

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 2018

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Report of the board of directors to the shareholders' ordinary general meeting deliberating on the approval of the annual accounts to be held on 10 December 2018

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") holds assets primarily in Ukraine and the Russian Federation and operate across the agricultural value chain.

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

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

Overview

Kernel Holdings S.A. being holding company with no operational activity, 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.

In the year ended 30 June 2018 the Group earned US\$ 223 million dollars EBITDA, down 30% y-o-y, primarily driven by weaker performance of the farming and oilseed processing businesses.

Unfavorable weather conditions, prolonged weakness of global soft commodity prices, inflating local currency cost base coupled with recent acquisitions of under-performing rivals prohibited our farming division to perform at its best. Thus, the EBITDA contribution declined by 39%, totaling US\$ 89 million in FY2018.

Acquisitions/disposals

On 9 December 2017, the Company has increased its participation holding in Etrecom Investments Ltd by an amount of EUR 16,000,000.00 equivalent to USD 18,901,523.57 by setting off a dividend receivable from the same entity.

On 11 December 2017, the Company sold 270 nominal shares in Avere Commodities S.A., at an aggregate value of CHF 27,500.00 equivalent to USD 27,707.56.

On 14 December 2017, the Company sold an additional 125 nominal shares in Avere Commodities S.A., at an amount of CHF 12,500.00 equivalent to USD 12,594.35.

On 26 February 2018, Jerste B.V., reduced the nominal par value of its share capital from USD 3,124.69 to USD 0.01. As a result, the Company registered a decrease in the acquisition cost of its affiliated undertaking by an amount of USD 135,747,829.96, of which USD 20,805,173.47 was still receivable at year end. The Company realized a gain of USD 4,862,770.04 disclosed under income from participating interest.

On 14 June 2018, Kernel Trade LLC bought back 0.1% of its share capital for an amount of USD 62,890.42.

As at 30 June 2018, considering the financial situation of some subsidiaries, the management decided to record the following impairments:

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Acquisitions/disposals (Continued)

- USD 6,824,445.52 in relation to its participation held in Kernel Trade LLC reducing the cost of investment from USD 231,867,105.22 to USD 225,042,659.70.
- USD 8,484,619.00 in relation to its participation held in Trading Company Russian Oils LLC reducing the cost of investment from USD 14,911,618.61 to USD 6,426,999.61.
- USD 530,000.00 in relation to its participation held in Russian Oils Don reducing the cost of investment from USD 530,000.00 to USD 0.00.

Income statement highlights

Revenues

Group's consolidate revenues reached US\$ 2.4 billion in FY2018, up 11% y-o-y, driven mainly by higher sunflower oil sales volumes, as sunflower oil prices remained weak. At the same time, the cost of sales increased by almost US\$ 385 million, to US\$ 2.1 billion or 22% y-o-y, owing to higher volumes of sunflower seed crushed and higher cost of grain produced by the farming business arising from lower crop yields.

Gross profit

Gross profit in the reporting period reduced 29% y-o-y, to US\$ 314 million.

Other operating income

Other operating income increased by 45% y-o-y in FY2018, to US\$ 59 million, driven by the gain on operations with commodity futures and other operating income, while undermined by lower y-o-y VAT subsidy recognized.

Distribution costs

Distribution costs in FY2018 reduced both in absolute and relative (as percentage of revenue) terms, standing at US\$ 154 million, down 3% y-o-y.

General and administrative expenses

Driven by the country-wide labor cost inflation and larger scale of our business, the general and administrative expenses increased by US\$ 20 million, or 34% y-o-y, to US\$ 80 million in FY2018.

Operating profit

Operating profit halved y-o-y, totaling US\$ 140 million.

Financing costs

Finance costs marginally increased by 5%, amounting to US\$ 65 million, comprising the interest on our Eurobond and pre-export finance facilities syndicated by the banks.

Foreign exchange (gain)/loss

In FY2018 the Group recognized a US\$ 5.4 million of net foreign exchange gain, as compared to a loss of US\$ 2.7 million booked for the previous period. This gain reflects mostly a non-cash gain recognized after the revaluation of the intra-group balances 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 need intercompany debt financing which, when revalued, causes either foreign exchange gains or losses at one of the Group's enterprises, if the lender and the borrower had different functional currencies.

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Income statement highlights (Continued)

Other expenses

The Group other expenses surged to US\$ 31 million, primarily driven by a recognition of provision for settling the possible obligation arising from acquisition of Stiom Holding in 2012.

Income tax

The Group recognized a US\$ 6 million of corporate income tax gain in FY2018, as compared to a US\$ 19 million loss a year ago.

Net profit

As a result, net profit for the period declined to US\$ 56 million, down 69% y-o-y.

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

Sunflower oil:

- In FY2018 crushing margins in Ukraine touched historical minimum. Weak harvest of sunflower seeds and strong demand from the crushers resulted in the lowest ever profitability. The bulk oil EBITDA margin squeezed 37% down to 49 US\$ per ton of oil, and total division's EBITDA reduced to US\$ 77 million, despite highest ever crushed volumes of 3.1 million tons of oil seeds.

Grain and infrastructure:

- As a largest exporter of soft commodities from Ukraine, The Group connect more than 5,000 crop producers in Ukraine with global markets, delivering 3.8 million tons of grain from the country to export marketplace. The Group operates best-in-class integrated value chain in Ukraine, which includes the largest private silo network, one of the largest grain export sea terminal, and the extensive procurement network. The total EBITDA contribution of these businesses in FY2018 amounted to US\$ 101 million, down 9% y-o-y. .

Farming:

- Farming business in Ukraine remains globally competitive enjoying strong fundamentals: proximity to key markets, fertile soils and cost advantages. Over the past 10 years the Group increased the scale of the operations 7 times, making Kernel the largest crop producer in Ukraine. The Group learned how to manage a large farmland bank, apply world-class technologies and wisely incentivize the people.
- FY2018 season was challenging for the farming division. Extreme drought in summer 2017 substantially undermined financial contribution of the business. Labor and land lease cost inflation started to accelerate, eliminating the advantages the Group had in 2015-2016. The weather globally was favorable, keeping world's production above trendline, which translated into continuing low soft commodity prices. Cancellation of state support in the form of VAT subsidies further aggravated the situation. As a result, EBITDA of the division reduced 39% y-o-y in FY2018, to US\$ 89 million.

For a detailed explanation of operating and financial performance for 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 2018 ends with a loss of USD 23,909,232.82.

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 2018	USD	(23,909,232.82)
Result brought forward (before dividends)	USD	220,340,855.69
Dividends	USD	(20,485,307.51)
To carry forward	USD	175,946,315.36

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 2018, 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:

- Countries harvest levels
- 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
- The risk of key personnel resigning
- Failure to manage the integration of newly acquired farming operations
- Any loss or diminution in the services of Mr. Andriy Verevskyy, Kernel Holding S.A.'s Chairman of the Board
- The risk that changes in the assumptions underlying the carrying value of certain assets, including those occurring as a result of adverse market conditions, could result in an impairment of financial assets
- The risk of fraud by the Group's farming operations' employees
- The risk that significant capital expenditure and other commitments Kernel Holding S.A. has made in connection with acquisitions may limit its operational flexibility and add to its financing requirements
- The risk of disruptions to Kernel Holding S.A.'s manufacturing operations

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5. Principal risks and uncertainties (Continued)

- The risk of product liability claims
- The risk of potential liabilities from investigations, litigation, and fines regarding antitrust matters
- The risk that Kernel Holding S.A.'s governance and compliance processes may fail to prevent regulatory penalties or reputational harm, both at operating subsidiaries and in joint ventures; and
- The risk that Kernel Holding S.A.'s insurance policies may provide inadequate coverage

6. Board of Directors

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

(1) Mr. Andriy Verevskyy, chairman of the board of directors, re-elected for a five-year term at the general meeting of shareholders held on 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 11 December 2017. 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 11 December 2017. 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 11 December 2017. 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) Mr. Yevgen Osypov was appointed to the Board for a one-year term by the shareholders at the general meeting of the shareholders held on 11 December 2017. Mr. Osypov oversees overall management of the Agribusiness units of Kernel and is responsible for the execution of strategy.

(6) 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 11 December 2017. Miss Usachova has served the Group since 2003, and today oversees the Group's financial reporting, auditing, budgeting, financial planning and risk assessment.

(7) Mrs. Viktoriia Lukianenko, chief legal officer of the Company, re-elected for a one-year term at the general meeting of shareholders held on 11 December 2017.

(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 11 December 2017. Mr. Kovalchuk oversees investor relations and new investment opportunities for the Group.

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7. Looking ahead:

For a detailed outlook for the financial year ending 30 June 2018, please refer to the annual report of the Group which is available on web-site www.kernel.ua.

There are subsequent events as disclosed in note 20.

The Board of Directors

By:

Mr. Andriy Verevskyy

By:

Mr. Andrzej Danilczuk

By:

Mrs. Nathalie Bachich

By:

Mr. Sergei Shibaev

By:

Mr. Yevgen Osypov

By:

Ms. Anastasiia Usachova

By:

Mrs. Viktoriia Lukianenko

By:

Mr. Yuriy Kovalchuk

To the Shareholders of
Kernel Holding S.A.
19, rue de Bitbourg
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Opinion

We have audited the annual accounts of Kernel Holding S.A. (the "Company"), which comprise the balance sheet as at 30 June 2018, 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 2018, 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 annual accounts.

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 the *Réviseur d'Entreprises Agréé* for the Audit of the Annual accounts" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the 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 annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter

Our response to the risk among others:

Impairment of Investment in Subsidiaries

As of 30 June 2018, the carrying amount of investment in subsidiaries amounted to USD 565.1 million (2017: USD 697.8 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

- 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).

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the Report of board of directors but does not include the annual accounts and our report of the "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 conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of 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 these 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Annual accounts

The objectives of our audit are to obtain 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 the "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 annual accounts.

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

- Identify and assess the risks of material misstatement of the 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 the purpose of 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 the "*Réviseur d'Entreprises Agréé*" to the related disclosures in the annual accounts 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 the "*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 annual accounts, including the disclosures, and whether the annual accounts 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 11 December 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

The Report 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 Report of the board of directors as published on the Company's website <http://www.kernel.ua>, is the responsibility of the Board of Directors. The information required by Article 68 ter 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, at the date of this report, with the annual accounts 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, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) 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

22 October 2018

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Balance sheet as at 30 June 2018

ASSETS			
	Notes	30.06.2018 USD	30.06.2017 USD
B. FORMATION EXPENSES		---	---
C. FIXED ASSETS		565,053,224.76	697,841,788.00
III. Financial assets	3	565,053,224.76	697,841,788.00
1. Shares in affiliated undertakings		565,053,175.76	697,841,739.00
5. Investments held as fixed assets		49.00	49.00
D. CURRENT ASSETS		655,403,064.27	537,826,821.92
II. Debtors	4	654,795,341.17	536,911,380.94
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		646,709,405.60	530,387,758.05
a) becoming due and payable within one year		62,146,398.42	530,387,758.05
b) becoming due and payable after more than one year		584,563,007.18	---
4. Other debtors		8,060,935.57	6,498,622.89
a) becoming due and payable within one year		1,084,935.57	522,622.89
b) becoming due and payable after more than one year		6,976,000.00	5,976,000.00
IV. Cash at bank and in hand		607,723.10	915,440.98
E. PREPAYMENTS	5	3,919,737.35	5,039,662.31
TOTAL ASSETS		1,224,376,026.38	1,240,708,272.23

Annual accounts for the year ended

30 June 2018

The accompanying notes form an integral part of the annual accounts

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Balance sheet as at 30 June 2018

LIABILITIES			
	Notes	30.06.2018 USD	30.06.2017 USD
A. CAPITAL AND RESERVES		671,840,631.43	716,235,171.76
I. Subscribed capital	6	2,163,740.10	2,163,740.10
II. Share premiums and similar premiums	7	493,514,201.96	493,514,201.96
IV. Reserves		216,374.01	210,412.01
1. Legal reserve	9	216,374.01	210,412.01
V. Profit or loss brought forward	9	220,340,855.69	247,287,567.48
VI. Profit or loss for the financial year	9	(23,909,232.82)	(6,765,442.29)
VII. Interim dividends	9	(20,485,307.51)	(20,175,307.50)
B. PROVISIONS	10	29,051,222.35	158,423.08
2. Provisions for taxation		80,238.85	78,423.08
3. Other provisions		28,970,983.50	80,000.00
C. CREDITORS	11	522,964,145.20	524,314,677.39
1. Debenture loans		518,229,166.67	518,229,166.67
b) Non convertible loans		518,229,166.67	518,229,166.67
i) becoming due and payable within one year		18,229,166.67	18,229,166.67
ii) becoming due and payable after more than one year		500,000,000.00	500,000,000.00
4. Trade creditors		710,576.21	603,648.92
a) becoming due and payable within one year		710,576.21	603,648.92
6. Amounts owed to affiliated undertakings		3,090.56	4,613,746.77
a) becoming due and payable within one year		3,090.56	4,613,746.77
8. Other creditors		4,021,311.76	868,115.03
a) tax authorities		926,902.09	553,689.03
b) social securities authorities		73.29	---
c) other creditors		3,094,336.38	314,426.00
i) becoming due and payable within one year		94,336.38	314,426.00
ii) becoming due and payable after more than one year		3,000,000.00	---
D. DEFERRED INCOME		520,027.40	---
TOTAL LIABILITIES		1,224,376,026.38	1,240,708,272.23

Annual accounts for the year ended

30 June 2018

The accompanying notes form an integral part of the annual accounts

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Profit and loss account for the year ended 30 June 2018

PROFIT AND LOSS ACCOUNT			
	Notes	From 01/07/2017 to 30/06/2018	From 01/07/2016 to 30/06/2017
		USD	USD
5. RAW MATERIALS AND CONSUMABLES AND OTHER EXTERNAL EXPENSES		(31,184,977.28)	(4,639,549.22)
b) Other external expenses	12	(31,184,977.28)	(4,639,549.22)
6. STAFF COSTS		(4,834.23)	-
a) Wages and salaries	13	(4,286.38)	-
b) Social security costs		(568.15)	-
c) Other staff costs		20.30	-
8. OTHER OPERATING EXPENSES		(2,050,767.69)	(335,030.53)
9. INCOME FROM PARTICIPATING INTERESTS		25,362,770.04	-
a) derived from affiliated undertakings		20,500,000.00	-
b) other income from participating interests	3	4,862,770.04	-
11. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		44,848,469.65	17,610,882.04
a) derived from affiliated undertakings	4	44,630,017.72	17,103,653.14
b) other interest and similar income		218,451.93	507,228.90
13. VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS	3	(15,839,064.52)	-
14. INTEREST PAYABLE AND SIMILAR EXPENSES		(44,918,881.30)	(19,323,321.50)
a) concerning affiliated undertakings		-	(97,827.90)
b) other interest and similar expenses	11-19	(44,918,881.30)	(19,225,493.60)
15. TAX ON PROFIT OR LOSS		(35,005.94)	-
16. PROFIT OR LOSS AFTER TAXATION		(23,822,291.27)	(6,687,019.21)
17. OTHER TAXES NOT SHOWN UNDER ITEMS 1 TO 16		(86,941.55)	(78,423.08)
18. PROFIT OR (LOSS) FOR THE FINANCIAL YEAR		(23,909,232.82)	(6,765,442.29)

Annual accounts for the year ended

30 June 2018

The accompanying notes form an integral part of the annual accounts

KERNEL HOLDING S.A.

19, rue de Bitbourg
L-1273 Luxembourg
R.C.S. Luxembourg B 109173

Notes to the annual accounts as at 30 June 2018

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").

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.

Annual accounts for the year ended

30 June 2018

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Notes to the annual accounts as at 30 June 2018

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 2018, the Company's shares are allocated as follows: 39.47% (2017: 38.13%) held by Namsen Limited, and 60.53% (2017: 61.87%) free-float.

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 Significant accounting policies

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

2.2.1 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.

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Notes to the annual accounts as at 30 June 2018

Note 2 - Significant accounting policies (Continued)

2.2.1 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".

2.2.2 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.

2.2.3 Cash at bank and in hand

Cash is valued at its nominal value.

2.2.4 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.

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Notes to the annual accounts as at 30 June 2018

Note 2 - Significant accounting policies (Continued)

2.2.5 Prepayments

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

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

2.2.6 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.

2.2.7 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.

2.2.8 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.

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Notes to the annual accounts as at 30 June 2018**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 2018 USD
Gross book value – opening balance	697,841,739.00	49.00	697,841,788.00
Additions for the year	18,901,523.57	---	18,901,523.57
Disposals for the year	(135,851,022.29)	---	(135,851,022.29)
Transfers for the year	---	---	---
Gross book value – closing balance	580,892,240.28	49.00	580,892,289.28
Accumulated value adjustment – opening balance	---	---	---
Allocation for the year	(15,839,064.52)	---	(15,839,064.52)
Reversals for the year	---	---	---
Transfers for the year	---	---	---
Accumulated value adjustment – closing balance	(15,839,064.52)	---	(15,839,064.52)
Net book value – opening balance	697,841,739.00	49.00	697,841,788.00
Net book value – closing balance	565,053,175.76	49.00	565,053,224.76

On 9 December 2017, the Company has increased its participation holding in Etrecom Investments Ltd by an amount of EUR 16,000,000.00 equivalent to USD 18,901,523.57 by setting off a dividend receivable from the same entity.

On 11 December 2017, the Company sold 270 nominal shares in Avere Commodities S.A., at an aggregate value of CHF 27,500.00 equivalent to USD 27,707.56.

On 14 December 2017, the Company sold an additional 125 nominal shares in Avere Commodities S.A., at an amount of CHF 12,500.00 equivalent to USD 12,594.35.

On 26 February 2018, Jerste B.V., reduced the nominal par value of its share capital from USD 3,124.69 to USD 0.01. As a result, the Company registered a decrease in the acquisition cost of its affiliated undertaking by an amount of USD 135,747,829.96, of which USD 20,805,173.47 was still receivable at year end. The Company realized a gain of USD 4,862,770.04 disclosed under income from participating interest.

On 14 June 2018, Kernel Trade LLC bought back 0.1% of its share capital for an amount of USD 62,890.42.

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Notes to the annual accounts as at 30 June 2018

Note 3 - Financial assets (Continued)

As at 30 June 2018, considering the financial situation of some subsidiaries, the management decided to record the following impairments:

- USD 6,824,445.52 in relation to its participation held in Kernel Trade LLC reducing the cost of investment from USD 231,867,105.22 to USD 225,042,659.70.
- USD 8,484,619.00 in relation to its participation held in Trading Company Russian Oils LLC reducing the cost of investment from USD 14,911,618.61 to USD 6,426,999.61.
- USD 530,000.00 in relation to its participation held in Russian Oils Don reducing the cost of investment from USD 530,000.00 to USD 0.00.

Notes to the Annual accounts for the year ended 30 June 2018
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 (unaudited)	Currency	(Loss)/Profit the last financial year (unaudited)	Currency	Net Book Value
JERSTE B.V.	200, Prins Bernhardplein, 1097 JB Amsterdam, Netherlands	100.00%	30.06.2018	USD	324 550 000,00	USD	330 288 000,00	USD	451.00
Inerco Trade S.A.	Rue Jules Gachet 9, CH1260 Nyon, Switzerland	100.00%	30.06.2018	USD	159 599 000,00	USD	31 868 000,00	USD	3,532,673.50
Kernel Capital LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	99.75%	30.06.2018	USD	39 161 000,00	USD	4 000,00	USD	117,756,192.67
Kernel Trade LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	89.90%	30.06.2018	USD	80 646 000,00	USD	- 54 038 000,00	USD	225,042,659.70
Ukragrobusiness LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	91.30%	30.06.2018	USD	299 000,00	USD	-	USD	896,416.35
Estron Corporation Ltd	29A, Annis Komninis, P.C. ,1061 Nicosia, Cyprus	100.00%	30.06.2018	USD	48 629 000,00	USD	- 361 000,00	USD	97,526,715.48
Etrecom Investments LTD	13, Agiou Prokopiou, 2406 Egkomi Cyprus	100.00%	30.06.2018	USD	42 029 000,00	USD	- 998 246 000,00	USD	18,901,524.95
Trading Company Russian Oils LLC	350000, Krasnodar, Red Army, Street, N°36 Russia	100.00%	30.06.2018	USD	1 970 000,00	USD	- 7 308 000,00	USD	6,426,999.61
Russian Oils Don	Russia, 350000, Krasnodar region, Krasnodar city, street Krasnoarmeiskaia, building 36	100,00%	30.06.2018	USD	834 000,00	USD	- 1 756 000,00	USD	-
Avere Commodities SA	15 bis Rue des Alpes, 1201 Geneva, Switzerland	60.00%	30.06.2018	USD	-4 007 000,00	USD	- 4 128 000,00	USD	60,452.85
Filstar Limited	Prosfygon, 4, Agia Varvara, 2560, Nicosia, Cyprus	100.0%	30.06.2018	USD	-7 000,00	USD	- 3 000,00	USD	2,282.40
JV TransBulkTerminal LLC	Ukraine, 68000, Odesskaya district, city Illichivsk, 58, Sukhomlinskaya str.	1.00%	30.06.2018	USD	720 000,00	USD	49 000,00	USD	49.00
Taman Grain Terminal Holdings Limited	3, Chrysanthou Mylona - 3030 Limassol, Limassol, Cyprus	50.00%	30.06.2018	USD	187 479 019,00	USD	- 324 000,00	USD	94,906,807.25

USD 565,053,224.76

Notes to the annual accounts for the year ended 30 June 2018
Note 4 – Debtors

Debtors are mainly composed of:

	Receivables within one year USD	Receivables after one year USD	Total 30.06.2018 USD	Total 30.06.2017 USD
Amounts owed by affiliated undertakings	62,146,398.42	584,563,007.18	646,709,405.60	530,387,758.05
Loan to affiliated undertakings(direct shareholding)	22,485,431.34	251,134,177.22	273,619,608.56	338,993,307.25
Loan to affiliated undertakings(indirect shareholding)	15,320,321.85	156,250,000.00	171,570,321.85	156,020,345.89
Current receivable from affiliated undertakings (direct shareholding)	20,930,282.27	---	20,930,282.27	18,963,741.95
Current receivable from affiliated undertakings (indirect shareholding)	3,410,362.96	---	3,410,362.96	16,410,362.96
Non-current receivable from affiliated undertakings (indirect shareholding)	---	177,178,829.96	177,178,829.96	---
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	1,084,935.57	6,976,000.00	8,060,935.57	6,498,622.89
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
Loan to third party	---	1,000,000.00	1,000,000.00	---
Receivable third party	152,819.00	---	152,819.00	---
VAT receivable	819,592.87	---	819,592.87	477,170.71
Advance Corporate Income Tax 2016	1,683.83	---	1,683.83	1,683.83
Advance Net Wealth Tax 2017	76,396.31	---	76,396.31	43,768.35
Advance Net Wealth Tax 2018	34,443.56	---	34,443.56	---
	---	---	---	---
Total	63,256,333.99	591,539,007.18	654,795,341.17	536,911,380.94

The Company has entered into several loans agreement with its direct subsidiaries:

- Loan for a total commitment of USD 117,900,000.00 of which USD 2,000,000.00 were repaid during the year. The loan bears interest at a rate of 9.80% per year and will mature on 19 September 2018. The total interest income as at 30 June 2018 amounts to USD 11,491,908.20 (30 June 2017: USD 3,727,894.48).
- On 1 February 2017, the Company, as lender, entered into a loan for a total amount up to USD 454,000,000.00. On 1 and 2 February 2017, the Company advanced USD 433,000,000.00. 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. During the year, the Company advanced another USD 100,101,000.00 and received another repayment for a total amount of USD 100,936,000.00. The loan was fully repaid on 30 June 2018 by way of transfer and assignment of the remaining balance. This loan bears interest at a rate of 8.75% per year and will mature on 31 December 2020. The total interest income as at 30 June 2018 amounts to USD 9,788,452.16 (30 June 2017: USD 11,014,262.67).
- On 1 February 2017, the Company, as lender, entered into a loan agreement 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. The loan has been fully repaid during the year. This loan bears interest at a rate of 9.80% per year and matured on 1 February 2018. The total interest income as at 30 June 2018 amounts to USD 2,005,697.53 (30 June 2017: USD 1,637,781.37). The outstanding interest payable amounts to USD 251,987.09 as 30 June 2018.

Notes to the annual accounts for the year ended 30 June 2018

Note 4 – Debtors (continued)

- On 19 May 2017, the Company, as lender, entered into a loan agreement for an amount up to USD 160,000,000.00. The Company transferred USD 156,000,000.00 as at 30 June 2017. The loan bears interest at a rate of 1.00% per year and matured on 1 October 2017. The total interest income as at 30 June 2018 amounts to USD 480.82 (30 June 2017: USD 52,265.75). On 13 June 2017, USD 155,350,000.00 of the loan has been transferred and assigned to an indirect subsidiary (the “Assignment”). During the year, the Company received the full repayment of the loan for an amount of USD 650,000.00.
- On 12 June 2017, the Company, as lender, entered into a loan agreement for an amount of USD 5,000,000.00. During the year the total commitment was increased to USD 30,000,000.00. This loan bears interest at a rate of 5.0% per year and will mature on 31 December 2018. As at 30 June 2018, the principal amounts to USD 20,462,677.22 (30 June 2017: USD 5,000,000.00) and the total interest income amounts to USD 247,528.77 (30 June 2017: USD 1,102.98).
- On 24 October 2017, the Company, as lender, entered into a loan agreement for an amount of USD 100,000,000.00. During the year the total commitment was increased to USD 200,000,000.00. This loan bears interest at a rate of 9.80% per year and will mature on 31 December 2020. Moreover, during the year, the Company transferred to the borrower a total amount of USD 115,761,500.00 and received back a repayment of USD 990,000, resulting in an outstanding loan balance as at 30 June 2018 of USD 114,771,500.00.
As at 30 June 2018, the total interest income amounts to USD 6,066,124.95.

In addition, the Company has entered into several loans agreement with its indirect subsidiaries:

- Following the Assignment, the resulting receivable was documented as a loan which bears interest at a rate of 8.75% per year. The total interest income as at 30 June 2018 amounts to USD 14,630,565.07 (30 June 2017: USD 670,345.89).
- On 28 September 2017, the Company, as lender, entered into a loan agreement for a total commitment of USD 10,000,000.00 out of which an amount of USD 900,000.00 was transferred to the borrower as at 30 June 2018. This loan bears interest at a rate of 5.00% per year will mature on 31 December 2020. As at 30 June 2018, the total interest income amounts to USD 19,410.96.
- On 12 October 2017, the Company, as lender, entered into a second loan agreement for a total amount of USD 27,300,000.00. This loan bears interest at a rate of 5.00% per year and matured on 1 June 2018. The loan was fully repaid during the year together with the accrued interest. As at 30 June 2018, the total interest income amounts to USD 368,136.99.

Finally, the Company has entered into a loan agreement with third party:

- On 17 May 2018, the Company, as lender, entered into a loan agreement for an amount of USD 1,000,000.00. This loan bears interest at a rate of 9.50% per year and will mature on 20 December 2023. As at 30 June 2018, the total interest income amounts to USD 11,712.33. The Company received full repayment of the interest until maturity for a total amount of USD 531,739.73, the part received in advance is reflected as deferred income.

Total interest earned increased during the financial year to an amount of USD 44,630,017.72 (2017: 17,103,653.14) mainly due to an increase of the interest rate of the loans granted.

Notes to the annual accounts for the year ended 30 June 2018**Note 5 – Prepayments**

Prepayments are composed of:

	30.06.2018 USD
Eurobonds issuance fees	3,119,624.77
Eurobonds issuance fees - Amortisation	-935,887.42
Eurobonds repayment premium	2,480,000.00
Eurobonds repayment premium - Amortisation	-744,000.00
Total	3,919,737.35

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

Note 6 - Subscribed capital

The Company's share capital as at 30 June 2018 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

The share premium account as at 30 June 2018 amounts to USD 493,514,201.96 (USD 493,514,201.96 as at 30 June 2017).

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.

Notes to the annual accounts for the year ended 30 June 2018

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

The movements for the year are as follows:

	Legal reserve USD	Profit or loss brought forward USD	Dividend USD	Result for the financial year USD	Total USD
As at 30 June 2017	210,412.01	247,287,567.48	(20,175,307.50)	(6,765,442.29)	220,557,229.70
Movements for the year:					
• Allocation of prior year's result	5,962.00	(6,771,404.29)	20,175,307.50	6,765,442.29	20,175,307.50
• Loss for the year	---	---	---	(23,909,232.82)	(23,909,232.82)
• Dividend payments / allocation	---	(20,175,307.50)	(20,485,307.51)	---	(40,660,615.01)
As at 30 June 2018	216,374.01	220,340,855.69	(20,485,307.51)	(23,909,232.82)	176,162,689.37

The allocation of prior year's results was approved by the General Shareholders' Meeting of 11 December 2017.

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 by the Company, in US dollars, for a total amount of USD 20,485,307.51 (2017: 20,175,307.50). The payment has been done by Jerste B.V. on behalf of the Company.

Note 10 – Provisions

Provisions are made up as follows:

	30.06.2018 USD	30.06.2017 USD
Provisions		
Provisions for taxation	80,238.85	78,423.08
Other provisions		
Provision for liability (see note 19)	28,970,983.50	---
<i>Other provisions are composed of advisory fees and others</i>	---	80,000.00
Total	29,051,222.35	158,423.08

Notes to the annual accounts for the year ended 30 June 2018

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 30.06.2018 USD	Total 30.06.2017 USD
Non convertible loans	18,229,166.67	500,000,000.00	518,229,166.67	518,229,166.67
Eurobonds - Guaranteed notes (Principal amount)	---	500,000,000.00	500,000,000.00	500,000,000.00
Eurobonds - Guaranteed notes (Accrued interest)	18,229,166.67	---	18,229,166.67	18,229,166.67
Trade creditors	710,576.21	---	710,576.21	603,648.92
Amounts owed to affiliated undertakings	3,090.56	---	3,090.56	4,613,746.77
Tax debts	926,975.38	---	926,975.38	553,689.03
Other creditors	3,094,336.38	---	3,094,336.38	314,426.00
Total	22,964,145.20	500,000,000.00	522,964,145.20	524,314,677.39

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 2018 amounts to USD 43,750,000.00. (USD 18,229,166.77 as at 30 June 2017).

In relation to the Taman Deposit, the parties are still in negotiation in relation to the sale of Taman Grain Terminal Holdings Limited. The conditions precedent of the SPA are still not met, the sale therefore is not effective and the deposit received of USD 3,000,000.00 is considered as payable.

Notes to the annual accounts for the year ended 30 June 2018

Note 12 – OTHER EXTERNAL EXPENSES

The other external expenses are composed as follows:

	2018	2017
	USD	USD
Fees related to Stiom (see note 19)	(28,970,983.50)	-
Accounting and audit fees	(691,644.21)	(791,828.11)
Other insurances	(215,419.48)	(481,736.87)
Legal fees	(660,712.52)	(832,794.62)
Legal fees*	(61,805.89)	-
Other fees	(142,152.73)	(1,381,833.65)
Other fees*	(116,086.23)	-
Other fees- Arendt Services	(108,620.07)	(96,535.86)
Other sundry external charges	(56,538.29)	(38,702.92)
Other remunerations and fees of intermediaries	(45,648.00)	(704,577.00)
Contributions to professional associations	(30,487.49)	(22,166.19)
Rental of buildings	(24,638.31)	-
Investment fees*	(14,532.01)	(50,359.78)
Account costs	(12,083.34)	(6,622.19)
Travel - Management (operators and shareholders/partners)	(11,814.00)	(14,788.02)
Translation fees	(8,419.13)	-
Tax advisory fees	(6,922.41)	(29,362.89)
Data processing	(4,999.00)	-
Security costs	(883.88)	-
Telephone and other telecommunication costs	(586.79)	-
Legal fees linked to bonds issuance*	-	(169,945.01)
Registration fees	-	(18,296.11)
Total	(31,184,977.28)	(4,639,549.22)

* Fees related to the Eurobonds issuance and financing activity

Note 13 - Staff

The Company had one part-time employee during the financial year ended 30 June 2018.

Notes to the annual accounts for the year ended 30 June 2018**Note 14 - 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:

	2018 USD	2017 USD
Directors' fees: amounts paid to the Directors during the year	166,325.11	322,899.75

As of 30 June 2018, the fair value of the share-based options granted to the management was USD 8,114 thousand and USD 1,100 thousand was recognized as an expense (part of payroll and payroll related expenses) during the year ended 30 June 2018, with a corresponding increase in equity over the vesting period (30 June 2017: USD 7,014 thousand and USD 2,210 thousand, respectively).

On 11 December 2017, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share amounting to USD 20,485 thousand. On 26 April 2018, the dividends were fully paid to the shareholders.

Note 15 - Audit fees

Audit fees are made up as follows:

	2018 USD	2017 USD
Audit fees	408,166.91	402,291.84

Note 16 - Off balance sheet commitments

The financial commitments of the Company are as follows:

The company is engaged as a guarantor as per the facility agreement dated 15/19 March 2013 between Inerco Trade S.A. (borrower) and Landesbank Baden-Württemberg (lender). The facility agreement financed the purchase of the agricultural equipment. Kernel Holding S.A. acts as an independent obligor and guarantees the payment of all payments of the borrower. The outstanding amount of the loan as of 30.06.2018 is USD 6,2 million.

The Company is engaged as a Guarantor under USD 30 million secured revolving agreement signed between its subsidiary Inerco and European bank for trading financing (finance purchases, storage, transportation and transshipment of Commodities).

The Company is committed to issue shares for share option plan.

Notes to the annual accounts for the year ended 30 June 2018

Note 16 - Off balance sheet commitments (Continued)

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.

As of 2 February 2018, Kernel finalized the execution of pre-export credit facility with a syndicate of European banks. The two-and-a-half-year secured revolving facility with a limit of USD 100 million will be used by the Company to fund the working capital needs of its grain export business in Ukraine.

The Company has commitment as a Guarantor under three loans signed between Avere Commodities S.A. and European banks for financing of trading facility for the total amount of USD 112 million.

On 08 May 2018, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. finalized signing of the USD 30 million three-year loan agreement with Ukrainian bank to finance working capital. The loan is secured against corporate guarantees of Kernel Holding S.A.

Additionally the Company as guarantor guarantees all the obligations under USD 121 million loans agreements signed by Kernel Trade LLC with subsidiaries of European Banks in Ukraine.

Note 17 - Tax Status

The Company is fully taxable under Luxembourg tax regulations.

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.

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 2018, the consideration paid for Stiom Holding by the Group comprised USD 33,472 thousand. A final payment was due and payable only after fulfilment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers in respect of the non-fulfillment of the sellers' obligations. In December 2012, the Group received a request for arbitration from the sellers in which the sellers claimed amounts said to be due to them. An arbitral tribunal was formed; the parties exchanged written statements on the case in which the Group asserted its counterclaims and thereafter written statements of evidence and expert reports were also exchanged. The hearing took place in November 2015. The tribunal delivered its award in late February 2018 and the Company has been received it in early March 2018. That award is subject to challenge in the High Court in London.

Notes to the annual accounts for the year ended 30 June 2018

Note 18 – Contingencies (Continued)

As of 30 June 2018, the Group has recognized a provision regarding the above mentioned award. The provision represents the directors' best estimate of the maximum future outflow that will be required in respect of the award. The directors believe there are good grounds for the challenge but the amount has not been discounted for the purposes of this estimate, since at the moment of estimation both the outcome of the challenge and the expected period of time in which the Court will make its decision are unknown.

The carrying amount of the provision for legal claims is USD 28,970,983.50 as of 30 June 2018 and related expenses are included under Other external expenses. No payment has been made to the claimant pending the outcome of the challenge.

As of 30 June 2018, 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 5,976,000.00 (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 2017-2018, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease of GDP, illiquidity, and volatility of financial markets.

During the year ended 30 June 2018 annual inflation rate amounted to 9.9% (2017: 16%). The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in GDP smooth growth for the year ended 30 June 2018 for 3% (2017: 2%) and stabilization of national currency.

From trading perspective, the economy was demonstrating refocusing on the European Union ("EU") market, which was a result of the signed Association Agreement with the EU in January 2016 that established the Deep and Comprehensive Free Trade Area ("DCFTA"). Under this agreement, Ukraine has committed to harmonize its national trade-related rules, norms, and standards with those of the EU, progressively reduce import customs duties for the goods originating from the EU member states and abolish export customs duties during a 10-year transitional period. Implementation of DCFTA began on 1 January 2017. 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.

In terms of currency regulations, the National Bank of Ukraine ("NBU") decreased the required share of mandatory sale of foreign currency proceeds from 65% to 50% from April 2017, increased settlement period for export-import transactions in foreign currency from 120 to 180 days from May 2017, and allowed companies to pay the 2013 (and earlier) dividends with a limit of USD 2 million per month from November 2017 (from June 2016, companies were allowed to pay dividends for 2014–2016 to non-residents with a limit of USD 5 million per month).

In March 2015, Ukraine signed four-year Extended Fund Facility ("EFF") with the International Monetary Fund ("IMF") that will last until March 2019. The total program amounted to USD 17.5 billion, while Ukraine has so far received only USD 8.7 billion from the entire amount. In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance the bonds due in 2019. The NBU expects that Ukraine will receive another USD 2 billion from the IMF till the end of 2018. To receive next tranches, the government of Ukraine has to implement certain key reforms, including in such areas as pension system, gas and privatization.

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.

KERNEL HOLDING S.A.

R.C.S. Luxembourg B 109173

Notes to the annual accounts for the year ended 30 June 2018

Note 20 - Subsequent events

As of 11 October 2018, Kernel Holding S.A. received a notification that Kairos International Sicav had crossed the threshold of voting rights below 5%, pursuant to the provisions of articles 8 and 9 of the Law of 11 January 2008 on Transparency Requirements for Issuers of Grand Duchy of Luxembourg.

As of 19 October 2018, in a press release by Fitch Ratings, the agency has affirmed Long-Term Issuer Default Rating (LT FC IDR) of Kernel Holding S.A. at 'B+' with Stable Outlook. Fitch Ratings also affirmed Kernel's National Long-Term Rating at 'AAA (ukr)'.