows

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 30 September 2016	3 months ended 30 September 2015
Operating activities:			
Profit before income tax		66,747	27,754
Adjustments for:			
Amortization and depreciation		13,859	15,547
Finance costs, net		11,188	11,237
Movement in allowance for doubtful receivables		2,340	1,096
Other accruals		537	788
Gain on disposal of property, plant and equipment		(134)	(68)
Net foreign exchange (gain)/loss		(15,011)	4,908
Write-offs and impairment loss		(183)	—
Net change in fair value of biological assets and agricultural produce		(33,383)	(2,119)
Share of loss/(gain) of joint ventures	13	1,196	(1,301)
Gain on sales of Subsidiaries	5	(5,770)	—
Operating profit before working capital changes		41,386	57,842
Changes in working capital:			
Change in trade accounts receivable		34,132	479
Change in prepayments and other current assets		(14,320)	(2,496)
Change in restricted cash balance		(20)	(169)
Change in taxes recoverable and prepaid		6,823	5,087
Change in biological assets		129,636	82,561
Change in inventories		(254,416)	(183,870)
Change in trade accountss payable		4,115	9,764
Change in advances from customers and other current liabilities		39,680	14,437
Cash used in operations		(12,984)	(16,365)
Finance costs paid		(13,876)	(11,096)
Income tax paid		(2,874)	(2,074)
Net cash used in operating activities		(29,734)	(29,535)
Investing activities:			
Purchase of property, plant and equipment		(17,475)	(18,263)
Proceeds from disposal of property, plant and equipment		434	545
Purchase of intangible and other non-current assets		(189)	(625)
Disposal of subsidiaries		1,394	—
Amount advanced for subsidiaries		2,962	—
Net cash used in investing activities		(12,874)	(18,343)
Financing activities:			
Proceeds from borrowings		115,866	46,798
Repayment of borrowings		(55,221)	(51,509)
Net cash generated by/(used in) financing activities		60,645	(4,711)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(795)	(557)
Net increase/(decrease) in cash and cash equivalents		17,242	(53,146)
Cash and cash equivalents, at the beginning of the period	6	60,269	124,121
Cash and cash equivalents, at the end of the period	6	77,511	70,975

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

for the three months ended 30 September 2016 (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').

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 and the Russian Federation.

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 September 2016, 30 June 2016 and 30 September 2015, the primary subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of 30 September 2016	30 June 2016	30 September 2015
Jerste BV	Holding companies.	Netherlands	100.0%	100.0%	100.0%
Tweelingen Ukraine LLC		Ukraine	100.0%	100.0%	100.0%
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%	100.0%
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnoe OEP LLC		Ukraine	100.0%	100.0%	100.0%
Kirovogradoliya PJSC		Ukraine	99.2%	99.2%	99.2%
Ekotrans LLC		Ukraine	100.0%	100.0%	100.0%
BSI LLC		Ukraine	100.0%	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%[1]	100.0%[1]	100.0%[1]
Stavropol oil CJSC		Russian Federation	0.0%[2]	0.0%[2]	100.0%
Ust-Labinsk Florentina OEP LLC		Russian Federation	0.0%[2]	0.0%[2]	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services.	Cyprus	100.0%	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.0%	94.0%	94.0%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%
Unigrain-Agro (Semenivka) LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%	100.0%
Agrofirma Arshytsya LLC		Ukraine	100.0%	100.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%	100.0%
Vyshneve-Agro ALLC[3]		Ukraine	100.0%	100.0%	100.0%
Palmira LLC		Ukraine	100.0%	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%	100.0%

These condensed consolidated interim financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 22 November 2016.

1 Was founded on 28 August 2015 as 'Zernovyi Terminal' LLC and on 16 May 2016 renamed in 'Prydniprovskyi OEP' LLC
2 Disposed in March 2016.
3 The company was renamed on 15 August 2016 from Agrofirma Kuybyshevo LLC into Vyshneve-Agro ALLC

for the three months ended 30 September 2016 (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 'Holding' or the 'Company'). The issued capital of the Holding as of 30 September 2016 and 2015 consisted of 79,683,410 ordinary electronic shares without indication of the nominal value, providing 79,683,410 voting rights.

The shares were distributed as follows:

	As of 30 September 2016		As of 30 September 2015	
Equity holders	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	31,345,878	39.34%	31,247,152	39.21%
Free float	48,337,532	60.66%	48,436,258	60.79%
Total	**79,683,410**	**100.00%**	**79,683,410**	**100.00%**

As of 30 September 2016 and 2015, 100% of the beneficial interest in the Major Equity Holder was held by Andriy Mykhailovych Verevskyy (hereinafter the 'Beneficial Owner').

On 9 June 2014, the Company received a notification from NATIONALE-NEDERLANDEN Powszechne Towaryzystwo Emerytalne S.A. (former ING Otwarty Fundusz Emerytalny) that it had crossed the 5% threshold for ownership and owned 6.01% of Kernel Holding S.A.'s share capital.

On 13 October 2015 the Company received a notification from Cascade Investment Fund that the fund acquired shares in the Company and reached the 5% threshold. As of 13 October 2015, Cascade Investment Fund owned 3,984,345 shares of Kernel Holding S.A., which represents 5.00% of the share capital.

On 20 June 2016, the Company received a notification from Towarzystwo Funduszy Inwestycyjnych PZU Spółka Akcyjna that it had acquired 4,119,128 shares in the Company, representing 5.17% of the subscribed share capital.

On 23 November 2007, Kernel Holding S.A. was listed on the Warsaw Stock Exchange (WSE). The total size of the initial public offering was PLN 546,402 thousand, comprising 22,766,750 shares, of which 16,671,000 were newly issued shares. Prior to the IPO, the capital of Kernel Holding S.A. consisted of 46,670,000 shares without indication of the nominal value. On 27 June 2008, an additional 5,400,000 ordinary shares of the Holding were admitted to trading on the main market of the WSE. On 3 June 2010, Kernel issued 4,450,000 new shares. In 2011, Kernel issued 6,492,410 new shares, 1,092,410 of which were subscribed by stock option beneficiaries under the Management Incentive Plan at an issue price of PLN 24.

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 210 thousand as of 30 September 2016, may not be distributed as dividends.

As part of the management incentive scheme, the Company's executives and senior employees are granted options to acquire shares of the Company. During the year ended 30 June 2015, the board of directors approved a new management incentive plan and amendment to the previous management incentive plan, issuing a total of 4,350,000 new options (600,000 options with a strike price of PLN 75.00 and 3,750,000 options with a strike price of PLN 29.61), with the authorized capital due to be approved by the general meeting of shareholders. As of 30 September 2016, a total of 7,407,820 options were issued, of which 4,057,820 were vested. 657,820 options (all vested) have a strike price of PLN 24.00, 3,000,000 options (all vested) have a strike price of PLN 75.00 per share, and 3,750,000 options (of which 400,000 are vested) have a strike price of PLN 29.61. The weighted average remaining contractual life was 12 years. These options granted under the Company's management incentive scheme carry no rights to dividends and no voting rights.

The fair value of the share-based options was USD 7,091 thousand as of 30 September 2016 and USD 509 thousand was recognized as an expense (part of payroll and payroll related expenses) during the three months ended 30 September 2016, with a corresponding increase in equity over the vesting period (30 September 2015: USD 5,169 thousand and USD 376 thousand, respectively).

On 10 December 2015, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share amounting to USD 19,921 thousand.

On 29 April 2016, the dividends were fully paid to the shareholders.

3. Basis of Preparation of Financial Statements

These Condensed Consolidated Interim Financial Statements for the three months ended 30 September 2016 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and do not include all of the information and disclosures required in the annual consolidated financial statements. The accounting policies and methods of computation adopted during the preparation of the Condensed Consolidated Interim Financial Statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2016.

The Group has adopted the standards, amendments and interpretations effective for annual periods beginning on or after 1 July 2016. The adoption of these standards and amendments did not have a material effect on the financial statements of the Group.

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

3. Basis of Presentation of Financial Statements (continued)

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 and grain trading, for which USD was selected as the functional currency.

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 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 the 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 fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in 'Other comprehensive income' and accumulated in the 'Translation reserve'.

The exchange rates during the period of the financial statements were as follows:

Currency	Closing rate as of 30 September 2016	Average rate for the 3 months ended 30 September 2016	Closing rate as of 30 September 2015	Average rate for the 3 months ended 30 September 2015
USD/UAH	**25.9119**	**25.3760**	21.5275	21.7219
USD/EUR	**0.8942**	**0.8957**	0.8907	0.8989
USD/RUB	**63.1581**	**64.6245**	66.2367	62.9784
USD/PLN	**3.8558**	**3.8879**	3.7754	3.7646

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 Poland for USD/PLN and USD/EUR, by the National Bank of Ukraine for USD/UAH and by the Central Bank of the Russian Federation for USD/RUB.

All foreign exchange gains or losses that occur on the revaluation of monetary balances, presented in foreign currencies, are allocated as a separate line in the Condensed Consolidated Interim Statement of Profit or Loss.

Operating Segments

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

Segments in the Condensed Consolidated Interim Financial Statements are defined in accordance with the type of activity, products sold or services provided.

The operating segments' activities are as follows:

Operating segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil 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.
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 measure of profit and loss, and assets and liabilities is based on the Group's 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 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 lease and some other assets and liabilities.

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

3. Basis of Presentation of Financial Statements (continued)

Seasonality of Operations

The bottled sunflower oil segment is not significantly exposed to seasonality factors. The sunflower oil sold in bulk 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 August-May and July-November, respectively. The grain, export terminals and silo services segments usually experience higher volumes in the several months after the commencement of the harvesting campaign (July for early grains and September for crops harvested in autumn), though the grain and export terminal segments' seasonality could also be affected by government regulations, among other things.

In addition, the farming segment usually reflects a higher effect from the IAS 41 valuation of biological assets in the second half of the financial year when crops in fields are revalued to their 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.

4. Key Data by Operating Segment

Key data by operating segment for the three months ended 30 September 2016:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Other	Re-conciliation	Continuing operations
Revenue (external)	23,336	152,226	61	6,519	199,717	2,204	—	—	384,063
Intersegment sales	—	—	12,370	139,854	—	8,336	—	(160,560)	—
Total revenue	**23,336**	**152,226**	**12,431**	**146,373**	**199,717**	**10,540**	**—**	**(160,560)**	**384,063**
Net change in fair value of biological assets and agricultural produce	—	—	—	33,383	—	—	—	—	33,383
Other operating income/(expenses), net	(14)	(564)	—	10,004	68	170	—	—	9,664
Profit/(Loss) from operating activities	**1,498**	**7,030**	**9,733**	**69,729**	**4,344**	**6,394**	**(9,358)**	**(30,827)**	**58,543**
Finance costs, net									(11,188)
Foreign exchange gain, net									15,091
Other income, net									5,497
Share of loss of joint ventures									(1,196)
Income tax expenses									(3,675)
Profit for the period from continuing operations									63,072
Total assets	**76,913**	**802,130**	**114,725**	**324,790**	**206,688**	**59,168**	**68,033**	**—**	**1,652,447**
Capital expenditures	35	1,138	767	7,795	—	500	186	—	10,421
Amortization and depreciation	455	3,575	744	8,004	—	732	349	—	13,859
Liabilities	9,194	61,835	6,403	42,934	6,177	5,222	490,484	—	622,249

During the three months ended 30 September 2016, two of the Group's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 94% of total external sales.

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 changed the presentation of operating profit in segment reporting with purpose to reflect more precisely the farming segment profitability on intersegment sales. Thus, the amount USD 30,827 thousand, shown in reconciliation of operating profit, reflects unrealized profit, arisen upon intragroup sales of agricultural products by the farming segment, which remained unsold to the third parties as of the end of the reporting period. The corresponding amendments were made to the segment disclosure for three months ended 30 September 2015.

The Group operates in two principal geographical areas —Ukraine and the Russian Federation. Information about its non-current assets by location and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers	Non-current assets
	3 months ended 30 September 2016	As of 30 September 2016
Ukraine	329,899	732,019
Russian Federation	54,164	52,840
Total	384,063	784,859

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

4. Key Data by Operating Segment (continued)

Key data by operating segment for the three months ended 30 September 2015:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	20,482	169,879	66	8,666	176,333	2,296	—	—	—	377,722
Intersegment sales	—	—	9,091	47,497	—	6,207	—	(62,795)	—	—
Total revenue	**20,482**	**169,879**	**9,157**	**56,163**	**176,333**	**8,503**	**—**	**(62,795)**	**—**	**377,722**
Net change in fair value of biological assets and agricultural produce	—	—	—	2,119	—	—	—	—	—	2,119
Other operating income/(expenses), net	8	878	—	2,453	(280)	104	—	—	(2)	3,161
Profit/(Loss) from operating activities	**2,691**	**18,305**	**4,696**	**13,929**	**10,433**	**4,194**	**(8,019)**	**(6,661)**	**1,334**	**40,902**
Finance costs, net										(10,310)
Foreign exchange loss, net										(2,716)
Other income, net										1,794
Share of gain of joint ventures										1,301
Income tax expenses										(2,522)
Profit for the period from continuing operations										28,449
Total assets	**69,489**	**662,600**	**111,123**	**364,511**	**192,454**	**80,237**	**5,432**	**—**	**—**	**1,485,846**
Capital expenditures	21	1,729	301	4,422	—	710	4	—	—	7,187
Amortization and depreciation	711	4,208	760	8,685	—	938	245	—	(360)	15,187
Liabilities	1,672	41,737	795	34,483	24,357	5,814	484,399	—	—	593,257

During the three months ended 30 September 2015, two Company's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 93% of total external sales.

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 amount USD 6,661 thousand, shown in reconciliation of operating profit, reflects unrealized profit, arisen upon intragroup sales of agricultural products by the farming segment, which remained unsold to the third parties as of the end of the reporting period.

The Group operates in two principal geographical areas —Ukraine and the Russian Federation. Information about its non-current assets by location and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers	Non-current assets
	3 months ended 30 September 2015	As of 30 September 2015
Ukraine	291,193	704,753
Russian Federation	86,529	76,927
Total	**377,722**	**781,680**

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

5. Acquisition and Disposal of Subsidiaries

No entities were acquired during the three months ended 30 September 2016.

During the three months ended 30 September 2016, the Group disposed of two grain elevators located in Mykolaiv and Poltava regions. The net assets of the disposed entities as of the date of disposal were equal to USD 212 thousand and the cash consideration received and receivable was USD 1,890 thousand (out of which USD 1,056 thousand remained outstanding as of 30 September 2016).

During the three months ended 30 September 2016, the Group disposed of one of its export terminals located in Mykolaiv region. The net assets of the disposed entity as of the date of disposal were equal to USD 3,408 thousand and the cash consideration received was USD 7,500 thousand (out of which USD 6,417 was received as of June 2016).

No entities were acquired or disposed during the three months ended 30 September 2015.

6. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Cash with banks in USD	**68,873**	55,825	71,437
Cash with banks in UAH	**23,036**	2,729	3,920
Cash with banks in other currencies	**1,424**	1,814	783
Cash on hand	**3**	4	4
Total	**93,336**	**60,372**	**76,144**
Less restricted and blocked cash on security bank accounts	**(123)**	(103)	(5,169)
Less bank overdrafts (Note 14)	**(15,702)**	—	—
Cash and cash equivalents for the purposes of cash flow statement	**77,511**	**60,269**	**70,975**

7. Trade Accounts Receivable, net

The decrease in trade accounts receivable to USD 41,787 thousand as of 30 September 2016 from USD 75,207 thousand as of 30 June 2016 was mainly caused by an increase in export sales of sunflower bulk oil at the end of the period ended 30 June 2016 with subsequent settlement during the reporting period.

8. Taxes Recoverable and Prepaid, net

Taxes recoverable and prepaid decreased to USD 119,621 thousand as of 30 September 2016 from USD 130,378 thousand as of 30 June 2016 (30 September 2015: USD 78,135 thousand) mostly due to the repayment of VAT recoverable and prepaid and as a result of ordinary operating activity.

9. Inventory

The balances of inventories were as follows:

	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Raw materials	**161,544**	21,012	132,166
Agricultural products	**104,737**	4,551	83,007
Finished products	**80,672**	129,442	56,039
Goods for resale	**80,556**	39,068	46,864
Work in progress	**14,068**	—	12,908
Fuel	**2,055**	1,899	2,064
Packaging materials	**905**	647	694
Other inventories	**3,767**	3,594	6,406
Total	**448,304**	**200,213**	**340,148**

As of 30 September 2016, raw materials were represented mainly by sunflower seeds in the amount of USD 144,952 thousand (as of 30 June 2016 and 30 September 2015: USD 13,113 thousand and USD 112,940 thousand, respectively).

As of 30 September 2016, finished goods mostly consisted of sunflower oil in bulk in the amount of USD 68,592 thousand (as of 30 June 2016 and 30 September 2015: USD 120,192 thousand and USD 41,692 thousand, respectively).

As of 30 September 2016, inventory balances in the amount of USD 243,929 thousand (as of 30 June 2016 and 30 September 2015: USD 110,427 thousand and USD 177,755 thousand, respectively) were pledged as security for short-term borrowings (Note 14).

10. Biological Assets

Changes in the amount of biological assets for the three months ended 30 September 2016 and 2015 were caused by the crops harvesting and revaluation adjustment in accordance with IAS 41.

Net change in the fair value of biological assets and agricultural produce reflects the revaluation of crops in fields and agricultural produce balances to its fair value as of 30 September 2016 and 30 September 2015. The considerable positive effect of the revaluation of biological assets and agricultural produce introduced in the Interim Condensed Consolidated Statement of Profit or Loss was due to double-digit percentage growth of crop yields as a result of improvement in the cultivation technology and overall favorable weather conditions.

11. Assets Classified as Held for Sale and Discontinued Operations

As of 30 June 2016, according to management's plan to dispose one of export terminals, its net assets, which predominantly consist of property, plant and equipment in the amount of USD 3,602 thousand were classified as assets held for sale. The above mentioned entity was disposed in September 2016 (Note 5).

As a result of disposal of oilseed crushing plants located in the Russian Federation in FY 2016, for the three months ended 30 September 2015, their activities were classified as discontinued operations.

12. Property, Plant and Equipment, net

During the three months ended 30 September 2016, the Group acquired property, plant and equipment in the amount of USD 10,230 thousand (30 September 2015: USD 7,187 thousand). Acquired property was mainly represented by agricultural vehicles and equipment for the farming segment.

The decrease in property, plant and equipment in the amount of USD 4,204 thousand resulted from the depreciation of the Ukrainian hryvnia during the three months ended 30 September 2016 (30 September 2015: USD 2,482 thousand).

During the three months ended 30 September 2016 depreciation of property, plant and equipment amounted USD 11,541 thousand (30 September 2015: USD 12,804 thousand).

As of 30 September 2016, property, plant and equipment with a carrying amount of USD 98,150 thousand (30 June 2016 and 30 September 2015: USD 104,777 thousand and USD 125,377 thousand, respectively) were pledged by the Group as collateral against short-term and long-term bank loans (Notes 14 and 15).

As of 30 September 2016, property, plant and equipment with a carrying amount of USD 28,934 thousand (as of 30 June 2016 and 30 September 2015: USD 29,403 thousand and nil, respectively) 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.

As of 30 September 2016, 30 June 2016 and 30 September 2015, the net carrying amount of property, plant and equipment, represented by agricultural equipment and vehicles held under finance lease agreements was USD 15,268 thousand, USD 12,688 thousand and USD 15,187 thousand, respectively. Additions during the three months ended 30 September 2016 totaled USD 4,068 thousand (30 September 2015: USD 10 thousand).

13. Investments in Joint Ventures

For the three months ended 30 September 2016, the share of loss of joint venture (Taman) equaled USD 1,196 thousand (for the three months ended 30 September 2015: gain USD 1,301 thousand). The total Group's share of total comprehensive loss comprised USD 2 thousand (for the three months ended 30 September 2015: loss USD 10,343 thousand). The difference between the share of gain/(loss) of joint venture and share of total comprehensive loss was represented mainly by a change in translation reserve.

The aforementioned result includes depreciation and amortization expenses in the amount of USD 526 thousand (for the three months ended 30 September 2015: USD 484 thousand) and interest expenses in the amount of USD 475 thousand (for the three months ended 30 September 2015: USD 588 thousand).

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

14. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Bank credit lines	254,821	177,446	300,819
Bank overdrafts	15,702	—	—
Interest accrued on short-term borrowings	726	822	1,102
Interest accrued on long-term borrowings	1,309	1,347	1,397
Total	**272,558**	**179,615**	**303,318**

The balances of short-term borrowings as of 30 September 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 5.9%	USD	August 2017	99,021
European bank	Libor + 5.65%	USD	June 2017	75,417
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2017	44,827
European bank	5.0%	USD	January 2017	15,702
Ukrainian subsidiary of European bank	18.5%	UAH	December 2016	13,798
Ukrainian subsidiary of European bank	13.0%	UAH	October 2016	7,718
Ukrainian subsidiary of European bank	8.0%	USD	June 2017	7,425
Ukrainian subsidiary of European bank	7.5%	USD	March 2017	5,000
Ukrainian subsidiary of European bank	11.0%	UAH	October 2016	1,615
Total bank credit lines				**270,523**
Interest accrued on short-term borrowings				726
Interest accrued on long-term borrowings				1,309
Total				**272,558**

The balances of short-term borrowings as of 30 June 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 6.25%	USD	August 2016	84,119
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2016	47,500
Ukrainian subsidiary of European bank	10.0%	USD	July 2016	25,000
European bank	Libor + 5.65%	USD	June 2017	14,264
Ukrainian subsidiary of European bank	7.5%	USD	March 2017	5,000
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	1,563
Total bank credit lines				**177,446**
Interest accrued on short-term borrowings				822
Interest accrued on long-term borrowings				1,347
Total				**179,615**

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

14. Short-term Borrowings (continued)

The balances of short-term borrowings as of 30 September 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 6.25%	USD	August 2016	76,000
European bank	Libor + 5.5%	USD	February 2016	45,000
Russian bank	Libor + 9.35%	USD	February 2016	38,000
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2016	33,700
European bank	Libor + 7.3%	USD	April 2016	30,000
European bank	Libor + 6.0%	USD	June 2016	28,000
Ukrainian subsidiary of European bank	10.0%	USD	March 2016	25,000
Russian bank	Libor + 7.5%	USD	December 2015	18,869
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	6,250
Total bank credit lines				**300,819**
Interest accrued on short-term borrowings				1,102
Interest accrued on long-term borrowings				1,397
Total				**303,318**

As of 30 September 2016, the undrawn short-term bank credit lines amounted to USD 251,473 thousand (as of 30 June 2016 and 30 September 2015: USD 114,315 thousand and USD 399,899 thousand, accordingly).

Short-term borrowings from banks were secured as follows:

(Assets pledged)	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Cash and cash equivalents (Note 6)	123	103	5,169
Inventory (Note 9)	243,929	110,427	177,755
Property, plant and equipment (Note 12)	40,967	46,890	123,185
Controlling stakes in Subsidiaries	—	—	Not quantifiable
Total	**285,019**	**157,420**	**306,109**

As of 30 September 2016 and 30 June 2016, stakes in Subsidiaries were not pledged to secure short-term borrowings (as of 30 September 2015: nine agricultural companies, three sunflower oil plants, one export terminal and two holding companies).

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

15. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Long-term bank borrowings	138,886	156,676	148,881
Current portion of long-term borrowings	(75,675)	(74,835)	(71,418)
Total	**63,211**	**81,841**	**77,463**

The balances of long-term borrowings as of 30 September 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	65,773
European bank	Libor +7.5%	USD	February 2018	46,000
European bank	Libor + 7.3%	USD	April 2018	17,500
European bank	Libor +1.65%	USD	March 2020	9,613
Total				**138,886**

The balances of long-term borrowings as of 30 June 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	73,978
European bank	Libor + 7.5%	USD	February 2018	51,633
European bank	Libor + 7.3%	USD	April 2018	20,000
European bank	Libor + 1.65%	USD	March 2020	11,065
Total				**156,676**

The balances of long-term borrowings as of 30 September 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 7.6%	USD	August 2018	135,000
European bank	Libor + 1.65%	USD	March 2020	13,881
Total				**148,881**

As of 30 September 2016, 30 June 2016 and 30 September 2015, there were no undrawn long-term bank credit lines.

Long-term borrowings from banks were secured as follows:

(Assets pledged)	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Property, plant and equipment (Note 12)	57,183	57,887	2,192
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable	Not quantifiable
Total	**57,183**	**57,887**	**2,192**

As of 30 September 2016, stakes in Subsidiaries were pledged to secure long-term borrowings including controlling stakes in one agricultural company, one sunflower oil plant, one export terminal and one holding company (as of 30 June 2016, stakes in Subsidiaries were pledged to secure long-term borrowings including controlling stakes in one agricultural company, one sunflower oil plant, one export terminal and one holding company. As of 30 September 2015: one agricultural company).

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

16. Revenue

The Group's revenue was as follows:

	3 months ended 30 September 2016	3 months ended 30 September 2015
Revenue from grain sales	199,717	176,333
Revenue from sunflower oil sold in bulk, sunflower meal and cake	155,225	173,540
Revenue from bottled sunflower oil	20,337	16,821
Revenue from farming	6,519	8,666
Revenue from grain silo services	2,204	2,296
Revenue from transshipment services	61	66
Total	384,063	377,722

For the three months ended 30 September 2016, revenue from the Group's top five customers accounted for approximately 44.6% of total revenue (for the three months ended 30 September 2015, revenue from the top five customers accounted for 48.3% of total revenue).

17. Cost of Sales

Cost of sales was as follows:

	3 months ended 30 September 2016	3 months ended 30 September 2015
Cost of goods for resale and raw materials used	296,334	278,675
Amortization and depreciation	13,157	14,499
Rental payments	4,322	4,330
Payroll and payroll related costs	5,529	6,153
Other operating costs	3,449	2,037
Total	322,791	305,694

18. Foreign Exchange Gain/(Loss), net

Foreign exchange gain/(loss), net was related to the following balances:

	3 months ended 30 September 2016	3 months ended 30 September 2015
Borrowings nominated in foreign currencies (including intercompany transactions)	11,603	(947)
VAT recoverable and prepaid	(3,152)	(5,362)
Revaluation of balances nominated in foreign currencies	2,302	3,202
Obligations under financial leases	577	372
Corporate income tax prepaid	(513)	(288)
Cash and cash equivalents nominated in foreign currencies	(71)	(307)
Other	4,345	614
Total	15,091	(2,716)

The Company's subsidiaries operate with different functional currencies (namely, the US dollar and Ukrainian hryvnia) 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 enterprises if they had different functional currencies.

19. Income Tax

The difference between the income tax charge reported in the accompanying Condensed Consolidated Interim Financial Statement of Profit or Loss and profit before tax, multiplied by the respective statutory tax rates, is mainly due to the non-deductibility of certain expenses for income tax purposes and the effect of the farming companies of the Group, which are subject to a fixed agricultural tax regime and are not subject to corporate income tax.

As of 30 September 2016, the Group prepaid USD 14,949 thousand in corporate income tax, which was recognized in the Condensed Consolidated Interim Statement of Financial Position (30 June 2016: USD 15,456 thousand and 30 September 2015: USD 30,325 thousand).

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

20. Transactions with Related Parties

Related parties are the Beneficial Owner, companies under common 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	Total category as per consolidated statement of financial position	Related party balances	Total category as per consolidated statement of financial position
	As of 30 September 2016		As of 30 June 2016	
Prepayments to suppliers and other current assets, net	12,603	65,662	14,999	52,983
Other non-current assets	262	18,803	268	11,049
Trade accounts payable	—	46,401	3,219	41,910
Advances from customers and other current liabilities	13,393	102,920	16,021	76,945
Other non-current liabilities	13,030	38,306	13,030	37,736

As of 30 September 2016 and 30 June 2016, the Group did not create an allowance for prepayments to suppliers and other current and non-current assets from related parties.

As of 30 September 2016, advances from customers and other current liabilities included USD 4,483 thousand in bonuses payable to the management (30 June 2016: USD 6,088 thousand).

Advances from customers and other current liabilities as of 30 September 2016 and 30 June 2016 included an interest-free financial liability in the amount of USD 7,043 thousand due to Namsen Limited.

Other non-current liabilities as of 30 September 2016 and 30 June 2016 included 4% interest-bearing financial liability in the amount of USD 9,977 thousand due to Namsen Limited.

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 operations with related parties	Total category per consolidated income statement	Amount of operations with related parties	Total category per consolidated income statement
	3 months ended 30 September 2016		3 months ended 30 September 2015	
General and administrative expenses and distribution costs	(4,027)	(45,776)	(5,488)	(36,406)
Financial costs, net	(197)	(11,188)	24	(10,310)
Other income, net	117	5,497	4	1,794

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

For the three months ended 30 September 2016, distribution expenses included USD 2,776 thousand of services for the transportation of goods paid to Zernovoy Terminalny Complex Taman LLC (for the three months ended 30 September 2015: USD 4,086 thousand).

All other transactions occurred with related parties under common control.

As of 30 September 2016, 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 three months ended 30 September 2016 amounted to USD 132 thousand (30 September 2015: 8 directors, USD 116 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 10 people, amounted to USD 593 thousand for the three months ended 30 September 2016 (30 September 2015: 14 people, USD 672 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).

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

21. Commitments and Contingencies

Taxation and Legal Issues

The Group was involved in litigation in connection with a case of contaminated Ukrainian oil that occurred in April 2008. In January 2016, a court decision was issued in favor of the counterparty. A respective provision in the amount of USD 2,400 thousand was recognized as of 31 December 2015 in Other current liabilities and remained outstanding as of 30 September 2016.

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. Upon signing, the sellers received approximately 40% of the estimated net asset value partly from the Group and its related parties. As of 30 September 2016, the consideration paid for Stiomi Holding by the Group comprised USD 33,472 thousand. In the meantime, the final payment shall be due and payable only after fulfillment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect to claims against the sellers. The Group submitted several claims to the sellers in respect to the non-fulfillment of the sellers' obligations. In December 2012, the Group received a request for arbitration from the sellers in which the sellers claimed amounts due to them. An arbitral tribunal was formed; the parties exchanged written statements on the case and directions on next steps are awaited from the tribunal. Management believes that it is unlikely that any significant settlement will arise out of this lawsuit.

As of 30 September 2016, 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 a total amount of USD 40,442 thousand (30 June 2016: USD 50,742 thousand), from which USD 21,195 thousand related to VAT recoverability (30 June 2016: USD 25,996 thousand) USD 18,974 thousand related to corporate income tax (30 June 2016: USD 19,817 thousand) and USD 273 thousand related to other tax issues (30 June 2016: USD 4,929 thousand).

As of 30 September 2016, companies of the Group were engaged in ongoing litigation with tax authorities concerning tax issues for USD 18,720 thousand (30 June 2016: USD 28,282 thousand) of the aforementioned amount. Of this amount, USD 10,918 thousand related 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 2016: USD 20,143 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, can increase fiscal pressure on tax payers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigation which, as a consequence, may result in the imposition of additional taxes, penalties and interest, and these amounts could be material.

Starting from 1 January 2016, the approach to special VAT regime for the agricultural industry in Ukraine in a part of VAT payments has been changed. According to the Law 'On amending the Tax Code of Ukraine and certain legislative acts of Ukraine in terms of ensuring the balanced budget receipts in 2016', agricultural producers are entitled to retain only a portion of VAT on agricultural operations.

Thus, as a result of the new legislation, the Group's agricultural farms, engaged in growing crops, will retain only 15% of the net VAT liability versus 100% retained previously.

Special tax treatment of agricultural enterprises should continue to apply only up to 1 January 2017. Starting from 1 January 2017, 100% of net VAT liabilities will be paid to the Government.

Other changes applicable for the year 2016 include cancelation of the temporary VAT exemption for the supplies of certain types of grain crops.
Management believes that the Group has been in compliance with all requirements of the effective tax legislation and currently is assessing the possible impact of the introduced amendments.

Starting from 1 September 2013, the Tax Code of Ukraine introduced new transfer pricing guidelines, rules for determining and applying fair market prices, drawn from the Organization for Economic Cooperation and Development (OECD), which significantly changed transfer pricing (TP) regulations in Ukraine.

The Group imports goods and services, which may potentially be in the scope of the new Ukrainian TP regulations. The Group has submitted a controlled transaction report within the required deadline. Management believes that the Group is in compliance with TP requirements.

21. Commitments and Contingencies (continued)

Operating Environment

In 2016, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions, and a peaceful resolution of the conflict did not occur as it was foreseen by the Minsk agreements.

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

During the year ended 30 June 2016, the Ukrainian economy was going through a recession, a gross domestic product has contracted by 2% (30 June 2015: 13%), and the annual inflation rate reached 8% (30 June 2015: 52%) during the year ended 30 September 2016. Unfavorable conditions on markets where Ukraine's primary commodities were traded were influencing further devaluation of the Ukrainian Hryvnia against major foreign currencies. The Ukrainian companies and banks continued to suffer from the lack of funding from domestic and international financial markets.

The National Bank of Ukraine (the 'NBU') extended its range of measures that were introduced in 2014 and aimed at limiting the outflow of foreign currency from the country, inter alia, a mandatory sale of foreign currency earnings, certain restrictions on purchases of foreign currencies on the interbank market and on usage of foreign currencies for settlement purposes, and limitations on remittances abroad.

In early 2015, the Government of Ukraine agreed with the IMF a four-year program for USD 17.5 billion loan aimed at supporting the economic stabilization of Ukraine. The program defines economic reforms that must be undertaken by the Government of Ukraine to reinstate a sustainable economic growth in the mid-term perspective.

In 2016, political and economic relationships between Ukraine and the Russian Federation remained strained leading to a significant reduction in trade and economic cooperation. On 1 January 2016, a free-trade section of Ukraine's Association Agreement with the European Union came into force. In late 2015, the Russian Federation denounced the free trade zone agreement with Ukraine and further trade restrictions were announced by both countries.

Stabilization of the economic and political situation depends, to a large extent, upon the ability of the Ukrainian Government to continue reforms and the efforts of the NBU to further stabilize the banking sector, as well as upon the ability of the Ukrainian economy in general to respond adequately to changing markets. Nevertheless, further economic and political developments, as well as the impact of the above factors on the Group, its customers, and contractors are currently difficult to predict.

Capital Commitments

As of 30 September 2016, the Group had commitments under contracts with a group of suppliers for a total amount of USD 3,554 thousand, mostly for the purchase of equipment for export terminal (30 September 2015: USD 5,579 thousand for the supply of equipment and services).

Contractual Commitments on Sales

As of 30 September 2016, the Group had entered into commercial contracts for the export of 2,173,000 tons of grain and 689,139 tons of sunflower oil and meal, corresponding to an amount of USD 406,570 thousand and USD 230,432 thousand, respectively, in contract prices as of the reporting date.

As of 30 September 2015, the Group had entered into commercial contracts for the export of 1,542,771 tons of grain and 757,591 tons of sunflower oil and meal, corresponding to amounts of USD 294,165 thousand and USD 294,625 thousand, respectively, at prices as of 30 September 2015.

22. Fair Value of Financial Instruments

Management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated interim financial statements approximate their fair values as of 30 September 2016 and 2015. The estimation of the fair value of borrowings was made using level 2 inputs according to IFRS 13, in accordance with valuation pricing models based on discounted cash flow analysis and observable interest rates available on the market within the three months ended 30 September 2016 and 2015.

23. Subsequent Events

As of 17 November 2016, Fitch Ratings upgraded Long-Term Local Currency IDR of Kernel Holding S.A. to 'B'. The Group's Long-Term Foreign Currency IDR remained constrained by Ukraine's Country Ceiling of 'B-' level. Fitch has also affirmed that Kernel's National Long-Term Rating at 'AA+ (ukr)', with a 'Stable' National rating Outlook.

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

Report of the Reviseur d'Entreprises agree

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated December 10, 2015, we have audited the accompanying consolidated financial statements of Kernel Holding S.A., which comprise the consolidated statement of financial position as at June 30, 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements on pages 63 to 116 give a true and fair view of the consolidated financial position of Kernel Holding S.A. as of June 30, 2016, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter
We draw your attention to Note 34 “Commitments and Contingencies” to the consolidated financial statements, which describes the current political crisis in Ukraine. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements
The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements. The accompanying corporate governance statement on pages 50 to 57 which is the responsibility of the Board of Directors, includes the information required by the law of 19 December 2002 on the commercial companies and companies register and on the accounting records and annual accounts of undertakings, as amended and the description included with respect to Article 68bis paragraphs c and d of the aforementioned law is consistent with the consolidated financial statements.

For Deloitte Audit, Cabinet de révision agréé

Sophie Mitchell,
Réviseur d’entreprises agréé
Partner

21 October 2016

Statement of Management Responsibilities

for the year ended 30 June 2016

We confirm that to the best of our knowledge and belief:

- The consolidated financial statements of Kernel Holding S.A. (the 'Company') presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position, cash flows and profit of the Company and the undertakings included within the consolidation taken as a whole; and

- The Management Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

21 October 2016

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Selected Financial Data

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

		USD		PLN		EUR	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
I.	Revenue	1,988,520	2,329,507	7,696,766	8,117,400	1,791,855	1,947,235
II.	Profit from operating activities	287,190	335,557	1,111,598	1,169,282	258,787	280,492
III.	Profit before income tax	247,789	122,838	959,092	428,041	223,283	102,680
IV.	Profit for the period from continuing operations	243,879	121,686	943,958	424,027	219,759	101,717
V.	Net cash generated by operating activities	133,723	404,723	517,588	1,410,298	120,498	338,308
VI.	Net cash used in investing activities	(60,732)	(24,305)	(235,069)	(84,693)	(54,726)	(20,317)
VII.	Net cash used in financing activities	(136,843)	(321,698)	(529,665)	(1,120,989)	(123,309)	(268,907)
VIII.	Total net cash flow	(63,852)	58,720	(247,146)	204,616	(57,537)	49,084
IX.	Total assets	1,509,355	1,465,618	6,007,686	5,517,319	1,357,514	1,315,391
X.	Current liabilities	373,305	458,104	1,485,866	1,724,533	335,751	411,148
XI.	Non-current liabilities	138,995	116,670	553,242	439,204	125,012	104,711
XII.	Issued capital	2,104	2,104	8,375	7,921	1,892	1,888
XIII.	Total equity	997,055	890,844	3,968,578	3,353,582	896,751	799,532
XIV.	Number of shares	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410
XV.	Profit per ordinary share (in USD/PLN/EUR)	2.83	1.34	10.94	4.68	2.55	1.12
XVI.	Diluted number of shares	81,384,851	79,779,975	81,384,851	79,779,975	81,384,851	79,779,975
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	2.77	1.34	10.71	4.67	2.49	1.12
XVIII.	Book value per share (in USD/PLN/EUR)	12.49	11.16	49.72	42.03	11.23	10.02
XIX.	Diluted book value per share (in USD/PLN/EUR)	12.23	11.15	48.68	41.97	11.00	10.01

Consolidated Statement of Financial Position

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2016	As of 30 June 2015
Assets			
Current assets			
Cash and cash equivalents	8	60,372	129,121
Trade accounts receivable, net	9	75,207	56,135
Prepayments to suppliers and other current assets, net	10, 33	52,983	60,647
Corporate income tax prepaid		7,400	16,600
Taxes recoverable and prepaid, net	11	130,378	88,246
Inventory	12	200,213	158,756
Biological assets	13	190,312	146,571
Assets classified as held for sale	14	3,602	2,482
Total current assets		720,467	658,558
Non-current assets			
Property, plant and equipment, net	15	538,728	535,177
Intangible assets, net	16	36,818	52,572
Goodwill	17	121,912	119,442
Investments in joint ventures	32	52,164	57,037
Deferred tax assets	23	20,161	15,524
Corporate income tax prepaid		8,056	13,940
Other non-current assets	18, 33	11,049	13,368
Total non-current assets		788,888	807,060
Total assets		1,509,355	1,465,618
Liabilities and equity			
Current liabilities			
Trade accounts payable		41,910	27,384
Advances from customers and other current liabilities	19, 33	76,945	63,380
Short-term borrowings	20	179,615	298,005
Current portion of long-term borrowings	21	74,835	69,335
Total current liabilities		373,305	458,104
Non-current liabilities			
Long-term borrowings	21	81,841	88,901
Obligations under finance leases	22	2,275	6,277
Deferred tax liabilities	23	17,143	19,613
Other non-current liabilities	33	37,736	1,879
Total non-current liabilities		138,995	116,670
Equity attributable to Kernel Holding S.A. equity holders			
Issued capital		2,104	2,104
Share premium reserve		463,879	463,879
Additional paid-in capital		39,944	39,944
Equity-settled employee benefits reserve		6,582	4,793
Revaluation reserve		43,815	39,456
Translation reserve		(691,885)	(586,283)
Retained earnings		1,130,890	925,661
Total equity attributable to Kernel Holding S.A. equity holders		995,329	889,554
Non-controlling interests		1,726	1,290
Total equity		997,055	890,844
Total liabilities and equity		1,509,355	1,465,618
Book value		995,329	889,554
Number of shares	37	79,683,410	79,683,410
Book value per share (in USD)		12.49	11.16
Diluted number of shares	37	81,384,851	79,779,975
Diluted book value per share (in USD)		12.23	11.15

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Profit or Loss

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	30 June 2016	30 June 2015
Revenue	24	**1,988,520**	2,329,507
Net change in fair value of biological assets and agricultural produce	13	**20,134**	(6,789)
Cost of sales	25	**(1,548,474)**	(1,805,573)
Gross profit		**460,180**	517,145
Other operating income, net	26	**44,617**	82,420
Operating expenses			
Distribution costs	27	**(158,323)**	(197,098)
General and administrative expenses	28	**(59,284)**	(66,910)
Profit from operating activities		**287,190**	335,557
Finance costs, net	29	**(57,121)**	(64,809)
Foreign exchange gain/(loss), net	30	**30,442**	(143,443)
Other expenses, net	31, 33	**(16,608)**	(9,554)
Share of gain of joint ventures	32	**3,886**	5,087
Profit before income tax		**247,789**	122,838
Income tax expenses	23	**(3,910)**	(1,152)
Profit for the period from continuing operations		**243,879**	121,686
Discontinued operations:			
Loss for the period from discontinued operations	14	**(17,035)**	(26,153)
Profit for the period		**226,844**	95,533
Profit/(Loss) for the period attributable to:			
Equity holders of Kernel Holding S.A.		**225,150**	106,930
Non-controlling interests		**1,694**	(11,397)
Earnings per share			
From continuing and discontinued operations			
Weighted average number of shares	37	**79,683,410**	79,683,410
Profit per ordinary share (in USD)		**2.83**	1.34
Diluted number of shares	37	**81,384,851**	79,779,975
Diluted profit per ordinary share (in USD)		**2.77**	1.34
From continuing operations			
Weighted average number of shares	37	**79,683,410**	79,683,410
Profit per ordinary share (in USD)		**3.04**	1.67
Diluted number of shares	37	**81,384,851**	79,779,975
Diluted profit per ordinary share (in USD)		**2.98**	1.67

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

	30 June 2016	30 June 2015
Profit for the period	226,844	95,533
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of property, plant and equipment	5,314	—
Income tax related to components of other comprehensive income	(955)	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(106,860)	(216,407)
Other comprehensive loss, net	(102,501)	(216,407)
Total comprehensive income/(loss) for the period	124,343	(120,874)
Total comprehensive income/(loss) attributable to:		
Equity holders of Kernel Holding S.A.	123,907	(111,662)
Non-controlling interests	436	(9,212)

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016 (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 2014	**2,104**	**463,879**	**39,944**	**3,176**	**39,456**	**(367,691)**	**848,793**	**1,029,661**	**1,025**	**1,030,686**
Profit/(Loss) for the period	—	—	—	—	—	—	106,930	**106,930**	**(11,397)**	**95,533**
Other comprehensive (loss)/income	—	—	—	—	—	(218,592)	—	**(218,592)**	**2,185**	**(216,407)**
Total comprehensive (loss)/income for the period	**—**	**—**	**—**	**—**	**—**	**(218,592)**	**106,930**	**(111,662)**	**(9,212)**	**(120,874)**
Distribution of dividends	—	—	—	—	—	—	(19,921)	**(19,921)**	—	**(19,921)**
Effect of changes in non-controlling interests (Note 1)	—	—	—	—	—	—	(10,141)	**(10,141)**	**9,477**	**(664)**
Recognition of share-based payments (Note 2)	—	—	—	1,617	—	—	—	**1,617**	—	**1,617**
Balance as of 30 June 2015	**2,104**	**463,879**	**39,944**	**4,793**	**39,456**	**(586,283)**	**925,661**	**889,554**	**1,290**	**890,844**
Profit for the period	—	—	—	—	—	—	225,150	**225,150**	**1,694**	**226,844**
Other comprehensive income/(loss)	—	—	—	—	4,359	(105,602)	—	**(101,243)**	**(1,258)**	**(102,501)**
Total comprehensive income/(loss) for the period	—	—	—	—	4,359	**(105,602)**	**225,150**	**123,907**	**436**	**124,343**
Distribution of dividends (Note 2)	—	—	—	—	—	—	(19,921)	**(19,921)**	—	**(19,921)**
Recognition of share-based payments (Note 2)	—	—	—	1,789	—	—	—	**1,789**	—	**1,789**
Balance as of 30 June 2016	**2,104**	**463,879**	**39,944**	**6,582**	**43,815**	**(691,885)**	**1,130,890**	**995,329**	**1,726**	**997,055**

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Cash Flows

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	30 June 2016	30 June 2015
Operating activities:			
Profit before income tax		**231,664**	97,244
Adjustments for:			
Amortization and depreciation		**60,002**	68,287
Finance costs, net	14, 29	**58,798**	68,575
Movement in allowance for doubtful receivables		**1,595**	2,279
Other accruals		**4,452**	4,463
Loss/(Gain) on disposal of property, plant and equipment	31	**1,079**	(494)
Net foreign exchange (gain)/loss		**(28,991)**	93,238
Write-offs and impairment loss		**16,672**	4,282
Net change in fair value of biological assets and agricultural produce	13	**(20,134)**	6,789
Share of gain of joint ventures	32	**(3,886)**	(5,087)
Loss/(Gain) on sales of Subsidiaries	7, 14, 31	**3,595**	(861)
Other losses		**5,607**	—
Operating profit before working capital changes		**330,453**	338,715
Changes in working capital:			
Change in trade accounts receivable		**(17,204)**	29,517
Change in prepayments and other current assets		**396**	(10,148)
Change in restricted cash balance		**4,897**	(5,000)
Change in taxes recoverable and prepaid		**(50,904)**	(14,888)
Change in biological assets		**(13,857)**	18,374
Change in inventories		**(87,671)**	123,940
Change in trade accounts payable		**15,787**	5,509
Change in advances from customers and other current liabilities		**12,232**	102
Cash generated from operations		**194,129**	486,121
Finance costs paid		**(57,595)**	(68,371)
Income tax paid		**(2,811)**	(13,027)
Net cash generated by operating activities		**133,723**	404,723
Investing activities:			
Purchase of property, plant and equipment		**(33,863)**	(24,728)
Proceeds from disposal of property, plant and equipment		**3,507**	2,052
Purchase of intangible and other non-current assets		**(525)**	(4,105)
Acquisition of subsidiaries	7	**(49,957)**	—
Disposal of subsidiaries	7, 14	**13,689**	2,476
Amount advanced for subsidiaries	14	**6,417**	—
Net cash used in investing activities		**(60,732)**	(24,305)
Financing activities:			
Proceeds from borrowings		**391,425**	147,265
Repayment of borrowings		**(505,973)**	(423,005)
Payment of dividends	2	**(19,921)**	(19,921)
Repayment of reimbursed debt		**—**	(13,499)
Acquisition of non-controlling interests	1	**—**	(664)
Net cash used in financing activities		**(134,469)**	(309,824)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(2,374)**	(11,874)
Net (decrease)/increase in cash and cash equivalents		**(63,852)**	58,720
Cash and cash equivalents, at the beginning of the year	8	**124,121**	65,401
Cash and cash equivalents, at the end of the year	8	**60,269**	124,121

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Notes to the Consolidated Financial Statements

for the year ended 30 June 2016 (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').

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 and the Russian Federation. As of 30 June 2016, the Group employed 14,075 people (15,229 people as of 30 June 2015).

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 2016 and 30 June 2015, the primary subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of 30 June 2016	Group's effective ownership interest as of 30 June 2015
Jerste BV	Holding companies.	Netherlands	100.0%	100.0%
Tweelingen Ukraine LLC		Ukraine	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%
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%
Kirovogradoliya PJSC		Ukraine	99.2%	99.2%
Ekotrans LLC		Ukraine	100.0%	100.0%
BSI LLC		Ukraine	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%(1)	0.0%
Stavropol oil CJSC		Russian Federation	0.0%(2)	100.0%
Ust-Labinsk Florentina OEP LLC		Russian Federation	0.0%(2)	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services.	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%
Unigrain-Agro (Semenivka) LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%
Agrofirma Arshytsya LLC		Ukraine	100.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%
Agrofirma Kuybyshevo LLC		Ukraine	100.0%	100.0%
Palmira LLC		Ukraine	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%(3)

These consolidated financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 21 October 2016.

(1) Was founded on 28 August 2015 as 'Zernovyi Terminal' LLC and on 16 May 2016 renamed in Prydniprovskyi OEP LLC.

(2) Disposed in March 2016 (Note 7).

(3) During the year ended 30 June 2015, the Group acquired non-controlling interests in agricultural farms with a total negative net assets in the amount of USD 9,477 thousand, for a cash consideration in the amount of USD 664 thousand. These operations were recorded within the statement of changes in equity as transactions between equity holders.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (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 'Holding'). The issued capital of the Holding as of 30 June 2016 and 2015 consisted of 79,683,410 ordinary electronic shares without indication of the nominal value, providing 79,683,410 voting rights.

The shares were distributed as follows:

	As of 30 June 2016		As of 30 June 2015	
Equity holders	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	31,345,878	39.34%	31,247,152	39.21%
Free float	48,337,532	60.66%	48,436,258	60.79%
Total	**79,683,410**	**100.00%**	**79,683,410**	**100.00%**

As of 30 June 2016 and 2015, 100% of the beneficial interest in the Major Equity Holder was held by Andriy Mykhailovych Verevskyy (hereinafter the 'Beneficial Owner').

On 9 June 2014, the Company received a notification from NATIONALE-NEDERLANDEN Powszechne Towaryzystwo Emerytalne S.A. (former ING Otwarty Fundusz Emerytalny) that it had crossed the 5% threshold for ownership and owned 6.01% of Kernel Holding S.A.'s share capital.

On 13 October 2015 the Company received a notification from Cascade Investment Fund that the fund acquired shares in the Company and reached the 5% threshold. As of 13 October 2015, Cascade Investment Fund owned 3,984,345 shares of Kernel Holding S.A., which represents 5.00% of the share capital.

On 20 June 2016, the Company received a notification from Towarzystwo Funduszy Inwestycyjnych PZU Spółka Akcyjna that it had acquired 4,119,128 shares in the Company, representing 5.17% of the subscribed share capital.

On 23 November 2007, Kernel Holding S.A. was listed on the Warsaw Stock Exchange (WSE). The total size of the initial public offering was PLN 546,402 thousand, comprising 22,766,750 shares, of which 16,671,000 were newly issued shares. Prior to the IPO, the capital of Kernel Holding S.A. consisted of 46,670,000 shares without indication of the nominal value. On 27 June 2008, an additional 5,400,000 ordinary shares of the Holding were admitted to trading on the main market of the WSE. On 3 June 2010, Kernel issued 4,450,000 new shares. In 2011, Kernel issued 6,492,410 new shares, 1,092,410 of which were subscribed by stock option beneficiaries under the Management Incentive Plan at an issue price of PLN 24.

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 210 thousand as of 30 June 2016, may not be distributed as dividends.

As part of the management incentive scheme, the Company's executives and senior employees are granted options to acquire shares of the Company. During the year ended 30 June 2015, the board of directors approved a new management incentive plan and amendment to the previous management incentive plan, issuing a total of 4,350,000 new options (600,000 options with a strike price of PLN 75.00 and 3,750,000 options with a strike price of PLN 29.61), with the authorized capital due to be approved by the general meeting of shareholders. As a result, as of 30 June 2016, a total of 7,407,820 options were issued, of which 4,057,820 were vested. 657,820 options (all vested) have a strike price of PLN 24.00, 3,000,000 options (all vested) have a strike price of PLN 75.00, and 3,750,000 options (of which 400,000 are vested) have a strike price of PLN 29.61. The weighted average remaining contractual life was 12 years. These options granted under the Company's management incentive scheme carry no rights to dividends and no voting rights.

The fair value of the share-based options was USD 6,582 thousand as of 30 June 2016 and USD 1,789 thousand was recognized as an expense (part of payroll and payroll related expenses) during the year ended 30 June 2016 with a corresponding increase in equity over the vesting period (30 June 2015: USD 4,793 thousand and USD 1,617 thousand, respectively).

On 10 December 2015, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share amounting to USD 19,921 thousand.

On 29 April 2016, the dividends were fully paid to the shareholders.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

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, available-for-sale financial assets, biological assets, agricultural produce, financial assets and financial liabilities at fair value through profit or loss.

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

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 July 2015:

* Amendments to IAS 19 'Employee Benefits' – Defined Benefit Plans: Employee Contributions
* Amendments to IFRSs – 'Annual Improvements to IFRSs 2010-2012 Cycle'
* Amendments to IFRSs – 'Annual Improvements to IFRSs 2011-2013 Cycle'

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

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
Amendments to IFRS 11 'Joint Arrangements' – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 'Disclosure Initiative'	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016
Amendments to IAS 27 'Separate Financial Statements' (revised 2011) – Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to IFRSs – 'Annual Improvements to IFRSs 2012-2014 Cycle'	1 January 2016
Amendments to IAS 7 'Disclosure Initiative'	Not yet adopted in the EU
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	Not yet adopted in the EU
IFRS 15 'Revenue from Contracts with Customers'	Not yet adopted in the EU
IFRS 9 'Financial Instruments'	Not yet adopted in the EU
Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transactions	Not yet adopted in the EU
Amendments to IFRS 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance contracts'	Not yet adopted in the EU
IFRS 16 'Leases'	Not yet adopted in the EU
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	EU endorsement currently halted

Management is currently evaluating the impact of the adoption of IFRS 9 'Financial Instruments', IFRS 16 'Leases', IFRS 15 'Revenue from Contracts with Customers' and ammendments to IAS 12 'Income Taxes' and IFRS 2 'Share-based Payment'. For other standards and interpretations, management anticipates that their adoption will not have a material effect on the financial statements of the Group in future periods.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

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 other comprehensive income and accumulated in 'Translation reserve'.

The exchange rates during the period of the financial statements were as follows:

Currency	Closing rate as of 30 June 2016	Average rate for the year ended 30 June 2016	Closing rate as of 30 June 2015	Average rate for the year ended 30 June 2015
USD/UAH	24.8544	23.8630	21.0154	17.4029
USD/EUR	0.8994	0.9011	0.8975	0.8359
USD/RUB	64.2575	67.3438	55.5240	49.5381
USD/PLN	3.9803	3.8706	3.7645	3.4846

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 Poland for USD/PLN and USD/EUR, by the National Bank of Ukraine for USD/UAH and by the Central Bank of the Russian Federation for USD/RUB.

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 2016.

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; and
→ 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Basis of Consolidation continued

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 Subsidiary.

The results of Subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition and up to the effective date of disposal.

All inter-company transactions and balances between the Group's enterprises are eliminated on consolidation. 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.

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 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 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.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs are expensed when incurred and included in general and administrative expenses.

At the acquisition date, 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 acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 'Share-based Payment at 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Business Combinations continued

In case identifiable net assets attributable to the Group, after reassessment, exceed the cost of acquisition, the difference is recognized in the Consolidated Statement of Profit or Loss as a gain on a bargain purchase.

For each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at a proportionate share of the acquiree's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during 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 acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity net the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the profit or loss in the Consolidated Statement of Profit or Loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On the disposal of a relevant cash-generating unit, an attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in Joint Ventures

A joint venture is a 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. 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.

Discontinued Operations

In compliance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Non-current assets are measured at the lower of the previous carrying amount or the fair value less costs to sell.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Discontinued Operations continued

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.

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 financial statements when issued. However, when those criteria are met after the reporting date but before the authorization of the financial statements for issue, the Group discloses the relevant information in the notes to the financial statements.

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 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 (both in bulk and bottled oil segments) are accounted for at revalued amounts, being the fair value, which is determined using external professional expert evaluation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Except for land, all other property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses and is not depreciated.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Property, Plant and Equipment continued

The fair value is defined as the amount for which an asset could have been exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of marketable assets is determined by their market value. If there is no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, income or a depreciated replacement cost approach is used to estimate the fair value. Valuations are performed frequently enough to ensure that the fair value of a remeasured asset does not differ materially from its carrying amount. Property, plant and equipment acquired in a business combination are initially recognized at their fair value, which is based on valuations performed by independent professionally qualified appraisers.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of assets or increase their revenue-generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the Consolidated Statement of Profit or Loss as incurred.

If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated in revaluation surplus in equity. However, such 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.

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

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 measured on initial recognition at cost. Amortization is recognized 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 perspective basis. Intangible asset 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, 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Impairment of Non-current 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 assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of financial instruments. Financial assets and financial liabilities are initially measured at fair value. Financial instruments are classified according to the following categories: financial assets or financial liabilities recognized at fair value through profit or loss (FVTPL); held-to-maturity investments; available-for-sale financial assets; loans and receivables and other financial liabilities. The classification depends on the nature and purpose of the financial assets or financial liabilities and is determined at the time of initial recognition.

The financial assets of the Group are represented by cash, loans and receivables and financial assets at fair value through profit or loss. The financial liabilities of the Group are represented by other financial liabilities and financial liabilities at fair value through profit or loss. Other financial liabilities (including borrowings, obligations under finance lease, trade and other payables) are subsequently measured at amortized cost using the effective interest method.

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.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Financial Instruments continued

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.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Consolidated Statement of Profit or Loss.

Cash and Cash Equivalents

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

Loans Receivable

Loans provided by the Group are non-derivative financial assets, created by means of granting money directly to a borrower or participating in the provision of credit services, not including those assets that were created for the purpose of immediate sale or sale during a short-term period or classified as investments held for trading. For loans given at a rate and on terms that are different from market terms and conditions, the difference between the par value of the resources provided and the fair value of the amount lent is reflected in the Consolidated Statement of Profit or Loss for the period when the amount was lent as an adjustment to the loan amount. Loans with fixed maturity terms are measured at amortized cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. Loans provided are reflected in the Consolidated Statement of Financial Position, less an allowance for estimated non-recoverable amounts.

Trade Accounts Receivable

Trade accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade accounts receivable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less a provision for impairment.

The Group's trade accounts receivable and loans receivable are included in full in non-current assets, except for those cases when the term of redemption expires within 12 months of the reporting date. Financial assets, which are recognized at fair value through profit or loss, are a part of current assets and available-for-sale investments if the Group's management has the intent to realize them within 12 months from the reporting date. All acquisitions and sales of financial instruments are registered at the settlement date. Investments in equity securities where fair value cannot be estimated on a reasonable basis are stated at cost less impairment losses.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:
→ Significant financial difficulty of the issuer or counterparty; or
→ Breach of contract, such as a default or delinquency in interest or principal payments; or
→ Probability of the borrower filing for bankruptcy or financial reorganization; or
→ The disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Impairment of Financial Assets continued

For certain categories of financial assets, such as trade accounts receivable, assets that are assessed as not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, and observable changes in national or local economic conditions that correlate with defaults on accounts receivable.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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 included in expenses for the period to which they relate on a straight-line basis over the term of the relevant lease.

Financial liabilities at fair value through profit or loss were represented by non-deliverable currency forwards, which were used by the Group in order to protect against unfavorable USD/UAH exchange rates movements. Such liabilities, including derivatives that are liabilities, shall be measured at fair value. Gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognized in the Consolidated Statement of Profit or Loss.

Taxes Recoverable and Prepaid

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

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. 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. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

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.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Contingencies

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

Issued Capital

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

Repurchase of Issued Capital

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

Equity-settled Transactions

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

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

At each reporting date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognized in the Consolidated Statement of Profit or Loss, with a corresponding entry in equity.

Earnings per Share

Earnings per share are calculated by dividing net profit attributable to equity holders of the Holding by the weighted average number of shares outstanding during the period.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, and the revenue can be reliably measured.

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

Sale of Goods and Finished Products

Revenue is recognized when the significant risks and rewards of ownership of goods for resale and finished products have passed to the buyer, the amount of revenue can be measured reliably, and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Rendering of Services

Revenue is recognized in the accounting period in which services are 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 based on actually performed work. 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

Some of the Group's companies are subject to special tax treatment for value added tax (VAT). The Group's enterprises that qualify as agricultural producers are entitled to retain a portion of net VAT payable. VAT amounts payable are not transferred to the government, but credited to the entity's separate special account to support the agriculture activities of the Group. Starting from 1 January 2016, producers of grain and industrial crops, cattle and dairy producers, poultry and other agriculture producers shall retain VAT in a portion of 15%, 80% and 50%, respectively. Till 31 December 2015 100% of net VAT liability was retained by agricultural producers. Abovementioned share of the net result of VAT operations calculated as an excess of the VAT liability over VAT credit is accounted for in the Consolidated Statement of the Profit or Loss as other operating income. VAT receivable exceeding VAT liability is used as a reduction in tax liabilities in the next period.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Borrowing Costs

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

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

All other borrowing costs are recognized in 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.

Income Taxes

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.

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.

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 Fixed Agricultural Tax instead.

Deferred income tax is recognized on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period 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 2015 and for the year then ended to conform to the current year's presentation.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (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 29,167 thousand and USD 48,837 thousand for the years ended 30 June 2016 and 2015, 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.

During the year ended 30 June 2016, the Group appointed an independent appraiser to perform a revaluation of buildings, constructions, production machinery and equipment used in the sunflower oil segments (both in bulk and bottled).

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.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty continued

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 2016	Valuation techniques	Fair value hierarcy	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Buildings and constructions	192,371	Depreciated replacement cost	Level 3	Index of physical depreciation	0-100% (34%)	The higher the index of physical depreciation, the lower the fair value
Production machinery and equipment	67,346	Depreciated replacement cost	Level 3	Index of physical depreciation	0-100% (44%)	The higher the index of physical depreciation, the lower the fair value
Production machinery and equipment	9,862	Market comparables	Level 3	Index of physical depreciation	6-82% (66%)	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 18,454 thousand and USD 17,807 thousand, respectively.

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 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 2016, the carrying amount of goodwill and intangible assets with indefinite useful lives amounted to USD 133,938 thousand (30 June 2015: USD 133,282 thousand). As of 30 June 2016, the impairment loss for goodwill and intangible assets with indefinite useful lives was recognized in the amount of USD 8,768 thousand (Notes 16, 17) (30 June 2015: USD 6,169 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 17.

Impairment of Property, Plant and Equipment

Management reviews the carrying amounts of assets to determine whether there is any indication that those assets are impaired.

In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

The assessment of whether there are indicators of a potential impairment are based on various assumptions including market conditions, asset utilization and the ability to utilize the asset for alternative purposes. If an indication of impairment exists, the Group estimates the recoverable value (greater of fair value less cost to sell and value in use) and compares it to the carrying value, and records impairment to the extent the carrying value is greater than 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 2016, no indicators of property, plant and equipment impairment have been identified.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty continued

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.

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).

Deferred Tax Recognition

Deferred tax assets, including those arising from unused tax losses are recognized to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

VAT Recoverability

As of 30 June 2016, total VAT recoverable amounted to USD 116,429 thousand (as of 30 June 2015: USD 80,211 thousand) (Note 11). The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by setting it off against VAT liabilities in future periods. Management classifies the VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within 12 months from the reporting date. In addition, management assessed whether an allowance for irrecoverable VAT needed to be created.

In making this assessment, management considered the past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess VAT output over VAT input in the normal course of the business.

Acquisition of Subsidiary

On 31 March 2016 the Group has acquired pledged assets through assignment agreement with a Ukrainian bank, which are represented by a 560,000 ton capacity oilseed crushing plant located in Kirovograd region. These assets were further registered at a Subsidiary of the Group – Prydniprovskyi OEP LLC. While accounting for this transaction, management considered the following matters: inputs, processes and outputs, to conclude whether assets acquired constitute a business or not. The following considerations were taken into account by management, that the Group has retained suppliers who provided raw materials for the production previously, all major operational processes as well as all major personnel were secured except for top management which was changed by the Group. Based on these considerations, management has concluded that the acquired assets constitute a business and should be accounted as a business combination of an oilseed crushing plant.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

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 the chief operating decision makers.

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

Operating segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil 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 Ilyichevsk and Mykolaiv.
Farming	Agricultural farming. Production of corn, wheat, soybean, sunflower seed and rapeseed.
Grain	Sourcing and merchandising of wholesale grain.
Silo services	Provision of grain cleaning, drying and storage services.
Sugar	Marketing and distribution of sugar.
Other	Income and expenses unallocated to other segments, which are related to the administration of the Holding.

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 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 and some other assets and liabilities.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

6. Key Data by Operating Segment

Key data by operating segment for the year ended 30 June 2016:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	102,608	1,032,137	186	25,063	821,671	7,306	—	—	—	(451)	1,988,520
Intersegment sales	—	—	57,142	333,013	—	30,899	—	—	(421,054)	—	—
Total revenue	**102,608**	**1,032,137**	**57,328**	**358,076**	**821,671**	**38,205**	—	—	**(421,054)**	**(451)**	1,988,520
Net change in fair value of biological assets and agricultural produce	—	—	—	20,134	—	—	—	—	—	—	20,134
Other operating income, net	112	3,832	15	33,876	6,063	777	—	—	—	(58)	44,617
Profit/(Loss) from operating activities	**13,035**	**96,463**	**34,480**	**112,857**	**46,265**	**19,907**	—	**(38,332)**	—	**2,515**	**287,190**
Finance costs, net											(57,121)
Foreign exchange gain, net											30,442
Other expenses, net											(16,608)
Share of gain of joint ventures											3,886
Income tax expenses											(3,910)
Profit for the period from continuing operations											243,879
Total assets	**56,127**	**827,835**	**115,387**	**311,559**	**80,346**	**54,193**	—	**60,306**	—	—	**1,505,753**
Capital expenditures	114	54,520	1,799	16,970	—	1,981	—	19,674	—	—	95,058
Amortization and depreciation	2,793	16,557	2,999	33,049	—	3,486	—	1,118	—	(839)	59,163
Liabilities	2,290	25,493	16,366	37,012	12,335	2,214	—	416,590	—	—	512,300

During the year ended 30 June 2016, one of the Group's external customers accounted for more than 10% of total external revenue. Also, during that period, export sales amounted to 96% of total external sales.

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 operates in two principal geographical areas – Ukraine and the Russian Federation. Information about its non-current assets by location of the assets and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers	Non-current assets
	Year ended 30 June 2016	As of 30 June 2016
Ukraine	1,748,691	736,035
Russian Federation	239,829	52,853
Total	1,988,520	788,888

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal at the Taman port).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

6. Key Data by Operating Segment continued

Key data by operating segment for the year ended 30 June 2015:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	114,060	1,099,674	76	29,010	1,053,267	7,668	27,446	—	—	(1,694)	2,329,507
Intersegment sales	—	—	55,186	281,383	—	34,725	—	—	(371,294)	—	—
Total revenue	**114,060**	**1,099,674**	**55,262**	**310,393**	**1,053,267**	**42,393**	**27,446**	—	**(371,294)**	**(1,694)**	**2,329,507**
Net change in fair value of biological assets and agricultural produce	—	—	—	(6,789)	—	—	—	—	—	—	(6,789)
Other operating income, net	863	39,077	479	22,642	19,588	265	52	—	—	(546)	82,420
Profit/(Loss) from operating activities	**17,582**	**175,847**	**33,768**	**58,404**	**59,369**	**13,684**	**4,262**	**(34,334)**	—	**6,975**	**335,557**
Finance costs, net											(64,809)
Foreign exchange loss, net											(143,443)
Other expenses, net											(9,554)
Share of gain of joint ventures											5,087
Income tax expenses											(1,152)
Profit for the period from continuing operations											121,686
Total assets	**68,798**	**772,323**	**122,548**	**340,061**	**80,106**	**71,792**	**881**	**6,627**	—	—	**1,463,136**
Capital expenditures	2,786	6,917	749	14,031	—	9,151	—	497	—	—	34,131
Amortization and depreciation	2,958	16,703	3,028	39,535	—	4,640	—	1,423	—	(1,434)	66,853
Liabilities	2,074	41,754	902	24,740	13,891	6,319	923	484,171	—	—	574,774

During the year ended 30 June 2015, none of the Group's external customers accounted for more than 10% of total external revenue. Also, during that period, export sales amounted to 94% of total external sales.

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 operates in two principal geographical areas – Ukraine and the Russian Federation. Information about its non-current assets by location of the assets and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers	Non-current assets
	Year ended 30 June 2015	As of 30 June 2015
Ukraine	2,019,732	721,309
Russian Federation	309,775	85,751
Total	**2,329,507**	**807,060**

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal at the Taman port).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

7. Acquisition and Disposal of Subsidiaries

As stated in Note 4, on 31 March 2016 the Group has acquired pledged assets, which were further registered for Prydniprovskyi OEP LLC, which was accounted as the business combination. As of the date of acquisition, the net assets of oilseed crushing plant were USD 59,090 thousand and mostly consisted of property, plant and equipment in the amount of USD 49,132 thousand. As of 30 June 2016, the consideration paid comprised USD 49,957 thousand and the amount due and payable was USD 25,315 (as of the date of acquisition USD 41,957 thousand and USD 30,358 thousand, respectively), calculated as the present value of amounts payable in arrears within the next five years discount rate 22.96% (out of which USD 23,598 thousand represented the long-term part within the line 'Other non-current liabilities' and USD 1,717 thousand represented the short-term part within the line 'Advances from customers and other current liabilities').

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.

The goodwill in the amount of USD 13,225 thousand arising from the accounting for acquisition of Prydniprovskyi OEP LLC as business combination is attributable to the increasing capacity and the synergies expected to be gained in crushing, origination and marketing, decrease in regional competition for raw materials, and efficiency of scale and is not tax deductible.

During the year ended 30 June 2016, the Group disposed of two grain elevators located in the Mykolaiv and Zaporizhzhya regions and one small farming entity registered in the Kyiv region with no material leasehold farmland as of the date of disposal. The net assets of the disposed entities as of the date of disposal were equal to USD 1,189 thousand and the cash consideration received was USD 1,772 thousand. Cash balances disposed of comprised USD 16 thousand and were deducted from the cash consideration received in the Consolidated Statement of Cash Flows.

During the year ended 30 June 2016, the Group disposed of two oilseed crushing plants located in the Russian Federation. The net assets of the disposed entities as of the date of disposal were equal to USD 16,122 thousand and the cash consideration received was USD 11,944 thousand. Cash balances disposed of comprised USD 11 thousand and were deducted from the cash consideration received in the Consolidated Statement of Cash Flows.

No entities were acquired during the year ended 30 June 2015.

During the year ended 30 June 2015, the Group disposed of one of its grain elevators located in the Kharkiv region. The net assets of the disposed entity as of the date of disposal were equal to USD 400 thousand and the cash consideration received was USD 1,232 thousand.

8. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 June 2016	As of 30 June 2015
Cash in banks in USD	55,825	110,537
Cash in banks in UAH	2,729	18,077
Cash in banks in other currencies	1,814	500
Cash on hand	4	7
Total	60,372	**129,121**
Less restricted and blocked cash on security bank accounts	(103)	(5,000)
Cash for the purposes of cash flow statement	60,269	**124,121**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

9. Trade Accounts Receivable, net

The balances of trade accounts receivable, net were as follows:

	As of 30 June 2016	As of 30 June 2015
Trade accounts receivable	76,743	58,060
Allowance for estimated irrecoverable amounts	(1,536)	(1,925)
Total	75,207	**56,135**

As of 30 June 2016, accounts receivable from one European customer accounted for approximately 11.6%, and one Ukrainian customer for 2.1% of the total carrying amount of trade accounts receivable (as of 30 June 2015: one European customer for approximately 22.2% and one Ukrainian customer for 3.4%).

The average credit period on sales of goods was 12 days (for the period ended 30 June 2015: 12 days). No interest is charged on the outstanding balances of trade accounts receivable. Most of the trade accounts receivable past due for more than one month are considered to be impaired. Allowances for doubtful debts are recognized against trade accounts receivable that are overdue between 30 and 365 days and are calculated on the basis of the delay in payment by applying a fixed percentage.

Before accepting any new customer, the Group uses an external credit status system to assess the potential customer's credit quality and estimates credit limits by customer. Solvency and payment delays per customers are reviewed each quarter. As of 30 June 2016, the amount of not impaired trade accounts receivables and receivables past due less than one month accounted for USD 74,809 thousand (as of 30 June 2015: USD 53,746 thousand).

As of 30 June 2016, trade accounts receivable past due for more than one year were impaired in full and amounted to USD 1,473 thousand (2015: USD 1,818 thousand).

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 2016	As of 30 June 2015
Prepayments to suppliers	38,658	38,535
Other current assets	20,945	29,414
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(6,620)	(7,302)
Total	52,983	**60,647**

11. Taxes Recoverable and Prepaid, net

The balances of taxes recoverable and prepaid, net were as follows:

	As of 30 June 2016	As of 30 June 2015
VAT ('value added tax') recoverable and prepaid	116,429	80,211
Other taxes recoverable and prepaid	13,949	8,035
Total	130,378	**88,246**

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. For the year ended 30 June 2016, the amount of VAT refunded by the government in cash was USD 222,657 thousand (for the year ended 30 June 2015: USD 177,408 thousand).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

12. Inventory

The balances of inventories were as follows:

	As of 30 June 2016	As of 30 June 2015
Finished products	129,442	61,201
Goods for resale	39,068	19,640
Raw materials	21,012	59,249
Agricultural products	4,551	8,578
Fuel	1,899	2,624
Packaging materials	647	805
Other inventories	3,594	6,659
Total	**200,213**	**158,756**

As of 30 June 2016, finished products mostly consisted of sunflower oil sold in bulk in the amount of USD 120,192 thousand (as of 30 June 2015: USD 50,846 thousand).

As of 30 June 2016 and 30 June 2015, the inventory balances in the amounts of USD 110,427 thousand and USD 110,857 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 2016		As of 30 June 2015	
	Hectares	Value	Hectares	Value
Corn	138,243	71,561	159,774	39,038
Wheat	82,372	41,529	72,500	30,864
Sunflower seed	81,429	48,697	61,902	37,308
Soybean	58,208	15,285	67,227	25,814
Pea	5,626	4,197	3,343	726
Forage	3,581	1,066	4,443	1,872
Rapeseed	2,639	2,885	9,565	6,675
Barley	1,244	632	131	11
Other	8,037	2,558	7,355	1,780
Total	**381,379**	**188,410**	**386,240**	**144,088**

The following table represents the changes in the carrying amounts of crops in fields during the years ended 30 June 2016 and 30 June 2015:

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2014	**148,800**	**29,693**	**178,493**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2014)	78,321	—	78,321
Decrease due to harvest (harvest 2014)	(227,121)	(29,693)	(256,814)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2015)	128,464	—	128,464
Gain arising from changes in fair value attributable to physical changes and to changes in the market price (sowing under harvest 2015)	—	13,124	13,124
Exchange difference	—	2,500	2,500
As of 30 June 2015	**128,464**	**15,624**	**144,088**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2015)	83,588	—	83,588
Decrease due to harvest (harvest 2015)	(212,052)	(15,624)	(227,676)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2016)	150,423	—	150,423
Gain arising from changes in fair value attributable to physical changes and to changes in the market price (sowing under harvest 2016)	—	33,742	33,742
Exchange difference	3,692	553	4,245
As of 30 June 2016	**154,115**	**34,295**	**188,410**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

13. Biological Assets continued

The balances of current cattle were as follows:

	As of 30 June 2016		As of 30 June 2015	
	Number of heads	Value	Number of heads	Value
Cattle	**8,907**	**1,902**	10,139	2,483

As of 30 June 2016, non-current cattle in the amount of USD 7,447 thousand (2015: USD 6,189 thousand) were represented mainly by 8,279 heads of milk cows (2015: 9,031 heads) (Note 18). 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 2016, the net gain arising from changes in the fair value of biological assets in the amount of USD 20,134 thousand (2015: loss of USD 6,789 thousand) includes a USD 1,325 thousand loss on changes in current and non-current cattle's fair value (2015: loss of USD 6,093 thousand).

Crops in fields and non-current cattle of the Group are measured using the 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 the valuation technique from the previous year. There were no material transfers between any levels during the year.

Description	Fair value as of 30 June 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Crops in fields	188,410	Discounted cash flow	Crop yields	1.60-7.00 (4.17) tons per hectare	The higher the crop yield, the higher the fair value
			Crop prices	USD 130 - 413 (259) USD per ton	The higher the crop price, the higher the fair value
			Discount rate	24.45% (in UAH, short-term)	The higher the discount rate, the lower the fair value
Milk cows	7,447	Discounted cash flow	Milk yield	15.00 – 19.56 (17.28) liters per cow per day	The higher the milk yield, the higher the fair value
			Milk price	USD 0.22 – 0.23 (0.22) per liter	The higher the market milk price, the higher the fair value
			Meat price	USD 0.57 – 0.89 (0.73) per kg	The higher the market meat price, the higher the fair value
			Weight of 1 calf	30 - 33 (31.5) kg	The higher the weight, the higher the fair value
			Yield of calves from 100 cows per year	66 - 80 (73) calves	The higher the yield, the higher the fair value
			Discount rate	18.50% (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 31,760 thousand and USD 30,271 thousand, respectively.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

14. Assets Classified as Held for Sale and Discontinued Operations

During the year ended 30 June 2016, the Group disposed of the property, plant and equipment that belonged to sugar segment. Net assets as of the date of disposal amounted to USD 2,030 thousand and total cash consideration received was USD 1,386 thousand.

As of 30 June 2016, according to management's plan to dispose one of export terminals, its net assets, which predominantly consist of property, plant and equipment in the amount of USD 3,602 thousand were classified as assets held for sale. As of 30 June 2016, advance for sale of the subsidiary in the amount of USD 6,417 has been received. The above mentioned property, plant and equipment was disposed in September 2016.

As a result of disposal of oilseed crushing plants located in the Russian Federation (sunflower oil sold in bulk operating segment), for the years ended 30 June 2016 and 2015, their activities were classified as discontinued operations. For the year ended 30 June 2015, discontinued operations of the Group also included activities of two remaining sugar plants (sugar operating segment).

The combined results of the discontinued operations included in the Consolidated Statement of Profit or Loss are set out below.

Result for the year from discontinued operations:

	Year ended 30 June 2016	Year ended 30 June 2015
Revenue	**451**	1,694
Cost of sales	**(1,093)**	(6,146)
Other operating income	**58**	546
Distribution costs	**(1,028)**	(1,454)
General and administrative expenses	**(903)**	(1,615)
Finance costs, net	**(1,677)**	(3,766)
Foreign exchange loss, net	**(2,216)**	(9,496)
Other expenses, net	**(5,539)**	(5,357)
Income tax expenses	**(910)**	(559)
Loss on disposal of operation	**(4,178)**	—
Loss for the period from discontinued operations	(17,035)	**(26,153)**

Earnings per share from discontinued operations

	Year ended 30 June 2016	Year ended 30 June 2015
Loss per ordinary share (in USD)	**(0.21)**	(0.33)
Diluted loss per ordinary share (in USD)	**(0.21)**	(0.33)

Since the full amount of loss from discontinued operations is attributed to equity holders of the Company, all of it is used in the calculation of basic and diluted earnings per share from discontinued operations.

Cash flows from discontinued operations:

	Year ended 30 June 2016	Year ended 30 June 2015
Net cash outflow form operating activities	**(2,061)**	(7,947)
Net cash outflow from financing activities	**(38,000)**	(10,000)
Net decrease in cash and cash equivalents	(40,061)	**(17,947)**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (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 2016:

	Sunflower oil sold in bulk and bottled	Export terminals	Farming	Silo services	Other	Total
Net book value as of 30 June 2015	**313,561**	**51,662**	**105,022**	**59,716**	**5,216**	**535,177**
Land	3,932	1,487	43	186	49	5,697
Buildings and constructions	217,352	21,748	15,120	42,912	2,529	299,661
Production machinery and equipment	80,730	27,003	3,583	9,929	40	121,285
Agricultural equipment and vehicles	1,449	35	81,184	330	1,149	84,147
Other fixed assets	3,142	139	2,403	396	1,437	7,517
CIP and uninstalled equipment	6,956	1,250	2,689	5,963	12	16,870
Additions	**5,464**	**1,786**	**16,364**	**1,917**	**19,613**	**45,144**
CIP and uninstalled equipment	5,464	1,786	16,364	1,917	19,613	45,144
Reclassification	**662**	**12**	**1,168**	**(1,092)**	**(750)**	—
Buildings and constructions	(26)	4	770	(750)	21	19
Production machinery and equipment	(59)	5	193	(333)	1	(193)
Agricultural equipment and vehicles	742	(1)	117	24	(773)	109
Other fixed assets	5	4	72	(17)	1	65
CIP and uninstalled equipment	—	—	16	(16)	—	—
Additions from acquisition of subsidiaries	**49,132**	—	—	—	—	**49,132**
Buildings and constructions	27,424	—	—	—	—	27,424
Production machinery and equipment	21,391	—	—	—	—	21,391
Other fixed assets	317	—	—	—	—	317
Transfers	—	—	—	—	—	—
Land	—	—	—	—	1,097	1,097
Buildings and constructions	1,895	(2)	3,283	5,176	17,863	28,215
Production machinery and equipment	2,199	261	82	1,352	—	3,894
Agricultural equipment and vehicles	663	128	11,465	40	196	12,492
Other fixed assets	389	67	1,284	598	686	3,024
CIP and uninstalled equipment	(5,146)	(454)	(16,114)	(7,166)	(19,842)	(48,722)
Revaluation	**(1,236)**	—	—	—	—	**(1,236)**
Buildings and constructions	(7,940)	—	—	—	—	(7,940)
Production machinery and equipment	6,704	—	—	—	—	6,704
Disposals (at net book value)	**(18,176)**	**(5)**	**(1,818)**	**(898)**	**(96)**	**(20,993)**
Land	(1,653)	—	—	—	—	(1,653)
Buildings and constructions	(10,232)	(2)	(287)	(796)	(86)	(11,403)
Production machinery and equipment	(4,150)	(1)	(94)	(90)	—	(4,335)
Agricultural equipment and vehicles	(65)	—	(1,349)	(1)	(4)	(1,419)
Other fixed assets	(133)	—	(65)	(7)	(5)	(210)
CIP and uninstalled equipment	(1,943)	(2)	(23)	(4)	(1)	(1,973)
Transfers to assets classified as held for sale	—	**(3,602)**	—	—	—	**(3,602)**
Land	—	(1,258)	—	—	—	(1,258)
Buildings and constructions	—	(1,552)	—	—	—	(1,552)
Production machinery and equipment	—	(18)	—	—	—	(18)
Other fixed assets	—	(35)	—	—	—	(35)
CIP and uninstalled equipment	—	(739)	—	—	—	(739)

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

15. Property, Plant and Equipment, net continued

The following table represents movements in property, plant and equipment for the year ended 30 June 2016 (continued):

	Sunflower oil sold in bulk and bottled	Export terminals	Farming	Silo services	Other	Total
Depreciation expense	**(18,967)**	**(2,981)**	**(23,730)**	**(3,472)**	**(920)**	**(50,070)**
Buildings and constructions	(8,729)	(794)	(2,086)	(2,463)	(230)	(14,302)
Production machinery and equipment	(8,885)	(2,128)	(483)	(780)	(6)	(12,282)
Agricultural equipment and vehicles	(650)	(12)	(20,493)	(66)	(153)	(21,374)
Other fixed assets	(703)	(47)	(668)	(163)	(531)	(2,112)
Exchange difference	**(253)**	**(1,069)**	**(5,990)**	**(8,921)**	**1,409**	**(14,824)**
Land	—	(229)	(7)	(28)	72	(192)
Buildings and constructions	—	(504)	(2,392)	(6,920)	1,112	(8,704)
Production machinery and equipment	—	(107)	(570)	(1,563)	(5)	(2,245)
Agricultural equipment and vehicles	(257)	(1)	(1,785)	(38)	(22)	(2,103)
Other fixed assets	(2)	(17)	(323)	(99)	21	(420)
CIP and uninstalled equipment	6	(211)	(913)	(273)	231	(1,160)
Net book value as of 30 June 2016	**330,187**	**45,803**	**91,016**	**47,250**	**24,472**	**538,728**
Land	2,279	—	36	158	1,218	3,691
Buildings and constructions	219,744	18,898	14,408	37,159	21,209	311,418
Production machinery and equipment	97,930	25,015	2,711	8,515	30	134,201
Agricultural equipment and vehicles	1,882	149	69,139	289	393	71,852
Other fixed assets	3,015	111	2,703	708	1,609	8,146
CIP and uninstalled equipment	5,337	1,630	2,019	421	13	9,420

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

15. Property, Plant and Equipment, net continued

The following table represents movements in property, plant and equipment for the year ended 30 June 2015:

	Sunflower oil sold in bulk and bottled	Export terminals	Farming	Silo services	Other	Total
Net book value as of 30 June 2014	**326,891**	**59,035**	**148,825**	**101,038**	**7,673**	**643,462**
Land	3,932	2,644	6	770	46	7,398
Buildings and constructions	224,538	25,067	29,672	74,314	3,072	356,663
Production machinery and equipment	87,434	29,431	10,622	15,373	582	143,442
Agricultural equipment and vehicles	897	49	101,904	289	1,378	104,517
Other fixed assets	3,385	251	4,813	727	2,582	11,758
CIP and uninstalled equipment	6,705	1,593	1,808	9,565	13	19,684
Additions	**6,872**	**748**	**12,724**	**9,129**	**426**	**29,899**
CIP and uninstalled equipment	6,872	748	12,724	9,129	426	29,899
Reclassification	**(10)**	**4**	**1,105**	**(891)**	**(208)**	—
Land	—	—	70	—	3	73
Buildings and constructions	270	37	712	6	14	1,039
Production machinery and equipment	(237)	(35)	(4,412)	(6)	(514)	(5,204)
Agricultural equipment and vehicles	(23)	41	5,455	2	1,297	6,772
Other fixed assets	152	(39)	(1,778)	—	(1,015)	(2,680)
CIP and uninstalled equipment	(172)	—	1,058	(893)	7	—
Transfers	—	—	—	—	—	—
Buildings and constructions	1,234	112	1,332	4,730	4	7,412
Production machinery and equipment	3,329	137	877	2,713	—	7,056
Agricultural equipment and vehicles	1,039	—	7,727	276	36	9,078
Other fixed assets	359	70	1,462	145	377	2,413
CIP and uninstalled equipment	(5,961)	(319)	(11,398)	(7,864)	(417)	(25,959)
Disposals (at net book value)	**(785)**	**(3)**	**(1,391)**	**(776)**	**(54)**	**(3,009)**
Land	—	—	—	(298)	—	(298)
Buildings and constructions	(19)	—	(412)	(314)	(16)	(761)
Production machinery and equipment	(208)	—	(19)	(138)	—	(365)
Agricultural equipment and vehicles	(48)	(1)	(880)	(6)	(23)	(958)
Other fixed assets	(22)	—	(28)	(7)	(7)	(64)
CIP and uninstalled equipment	(488)	(2)	(52)	(13)	(8)	(563)
Depreciation expense	**(19,261)**	**(3,023)**	**(26,510)**	**(4,628)**	**(1,225)**	**(54,647)**
Buildings and constructions	(8,670)	(848)	(3,459)	(3,379)	(138)	(16,494)
Production machinery and equipment	(9,581)	(2,111)	(750)	(1,026)	(7)	(13,475)
Agricultural equipment and vehicles	(281)	(18)	(21,623)	(69)	(588)	(22,579)
Other fixed assets	(729)	(46)	(678)	(154)	(492)	(2,099)
Exchange difference	**(146)**	**(5,099)**	**(29,731)**	**(44,156)**	**(1,396)**	**(80,528)**
Land	—	(1,157)	(33)	(286)	—	(1,476)
Buildings and constructions	(1)	(2,620)	(12,725)	(32,445)	(407)	(48,198)
Production machinery and equipment	(7)	(419)	(2,735)	(6,987)	(21)	(10,169)
Agricultural equipment and vehicles	(135)	(36)	(11,399)	(162)	(951)	(12,683)
Other fixed assets	(3)	(97)	(1,388)	(315)	(8)	(1,811)
CIP and uninstalled equipment	—	(770)	(1,451)	(3,961)	(9)	(6,191)
Net book value as of 30 June 2015	**313,561**	**51,662**	**105,022**	**59,716**	**5,216**	**535,177**
Land	3,932	1,487	43	186	49	5,697
Buildings and constructions	217,352	21,748	15,120	42,912	2,529	299,661
Production machinery and equipment	80,730	27,003	3,583	9,929	40	121,285
Agricultural equipment and vehicles	1,449	35	81,184	330	1,149	84,147
Other fixed assets	3,142	139	2,403	396	1,437	7,517
CIP and uninstalled equipment	6,956	1,250	2,689	5,963	12	16,870

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for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

15. Property, Plant and Equipment, net continued

Total cost of property, plant and equipment and total accumulated depreciation as of 30 June 2016 and 2015 were as follows:

Group of property, plant and equipment	Cost as of 30 June 2016	Accumulated depreciation as of 30 June 2016	Cost as of 30 June 2015	Accumulated depreciation as of 30 June 2015
Land	3,691	—	5,697	—
Buildings and constructions	333,985	(22,567)	358,283	(58,622)
Production machinery and equipment	155,717	(21,516)	174,355	(53,070)
Agricultural equipment and vehicles	164,170	(92,318)	160,875	(76,728)
Other fixed assets	16,110	(7,964)	14,769	(7,252)
CIP and uninstalled equipment	9,420	—	16,870	—
Total	683,093	(144,365)	**730,849**	**(195,672)**

Had the Group's buildings and constructions and production machinery and equipment (bulk and bottled oil segments) been measured on a historical cost basis, their carrying amount would have been as follows:

Group of property, plant and equipment	As of 30 June 2016	As of 30 June 2015
Buildings and constructions	206,908	194,933
Production machinery and equipment	86,372	75,182
Total	293,280	**270,115**

Revaluation of property, plant and equipment of oil plants is comprised of impairment loss recognized in other expenses in the amount of USD 6,550 thousand (Note 31) and revaluation surplus recognized in other comprehensive income in the amount of USD 5,314 thousand.

As of 30 June 2016, property, plant and equipment with a carrying amount of USD 104,777 thousand (as of 30 June 2015: USD 130,652 thousand) were pledged by the Group as collateral against short-term and long-term bank loans (Notes 20 and 21).

As of 30 June 2016, property, plant and equipment with a carrying amount of USD 29,403 thousand (as of 30 June 2015: USD nill) 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 (Note 7).

As of 30 June 2016 and 30 June 2015, the net carrying amount of property, plant and equipment, represented by agricultural equipment and vehicles held under finance lease agreements was USD 12,688 thousand and USD 16,463 thousand, respectively.

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16. Intangible Assets, net

The following table represents movements in intangible assets for the year ended 30 June 2016:

	Trademarks	Land lease rights	Other intangible assets	Total
Cost as of 30 June 2015	**22,036**	**71,308**	**4,839**	**98,183**
Additions	—	486	296	**782**
Disposals	—	(58)	(866)	**(924)**
Exchange difference	—	(10,048)	(266)	**(10,314)**
Cost as of 30 June 2016	**22,036**	**61,688**	**4,003**	**87,727**

	Trademarks	Land lease rights	Other intangible assets	Total
Accumulated amortization and impairment loss as of 30 June 2015	**(8,196)**	**(34,952)**	**(2,463)**	**(45,611)**
Amortization charge	—	(9,388)	(544)	**(9,932)**
Disposals	—	21	646	**667**
Impairment loss recognized in the Statement of Profit or Loss	(1,814)	—	—	**(1,814)**
Exchange difference	—	5,683	98	**5,781**
Accumulated amortization and impairment loss as of 30 June 2016	(10,010)	(38,636)	(2,263)	**(50,909)**
Net book value as of 30 June 2016	**12,026**	**23,052**	**1,740**	**36,818**

The following table represents movements in intangible assets for the year ended 30 June 2015:

	Trademarks	Land lease rights	Other intangible assets	Total
Cost as of 30 June 2014	**19,336**	**120,426**	**5,345**	**145,107**
Additions	2,700	843	689	**4,232**
Disposals	—	—	(156)	**(156)**
Exchange difference	—	(49,961)	(1,039)	**(51,000)**
Cost as of 30 June 2015	**22,036**	**71,308**	**4,839**	**98,183**

	Trademarks	Land lease rights	Other intangible assets	Total
Accumulated amortization and impairment loss as of 30 June 2014	**(2,027)**	**(45,914)**	**(2,427)**	**(50,368)**
Amortization charge	—	(13,111)	(529)	**(13,640)**
Disposals	—	—	29	**29**
Impairment loss recognized in the Statement of Profit or Loss	(6,169)	—	—	**(6,169)**
Exchange difference	—	24,073	464	**24,537**
Accumulated amortization and impairment loss as of 30 June 2015	(8,196)	(34,952)	(2,463)	**(45,611)**
Net book value as of 30 June 2015	**13,840**	**36,356**	**2,376**	**52,572**

Included in the intangible assets of Subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with values of USD 4,187 thousand, USD 3,976 thousand, USD 3,684 thousand and USD 179 thousand, respectively, in 2016 (USD 4,567 thousand, USD 5,002 thousand, USD 4,092 thousand and USD 179 thousand, respectively, in 2015). 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.

Notes to the Consolidated Financial Statements continued

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16. Intangible Assets, net continued

The impairment testing of the value of trademarks as of 30 June 2016 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 bottled oil 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 5.47%;
- Growth rates are based on the expected market growth rate for sunflower oil consumption. As of 30 June 2016, 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 19.77% for UAH denominated cash flow projections.

As a result of testing performed as of 30 June 2016, recoverable amounts of the trademarks 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' were USD 4,187 thousand, USD 3,976 thousand, USD 3,684 thousand and USD 432 thousand, respectively (30 June 2015: USD 4,714 thousand, USD 5,002 thousand, USD 4,092 thousand and USD 485 thousand respectively).

As a result of testing performed, impairment of the trademarks 'Zolota', 'Stozhar' and 'Schedry Dar' in the amount of USD 408 thousand, USD 1,026 and USD 380 thousand, respectively, was recognized as of 30 June 2016 (30 June 2015: 'Zolota' and 'Stozhar' in the amount of USD 5,242 thousand and USD 927 thousand, respectively) and was recognized as a loss on impairment of intangible assets within 'Other expenses, net' (Note 31). Impairment was caused primarily by shrinkage of consumer demand for premium segment bottled sunflower oil due to the continuing economic recession in Ukraine.

17. Goodwill

The following table represents movements in goodwill for the year:

	As of 30 June 2016	As of 30 June 2015
Cost as of beginning of the year	119,442	138,575
Acquisition of subsidiaries (Note 7)	13,225	—
Impairment	(6,954)	—
Exchange differences	(3,801)	(19,133)
Cost as of end of the year	**121,912**	**119,442**

For the year ended 30 June 2016, the impairment of goodwill allocated to the Russian oilseed crushing plants was recognized in the amount of USD 5,182 thousand in discontinued operations. Impairment was caused by low crushing volumes of sunflower seeds in the reporting period due to high competition for raw materials in the region and intention of management to sell plants. The impairment of goodwill allocated to the oilseed crushing plant located in the Mykolaiv region was recognized in the amount of USD 1,772 thousand, caused by low crushing volumes of sunflower seeds in the reporting period due to high competition for raw materials in the region.

The recoverable amount of the Russian oilseed crushing plants in the amount of USD 11,944 thousand has been determined using value in use method based on discounted cash flow technique based on discounted cash flow projections for five years applying 11.86% discount rate and categorized within level 3 of the fair value hierarchy. The projected cash flows are based on volumes of sales (tons of oil for oilseed crushing plants) and respective prices and costs throughout the budget period. The recoverable amount of the oilseed crushing plant located in the Mykolaiv region in the amount of USD 15,296 thousand has been determined using fair value less cost of disposal methodology based on discounted cash flow projections for 2 years applying 10.23% discount rate and categorized within level 3 of the fair value hierarchy. Cash flow projection is based on the expected gross margins and crushing volume for the relevant period.

Based on a detailed review of the results of the impairment test, it was estimated that impairment does exist and related charge was recorded within the 'Sunflower oil sold in bulk' segment.

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:

		As of 30 June 2016	As of 30 June 2015
		Goodwill carrying value	Goodwill carrying value
Sunflower oil sold in bulk	BSI LLC	44,396	44,396
	Kirovogradoliya PJSC	31,334	31,334
	Prydniprovskyi OEP LLC	13,225	—
	Ekotrans LLC	8,096	9,868
	Other	1,906	7,088
Export terminals	Transbulkterminal LLC	11,293	13,356
Farming	Druzhba-Nova Group and other agricultural farms	9,515	11,253
Bottled sunflower oil	Prykolotnoe OEP LLC	2,147	2,147
Total		**121,912**	**119,442**

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17. Goodwill continued

The recoverable amounts of sunflower oil sold in bulk, export terminals, and bottled sunflower oil were determined based on a value in use calculation, which uses cash flow projections accordingly to level 3 of the hierarchy based on the most recent financial budgets approved by the management and covering a five-year period. The values assigned to key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources. The projected cash flows are based on volumes of sales (tons of oil for oilseed crushing plants and transshipment volumes for export terminals) and respective prices and costs throughout the budget period. As of 30 June 2016, the assumptions for expected sunflower oil prices were USD 800 per one metric ton in 2017-2021 with a corresponding cost of USD 368 per one metric ton of sunflower seeds, which corresponds to a margin of USD 115 for one metric ton of oil. For the year ended 30 June 2015, the price and cost were USD 810 per one metric ton of oil and USD 346 per one metric ton of sunflower seeds in 2016-2020, respectively, with a margin of USD 167 per 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 and the Russian Federation rather than on the level of prices. The discount rate used as of 30 June 2016 was 10.2% (30 June 2015: 17.5%). 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 growth rate used is available from market sources of information for the projected period. The rate was 2% and is the same as the long-term average growth rate for the industry.

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 estimates that a decrease in selling prices of sunflower oil by 21 to 47 USD would result in the recoverable amounts of the individual cash-generating units equals to their carrying amounts as summarized below:

		Decrease in selling prices of sunflower oil during the budget period
Sunflower oil sold in bulk	Kirovogradoliya PJSC	47
	Prydniprovskyi OEP LLC	40
	BSI LLC	21
	Other	30
Bottled sunflower oil	Prykolotnoe OEP LLC	30

Excess of recoverable amount over carrying amount of individual CGUs summarized below:

		Excess of recoverable amount over carrying amount
Sunflower oil sold in bulk	Kirovogradoliya PJSC	71,113
	Prydniprovskyi OEP LLC	53,171
	BSI LLC	37,327
	Other	33,545
Bottled sunflower oil	Prykolotnoe OEP LLC	10,657

Management believes that no reasonably possible change in the discount rate would cause the recoverable amounts of sunflower oil sold in bulk and bottled sunflower oil CGUs to fall below their carrying amounts.

Management believes that no reasonably possible change in the key assumptions would cause the carrying amount of Transbulkterminal LLC 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.

As of 30 June 2016, no impairment of goodwill allocated to the bottled sunflower oil, export terminals and farming segments was identified.

As of 30 June 2015, no impairment of goodwill allocated to the sunflower oil sold in bulk, bottled sunflower oil, export terminals and farming segments was identified.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

18. Other Non-current Assets

The balances of other non-current assets were as follows:

	As of 30 June 2016	As of 30 June 2015
Non-current biological assets (Note 13)	7,447	6,189
Prepayments for property, plant and equipment	2,615	1,361
Prepayments for Subsidiaries	—	3,105
Other non-current assets	987	2,713
Total	11,049	**13,368**

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 2016	As of 30 June 2015
Taxes payable and provision for tax liabilities	22,512	4,724
Accrued payroll, payroll related taxes and bonuses	9,820	10,382
Settlements for Subsidiaries	9,351	677
Advances from customers	7,802	13,751
Obligation under finance lease payable within one year (Note 22)	4,570	5,996
Provision for unused vacations and other provisions	4,196	4,393
Accounts payable for property, plant and equipment	3,554	924
Settlements with land lessors	1,143	6,758
Other current liabilities	13,997	15,775
Total	76,945	**63,380**

20. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 June 2016	As of 30 June 2015
Bank credit lines	177,446	295,313
Interest accrued on short-term borrowings	822	874
Interest accrued on long-term borrowings	1,347	1,818
Total	179,615	**298,005**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

20. Short-term Borrowings continued

The balances of short-term borrowings as of 30 June 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 6.25%	USD	August 2016	84,119
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2016	47,500
Ukrainian subsidiary of European bank	10.0%	USD	July 2016	25,000
European bank	Libor + 5.65%	USD	June 2017	14,264
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	March 2017	5,000
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	1,563
Total bank credit lines				**177,446**
Interest accrued on short-term borrowings				822
Interest accrued on long-term borrowings				1,347
Total				**179,615**

The balances of short-term borrowings as of 30 June 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 6.0%	USD	August 2015	57,000
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2015	54,000
European bank	Libor + 5.5%	USD	February 2016	48,600
Russian bank	Libor + 9.35%	USD	February 2016	38,000
Russian bank	Libor + 7.5%	USD	December 2015	37,713
European bank	Libor + 6.25%	USD	April 2016	35,000
Ukrainian subsidiary of European bank	10.0%	USD	March 2016	25,000
Total bank credit lines				**295,313**
Interest accrued on short-term borrowings				874
Interest accrued on long-term borrowings				1,818
Total				**298,005**

As of 30 June 2016, undrawn short-term bank credit lines amounted to USD 114,315 thousand (as of 30 June 2015: USD 97,376 thousand).

Short-term borrowings from banks were secured as follows:

(Assets pledged)	As of 30 June 2016	As of 30 June 2015
Cash and cash equivalents (Note 8)	103	5,000
Inventory (Note 12)	110,427	110,857
Property, plant and equipment (Note 15)	46,890	114,037
Controlling stakes in Subsidiaries	—	Not quantifiable
Total	**157,420**	**229,894**

As of 30 June 2016, stakes in Subsidiaries were not pledged to secure short-term borrowings (as of 30 June 2015: nine agricultural companies, three sunflower oil plants, two export terminals and two holding companies).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

21. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 June 2016	As of 30 June 2015
Long-term bank borrowings	156,676	158,236
Current portion of long-term borrowings	(74,835)	(69,335)
Total	**81,841**	**88,901**

The balances of long-term borrowings as of 30 June 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	73,978
European bank	Libor + 7.5%	USD	February 2018	51,633
European bank	Libor + 7.3%	USD	April 2018	20,000
European bank	Libor + 1.65%	USD	March 2020	11,065
Total				**156,676**

The balances of long-term borrowings as of 30 June 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	135,000
European bank	Libor + 1.65%	USD	March 2020	15,423
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	7,813
Total				**158,236**

As of 30 June 2016 and 2015, there were no undrawn long-term bank credit lines.

Long-term borrowings from banks were secured as follows:

(Assets pledged)	As of 30 June 2016	As of 30 June 2015
Property, plant and equipment (Note 15)	57,887	16,615
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	**57,887**	**16,615**

As of 30 June 2016, stakes in Subsidiaries were pledged to secure long-term borrowings including controlling stakes in one agricultural company, one sunflower oil plant, one export terminal and one holding company (as of 30 June 2015: one agricultural company).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (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 2016		As of 30 June 2015	
	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)	5,142	4,570	7,594	5,996
Later than one year and not later than five years	2,536	2,275	7,385	6,277
Total	7,678	6,845	**14,979**	**12,273**
Less future finance charges	(833)	—	(2,706)	—
Present value of lease obligations	6,845	6,845	**12,273**	**12,273**

The average effective interest rate contracted for the year ended 30 June 2016 was at the level of 10.55% (for the year ended 30 June 2015: 6.94%).

23. Income Tax

The Company is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 22.47% as of 30 June 2016 and 30 June 2015. The corporate income tax rate in Ukraine, where the main operations of the Group are located, was 18% as of 30 June 2016 and 2015. 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 Fixed Agricultural Tax (FAT) in accordance with the Tax Code of Ukraine. The FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty, and Trade Patent. The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. The FAT does not constitute an income tax, and as such, is recognized in the Consolidated Statement of Profit or Loss in other operating income.

The components of income tax expense for the years ended 30 June 2016 and 2015 were as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Current income tax charge	(12,891)	(4,577)
Deferred tax benefit relating to origination and reversal of temporary differences	8,981	3,425
Total income tax expense recognized in the reporting period related to continuing operations	(3,910)	**(1,152)**

The income tax expense is reconciled to the profit/(loss) before income tax per Consolidated Statement of Profit or Loss as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Profit before income tax from continuing operations	247,789	122,838
Tax expense at Ukrainian statutory tax rate of 18%	(44,602)	(22,111)
Effect of income that is exempt from taxation (farming)	33,705	15,672
Effect of different tax rates of Subsidiaries operating in other jurisdictions	(10,854)	3,925
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	8,664	(6,904)
Other expenditures not allowable for income tax purposes and non-taxable income, net	9,177	8,266
Income tax expense	(3,910)	**(1,152)**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

23. Income Tax continued

Income tax recognized in other comprehensive loss:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Income tax related to components of other comprehensive loss	(955)	–
Total income tax expense recognized in other comprehensive loss	(955)	**–**

Income tax recognized in other comprehensive loss is connected with a change in carrying amount arising from the revaluation of property, plant and equipment.

The primary components of the deferred tax assets and deferred tax liabilities were as follows:

	30 June 2016	30 June 2015
Tax losses carried forward	10,336	7,744
Valuation of property, plant and equipment	14,554	9,331
Valuation of accounts receivable	397	1,904
Valuation of inventory	371	167
Valuation of advances and other temporary differences	297	2,147
Deferred tax assets	25,955	**21,293**
Valuation of property, plant and equipment	(21,334)	(23,758)
Valuation of intangible assets	(1,111)	(1,064)
Valuation of prepayments to suppliers and other temporary differences	(492)	(560)
Deferred tax liabilities	(22,937)	**(25,382)**
Net deferred tax assets/(liabilities)	3,018	**(4,089)**

As of 30 June 2016, 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 10,336 thousand (2015: USD 7,744 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 57,191 thousand (2015: USD 42,106 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 can be brought forward for the reasonable period of time.

Unrecognized deferred tax assets arising from tax losses carried forward by the Group's Subsidiaries as of 30 June 2016, were USD 987 thousand (as of 30 June 2015: USD 9,651 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:

	30 June 2016	30 June 2015
Deferred tax assets	20,161	15,524
Deferred tax liabilities	(17,143)	(19,613)
Net deferred tax assets/(liabilities)	3,018	**(4,089)**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

24. Revenue

The Group's revenue was as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Revenue from sunflower oil sold in bulk, sunflower meal and cake	1,050,752	1,123,694
Revenue from grain sales	821,671	1,053,267
Revenue from bottled sunflower oil	83,542	90,040
Revenue from farming	25,063	29,010
Revenue from grain silo services	7,306	7,668
Revenue from sugar	—	25,752
Revenue from transshipment services	186	76
Total	1,988,520	2,329,507

For the year ended 30 June 2016, revenue from the Group's top five customers accounted for approximately 40.5% of total revenue (for the year ended 30 June 2015, revenue from the top five customers accounted for 41.7% of total revenue).

25. Cost of Sales

Cost of sales was as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Cost of goods for resale and raw materials used	1,415,227	1,668,902
Amortization and depreciation	55,852	64,364
Rental payments	33,436	20,786
Payroll and payroll related costs	31,571	33,841
Other operating costs	12,388	17,680
Total	1,548,474	1,805,573

26. Other Operating Income, net

Other operating income, net was as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
VAT benefits	23,437	10,740
Gain on operations with commodity futures	9,112	1,456
Gain on sale of hard currency	5,629	57,441
Contracts wash-out (price difference settlement)	1,381	6,704
Other operating income	5,058	6,079
Total	44,617	82,420

According to the Tax Code of Ukraine and the Law 'On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Tax Reform' (enacted from 1 January 2015), companies that generated not less than 75.0% of gross revenues for the previous tax period from sales of its own agricultural products, which were cultivated on the land that such agricultural manufacturers own or lease, and the ownership title and leases have been duly registered, are entitled to retain share of the difference between input VAT paid on items purchased by such companies for their operations and VAT charged on products sold (Note 3). Such a gain is recognized as VAT benefits.

For the year ended 30 June 2016, gain on sale of hard currency decreased as a result of drop down in differences between the market and official exchange rates for US dollars in Ukraine.

In the note 'Other operating income, net' to the consolidated financial statements as of 30 June 2015, the Gain on financial instruments was previously included in the line 'Other operating income'.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

27. Distribution Costs

Distribution costs were as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Carriage and freight	140,026	173,071
Storage and dispatch	8,138	11,567
Customs expenses	5,085	5,645
Certification	2,513	3,513
Sanitation services	679	579
Payroll and payroll related costs	152	154
Other expenses	1,730	2,569
Total	158,323	**197,098**

28. General and Administrative Expenses

General and administrative expenses were as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Payroll and payroll related costs	28,253	37,068
Audit, legal and other professional fees	6,892	5,052
Business trip expenses	6,793	6,189
Insurance	3,717	3,094
Repairs and material costs	3,496	4,345
Amortization and depreciation	2,867	2,367
Taxes other than income tax	1,746	2,230
Bank services	1,657	1,932
Bad debt expenses	1,515	2,200
Rental payments	1,239	1,338
Communication expenses	791	859
Other expenses	318	236
Total	59,284	**66,910**

Audit, legal and other professional fees for the year ended 30 June 2016 include the auditor's remuneration in the amount of USD 500 thousand and consultancy fees in the amount of USD 18 thousand (30 June 2015: USD 432 thousand and USD 33 thousand, respectively).

29. Finance Costs, net

Finance costs, net were as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Interest expense on bank loans	50,745	60,281
Other finance costs, net	6,376	4,528
Total	57,121	**64,809**

30. Foreign Exchange Gain/(Loss), net

Foreign exchange gain/(loss), net was related to the following balances:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Borrowings and other liabilities nominated in foreign currencies	26,447	(5,135)
Revaluation of balances nominated in foreign currencies	22,803	(59,517)
VAT recoverable and prepaid	(15,462)	(56,646)
Corporate income tax prepaid	(4,558)	(21,558)
Cash and cash equivalents nominated in foreign currencies	(2,115)	(4,483)
Obligations under finance leases	815	(2,059)
Other foreign exchange gain	2,512	5,955
Total	30,442	**(143,443)**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

31. Other Expenses, net

Other expenses, net were as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Revaluation losses of property, plant and equipment (Note 15)	6,550	—
Impairment of intangible assets and goodwill (Note 16, 17)	3,586	6,169
Other material expenses	3,029	2,174
Fines and penalties	2,915	265
Social spending	1,668	1,915
Loss/(Gain) on disposal of property, plant and equipment	1,079	(494)
Gain on disposal of Subsidiaries (Notes 7)	(583)	(861)
Other (gain)/expenses, net	(1,636)	386
Total	**16,608**	**9,554**

In the note 'Other expenses, net' to the consolidated financial statements as of 30 June 2015, 'Fines and penalties' previously were included in the line 'Other expenses, net'.

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. The increase of throughput facilities resulted in increased profitability of grain exports from the Russian Federation.

As of 30 June 2016, the Group entered into a transshipment agreement with Zernovoy Terminalny Complex Taman LLC. According to the agreement, the Group has committed to transship 1,500,000 tons of grain through the facility in FY2016 (as of 30 June 2015: 1,500,000 tons).

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):

			Proportion of ownership interest and voting rights held by the Group	Proportion of ownership interest and voting rights held by the Group
Name of joint venture	Principal activity	Place of incorporation and principal place of business	As of 30 June 2016	As of 30 June 2015
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 regards to joint ventures, reflecting 100% interest in the underlying joint venture, was as follows:

	As of 30 June 2016	As of 30 June 2015
Current assets	8,930	7,850
Non-current assets	74,434	89,292
Current liabilities	(19,731)	(18,844)
Non-current liabilities	(23,928)	(40,080)
Net assets of joint ventures	**39,705**	**38,218**

The above amount of assets and liabilities include the following:

	As of 30 June 2016	As of 30 June 2015
Cash and cash equivalents	1,649	412
Property, plant and equipment, net	73,525	87,456
Current financial liabilities (excluding trade and other payables and provisions)	(11,137)	(12,542)
Non-current financial liabilities (excluding trade and other payables and provisions)	(20,322)	(36,330)

Notes to the Consolidated Financial Statements continued

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32. Investments in Joint Ventures continued

Summarized statement of profit or loss and other comprehensive income of joint ventures was as follows:

	For the year ended 30 June 2016	For the year ended 30 June 2015
Revenue	31,689	30,314
Cost of sales	(24,713)	(19,762)
Other operating income	4,425	—
General and administrative expenses	(3,120)	(3,152)
Profit from operating activities	8,281	**7,400**
Other income, net	620	5,924
Profit before income tax	8,901	**13,324**
Income tax expenses	(1,129)	(3,150)
Profit for the period	7,772	**10,174**
Other comprehensive loss		
Exchange differences on translating foreign operations	(17,518)	**(51,626)**
Total comprehensive loss	(9,746)	**(41,452)**

The above information for the period includes the following:

	Year ended 30 June 2016	Year ended 30 June 2015
Depreciation and amortization	3,980	4,082
Interest expenses	4,199	4,698

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 2016	Year ended 30 June 2015
Net assets of the joint venture	39,705	38,218
Proportion of the Group's ownership interest in the joint venture	50.0%	50.0%
Goodwill	32,311	37,928
Carrying amount of the Group's interest in the joint venture	52,164	57,037

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 2016	Total category as per consolidated statement of financial position as of 30 June 2016	Related party balances as of 30 June 2015	Total category as per consolidated statement of financial position as of 30 June 2015
Prepayments to suppliers and other current assets, net (Note 10)	14,999	52,983	14,581	60,647
Other non-current assets (Note 18)	268	11,049	4,909	13,368
Trade accounts payable	3,219	41,910	722	27,384
Advances from customers and other current liabilities (Note 19)	16,021	76,945	15,898	63,380
Other non-current liabilities	13,030	37,736	—	1,879

As of 30 June 2016 and 30 June 2015, the Group did not create an allowance for prepayments to suppliers and other current and non-current assets from related parties.

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33. Transactions with Related Parties continued

On 31 March 2016, the Company acquired 100% of the equity of LLC City Business Estate from Namsen Limited. The acquisition was made with a purpose to possess the main headquarter's building of the Company located in Kyiv. This acquisition has been accounted as acquisition of assets. On the date of the acquisition of the Subsidiary, the net assets were equal to the amount of cash consideration paid in the amount of USD 9,109 thousand and mostly consisted of property, plant and equipment in the amount of USD 19,308 thousand and non-current liabilities in the amount of USD 9,938 thousand.

As of 30 June 2016, trade accounts payable included USD 3,156 thousand due to Zernovoy Terminalny Complex Taman LLC according to the transshipment agreement (30 June 2015: USD 235 thousand).

As of 30 June 2016, advances from customers and other current liabilities included USD 6,088 thousand in bonuses payable to management (30 June 2015: USD 6,000 thousand).

Advances from customers and other current liabilities as of 30 June 2016 and 30 June 2015 included an interest-free financial liability in the amount of USD 7,043 thousand due to Namsen Limited.

Other non-current liabilities as of 30 June 2016 included 4% interest-bearing financial liability in the amount of USD 9,977 thousand due to Namsen Limited (30 June 2015: USD 0 thousand).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given. As of 30 June 2016, the Group received a guarantee in the amount of USD 20,000 thousand. It was issued by the company under common control as a collateral for credit facility. Guarantee was cancelled by the Group as a result of sufficient available funds on 20 July 2016.

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 operations with related parties, for the year ended 30 June 2016	Total category per consolidated statement of profit or loss for the year ended 30 June 2016	Amount of operations with related parties, for the year ended 30 June 2015	Total category per consolidated statement of profit or loss for the year ended 30 June 2015
Cost of sales (Note 25)	(34)	(1,548,474)	(241)	(1,805,573)
Other operating income, net (Note 26)	8	44,617	1,812	82,420
General, administrative expenses and distribution costs (Notes 27, 28)	(28,836)	(217,607)	(30,390)	(264,008)
Finance costs, net (Note 29)	(1,017)	(57,121)	6	(64,809)
Other expenses, net (Note 31)	43	(16,608)	(111)	(9,554)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

For the year ended 30 June 2016, distribution expenses included USD 15,055 thousand of services for the transportation of goods paid to Zernovoy Terminalny Complex Taman LLC (for the year ended 30 June 2015: USD 15,003 thousand).

All other transactions occurred with related parties under common control.

As of 30 June 2016, 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 2016 amounted to USD 496 thousand (30 June 2015: 8 directors, USD 382 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 10 people, amounted to USD 6,476 thousand for the year ended 30 June 2016 (30 June 2015: 14 people, USD 8,564 thousand), including USD 4,200 thousand of variable bonus as per approved remuneration scheme (30 June 2015: USD 6,000 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).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

34. Commitments and Contingencies

Operating Environment

In 2015, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions, and a peaceful resolution of the conflict did not occur as it was foreseen by the Minsk agreements.

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

During the year ended 30 June 2016, the Ukrainian economy was going through a recession, a gross domestic product has contracted by 2% (2015: 13%), and the annual inflation rate reached 7% (2015: 57%). Unfavorable conditions on markets where Ukraine's primary commodities were traded were influencing further devaluation of the Ukrainian Hryvnia against major foreign currencies. The Ukrainian companies and banks continued to suffer from the lack of funding from domestic and international financial markets.

The National Bank of Ukraine (the 'NBU') extended its range of measures that were introduced in 2014 and aimed at limiting the outflow of foreign currency from the country, inter alia, a mandatory sale of foreign currency earnings, certain restrictions on purchases of foreign currencies on the interbank market and on usage of foreign currencies for settlement purposes, and limitations on remittances abroad.

In early 2015, the Government of Ukraine agreed with the IMF a four-year program for USD 17.5 billion loan aimed at supporting the economic stabilization of Ukraine. The program defines economic reforms that must be undertaken by the Government of Ukraine to reinstate a sustainable economic growth in the mid-term perspective.

In 2015, political and economic relationships between Ukraine and the Russian Federation remained strained leading to a significant reduction in trade and economic cooperation. On 1 January 2016, a free-trade section of Ukraine's Association Agreement with the European Union came into force. In late 2015, the Russian Federation denounced the free trade zone agreement with Ukraine and further trade restrictions were announced by both countries.

Stabilization of the economic and political situation depends, to a large extent, upon the ability of the Ukrainian Government to continue reforms and the efforts of the NBU to further stabilize the banking sector, as well as upon the ability of the Ukrainian economy in general to respond adequately to changing markets. Nevertheless, further economic and political developments, as well as the impact of the above factors on the Group, its customers, and contractors 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 2016 were USD 10,559 thousand (2015: USD 18,920 thousand).

The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance these post-retirement benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions. For the year ended 30 June 2016, retirement and other pension obligation expenses of the Group amounted to USD 376 thousand (2015: USD 483 thousand). As of 30 June 2016 and 30 June 2015, 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 2016, the Group had commitments under contracts with a group of suppliers for a total amount of USD 4,957 thousand, mostly for the purchase of agricultural equipment (30 June 2015: USD 856 thousand for the supply of equipment and services required for the construction of a new silo).

Contractual Commitments on Sales

As of 30 June 2016, the Group had entered into commercial contracts for the export of 1,311,954 tons of grain and 409,849 tons of sunflower oil and meal, corresponding to an amount of USD 252,800 thousand and USD 174,033 thousand, respectively, in contract prices as of the reporting date.

As of 30 June 2015, the Group had entered into commercial contracts for the export of 452,000 tons of grain and 470,181 tons of sunflower oil and meal, corresponding to an amount of USD 96,073 thousand and USD 204,201 thousand, respectively, in contract prices as of the reporting date.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

34. Commitments and Contingencies continued

Commitments on leases of property plant and equipment

As of 30 June 2016, 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 2016
Less than 1 year	577
From 1 to 5 years	2,308
More than 5 years	24,573
Total	**27,458**

Commitments on land operating leases

As of 30 June 2016 and 2015, 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 2016	Future minimum lease payment as of 30 June 2015
Less than 1 year	31,816	28,100
From 1 to 5 years	111,885	86,344
More than 5 years	172,952	114,263
Total	**316,653**	**228,707**

Taxation and Legal Issues

The Group was involved in litigation in connection with a case of contaminated Ukrainian oil that occurred in April 2008. In January 2016, a court decision was issued in favor of the counterparty. A respective provision in the amount of USD 2,400 thousand was recognized as of 31 December 2015 in Other current liabilities and remained outstanding as of 30 June 2016.

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. 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 2016, the consideration paid for Stiomi Holding by the Group comprised USD 33,472 thousand. In the meantime, the final payment shall be due and payable only after fulfillment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect to claims against the sellers. The Group submitted several claims to the sellers in respect to the non-fulfillment of the sellers' obligations. In December 2012, the Group received a request for arbitration from the sellers in which the sellers claimed amounts due to them. An arbitral tribunal was formed; the parties exchanged written statements on the case and directions on next steps are awaited from the tribunal. Management believes that it is unlikely that any significant settlement will arise out of this lawsuit.

As of 30 June 2016, 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 a total amount of USD 50,742 thousand (30 June 2015: USD 76,922 thousand), from which USD 25,996 thousand related to VAT recoverability (30 June 2015: USD 44,561 thousand) USD 19,817 thousand related to corporate income tax (30 June 2015: USD 32,361 thousand) and USD 4,929 thousand related to other tax issues (30 June 2015: USD 0 thousand).

As of 30 June 2016, companies of the Group were engaged in ongoing litigation with tax authorities concerning tax issues for USD 28,282 thousand (30 June 2015: USD 43,159 thousand) of the aforementioned amount. Of this amount, USD 20,143 thousand related 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 2015: USD 31,168 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

34. Commitments and Contingencies continued

Taxation and Legal Issues continued

Ukraine's tax environment is characterized by complexity in tax administration, arbitrary interpretation by tax authorities of tax laws and regulations that, inter alia, can increase fiscal pressure on tax payers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigation which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and these amounts could be material. Facing the current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting the Law of Ukraine 'On Amending the Tax Code of Ukraine and Certain Laws of Ukraine' which is effective from 1 January 2015, except for certain provisions which will take effect at a later date.

Starting from 1 January 2016, the approach to special VAT regime for the agricultural industry in Ukraine in a part of VAT payments has been changed. According to the Law 'On amending the Tax Code of Ukraine and certain legislative acts of Ukraine in terms of ensuring the balanced budget receipts in 2016', agricultural producers are entitled to retain only a portion of VAT on agricultural operations.

Thus, as a result of the new legislation, the Group's agricultural farms, engaged in growing crops, will retain only 15% of the net VAT liability versus 100% retained previously.

Special tax treatment of agricultural enterprises should continue to apply only up to 1 January 2017. Starting from 1 January 2017, 100% of net VAT liabilities will be paid to the Government.

Other changes applicable for the year 2016 include cancelation of the temporary VAT exemption for the supplies of certain types of grain crops. Management believes that the Group has been in compliance with all requirements of the effective tax legislation and currently is assessing the possible impact of the introduced amendments.

Starting from 1 September 2013, the Tax Code of Ukraine introduced new transfer pricing guidelines, rules for determining and applying fair market prices, drawn from the Organization for Economic Cooperation and Development (OECD), which significantly changed transfer pricing (TP) regulations in Ukraine.

The Group imports goods and services, which may potentially be in the scope of the new Ukrainian TP regulations. The Group has submitted a controlled transaction report within the required deadline. Management believes that the Group is in compliance with TP requirements.

35. Financial Instruments

Capital Risk Management

During the years ended 30 June 2016 and 2015, there were no material changes to the objectives, policies and processes for capital risk, credit risk, liquidity risk, currency risk, interest rate risk and other market 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 capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 20 and 21 and obligations under finance leases (Note 22), cash and cash equivalents and equity attributable to Kernel Holding S.A. shareholders, comprising issued capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

Gearing Ratio

Every quarter, 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 2016	As of 30 June 2015
Debt liabilities[1] (Notes 20, 21, 22)	**343,136**	468,514
Less cash and cash equivalents (Note 8)	**(60,372)**	(129,121)
Net debt	**282,764**	339,393
Equity[2]	**995,329**	889,554
Net debt liabilities to capital	**28%**	**38%**

1 Debt includes short-term and long-term borrowings and obligations under finance leases.
2 Equity includes issued capital, share-premium reserve, additional paid-in capital, revaluation reserve, equity-settled employee benefits reserve, retained earnings and translation reserve.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

35. Financial Instruments continued

Gearing Ratio continued

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.

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 cash represent the maximum credit exposure.

The Group's most significant customers are an international customer, which accounted for USD 8,746 thousand, and a local customer, which accounted for USD 1,572 thousand out of total trade accounts receivable as of 30 June 2016 (as of 30 June 2015 one international customer accounted for USD 12,471 thousand and one local customer for USD 1,890 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.

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned (controlled) Subsidiaries. As of 30 June 2016 as well as at 30 June 2015, no guarantees were outstanding in favor of third parties.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The average credit period on purchases of goods is ten days.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

35. Financial Instruments continued

Liquidity Risk continued

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2016. 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
Short-term borrowings (Note 20)	179,615	(180,997)	(180,997)	—	—	—
Long-term borrowings (Note 21)	156,676	(171,283)	(85,770)	(71,315)	(14,198)	—
Obligations under finance leases (Note 22)	6,845	(7,997)	(5,461)	(1,968)	(568)	—
Other non-current liabilities	37,736	(79,872)	(612)	(3,134)	(61,594)	(14,532)
Total	**380,872**	**(440,149)**	**(272,840)**	**(76,417)**	**(76,360)**	**(14,532)**

Financial liabilities, which were not included above, are repayable within one year.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2015. 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
Short-term borrowings (Note 20)	298,005	(304,049)	(304,049)	—	—
Long-term borrowings (Note 21)	158,236	(177,340)	(80,838)	(43,410)	(53,092)
Obligations under finance leases (Note 22)	12,273	(14,979)	(7,594)	(4,835)	(2,550)
Other non-current liabilities	1,879	(1,879)	—	(1,879)	—
Total	**470,393**	**(498,247)**	**(392,481)**	**(50,124)**	**(55,642)**

Financial liabilities, which were not included above, are repayable within one year.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group's policy is to synchronize future cash flow from sales and payments under financial liabilities and to limit open inventory positions.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

35. Financial Instruments continued

Currency Risk continued

The Group's exposure to foreign currency risk as of 30 June 2016 and 2015 was as follows:

	30 June 2016		30 June 2015	
	UAH	USD	UAH	USD
Cash and cash equivalents	1,834	124	14,281	1,055
Trade accounts receivable, net	4,139	—	6,836	—
Other non-current assets	1,632	—	413	—
Trade accounts payable	(10,536)	(20)	(17,354)	—
Other non-current liabilities	(24,068)	(9,977)	—	—
Short-term borrowings (Note 20)				
Ukrainian subsidiary of American bank	—	(1,591)	—	(99)
Long-term borrowings (Note 21)				
Ukrainian subsidiary of American bank	—	—	—	(7,813)
Obligations under finance leases	—	(2,076)	—	(4,078)
Net exposure	(26,999)	(13,540)	**4,176**	**(10,935)**

A 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 effect for the year ended 30 June 2016:

10% strengthening of UAH .... (1,469)
10% depreciation of UAH................................ 1,195

Profit or loss effect for the year ended 30 June 2015:

10% strengthening of UAH 1,412
10% depreciation of UAH............................... (1,633)

The Ukrainian hryvnia devalued against major foreign currencies. Foreign exchange gains and losses reflected the significant Ukrainian hryvnia devaluation against the US dollar: by 15% for the year ended 30 June 2016 and by 44% for the year ended 30 June 2015. The Group recognized a net foreign exchange gain in the amount of USD 30,442 thousand for the year ended 30 June 2016 and USD 143,443 thousand of a net foreign exchange loss for the year ended 30 June 2015 (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 loss mostly consisted of loss incurred from operations resulted from normal operating activity during the year ended 30 June 2016.

The National Bank of Ukraine introduced a range of measures aimed at limiting the outflow of customer deposits from the banking system, improving the liquidity of banks, and supporting the exchange rate of the Ukrainian hryvnia. As a result of this restriction, the Group was obliged to sell most of the foreign currency it obtained from export sales (75-100%) on the Ukrainian interbank foreign exchange market. For the year ended 30 June 2016, the Group received other operating income from the difference between the market and official USD/UAH exchange rate in the amount USD 5,629 thousand (30 June 2015: USD 57,441 thousand) (Note 26).

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 1,988,520 thousand, sales in USD comprised USD 1,723,120 thousand and in EUR comprised USD 177,875 thousand for the year ended 30 June 2016. Export sales represented 96% of the total sales volume.

Interest Rate Risk

Interest rate risk – the risk of changes in interest rates impact primarily borrowings by changing either their fair value (fixed rate debt) or future cash flows (variable rate debt). The Group obtains borrowings with both fixed and variable rates.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

35. Financial Instruments continued

Interest Rate Risk continued

The interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount as of 30 June 2016	Carrying amount as of 30 June 2015
Fixed rate instruments (financial liabilities)	37,372	37,273
Variable rate instruments (financial liabilities)	305,764	431,241
Total	**343,136**	**468,514**

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 instruments 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 ended 30 June 2016 would decrease/increase by USD 3,058 thousand (2015: decrease/increase by USD 4,312 thousand). This was mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other Market Price Risk

The Group enters into agricultural commodities 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 26). As of 30 June 2016, no open futures contracts were present.

36. Fair Value of 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 defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm's length transaction, rather than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary for arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value is estimated to be the same as the carrying value of cash and cash equivalents, trade accounts receivable, and trade accounts payable due to the short-term nature of the financial instruments.

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values:

	30 June 2016		30 June 2015	
Financial liabilities	Carrying amount	Fair value	Carrying amount	Fair value
Short and Long term borrowings	334,122	335,616	453,549	456,356
Total	**334,122**	**335,616**	**453,549**	**456,356**

For the year ended 30 June 2016, the fair value of bank borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 6.62% (2015: 6.32%), and is within level 2 of the fair value hierarchy.

As of 30 June 2016, fair value of other non-current liabilities does not differ materially from its carrying amount.

There were no changes in the valuation technique since the previous year.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2016 (in thousands of US dollars, unless otherwise stated)

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 (79,683,410 for the period ended 30 June 2016 and 30 June 2015), 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 81,384,851 ordinary shares is taken into account (30 June 2015: 79,779,975).

As of 30 June 2016 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 (as of 30 June 2015: 3,000,000 options).

38. Subsequent Events

As of 27 July 2016, Kernel renewed a credit facility with a subsidiary of European bank. The one-year secured revolving facility with a limit of USD 40 million is used by the Group to fund the working capital needs.

As of 30 August 2016, Kernel renewed its sunflower oil pre-export credit facility with a syndicate of European banks. The one-year secured revolving facility with a limit of USD 300 million is used by the Group to fund the working capital needs of its sunflower oil production business in Ukraine.

As of 26 September 2016, Kernel renewed a credit facility with a subsidiary of European bank. The three-year secured revolving facility with a limit of USD 50 million is used by the Group to fund the working capital needs.

As of 15 September 2016, Fitch Ratings upgraded the Long-Term Local Currency Issuer Default Rating (IDR) of Kernel Holdings S.A. to B-, one notch above the sovereign LT LC IDR of 'CCC', reflecting Kernel's export-oriented business model and limited reliance on the Ukrainian banking system. Kernel's Long-Term Foreign Currency IDR remains constrained by Ukraine's Country Ceiling of 'CCC'. Fitch also upgraded Kernel's National Long-Term Rating to 'AA+ (ukr)' from 'A- (ukr)', assigning the National rating a 'Stable' Outlook.

Corporate Information

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Stock information

Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Shares issued as of 30 June 2016	79,683,410
Bloomberg	KER PW
Reuters ticker	KERN.WA
ISIN code	LU0327357389

Investor calendar

Q1 FY2017 operations update	24 October 2016
Q1 FY2017 financial report	30 November 2016
Annual general meeting of shareholders	12 December 2016
Q2 FY2017 operations update	20 January 2017
H1 FY2017 financial report	28 February 2017
Q3 FY2017 operations update	20 April 2017
Q3 FY2017 financial report	30 May 2017
Q4 FY2017 operations update	13 July 2017
FY2017 financial report	23 October 2017

Cautionary statement

Certain statements in this document are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this document or to correct any inaccuracies which may become apparent in such forward-looking statements.

This document does not constitute or form part of any offer or invitation to sell or purchase, or any solicitation of any offer to sell or purchase any shares or securities. It is not intended to form the basis upon which any investment decision or any decision to purchase any interest in Kernel Holding S.A. is made. Information in this document relating to the price at which investments have been bought or sold in the past or the yield on investments cannot be relied upon as a guide to future performance.

To the Shareholders of
Kernel Holding S.A.
19, rue de Bitbourg
L-1331 Luxembourg

Report of the Reviseur d'Entreprises agree

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated December 10, 2014, we have audited the accompanying consolidated financial statements of Kernel Holding S.A., which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted in Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Kernel Holding S.A. as of 30 June 2015, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw your attention to Note 34 "Commitments and Contingencies" to the consolidated financial statements, which describes the current political crisis in Ukraine. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements. The accompanying corporate governance statement on pages 54 to 58, which is the responsibility of the Board of Directors, includes the information required by the law of 19 December 2002 on the commercial companies and companies register and on the accounting records and annual accounts of undertakings, as amended and the description included with respect to Article 68bis paragraphs c and d of the aforementioned law is consistent with the consolidated financial statements.

For Deloitte Audit, Cabinet de révision agréé

Sophie Mitchell,
Réviseur d'entreprises agréé
Partner

21 October 2015

Statement of Management Responsibilities

for the year ended 30 June 2015

We confirm that to the best of our knowledge and belief:

→ The consolidated financial statements of Kernel Holding S.A. (the ‘Company’) presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position, cash flows and profit of the Company and the undertakings included within the consolidation taken as a whole; and

→ The Management Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

21 October 2015

On behalf of the Board

Andriy Verevskyy	**Anastasiia Usachova**
Chairman of the Board	Chief Financial Officer

Selected Financial Data

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

		USD		PLN		EUR	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
I.	Revenue	2,329,507	2,393,251	8,117,400	7,403,283	1,947,235	1,764,305
II.	Profit from operating activities	328,277	128,717	1,143,914	398,173	274,407	94,890
III.	Profit/(Loss) before income tax	101,327	(90,423)	353,084	(279,715)	84,699	(66,660)
IV.	Profit/(Loss) for the period from continuing operations	100,882	(101,795)	351,533	(314,893)	84,327	(75,043)
V.	Net cash generated by operating activities	404,723	82,472	1,410,297	255,120	338,308	60,798
VI.	Net cash used in investing activities	(24,305)	(83,210)	(84,693)	(257,402)	(20,317)	(61,342)
VII.	Net cash used in financing activities	(321,698)	(6,558)	(1,120,988)	(20,287)	(268,907)	(4,835)
VIII.	Total net cash flow	58,720	(7,296)	204,616	(22,569)	49,084	(5,379)
IX.	Total assets	1,465,618	1,919,022	5,517,319	5,847,835	1,315,391	1,405,492
X.	Current liabilities	458,104	597,363	1,724,533	1,820,344	411,148	437,509
XI.	Non-current liabilities	116,670	290,973	439,204	886,682	104,711	213,109
XII.	Issued capital	2,104	2,104	7,921	6,412	1,888	1,541
XIII.	Total equity	890,844	1,030,686	3,353,582	3,140,809	799,532	754,874
XIV.	Number of shares	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410
XV.	Profit/(Loss) per ordinary share (in USD/PLN/EUR)	1.34	(1.23)	4.68	(3.82)	1.12	(0.91)
XVI.	Diluted number of shares	79,779,975	79,856,603	79,779,975	79,856,603	79,779,975	79,856,603
XVII.	Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	1.34	(1.23)	4.67	(3.81)	1.12	(0.91)
XVIII.	Book value per share (in USD/PLN/EUR)	11.16	12.92	42.03	39.38	10.02	9.46
XIX.	Diluted book value per share (in USD/PLN/EUR)	11.15	12.89	41.97	39.29	10.01	9.44

Consolidated Statement of Financial Position

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2015	As of 30 June 2014
Assets			
Current assets			
Cash and cash equivalents	8	**129,121**	65,400
Trade accounts receivable, net	9	**56,135**	99,796
Prepayments to suppliers and other current assets, net	10, 33	**60,647**	56,924
Corporate income tax prepaid		**16,600**	11,689
Taxes recoverable and prepaid, net	11	**88,246**	144,539
Inventory	12	**158,756**	299,527
Biological assets	13	**146,571**	182,836
Assets classified as held for sale	14	**2,482**	11,818
Total current assets		658,558	**872,529**
Non-current assets			
Property, plant and equipment, net	15	**535,177**	643,462
Intangible assets, net	16	**52,572**	94,739
Goodwill	17	**119,442**	138,575
Investments in joint ventures	32	**57,037**	98,075
Deferred tax assets	23	**15,524**	11,648
Corporate income tax prepaid		**13,940**	33,533
Other non-current assets	18, 33	**13,368**	26,461
Total non-current assets		807,060	**1,046,493**
Total assets		1,465,618	**1,919,022**
Liabilities and equity			
Current liabilities			
Trade accounts payable		**27,384**	33,369
Advances from customers and other current liabilities	19, 33	**63,380**	79,570
Short-term borrowings	20	**298,005**	405,821
Current portion of long-term borrowings	21	**69,335**	77,335
Liabilities directly associated with assets classified as held for sale	14	**—**	1,268
Total current liabilities		458,104	**597,363**
Non-current liabilities			
Long-term borrowings	21	**88,901**	247,525
Obligations under finance leases	22	**6,277**	12,486
Deferred tax liabilities	23	**19,613**	17,236
Other non-current liabilities	33	**1,879**	13,726
Total non-current liabilities		116,670	**290,973**
Equity attributable to Kernel Holding S.A. equity holders			
Issued capital		**2,104**	2,104
Share premium reserve		**463,879**	463,879
Additional paid-in capital		**39,944**	39,944
Equity-settled employee benefits reserve		**4,793**	3,176
Revaluation reserve		**39,456**	39,456
Translation reserve		**(586,283)**	(367,691)
Retained earnings		**925,661**	848,793
Total equity attributable to Kernel Holding S.A. equity holders		889,554	**1,029,661**
Non-controlling interests		**1,290**	1,025
Total equity		890,844	**1,030,686**
Total liabilities and equity		1,465,618	**1,919,022**
Book value		**889,554**	1,029,661
Number of shares	37	**79,683,410**	79,683,410
Book value per share (in USD)		**11.16**	12.92
Diluted number of shares	37	**79,779,975**	79,856,603
Diluted book value per share (in USD)		**11.15**	12.89

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Profit or Loss

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

	Notes	30 June 2015	30 June 2014
Revenue	24	2,329,507	2,393,251
Net change in fair value of biological assets and agricultural produce	13	(6,789)	(17,110)
Cost of sales	25	(1,810,484)	(1,967,974)
Gross profit		512,234	408,167
Other operating income, net	26	82,914	60,474
Operating expenses			
Distribution costs	27	(198,546)	(262,920)
General and administrative expenses	28	(68,325)	(77,004)
Profit from operating activities		328,277	128,717
Finance costs, net	29	(68,575)	(72,459)
Foreign exchange loss, net	30	(152,942)	(98,805)
Other expenses, net	31	(10,520)	(51,777)
Share of gain of joint ventures	32	5,087	3,901
Profit/(Loss) before income tax		101,327	(90,423)
Income tax expenses	23	(445)	(11,372)
Profit/(Loss) for the period from continuing operations		100,882	(101,795)
Discontinued operations:			
Loss for the period from discontinued operations	14	(5,349)	(5,611)
Profit/(Loss) for the period		95,533	(107,406)
Profit/(Loss) for the period attributable to:			
Equity holders of Kernel Holding S.A.		106,930	(98,306)
Non-controlling interests		(11,397)	(9,100)
Earnings per share			
From continuing and discontinued operations			
Weighted average number of shares	37	79,683,410	79,683,410
Profit/(Loss) per ordinary share (in USD)		1.34	(1.23)
Diluted number of shares	37	79,779,975	79,856,603
Diluted profit/(loss) per ordinary share (in USD)		1.34	(1.23)
From continuing operations			
Weighted average number of shares	37	79,683,410	79,683,410
Profit/(Loss) per ordinary share (in USD)		1.40	(1.17)
Diluted number of shares	37	79,779,975	79,856,603
Diluted profit/(loss) per ordinary share (in USD)		1.40	(1.17)

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

	30 June 2015	30 June 2014
Profit/(Loss) for the period	95,533	**(107,406)**
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(216,407)	(213,728)
Items that will not be reclassified to profit or loss:		
Income tax relating to components of other comprehensive loss	–	(597)
Other comprehensive loss, net	(216,407)	**(214,325)**
Total comprehensive loss for the period	(120,874)	**(321,731)**
Total comprehensive loss attributable to:		
Equity holders of Kernel Holding S.A.	(111,662)	(305,972)
Non-controlling interests	(9,212)	(15,759)

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended 30 June 2015 (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 interest	Total equity
Balance as of 30 June 2013	**2,104**	**463,879**	**39,944**	**3,028**	**40,053**	**(160,622)**	**947,099**	**1,335,485**	**16,784**	**1,352,269**
Loss for the period	—	—	—	—	—	—	(98,306)	(98,306)	(9,100)	(107,406)
Other comprehensive loss	—	—	—	—	(597)	(207,069)	—	(207,666)	(6,659)	(214,325)
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(597)**	**(207,069)**	**(98,306)**	**(305,972)**	**(15,759)**	**(321,731)**
Recognition of share-based payments (Note 2)	—	—	—	148	—	—	—	148	—	148
Balance as of 30 June 2014	**2,104**	**463,879**	**39,944**	**3,176**	**39,456**	**(367,691)**	**848,793**	**1,029,661**	**1,025**	**1,030,686**
Profit/(Loss) for the period	—	—	—	—	—	—	106,930	106,930	(11,397)	95,533
Other comprehensive (loss)/income	—	—	—	—	—	(218,592)	—	(218,592)	2,185	(216,407)
Total comprehensive (loss)/ income for the period	—	—	—	—	—	**(218,592)**	**106,930**	**(111,662)**	**(9,212)**	**(120,874)**
Payment of dividends (Note 2)	—	—	—	—	—	—	(19,921)	(19,921)	—	(19,921)
Effect of changes in non-controlling interests (Note 1)	—	—	—	—	—	—	(10,141)	(10,141)	9,477	(664)
Recognition of share-based payments (Note 2)	—	—	—	1,617	—	—	—	1,617	—	1,617
Balance as of 30 June 2015	**2,104**	**463,879**	**39,944**	**4,793**	**39,456**	**(586,283)**	**925,661**	**889,554**	**1,290**	**890,844**

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Cash Flows

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

	Notes	30 June 2015	30 June 2014
Operating activities:			
Profit/(Loss) before income tax		97,244	(97,429)
Adjustments for:			
Amortization and depreciation		68,287	94,308
Finance costs, net	29	68,575	72,522
Movement in allowance for doubtful receivables	28	2,279	6,133
Other accruals		4,463	1,024
(Gain)/Loss on disposal of property, plant and equipment	31	(494)	2,487
Net foreign exchange loss		93,238	79,133
Write-offs and impairment loss		4,282	15,286
Net change in fair value of biological assets and agricultural produce	13	6,789	17,110
Share of gain of joint ventures	32	(5,087)	(3,901)
(Gain)/Loss on sales of Subsidiaries	7, 14, 31	(861)	8,871
Operating profit before working capital changes		338,715	195,544
Changes in working capital:			
Change in trade accounts receivable		29,517	26,419
Change in prepayments and other current assets		(10,148)	33,594
Change in restricted cash balance		(5,000)	6,193
Change in taxes recoverable and prepaid		(14,888)	(10,598)
Change in biological assets		18,374	44,895
Change in inventories		123,940	(29,657)
Change in trade accounts payable		5,509	(13,590)
Change in advances from customers and other current liabilities		102	(58,130)
Cash generated from operations		486,121	194,670
Finance costs paid		(68,371)	(72,002)
Income tax paid		(13,027)	(40,196)
Net cash generated by operating activities		404,723	82,472
Investing activities:			
Purchase of property, plant and equipment		(24,728)	(49,906)
Proceeds from disposal of property, plant and equipment		2,052	8,182
Purchase of intangible and other non-current assets		(4,105)	(519)
Acquisition of Subsidiaries		—	(55,402)
Disposal of Subsidiaries	7, 14	2,476	14,435
Net cash used in investing activities		(24,305)	(83,210)
Financing activities:			
Proceeds from borrowings		147,265	654,255
Repayment of borrowings		(423,005)	(647,387)
Payment of dividends	2	(19,921)	—
Repayment of reimbursed debt	33	(13,499)	—
Acquisition of non-controlling interests	1	(664)	—
Net cash (used in)/generated from financing activities		(309,824)	6,868
Effects of exchange rate changes on the balance of cash held in foreign currencies		(11,874)	(13,426)
Net increase/(decrease) in cash and cash equivalents		58,720	(7,296)
Cash and cash equivalents, at the beginning of the year	8	65,401	72,697
Cash and cash equivalents, at the end of the year	8	124,121	65,401

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Notes to the Consolidated Financial Statements

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

1. Corporate Information

Kernel Holding S.A. (hereinafter referred to as the 'Holding') incorporated under the legislation of Luxembourg on 15 June 2005 (number B 109,173 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' on the 'Company').

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 and the Russian Federation. As of 30 June 2015, the Group employed 15,229 people (16,518 people as of 30 June 2014).

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 2015 and 30 June 2014, the primary subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of 30 June 2015	Group's effective ownership interest as of 30 June 2014
Jerste BV	Holding companies.	Netherlands	100.0%	100.0%
Tweelingen Ukraine LLC		Ukraine	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%
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%
Kirovogradoliya PJSC		Ukraine	99.2%	99.2%
Ekotrans LLC		Ukraine	100.0%	100.0%
BSI LLC		Ukraine	100.0%	100.0%
Stavropol oil CJSC		Russian Federation	100.0%	100.0%
Ust-Labinsk Florentina OEP LLC		Russian Federation	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services.	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%
Unigrain-Agro (Semenivka) LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%
Agrofirma Arshytsya LLC		Ukraine	100.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%
Agrofirma Kuybyshevo LLC		Ukraine	100.0%	65.6%
Palmira LLC		Ukraine	100.0%	93.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	83.3%

During the year ended 30 June 2015, the Group acquired non-controlling interests in agricultural farms with a total negative net assets in the amount of USD 9,477 thousand, for a cash consideration in the amount of USD 664 thousand. These operations were recorded within the statement of changes in equity as transactions between equity holders.

These consolidated financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 21 October 2015.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (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 'Holding'). The issued capital of the Holding as of 30 June 2015 and 2014 consisted of 79,683,410 ordinary electronic shares without indication of the nominal value, providing 79,683,410 voting rights.

The shares were distributed as follows:

	As of 30 June 2015		As of 30 June 2014	
Equity holders	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	31,247,152	39.21%	31,182,711	39.13%
Free float	48,436,258	60.79%	48,500,699	60.87%
Total	**79,683,410**	**100.00%**	**79,683,410**	**100.00%**

As of 30 June 2015 and 2014, 100% of the beneficial interest in the Major Equity Holder was held by Andriy Mykhailovych Verevskyy (hereinafter the 'Beneficial Owner').

On 9 June 2014, the Company received a notification from ING Otwarty Fundusz Emerytalny that it had crossed the 5% threshold for ownership and owned 6.01% of Kernel Holding S.A.'s share capital at that moment.

On 13 October 2015 the Company received a notification from Cascade Investment Fund that the fund acquired shares in the Company and reached 5% threshold. As of 13 October 2015, Cascade Investment Fund owned 3,984,345 shares of Kernel Holding S.A., which represents 5.00% of the share capital.

On 23 November 2007, Kernel Holding S.A. was listed on the Warsaw Stock Exchange (WSE). The total size of the initial public offering was PLN 546,402 thousand, comprising 22,766,750 shares, of which 16,671,000 were newly issued shares. Prior to the IPO, the capital of Kernel Holding S.A. consisted of 46,670,000 shares without indication of the nominal value. On 27 June 2008, an additional 5,400,000 ordinary shares of the Holding were admitted to trading on the main market of the WSE. On 3 June 2010, Kernel issued 4,450,000 new shares. In 2011, Kernel issued 6,492,410 new shares, 1,092,410 of which were subscribed by stock option beneficiaries under the Management Incentive Plan at an issue price of PLN 24.

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 210 thousand as of 30 June 2015, may not be distributed as dividends.

As part of the management incentive scheme, the Company's executives and senior employees are granted options to acquire shares of the Company. During the year ended 30 June 2015, the board of directors approved a new management incentive plan and amendment to the previous management incentive plan, issuing a total of 4,350,000 new options (600,000 options with a strike price of PLN 75.00 and 3,750,000 options with a strike price of PLN 29.61), with the authorized capital due to be approved by the general meeting of shareholders. As a result, as of 30 June 2015, a total of 7,407,820 options were issued, of which 3,232,820 were vested. 657,820 options (all vested) have a strike price of PLN 24.00, 3,000,000 options (out of which 2,575,000 are vested) have a strike price of PLN 75.00 per share, and 3,750,000 options (out of which none are vested) have a strike price of PLN 29.61. Weighted average remaining contractual life was 12 years. These options granted under the Company's management incentive scheme carry no rights to dividends and no voting rights.

The fair value of the share-based options was USD 4,793 thousand as of 30 June 2015 and USD 1,617 thousand was recognized as an expense (part of payroll and payroll related expenses) during the year ended 30 June 2015 with a corresponding increase in equity over the vesting period (30 June 2014: USD 3,176 thousand and USD 148 thousand, respectively).

At the Annual General Meeting held as of 10 December 2014, the resolution of dividend payment was approved in the amount of 0.25 cents per share and amounted to USD 19,921 thousand.

On 30 April 2015, the dividends were fully paid to the shareholders.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

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, available-for-sale financial assets, biological assets, agricultural produce, financial assets and financial liabilities at fair value through profit or loss.

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

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 July 2014:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 28 'Investments in Associates and Joint Ventures'
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance'
- Amendment to IAS 27 'Separate Financial Statements' (revised 2011) – Investment entities
- Amendments to IAS 32 'Financial instruments: Presentation' – Application guidance on the offsetting of financial assets and financial liabilities
- Amendments to IAS 36 'Recoverable amount disclosures for non-financial assets'
- Amendments to IAS 39 'Novation of derivatives and continuation of hedge accounting'
- IFRIC 21 'Levies'

IFRS 10 'Consolidated Financial Statements' – IFRS 10 replaces the parts of IAS 27 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and SIC-12 'Consolidation – Special Purpose Entities'. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group. The application of IFRS 10 has not had any material impact on the amounts recognized in the consolidated financial statements.

IFRS 11 'Joint Arrangements' – Replaces IAS 31 'Interests in Joint Ventures'. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then accounting for those rights and obligations in accordance with that type of joint arrangement: joint operations or joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly).

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 'Investments in Associates and Joint Ventures' (2011). Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted. The application of IFRS 11 has not had any material impact on the amounts recognized in the consolidated financial statements.

IFRS 12 'Disclosure of Interests in Other Entities'– Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Adoption of IFRS 12 resulted in more extensive disclosure of investment in joint venture (please see Note 32).

The adoption of other new or revised standards did not have any effect on the consolidated financial position or performance of the Group and any disclosures in the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

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
Amendments to IAS 19 'Employee Benefits' – Defined Benefit Plans: Employee Contributions	1 February 2015
Amendments to IFRSs – 'Annual Improvements to IFRSs 2010-2012 Cycle'	1 February 2015
Amendments to IFRSs – 'Annual Improvements to IFRSs 2011-2013 Cycle'	1 February 2015
IFRS 9 'Financial Instruments: Recognition and Measurement'	Not yet adopted in the EU
IFRS 14 'Regulatory Deferral Accounts'	Not yet adopted in the EU
IFRS 15 'Revenue from Contracts with Customers'	Not yet adopted in the EU
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	Not yet adopted in the EU
Amendments to IFRS 9 'Financial Instruments: Recognition and Measurement' – Classification, Measurement and Accounting for Financial Assets and Liabilities and Derecognition Requirements	Not yet adopted in the EU
Amendments to IFRS 9, IFRS 7 and IAS 39: Hedge Accounting	Not yet adopted in the EU
Amendments to IFRS 11 'Joint Arrangements' – Accounting for Acquisitions of Interests in Joint Operations	Not yet adopted in the EU
Amendments to IAS 16 and IAS 41: Bearer Plants	Not yet adopted in the EU
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet adopted in the EU
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	Not yet adopted in the EU
Amendments to IAS 1: 'Disclosure Initiative'	Not yet adopted in the EU
Amendments to IAS 27 'Separate Financial Statements' (revised 2011) - Equity Method in Separate Financial Statements	Not yet adopted in the EU
Amendments to IFRSs – 'Annual Improvements to IFRSs 2012-2014 Cycle'	Not yet adopted in the EU

Management is currently evaluating the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. For other standards and interpretations, management anticipates that their adoption will not have a material effect on the financial statements of the Group in future periods.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

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 other comprehensive income and accumulated in 'Translation reserve'.

The exchange rates during the period of the financial statements were as follows:

Currency	Closing rate as of 30 June 2015	Average rate for the year ended 30 June 2015	Closing rate as of 30 June 2014	Average rate for the year ended 30 June 2014
USD/UAH	21.0154	17.4029	11.8233	9.1307
USD/EUR	0.8975	0.8359	0.7324	0.7372
USD/RUB	55.5240	49.5381	33.6306	33.8131
USD/PLN	3.7645	3.4846	3.0473	3.0934

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 Poland for USD/PLN and USD/EUR, by the National Bank of Ukraine for USD/UAH and by the Central Bank of the Russian Federation for USD/RUB.

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 2015.

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; and
- 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Basis of Consolidation continued

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 Subsidiary.

The results of Subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition and up to the effective date of disposal.

All inter-company transactions and balances between the Group's enterprises are eliminated on consolidation. 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.

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 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 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.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs are expensed when incurred and included in general and administrative expenses.

At the acquisition date, 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 acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 'Share-based Payment at 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Business Combinations continued

In case identifiable net assets attributable to the Group, after reassessment, exceed the cost of acquisition, the difference is recognized in the Consolidated Statement of Profit or Loss as a gain on a bargain purchase.

For each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at a proportionate share of the acquiree's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during 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 acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity net the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the profit or loss in the Consolidated Statement of Profit or Loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On the disposal of a relevant cash-generating unit, an attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in Joint Ventures

A joint venture is a 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. 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 profit or loss in the period in which the investment is acquired.

Discontinued Operations

In compliance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Non-current assets are measured at the lower of the previous carrying amount or the fair value less costs to sell.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Discontinued Operations continued

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.

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 financial statements when issued. However, when those criteria are met after the reporting date but before the authorization of the financial statements for issue, the Group discloses the relevant information in notes to the financial statements.

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 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 (both in bulk and bottled oil segments) are accounted for at revalued amounts, being the fair value, which is determined using external professional expert evaluation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Except for land, all other property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses and is not depreciated.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Property, Plant and Equipment continued

The fair value is defined as the amount for which an asset could have been exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of marketable assets is determined by their market value. If there is no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, income or a depreciated replacement cost approach is used to estimate the fair value. Valuations are performed frequently enough to ensure that the fair value of a remeasured asset does not differ materially from its carrying amount. Property, plant and equipment acquired in a business combination are initially recognized at their fair value, which is based on valuations performed by independent professionally qualified appraisers.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of assets or increase their revenue-generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the Consolidated Statement of Profit or Loss as incurred.

If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated in revaluation surplus in equity. However, such 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.

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

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

Trademarks

Intangible assets acquired separately from a business are capitalized at initial cost. The 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks have indefinite useful lives and are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

Land Lease Rights

Land lease rights acquired in a business combination are recognized separately from goodwill at their fair value at the acquisition date (which is subsequently regarded as their cost).

Amortization of land lease rights is calculated on a straight-line basis during the term of a lease contract. For land lease rights, 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Impairment of Non-current 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 assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of financial instruments. Financial instruments are classified according to the following categories: financial assets or financial liabilities recognized at fair value through profit or loss (FVTPL); held-to-maturity investments; available-for-sale financial assets; loans and receivables and other financial liabilities. The classification depends on the nature and purpose of the financial assets or financial liabilities and is determined at the time of initial recognition.

The financial assets of the Group are represented by cash, loans and receivables and financial assets at fair value through profit or loss.

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 or Financial Liabilities at Fair Value through Profit or Loss

These are financial instruments acquired mainly with the purpose of gaining from short-term price fluctuations or designated as such upon initial recognition. Financial assets or liabilities are recognized at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Classified by the Group as an instrument at the moment of initial recognition, they are measured at fair value with any resultant gain or loss recognized in the Consolidated Statement of Profit or Loss.

Cash and Cash Equivalents

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

Loans Receivable

Loans provided by the Group are non-derivative financial assets, created by means of granting money directly to a borrower or participating in the provision of credit services, not including those assets that were created for the purpose of immediate sale or sale during a short-term period or classified as investments held for trading. For loans given at a rate and on terms that are different from market terms and conditions, the difference between the par value of the resources provided and the fair value of the amount lent is reflected in the Consolidated Statement of Profit or Loss for the period when the amount was lent as an adjustment to the loan amount. Loans with fixed maturity terms are measured at amortized cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. Loans provided are reflected in the Consolidated Statement of Financial Position, less an allowance for estimated non-recoverable amounts.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Trade Accounts Receivable

Trade accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade accounts receivable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less a provision for impairment.

The Group's trade accounts receivable and loans receivable are included in full in non-current assets, except for those cases when the term of redemption expires within 12 months of the reporting date. Financial assets, which are recognized at fair value through profit or loss, are a part of current assets and available-for-sale investments if the Group's management has the intent to realize them within 12 months from the reporting date. All acquisitions and sales of financial instruments are registered at the settlement date. Investments in equity securities where fair value cannot be estimated on a reasonable basis are stated at cost less impairment losses.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- Probability of the borrower filing for bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade accounts receivable, assets that are assessed as not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, and observable changes in national or local economic conditions that correlate with defaults on accounts receivable.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Derecognition of Financial Assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and all the risks and rewards to another entity. If the Group neither transfers nor 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Financial Liabilities

The financial liabilities of the Group are represented by other financial liabilities and financial liabilities at fair value through profit or loss.

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

Borrowings are recorded as proceeds received, net of direct issue costs. Finance charges, including payments at origination and settlement, are accounted for on an accrual basis and are added to the carrying amount of the liability to the extent that they are not settled in the period in which they arise.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Financial liabilities at fair value through profit or loss were represented by non-deliverable currency forwards, which were used by the Group in order to protect against unfavorable USD/UAH exchange rates movements. Such liabilities, including derivatives that are liabilities, shall be measured at fair value. Gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognized in the Consolidated Statement of Profit or Loss.

Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Consolidated Statement of Profit or Loss.

Taxes Recoverable and Prepaid

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

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 included in expenses for the period to which they relate on a straight-line basis over the term of the relevant lease.

Issued Capital

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

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingencies

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

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

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. 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. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Repurchase of Issued Capital

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

Equity-settled Transactions

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

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

At each reporting date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognized in the Consolidated Statement of Profit or Loss, with a corresponding entry in equity.

Earnings per Share

Earnings per share are calculated by dividing net profit attributable to equity holders of the Holding by the weighted average number of shares outstanding during the period.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, and the revenue can be reliably measured.

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

Sale of Goods and Finished Products

Revenue is recognized when the significant risks and rewards of ownership of goods for resale and finished products have passed to the buyer, the amount of revenue can be measured reliably, and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Rendering of Services

Revenue is recognized in the accounting period in which services are 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 based on actually performed work. 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

Some of the Group's companies are subject to special tax treatment for value added tax (VAT). The Group's enterprises that qualify as agricultural producers are entitled to retain net VAT payable. VAT amounts payable are not transferred to the government, but credited to the entity's separate special account to support the agriculture activities of the Group. The net result of VAT operations calculated as an excess of the VAT liability over VAT credit is accounted for in the Consolidated Statement of the Profit or Loss as other operating income. VAT receivable exceeding VAT liability is used as a reduction in tax liabilities in the next period.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies continued

Borrowing Costs

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

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

All other borrowing costs are recognized in 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.

Income Taxes

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.

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.

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 Fixed Agricultural Tax instead.

Deferred income tax is recognized on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period 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 2014 and for the year then ended to conform to the current year's presentation.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (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 48,837 thousand and USD 93,079 thousand for the years ended 30 June 2015 and 2014, 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. Based on the results of this review, the Group concluded that the carrying amount of buildings, constructions, production machinery and equipment (bulk and bottled oil segments) does not materially differ from the fair value as of 30 June 2015.

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 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 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 2015, the carrying amount of goodwill and intangible assets with indefinite useful lives amounted to USD 133,282 thousand (30 June 2014: USD 155,884 thousand). As of 30 June 2015, the impairment loss for intangible assets with indefinite useful lives was recognized in the amount of USD 6,169 thousand (Note 16) (30 June 2014: USD 2,027 thousand). Details of management assumptions used to assess the recoverable amount of cash-generating units for which goodwill and intangible assets with indefinite useful lives have been allocated to are provided in Notes 16 and 17.

Impairment of Property, Plant and Equipment

Management reviews the carrying amounts of assets to determine whether there is any indication that those assets are impaired.

In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

The assessment of whether there are indicators of a potential impairment are based on various assumptions including market conditions, asset utilization and the ability to utilize the asset for alternative purposes. If an indication of impairment exists, the Group estimates the recoverable value (greater of fair value less cost to sell and value in use) and compares it to the carrying value, and records impairment to the extent the carrying value is greater than 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty continued

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.

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).

Deferred Tax Recognition

Deferred tax assets, including those arising from unused tax losses are recognized to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

VAT Recoverability

As of 30 June 2015, total VAT recoverable amounted to USD 80,211 thousand (as of 30 June 2014: USD 138,722 thousand) (Note 11). The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by setting it off against VAT liabilities in future periods. Management classifies the VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within 12 months from the reporting date. In addition, management assessed whether an allowance for irrecoverable VAT needed to be created.

In making this assessment, management considered the past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess VAT output over VAT input in the normal course of the business.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

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 the chief operating decision makers.

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

Operating segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil 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 Ilyichevsk and Mykolaiv.
Farming	Agricultural farming. Production of corn, wheat, soybean, sunflower seed and rapeseed.
Grain	Sourcing and merchandising of wholesale grain.
Silo services	Provision of grain cleaning, drying and storage services.
Sugar	Marketing and distribution of sugar.
Other	Income and expenses unallocated to other segments, which are related to the administration of the Holding.

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 and obligations under financial lease are not allocated directly to the respective operating segments and are presented in the 'Other' segment. Consequently, the liabilities shown for individual segments do not include borrowings and obligations under financial lease.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

6. Key Data by Operating Segment

Key data by operating segment for the year ended 30 June 2015:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	114,060	1,099,674	76	29,010	1,053,267	7,668	27,446	—	—	(1,694)	2,329,507
Intersegment sales	—	—	55,186	281,383	—	34,725	—	—	(371,294)	—	—
Total revenue	**114,060**	**1,099,674**	**55,262**	**310,393**	**1,053,267**	**42,393**	**27,446**	**—**	**(371,294)**	**(1,694)**	**2,329,507**
Net change in fair value of biological assets and agricultural produce	—	—	—	(6,789)	—	—	—	—	—	—	(6,789)
Other operating income	863	39,077	479	22,642	19,588	265	52	—	—	(52)	82,914
Profit/(Loss) from operating activities	**17,582**	**175,847**	**33,768**	**58,404**	**59,369**	**13,684**	**4,262**	**(34,334)**	—	**(305)**	**328,277**
Finance costs, net											(68,575)
Foreign exchange loss, net											(152,942)
Other expenses, net											(10,520)
Share of gain of joint ventures											5,087
Income tax expense											(445)
Profit for the year from continuing operations											100,882
Total assets	**68,798**	**772,323**	**122,548**	**340,061**	**80,106**	**71,792**	**881**	**6,627**	—	—	**1,463,136**
Capital expenditures	2,786	6,917	749	14,031	—	9,151	—	497	—	—	34,131
Amortization and depreciation	2,958	16,703	3,028	39,535	—	4,640	—	1,423	—	—	68,287
Liabilities	2,074	41,754	902	24,740	13,891	6,319	923	484,171	—	—	574,774

During the year ended 30 June 2015, none of the Company's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 94% of total external sales.

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 Company operates in two principal geographical areas – Ukraine and the Russian Federation. Information about its non-current assets by location of the assets and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers	Non-current assets
	Year ended 30 June 2015	As of 30 June 2015
Ukraine	2,019,732	721,309
Russian Federation	309,775	85,751
Total	**2,329,507**	**807,060**

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

6. Key Data by Operating Segment continued

Key data by operating segment for the year ended 30 June 2014:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	132,637	1,079,037	3,180	62,322	1,053,613	27,538	35,953	—	—	(1,029)	2,393,251
Intersegment sales	—	—	42,284	227,764	—	46,923	—	—	(316,971)	—	—
Total revenue	**132,637**	**1,079,037**	**45,464**	**290,086**	**1,053,613**	**74,461**	**35,953**	**—**	**(316,971)**	**(1,029)**	**2,393,251**
Net change in fair value of biological assets and agricultural produce	—	—	—	(17,110)	—	—	—	—	—	—	(17,110)
Other operating income/ (expenses)	2,083	22,331	577	26,718	12,317	508	2,181	(4,060)	—	(2,181)	60,474
Profit/(Loss) from operating activities	**24,707**	**130,990**	**24,019**	**(102,868)**	**59,357**	**30,748**	**(2,779)**	**(38,583)**	**—**	**3,126**	**128,717**
Finance costs, net											(72,459)
Foreign exchange loss, net											(98,805)
Other expenses, net											(51,777)
Share of gain of joint ventures											3,901
Income tax expense											(11,372)
Loss for the year from continuing operations											(101,795)
Total assets	**64,858**	**904,021**	**183,000**	**483,248**	**108,719**	**134,130**	**27,532**	**1,696**	**—**	**—**	**1,907,204**
Capital expenditures	174	1,828	277	28,279	—	26,223	—	2,607	—	—	59,388
Amortization and depreciation	1,926	20,212	3,288	58,571	12	8,407	—	1,892	—	—	94,308
Liabilities	998	31,705	816	43,223	14,945	15,136	635	779,610	—	—	887,068

During the year ended 30 June 2014, none of the Company's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 91% of total external sales.

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 Company operates in two principal geographical areas – Ukraine and the Russian Federation. Information about its non-current assets by location of the assets and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers	Non-current assets
	Year ended 30 June 2014	As of 30 June 2014
Ukraine	2,005,505	921,781
Russian Federation	387,746	124,712
Total	**2,393,251**	**1,046,493**

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

7. Acquisition and Disposal of Subsidiaries

No entities were acquired during the year ended 30 June 2015.

In May 2015, the Company disposed of one of its grain elevators located in Kharkiv region. The net assets of the disposed entity as of the date of disposal were equal to USD 400 thousand and the cash consideration received was USD 1,232 thousand.

During the year ended 30 June 2014, the Company acquired a farming entity that possessed 1,010 hectares of leasehold farmland located in Khmelnytskyi region. The consideration paid comprised USD 394 thousand. The result of the acquisition was not significant to the consolidated financial statements of the Company for the year ended 30 June 2014.

During the year ended 30 June 2014, the Company finalized accounting for the business combination of Druzhba-Nova Group. The adjustments to provisional values presented in prior periods' financial statements of the Company have been made retrospectively with corresponding changes in goodwill. These adjustments have resulted mostly from the finalization of valuation of property, plant and equipment. The most significant adjustments have been made to provisional values related to the following accounts: decrease of property, plant and equipment in the amount of USD 4,071 thousand, and recognition of goodwill in the amount of USD 4,308 thousand.

In February 2014, the Company sold 100% of an effective ownership interest in one of its oilseed crushing plants located in the Russian Federation – the Nevinnomyssk oilseed crushing plant CJSC. The net assets of the disposed entity as of the date of disposal were equal to USD 15,566 thousand and the cash consideration received was USD 8,542 thousand. Cash balances disposed of comprised USD 4 thousand and were deducted from the cash consideration received in the Consolidated Statement of Cash Flows.

In November 2013, as a result of the optimization process of its legal structure, the Company sold its effective ownership interest in a number of immaterial companies in the farming and silo services segments. All material assets were transferred to other companies of the Group prior to disposal. The net assets of disposed entities as of the date of disposal were equal to USD 2,490 thousand and the cash consideration received was USD 643 thousand. Cash balances disposed of comprised USD 51 thousand and were deducted from the cash consideration received in the Consolidated Statement of Cash Flows.

8. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 June 2015	As of 30 June 2014
Cash in banks in USD	110,537	35,721
Cash in banks in UAH	18,077	28,377
Cash in banks in other currencies	500	1,273
Cash on hand	7	29
Total	129,121	**65,400**
Less restricted and blocked cash on security bank accounts	(5,000)	—
Cash and bank balances included in the group of assets held for sale	—	1
Cash for the purposes of cash flow statement	124,121	**65,401**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

9. Trade Accounts Receivable, net

The balances of trade accounts receivable, net were as follows:

	As of 30 June 2015	As of 30 June 2014
Trade accounts receivable	58,060	105,057
Allowance for estimated irrecoverable amounts	(1,925)	(5,261)
Total	**56,135**	**99,796**

As of 30 June 2015, accounts receivable from one European customer accounted for approximately 22.2%, and one Ukrainian customer for 3.4% of the total carrying amount of trade accounts receivable (as of 30 June 2014, one European customer for approximately 12.0% and one Ukrainian customer for 3.0%).

The average credit period on sales of goods was 12 days (for the period ended 30 June 2014: 15 days). No interest is charged on the outstanding balances of trade accounts receivable. Most of the trade accounts receivable past due for more than one month are considered to be impaired. Allowances for doubtful debts are recognized against trade accounts receivable that are overdue between 30 and 365 days and are calculated on the basis of the delay in payment by applying a fixed percentage.

Before accepting any new customer, the Group uses an external credit status system to assess the potential customer's credit quality and estimates credit limits by customer. Solvency and payment delays per customers are reviewed each quarter. As of 30 June 2015, the amount of not impaired trade receivables and receivables past due less than one month accounted for USD 53,746 thousand (as of 30 June 2014: USD 97,320 thousand).

As of 30 June 2015, trade accounts receivable past due for more than one year in the amount of USD 1,818 thousand were impaired and represented the largest portion of impaired accounts receivable (2014: USD 4,020 thousand).

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 2015	As of 30 June 2014
Prepayments to suppliers	38,535	40,082
Other current assets	29,414	28,517
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(7,302)	(11,675)
Total	**60,647**	**56,924**

11. Taxes Recoverable and Prepaid, net

The balances of taxes recoverable and prepaid, net were as follows:

	As of 30 June 2015	As of 30 June 2014
VAT ('value added tax') recoverable and prepaid	80,211	142,780
Allowance for VAT irrecoverable amount	—	(4,058)
Other taxes recoverable and prepaid	8,035	5,817
Total	**88,246**	**144,539**

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, except for amounts, for which the allowance for estimated irrecoverable amounts was created, will be recovered in full within 12 months after the reporting date. For the year ended 30 June 2015, the amount of VAT refunded by the government in cash was USD 177,408 thousand (for the year ended 30 June 2014: USD 219,233 thousand).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

12. Inventory

The balances of inventories were as follows:

	As of 30 June 2015	As of 30 June 2014
Finished products	61,201	109,115
Raw materials	59,249	135,802
Goods for resale	19,640	29,990
Agricultural products	8,578	10,721
Fuel	2,624	3,333
Packaging materials	805	879
Other inventories	6,659	9,687
Total	158,756	**299,527**

As of 30 June 2015, finished products mostly consisted of sunflower oil sold in bulk in the amount of USD 50,846 thousand (as of 30 June 2014: USD 79,183 thousand).

As of 30 June 2015 and 2014, raw materials were represented mainly by sunflower seed stock in the amount of USD 50,166 thousand and USD 113,927 thousand, respectively.

As of 30 June 2015, inventories with a carrying amount of USD 110,857 thousand (as of 30 June 2014: USD 182,018 thousand) were pledged by the Group as collateral against short-term loans obtained from banks (Note 20).

13. Biological Assets

The balances of crops in fields were as follows:

	As of 30 June 2015		As of 30 June 2014	
	Hectares	Value	Hectares	Value
Corn	159,774	39,038	185,016	82,012
Wheat	72,500	30,864	30,792	25,384
Soybean	67,227	25,814	66,566	31,456
Sunflower seed	61,902	37,308	69,744	34,994
Rapeseed	9,565	6,675	—	—
Forage	4,443	1,872	12,027	1,946
Pea	3,343	726	2,121	116
Barley	131	11	3,115	952
Other	7,355	1,780	3,471	1,633
Total	386,240	144,088	**372,852**	**178,493**

The following table represents the changes in the carrying amounts of crops in fields during the years ended 30 June 2015 and 30 June 2014:

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2013	**184,733**	**55,090**	**239,823**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2013)	153,100	—	153,100
Decrease due to harvest (harvest 2013)	(337,833)	(55,090)	(392,923)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2014)	148,800	—	148,800
Gain arising from changes in fair value attributable to physical changes and to changes in the market price (sowing under harvest 2014)	—	34,126	34,126
Exchange difference	—	(4,433)	(4,433)
As of 30 June 2014	**148,800**	**29,693**	**178,493**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2014)	78,321	—	78,321
Decrease due to harvest (harvest 2014)	(227,121)	(29,693)	(256,814)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2015)	128,464	—	128,464
Gain arising from changes in fair value attributable to physical changes and to changes in the market price (sowing under harvest 2015)	—	13,124	13,124
Exchange difference	—	2,500	2,500
As of 30 June 2015	**128,464**	**15,624**	**144,088**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

13. Biological Assets continued

The balances of current cattle were as follows:

	As of 30 June 2015		As of 30 June 2014	
	Number of heads	Value	Number of heads	Value
Cattle	10,139	2,483	12,928	4,343
Total	**10,139**	**2,483**	**12,928**	**4,343**

As of 30 June 2015, non-current cattle in the amount of USD 6,189 thousand (2014: USD 12,995 thousand) were represented mainly by 9,031 heads of milk cows (2014: 9,785 heads) (Note 18). 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 period ended 30 June 2015, the net loss arising from changes in the fair value of biological assets in the amount of USD 6,789 thousand (2014: loss of USD 17,110 thousand) includes a USD 6,093 thousand loss on changes in current and non-current cattle's fair value (2014: loss of USD 1,923 thousand).

Over the 12 month period to 30 June 2015, the Group didn't purchase any biological assets (as of 30 June 2014: USD 323 thousand). Crops in fields, acquired in business combinations were included in the 'Increase due to purchases and subsequent expenditures capitalized in biological assets' in the table above.

Crops in fields and non-current cattle of the Group are measured using the discounted cash flow technique and are within the level 3 of the fair value hierarchy.

Current cattle are 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 the valuation technique from the previous year. There were no material transfers between any levels during the year.

Description	Fair value as of 30 June 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Crops in fields	144,088	Discounted cash flow	Crop yields	1.85 – 7.26 (3.61) tons per hectare	The higher the crop yield, the higher the fair value
			Crop prices	133 – 353 (224) USD per ton	The higher the crop price, the higher the fair value
			Discount rate	30.20% (in UAH, short-term)	The higher the discount rate, the lower the fair value
Milk cows	6,189	Discounted cash flow	Milk yield	12.70 – 21.82 (17.26) liters per cow per day	The higher the milk yield, the higher the fair value
			Milk price	USD 0.19 – 0.20 (0.20) per liter	The higher the market milk price, the higher the fair value
			Meat price	USD 0.54 – 1.00 (0.77) per kg	The higher the market meat price, the higher the fair value
			Weight of 1 calf	30 – 33 (31.5) kg	The higher the weight, the higher the fair value
			Yield of calves from 100 cows per year	70 – 95 (83) calves	The higher the yield, the higher the fair value
			Discount rate	26.90% (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 32,380 thousand and USD 29,463 thousand, respectively.

14. Assets Classified as Held for Sale and Discontinued Operations

During the year ended 30 June 2015, the Group disposed of Tsukrove LLC. The net assets of the disposed entity as of the date of disposal were equal to USD 1,215 thousand and the cash consideration was USD 1,244 thousand.

As of 30 June 2015, according to management's plan to dispose all sugar plants and exit the sugar business, the property, plant and equipment of the remaining sugar plant was still classified as assets held for sale and its operations were classified as discontinued for the year ended 30 June 2015.

As of 30 June 2015, the net value of assets classified as held for sale equaled USD 2,482 thousand (30 June 2014: USD 10,550 thousand).

Discontinued operations of the Group include activities of Tsukrove LLC and Palmirskyi Sugar Plant ALC for the year ended 30 June 2015, which have generated net loss in the amount of USD 5,349 thousand (2014: three remaining sugar plants generated USD 5,611 thousand of loss).

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for the year ended 30 June 2015 (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 2015:

	Sunflower oil sold in bulk and bottled	Export terminals	Farming	Silo services	Other	Total
Net book value as of 30 June 2014	**326,891**	**59,035**	**148,825**	**101,038**	**7,673**	**643,462**
Land	3,932	2,644	6	770	46	7,398
Buildings and constructions	224,538	25,067	29,672	74,314	3,072	356,663
Production machinery and equipment	87,434	29,431	10,622	15,373	582	143,442
Agricultural equipment and vehicles	897	49	101,904	289	1,378	104,517
Other fixed assets	3,385	251	4,813	727	2,582	11,758
CIP and uninstalled equipment	6,705	1,593	1,808	9,565	13	19,684
Additions	**6,872**	**748**	**12,724**	**9,129**	**426**	**29,899**
CIP and uninstalled equipment	6,872	748	12,724	9,129	426	29,899
Reclassification	**(10)**	**4**	**1,105**	**(891)**	**(208)**	**–**
Land	–	–	70	–	3	73
Buildings and constructions	270	37	712	6	14	1,039
Production machinery and equipment	(237)	(35)	(4,412)	(6)	(514)	(5,204)
Agricultural equipment and vehicles	(23)	41	5,455	2	1,297	6,772
Other fixed assets	152	(39)	(1,778)	–	(1,015)	(2,680)
CIP and uninstalled equipment	(172)	–	1,058	(893)	7	–
Transfers	–	–	–	–	–	–
Buildings and constructions	1,234	112	1,332	4,730	4	7,412
Production machinery and equipment	3,329	137	877	2,713	–	7,056
Agricultural equipment and vehicles	1,039	–	7,727	276	36	9,078
Other fixed assets	359	70	1,462	145	377	2,413
CIP and uninstalled equipment	(5,961)	(319)	(11,398)	(7,864)	(417)	(25,959)
Disposals (at net book value)	**(785)**	**(3)**	**(1,391)**	**(776)**	**(54)**	**(3,009)**
Land	–	–	–	(298)	–	(298)
Buildings and constructions	(19)	–	(412)	(314)	(16)	(761)
Production machinery and equipment	(208)	–	(19)	(138)	–	(365)
Agricultural equipment and vehicles	(48)	(1)	(880)	(6)	(23)	(958)
Other fixed assets	(22)	–	(28)	(7)	(7)	(64)
CIP and uninstalled equipment	(488)	(2)	(52)	(13)	(8)	(563)
Depreciation expense	**(19,261)**	**(3,023)**	**(26,510)**	**(4,628)**	**(1,225)**	**(54,647)**
Buildings and constructions	(8,670)	(848)	(3,459)	(3,379)	(138)	(16,494)
Production machinery and equipment	(9,581)	(2,111)	(750)	(1,026)	(7)	(13,475)
Agricultural equipment and vehicles	(281)	(18)	(21,623)	(69)	(588)	(22,579)
Other fixed assets	(729)	(46)	(678)	(154)	(492)	(2,099)
Exchange difference	**(146)**	**(5,099)**	**(29,731)**	**(44,156)**	**(1,396)**	**(80,528)**
Land	–	(1,157)	(33)	(286)	–	(1,476)
Buildings and constructions	(1)	(2,620)	(12,725)	(32,445)	(407)	(48,198)
Production machinery and equipment	(7)	(419)	(2,735)	(6,987)	(21)	(10,169)
Agricultural equipment and vehicles	(135)	(36)	(11,399)	(162)	(951)	(12,683)
Other fixed assets	(3)	(97)	(1,388)	(315)	(8)	(1,811)
CIP and uninstalled equipment	–	(770)	(1,451)	(3,961)	(9)	(6,191)
Net book value as of 30 June 2015	**313,561**	**51,662**	**105,022**	**59,716**	**5,216**	**535,177**
Land	3,932	1,487	43	186	49	5,697
Buildings and constructions	217,352	21,748	15,120	42,912	2,529	299,661
Production machinery and equipment	80,730	27,003	3,583	9,929	40	121,285
Agricultural equipment and vehicles	1,449	35	81,184	330	1,149	84,147
Other fixed assets	3,142	139	2,403	396	1,437	7,517
CIP and uninstalled equipment	6,956	1,250	2,689	5,963	12	16,870

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for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

15. Property, Plant and Equipment, net continued

The following table represents movements in property, plant and equipment for the year ended 30 June 2014:

	Sunflower oil sold in bulk and bottled	Export terminals	Farming	Silo services	Other	Total
Net book value as of 30 June 2013	**363,026**	**67,109**	**192,156**	**125,670**	**15,350**	**763,311**
Land	3,932	3,911	6	1,138	46	9,033
Buildings and constructions	237,156	28,873	45,457	90,463	4,758	406,707
Production machinery and equipment	103,704	31,958	19,423	19,606	1,630	176,321
Agricultural equipment and vehicles	281	–	112,013	21	1,810	114,125
Other fixed assets	2,293	35	7,456	480	7,085	17,349
CIP and uninstalled equipment	15,660	2,332	7,801	13,962	21	39,776
Additions	**2,002**	**277**	**28,279**	**26,223**	**2,607**	**59,388**
CIP and uninstalled equipment	2,002	277	28,279	26,223	2,607	59,388
Reclassification	**5,249**	**486**	**(621)**	**2,066**	**(7,180)**	**–**
Buildings and constructions	2,428	93	(313)	596	(2,024)	780
Production machinery and equipment	(123)	–	3,794	358	(1,140)	2,889
Agricultural equipment and vehicles	760	–	(3,955)	407	165	(2,623)
Other fixed assets	2,184	393	(147)	705	(4,181)	(1,046)
Transfers	**–**	**–**	**–**	**–**	**–**	**–**
Buildings and constructions	1,607	8	6,291	22,478	1,021	31,405
Production machinery and equipment	3,419	132	591	4,186	329	8,657
Agricultural equipment and vehicles	201	66	24,936	148	360	25,711
Other fixed assets	294	50	1,679	198	813	3,034
CIP and uninstalled equipment	(5,521)	(256)	(33,497)	(27,010)	(2,523)	(68,807)
Disposals (at net book value)	**(12,638)**	**(11)**	**(2,820)**	**(71)**	**(65)**	**(15,605)**
Buildings and constructions	(3,029)	–	(711)	(44)	–	(3,784)
Production machinery and equipment	(3,695)	(9)	(493)	(17)	(1)	(4,215)
Agricultural equipment and vehicles	(40)	–	(1,394)	–	(35)	(1,469)
Other fixed assets	(440)	(2)	(222)	(10)	(29)	(703)
CIP and uninstalled equipment	(5,434)	–	–	–	–	(5,434)
Depreciation expense and impairment loss recognized in the Statement of Profit or Loss	**(30,483)**	**(3,281)**	**(33,074)**	**(8,380)**	**(1,712)**	**(76,930)**
Buildings and constructions	(13,516)	(997)	(6,888)	(6,154)	(212)	(27,767)
Production machinery and equipment	(15,822)	(2,179)	(3,716)	(1,784)	(92)	(23,593)
Agricultural equipment and vehicles	(300)	(8)	(20,738)	(153)	(487)	(21,686)
Other fixed assets	(845)	(97)	(1,732)	(289)	(921)	(3,884)
Exchange difference	**(265)**	**(5,545)**	**(35,095)**	**(44,470)**	**(1,327)**	**(86,702)**
Land	–	(1,267)	–	(368)	–	(1,635)
Buildings and constructions	(108)	(2,910)	(14,164)	(33,025)	(471)	(50,678)
Production machinery and equipment	(49)	(471)	(8,977)	(6,976)	(144)	(16,617)
Agricultural equipment and vehicles	(5)	(9)	(8,958)	(134)	(435)	(9,541)
Other fixed assets	(101)	(128)	(2,221)	(357)	(185)	(2,992)
CIP and uninstalled equipment	(2)	(760)	(775)	(3,610)	(92)	(5,239)
Net book value as of 30 June 2014	**326,891**	**59,035**	**148,825**	**101,038**	**7,673**	**643,462**
Land	3,932	2,644	6	770	46	7,398
Buildings and constructions	224,538	25,067	29,672	74,314	3,072	356,663
Production machinery and equipment	87,434	29,431	10,622	15,373	582	143,442
Agricultural equipment and vehicles	897	49	101,904	289	1,378	104,517
Other fixed assets	3,385	251	4,813	727	2,582	11,758
CIP and uninstalled equipment	6,705	1,593	1,808	9,565	13	19,684

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15. Property, Plant and Equipment, net continued

Total cost of property, plant and equipment and total accumulated depreciation as of 30 June 2015 and 2014 were as follows:

Group of property, plant and equipment	Cost as of 30 June 2015	Accumulated depreciation as of 30 June 2015	Cost as of 30 June 2014	Accumulated depreciation as of 30 June 2014
Land	5,697	–	7,645	–
Buildings and constructions	358,283	(58,622)	412,204	(55,617)
Production machinery and equipment	174,355	(53,070)	206,330	(62,889)
Agricultural equipment and vehicles	160,875	(76,728)	159,639	(55,122)
Other fixed assets	14,769	(7,252)	23,576	(11,988)
CIP and uninstalled equipment	16,870	–	19,684	–
Total	**730,849**	**(195,672)**	**829,078**	**(185,616)**

Had the Group's buildings and constructions and production machinery and equipment (bulk and bottled oil segments) been measured on a historical cost basis, their carrying amount would have been as follows:

Group of property, plant and equipment	As of 30 June 2015	As of 30 June 2014
Buildings and constructions	194,933	200,536
Production machinery and equipment	75,182	80,550
Total	**270,115**	**281,086**

As of 30 June 2015, property, plant and equipment with a carrying amount of USD 130,652 thousand (as of 30 June 2014: USD 193,962 thousand) were pledged by the Group as collateral against short-term and long-term bank loans (Notes 20 and 21).

As of 30 June 2015 and 30 June 2014, the net carrying amount of property, plant and equipment, represented by agricultural equipment and vehicles, and production machinery held under finance lease agreements was USD 16,463 thousand and USD 28,319 thousand, respectively.

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16. Intangible Assets, net

The following table represents movements in intangible assets for the year ended 30 June 2015:

	Trademarks	Land lease rights	Other intangible assets	Total
Cost as of 30 June 2014	**19,336**	**120,426**	**5,345**	**145,107**
Additions	2,700	843	689	**4,232**
Disposals	–	–	(156)	**(156)**
Exchange difference	–	(49,961)	(1,039)	**(51,000)**
Cost as of 30 June 2015	**22,036**	**71,308**	**4,839**	**98,183**

	Trademarks	Land lease rights	Other intangible assets	Total
Accumulated amortization and impairment loss as of 30 June 2014	**(2,027)**	**(45,914)**	**(2,427)**	**(50,368)**
Amortization charge	–	(13,111)	(529)	**(13,640)**
Disposals	–	–	29	**29**
Impairment loss recognized in the Statement of Profit or Loss	(6,169)	–	–	**(6,169)**
Exchange difference	–	24,073	464	**24,537**
Accumulated amortization and impairment loss as of 30 June 2015	(8,196)	(34,952)	(2,463)	**(45,611)**
Net book value as of 30 June 2015	**13,840**	**36,356**	**2,376**	**52,572**

The following table represents movements in intangible assets for the year ended 30 June 2014:

	Trademarks	Land lease rights	Other intangible assets	Total
Cost as of 30 June 2013	**19,336**	**174,712**	**6,095**	**200,143**
Additions from acquisition of Subsidiaries	–	205	–	**205**
Additions	–	–	899	**899**
Disposals	–	(9)	(405)	**(414)**
Exchange difference	–	(54,482)	(1,244)	**(55,726)**
Cost as of 30 June 2014	**19,336**	**120,426**	**5,345**	**145,107**

	Trademarks	Land lease rights	Other intangible assets	Total
Accumulated amortization and impairment loss as of 30 June 2013	–	**(38,315)**	**(2,331)**	**(40,646)**
Amortization charge	–	(25,469)	(788)	**(26,257)**
Disposals	–	1	45	**46**
Impairment loss recognized in the Statement of Profit or Loss	(2,027)	–	–	**(2,027)**
Exchange difference	–	17,869	647	**18,516**
Accumulated amortization and impairment loss as of 30 June 2014	(2,027)	(45,914)	(2,427)	**(50,368)**
Net book value as of 30 June 2014	**17,309**	**74,512**	**2,918**	**94,739**

Included in the intangible assets of Subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with values of USD 4,567 thousand, USD 5,002 thousand, USD 4,092 thousand and USD 179 thousand, respectively, in 2015 (USD 4,567 thousand, USD 5,929 thousand, USD 6,634 thousand and USD 179 thousand, respectively, in 2014). 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.

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16. Intangible Assets, net continued

The impairment testing of the value of trademarks as of 30 June 2015 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 bottled oil 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 5.47%;
- Growth rates are based on the expected market growth rate for sunflower oil consumption. As of 30 June 2015, 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 25.9% for UAH denominated cash flow projections.

As a result of testing performed, impairment of the trademarks 'Zolota' and 'Stozhar' in the amount of USD 5,242 thousand and USD 927 thousand, respectively, was recognized as of 30 June 2015 (30 June 2014: 'Zolota' in the amount of USD 2,027 thousand) and was recognized as a loss on impairment of intangible assets within 'Other expenses, net' (Note 31). Impairment was caused primarily by the current economic crisis in Ukraine, which was reflected in a sharp increase in the discount rate and amplified the decrease in the consumption of premium segment bottled oil caused by saturation of the market.

17. Goodwill

The following table represents movements in goodwill for the year:

	As of 30 June 2015	As of 30 June 2014
Cost as of beginning of the year	**138,575**	**161,739**
Exchange differences	**(19,133)**	(23,164)
Cost as of end of the year	**119,442**	**138,575**

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:

		As of 30 June 2015	As of 30 June 2014
		Goodwill carrying value	Goodwill carrying value
Sunflower oil sold in bulk	BSI LLC	**44,396**	44,396
	Kirovogradoliya PJSC	**31,334**	31,334
	Ekotrans LLC	**9,868**	9,868
	Other	**7,088**	7,088
Export terminals	Transbulkterminal LLC	**13,356**	23,739
Farming	Druzhba-Nova Group and other agricultural farms	**11,253**	20,003
Bottled sunflower oil	Prykolotnoe OEP LLC	**2,147**	2,147
Total		**119,442**	**138,575**

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17. Goodwill continued

The recoverable amounts of sunflower oil sold in bulk, export terminals, and bottled sunflower oil were determined based on a value in use calculation, which uses cash flow projections accordingly to level 3 of the hierarchy based on the most recent financial budgets approved by the management and covering a five-year period. The values assigned to key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources. The projected cash flows are based on volumes of sales (tons of oil for oilseed crushing plants and transshipment volumes for export terminals) and respective prices and costs throughout the budget period. As of 30 June 2015, the assumptions for expected sunflower oil prices were USD 810 per one metric ton in 2016-2020 with a corresponding cost of USD 346 per one metric ton of sunflower seeds, which corresponds to a margin of USD 150 for one metric ton of oil. For the year ended 30 June 2014, the price and cost were USD 820 per one metric ton of oil and USD 348 per one metric ton of sunflower seeds in 2015-2019, respectively, with a margin of USD 167 per 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 and the Russian Federation rather than on the level of prices. The discount rate used as of 30 June 2015 was 17.5% (30 June 2014: 12.5%). 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 growth rate used is available from market sources of information for the projected period. The rate was 2% and is the same as the long-term average growth rate for the industry.

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 recoverable amount to fall below the carrying value of a CGU with a material amount of goodwill.

As of 30 June 2015 and 30 June 2014, no impairment of goodwill allocated to the sunflower oil, export terminals and farming segments was identified.

18. Other Non-current Assets

The balances of other non-current assets were as follows:

	As of 30 June 2015	As of 30 June 2014
Non-current biological assets (Note 13)	**6,189**	12,995
Prepayments for Subsidiaries	**3,105**	3,105
Prepayments for property, plant and equipment	**1,361**	6,720
Other non-current assets	**2,713**	3,641
Total	13,368	**26,461**

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 2015	As of 30 June 2014
Advances from customers	**13,751**	10,124
Accrued payroll, payroll related taxes and bonuses	**10,382**	3,875
Settlements with land lessors	**6,758**	13,309
Obligation under finance lease payable within one year (Note 22)	**5,996**	6,250
Taxes payable and provision for tax liabilities	**4,724**	6,900
Provision for unused vacations and other provisions	**4,393**	9,828
Accounts payable for property, plant and equipment	**924**	1,440
Settlements for acquired Subsidiaries	**677**	1,197
Reimbursement of debt (Note 33)	**–**	13,499
Other current liabilities (Note 33)	**15,775**	13,148
Total	63,380	**79,570**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

20. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 June 2015	As of 30 June 2014
Bank credit lines	295,313	402,169
Interest accrued on short-term borrowings	874	1,054
Interest accrued on long-term borrowings	1,818	2,598
Total	298,005	405,821

The balances of short-term borrowings as of 30 June 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 6.0%	USD	August 2015	57,000
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2015	54,000
European bank	Libor + 5.5%	USD	February 2016	48,600
Russian bank	Libor + 9.35%	USD	February 2016	38,000
Russian bank	Libor + 7.5%	USD	December 2015	37,713
European bank	Libor + 6.25%	USD	April 2016	35,000
Ukrainian subsidiary of European bank	10.0%	USD	March 2016	25,000
Total bank credit lines				295,313
Interest accrued on short-term borrowings				874
Interest accrued on long-term borrowings				1,818
Total				298,005

The balances of short-term borrowings as of 30 June 2014 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2014	165,000
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	September 2014	65,000
European bank	Libor + 7.5%	USD	October 2014	64,000
European bank	Libor + 6.25%	USD	April 2015	60,000
Ukrainian subsidiary of European bank	11.0%	USD	February 2015	21,500
Ukrainian subsidiary of European bank	Libor + 8.0%	USD	July 2014	15,000
European bank	Libor + 2.65%	USD	April 2015	11,669
Total bank credit lines				402,169
Interest accrued on short-term borrowings				1,054
Interest accrued on long-term borrowings				2,598
Total				405,821

As of 30 June 2015, the overall maximum credit limit for short-term bank credit lines amounted to USD 392,689 thousand (as of 30 June 2014: USD 797,268 thousand).

Short-term borrowings from banks were secured as follows:

(Assets pledged)	As of 30 June 2015	As of 30 June 2014
Cash and cash equivalents (Note 8)	5,000	—
Inventory (Note 12)	110,857	182,018
Property, plant and equipment (Note 15)	114,037	54,718
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	229,894	236,736

As of 30 June 2015, the following controlling stakes of Subsidiaries were pledged to secure short-term borrowings: nine agricultural companies, three sunflower oil plants, two export terminals and two holding companies (as of 30 June 2014: twenty agricultural companies and one sunflower oil plant).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

21. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 June 2015	As of 30 June 2014
Long-term bank borrowings	158,236	324,860
Current portion of long-term borrowings	(69,335)	(77,335)
Total	**88,901**	**247,525**

The balances of long-term borrowings as of 30 June 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	135,000
European bank	Libor + 1.65%	USD	March 2020	15,423
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	7,813
Total				**158,236**

The balances of long-term borrowings as of 30 June 2014 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	140,000
European bank	Libor + 5.5%	USD	February 2016	66,600
Russian bank	Libor + 8.35%	USD	February 2016	48,000
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	December 2015	37,689
European bank	Libor + 1.65%	USD	March 2020	18,508
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	14,063
Total				**324,860**

Long-term borrowings as of 30 June 2015 include credit lines from banks with an overall maximum credit limit of USD 158,236 thousand (as of 30 June 2014: USD 324,860 thousand).

Long-term borrowings from banks were secured as follows:

(Assets pledged)	As of 30 June 2015	As of 30 June 2014
Property, plant and equipment (Note 15)	16,615	139,244
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	**16,615**	**139,244**

As of 30 June 2015, stakes in Subsidiaries were pledged to secure long-term borrowings including controlling stakes in one agricultural company and a 50% stake in a joint venture (as of 30 June 2014: controlling stakes in two export terminals, three sunflower oil plants, one agricultural company and a 50% stake in a joint venture).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

22. Obligations under Finance Lease

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 2015		As of 30 June 2014	
	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)	7,594	5,996	8,569	6,250
Later than one year and not later than five years	7,385	6,277	15,241	12,486
Total	14,979	12,273	**23,810**	**18,736**
Less future finance charges	(2,706)	—	(5,074)	—
Present value of lease obligations	12,273	12,273	**18,736**	**18,736**

The average effective interest rate contracted for the year ended 30 June 2015 was at the level of 6.94% (for the year ended 30 June 2014: 7.19%).

23. Income Tax

The Group is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 22.47% as of 30 June 2015 and 30 June 2014. The corporate income tax rate in Ukraine, where the main operations of the Group are located, was 18% as of 30 June 2015 and 2014. 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 Fixed Agricultural Tax (FAT) in accordance with the Tax Code of Ukraine. The FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty, and Trade Patent. The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. The FAT does not constitute an income tax, and as such, is recognized in the Consolidated Statement of Profit or Loss in other operating income.

The components of income tax expense for the years ended 30 June 2015 and 2014 were as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Current income tax charge	(4,577)	(15,663)
Deferred tax income relating to changes in tax rates or the imposition of new taxes	—	2,222
Deferred tax relating to origination and reversal of temporary differences	4,132	2,069
Total income tax recognized in the reporting period related to continuing operations	(445)	**(11,372)**

The income tax expense is reconciled to the profit/(loss) before income tax per Consolidated Statement of Profit or Loss as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Profit/(Loss) before income tax from continuing operations	101,327	(90,423)
Tax (expense)/benefit at statutory tax rate of 18% (from 1 January 2014) and 19% (from 1 January 2013 to 31 December 2013)	(18,239)	16,697
Deferred tax income related to changes in tax rates or the imposition of new taxes	—	2,222
Effect of income/(loss) that is exempt from taxation (farming)	15,672	(14,321)
Effect of different tax rates of Subsidiaries operating in other jurisdictions	1,783	(12,450)
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	(6,904)	(2,747)
Other expenditures not allowable for income tax purposes and non-taxable income, net	7,243	(773)
Income tax expense	(445)	**(11,372)**

Income tax recognized in other comprehensive loss:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Income tax related to components of other comprehensive loss	—	(597)
Total income tax recognized in other comprehensive loss	—	**(597)**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

23. Income Tax continued

Movements in temporary differences during the year ended 30 June 2015 were as follows:

	30 June 2014	Income tax benefit/ (expense) during the period recognized in profit or loss from continuing operations	Income tax benefit/ (expense) during the period recognized in profit or loss from discontinued operations	Deferred taxes of disposed companies	Currency exchange difference	Deferred taxes reclassified to assets classified as held for sale	30 June 2015
Tax losses carried forward	13,149	(3,718)	(20)	–	(1,687)	–	**7,744**
Valuation of property, plant and equipment	3,351	6,618	(1,361)	–	(638)	300	**9,331**
Valuation of accounts receivable	3,546	(916)	(342)	–	(726)	165	**1,904**
Valuation of inventory	154	66	–	–	(53)	–	**167**
Valuation of advances and other temporary differences	1,929	267	4	–	(49)	5	**2,147**
Deferred tax asset	**22,129**	**2,317**	**(1,719)**	–	**(3,153)**	**470**	**21,293**
Valuation of property, plant and equipment	(25,790)	1,744	435	45	243	(296)	**(23,758)**
Valuation of intangible assets	(1,060)	(57)	–	–	53	–	**(1,064)**
Valuation of prepayments to suppliers and other temporary differences	(867)	128	49	–	179	(93)	**(560)**
Deferred tax liability	**(27,717)**	**1,815**	**484**	45	**475**	**(389)**	(25,382)
Net deferred tax liabilities	**(5,588)**	**4,132**	**(1,235)**	**45**	**(2,678)**	**81**	(4,089)

Movements in temporary differences during the year ended 30 June 2014 were as follows:

	30 June 2013	Income tax benefit/ (expense) during the period recognized in profit or loss from continuing operations	Income tax benefit/ (expense) during the period recognized in profit or loss from discontinued operations	Income tax benefit/ (expense) during the period recognized in other comprehensive income	Deferred taxes of disposed companies	Currency exchange difference	Deferred taxes reclassified to assets classified as held for sale	30 June 2014
Tax losses carried forward	7,709	9,181	28	–	(3,258)	(483)	26	13,149
Valuation of accounts receivable	14,251	(10,263)	(306)	–	–	(442)	540	3,546
Valuation of property, plant and equipment	2,781	1,074	1,238	–	(187)	(317)	2,003	3,351
Valuation of inventory	144	13	–	–	–	(3)	–	154
Valuation of advances and other temporary differences	2,568	(586)	4	–	–	(53)	3	1,929
Deferred tax asset	**27,453**	**(581)**	**964**	–	**(3,445)**	**(1,298)**	**2,572**	**22,129**
Valuation of property, plant and equipment	(29,834)	4,259	421	(597)	–	382	(781)	(25,790)
Valuation of intangible assets	(1,051)	28	–	–	–	(37)	–	(1,060)
Valuation of prepayments to suppliers and other temporary differences	(1,439)	585	10	–	–	(13)	(171)	(867)
Deferred tax liability	**(32,324)**	**4,872**	**431**	**(597)**	–	**332**	**(952)**	**(27,717)**
Net deferred tax liabilities	**(4,871)**	**4,291**	**1,395**	**(597)**	**(3,445)**	**(966)**	**1,620**	**(5,588)**

As of 30 June 2015, 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 7,744 thousand (2014: USD 13,149 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 42,106 thousand (2014: USD 72,401 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 can be brought forward for the reasonable period of time.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

23. Income Tax continued

Unrecognized deferred tax assets arising from tax losses carried forward by the Group's Subsidiaries as of 30 June 2015 were USD 9,651 thousand (as of 30 June 2014: USD 2,747 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:

	30 June 2015	30 June 2014
Deferred tax assets	15,524	11,648
Deferred tax liabilities	(19,613)	(17,236)
Net deferred tax liabilities	(4,089)	(5,588)

24. Revenue

The Group's revenue was as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Revenue from sunflower oil sold in bulk, sunflower meal and cake	1,123,694	1,101,720
Revenue from grain sales	1,053,267	1,053,613
Revenue from bottled sunflower oil	90,040	109,954
Revenue from farming	29,010	62,322
Revenue from sugar	25,752	34,924
Revenue from grain silo services	7,668	27,538
Revenue from transshipment services	76	3,180
Total	2,329,507	2,393,251

For the year ended 30 June 2015, revenue from the Group's top five customers accounted for approximately 41.7% of total revenue (for the year ended 30 June 2014, revenue from the top five customers accounted for 33.8% of total revenue).

25. Cost of Sales

Cost of sales was as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Cost of goods for resale and raw materials used	1,672,016	1,736,940
Amortization and depreciation	65,755	91,648
Payroll and payroll related costs	34,127	67,236
Rental payments	20,786	42,617
Other operating costs	17,800	29,533
Total	1,810,484	1,967,974

26. Other Operating Income, net

Other operating income, net was as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Gain on sale of hard currency	57,441	35,293
VAT benefits	10,740	24,234
Contracts wash-out (price difference settlement)	7,445	586
Other operating income	7,288	361
Total	82,914	60,474

According to the Tax Code of Ukraine, companies that generated not less than 75.0% of gross revenues for the previous tax period from sales of its own agricultural products are entitled to retain the difference between input VAT paid on items purchased by such companies for their operations and VAT charged on products sold. Such a gain is recognized as VAT benefits.

The special VAT regime for agricultural producers will be effective through 1 January 2018 under current legislation.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

27. Distribution Costs

Distribution costs were as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Carriage and freight	173,836	231,865
Storage and dispatch	11,567	12,181
Customs expenses	5,645	5,271
Certification	3,514	7,632
Sanitation services	583	1,343
Payroll and payroll related costs	234	408
Depreciation	4	151
Other expenses	3,163	4,069
Total	**198,546**	**262,920**

28. General and Administrative Expenses

General and administrative expenses were as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Payroll and payroll related costs	38,101	40,956
Business trip expenses	6,192	5,190
Audit, legal and other professional fees	5,066	6,109
Repairs and material costs	4,449	5,758
Insurance	3,095	1,866
Amortization and depreciation	2,402	2,509
Taxes other than income tax	2,324	1,514
Bad debt expenses	2,279	6,133
Bank services	1,945	2,399
Rental payments	1,344	2,250
Communication expenses	872	1,639
Other expenses	256	681
Total	**68,325**	**77,004**

Audit, legal and other professional fees for the year ended 30 June 2015 include the auditor's remuneration in the amount of USD 432 thousand and consultancy fees in the amount of USD 33 thousand (30 June 2014: USD 527 thousand and USD 47 thousand, respectively).

29. Finance Costs, net

Finance costs, net were as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Interest expense on bank loans	64,047	68,970
Other finance costs, net	4,528	3,489
Total	**68,575**	**72,459**

30. Foreign Exchange Loss, net

Foreign exchange loss, net was related to the following balances:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Revaluation of balances nominated in foreign currencies	(68,732)	(6,158)
VAT recoverable and prepaid	(56,664)	(54,011)
Corporate income tax prepaid	(21,567)	(17,039)
Borrowings nominated in foreign currencies	(5,135)	(13,929)
Cash and cash equivalents nominated in foreign currencies	(4,507)	(4,119)
Obligations under finance leases	(2,059)	(2,123)
Other foreign exchange gain/(loss)	5,722	(1,426)
Total	**(152,942)**	**(98,805)**

In the note 'Foreign Exchange (Loss)/Gain, net' to the consolidated financial statements as of 30 June 2014, the foreign exchange loss on revaluation of balances nominated in foreign currencies was previously included in the line 'Other'.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

31. Other Expenses, net

Other expenses, net were as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Loss on impairment of intangible assets (Note 16)	6,169	2,027
Other material expenses	2,217	3,860
Social spending	1,915	3,163
Loss on financial derivatives, net	237	17,733
Gain on disposal of property, plant and equipment	(494)	(882)
(Gain)/Loss on disposal of Subsidiaries (Notes 7, 14)	(861)	8,871
Loss on valuation of assets held for sale	–	8,879
Other expenses, net	1,337	8,126
Total	**10,520**	**51,777**

During the year ended 30 June 2014, the Group used non-deliverable currency forwards for protection against unfavorable USD/UAH exchange rate movements. Agreements were mostly signed in the first half of the year. Due to the increasing severity of the economic crisis in the second half of the year, the UAH was devaluated to a greater extent than expected by management. This led to total net losses on non-deliverable currency forwards in the amount of USD 17,733 thousand for the year ended 30 June 2014.

In the note 'Other expenses, net' to the consolidated financial statements as of 30 June 2014, 'Social spending' and 'Other material expenses' previously were included in the line 'Other expenses, net'.

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. The increase of throughput facilities resulted in increased profitability of grain exports from the Russian Federation.

As of 30 June 2015, the Group entered into a transshipment agreement with Zernovoy Terminalny Complex Taman LLC. According to the agreement, the Group has committed to transship 1,500,000 tons of grain through the facility in FY2016 (as of 30 June 2014: 1,500,000 tons).

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):

			Proportion of ownership interest and voting rights held by the Group	Proportion of ownership interest and voting rights held by the Group
Name of joint venture	Principal activity	Place of incorporation and principal place of business	As of 30 June 2015	As of 30 June 2014
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 regards to joint ventures, reflecting 100% interest in the underlying joint venture, was as follows:

	As of 30 June 2015	As of 30 June 2014
Current assets	7,850	16,864
Non-current assets	89,292	142,702
Current liabilities	(18,844)	(24,600)
Non-current liabilities	(40,080)	(85,872)
Net assets of joint ventures	**38,218**	**49,094**

The above amount of assets and liabilities include the following:

	As of 30 June 2015	As of 30 June 2014
Cash and cash equivalents	412	709
Property, plant and equipment, net	87,456	132,313
Current financial liabilities (excluding trade and other payables and provisions)	(12,542)	(10,779)
Non-current financial liabilities (excluding trade and other payables and provisions)	(36,330)	(81,225)

Notes to the Consolidated Financial Statements continued

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32. Investments in Joint Ventures continued

Summarized statement of profit or loss and other comprehensive income of joint ventures was as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Revenue	30,314	37,288
Cost of sales	(19,762)	(20,142)
General and administrative expenses	(3,152)	(4,718)
Profit from operating activities	7,400	**12,428**
Other income/(expenses), net	5,924	(2,828)
Profit before income tax	13,324	**9,600**
Income tax expenses	(3,150)	(1,798)
Profit for the period	10,174	**7,802**
Other comprehensive (loss)/income for the period		
Exchange differences on translating foreign operations	(51,626)	296
Total comprehensive (loss)/income for the period	(41,452)	**8,098**

The above information for the period includes the following:

	Year ended 30 June 2015	Year ended 30 June 2014
Depreciation and amortization	4,082	8,996
Interest expenses	4,698	8,332

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 2015	Year ended 30 June 2014
Net assets of the joint venture	38,218	49,094
Proportion of the Group's ownership interest in the joint venture	50.0%	50.0%
Goodwill	37,928	73,528
Carrying amount of the Group's interest in the joint venture	57,037	98,075

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 2015	Total category as per consolidated statement of financial position as of 30 June 2015	Related party balances as of 30 June 2014	Total category as per consolidated statement of financial position as of 30 June 2014
Prepayments to suppliers and other current assets, net (Note 10)	14,581	60,647	14,450	56,924
Other non-current assets (Note 18)	4,909	13,368	4,998	26,461
Trade accounts payable	722	27,384	6,642	33,369
Advances from customers and other current liabilities (Note 19)	15,898	63,380	16,430	79,570
Other non-current liabilities	–	1,879	8,863	13,726

As of 30 June 2015 and 30 June 2014, the Group did not create an allowance for trade accounts receivable, prepayments to suppliers and other current assets from related parties.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

33. Transactions with Related Parties continued

As of 30 June 2015, advances from customers and other current liabilities included USD 6,000 thousand of bonuses payable to the management.

Advances from customers and other current liabilities as of 30 June 2015 included an interest-free financial liability in the amount of USD 7,043 thousand due to Namsen Limited.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Advances from customers and other current liabilities as of 30 June 2014 included an amount of USD 13,499 thousand of a loan provided by Namsen Limited to Inter-Agro Group. This loan has been repaid in full during the year ended 30 June 2015 (Note 19).

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 operations with related parties, for the year ended 30 June 2015	Total category per consolidated statement of profit or loss for the year ended 30 June 2015	Amount of operations with related parties, for the year ended 30 June 2014	Total category per consolidated statement of profit or loss for the year ended 30 June 2014
Cost of sales (Note 25)	(241)	(1,810,484)	(282)	(1,967,974)
Other operating income, net (Note 26)	1,812	82,914	–	60,474
General, administrative expenses and distribution costs (Notes 27, 28)	(30,390)	(266,871)	(24,651)	(339,924)
Finance costs, net (Note 29)	6	(68,575)	322	(72,459)
Other (expenses)/income, net (Note 31)	(111)	(10,520)	30	(51,777)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

For the year ended 30 June 2015, distribution expenses included USD 15,003 thousand of services for the transportation of goods paid to Zernovoy Terminalny Complex Taman LLC (for the 12 months ended 30 June 2014: USD 19,074 thousand), Other expenses, net included USD 235 thousand of penalties for the transportation of goods paid to Zernovoy Terminalny Complex Taman LLC. All other transactions occurred with related parties under common control.

As of 30 June 2015, 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 2015 amounted to USD 382 thousand (30 June 2014: 8 directors, USD 250 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 14 people, amounted to USD 8,564 thousand for the 12 months ended 30 June 2015 (30 June 2014: 14 people, USD 2,242 thousand), including USD 6,000 thousand of variable bonus as per approved remuneration scheme.

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).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

34. Commitments and Contingencies

Operating Environment

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

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

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

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

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

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 2015 were USD 18,920 thousand (2014: USD 29,836 thousand).

The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance these post-retirement benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions. For the year ended 30 June 2015, retirement and other pension obligation expenses of the Group amounted to USD 483 thousand (2014: USD 728 thousand). As of 30 June 2015 and 30 June 2014, 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

34. Commitments and Contingencies continued

Capital Commitments

As of 30 June 2015, the Group had commitments under contracts with a group of suppliers for a total amount of USD 856 thousand for the purchase of equipment for an oil plant (30 June 2014: USD 3,743 thousand for the supply of equipment and services required for the construction of a new silo).

Contractual Commitments on Sales

As of 30 June 2015, the Group had entered into commercial contracts for the export of 452,000 tons of grain and 470,181 tons of sunflower oil and meal, corresponding to an amount of USD 96,073 thousand and USD 204,201 thousand, respectively, in contract prices as of the reporting date.

As of 30 June 2014, the Group had entered into commercial contracts for the export of 241,850 tons of grain and 442,763 tons of sunflower oil and meal, corresponding to an amount of USD 68,827 thousand and USD 245,868 thousand, respectively, at prices as of 30 June 2014.

Operating Leases

As of 30 June 2015 and 2014, 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 2015	Future minimum lease payment as of 30 June 2014
Less than 1 year	28,100	33,350
From 1 to 5 years	86,344	93,858
More than 5 years	114,263	29,461
Total	228,707	156,669

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

Taxation and Legal Issues

The Group is involved in litigation in connection with a case of contaminated Ukrainian oil that occurred in April 2008. The Group estimates that it could be required to pay USD 3,700 thousand if the ruling is in favor of the counterparty. Management believes than no significant settlement will arise out of the lawsuit and no respective provision is required in the Group's financial statements as of the reporting date.

In April 2012, the Group entered into a call option agreement to acquire Stiomi Holding, a farming company located in Khmelnytskyi region of Ukraine. Upon signing, the sellers received approximately 40% of the estimated net asset value partly from the Group and its related parties. As of 30 June 2015, the consideration paid for Stiomi Holding by the Group comprised USD 33,472 thousand. In the meantime, the final payment shall be due and payable only after fulfillment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers in respect to the non-fulfillment of the seller's obligations. In December 2012, the Group received a request for arbitration from the sellers in which the sellers claimed amounts due to them. An arbitral tribunal was formed; the parties exchanged written statements on the case and directions on next steps are awaited from the tribunal. Management believes that it is unlikely that any significant settlement will arise out of this lawsuit.

As of 30 June 2015, 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 a total amount of USD 76,922 thousand (30 June 2014: USD 127,640 thousand), from which USD 44,561 thousand related to VAT recoverability (30 June 2014: USD 65,347 thousand) and USD 32,361 thousand related to corporate income tax (30 June 2014: USD 62,293 thousand).

As of 30 June 2015, companies of the Group were engaged in ongoing litigation with tax authorities concerning tax issues for USD 43,159 thousand (30 June 2014: USD 41,825 thousand) of the aforementioned amount. Of this amount, USD 31,168 thousand related 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 2014: USD 19,470 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

34. Commitments and Contingencies continued

Taxation and Legal Issues continued

Ukraine's tax environment is characterized by complexity in tax administering, arbitrary interpretation by tax authorities of tax laws and regulations that, inter alia, can increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigation which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and these amounts could be material. Facing current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting the Law of Ukraine 'On Amending the Tax Code of Ukraine and Certain Laws of Ukraine', which is effective from 1 January 2015, except for certain provisions which will take effect at a later date.

Management believes that the Company has been in compliance with all requirements of effective tax legislation and currently is assessing the possible impact of the introduced amendments.

Starting from 1 September 2013, the Tax Code of Ukraine introduced new rules, based on the OECD transfer pricing guidelines, for determining and applying fair market prices, which significantly changed transfer pricing (TP) regulations in Ukraine.

The Company imports goods and services, which may potentially be in the scope of the new Ukrainian TP regulations. The Company has submitted a controlled transaction report within the required deadline. Management believes that the Company is in compliance with TP requirements.

35. Financial Instruments

Capital Risk Management

During the years ended 30 June 2015 and 2014, there were no material changes to the objectives, policies and processes for capital risk, credit risk, liquidity risk, currency risk, interest rate risk and other market 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 capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 20 and 21 and obligations under finance leases (Note 22), cash and cash equivalents and equity attributable to Kernel Holding S.A. shareholders, comprising issued capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

Gearing Ratio

Every quarter, management reviews the capital structure of the Group, taking into consideration seasonality in the activity of the Group. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Following its listing on the WSE, the Group's management considers that the gearing ratio should not exceed 150%.

	As of 30 June 2015	As of 30 June 2014
Debt liabilities[1] (Notes 20, 21, 22)	468,514	749,417
Less cash and cash equivalents (Note 8)	(129,121)	(65,400)
Net debt	339,393	684,017
Equity[2]	889,554	1,029,661
Net debt liabilities to capital	38%	**66%**

1 Debt includes short-term and long-term borrowings and obligations under finance leases.
2 Equity includes issued capital, share-premium reserve, additional paid-in capital, revaluation reserve, equity-settled employee benefits reserve, retained earnings and translation reserve.

35. Financial Instruments continued

Gearing Ratio continued

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.

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 cash represent the maximum credit exposure.

The Group's most significant customers are an international customer, which accounted for USD 12,471 thousand, and a local customer, which accounted for USD 1,890 thousand out of total trade accounts receivable as of 30 June 2015 (as of 30 June 2014 one international customer accounted for USD 11,645 thousand and one local customer for USD 2,861 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. Approximately 41.7% of the Group's revenue is attributable to sales transactions with five major customers (as of 30 June 2014: 33.8%).

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.

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned (controlled) Subsidiaries. As of 30 June 2015 as well as at 30 June 2014, no guarantees were outstanding in favor of third parties.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The average credit period on purchases of goods is seven days.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

35. Financial Instruments continued

Liquidity Risk continued

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2015. 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. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years
Short-term borrowings (Note 20)	298,005	(304,049)	(304,049)	—	—
Long-term borrowings (Note 21)	158,236	(177,340)	(80,838)	(43,410)	(53,092)
Obligations under finance leases (Note 22)	12,273	(14,979)	(7,594)	(4,835)	(2,550)
Total	**468,514**	**(496,368)**	**(392,481)**	**(48,245)**	**(55,642)**

Financial liabilities, which were not included above, are repayable within one year.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2014. 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. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Short-term borrowings (Note 20)	405,821	(410,678)	(410,678)	—	—	—
Long-term borrowings (Note 21)	324,860	(369,423)	(101,316)	(171,585)	(93,414)	(3,108)
Obligations under finance leases (Note 22)	18,736	(23,810)	(8,569)	(7,735)	(7,498)	(8)
Total	**749,417**	**(803,911)**	**(520,563)**	**(179,320)**	**(100,912)**	**(3,116)**

Financial liabilities, which were not included above, are repayable within one year.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group's policy is to synchronize future cash flow from sales and payments under financial liabilities and to limit open inventory positions.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

35. Financial Instruments continued

Currency Risk continued

The Group's exposure to foreign currency risk as of 30 June 2015 and 2014 was as follows:

	30 June 2015		30 June 2014	
	UAH	USD	UAH	USD
Cash	14,281	1,055	27,740	6
Trade accounts receivable, net	6,836	—	7,030	—
Other non-current assets	413	—	—	1,056
Trade accounts payable	(17,354)	—	(6,736)	(276)
Reimbursement of debt	—	—	—	(13,499)
Short-term borrowings (Note 20)				
Ukrainian subsidiary of American bank	—	(99)	—	(172)
Long-term borrowings (Note 21)				
Ukrainian subsidiary of American bank	—	(7,813)	—	(14,063)
Obligation under financial lease	—	(4,078)	—	(6,261)
Net exposure	**4,176**	**(10,935)**	**28,034**	**(33,209)**

A 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 effect for the year ended 30 June 2015:

10% strengthening of UAH 1,412
10% depreciation of UAH.............................. (1,633)

Profit or loss effect for the year ended 30 June 2014:

10% strengthening of UAH 5,822
10% depreciation of UAH.............................. (6,493)

The Ukrainian hryvnia devalued against major foreign currencies. Foreign exchange losses reflected significant Ukrainian hryvnia devaluation against the US dollar: by 44% for the year ended 30 June 2015 and by 33% for the year ended 30 June 2014.The Group recognized a net foreign exchange loss in the amount of USD 152,942 thousand for the year ended 30 June 2015 and USD 98,805 thousand for the year ended 30 June 2014. 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 loss mostly consisted of loss incurred from operations resulted from normal operating activity during the year ended 30 June 2015.

The National Bank of Ukraine introduced a range of measures aimed at limiting the outflow of customer deposits from the banking system, improving the liquidity of banks, and supporting the exchange rate of the Ukrainian hryvnia. As a result of this restriction, the Group was obliged to sell most of the foreign currency it obtained from export sales (75-100%) on the Ukrainian interbank foreign exchange market. For the year ended 30 June 2015, the Group received other operating income from the difference between the market and official USD/UAH exchange rate in the amount USD 57,441 thousand (30 June 2014: USD 35,293 thousand).

Management of the Company optimizes the influence of currency risk in Ukrainian hryvnia through export sales expressed in USD and EUR: out of total sales amounting to USD 2,329,507 thousand, sales in USD comprised USD 2,014,839 thousand and in EUR comprised USD 169,206 thousand for the year ended 30 June 2015. Export sales represented 94% of the total sales volume.

Interest Rate Risk

Interest rate risk – the risk of changes in interest rates impact primarily borrowings by changing either their fair value (fixed rate debt) or future cash flows (variable rate debt). The Group obtains borrowings with both fixed and variable rates.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

35. Financial Instruments continued

Interest Rate Risk continued

The interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount as of 30 June 2015	Carrying amount as of 30 June 2014
Fixed rate instruments (financial liabilities)	37,273	40,261
Variable rate instruments (financial liabilities)	431,241	709,156
Total	**468,514**	**749,417**

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 instruments 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 ended 30 June 2015 would decrease/increase by USD 4,312 thousand (2014: decrease/increase by USD 7,092 thousand). This was mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other Market Price Risk

The Group enters into commodity contracts only for the delivery of physical goods and does not use any material hedging tools with respect to price hedging.

36. Fair Value of 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 defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm's length transaction, rather than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary for arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value is estimated to be the same as the carrying value of cash and cash equivalents, trade accounts receivable, and trade accounts payable due to the short-term nature of the financial instruments.

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values:

	30 June 2015		30 June 2014	
Financial liabilities	Carrying amount	Fair value	Carrying amount	Fair value
Short and Long term borrowings	453,549	456,356	727,029	733,093
Total	**453,549**	**456,356**	**727,029**	**733,093**

For the year ended 30 June 2015, the fair value of bank borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 6.32% (2014: 6.43%), and is within level 2 of the fair value hierarchy.

There were no changes in the valuation technique since the previous year.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2015 (in thousands of US dollars, unless otherwise stated)

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 (79,683,410 for the period ended 30 June 2015 and 30 June 2014), 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 79,779,975 ordinary shares is taken into account (30 June 2014: 79,856,603).

38. Non-cash Movements

Non-cash movements for the years ended 30 June 2015 and 30 June 2014 were as follows:

	For the year ended 30 June 2015	For the year ended 30 June 2014
Non-cash settlement of trade accounts receivable and other current liabilities	–	6,544

39. Subsequent Events

Kernel renewed sunflower oil and grain pre-export credit facilities with syndicates of European banks. Two one-year secured revolving facilities with limits of USD 350 and 230 million are used by the Group to fund the working capital needs of its production business in Ukraine.

In September 2015, Kernel announced the signing of a tolling agreement to crush 200,000 tons of sunflower seed at a third-party plant located in Ukraine.

In September 2015, Fitch Rating Inc. affirmed the long-term foreign currency rating of Kernel Holding S.A. at 'CCC'. The business and financial profile of Kernel would allow its ratings to return to the 'B' category', which was noted in the Fitch press-release. Fitch upgraded Kernel's National Long-term rating to 'A-(ukr)', assigning the national rating a 'Stable' outlook.

In October 2015, Cascade Investment Fund notified that it had acquired shares in Kernel Holding S.A., as a result of which it had crossed the threshold of 5% of the overall number of votes at the general shareholders' meeting of the Company. As of 13 October 15, Cascade Investment Fund holds 3,984,345 shares in the Company, representing 5.0% of the share capital and entitling it to 3,984,345 votes at the Company's general shareholders' meeting, equal to 5.0% of the total number of votes.

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Stock information

Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Shares issued as of 30 June 2015	79,683,410
Bloomberg	KER PW
Reuters ticker	KERN.WA
ISIN code	LU0327357389

Investor calendar

Q1 FY2016 operations update	22 October 2015
Q1 FY2016 financial report	25 November 2015
Annual general meeting of shareholders	10 December 2015
Q2 FY2016 operations update	20 January 2016
H1 FY2016 financial report	26 February 2016
Q3 FY2016 operations update	20 April 2016
Q3 FY2016 financial report	26 May 2016
Q4 FY2016 operations update	20 July 2016
FY2016 financial report	24 October 2016

Cautionary statement

Certain statements in this document are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this document or to correct any inaccuracies which may become apparent in such forward-looking statements.

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