

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 2019

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KERNEL HOLDING S.A.

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Notes to the annual accounts as at 30 June 2019

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 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.

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

We confirm that to the best of our knowledge and belief:

- The consolidated financial statements of Kernel Holding S.A. presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies; and
- The Board of Directors Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

Overview

Kernel Holdings S.A. being a holding company with no operational activity, the overview below is mainly done from the Group perspective, taking into account the performance of Kernel Holding S.A. as well as its subsidiaries.

In the year ended 30 June 2019, the Group generated USD 346 million EBITDA (up 55% y-o-y) and USD 189 million net profit attributable to shareholders of Kernel Holding S.A. (up 3.6x y-o-y), improving our solid balance sheet position with net-debt-to-EBITDA ratio at 2.0x as of 30 June 2019.

Acquisitions/disposals

During December 2018, the Company has increased its participation holding in Etrecom Investments Ltd by an amount of USD 130,000,000.00 of which USD 10,000,000.00 was set-off against the interest payable to the Company, USD 85,000,000 was set-off against the loan principal payable to the Company, and remaining USD 35,000,000 was settled by cash contributions.

On 8 February 2019, the Company has acquired 91,12% participation holding in ‘Bilovodskyi Kombinat Khliboprodyktiv’ for an amount of USD 7,464,929.70.

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Notes to the annual accounts as at 30 June 2019

Acquisitions/disposals (Continued)

On 14 February 2019, to protect the Company against ever rising logistic costs and to procure the smooth and efficient flow of grains from inland silos, the Group has acquired 100% effective ownership obtaining shares in Rail Transit Kargo Ukraine LLC (herein "RTK-Ukraine"): a railcar business that manages about 2,949 grain railcars.

During the year ended 30 June 2019, according to management's plan, the Group disposed of one of its oilseed crushing plants, previously classified as assets held for sale, located in Mykolaiv region.

As at 30 June 2019, considering the financial situation of some subsidiaries, the management decided to record the following impairments:

- USD 3,266,120.00 in relation to its participation held in Bilovodskyi Kombinat Khlivoprodyktiv reducing the cost of investment from USD 7,464,929.70 to USD 4,198,809.70.
- USD 896,416.35 in relation to its participation held in Ukragrobusiness LLC reducing the cost of investment from USD 896,416.35 to USD Nil.
- USD 60,452.85 in relation to its participation held in Avere Commodities reducing the cost of investment from USD 60,452.85 to USD Nil.
- USD 6,426,999.61 in relation to its participation held in Trading Company Russian Oils LLC reducing the cost of investment from USD 6,426,999.61 to USD Nil.

In view of the future merger to take place between the Company and Jerste S.à r.l., the management has decided not to recognize any impairment on the subsidiary Kernel Trade LLC. Therefore, the previous impairment of USD of USD 6,824,445.52 was reversed.

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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 2019

Income statement highlights

Revenues

The Group generated a record revenue in its history, reaching USD 3,992 million in FY2019, up 66% y-o-y. The result is mostly driven by record grain export volume from Ukraine (up 58% y-o-y) stemming from strong in-house harvest of grain and highest ever procurement of grain from 3rd-party farmers in Ukraine, as well as Avere physical trade operations. On top of that, we delivered strong sales of sunflower oil minimizing the carry-over stock. In line with revenue, cost of sales surged by 62% y-o-y and reflected higher volumes of procurement of grain and higher costs incurred by Group's farming business as a result of intensification of crop production on landbank added to operations in 2017, as well as doubled shipping and handling costs reflecting growing volumes sold on CIF-basis.

Gross profit

In FY2019, Gross profit for the year more than doubled y-o-y, reaching the highest in Kernel history USD 348 million.

Other operating income

Other operating income totaled at USD 28 million in FY2019, down from USD 59 million in FY2018, mostly driven by USD 14 million loss on operations with commodity futures in FY2019, as compared to USD 32 million gain for a year ago.

General and administrative expenses

General and administrative costs increased by 33% y-o-y, to USD 107 million in FY2019, mainly due to payroll costs increase, bad debt expenses (mostly due to provisions recognized following the application of IFRS 9 standard) and higher audit, legal and other professional fees incurred over the year.

Operating profit

As a result of the factors discussed above and considering also low comparison base, operating profit in FY2019 doubled as compared to the previous year, reaching USD 269 million.

Financing costs

Finance costs in FY2019 added USD 17 million y-o-y, totaling USD 82 million. The growth is mostly driven by more intensive use of working capital facilities over the season given expanded scale of the business.

Foreign exchange (gain)/loss

During the reporting period, Group recognized net foreign exchange gain of USD 13 million, up from USD 5 million a year ago. This item is mostly a non-cash gain recognized after the revaluation of our 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.

Other expenses

Other expenses amounted to USD 9 million in FY2019, mostly reflecting losses from revaluation of property, plant and equipment.

Income tax

Corporate income tax expenses totaled to USD 12 million in FY2019, as compared to USD 6 million income tax benefit recognized a year ago.

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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 2019

Income statement highlights (Continued)

Net profit

Net profit in FY2019 posed a hefty 3.2x growth y-o-y, reaching USD 178 million.

The Group has three business lines: oilseed processing, infrastructure and trading, and farming segments. The performance was as following:

Local market fundamentals were more favor-able for our Oilseed Processing business in FY2019 than a year ago. Ukraine harvested a strong 15.2 million tons of sunflower seeds, 13% up y-o-y, which materially bridged the gap to 18.5 million tons of installed processing capacities pushing the crush margins up, though general weakness in global sunflower oil price prohibited EBITDA margins to recover to normalized levels. As a result, our EBITDA margin ended up at USD 68 per ton of oil sold, up 25% y-o-y, but below its long-term potential. Combined with a record 1.6 million tons sales of sunflower oil, it translated in USD 109 million segment EBITDA, a 43% increase y-o-y.

Infrastructure and Trading segment performance in FY2019 was uneven. On one hand, we delivered the highest ever volume across all our business lines, becoming the #1 grain exporter from Ukraine with 6.1 million tons of exports. This is solid early progress to-wards set volume targets in our Strategy 2021. On top of that, record volumes were achieved in our silo and export terminals businesses enhanced by the improvement of grain trading margins and further boosted with a USD 89 million high-return investment in grain railcars to de-bottleneck logistical constrains we had in the past. On the other hand, these achievements were blurred by softer infrastructure margins and negative contribution by Avere in FY2019. As a result, EBITDA of the segment amounted to USD 106 million, up 5% as compared to last year.

With the largest crop size in its history, our Farming segment generated the highest ever EBITDA of USD 181 million stemming from supportive weather conditions and the advance in the applied technology, prompt and smooth integration of farming landbank ac-quired in 2017, and effectively used hedging solutions.

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

2. Allocation of results

The Company's financial year as of 30 June 2019 ends with a profit of USD 29,749,915.98.

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:

Profit as at 30 June 2019	USD	29,749,915.98
Result brought forward (before dividends)	USD	175,946,315.36
Dividends	USD	(20,485,307.50)
To carry forward	USD	185,210,923.84

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 2019, available at the Company website.

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5. Principal risks and uncertainties

At Kernel Holding S.A., management defines risk as an event, action or lack of action, which can lead to non-achievement of the Company's objectives. As a result of the latest review cycle, the Board approved Top-10 strategic (business) and operational risks faced by the Group for FY2020 as listed below:

- Weak harvest in Ukraine;
- Low global soft commodities prices;
- Trade position management issues;
- Fraudulent activities;
- Investment projects issues;
- Crop loss due to late harvesting;
- New business management issues (railcars);
- Failure to maintain the integrity of the leasehold farmland bank;
- General IT and information security risks;
- Human capital risks.

Other risks identified by the Company's management include (but are not limited to):

- Increase in competition;
- Compliance with environmental standards
- A prolonged period of weak economic growth, either globally or in the Company's key markets;
- Economic policy, political, social, and legal risks and uncertainties in certain countries in which Kernel Holding S.A. operates;
- Any loss or diminution in the services of Mr. Andrii Verevskyi, Kernel Holding S.A.'s chairman of the Board of Directors;
- 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 the impairment of tangible and intangible assets, including goodwill;
- The risk of fluctuations in the exchange rate of the Ukrainian hryvnia to the US dollar;
- The risk of disruption or limitation of natural gas or electricity supply;
- The risk of disruptions in 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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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 2019

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. Andrii Verevskyi, 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. Verevskyi founded the Group's business in 1995, holding various executive positions within the Group; presently, he oversees the strategic development and overall management of the Group.

(2) Mr. Andrzej Danilczuk, independent non-executive director, re-elected for a one-year term at the general meeting of shareholders held on 10 December 2018. 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 10 December 2018. 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 10 December 2018. 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 Osyov was appointed to the Board for a one-year term by the shareholders at the general meeting of the shareholders held on 10 December 2018. Mr. Osyov oversees overall management of the Agribusiness units of Kernel and is responsible for the execution of strategy.

(6) Ms. Anastasiia Usachova was re-elected to the Board for a one-year term by the shareholders at the general meeting of the shareholders held on 10 December 2018. Ms. Usachova has served the Group since 2003, and today oversees the Group's financial reporting, auditing, budgeting, financial planning and risk assessment.

(7) Ms. Viktoriia Lukianenko, chief legal officer of the Company, re-elected for a one-year term at the general meeting of shareholders held on 10 December 2018.

(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 10 December 2018. 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 2019, 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 18.

The Board of Directors

By:

Mr. Andrii Verevskyi

By:

Mr. Andrzej Danilczuk

By:

Mrs. Nathalie Bachich

By:

Mr. Sergei Shibaev

By:

Mr. Yevgen Osypov

By:

Ms. Anastasiia Usachova

By:

Ms. Viktoriia Lukianenko

By:

Mr. Yuriy Kovalchuk

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the 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 , 2019, 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, 2019, 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

Impairment of Investment in Subsidiaries

As of 30 June 2019, the carrying amount of investment in subsidiaries amounted to USD 698.7 million (2018: USD 565.1 million). The Company has recognized investments in subsidiaries at historical cost less permanent impairment. (see Note 3 to the annual accounts)

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 an understanding of controls around the impairment of Investment in subsidiaries
 - 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 annual accounts (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 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 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 December 10, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 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 68ter 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*



Marco Crosetto, *Réviseur d'Entreprises Agréé*
Partner

September 27, 2019

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Statement of the Board of Directors' responsibilities for the preparation and approval of annual accounts

For the year ended 30 June 2019

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.

We confirm that to the best of our knowledge and belief:

- The annual accounts of Kernel Holding S.A. (the 'Company') presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the balance sheet, profit and loss accounts for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies; and
- The Report of the Board of Directors includes a fair review of the development and performance of the business and position of the Company and the undertakings included, together with a description of the principal risks and uncertainties it faces.

27 September 2019

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors

Anastasiia Usachova

Director, Chief Financial Officer

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Balance sheet as at 30 June 2019

ASSETS			
	Notes	30.06.2019 USD	30.06.2018 USD
B. FORMATION EXPENSES		---	---
C. FIXED ASSETS		698,692,611.17	565,053,224.76
III. Financial assets	3	698,692,611.17	565,053,224.76
1. Shares in affiliated undertakings		698,692,562.17	565,053,175.76
5. Investments held as fixed assets		49.00	49.00
D. CURRENT ASSETS		536,664,286.73	655,403,064.27
II. Debtors	4	536,552,300.23	654,795,341.17
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		528,824,477.72	646,709,405.60
a) becoming due and payable within one year		27,399,518.80	62,146,398.42
b) becoming due and payable after more than one year		501,424,958.92	584,563,007.18
4. Other debtors		7,702,822.51	8,060,935.57
a) becoming due and payable within one year		726,822.51	1,084,935.57
b) becoming due and payable after more than one year		6,976,000.00	6,976,000.00
IV. Cash at bank and in hand		111,986.50	607,723.10
E. PREPAYMENTS	5	2,897,896.48	3,919,737.35
TOTAL ASSETS		1,238,254,794.38	1,224,376,026.38

Annual accounts for the year ended

30 June 2019

The accompanying notes form an integral part of the annual accounts

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Balance sheet as at 30 June 2019

LIABILITIES			
	Notes	30.06.2019 USD	30.06.2018 USD
A. CAPITAL AND RESERVES	6	681,105,239.91	671,840,631.43
I. Subscribed capital		2,163,740.10	2,163,740.10
II. Share premiums and similar premiums		493,514,201.96	493,514,201.96
IV. Reserves		216,374.01	216,374.01
1. Legal reserve		216,374.01	216,374.01
V. Profit or loss brought forward		175,946,315.36	220,340,855.69
VI. Profit or loss for the financial year		29,749,915.98	(23,909,232.82)
VII. Interim dividends		(20,485,307.50)	(20,485,307.51)
B. PROVISIONS	7	31,871,723.82	29,051,222.35
2. Provisions for taxation		---	80,238.85
3. Other provisions		31,871,723.82	28,970,983.50
C. CREDITORS	8	522,244,730.78	522,964,145.20
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		553,644.80	710,576.21
a) becoming due and payable within one year		553,644.80	710,576.21
6. Amounts owed to affiliated undertakings		8,404.65	3,090.56
a) becoming due and payable within one year		8,404.65	3,090.56
8. Other creditors		3,453,514.66	4,021,311.76
a) tax authorities		389,153.43	926,902.09
b) social securities authorities		(746.13)	73.29
c) other creditors		3,065,107.36	3,094,336.38
i) becoming due and payable within one year		65,107.36	94,336.38
ii) becoming due and payable after more than one year		3,000,000.00	3,000,000.00
D. DEFERRED INCOME	9	3,033,099.87	520,027.40
TOTAL LIABILITIES		1,238,254,794.38	1,224,376,026.38

Annual accounts for the year ended

30 June 2019

The accompanying notes form an integral part of the annual accounts

KERNEL HOLDING S.A.

19, rue de Bitbourg
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Profit and loss account for the year ended 30 June 2019

PROFIT AND LOSS ACCOUNT			
	Notes	From 01/07/2018 to 30/06/2019	From 01/07/2017 to 30/06/2018
		USD	USD
4. OTHER OPERATING INCOME		2,973,093.55	---
5. RAW MATERIALS AND CONSUMABLES AND OTHER EXTERNAL EXPENSES		(5,204,620.90)	(31,184,977.28)
b) Other external expenses	10/13	(5,204,620.90)	(31,184,977.28)
6. STAFF COSTS	11	(4,283.54)	(4,834.23)
a) Wages and salaries		(3,641.49)	(4,286.38)
b) Social security costs		(472.92)	(568.15)
c) Other staff costs		(169.13)	20.30
8. OTHER OPERATING EXPENSES	12	(325,938.53)	(2,050,767.69)
9. INCOME FROM PARTICIPATING INTERESTS		28,624,000.00	25,362,770.04
a) derived from affiliated undertakings		28,624,000.00	20,500,000.00
b) other income from participating interests	3	---	4,862,770.04
11. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		52,138,428.85	44,848,469.65
a) derived from affiliated undertakings	4	52,116,107.89	44,630,017.72
b) other interest and similar income		22,320.96	218,451.93
13. VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS	3	(3,825,543.29)	(15,839,064.52)
14. INTEREST PAYABLE AND SIMILAR EXPENSES		(44,739,832.48)	(44,918,881.30)
b) other interest and similar expenses	8	(44,739,832.48)	(44,918,881.30)
15. TAX ON PROFIT OR LOSS		---	(35,005.94)
16. PROFIT OR LOSS AFTER TAXATION		29,635,303.66	(23,822,291.27)
17. OTHER TAXES NOT SHOWN UNDER ITEMS 1 TO 16		114,612.32	(86,941.55)
18. PROFIT OR (LOSS) FOR THE FINANCIAL YEAR		29,749,915.98	(23,909,232.82)

Annual accounts for the year ended

30 June 2019

The accompanying notes form an integral part of the annual accounts

KERNEL HOLDING S.A.

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Notes to the annual accounts as at 30 June 2019

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 2019

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Notes to the annual accounts as at 30 June 2019

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 2019, the Company's shares are allocated as follows: 39.93% (2018: 39.47%) held by Namsen Limited, and 60.07% (2018: 60.53%) free-float.

The Company also prepares consolidated annual accounts which are published on the basis of the law dated 10 August 1915, as amended.

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

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, and also when it is considered to be a permanent difference. 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 2019

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, 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 2019

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 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.

2.2.7 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.

2.2.8 Deferred income

Deferred income includes income items received during the financial year but relating to a subsequent financial period.

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Notes to the annual accounts as at 30 June 2019**Note 3 – Financial assets**

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

	Share in affiliated undertakings USD	Investments held as fixed assets USD	Total 2019 USD
Gross book value – opening balance	580,892,240.28	49.00	580,892,289.28
Additions for the year	137,464,929.70	---	137,464,929.70
Disposals for the year	---	---	---
Transfers for the year	---	---	---
Gross book value – closing balance	718,357,169.98	49.00	718,357,218.98
Accumulated value adjustment – opening balance	(15,839,064.52)	---	(15,839,064.52)
Allocation for the year	(10,649,988.81)	---	(10,649,988.81)
Reversals for the year	6,824,445.52	---	6,824,445.52
Transfers for the year	---	---	---
Accumulated value adjustment – closing balance	(19,664,607.81)	---	(19,664,607.81)
Net book value – opening balance	565,053,175.76	49.00	565,053,224.76
Net book value – closing balance	698,692,562.17	49.00	698,692,611.17

On 5 December 2018, the Company signed-off a shareholders' resolution to increase its participation holding in Etrecom Investments Ltd by an amount of USD 130,000,000.00 of which USD 10,000,000.00 was set-off against the interest payable to the Company, USD 85,000,000 was set-off against the loan principal payable to the Company, and remaining USD 35,000,000 was settled by cash contributions.

On 8 February 2019, the Company has acquired 11.091.783 shares representing 91,12% participation holding in 'Bilovodskyi Kombinat Khliboprodyktiv' for an amount of USD 7,464,929.70.

During the financial year, the Company's affiliated undertaking, Kernel Trade LLC, proceeded with a capital increase to which Kernel Capital, Black Sea Industries Ukraine Limited, Bandursky Voep and KUA Progressive Investments have subscribed to. This new financing has brought down the participation holding percentage of the Company from 89.90% to 15.87%.

During the financial year, the Company's affiliated undertaking, Kernel Capital LLC, proceeded with a capital increase to which Jerste S.à r.l. has subscribed to. This new financing has brought down the participation holding percentage of the Company from 99,75% to 12.695%.

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Notes to the annual accounts as at 30 June 2019

Note 3 – Financial assets (continued)

As at 30 June 2019, considering the financial situation of some subsidiaries, the management decided to record the following impairments:

- USD 3,266,120.00 in relation to its participation held in Bilovodskyi Kombinat Khliboprodyktiv reducing the cost of investment from USD 7,464,929.70 to USD 4,198,809.70.
- USD 896,416.35 in relation to its participation held in Ukragrobusiness LLC reducing the cost of investment from USD 896,416.35 to USD Nil.
- USD 60,452.85 in relation to its participation held in Avere Commodities reducing the cost of investment from USD 60,452.85 to USD Nil.
- USD 6,426,999.61 in relation to its participation held in Trading Company Russian Oils LLC reducing the cost of investment from USD 6,426,999.61 to USD Nil.

In view of the future merger to take place between the Company and Jerste S.à r.l., the management has decided not to recognize any impairment on the subsidiary Kernel Trade LLC. Therefore, the previous impairment of USD of USD 6,824,445.52 was reversed. After finalization of the merge, effective share of ownership in Kernel-Trade LLC and Kernel Capital LLC should be increased above 71% and 99%, accordingly. Management anticipates that the dissolution of Jerste S.à r.l. and the transfer of its assets consisting mainly of the qualifying participations in the Ukrainian subsidiaries of the Kernel Group, to Kernel Holding S.A. will take place in the fiscal year ending in June 30, 2020.

Notes to the Annual accounts for the year ended 30 June 2019
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	Ow nership %	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 S.à r.l.	19, rue de Bitbourg, L-1273 Luxembourg, Luxembourg	100.00%	30.06.2019	USD	\$ 396,258,903.41	USD	\$ 85,681,766.59	USD	\$ 451.00
Inerco Trade S.A.	Rue Jules Gachet 9, CH1260 Nyon, Switzerland	100.00%	30.06.2019	USD	\$ 166,880,000.00	USD	\$ 29,639,000.00	USD	\$ 3,532,673.50
Kernel Capital LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	12.695%	30.06.2019	USD	\$ 292,297,000.00	USD	\$ (4,000.00)	USD	\$ 117,756,192.67
Kernel Trade LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	15.87%	30.06.2019	USD	\$ 398,745,000.00	USD	\$ 42,413,000.00	USD	\$ 231,867,105.22
Ukragrobusiness LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	91.30%	30.06.2019	USD	\$ 300,000.00	USD	\$ (1,000.00)	USD	\$ -
Estron Corporation Ltd	29A, Annis Komminis, P.C. ,1061 Nicosia, Cyprus	100.00%	30.06.2019	USD	\$ 95,033,000.00	USD	\$ (5,327,000.00)	USD	\$ 97,526,715.48
Etrecom Investments LTD	13, Agiou Prokopiou, 2406 Egkomi Cyprus	100.00%	30.06.2019	USD	\$ 193,100,000.00	USD	\$ 21,071,000.00	USD	\$ 148,901,524.95
Russian Oils Don	Russia, 350000, Krasnodar region, Krasnodar city, street Krasnoarmeiskaia, building 36	100.00%	30.06.2019	USD	\$ 862,000.00	USD	\$ 28,000.00	USD	\$ -
Trading Company Russian Oils LLC	350000, Krasnodar, Red Army, Street, №36 Russia	100.00%	30.06.2019	USD	\$ 545,000.00	USD	\$ -1,425,000.00	USD	\$ -
Avere Commodities SA	15 bis Rue des Alpes, 1201 Geneva, Switzerland	60.00%	30.06.2019	USD	\$ 3,210,000.00	USD	\$ 8,428,000.00	USD	\$ -
Filstar Limited	Prosfygon, 4, Agia Varvara, 2560, Nicosia, Cyprus	100.00%	30.06.2019	USD	\$ (10,000.00)	USD	\$ -	USD	\$ 2,282.40
JV TransBulkTerminal LLC	Ukraine, 68000, Odesskaya district, city Illichivsk, 58, Sukhomlinskaya str.	1.00%	30.06.2019	USD	\$ 3,530,000.00	USD	\$ 69,000.00	USD	\$ 49.00
Taman Grain Terminal Holdings Limited	3, Chrysanthou Mylona - 3030, Limassol, Limassol, Cyprus	50.00%	30.06.2019	USD	\$ 187,084,002.00	USD	\$ (199,753.00)	USD	\$ 94,906,807.25
Bilovodskiy Kombinat Khliboprodyktiv	2, Bilovodska Street, Romny district, Sumy region, Bilovod village, 42065, Ukraine	91.12%	30.06.2019	USD	\$ 3,718,000.00	USD	\$ (6,000.00)	USD	\$ 4,198,809.70
								USD	\$698,692,611.17

Notes to the annual accounts for the year ended 30 June 2019

Note 4 – Debtors

Debtors are mainly composed of:

	becoming due and payable within one year USD	becoming due and payable after more than one year USD	Total 30.06.2019 USD	Total 30.06.2018 USD
Amounts owed by affiliated undertakings	27,399,518.80	501,424,958.92	528,824,477.72	646,709,405.60
Loan to affiliated undertakings (direct shareholding)	9,199,170.39	189,396,022.22	198,595,192.61	273,619,608.56
Loan to affiliated undertakings (indirect shareholding)	17,452,576.09	312,028,936.70	329,481,512.79	348,749,151.81
Current receivable from affiliated undertakings (direct shareholding)	502,218.38	---	502,218.38	20,930,282.27
Current receivable from affiliated undertakings (indirect shareholding)	245,553.94	---	245,553.94	3,410,362.96
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	726,822.51	6,976,000.00	7,702,822.51	8,060,935.57
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	1,000,000.00
VAT receivable	573,948.20	---	573,948.20	819,592.87
Advance Corporate Income Tax 2016	---	---	---	1,683.83
Advance Net Wealth Tax 2017	---	---	---	76,396.31
Advance Net Wealth Tax 2018	---	---	---	34,443.56
Receivable from third party	152,874.31	---	152,874.31	152,819.00
Total	28,151,341.31	508,400,958.92	536,552,300.23	654,795,341.17

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Notes to the annual accounts for the year ended 30 June 2019**Note 4 – Debtors** (continued)

Loans to affiliated undertakings (direct shareholding)	Interest Rate %	Maturity	Currency	Interest Income for the year ending 30.06.19	Accrued Interest 30.06.19	Outstanding Principal 30.06.19	Accrued Interest 30.06.18	Outstanding Principal 30.06.18
Kernel Trade LLC (Contract 1)	9.80%	31/03/2021	USD	1,858,724.43	619,091.60	18,900,000.00	2,699,430.19	19,000,000.00
Kernel Trade LLC (Contract 2)	9.80%	31/03/2021	USD	2,446,724.38	815,628.45	24,900,000.00	3,314,413.67	25,000,000.00
Kernel Trade LLC (Contract 3)	9.80%	31/03/2021	USD	2,446,724.37	815,628.45	24,900,000.00	3,265,118.33	25,000,000.00
Kernel Trade LLC (Contract 4)	9.80%	31/03/2021	USD	2,446,724.37	1,003,573.66	24,900,000.00	3,182,637.23	25,000,000.00
Kernel Trade LLC (Contract 5)	9.80%	31/03/2021	USD	1,456,924.41	593,584.68	14,800,000.00	1,967,222.44	14,900,000.00
Kernel Trade LLC (Contract 7)	9.80%	31/03/2021	USD	682,724.36	278,642.18	6,900,000.00	790,980.82	7,000,000.00
Avere Commodities S.A.	5.00%	31/12/2020	USD	1,340,873.57	1,589,505.32	29,462,677.22	248,631.75	20,462,677.22
Etrecom Investment Limited	9.80%	31/12/2020	USD	5,028,734.30	1,094,859.25	2,310,500.00	6,066,124.95	114,771,500.00
Inerco Trade S.A.	8.75%	31/12/2020	USD	2,023,771.93	2,388,656.80	42,322,845.00	698,884.87	---
Estron Corporation Ltd.	9.80%	01/08/2018	USD	---	---	---	251,987.09	---
				19,731,926.12	9,199,170.39	189,396,022.22	22,485,431.34	251,134,177.22

Loans to affiliated undertakings (indirect shareholding)	Interest Rate %	Maturity	Currency	Interest Income for the year ending 30.06.19	Accrued Interest 30.06.19	Outstanding Principal 30.06.19	Accrued Interest 30.06.18	Outstanding Principal 30.06.18
Avere Commodities Asia Pte. Ltd.	5.00%	31/12/2020	USD	22,068.50	41,479.46	---	19,410.96	900,000.00
Restomon Limited (Inerco)	9.80%	31/12/2020	USD	17,411,096.63	17,411,096.63	177,178,829.96	---	177,178,829.96
Restomon Limited (Jerste)	9.80%	31/12/2020	USD	14,856,016.64	---	134,850,106.74	15,300,910.89	155,350,000.00
				32,289,181.77	17,452,576.09	312,028,936.70	15,320,321.85	333,428,829.96

Loan to third party	Interest Rate %	Maturity	Currency	Interest Income for the year ending 30.06.19	Accrued Interest 30.06.19	Outstanding Principal 30.06.19	Accrued Interest 30.06.18	Outstanding Principal 30.06.18
Emmark Capital	9.50%	20/12/2023	USD	95,000.00	---	1,000,000.00	---	1,000,000.00
				95,000.00	---	1,000,000.00	---	1,000,000.00

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Notes to the annual accounts for the year ended 30 June 2019

Note 4 – Debtors (continued)

Loans to affiliated undertakings (direct shareholding)

Kernel Trade LLC

During the financial year, the Company has received, under its active 6 contracts, aggregate repayments for loan principal and accrued interest respectively amounting to USD 600,000.00 and USD 22,432,199.98.

Avere Commodities S.A.

During the financial year, the Company made advances for an aggregate amount of USD 20,000,000.00, out of which an aggregate amount of USD 11,000,000.00 was repaid back to the Company.

Etrecom Investment Limited

During the financial year, the Company has received loan principal repayments for an aggregate amount of USD 112,461,000.00, in addition to an interest repayment received for an amount of USD 10,000,000.00.

Inerco Trade S.A.

During the financial year, the Company made advances for an aggregate amount of USD 94,805,845.00, out of which an aggregate amount of USD 52,483,000.00 was repaid back to the Company. Also during the year, an aggregate amount of USD 334,000.00 was received as accrued interest repayment.

Estron Corporation Ltd.

On 27 July 2018, the Company has received full accrued interest settlement, for an amount of USD 251,987.09.

Loans to affiliated undertakings (indirect shareholding)

Avere Commodities Asia Pte. Ltd.

On 27 December 2018, the Company has received full loan principal settlement, for an amount of USD 900,000.00.

Restomon Limited (Jerste)

During the financial year, the Company has received loan principal repayments for an aggregate amount of USD 20,499,893.26, in addition to interest payments of an aggregate amount of USD 32,765,000.00, out of which part received in advance is reflected as deferred income.

Loan to third party

Emmark Capital

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.

Notes to the annual accounts for the year ended 30 June 2019

Note 5 – Prepayments

Prepayments are composed of:

	30.06.2019 USD	30.06.2018 USD
Eurobonds issuance fees	3,119,624.77	3,119,624.77
Eurobonds issuance fees - Amortisation	(1,507,818.65)	(935,887.42)
Eurobonds repayment premium	2,480,000.00	2,480,000.00
Eurobonds repayment premium - Amortisation	(1,198,666.67)	(744,000.00)
Deferred Charges	4,757.03	---
Total	2,897,896.48	3,919,737.35

The above prepayments originate from the issuance by the Company of new bonds. Please refer to note 8.

Note 6 – Capital and Reserves

	Subscribed Capital USD	Share premiums and similar premiums USD	Legal reserve USD	Profit or loss brought forward USD	Result for the financial year USD	Interim Dividend USD	Total USD
As at 30 June 2018	2,163,740.10	493,514,201.96	216,374.01	220,340,855.69	(23,909,232.82)	(20,485,307.51)	671,840,631.43
Movements for the year:							
• Allocation of prior year's result	---	---	---	(23,909,232.82)	23,909,232.82		---
• Allocation of prior year's dividend	---	---	---	(20,485,307.51)	---	20,485,307.51	---
• Profit for the year	---	---	---	---	29,749,915.98	---	29,749,915.98
• Dividend payments / allocation	---	---	---	---	---	(20,485,307.50)	(20,485,307.50)
As at 30 June 2019	2,163,740.10	493,514,201.96	216,374.01	175,946,315.36	29,749,915.98	(20,485,307.50)	681,105,239.91

The allocation of prior year's results was approved by the General Shareholders' Meeting of 10 December 2018.

On 10 December 2015, the Board of Directors 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.

On 10 December 2018, the Company declared a dividend for an amount of USD 20,485,307.50 (2018: 20,175,307.51). The payment of the net dividend has been done by a set-off against loan principal receivable from Restomon Limited on 25 April 2019 (see Note 4).

Subscribed capital

The Company's share capital as at 30 June 2019 amounts to USD 2,163,740.10 divided into 81,941,230 shares without indication of a nominal value (30 June 2018: USD 2,163,740.10).

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.

Notes to the annual accounts for the year ended 30 June 2019

Note 6 – Capital and Reserves (continued)

Share premium and similar premiums

The share premium account as at 30 June 2019 amounts to USD 493,514,201.96 (30 June 2018: USD 493,514,201.96).

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. The legal reserve amounts to USD 216,374.01 (30 June 2018: USD 216,374.01).

Note 7 – Provisions

Provisions are made up as follows:

	30.06.2019 USD	30.06.2018 USD
Provisions		
Provisions for taxation	---	80,238.85
Other provisions		
Provision for liability (see note 16)	31,871,723.82	28,970,983.50
Total	31,871,723.82	29,051,222.35

During the financial year, the Company has increased the carrying amount of the provision for legal claims by USD 2,900,740.32 to USD 31,871,723.82 as of 30 June 2019. The increase from prior year relates to the accrued interest of 10% commencing on 27 February 2018. No payment has been made to the claimant pending the outcome of the challenge.

Note 8 – 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 years USD	Total 30.06.2019 USD	Total 30.06.2018 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	553,644.80	---	553,644.80	710,576.21
Tax authorities	389,153.43	---	389,153.43	926,902.09
Amounts owed to affiliated undertakings	8,404.65	---	8,404.65	3,090.56
Other creditors	64,361.23	3,000,000.00	3,064,361.23	3,094,409.67
Total	19,244,730.78	503,000,000.00	522,244,730.78	522,964,145.20

Notes to the annual accounts for the year ended 30 June 2019

Note 8 – Creditors (continued)

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 2019 amounts to USD 43,750,000.00. (USD 43,750,000.00 as at 30 June 2018).

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.

Note 9 – Deferred Income

Deferred income is made up as follows:

	30.06.2019 USD	30.06.2018 USD
Deferred Income		
Deferred accrued interest on loans - indirect shareholding (see note 4)	2,608,072.47	---
Deferred accrued interest on loans - third party (see note 4)	425,027.40	520,027.40
Total	3,033,099.87	520,027.40

The Company has re-classified excess interest payments for an amount of USD 2,608,072.47 received from its indirect shareholding to deferred income.

Notes to the annual accounts for the year ended 30 June 2019**Note 10 – Other external expenses**

The other external expenses are composed as follows:

	2019 USD	2018 USD
Fees related to Stiom (see note 16)	(2,900,740.32)	(28,970,983.50)
Legal fees	(1,083,270.43)	(660,712.52)
Legal fees*	(46,319.44)	(61,805.89)
Accounting and audit fees	(438,375.59)	(691,644.21)
Other sundry external charges	(364,773.43)	(56,538.29)
Other fees	(140,262.72)	(142,152.73)
Other fees*	-	(116,086.23)
Other fees- Arendt Services	(104,556.28)	(108,620.07)
Tax advisory fees	(59,766.53)	(6,922.41)
Contributions to professional associations	(27,538.19)	(30,487.49)
Rental of buildings	(21,130.38)	(24,638.31)
Account costs	(9,343.45)	(12,083.34)
Other insurances	(5,840.79)	(215,419.48)
Telephone and other telecommunication costs	(1,995.72)	(586.79)
Translation fees	(707.63)	(8,419.13)
Other remunerations and fees of intermediaries	-	(45,648.00)
Investment fees*	-	(14,532.01)
Travel - Management (operators and shareholders/partners)	-	(11,814.00)
Data processing	-	(4,999.00)
Security costs	-	(883.88)
Total	(5,204,620.90)	(31,184,977.28)

* Fees related to the Eurobonds issuance and financing activity

Note 11 – Staff

The Company had one part-time employee during the financial year ended 30 June 2019 (30 June 2018: one part-time).

Note 12 – Emoluments granted to the members of the management and supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

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

	2019 USD	2018 USD
Directors' fees: amounts paid to the Directors during the year	264,153.94	166,325.11

Notes to the annual accounts for the year ended 30 June 2019

Note 12 – Emoluments granted to the members of the management and supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

(continued)

As of 30 June 2019, the fair value of the share-based options granted to the management was USD 9,111 thousand and USD 997 thousand was recognized as an expense (part of payroll and payroll related expenses) during the year ended 30 June 2019, with a corresponding increase in equity over the vesting period (30 June 2018: USD 8,114 thousand and USD 1,100 thousand, respectively).

On 10 December 2018, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share amounting to USD 20,485 thousand. On 25 April 2019, the dividends were fully paid to the shareholders.

Note 13 – Audit fees

Audit fees are made up as follows:

	2019 USD	2018 USD
Audit fees	482,439.86	488,166.91

Note 14 – 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 June 2019 is USD 3.1 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.

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 290 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 seven loans signed between Avere Commodities S.A./Avere Commodities Corp and European banks for financing of trading facility for the total amount of USD 282 million.

Notes to the annual accounts for the year ended 30 June 2019**Note 14 – Off balance sheet commitments** (Continued)

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.

In December 2018 Kernel attracted a 10-year project financing from European Investment Bank for the amount up to USD 250 million according to which Kernel Holding S.A. guarantees all the obligations as a guarantor.

As of 25 February 2019, subsidiaries of the Company attracted a 8-year loan arranged by the European Bank for Reconstruction and Development with financing up to USD 56 million under which the Company has commitment as a Guarantor.

Additionally the Company as guarantor guarantees all the obligations under USD 162 million loans agreements signed by subsidiaries of Kernel Holding S.A. with European Banks and their subsidiaries in Ukraine.

Note 15 – Tax Status

The Company is fully taxable under Luxembourg tax regulations.

Note 16 – Contingencies**Capital Commitments**

As of 30 June 2019, the Group had commitments under contracts with a group of suppliers for a total amount of USD 152,851 thousand, mostly for the construction of an oil-crushing plant and port terminal (30 June 2018: USD 109,681 thousand, mostly for the purchase of agricultural equipment and reconstruction of a terminal).

Contractual Commitments on Sales

As of 30 June 2019, the Group had entered into commercial contracts for the export of 802,375 tons of grain and 546,117 tons of sunflower oil and meal, corresponding to an amount of USD 156,194 thousand and USD 227,450 thousand, respectively, in contract prices as of the reporting date.

As of 30 June 2018, the Group had entered into commercial contracts for the export of 1,631,918 tons of grain and 503,369 tons of sunflower oil and meal, corresponding to an amount of USD 314,269 thousand and USD 248,196 thousand, respectively, in contract prices as of the reporting date.

Commitments on leases of property plant and equipment

As of 30 June 2019, following the strategy to increase port capacity, the Group entered into a 49-year lease contract of property plant and equipment with a renewal option according to the market rent. The Group is obliged to perform fixed monthly payments adjusted on the rate of inflation. The Group will not obtain the right to acquire property plant and equipment after expiration of the lease contract.

The future minimum lease payments:

Lease term	Future minimum lease payment as of 30 June 2019	Future minimum lease payment as of 30 June 2018
Less than 1 year	548	550
From 1 to 5 years	2,193	2,198
More than 5 years	21,683	22,289
Total	24,424	25,037

Notes to the annual accounts for the year ended 30 June 2019

Note 16 – Contingencies (Continued)

Commitments on land operating leases

As of 30 June 2019, and 2018, the Group had outstanding commitments under non-cancellable operating lease agreements with the following maturities:

Lease term	Future minimum lease payment as of 30 June 2019	Future minimum lease payment as of 30 June 2018
Less than 1 year	50,718	77,582
From 1 to 5 years	228,739	270,884
More than 5 years	312,090	287,127
Total	591,547	635,593

Taxation and Legal Issues

In April 2012, the Group entered into a call option agreement to acquire Stiom Holding, a farming company located in the Khmelnytskyi region of Ukraine. Upon signing, the sellers received approximately 40% of the estimated net asset value partly from the Group and its related parties. As of 30 June 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.

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 has been increased to USD 31,871,723.82 as of 30 June 2019. The increase from prior year relates to the accrued interest of 10% commencing on 27 February 2018. No payment has been made to the claimant pending the outcome of the challenge.

As of 30 June 2019, 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.

The Group performed certain sale and acquisition transactions and other concentrations which could have required the obtaining of the prior approval of the Antimonopoly Committee of Ukraine ("AMC"). In February 2019, the Group acquired RTK-Ukraine LLC (the "Acquisition"). In July 2019, the AMC initiated investigation in respect of the Acquisition claiming that the Group had to obtain the AMC approval for the concentration prior to acquisition of RTK Ukraine. The Group believes that the AMC approval for the concentration was not required as the Acquisition falls under the exemption allowing not to obtain the AMC approval for the concentration. The investigation is currently pending. Exact amount of potential fines and penalties could be defined after investigation finalized. Management believes that based on the past history, it is unlikely that any material settlement will arise and no respective provision is required in the Group's financial statements as of the reporting date.

Notes to the annual accounts for the year ended 30 June 2019

Note 16 – Contingencies (Continued)

As of 30 June 2019, the Group's management assessed its maximum exposure to tax risks related to VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues for total amount of USD 21,493 thousand (30 June 2018: USD 60,604 thousand), from which USD 7,797 10,592 related to VAT recoverability (30 June 2018: USD 42,882 thousand), USD 10,592 7,797 thousand related to corporate income tax (30 June 2018: 17,382 thousand) and USD 3,104 thousand related to other tax issues (30 June 2018: 340 thousand).

As of 30 June 2019, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 20,471 thousand (30 June 2018: USD 31,480 thousand), included in the abovementioned amount. Out of this amount, USD 7,613 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (30 June 2018: USD 19,159 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Ukraine's tax environment is characterized by complexity in tax administration, arbitrary interpretation by tax authorities of tax laws and regulations that, inter alia, could increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigations resulting in the imposition of additional taxes, penalties, and interest, which could be material.

Note 17 – Operating environment

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2018-2019, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease of GDP, illiquidity, and volatility of financial markets.

During the year ended 30 June 2019, annual inflation rate amounted to 9% (2018: 10%). The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in GDP smooth growth for the year ended 30 June 2019 for 3% (2018: 3%) and stabilization of national currency. From trading perspective, the economy continued to demonstrate refocusing on the European Union ("EU") market, in such a way effectively reacting to mutual trading restrictions imposed between Ukraine and Russia.

To further facilitate business activities in Ukraine, the National Bank of Ukraine (NBU) lifts the surrender requirement of a share of foreign currency proceeds. The requirement that obliged entrepreneurs to sell certain share of their foreign currency proceeds was abolished starting from 20 June 2019.

In line with the currency liberalization the National Bank of Ukraine ("NBU") streamlined currency supervision of compliance with settlement deadlines for export and import transactions in foreign currency from 120 to 365 days and cancelled all limits on repatriation of dividends since July 2019 (from March 2018, companies were allowed to pay dividends to foreign investors in foreign currency at the amount under USD 7 million per month regardless of the period, when such dividends were accrued).

Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts and cooperation with the International Monetary Fund ("IMF"), yet further economic and political developments are currently difficult to predict.

Notes to the annual accounts for the year ended 30 June 2019

Note 18 – Subsequent events

On 13 August 2019, according to management's plan, the Company disposed one of export terminals, assets of which as of 30 June 2019 were classified as assets held for sale.

As of 3 September 2019, the Company entered pre-export credit facility with a syndicate of European banks. Total available limit under amended facility was increased up to USD 390 million by adding additional tranche of USD 100 million maturing 31 August 2021. Moreover, the tenors of existing tranches were extended for one year: USD 200 million till 31 August 2022 and USD 90 million till 31 August 2020, respectively. Financing will be used by the Company to fund the working capital needs of its sunflower oil production business in Ukraine.

As of 6 September 2019, Fitch Ratings has upgraded Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) to 'B' from 'B-', the outlooks are positive, according to a report on the rating agency's website.

As of 23 September 2019, the Company entered pre-export credit facility with a syndicate of European banks. Total available limit under amended facility was increased up to USD 300 million by adding additional tranche of USD 200 million maturing 30 June 2021. Moreover, the tenor of existing USD 200 million tranche was extended for one year till 30 June 2022.