

KERNEL HOLDING S.A.

Société Anonyme

19, rue de Bitbourg

L-1273 Luxembourg

R.C.S. Luxembourg B 109173

**ANNUAL ACCOUNTS
FOR THE YEAR ENDED**

30 JUNE 2017

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Report of the board of directors to the shareholders' ordinary general meeting deliberating on the approval of the annual accounts to be held on 11 December 2017

Dear Shareholders,

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

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

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

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

Overview

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

FY2017 results reflect resilience of our margin-driven business model to upheavals of international markets, which translated into only marginal, 7.8% y-o-y, decrease in our EBITDA to US\$ 319.2 million. Moreover, as of 30 June 2017 our net debt to EBITDA ratio stayed comfortably at 1.5x, following the recent investments into expansion of our farmland operations.

Acquisitions/disposals

The Company incorporated under the laws of Switzerland, Avere Commodities S.A., on 31 March 2017. The share capital of CHF 50,000.00 (USD 50,560.42) was paid on 31 March 2017.

On 24 April 2017, the Company made an additional contribution of CHF 50,000.00 (USD 50,194.34).

The Company has also established a new company, Filstar Limited, under the laws of Cyprus. The shares of EUR 2,000.00 (USD 2,282.40) have not been paid yet.

Income statement highlights

Revenues

During FY2017, The Company's revenues stood at US\$ 2,168.9 million, up 9.1% y-o-y, owing to record sales across each business line. Similarly, the cost of sales increased by 11.3% y-o-y and amounted to US\$ 1,722.8 million reflecting higher volumes of purchased commodities.

Gross profit

Gross profit remained virtually unchanged at US\$ 443.3 million during FY2017 versus US\$ 460.2 million a year ago, reflecting compensated performance of our business lines: weaker crushing margins offset by stellar profitability of infrastructure and farming.

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Income statement highlights (Continued)

Other operating income

The Company's other operating profit came to US\$ 40.7 million, down 8.8% y-o-y. Most of the income, namely US\$ 31.1 million in FY2017 vs. US\$23.4 million a year ago, was attributable to VAT benefits for the farming subsidiaries in Ukraine, which were entitled to retain the difference between input VAT paid on items purchased (or crops grown) and VAT charged on products sold up to 1 January 2017. It's worth mentioning, that as of 1 January 2017 the special VAT treatment regime has been abolished and management doesn't expect any significant benefits in the forthcoming periods. Moreover, gains on operations with commodity futures and operations, which relate to hedging of the farming harvest, amounted to US\$ 4.14 million vs. US\$ 9.1 million last year.

Distribution costs

The Company's distribution costs didn't increase and stood at US\$ 159.0 million. Depreciation of Ukrainian hryvnia against a basket of hard currencies has driven the US\$ value for the railway tariffs in Ukraine down, which was partially offset by different delivery terms. Consequently, the distribution costs came to 7.3% of revenues in FY2017, virtually flat y-o-y.

General and administrative expenses

General and administrative expenses have marginally increased during FY2017 and amounted to US\$ 59.9 million, up 1.1% y-o-y, as the Company continuously focus on cost control and efficiency. As a percentage of revenues, our G&A came at 2.8%, practically unchanged y-o-y.

Operating profit

Profit from operating activities was US\$ 265 million, down 7.7% y-o-y.

Financing costs

Finance costs for FY2017 increased by 9% y-o-y to US\$62.3 million, as the Company has written-off previously amortized expenses on bank loans, which were repaid after its Eurobond issuance.

Foreign exchange (gain)/loss

The net foreign exchange loss stood at US\$ 2.7 million in FY2017, compared to a US\$ 30.4 million gain during last year, mostly reflected in a lower non-cash gain recognized after the revaluation of the Company's intra-group balanced denominated in Ukrainian hryvnia. All of the Group's subsidiaries use the US Dollar as their functional currency, except for farming, export terminals and silo services which use the Ukrainian hryvnia and the Russian ruble. As a normal course of business, the Group's subsidiaries may issue intercompany financing which, when revalued, causes either foreign exchange gains or losses at one of the Group's enterprises, if they had different functional currencies.

Other expenses

Other expenses stood at US\$ 1.5 million vs. expense of US\$ 16.6 million a year ago, caused mainly by US\$ 9 million gains from disposal of non-core subsidiaries, offset by recognized US\$ 7 million of impairment losses of intangible assets and goodwill.

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Income statement highlights (Continued)

Income tax

Income tax expenses stood at US\$ 18.8 million, a 4.8x increase from previous levels, as the Company used up its tax-deductible expenses during previous years and implementation of transfer pricing regulation in Ukraine. This does not include, the Company's farming operations, which are exempt from income tax, according to Ukrainian legislation, as they are subject to a single agricultural tax, which is booked under cost of goods sold.

Net profit

As a result, net profit attributable to shareholder of Kernel Holding S.A. amounted to US\$176.2 million, down 21.7% y-o-y.

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

Sunflower oil:

- During FY2017, the Company continued to experience some structural changes in its crushing business, as extremely high margins in the past six years drove sizable investments into the sector, thus yielding current overcapacity, which continues to push the margins down. As a result, the profitability of sunflower oil business was weakened with EBITDA at US\$ 99.8 million, down 22.5% y-o-y. Nonetheless, during FY2017, the Company crushed 3 million tons of sunflower seeds and achieved almost 95% utilization of its facilities. In addition, management strongly believes that current market condition will not last, but rather open an opportunity for industry consolidation. Therefore, the Company strives to achieve full utilization of its facilities and to crush 3.2 million tons of sunflower seeds in FY2018, thus benefiting from its scale. Obviously, management maintains cautious outlook for crushing margins for the next year.

Grain and infrastructure:

- In contrast to sunflower oil business, the Company's grain and infrastructure division demonstrated robust financial performance during FY2017. Its transshipment terminals combined with silo network handled the largest export volumes in their history, posting record earnings of US\$ 47.6 million, up 27% y-o-y, and US\$ 40 million, up 70.8% y-o-y, of EBITDA respectively. But reflecting passive market environment, the grain marketing contributed only US\$ 22.7 million to overall segment's EBITDA, which stood at US\$ 110.2 million, up 2.9% y-o-y. As a result, having recognized structural changes of the business, for FY2018 management projects to operate at full capacity and at similar financial performance as last year.

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Income statement highlights (Continued)

Farming:

- The Company's farming division delivered another year of stellar performance, both operational and financial. Farming has benefited from favorable weather conditions, smart hedging and continuous productivity gains, which translated into a record EBITDA of US\$ 143.8 million, 2.1% y-o-y. However, for the next marketing season, management anticipates the normalization of earnings, driven primarily by falling global commodity prices, impaired crop yield due to hot summer and accelerated local cost inflation. In addition, the on-going integration of recently acquired farmland shall require at least one season to uplift its productivity to the Company's high standards, thus further diluting operational performance of farming in FY2018.
- At the end of FY2017, Kernel realized the farmland expansion strategy announced in 2016. In June 2017, the company completed the acquisition of Ukrainian Agrarian Investments (UAI), which managed one of the largest prime quality farmland banks in Ukraine (more than 190,000 hectares) and approximately 200,000 tons of grain storage capacity. UAI lands are in proximity to our existing operations, and we integrated all UAI lands into our nine existing production clusters, creating only one new cluster, thus realizing synergies we were targeting. At the beginning of July, we acquired Agro Invest Ukraine, which operates more than 170,000 tons of grain storage capacity and over 27,500 hectares of leasehold farmland. World-class grain storage infrastructure was our main target in this acquisition, and it complemented the recent expansion of our farmland bank in the region. Today, we focus on the integration of acquired assets to uplift the operational efficiency and productivity levels to Kernel's high standard. Cultivation applied for the lands acquired assumed a "low-cost, low-output" approach in contrast to the intensive farming we are doing at Kernel. Therefore, it will take us one to two marketing seasons to bring those lands up to speed and reach the productivity levels of Kernel. The acquired land bank will not contribute to FY2018 EBITDA significantly, since crop in the ground was re-measured to fair value as at 30 June 2017, leaving limited upside to further gain recognition due to low crop yields. As a result, we entered FY2018 as the largest crop producer in Ukraine controlling over 600,000 hectares of farmland in Ukraine.

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

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2. Allocation of results

The Company's financial year as of 30 June 2017 ends with a loss of USD 6,765,442.39.

The board of directors of the Company intends to propose to the Annual General Meeting of the Shareholders of the Company the following allocation of this result, taking into account the annual dividends:

Loss as at 30 June 2017	USD	(6,765,442.29)
Result brought forward (before dividends)	USD	247,287,567.48
Dividends	USD	(20,175,307.50)
To carry forward	USD	220,346,817.69

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

4. Details on corporate governance are available on the Company website <http://www.kernel.ua> and in the consolidated annual report of the Company for the year ended 30 June 2017, available at the Company website.

5. Principal risks and uncertainties

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

Industry-wide risks:

- Country harvest level
- Agricultural commodities price volatility

Operational risks:

- Land lease prolongation and land-bank size
- Late harvesting
- Integration of newly acquired companies
- Fraud and fraudulent activities
- Inventory safety

Business continuity risks:

- Information security risks
- Sustainability concerns
- Compliance with environmental standards

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5. Principal risks and uncertainties (Continued)

- The risk of key personnel resigning;
- Failure to manage the integration of newly acquired farming operations;
- Any loss or diminution in the services of Mr. Andriy Verevskyy, Kernel Holding S.A.'s Chairman of the Board;
- The risk that changes in the assumptions underlying the carrying value of certain assets, including those occurring as a result of adverse market conditions, could result in an impairment of financial assets;
- The risk of fraud by the Group's farming operations' employees;
- The risk that significant capital expenditure and other commitments Kernel Holding S.A. has made in connection with acquisitions may limit its operational flexibility and add to its financing requirements;
- The risk of disruptions to Kernel Holding S.A.'s manufacturing operations;
- The risk of product liability claims;
- The risk of potential liabilities from investigations, litigation, and fines regarding antitrust matters;
- The risk that Kernel Holding S.A.'s governance and compliance processes may fail to prevent regulatory penalties or reputational harm, both at operating subsidiaries and in joint ventures; and
- The risk that Kernel Holding S.A.'s insurance policies may provide inadequate coverage.

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6. Board of Directors

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

(1) Mr. Andriy Verevskyy, chairman of the board of directors, re-elected for a five-year term at the general meeting of shareholders held on 12 December 2016. Mr. Verevskyy founded the Group's business in 1995, holding various executive positions within the Group; presently, he oversees the strategic development and overall management of the Group.

(2) Mr. Andrzej Danilczuk, independent non-executive director, re-elected for a one-year term at the general meeting of shareholders held on 12 December 2016. Mr. Danilczuk is a senior executive with over 20 years' experience in business development, trading and marketing of agri-commodities.

(3) Mrs. Nathalie Bachich, independent non-executive director, elected for a one-year term at the general meeting of shareholders held on 12 December 2016. Mrs. Bachich 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 is a graduate of St Catherine's College, Oxford.

(4) Mr. Sergei Shibaev, independent non-executive director, elected for a one-year term at the general meeting of shareholders held on 12 December 2016. Mr. Shibaev is a senior executive with broad international experience in finance and strategy acquired during a 30-year career in serving as a non-executive director chairing audit committees for the several leading corporations in Russia, Ukraine and Kazakhstan.

(5) Miss Anastasiia Usachova was re-elected to the Board for a one-year term by the shareholders at the general meeting of the shareholders held on 12 December 2016. Miss Usachova has served the Group since 2003, and today oversees the Group's financial reporting, auditing, budgeting, financial planning and risk assessment.

(6) Mrs. Viktoriia Lukianenko, chief legal officer of the company, re-elected for a one-year term at the general meeting of shareholders held on 12 December 2016.

(7) Mr. Konstantin Litvinskyi, chief operating officer of the company, elected for a one-year term at the general meeting of shareholders held on 12 December 2016. Mr. Litvinskyi joined Kernel in 2005 and serves as Chief Operations Officer.

(8) Mr. Yuriy Kovalchuk was elected to the Board for a one-year term by the shareholders at the general meeting of the shareholders held on 12 December 2016. Mr. Kovalchuk oversees investor relations and new investment opportunities for the Group.

7. Looking ahead:

For a detailed outlook for the financial year ending 30 June 2017, please refer to the annual report of Kernel group of companies which is available on web-site www.kernel.ua.

For additional subsequent events please refer to the Notes 17, 18 and 19 of these annual accounts.

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**Report of the board of directors to the shareholders' ordinary
general meeting deliberating on the approval of the annual accounts
to be held on 11 December 2017**

The Board of Directors

By: _____ 2017
Mr. Andriy Verevskyy

By: _____ 2017
Mr. Andrzej Danilczuk

By: _____ 2017
Mrs. Nathalie Bachich

By: _____ 2017
Ms. Anastasiia Usachova

By: _____ 2017
Mrs. Viktoriia Lukianenko

By: _____ 2017
Mr. Kostiantyn Litvinskyi

By: _____ 2017
Mr. Yuriy Kovalchuk

By: _____ 2017
Mr. Sergei Shibaev

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

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REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the Audit of the Annual Accounts

Opinion

We have audited the annual accounts of Kernel Holding S.A. (the « Company »), which comprise the balance sheet as at 30 June 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 30 June 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Financial Statements" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter**Impairment of Investment in Subsidiaries**

As of 30 June 2017, the carrying amount of investment in subsidiaries amounted to USD 697.8 million (2016: USD 697.7 million). The Company has recognized investments in subsidiaries historical cost less impairment.

The Group is testing annually investment in subsidiaries for impairment. This annual impairment testing is significant to our audit because of the significance of the specific balance and the assumptions and estimates used when determining the value in use of those investments. A potential impairment of those investments can have a significant impact on the Company's financial position

Our response to the risk among others:

- We obtained the impairment analysis prepared by the client for all investments in subsidiaries, and we assessed all the assumptions and estimates used in the specific analysis.
- We compared the historical cost of those investments to the respective net equity of the individual subsidiaries (or sub groups where applicable).
- In case, whereas the net equity of the individual subsidiary was below the historical cost of the investment we performed additional procedures to verify that the recoverable amount was still above the carrying amount of the investment and there were no other indications of impairment.
- We considered the appropriateness of the related disclosures provided in the standalone financial statements (Note 3 to the consolidated financial statements).

Key observations communicated to those charged with governance

Based on our audit procedures no material issues identified.

Other information

The Board of directors is responsible for the other information. The other information comprises the information included in the Report of the board of directors but does not include the annual accounts and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information; we are required to report this fact. We have nothing to report in this regards.

Responsibilities of the Board of Directors and Those Charged with Governance for the annual accounts

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

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the « Réviseur d'Entreprises Agréé » for the Audit of the annual accounts

The objectives of our audit are to obtain a reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have been appointed as « Réviseur d'Entreprises Agréé » by the General Meeting of the Shareholders on 12 December 2016 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, included in the management report and as published on the Company's website <http://www.kernel.ua> , is the responsibility of the Board of Directors. The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The management report, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.


We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, *Cabinet de Révision Agréé*


Sophie Mitchell, *Réviseur d'Entreprises Agréé*
Partner

20 October 2017

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Balance sheet as at 30 June 2017

ASSETS			
	Notes	30.06.2017	30.06.2016
		USD	USD
B. FORMATION EXPENSES		---	---
C. FIXED ASSETS		697 841 788,00	697 738 750,84
III. Financial assets	3	697 841 788,00	697 738 750,84
1. Shares in affiliated undertakings		697 841 739,00	697 738 701,84
5. Investments held as fixed assets		49,00	49,00
D. CURRENT ASSETS		537 826 821,92	43 894 539,54
II. Debtors	4	536 911 380,94	43 639 773,02
1. Trade debtors		25 000,00	25 000,00
a) becoming due and payable within one year		25 000,00	25 000,00
2. Amounts owed by affiliated undertakings		530 387 758,05	37 451 886,53
a) becoming due and payable within one year		530 387 758,05	37 451 886,53
4. Other debtors		6 498 622,89	6 162 886,49
a) becoming due and payable within one year		522 622,89	186 886,49
b) becoming due and payable after more than one year		5 976 000,00	5 976 000,00
IV. Cash at bank and in hand		915 440,98	254 766,52
E. PREPAYMENTS	5	5 039 662,31	32 300,00
TOTAL ASSETS		1 240 708 272,23	741 665 590,38

Annual accounts for the year ended

30 June 2017

The accompanying notes form an integral part of the annual accounts

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Balance sheet as at 30 June 2017

LIABILITIES			
	Notes	30.06.2017 USD	30.06.2016 USD
A. CAPITAL AND RESERVES		716 235 171,76	728 182 298,63
I. Subscribed capital	6	2 163 740,10	2 104 120,11
II. Share premiums and similar premiums	7	493 514 201,96	478 580 199,03
IV. Reserves		210 412,01	210 412,01
1. Legal reserve	8,9	210 412,01	210 412,01
V. Profit or loss brought forward	9	247 287 567,48	255 457 499,23
VI. Profit or loss for the financial year	9	(6 765 442,29)	11 750 920,75
VII. Interim dividends	9	(20 175 307,50)	(19 920 852,50)
B. PROVISIONS		158 423,08	287 732,21
2. Provisions for taxation	10	78 423,08	207 732,21
3. Other provisions	10	80 000,00	80 000,00
C. CREDITORS	11	524 314 677,39	13 195 559,54
1. Debenture loans		518 229 166,67	---
b) Non convertible loans		518 229 166,67	---
i) becoming due and payable within one year		18 229 166,67	---
ii) becoming due and payable after more than one year		500 000 000,00	---
4. Trade creditors		603 648,92	820 138,07
a) becoming due and payable within one year		603 648,92	820 138,07
6. Amounts owed to affiliated undertakings		4 613 746,77	12 209 039,58
a) becoming due and payable within one year		4 613 746,77	6 778 141,83
b) becoming due and payable after more than one year		---	5 430 897,75
8. Other creditors		868 115,03	129 336,41
a) tax authorities		553 689,03	129 336,41
c) other creditors		314 426,00	37 045,48
i) becoming due and payable within one year		314 426,00	37 045,48
TOTAL LIABILITIES		1 240 708 272,23	741 665 590,38

Annual accounts for the year ended

30 June 2017

The accompanying notes form an integral part of the annual accounts

Profit and loss as at 30 June 2017

PROFIT AND LOSS ACCOUNT			
	Notes	From 01/07/2016 to 30/06/2017	From 01/07/2015 to 30/06/2016
		USD	USD
4. OTHER OPERATING INCOME		---	156 000,02
5. RAW MATERIALS AND CONSUMABLES AND OTHER EXTERNAL EXPENSES		-4 639 549,22	-3 326 797,83
b) Other external expenses	12	-4 639 549,22	-3 326 797,83
7. VALUE ADJUSTMENTS		---	-484 072,45
a) in respect of formation expenses and of tangible and intangible fixed assets		---	-484 072,45
8. OTHER OPERATING EXPENSES		-335 030,53	-14 789 872,21
9. INCOME FROM PARTICIPATING INTERESTS		---	30 637 937,00
a) derived from affiliated undertakings		---	30 637 937,00
11. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		17 610 882,04	13 436,60
a) derived from affiliated undertakings	4	17 103 653,14	---
b) other interest and similar income		507 228,90	13 436,60
8. INTEREST PAYABLE AND SIMILAR EXPENSES		-19 323 321,50	-452 284,25
a) concerning affiliated undertakings	11	-97 827,90	-311 807,80
b) other interest and similar expenses	11	-19 225 493,60	-140 476,45
16. PROFIT OR LOSS AFTER TAXATION		-6 687 019,21	11 754 346,88
17. OTHER TAXES NOT SHOWN UNDER ITEMS 1 TO 16		-78 423,08	-3 426,13
18. PROFIT OR (LOSS) FOR THE FINANCIAL YEAR		-6 765 442,29	11 750 920,75

Notes to the annual accounts for the year ended 30 June 2017

Note 1 - General information

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

Effective 12 April 2013, its registered office is established at 19, rue de Bitbourg, L-1273 Luxembourg.

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

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

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

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

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

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

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

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

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

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

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

On 5 January 2011, the Company issued 483,410 new shares without indication of a nominal value. All of the newly issued shares were subscribed to by a stock option beneficiary under the Management and Incentive Plan. The issued price was PLN 24 per share. As a result of the increase, the Company's share capital was increased by an amount of USD 12,764.92 and set at USD 1,945,446.46 divided into 73,674,410 shares without indication of a nominal value.

On 4 August 2011, the Company issued 6,009,000 new shares without indication of a nominal value. 5,400,000 newly issued shares have been subscribed by Namsen Limited, a company registered at 13, Agiou Prokopiou Street, Cyprus. The remaining newly issued shares have been subscribed by holders of stock options issued in connection with the Company's management incentive plan. As a result of the increase, the Company's share capital was set at USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value.

On 1 December 2016, the Company issued 1,017,820 new shares without indication of a nominal value. 439,410 newly issued shares have been subscribed by Crouston Investments Limited. 458,410 newly shares have been subscribed by Sayfon Investments Limited. 60,000 newly shares have been subscribed by Avalis Limited. 60,000 newly shares have been subscribed by Kopfer & Co. As a result of the increase, the Company's share capital was increased by an amount of USD 26,876.55 and set at USD 2,130,996.66 divided into 80,701,230 shares without indication of a nominal value.

Notes to the annual accounts for the year ended 30 June 2017

Note 1 - General information (Continued)

On 9 June 2017, the Company issued 1,240,000 new shares without indication of a nominal value. 40,000 newly issued shares have been subscribed by Bright Stone Inc. 40,000 newly issued shares have been subscribed by NLG Group Inc. 270,000 newly issued shares have been subscribed by Sayfon Investments Limited. 120,000 newly issued shares have been subscribed by Crouston Investments Limited. 300,000 newly issued shares have been subscribed by Jailbait Investments Limited. 300,000 newly issued shares have been subscribed by Emmark Capital Ltd. 50,000 newly issued shares have been subscribed by Everest Solutions Ltd. 60,000 newly issued shares have been subscribed by Kopfer & Co Ltd. 60,000 newly issued shares have been subscribed by Avalis Limited. As a result of the increase, the Company's share capital was increased by an amount of USD 32,743.44 and set at USD 2,163,740.10 divided into 81,941,230 shares without indication of a nominal value.

As at 30 June 2017, the Company's shares are allocated as follows: 38.13% (2016: 39.34%) held by Namsen Limited, and 61.87% (2016: 60.66%) free-float.

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

Note 2 - Significant accounting policies

2.1 General principles

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

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

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

2.2 Comparative information

The comparative information for the year ended 31 December 2015 has been reclassified to comply with the new layout of the balance sheet and profit and loss account prescribed by the Law of 18 December 2015. The reclassification has no impact on the previous year net equity and profit or loss.

2.3 Significant accounting policies

The following are the significant accounting policies and valuation rules adopted by the Company in the preparation of these annual accounts.

2.3.1 Financial assets

Historical cost model

Valuation at the "lower of cost or market value"

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

Notes to the annual accounts for the year ended 30 June 2017

Note 2 - Significant accounting policies (Continued)

2.3.1 Financial assets (Continued)

Market value/recovery value corresponds to:

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

2.3.2 Debtors

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

2.3.3 Cash at bank and in hand

Cash is valued at its nominal value.

2.3.4 Foreign currency translation

The Company maintains its books and records in United-States dollar ("USD"). The balance sheet and the profit and loss account are expressed in USD.

Transactions expressed in currencies other than USD are translated into USD using the exchange rates prevailing at the dates of the transactions.

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

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

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

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

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

Notes to the annual accounts for the year ended 30 June 2017

Note 2 - Significant accounting policies (Continued)

2.3.5 Prepayments

Prepayments include expenditure items incurred during the financial year but relating to a subsequent financial year.

Loan issue costs included as part of formation expenses is capitalized and amortized to the profit and loss account over the period of the related loan.

2.3.6 Formation expenses

Formation expenses include costs and expenses incurred in connection with the incorporation of the Company and subsequent capital increases. Formation expenses are amortized on a straight-line basis over a period of 5 years.

2.3.7 Provisions

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

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

Provisions for taxation

Current tax provision:

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption "Creditors becoming due and payable within one year". The advance payments are shown in the assets of the balance sheet under the "Debtors becoming due and payable within one year" item.

2.3.8 Creditors

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

Notes to the annual accounts for the year ended 30 June 2017

Note 3 - Financial assets

For assets following the historical cost model the movements of the year are as follows:

	Share in affiliated undertakings USD	Securities and other financial instruments held as fixed assets USD	Total 2017 USD
Gross book value – opening balance	697 738 701,84	49,00	697 738 750,84
Additions for the year	103 037,16	---	103 037,16
Disposals for the year	---	---	---
Transfers for the year	---	---	---
Gross book value – closing balance	697 841 739,00	49,00	697 841 788,00
Accumulated value adjustment – opening balance	---	---	---
Allocation for the year	---	---	---
Reversals for the year	---	---	---
Transfers for the year	---	---	---
Accumulated value adjustment – closing balance	---	---	---
Net book value – opening balance	697 738 701,84	49,00	697 738 750,84
Net book value – closing balance	697 841 739,00	49,00	697 841 788,00

The Company incorporated under the laws of Switzerland, Avere Commodities S.A., on 31 March 2017. The share capital of CHF 50,000.00 (USD 50,560.42) was paid on 31 March 2017.

On 24 April 2017, the Company made an additional contribution of CHF 50,000.00 (USD 50,194.34).

The Company has also established a new company, Filstar Limited, under the laws of Cyprus. The shares of EUR 2,000.00 (USD 2,282.40) have not been paid yet.

Notes to the Annual accounts for the year ended 30 June 2017
Note 3 - Financial assets (continued)

Undertakings in which the Company holds a percentage in their share capital or in which it is a general partner are as follows:

Name of undertakings	Registered office	Ownership %	Last balance sheet date	Currency	Net equity at the balance sheet date	Currency	(Loss)/Profit the last financial year	Currency	Net Book Value
JERSTE B.V.	200, Prins Bernhardplein, 1097 JB Amsterdam, Netherlands	100.00%	30.06.2017	USD	69,741,000.00	USD	(65,865,000.00)	USD	135,748,280.96
Inerco Trade S.A.	Rue Jules Gachet 9, CH1260 Nyon, Switzerland	100.00%	30.06.2017	USD	149,610,000.00	USD	21,400,000.00	USD	3,532,673.50
Kernel Capital LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	99.75%	30.06.2017	USD	39,287,000.00	USD	88,000.00	USD	117,756,192.67
Kernel Trade LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	90.00%	30.06.2017	USD	134,750,000	USD	(15,821,000)	USD	231,929,995.64
Ukragrobusiness LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	91.30%	30.06.2017	USD	297,000.00	USD	(4,000.00)	USD	896,416.35
Estron Corporation Ltd	29A, Annis Komninis, P.C. ,1061 Nicosia, Cyprus	100.00%	30.06.2017	USD	48,990,000.00	USD	(307,000.00)	USD	97,526,715.48
Etrecom Investments LTD	13, Agiou Prokopiou, 2406 Egkomi Cyprus	100.00%	30.06.2017	USD	21,372,000.00	USD	(21,733,000.00)	USD	1.38
Trading Company Russian Oils LLC	350000, Krasnodar, Red Army, Street, N°36 Russia	100.00%	30.06.2017	USD	9,275,000.00	USD	2,717,000.00	USD	14,911,618.61
Taman Grain Terminal Holding Limited	210, Makarios III Ave, Elli Court, 3030 Limassol-Cyprus	50.00%	30.06.2017	USD	187,802,000.00	USD	396,000.00	USD	94,906,807.25
Russian Oils Don	Russia, 350000, Krasnodar region, Krasnodar city, street Krasnoarmeiskaia, building 36	100.00%	30.06.2017	USD	2,593,000.00	USD	(1,305,000.00)	USD	530,000.00
Avere Commodities SA	15 bis Rue des Alpes, 1201 Geneva, Switzerland	100.00%	30.06.2017	USD	44,000.00	USD	(6,000.00)	USD	100,754.76
Filstar Limited	Prosfygon, 4, Agia Varvara, 2560, Nicosia, Cyprus	100.00%	30.06.2017	USD	0.00	USD	0.00	USD	2,282,40
JV TransBulkTerminal LLC	Ukraine, 68000, Odesskaya district, city Illichivsk, 58, Sukhomlinskaya str.	1.00%	30.06.2017	USD	671,000.00	USD	26,000.00	USD	49.00

USD 697,841,788.00

KERNEL HOLDING S.A.

R.C.S. Luxembourg B 109173

Notes to the Annual accounts for the year ended 30 June 2017**Note 4 – Debtors**

Debtors are mainly composed of:

	Receivables within one year USD	Receivables after one year USD	Total 30.06.2017 USD	Total 30.06.2016 USD
Amounts owed by affiliated undertakings	530 387 758,05	---	530 387 758,05	37 451 886,53
Loan to Avere Commodities (Principal amount)	5 000 000,00	---	5 000 000,00	---
Loan to Avere Commodities (Accrued interest)	1 102,98	---	1 102,98	---
Loan to Inerco Trade (Principal amount)	157 910 000,00	---	157 910 000,00	---
Loan to Inerco Trade (Accrued interest)	11 014 262,67	---	11 014 262,67	---
Loan Estron Corporation Ltd. (Principal amount)	41 100 000,00	---	41 100 000,00	---
Loan to Estron Corporation Ltd. (Accrued interest)	1 637 781,37	---	1 637 781,37	---
Loan to Kernel Trade LLC (Principal amount)	117 900 000,00	---	117 900 000,00	---
Loan to Kernel Trade LLC (Accrued interest)	3 727 894,48	---	3 727 894,48	---
Loan to Jerste B.V. (Principal amount)	650 000,00	---	650 000,00	---
Loan to Jerste B.V. (Accrued interest)	52 265,75	---	52 265,75	---
Loan to Restomon Limited (Principal amount)	155 350 000,00	---	155 350 000,00	---
Loan to Restomon Limited (Accrued interest)	670 345,89	---	670 345,89	---
Prepayment - Acquisition Krasnopavivski Kombinat Khiboproductiv LLC and Agrarnyi Dim Im. Gorkogo LLC	13 000 000,00	---	13 000 000,00	13 000 000,00
Receivable - Bandurskyi (Garantee on loan)	3 410 362,96	---	3 410 362,96	3 410 362,96
Dividends receivable - Etrecom Investments LTD	18 901 523,57	---	18 901 523,57	21 041 523,57
Receivable from Avere Commodities (rent office prepaid)	27 106,67	---	27 106,67	---
Receivable Etrecom Investments Ltd.	35 111,71	---	35 111,71	---
Trade debtors	25 000,00	---	25 000,00	25 000,00
Receivable - Thompson Coburn	25 000,00	---	25 000,00	25 000,00
Other debtors	522 622,89	5 976 000,00	6 498 622,89	6 162 886,49
Receivable - Khmelnytskhhleboproduct - 24,9% *	---	3 124 794,37	3 124 794,37	3 124 794,37
Receivable - Stiomi - Holding 24,9% *	---	2 851 205,63	2 851 205,63	2 851 205,63
VAT receivable	477 170,71	---	477 170,71	---
Advance Corporate Income Tax 2014	---	---	---	1 815,18
Advance Corporate Income Tax 2015	---	---	---	1 691,24
Advance Corporate Income Tax 2016	1 683,83	---	1 683,83	1 748,57
Advance Net Wealth Tax 2015	---	---	---	180 671,73
Advance Net Wealth Tax 2016	---	---	---	959,77
Advance Net Wealth Tax 2017	43 768,35	---	43 768,35	---
Total	530 935 380,94	5 976 000,00	536 911 380,94	43 639 773,02

* please refer to Note 17

The Prepayment of USD 13,000,000.00 will be reimbursed by Restomon Limited to the Company as the acquisition has stopped.

During the year, the Company has entered into several loans agreement with its subsidiaries. These loans are described as follows:

On 12 June 2017, the Company, as lender, entered into a loan agreement with Avere Commodities S.A. for an amount of USD 5,000,000.00.

This loan bears interest at a rate of 5.0% per year and will mature on 1 June 2018. As at 30 June 2017, the total interest income amounts to USD 1,102.98.

Notes to the Annual accounts for the year ended 30 June 2017**Note 4 – Debtors** (Continued)

On 1 February 2017, the Company, as lender, entered into a loan agreement with Inerco Trade S.A. for a total amount of up to USD 454,000,000.00. As at 2 February 2017, the Company advanced USD 433,000,000.00 to Inerco Trade S.A. The Company received repayments on the loan for a total amount of USD 275,090,000.00 which decreased the loan receivable to USD 157,910,000.00.

This loan bears interest at a rate of 8.75% per year and will mature on 1 August 2017. The total interest income as at 30 June 2017 amounts to USD 11,014,262.67.

On 1 February 2017, the Company, as lender, entered into a loan agreement with Estron Corporation Limited for an amount of USD 42,000,000.00. The borrower has already repaid USD 900,000.00 of the principal amount which decreased the loan receivable from its original amount to USD 41,100,000.00.

This loan bears interest at a rate of 9.80% per year and will mature on 1 February 2018. The total interest income as at 30 June 2017 amounts to USD 1,637,781.37.

On 25 January 2017, the Company announced the issuance of Notes, Eurobond, with a principal amount of USD 500,000,000.00. As a consequence of the issuance of the notes, the company, as lender, entered into nine financial credit contracts with Kernel Trade LLC for a total amount of USD 225,000,000.00. Under these contracts, the Company has already transferred to Kernel Trade LLC a total amount of USD 117,900,000.00.

Each contract bears interest at a rate of 9.80% per year and will mature before 31 December 2017. The total interest income as at 30 June 2017 amounts to USD 3,727,894.48.

On 19 May 2017, the Company, as lender, entered into a loan agreement with Jerste B.V. for an amount up to USD 160,000,000.00. The Company has lent USD 156,000,000.00 as at 30 June 2017.

The loan bears interest at a rate of 1.00% per year and will mature on 1 October 2017. The total interest income as at 30 June 2017 amounts to USD 52,265.75.

On 13 June 2017, USD 155,350,000.00 of the loan has been transferred and assigned to Restomon Limited. The loan bears interest at a rate of 8.75% per year. The total interest income as at 30 June 2017 amounts to USD 670,345.89.

Note 5 – Prepayments

Prepayments are composed of:

	30.06.2017 USD
Eurobonds issuance fees	3 119 624,77
Eurobonds issuance fees - Amortization	-311 962,46
Eurobonds repayment premium	2 480 000,00
Eurobonds repayment premium - Amortization	-248 000,00
Total	5 039 662,31

The above prepayments originate from the issuance by the Company of new bonds. Please refer to note 11.

Note 6 - Subscribed capital

On 1 December 2016, the Board resolved to increase the Company's share capital by an amount of USD 26,876.55 so as to increase it from USD 2,104,120.11 up to USD 2,130,996.66 through the issuance of 1,017,820 new ordinary shares without indication of a nominal value. An amount of USD 6,733,039.25 has been allocated to the share premium of the Company. The share capital increase was acknowledged by a deed of notary dated 1 December 2016.

On 9 June 2017, the Board resolved to increase the Company's share capital by an amount of USD 32,743.44 so as to increase it from USD 2,130,996.66 up to USD 2,163,740.10 through the issuance of 1,240,000 new ordinary shares without indication of a nominal value. An amount of USD 8,515,256.91 has been allocated to the share premium of the Company. The share capital increase was acknowledged by a deed of notary dated 9 June 2017.

Notes to the Annual accounts for the year ended 30 June 2017

Note 6 - Subscribed capital (Continued)

Following circular resolutions dated August 2017 and October 2017 with effect at the dates of the capital increases, the Board of Directors resolved to adjust the share premium allocations dated 1 December 2016 and 9 June 2017 for a total amount of USD (314,293.23). This adjustment has been decided due to a currency exchange difference.

The share premium adjustment is subject to the approval of the shareholders during the Annual General Meeting of December 2017.

As a result of the increases, the Company's share capital as at 30 June 2017 amounts to USD 2,163,740.10 divided into 81,941,230 shares without indication of a nominal value.

The authorized share capital excluding the current issued share capital is fixed at USD 135,990.90 represented by 5,150,000 ordinary shares without indication of the nominal value.

Note 7 - Share premium and similar premiums

Following the allocation and adjustment made during the year, the share premium account as at 30 June 2017 amounts to USD 493,514,201.96 (USD 478,580,199.03 as at 30 June 2016). The increase of the share premium has been detailed under Note 6 together with the share capital increase.

Note 8 - Legal reserve

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

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

The movements for the year are as follows:

The allocation of prior year's results was approved by the General Shareholders' Meeting of 12 December 2016.

On 10 December 2015 the Board of Directors of Kernel Holding S.A. announced the approval of the dividend policy, adopting the dividend per share approach (DPS). Starting from the FY 2015 results announcement, Kernel Holding S.A. maintains a sustainable annual dividend of USD 0.25 per share.

This year, the dividends have been declared and paid in US dollars for a total amount of USD 20,175,307.50.

	Legal reserve USD	Profit or loss brought forward USD	Dividend USD	Result for the financial year USD	Total USD
As at 30 June 2016	210 412,01	255 457 499,23	(19 920 852,50)	11 750 920,75	247 497 979,49
Movements for the year:					
• Allocation of prior year's result	---	11 750 920,75	19 920 852,50	(11 750 920,75)	19 920 852,50
• Profit for the year	---	---	---	(6 765 442,29)	(6 765 442,29)
• Dividend payments / allocation	---	(19 920 852,50)	(20 175 307,50)	---	(40 096 160,00)
As at 30 June 2017	210 412,01	247 287 567,48	(20 175 307,50)	(6 765 442,29)	220 557 229,70

Notes to the Annual accounts for the year ended 30 June 2017
Note 10 - Provisions for taxation

Provisions for taxation are made up as follows:

	30.06.2017	30.06.2016
	USD	USD
Provisions for taxation	78 423,08	207 732,21

Other provisions are composed of advisory fees and other for an amount of USD 80,000.00 (USD 80,000.00 as at 30 June 2016).

Note 11 – CREDITORS

Amounts due and payable for the accounts shown under “Creditors” are as follows:

	Due and payable within one year USD	Due and payable after one year and within five USD	Total 30.06.2017 USD	Total 30.06.2016 USD
Non convertible loans	18 229 166,67	500 000 000,00	518 229 166,67	---
Eurobonds - Guaranteed notes (Principal amount)	---	500 000 000,00	500 000 000,00	---
Eurobonds - Guaranteed notes (Accrued interest)	18 229 166,67	---	18 229 166,67	---
Trade creditors	603 648,92	---	603 648,92	820 138,07
Amounts owed to affiliated undertakings	4 613 746,77	---	4 613 746,77	12 209 039,58
Payable to Avere Commodities SA	4 551 953,58	---	4 551 953,58	---
Payable to Filstar Limited	2 282,40	---	2 282,40	---
Loan to Restomon Limited - USD 95 Mio (Principal amount)	---	---	---	5 430 897,75
Loan to Restomon Limited - USD 95 Mio (Accrued interest)	6 546,83	---	6 546,83	6 777 382,87
Other payables	52 963,96	---	52 963,96	758,96
Tax debts	553 689,03	---	553 689,03	129 336,41
Other creditors	314 426,00	---	314 426,00	37 045,48
becoming due and payable within one year	314 426,00	---	314 426,00	37 045,48
Total	24 314 677,39	500 000 000,00	524 314 677,39	13 195 559,54

The guaranteed notes have been issued on the Irish stock exchange with ISIN code XS1533923238 on 31 January 2017. The amount listed equals to USD 500,000,000.00. The notes bear interest at a rate of 8.75% and will mature on 31 January 2022. The interest expense as at 30 June 2017 amounts to USD 18,229,166.67.

The payable amount to Avere Commodities S.A. correspond to the remaining amount due regarding the loan agreement in place. Please refer to note 5.

The loans from Restomon Limited “Restomon” bear interest of 4% per year. The total interest expense is USD 97,827.90 as at 30 June 2017 (USD 311,807.80 as at 30 June 2016).

Notes to the Annual accounts for the year ended 30 June 2017

Note 11 – CREDITORS (Continued)

The Restomon loan has been entirely repaid on 13 December 2016. The loan matured on 30 July 2017. A total amount of USD 6,868,663.94 of accrued interest has been repaid during the year. A remaining amount of USD 6,546.83 is still payable as at 30 June 2017.

Note 12 – OTHER EXTERNAL EXPENSES

The other external expenses are composed as follows:

	From 01/07/2016 to 30.06.2017 USD	From 01/07/2016 to 30.06.2017 USD
Commission and costs on loan issue	---	160 000,00
Account costs	6 622,19	7 020,00
Legal fees	832 794,62	1 607 394,62
Legal fees linked to bonds issuance*	169 945,01	---
Accounting and audit fees	791 828,11	218 379,74
Tax advisory fees	29 362,89	1 753,24
Other fees	1 381 833,65	155 888,16
Investment fees*	50 359,78	---
Other fees- Arendt Services	96 535,86	109 025,66
Other remunerations and fees of intermediaries	704 577,00	66 800,00
Other insurances	481 736,87	921 250,00
Travel - Management (operators and shareholders/partners)	14 788,02	40 047,77
Contributions to professional associations	22 166,19	21 063,35
Other sundry external charges	38 702,92	---
Registration Fees	18 296,11	18 175,29
Total	4 639 549,22	3 326 797,83

*Fees related to bonds issuance

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

The emoluments granted to the members of the management and supervisory bodies in that capacity are broken down as follows:

	2017 USD	2016 USD
Directors' fees: expenses during the year	322 899,75	242 812,50

In December 2016, with purpose to exercise vested options granted to the management (657,820 vested options with a strike price of PLN 24.00 and 360,000 vested options with a strike price of PLN 29.61), Kernel increased the Company's share capital by the issue of 1,017,820 new Ordinary Shares without indication of a nominal value.

Notes to the Annual accounts for the year ended 30 June 2017**Note 13 - Emoluments granted to the members of the management and supervisory bodies and commitments in respect of retirement pensions for former members of those bodies (Continued)**

As a result of the increase, the Company's share capital is set at USD 2,131 thousand divided into 80,701,230 shares without indication of nominal value and share premium reserve increased by USD 7,917 thousand.

In June 2017, with purpose to exercise vested options granted to the management (1,240,000 vested options with a strike price of PLN 29.61), Kernel increased the Company's share capital by the issue of 1,240,000 new Ordinary Shares without indication of a nominal value. As a result of the increase, the Company's share capital is set at USD 2,164 thousand divided into 81,941,230 shares without indication of nominal value and share premium reserve increased by USD 10,221 thousand.

As of 30 June 2017, the fair value of the share-based options granted to the management was USD 7,014 thousand and USD 2,210 thousand was recognized as an expense (part of payroll and payroll related expenses) during the year ended 30 June 2017, with a corresponding increase in equity over the vesting period (30 June 2016: USD 6,582 thousand and USD 1,789 thousand, respectively) and USD 1,778 thousand decrease in the fair value of the share-based options was recognized as a result of exercised share-based options (30 June 2016: nil).

On 12 December 2016, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share amounting to USD 20,175 thousand. On 27 April 2017, the dividends were fully paid to the shareholders.

Note 14 - Audit fees

Audit fees are made up as follows:

	2017 USD	2016 USD
Audit fees	257 823,24	131 379,74

Note 15 - Off balance sheet commitments

The financial commitments of the Company are as follows:

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

Kernel Holding S.A. as guarantor guarantees all the obligations (including principal, interest, costs, fees and charges) at any time owned by the borrower "Bandurskyi Elevator" to the lender. During the 2011/2016, financial years, Kernel Holding S.A. has paid for more than USD 3.4 million to the lender on behalf of the borrower.

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

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

Notes to the Annual accounts for the year ended 30 June 2017

Note 15 - Off balance sheet commitments (Continued)

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

On 26 January 2012, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 100 million three-year loan agreement with European banks for the financing of Black Sea Industries acquisition and secured against corporate guarantees of Kernel Holding S.A. On 10 May 2016, Kernel Holding S.A. entered into a second amendment and restatement agreement and the loan has been extended until 5 April, 2018.

On 8 February 2012, Estron Corporation a subsidiary of Kernel Holding S.A. and Kernel Holding S.A. entered into a USD 108 million up to five-year facility agreement with European Banks for the financing of general corporate purpose of the Group and capital expenditures relating to the Transbulkterminal. Kernel Holding S.A. acts as co-borrower of this loan. On 5 February 2016, Kernel Holding S.A. entered into an amendment and restatement agreement and the loan has been extended until 8 February 2018.

On 25 August 2015, the Company renewed its grain pre-export credit facility with a syndicate of European banks. A one year secured revolving facility with a limit of USD 230 million is used by the subsidiaries to fund the working capital needs of its grain export business in Ukraine.

On 7 June 2016 a guarantee was issued by Kernel Holding SA to Alfabank. The guarantee was issued as a collateral for financing the limit in the amount of UAH 126,718,230. The document was signed as of 25 April 2016.

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

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.

Note 16 - Tax Status

The Company is fully taxable under Luxembourg tax regulations.

Note 17 - Subsequent events

In July 2017 Kernel Holding S.A. announced that one of its subsidiaries has completed an acquisition of 100% interest in a farming business that manages more than 27,500 hectares of leasehold farmland and over 170,000 tons of grain storage capacity.

As of 16 October 2017, Kernel entered into pre-export credit facility with a syndicate of European banks. The three-year secured revolving facility with a limit of USD 200 million will be used by the Group to fund the working capital needs of its sunflower oil production business in Ukraine.

Notes to the Annual accounts for the year ended 30 June 2017

Note 18 – Contingencies

In April 2012, the Group entered into a call option agreement to acquire Stiom Holding, a farming company located in the Khmelnytskyi region of Ukraine. Upon signing, the sellers received approximately 40% of the estimated net asset value partly from the Group and its related parties. As of 30 June 2017, the consideration paid for Stiom Holding by the Group comprised USD 33,472 thousand. In the meantime, the final payment shall be due and payable only after fulfillment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect 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.

The arbitral tribunal was formed, the parties exchanged written statements on the case and directions on next steps are awaited from the tribunal. Management believes that it is unlikely that any significant settlement will arise out of this lawsuit. At the Group level, the subsidiaries of the Group benefited from the prepayment made by acquiring land lease rights.

As of 30 June 2017, on the balance of Kernel Holding S.A. there were the prepayments made as part of the consideration discussed above in the total amount of USD 5,976 thousand (Note 4).

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

Note 19 - Operating environment

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2016-2017, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease of GDP, illiquidity and volatility of financial markets. In January 2016, the agreement on the free trade area between Ukraine and the EU came into force. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

During the year ended 30 June 2017 annual inflation rate increased and reached 16% (2016: 7%). The economic situation began to stabilize in 2016, which resulted in GDP growth for the year ended 30 June 2017 by 2% (2016: contracted by 2%) and stabilization of Ukrainian Hryvnia. This allowed the National Bank of Ukraine to ease some foreign exchange restrictions imposed during 2014-2015, including decrease of the required share of foreign currency proceeds sale to 50% and permission of dividends remittance. However, certain other restrictions were prolonged. Significant external financing is required to support the economy. During 2015 and 2016, Ukraine received the first tranches of extended fund facilities (EFF) agreed with the IMF. In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amounting helping to refinance bonds due in 2019.

Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.