

KERNEL

Q1 FY2017

**Condensed Consolidated Interim
Financial Statements**

for the three months ended 30 September 2016



Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016

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Management Discussion and Analysis

for the three months ended 30 September 2016

Key Highlights:

- Revenues remained marginally flat, up 2% to USD 384.1 million in Q1 FY2017 stemming from y-o-y increase in sales volumes and lower international agricultural prices.
- EBITDA stood at USD 72.4 million, up 31% y-o-y, as a result of a higher contribution from our infrastructure and farming divisions and weaker performance in our sunflower oil business.
- Net profit attributable to equity holders of Kernel Holding S.A. came to USD 62.9 million in Q1 FY2017, up 2.6x y-o-y, owing to higher operating profit and the foreign exchange gain on intercompany transactions and borrowings.
- Sunflower oil business weak performance in Q1 FY2017 was within expectations. Revenues stood at USD 175.6 million compared to USD 190.4 million a year ago stemming from decrease in selling prices, partially offset by increase in sales volumes. EBITDA contribution declined to USD 12.6 million, down 52% y-o-y, due to poor availability of sunflower seeds in the market in May-June 2016, which translated into expensive carry over stock.
- Grain business continued to set records in Q1 FY2017 with 1.2 million tons of grain exports, up 27% y-o-y, as we accumulated a presold stock at year ended 30 June 2016. Consequently, the grain and infrastructure segment's EBITDA contribution was USD 21.9 million, up 4% y-o-y.
- The farming segment's EBITDA was up 3x y-o-y to USD 77.7 million in Q1 FY2017, stemming from further improvements in farming technology, USD 33.4 million of gain, attributable to revaluation of our crops in fields and agricultural produce at the moment of harvest as a result of a double digit growth in yields, and USD 30.8 million of unrealized profits, arisen upon intragroup sales of agricultural products, which remained unsold to the third parties as of the end of the reporting period.
- Net debt decreased by 16% y-o-y, to USD 326.2 million as of 30 September 2016, as we used strong cash flow generation in the course of FY2016 to strengthen our balance sheet.

USD million except ratios and EPS

	Q1 FY2017	Q1 FY2016	y-o-y
P&L highlights			
Revenue	384.1	377.7	1.7%
EBITDA ⁽¹⁾	72.4	55.1	31.4%
Net profit attributable to equity holders of Kernel Holding S.A.	62.9	23.9	2.6x
EBITDA margin	18.9%	14.6%	4.3pp
Net margin	16.4%	6.3%	10.1pp
EPS ⁽²⁾ , USD	0.79	0.30	
Cash flow highlights			
Operating profit before working capital changes	41.4	57.8	(28.4%)
Change in working capital	(54.4)	(74.2)	(26.7%)
Cash used in operations	(13.0)	(16.4)	(20.7%)
Net cash used in operating activities	(29.7)	(29.5)	0.7%
Net cash used in investing activities	(12.9)	(18.3)	(29.5%)
Liquidity position and credit metrics			
Net interest-bearing debt	326.2	386.8	(15.7%)
Readily marketable inventories	402.2	275.3	46.1%
Adjusted net debt ⁽³⁾	(76.0)	111.5	n/m
Shareholders' equity	1,028.5	894.4	15.0%
Net debt/EBITDA ⁽⁴⁾	0.9x	1.0x	(0.1x)
Adjusted net debt/EBITDA	(0.2x)	0.3x	n/m
EBITDA/Interest ⁽⁵⁾	6.4x	6.1x	0.3x

Note: Differences are possible due to rounding.

1 Hereinafter, EBITDA is calculated as the sum of profit from operating activities plus amortization and depreciation. Q1 FY2016 excludes adjustment for discontinued operations.

2 EPS is measured in US Dollars per share based on 79.7 million shares for Q1 FY2017 and Q1 FY2016.

3 Adjusted net financial debt is net debt minus readily marketable inventories. Adjusted net debt/EBITDA is calculated based on 12-month trailing EBITDA.

4 Net debt/EBITDA is calculated based on 12-month trailing EBITDA.

5 EBITDA/Interest is calculated based on 12-month trailing EBITDA and net financial costs.

Segment Results and Discussion

for the three months ended 30 September 2016

Segment results summary

	Revenue, USD million			EBITDA, USD million			EBITDA margin		Volumes, thousand tons		
	Q1 FY2017	Q1 FY2016	y-o-y	Q1 FY2017	Q1 FY2016	y-o-y	Q1 FY2017	Q1 FY2016	Q1 FY2017	Q1 FY2016	y-o-y
Sunflower oil											
Sunflower oil sold in bulk	152.2	169.9	(10.4%)	10.6	22.5	(52.9%)	7.0%	13.3%	167.3	158.2	5.8%
Bottled sunflower oil	23.3	20.5	13.7%	2.0	3.4	(41.2%)	8.4%	16.6%	21.3	17.7	20.3%
Grain and infrastructure											
Grain	199.7	176.3	13.3%	4.3	10.4	(58.7%)	2.2%	5.9%	1,180.9	927.4	27.3%
Export terminals	12.4	9.2	34.8%	10.5	5.5	1.9x	84.3%	59.6%	1,393.5	1,167.7	19.3%
Silo services	10.5	8.5	23.5%	7.1	5.1	39.2%	67.6%	60.4%			
Farming											
Farming	146.4	56.2	2.6x	77.7	22.6	3.4x	53.1%	40.3%			
Unallocated corporate expenses				(9.0)	(7.8)	1.2x					
Reconciliation	(160.6)	(62.8)	2.6x	(30.8)	(6.7)	4.6x					
Total	384.1	377.7	1.7%	72.4	55.1	31.4%	18.9%	14.6%			

Note: Differences are possible due to rounding. Segment revenue includes intersegment sales reflected in the item 'Reconciliation'. Segment EBITDA includes unrealized profit, arisen upon intragroup sales of agricultural products by the farming segment, which remained unsold to the third parties as of the end of the reporting period. Q1 FY2016 EBITDA excludes adjustment for discontinued operations. 1 Million liters.

2 Including 473,779 tons transhipped through the Taman port in Q1 FY2017 and 572,875 tons in Q1 FY2016 (Kernel's share in the joint venture).

Sunflower oil sold in bulk segment

- Lower market-wide availability of sunflower seeds at the end of the previous marketing season resulted in 33% y-o-y decline in crushing volumes during Q1 FY2017. As a consequence, sizable sunflower oil stock brought forward has led only to a marginal 6% y-o-y increase in sunflower oil sales during Q1 FY2017.
- In Q1 FY2017, the segment's revenues stood at USD 152.2 million, down 10% y-o-y, stemming from weaker international sunflower oil prices and a negligible increase in sales volumes. The crushing margins amounted to USD 63.4 per ton of bulk oil in Q1 FY2017, lower than levels seen in the previous year, as the crushing business in Ukraine experienced a greater imbalance between supply and demand of sunflower seeds towards the end of the marketing season 2016, resulting in accumulation of expensive carried-over stock.
- Consequently, the segment's EBITDA came to USD 10.6 million in Q1 FY2017, compared to USD 22.5 million a year ago.

Bottled sunflower oil

- Bottled oils sales amounted to 21.3 million liters in Q1 FY2017, up 20% y-o-y, as we increased our export sales. On higher export sales, the segment's revenues increased to USD 23.3 million, as compared to USD 20.5 million a year ago.
- The bottled oil segment's margins stood at USD 91.6 per ton, lower 52% y-o-y, mirroring the performance of sunflower oil sold in bulk.
- Total EBITDA contribution amounted to USD 2.0 million in Q1 FY2016, as compared to USD 3.4 million during the previous year.

Segment Results and Discussion

for the three months ended 30 September 2016

Grain marketing

- Grain sales increased 27% y-o-y to 1,181 thousand tons in Q1 FY2017 stemming from strong crop production in Ukraine and Russia together with sizable brought forward stock. A combination of larger export volumes and lower selling prices resulted into 13% y-o-y increase in the segment's revenues.
- The grain segment's EBITDA margin stood at 2% in Q1 FY2017, as compared to 6% a year ago. The decline stemmed from farmers' reluctance to sell their crops and accumulation of expensive, end-of-the-marketing-season carried-over stock (corn, wheat and barley) to meet the demand for Q1 FY2017 contracted volumes.
- As a consequence, grain exports contribution stood at USD 4.3 million in Q1 FY2017, compared to USD 10.4 million during previous year.

Export terminals and silo services

- Export terminal segment's throughput increased 19% y-o-y to 1,394 thousand tons in Q1 FY2017, a record volume for the first quarter, fueled by an increase in grain and sunflower meal exports. In addition, the segment's EBITDA margin posted another record of USD 11.4 per ton in Q1 FY2017, up 24% y-o-y, driven by a decrease in operating costs.
- As a result, the export terminals' total EBITDA came to USD 10.5 million in Q1 FY2017, experiencing a two-fold increase as compared to a year ago. The net contribution from the Taman joint venture amounted to a loss of USD 1.2 million as opposed to a gain of USD 1.3 million a year ago.
- The silo services segment's revenues increased 24% to USD 10.5 million in Q1 FY2017, owing to larger production of our farming division. As a result, the segment's total EBITDA contribution amounted to USD 7.1 million, up 39% y-o-y.

Farming

- At the date of this report publication, 90% acreage harvesting for FY2017 was completed, with double-digit percentage growth of crop yields thanks to improved crop cultivation technology and overall favorable weather conditions. Consequently, the total grain and oilseed harvest is expected to increase by 14% y-o-y to 2,130 thousand tons in FY2017.
- As a result, during Q1 FY2017 our farming division posted record revenues of USD 146 million, 2.6x increase y-o-y, with EBITDA at USD 77.7 million compared to USD 22.6 million a year ago.
- Overall, FY2017 crop yields show at least 27% premium to Ukraine's average crop yields.

Harvest update

	Acreage, thousand hectares			Net crop yield ⁽¹⁾ , tons/hectare			Net tonnage ⁽¹⁾ , thousand tons		
	FY2017	FY2016	y-o-y	FY2017	FY2016	y-o-y	FY2017	FY2016	y-o-y
Corn	138.3	160.7	(13.9%)	8.8	7.3	20.5%	1,223.1	1,173.2	4.3%
Wheat	82.4	72.5	13.7%	6.0	5.1	17.6%	492.7	368.6	33.6%
Sunflower	81.4	62.0	31.3%	3.0	2.8	7.1%	244.8	170.7	43.4%
Soybean	58.2	66.9	(13.0%)	2.8	1.8	55.6%	161.0	120.1	34.0%
Rapeseed	2.6	9.6	(72.9%)	3.4	4.4	(22.7%)	8.9	41.8	(78.8%)
Other ⁽²⁾	17.8	14.2	25.4%						
Total	380.8	385.9	(1.3%)				2,130.5	1,874.4	13.8%

1 Net crop yields and tonnage are based on 84% of corn acreage harvested and 100% for other crops, and based on estimated losses during drying and cleaning.

1 ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat and soybean.

2 Other acreage includes barley, rye, oats, forage crops, excluding fallow land.

Financial Highlights

for the three months ended 30 September 2016

Income statement highlights:

- Revenues remained almost flat, up 2% to USD 384.1 million in Q1 FY2017 resulting from y-o-y increases in sales volumes and in lower international agricultural prices.
- Net change in the fair value of biological assets and agricultural produce reflects the revaluation of crops in fields and agricultural produce balances to its fair value as of 30 September 2016. Positive effect in the amount of USD 33.4 million (vs. USD 2.1 million a year ago) was due to double-digit growth of crop yields as a result of improvement in the cultivation technology and overall favorable weather conditions.
- Gross profit increased 28% y-o-y to USD 94.7 million in Q1 FY2017, as a result of positive revaluation of biological assets, and improved operating performance of our infrastructure and farming divisions.
- Other operating income of USD 9.7 million in Q1 FY2017 increased 3.1x y-o-y representing farming-related VAT benefits.
- Distribution costs were USD 31.9 million, up 35% y-o-y on higher volumes. The distribution costs stood at 8.3% of revenues in Q1 FY2017, compared to 6.3% a year ago.
- General and administrative expenses totaled USD 13.9 million in Q1 FY2017, up 8% y-o-y. General and administrative expenses stood at 3.6%, as a slight increase over 3.4% in Q1 FY2016.
- Profit from operating activities was USD 58.5 million in Q1 FY2017, a 43% increase y-o-y and reflected segments performance as discussed above.
- Net finance cost went up 9% y-o-y to USD 11.2 million, reflecting changes in the composition of the borrowings.
- Foreign exchange gain of USD 15.1 million in Q1 FY2017 echoed the positive revaluation of intercompany transactions and borrowings between entities having different functional currencies.
- As a result, net profit attributable to the shareholders of Kernel Holding S.A. amounted to USD 62.9 million in Q1 FY2017, a record for the first quarter and 2.6x y-o-y increase, attributable to advancing farming operations and improving efficiency of our infrastructure.

Cash flow highlights:

- Operating profit before working capital changes was USD 41.4 million in Q1 FY2017 versus USD 57.8 million a year ago, due to lower performance of sunflower oil business.
- Working capital seasonally increased by USD 54.4 million in Q1 FY2017, primarily owing to new season purchases of raw materials.
- Net cash used in investing activities was USD 12.9 million in Q1 FY2017 versus USD 18.3 million, a combination of purchase of agricultural vehicles and equipment for farming and divestment of minor idle assets.
- All of the above translated into USD 60.6 million provided by financing activities in Q1 FY2017.

Credit metrics highlights

- Net debt decreased to USD 326.2 million as of 30 September 2016 versus USD 386.8 million as of 30 September 2015, as we continue to strengthen our balance sheet. Readily marketable inventories comfortably cover all of our net debt as of 30 September 2016 compared to 71% coverage a year ago.
- Net debt to EBITDA further decreased to 0.9x as of 30 September 2016 vs. 1.0x as of 30 September 2015, as a result of strong operating cash flows during the last year. For the first time in Kernel's history, net debt adjusted for readily marketable inventories to EBITDA cross negative mark, comfortably covering our entire net debt, as opposed to 0.3x a year ago.

Credit metrics

USD million except ratios	30 Sep 16	30 Sep 15
Gross interest-bearing debt	419.5	463.0
Cash	93.3	76.1
Net interest-bearing debt	326.2	386.8
Readily marketable inventories	402.2	275.3
Adjusted net financial debt	(76.0)	111.5
Shareholders' equity	1,028.5	894.4
Net debt / EBITDA	0.9x	1.0x
Adjusted net debt / EBITDA	(0.2x)	0.3x
EBITDA / Interest	6.4x	6.1x

1 Adjusted net financial debt is the net debt less readily marketable inventories.

2 Total equity attributable to Kernel Holding S.A. shareholders.

3 Net debt/EBITDA and Adjusted net debt/EBITDA are calculated based on 12-month trailing EBITDA.

4 EBITDA/Interest is calculated based on 12-month trailing EBITDA and net finance costs.

Selected Financial Data

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	USD		PLN		EUR	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015	30 September 2016	30 September 2015
I. Revenue	384,063	377,722	1,493,199	1,316,210	344,005	315,738
II. Profit from operating activities	58,543	40,902	227,609	142,527	52,437	34,190
III. Profit before income tax	66,747	30,971	259,506	107,922	59,785	25,889
IV. Profit for the period from continuing operations	63,072	28,449	245,218	99,133	56,494	23,781
V. Net cash used in operating activities	(29,734)	(29,535)	(115,603)	(102,918)	(26,633)	(24,688)
VI. Net cash used in investing activities	(12,874)	(18,343)	(50,053)	(63,918)	(11,531)	(15,333)
VII. Net cash generated by/(used in) financing activities	59,850	(5,268)	232,691	(18,357)	53,608	(4,404)
VIII. Total net cash flow	17,242	(53,146)	67,035	(185,193)	15,444	(44,425)
IX. Total assets	1,652,447	1,488,269	6,371,505	5,602,589	1,477,618	1,335,721
X. Current liabilities	497,554	489,205	1,918,469	1,841,612	444,913	439,061
XI. Non-current liabilities	124,695	104,052	480,799	391,704	111,502	93,387
XII. Issued capital	2,104	2,104	8,113	7,921	1,881	1,888
XIII. Total equity	1,030,198	895,012	3,972,237	3,369,273	921,203	803,273
XIV. Number of shares	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410
XV. Profit per ordinary share (in USD/PLN/EUR)	0.79	0.30	3.07	1.05	0.71	0.25
XVI. Diluted number of shares	81,894,124	81,020,112	81,894,124	81,020,112	81,894,124	81,020,112
XVII. Diluted profit per ordinary share (in USD/PLN/EUR)	0.77	0.30	2.99	1.03	0.69	0.25
XVIII. Book value per share (in USD/PLN/EUR)	12.91	11.22	49.77	42.25	11.54	10.07
XIX. Diluted book value per share (in USD/PLN/EUR)	12.56	11.04	48.43	41.56	11.23	9.91

Condensed Consolidated Interim Statement of Financial Position

as of 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Assets				
Current assets				
Cash and cash equivalents	6	93,336	60,372	76,144
Trade accounts receivable, net	7	41,787	75,207	57,865
Prepayments to suppliers and other current assets, net	20	65,662	52,983	73,648
Corporate income tax prepaid	19	7,260	7,400	15,300
Taxes recoverable and prepaid, net	8	119,621	130,378	78,135
Inventory	9	448,304	200,213	340,148
Biological assets	10	91,618	190,312	62,926
Assets classified as held for sale	11	—	3,602	2,423
Total current assets		867,588	720,467	706,589
Non-current assets				
Property, plant and equipment, net	12	532,808	538,728	526,600
Intangible assets, net		33,999	36,818	49,459
Goodwill		121,063	121,912	118,857
Investments in joint ventures	13	52,162	52,164	47,995
Deferred tax assets		18,335	20,161	12,663
Corporate income tax prepaid	19	7,689	8,056	15,025
Other non-current assets	20	18,803	11,049	11,081
Total non-current assets		784,859	788,888	781,680
Total assets		1,652,447	1,509,355	1,488,269
Liabilities and equity				
Current liabilities				
Trade accounts payable	20	46,401	41,910	39,134
Advances from customers and other current liabilities	20	102,920	76,945	75,335
Short-term borrowings	14	272,558	179,615	303,318
Current portion of long-term borrowings	15	75,675	74,835	71,418
Total current liabilities		497,554	373,305	489,205
Non-current liabilities				
Long-term borrowings	15	63,211	81,841	77,463
Obligations under finance leases		3,983	2,275	5,149
Deferred tax liabilities		19,195	17,143	19,795
Other non-current liabilities	20	38,306	37,736	1,645
Total non-current liabilities		124,695	138,995	104,052
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital	2	2,104	2,104	2,104
Share premium reserve		463,879	463,879	463,879
Additional paid-in capital		39,944	39,944	39,944
Equity-settled employee benefits reserve		7,091	6,582	5,169
Revaluation reserve		43,815	43,815	39,456
Translation reserve		(722,157)	(691,885)	(605,746)
Retained earnings		1,193,834	1,130,890	949,563
Total equity attributable to Kernel Holding S.A. equity holders		1,028,510	995,329	894,369
Non-controlling interests		1,688	1,726	643
Total equity		1,030,198	997,055	895,012
Total liabilities and equity		1,652,447	1,509,355	1,488,269
Book value		1,028,510	995,329	894,369
Number of shares	2	79,683,410	79,683,410	79,683,410
Book value per share (in USD)		12.91	12.49	11.22
Diluted number of shares		81,894,124	81,384,851	81,020,112
Diluted book value per share (in USD)		12.56	12.23	11.04

On behalf of the Board
Andriy Verevskyy
 Chairman of the Board

Anastasiia Usachova
 Chief Financial Officer

Condensed Consolidated Interim Statement of Profit or Loss

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 30 September 2016	3 months ended 30 September 2015
Revenue	16	384,063	377,722
Net change in fair value of biological assets and agricultural produce	10	33,383	2,119
Cost of sales	17	(322,791)	(305,694)
Gross profit		94,655	74,147
Other operating income, net		9,664	3,161
Operating expenses			
Distribution costs	20	(31,924)	(23,619)
General and administrative expenses	20	(13,852)	(12,787)
Profit from operating activities		58,543	40,902
Finance costs, net	20	(11,188)	(10,310)
Foreign exchange gain/(loss), net	18	15,091	(2,716)
Other income, net	20	5,497	1,794
Share of (loss)/gain of joint ventures	13	(1,196)	1,301
Profit before income tax		66,747	30,971
Income tax expenses		(3,675)	(2,522)
Profit for the period from continuing operations		63,072	28,449
Discontinued operations			
Loss for the period from discontinued operations	11	—	(4,378)
Profit for the period		63,072	24,071
Profit for the period attributable to:			
Equity holders of Kernel Holding S.A.		62,944	23,902
Non-controlling interests		128	169
Earnings per share			
From continuing and discontinued operations			
Weighted average number of shares		79,683,410	79,683,410
Profit per ordinary share (in USD)		0.79	0.30
Diluted number of shares		81,894,124	81,020,112
Diluted profit per ordinary share (in USD)		0.77	0.30
From continuing operations			
Weighted average number of shares		79,683,410	79,683,410
Profit per ordinary share (in USD)		0.79	0.35
Diluted number of shares		81,894,124	81,020,112
Diluted profit per ordinary share (in USD)		0.77	0.35

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	3 months ended 30 September 2016	3 months ended 30 September 2015
Profit for the period	63,072	24,071
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(30,438)	(20,279)
Other comprehensive loss, net	(30,438)	(20,279)
Total comprehensive income for the period	32,634	3,792
Total comprehensive income/(loss) attributable to:		
Equity holders of Kernel Holding S.A.	32,672	4,439
Non-controlling interests	(38)	(647)

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Changes in Equity

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	Attributable to Kernel Holding S.A. shareholders							Total	Non-controlling interests	Total equity
	Issued capital	Share premium reserve	Additional paid-in capital	Equity-settled employee benefits reserve	Revaluation reserve	Translation reserve	Retained earnings			
Balance as of 30 June 2015	2,104	463,879	39,944	4,793	39,456	(586,283)	925,661	889,554	1,290	890,844
Profit for the period	—	—	—	—	—	—	23,902	23,902	169	24,071
Other comprehensive loss	—	—	—	—	—	(19,463)	—	(19,463)	(816)	(20,279)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(19,463)	23,902	4,439	(647)	3,792
Recognition of share-based payments	—	—	—	376	—	—	—	376	—	376
Balance as of 30 September 2015	2,104	463,879	39,944	5,169	39,456	(605,746)	949,563	894,369	643	895,012
Profit for the period	—	—	—	—	—	—	116,459	116,459	1,287	117,746
Other comprehensive loss	—	—	—	—	—	(70,483)	—	(70,483)	(315)	(70,798)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(70,483)	116,459	45,976	972	46,948
Distribution of dividends	—	—	—	—	—	—	(19,921)	(19,921)	—	(19,921)
Recognition of share-based payments	—	—	—	580	—	—	—	580	—	580
Balance as of 31 December 2015	2,104	463,879	39,944	5,749	39,456	(676,229)	1,046,101	921,004	1,615	922,619
Profit for the period	—	—	—	—	—	—	92,257	92,257	23	92,280
Other comprehensive loss	—	—	—	—	—	(60,954)	—	(60,954)	(321)	(61,275)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(60,954)	92,257	31,303	(298)	31,005
Recognition of share-based payments	—	—	—	424	—	—	—	424	—	424
Balance as of 31 March 2016	2,104	463,879	39,944	6,173	39,456	(737,183)	1,138,358	952,731	1,317	954,048
(Loss)/Profit for the period	—	—	—	—	—	—	(7,468)	(7,468)	215	(7,253)
Other comprehensive income	—	—	—	—	4,359	45,298	—	49,657	194	49,851
Total comprehensive income/(loss) for the period	—	—	—	—	4,359	45,298	(7,468)	42,189	409	42,598
Recognition of share-based payments	—	—	—	409	—	—	—	409	—	409
Balance as of 30 June 2016	2,104	463,879	39,944	6,582	43,815	(691,885)	1,130,890	995,329	1,726	997,055
Profit for the period	—	—	—	—	—	—	62,944	62,944	128	63,072
Other comprehensive loss	—	—	—	—	—	(30,272)	—	(30,272)	(166)	(30,438)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(30,272)	62,944	32,672	(38)	32,634
Recognition of share-based payments	—	—	—	509	—	—	—	509	—	509
Balance as of 30 September 2016	2,104	463,879	39,944	7,091	43,815	(722,157)	1,193,834	1,028,510	1,688	1,030,198

On behalf of the Board

Andriy Verevsky
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Cash Flows

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 30 September 2016	3 months ended 30 September 2015
Operating activities:			
Profit before income tax		66,747	27,754
Adjustments for:			
Amortization and depreciation		13,859	15,547
Finance costs, net		11,188	11,237
Movement in allowance for doubtful receivables		2,340	1,096
Other accruals		537	788
Gain on disposal of property, plant and equipment		(134)	(68)
Net foreign exchange (gain)/loss		(15,011)	4,908
Write-offs and impairment loss		(183)	—
Net change in fair value of biological assets and agricultural produce		(33,383)	(2,119)
Share of loss/(gain) of joint ventures	13	1,196	(1,301)
Gain on sales of Subsidiaries	5	(5,770)	—
Operating profit before working capital changes		41,386	57,842
Changes in working capital:			
Change in trade accounts receivable		34,132	479
Change in prepayments and other current assets		(14,320)	(2,496)
Change in restricted cash balance		(20)	(169)
Change in taxes recoverable and prepaid		6,823	5,087
Change in biological assets		129,636	82,561
Change in inventories		(254,416)	(183,870)
Change in trade accountss payable		4,115	9,764
Change in advances from customers and other current liabilities		39,680	14,437
Cash used in operations		(12,984)	(16,365)
Finance costs paid		(13,876)	(11,096)
Income tax paid		(2,874)	(2,074)
Net cash used in operating activities		(29,734)	(29,535)
Investing activities:			
Purchase of property, plant and equipment		(17,475)	(18,263)
Proceeds from disposal of property, plant and equipment		434	545
Purchase of intangible and other non-current assets		(189)	(625)
Disposal of subsidiaries		1,394	—
Amount advanced for subsidiaries		2,962	—
Net cash used in investing activities		(12,874)	(18,343)
Financing activities:			
Proceeds from borrowings		115,866	46,798
Repayment of borrowings		(55,221)	(51,509)
Net cash generated by/(used in) financing activities		60,645	(4,711)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(795)	(557)
Net increase/(decrease) in cash and cash equivalents		17,242	(53,146)
Cash and cash equivalents, at the beginning of the period	6	60,269	124,121
Cash and cash equivalents, at the end of the period	6	77,511	70,975

On behalf of the Board

Andriy Verevsky
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

1. Corporate Information

Kernel Holding S.A. (hereinafter referred to as the 'Holding' or the 'Company') incorporated under the legislation of Luxembourg on 15 June 2005 (number B 109,173 in the Luxembourg Register of Companies) is the holding company for a group of entities (hereinafter referred to as the 'Subsidiaries'), which together form Kernel Group (hereinafter referred to as the 'Group' or the 'Kernel Group').

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly corn, soybean, wheat and barley), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities is primarily based in Ukraine and the Russian Federation.

The Group's financial year runs from 1 July to 30 June.

The principal operating office of the Group is located at 3 Tarasa Shevchenka Lane, Kyiv, 01001, Ukraine.

As of 30 September 2016, 30 June 2016 and 30 September 2015, the primary subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			30 September 2016	30 June 2016	30 September 2015
Jerste BV	Holding companies.	Netherlands	100.0%	100.0%	100.0%
Tweelingen Ukraine LLC		Ukraine	100.0%	100.0%	100.0%
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%	100.0%
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnoe OEP LLC		Ukraine	100.0%	100.0%	100.0%
Kirovogradoliya PJSC		Ukraine	99.2%	99.2%	99.2%
Ekotrans LLC		Ukraine	100.0%	100.0%	100.0%
BSI LLC		Ukraine	100.0%	100.0%	100.0%
Prydniprovskiy OEP LLC		Ukraine	100.0% ⁽¹⁾	100.0% ⁽¹⁾	100.0% ⁽¹⁾
Stavropol oil CJSC		Russian Federation	0.0% ⁽²⁾	0.0% ⁽²⁾	100.0%
Ust-Labinsk Florentina OEP LLC		Russian Federation	0.0% ⁽²⁾	0.0% ⁽²⁾	100.0%
Estron Corporation Ltd		Provision of grain, oil and meal handling and transshipment services.	Cyprus	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.0%	94.0%	94.0%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%
Unigrain-Agro (Semenivka) LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%	100.0%
Agrofirma Arshytsya LLC		Ukraine	100.0%	100.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%	100.0%
Vyshneve-Agro ALLC ⁽³⁾		Ukraine	100.0%	100.0%	100.0%
Palmira LLC		Ukraine	100.0%	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%	100.0%

These condensed consolidated interim financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 22 November 2016.

1 Was founded on 28 August 2015 as 'Zernovyi Terminal' LLC and on 16 May 2016 renamed in 'Prydniprovskiy OEP' LLC

2 Disposed in March 2016.

3 The company was renamed on 15 August 2016 from Agrofirma Kuybyshevo LLC into Vyshneve-Agro ALLC

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg) (the 'Holding' or the 'Company'). The issued capital of the Holding as of 30 September 2016 and 2015 consisted of 79,683,410 ordinary electronic shares without indication of the nominal value, providing 79,683,410 voting rights.

The shares were distributed as follows:

	As of 30 September 2016		As of 30 September 2015	
	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Equity holders				
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	31,345,878	39.34%	31,247,152	39.21%
Free float	48,337,532	60.66%	48,436,258	60.79%
Total	79,683,410	100.00%	79,683,410	100.00%

As of 30 September 2016 and 2015, 100% of the beneficial interest in the Major Equity Holder was held by Andriy Mykhailovych Verevskyy (hereinafter the 'Beneficial Owner').

On 9 June 2014, the Company received a notification from NATIONALE-NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A. (former ING Otwarty Fundusz Emerytalny) that it had crossed the 5% threshold for ownership and owned 6.01% of Kernel Holding S.A.'s share capital.

On 13 October 2015 the Company received a notification from Cascade Investment Fund that the fund acquired shares in the Company and reached the 5% threshold. As of 13 October 2015, Cascade Investment Fund owned 3,984,345 shares of Kernel Holding S.A., which represents 5.00% of the share capital.

On 20 June 2016, the Company received a notification from Towarzystwo Funduszy Inwestycyjnych PZU Spółka Akcyjna that it had acquired 4,119,128 shares in the Company, representing 5.17% of the subscribed share capital.

On 23 November 2007, Kernel Holding S.A. was listed on the Warsaw Stock Exchange (WSE). The total size of the initial public offering was PLN 546,402 thousand, comprising 22,766,750 shares, of which 16,671,000 were newly issued shares. Prior to the IPO, the capital of Kernel Holding S.A. consisted of 46,670,000 shares without indication of the nominal value. On 27 June 2008, an additional 5,400,000 ordinary shares of the Holding were admitted to trading on the main market of the WSE. On 3 June 2010, Kernel issued 4,450,000 new shares. In 2011, Kernel issued 6,492,410 new shares, 1,092,410 of which were subscribed by stock option beneficiaries under the Management Incentive Plan at an issue price of PLN 24.

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 210 thousand as of 30 September 2016, may not be distributed as dividends.

As part of the management incentive scheme, the Company's executives and senior employees are granted options to acquire shares of the Company. During the year ended 30 June 2015, the board of directors approved a new management incentive plan and amendment to the previous management incentive plan, issuing a total of 4,350,000 new options (600,000 options with a strike price of PLN 75.00 and 3,750,000 options with a strike price of PLN 29.61), with the authorized capital due to be approved by the general meeting of shareholders. As of 30 September 2016, a total of 7,407,820 options were issued, of which 4,057,820 were vested. 657,820 options (all vested) have a strike price of PLN 24.00, 3,000,000 options (all vested) have a strike price of PLN 75.00 per share, and 3,750,000 options (of which 400,000 are vested) have a strike price of PLN 29.61. The weighted average remaining contractual life was 12 years. These options granted under the Company's management incentive scheme carry no rights to dividends and no voting rights.

The fair value of the share-based options was USD 7,091 thousand as of 30 September 2016 and USD 509 thousand was recognized as an expense (part of payroll and payroll related expenses) during the three months ended 30 September 2016, with a corresponding increase in equity over the vesting period (30 September 2015: USD 5,169 thousand and USD 376 thousand, respectively).

On 10 December 2015, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share amounting to USD 19,921 thousand.

On 29 April 2016, the dividends were fully paid to the shareholders.

3. Basis of Preparation of Financial Statements

These Condensed Consolidated Interim Financial Statements for the three months ended 30 September 2016 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and do not include all of the information and disclosures required in the annual consolidated financial statements. The accounting policies and methods of computation adopted during the preparation of the Condensed Consolidated Interim Financial Statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2016.

The Group has adopted the standards, amendments and interpretations effective for annual periods beginning on or after 1 July 2016. The adoption of these standards and amendments did not have a material effect on the financial statements of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

3. Basis of Presentation of Financial Statements (continued)

Functional and Presentation Currency

The Group's presentation currency is the United States dollar (USD). The functional currency of the majority of the Group's foreign Subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil and grain trading, for which USD was selected as the functional currency.

Transactions in currencies other than the functional currencies of the Group's companies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Subsequently, monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Subsidiaries are translated at the exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in 'Other comprehensive income' and accumulated in the 'Translation reserve'.

The exchange rates during the period of the financial statements were as follows:

Currency	Closing rate as of 30 September 2016	Average rate for the 3 months ended 30 September 2016	Closing rate as of 30 September 2015	Average rate for the 3 months ended 30 September 2015
USD/UAH	25.9119	25.3760	21.5275	21.7219
USD/EUR	0.8942	0.8957	0.8907	0.8989
USD/RUB	63.1581	64.6245	66.2367	62.9784
USD/PLN	3.8558	3.8879	3.7754	3.7646

The average exchange rates for each period are calculated as the arithmetic mean of the exchange rates for all trading days during this period. The sources of exchange rates are the official rates set by the National Bank of Poland for USD/PLN and USD/EUR, by the National Bank of Ukraine for USD/UAH and by the Central Bank of the Russian Federation for USD/RUB.

All foreign exchange gains or losses that occur on the revaluation of monetary balances, presented in foreign currencies, are allocated as a separate line in the Condensed Consolidated Interim Statement of Profit or Loss.

Operating Segments

Operating segments are reported in a manner consistent with internal reporting as provided to the chief operating decision makers in order to allocate resources to segments and to assess their performance. Management and members of the Board of Directors of the Group are identified as the chief operating decision makers.

Segments in the Condensed Consolidated Interim Financial Statements are defined in accordance with the type of activity, products sold or services provided.

The operating segments' activities are as follows:

Operating segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil sold in bulk	Production and sales of sunflower oil sold in bulk (crude and refined) and meal.
Export terminals	Grain handling and transshipment services in the ports of Chornomorsk and Mykolaiv.
Farming	Agricultural farming. Production of corn, wheat, soybean, sunflower seed and rapeseed.
Grain	Sourcing and merchandising of wholesale grain.
Silo services	Provision of grain cleaning, drying and storage services.
Other	Income and expenses unallocated to other segments, which are related to the administration of the Holding.

The measure of profit and loss, and assets and liabilities is based on the Group's accounting policies, which are in compliance with IFRS, as adopted by the European Union.

Reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments. The segment data is calculated as follows:

- Intersegment sales reflect intergroup transactions effected on an arm's length basis.
- Capital expenditures, amortization and depreciation related to property, plant and equipment and intangible assets are allocated to segments when possible.

Since financial management of the Group's companies is carried out centrally, borrowings, obligations under financial lease and some other assets and liabilities are not allocated directly to the respective operating segments and are presented in the 'Other' segment. Consequently, the assets and liabilities shown for individual segments do not include borrowings, obligations under financial lease and some other assets and liabilities.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

3. Basis of Presentation of Financial Statements (continued)

Seasonality of Operations

The bottled sunflower oil segment is not significantly exposed to seasonality factors. The sunflower oil sold in bulk segment normally has seasonally lower sales in the first quarter of the financial year, which corresponds to the end of the crushing season and lower production levels. The operations of the farming segment reflect seasonality in the context of seeding and harvesting campaigns, which are conducted mainly in August-May and July-November, respectively. The grain, export terminals and silo services segments usually experience higher volumes in the several months after the commencement of the harvesting campaign (July for early grains and September for crops harvested in autumn), though the grain and export terminal segments' seasonality could also be affected by government regulations, among other things.

In addition, the farming segment usually reflects a higher effect from the IAS 41 valuation of biological assets in the second half of the financial year when crops in fields are revalued to their fair value less costs to sell; and a higher effect from the IAS 41 valuation of agricultural produce in the first half of the financial year due to the completion of the harvesting campaign.

4. Key Data by Operating Segment

Key data by operating segment for the three months ended 30 September 2016:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Other	Reconciliation	Continuing operations
Revenue (external)	23,336	152,226	61	6,519	199,717	2,204	—	—	384,063
Intersegment sales	—	—	12,370	139,854	—	8,336	—	(160,560)	—
Total revenue	23,336	152,226	12,431	146,373	199,717	10,540	—	(160,560)	384,063
Net change in fair value of biological assets and agricultural produce	—	—	—	33,383	—	—	—	—	33,383
Other operating income/(expenses), net	(14)	(564)	—	10,004	68	170	—	—	9,664
Profit/(Loss) from operating activities	1,498	7,030	9,733	69,729	4,344	6,394	(9,358)	(30,827)	58,543
Finance costs, net									(11,188)
Foreign exchange gain, net									15,091
Other income, net									5,497
Share of loss of joint ventures									(1,196)
Income tax expenses									(3,675)
Profit for the period from continuing operations									63,072
Total assets	76,913	802,130	114,725	324,790	206,688	59,168	68,033	—	1,652,447
Capital expenditures	35	1,138	767	7,795	—	500	186	—	10,421
Amortization and depreciation	455	3,575	744	8,004	—	732	349	—	13,859
Liabilities	9,194	61,835	6,403	42,934	6,177	5,222	490,484	—	622,249

During the three months ended 30 September 2016, two of the Group's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 94% of total external sales.

For the purpose of segment reporting, revenue from the sale of sunflower meal and cake is allocated to the bottled sunflower oil segment in proportion to the share of total sunflower oil production used for bottled sunflower oil sales, while remaining amounts are allocated to the sunflower oil sold in bulk segment.

The Group changed the presentation of operating profit in segment reporting with purpose to reflect more precisely the farming segment profitability on intersegment sales. Thus, the amount USD 30,827 thousand, shown in reconciliation of operating profit, reflects unrealized profit, arisen upon intragroup sales of agricultural products by the farming segment, which remained unsold to the third parties as of the end of the reporting period. The corresponding amendments were made to the segment disclosure for three months ended 30 September 2015.

The Group operates in two principal geographical areas — Ukraine and the Russian Federation. Information about its non-current assets by location and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers	Non-current assets
	3 months ended 30 September 2016	As of 30 September 2016
Ukraine	329,899	732,019
Russian Federation	54,164	52,840
Total	384,063	784,859

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

4. Key Data by Operating Segment (continued)

Key data by operating segment for the three months ended 30 September 2015:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Other	Re- conciliation	Discontinued operations	Continuing operations
Revenue (external)	20,482	169,879	66	8,666	176,333	2,296	—	—	—	377,722
Intersegment sales	—	—	9,091	47,497	—	6,207	—	(62,795)	—	—
Total revenue	20,482	169,879	9,157	56,163	176,333	8,503	—	(62,795)	—	377,722
Net change in fair value of biological assets and agricultural produce	—	—	—	2,119	—	—	—	—	—	2,119
Other operating income/(expenses), net	8	878	—	2,453	(280)	104	—	—	(2)	3,161
Profit/(Loss) from operating activities	2,691	18,305	4,696	13,929	10,433	4,194	(8,019)	(6,661)	1,334	40,902
Finance costs, net										(10,310)
Foreign exchange loss, net										(2,716)
Other income, net										1,794
Share of gain of joint ventures										1,301
Income tax expenses										(2,522)
Profit for the period from continuing operations										28,449
Total assets	69,489	662,600	111,123	364,511	192,454	80,237	5,432	—	—	1,485,846
Capital expenditures	21	1,729	301	4,422	—	710	4	—	—	7,187
Amortization and depreciation	711	4,208	760	8,685	—	938	245	—	(360)	15,187
Liabilities	1,672	41,737	795	34,483	24,357	5,814	484,399	—	—	593,257

During the three months ended 30 September 2015, two Company's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 93% of total external sales.

For the purpose of segment reporting, revenue from the sale of sunflower meal and cake is allocated to the bottled sunflower oil segment in proportion to the share of total sunflower oil production used for bottled sunflower oil sales, while remaining amounts are allocated to the sunflower oil sold in bulk segment.

The amount USD 6,661 thousand, shown in reconciliation of operating profit, reflects unrealized profit, arisen upon intragroup sales of agricultural products by the farming segment, which remained unsold to the third parties as of the end of the reporting period.

The Group operates in two principal geographical areas — Ukraine and the Russian Federation. Information about its non-current assets by location and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers 3 months ended 30 September 2015	Non-current assets As of 30 September 2015
Ukraine	291,193	704,753
Russian Federation	86,529	76,927
Total	377,722	781,680

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

5. Acquisition and Disposal of Subsidiaries

No entities were acquired during the three months ended 30 September 2016.

During the three months ended 30 September 2016, the Group disposed of two grain elevators located in Mykolaiv and Poltava regions. The net assets of the disposed entities as of the date of disposal were equal to USD 212 thousand and the cash consideration received and receivable was USD 1,890 thousand (out of which USD 1,056 thousand remained outstanding as of 30 September 2016).

During the three months ended 30 September 2016, the Group disposed of one of its export terminals located in Mykolaiv region. The net assets of the disposed entity as of the date of disposal were equal to USD 3,408 thousand and the cash consideration received was USD 7,500 thousand (out of which USD 6,417 was received as of June 2016).

No entities were acquired or disposed during the three months ended 30 September 2015.

6. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Cash with banks in USD	68,873	55,825	71,437
Cash with banks in UAH	23,036	2,729	3,920
Cash with banks in other currencies	1,424	1,814	783
Cash on hand	3	4	4
Total	93,336	60,372	76,144
Less restricted and blocked cash on security bank accounts	(123)	(103)	(5,169)
Less bank overdrafts (Note 14)	(15,702)	—	—
Cash and cash equivalents for the purposes of cash flow statement	77,511	60,269	70,975

7. Trade Accounts Receivable, net

The decrease in trade accounts receivable to USD 41,787 thousand as of 30 September 2016 from USD 75,207 thousand as of 30 June 2016 was mainly caused by an increase in export sales of sunflower bulk oil at the end of the period ended 30 June 2016 with subsequent settlement during the reporting period.

8. Taxes Recoverable and Prepaid, net

Taxes recoverable and prepaid decreased to USD 119,621 thousand as of 30 September 2016 from USD 130,378 thousand as of 30 June 2016 (30 September 2015: USD 78,135 thousand) mostly due to the repayment of VAT recoverable and prepaid and as a result of ordinary operating activity.

9. Inventory

The balances of inventories were as follows:

	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Raw materials	161,544	21,012	132,166
Agricultural products	104,737	4,551	83,007
Finished products	80,672	129,442	56,039
Goods for resale	80,556	39,068	46,864
Work in progress	14,068	—	12,908
Fuel	2,055	1,899	2,064
Packaging materials	905	647	694
Other inventories	3,767	3,594	6,406
Total	448,304	200,213	340,148

As of 30 September 2016, raw materials were represented mainly by sunflower seeds in the amount of USD 144,952 thousand (as of 30 June 2016 and 30 September 2015: USD 13,113 thousand and USD 112,940 thousand, respectively).

As of 30 September 2016, finished goods mostly consisted of sunflower oil in bulk in the amount of USD 68,592 thousand (as of 30 June 2016 and 30 September 2015: USD 120,192 thousand and USD 41,692 thousand, respectively).

As of 30 September 2016, inventory balances in the amount of USD 243,929 thousand (as of 30 June 2016 and 30 September 2015: USD 110,427 thousand and USD 177,755 thousand, respectively) were pledged as security for short-term borrowings (Note 14).

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

10. Biological Assets

Changes in the amount of biological assets for the three months ended 30 September 2016 and 2015 were caused by the crops harvesting and revaluation adjustment in accordance with IAS 41.

Net change in the fair value of biological assets and agricultural produce reflects the revaluation of crops in fields and agricultural produce balances to its fair value as of 30 September 2016 and 30 September 2015. The considerable positive effect of the revaluation of biological assets and agricultural produce introduced in the Interim Condensed Consolidated Statement of Profit or Loss was due to double-digit percentage growth of crop yields as a result of improvement in the cultivation technology and overall favorable weather conditions.

11. Assets Classified as Held for Sale and Discontinued Operations

As of 30 June 2016, according to management's plan to dispose one of export terminals, its net assets, which predominantly consist of property, plant and equipment in the amount of USD 3,602 thousand were classified as assets held for sale. The above mentioned entity was disposed in September 2016 (Note 5).

As a result of disposal of oilseed crushing plants located in the Russian Federation in FY 2016, for the three months ended 30 September 2015, their activities were classified as discontinued operations.

12. Property, Plant and Equipment, net

During the three months ended 30 September 2016, the Group acquired property, plant and equipment in the amount of USD 10,230 thousand (30 September 2015: USD 7,187 thousand). Acquired property was mainly represented by agricultural vehicles and equipment for the farming segment.

The decrease in property, plant and equipment in the amount of USD 4,204 thousand resulted from the depreciation of the Ukrainian hryvnia during the three months ended 30 September 2016 (30 September 2015: USD 2,482 thousand).

During the three months ended 30 September 2016 depreciation of property, plant and equipment amounted USD 11,541 thousand (30 September 2015: USD 12,804 thousand).

As of 30 September 2016, property, plant and equipment with a carrying amount of USD 98,150 thousand (30 June 2016 and 30 September 2015: USD 104,777 thousand and USD 125,377 thousand, respectively) were pledged by the Group as collateral against short-term and long-term bank loans (Notes 14 and 15).

As of 30 September 2016, property, plant and equipment with a carrying amount of USD 28,934 thousand (as of 30 June 2016 and 30 September 2015: USD 29,403 thousand and nil, respectively) were pledged by the Group as a collateral for amount due and payable within the acquisition of 560,000 tons oilseed crushing plant located in Kirovograd region.

As of 30 September 2016, 30 June 2016 and 30 September 2015, the net carrying amount of property, plant and equipment, represented by agricultural equipment and vehicles held under finance lease agreements was USD 15,268 thousand, USD 12,688 thousand and USD 15,187 thousand, respectively. Additions during the three months ended 30 September 2016 totaled USD 4,068 thousand (30 September 2015: USD 10 thousand).

13. Investments in Joint Ventures

For the three months ended 30 September 2016, the share of loss of joint venture (Taman) equaled USD 1,196 thousand (for the three months ended 30 September 2015: gain USD 1,301 thousand). The total Group's share of total comprehensive loss comprised USD 2 thousand (for the three months ended 30 September 2015: loss USD 10,343 thousand). The difference between the share of gain/(loss) of joint venture and share of total comprehensive loss was represented mainly by a change in translation reserve.

The aforementioned result includes depreciation and amortization expenses in the amount of USD 526 thousand (for the three months ended 30 September 2015: USD 484 thousand) and interest expenses in the amount of USD 475 thousand (for the three months ended 30 September 2015: USD 588 thousand).

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for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

14. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Bank credit lines	254,821	177,446	300,819
Bank overdrafts	15,702	—	—
Interest accrued on short-term borrowings	726	822	1,102
Interest accrued on long-term borrowings	1,309	1,347	1,397
Total	272,558	179,615	303,318

The balances of short-term borrowings as of 30 September 2016 were as follows:

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

The balances of short-term borrowings as of 30 June 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 6.25%	USD	August 2016	84,119
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2016	47,500
Ukrainian subsidiary of European bank	10.0%	USD	July 2016	25,000
European bank	Libor + 5.65%	USD	June 2017	14,264
Ukrainian subsidiary of European bank	7.5%	USD	March 2017	5,000
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	1,563
Total bank credit lines				177,446
Interest accrued on short-term borrowings				822
Interest accrued on long-term borrowings				1,347
Total				179,615

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for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

14. Short-term Borrowings (continued)

The balances of short-term borrowings as of 30 September 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 6.25%	USD	August 2016	76,000
European bank	Libor + 5.5%	USD	February 2016	45,000
Russian bank	Libor + 9.35%	USD	February 2016	38,000
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2016	33,700
European bank	Libor + 7.3%	USD	April 2016	30,000
European bank	Libor + 6.0%	USD	June 2016	28,000
Ukrainian subsidiary of European bank	10.0%	USD	March 2016	25,000
Russian bank	Libor + 7.5%	USD	December 2015	18,869
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	6,250
Total bank credit lines				300,819
Interest accrued on short-term borrowings				1,102
Interest accrued on long-term borrowings				1,397
Total				303,318

As of 30 September 2016, the undrawn short-term bank credit lines amounted to USD 251,473 thousand (as of 30 June 2016 and 30 September 2015: USD 114,315 thousand and USD 399,899 thousand, accordingly).

Short-term borrowings from banks were secured as follows:

(Assets pledged)	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Cash and cash equivalents (Note 6)	123	103	5,169
Inventory (Note 9)	243,929	110,427	177,755
Property, plant and equipment (Note 12)	40,967	46,890	123,185
Controlling stakes in Subsidiaries	—	—	Not quantifiable
Total	285,019	157,420	306,109

As of 30 September 2016 and 30 June 2016, stakes in Subsidiaries were not pledged to secure short-term borrowings (as of 30 September 2015: nine agricultural companies, three sunflower oil plants, one export terminal and two holding companies).

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for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

15. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Long-term bank borrowings	138,886	156,676	148,881
Current portion of long-term borrowings	(75,675)	(74,835)	(71,418)
Total	63,211	81,841	77,463

The balances of long-term borrowings as of 30 September 2016 were as follows:

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

The balances of long-term borrowings as of 30 June 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	73,978
European bank	Libor + 7.5%	USD	February 2018	51,633
European bank	Libor + 7.3%	USD	April 2018	20,000
European bank	Libor + 1.65%	USD	March 2020	11,065
Total				156,676

The balances of long-term borrowings as of 30 September 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 7.6%	USD	August 2018	135,000
European bank	Libor + 1.65%	USD	March 2020	13,881
Total				148,881

As of 30 September 2016, 30 June 2016 and 30 September 2015, there were no undrawn long-term bank credit lines.

Long-term borrowings from banks were secured as follows:

(Assets pledged)	As of 30 September 2016	As of 30 June 2016	As of 30 September 2015
Property, plant and equipment (Note 12)	57,183	57,887	2,192
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable	Not quantifiable
Total	57,183	57,887	2,192

As of 30 September 2016, stakes in Subsidiaries were pledged to secure long-term borrowings including controlling stakes in one agricultural company, one sunflower oil plant, one export terminal and one holding company (as of 30 June 2016, stakes in Subsidiaries were pledged to secure long-term borrowings including controlling stakes in one agricultural company, one sunflower oil plant, one export terminal and one holding company. As of 30 September 2015: one agricultural company).

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16. Revenue

The Group's revenue was as follows:

	3 months ended 30 September 2016	3 months ended 30 September 2015
Revenue from grain sales	199,717	176,333
Revenue from sunflower oil sold in bulk, sunflower meal and cake	155,225	173,540
Revenue from bottled sunflower oil	20,337	16,821
Revenue from farming	6,519	8,666
Revenue from grain silo services	2,204	2,296
Revenue from transshipment services	61	66
Total	384,063	377,722

For the three months ended 30 September 2016, revenue from the Group's top five customers accounted for approximately 44.6% of total revenue (for the three months ended 30 September 2015, revenue from the top five customers accounted for 48.3% of total revenue).

17. Cost of Sales

Cost of sales was as follows:

	3 months ended 30 September 2016	3 months ended 30 September 2015
Cost of goods for resale and raw materials used	296,334	278,675
Amortization and depreciation	13,157	14,499
Rental payments	4,322	4,330
Payroll and payroll related costs	5,529	6,153
Other operating costs	3,449	2,037
Total	322,791	305,694

18. Foreign Exchange Gain/(Loss), net

Foreign exchange gain/(loss), net was related to the following balances:

	3 months ended 30 September 2016	3 months ended 30 September 2015
Borrowings nominated in foreign currencies (including intercompany transactions)	11,603	(947)
VAT recoverable and prepaid	(3,152)	(5,362)
Revaluation of balances nominated in foreign currencies	2,302	3,202
Obligations under financial leases	577	372
Corporate income tax prepaid	(513)	(288)
Cash and cash equivalents nominated in foreign currencies	(71)	(307)
Other	4,345	614
Total	15,091	(2,716)

The Company's subsidiaries operate with different functional currencies (namely, the US dollar and Ukrainian hryvnia) and during the normal course of business issue intercompany financing which, when revalued, causes either foreign exchange gains or losses at one of the Company's enterprises if they had different functional currencies.

19. Income Tax

The difference between the income tax charge reported in the accompanying Condensed Consolidated Interim Financial Statement of Profit or Loss and profit before tax, multiplied by the respective statutory tax rates, is mainly due to the non-deductibility of certain expenses for income tax purposes and the effect of the farming companies of the Group, which are subject to a fixed agricultural tax regime and are not subject to corporate income tax.

As of 30 September 2016, the Group prepaid USD 14,949 thousand in corporate income tax, which was recognized in the Condensed Consolidated Interim Statement of Financial Position (30 June 2016: USD 15,456 thousand and 30 September 2015: USD 30,325 thousand).

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

20. Transactions with Related Parties

Related parties are the Beneficial Owner, companies under common control of the Beneficial Owner, joint venture and the Group's key management personnel.

The Group had the following balances outstanding with related parties:

	Related party	Total category	Related party	Total category
	balances	as per consolidated statement of financial position	balances	as per consolidated statement of financial position
	As of 30 September 2016		As of 30 June 2016	
Prepayments to suppliers and other current assets, net	12,603	65,662	14,999	52,983
Other non-current assets	262	18,803	268	11,049
Trade accounts payable	—	46,401	3,219	41,910
Advances from customers and other current liabilities	13,393	102,920	16,021	76,945
Other non-current liabilities	13,030	38,306	13,030	37,736

As of 30 September 2016 and 30 June 2016, the Group did not create an allowance for prepayments to suppliers and other current and non-current assets from related parties.

As of 30 September 2016, advances from customers and other current liabilities included USD 4,483 thousand in bonuses payable to the management (30 June 2016: USD 6,088 thousand).

Advances from customers and other current liabilities as of 30 September 2016 and 30 June 2016 included an interest-free financial liability in the amount of USD 7,043 thousand due to Namsen Limited.

Other non-current liabilities as of 30 September 2016 and 30 June 2016 included 4% interest-bearing financial liability in the amount of USD 9,977 thousand due to Namsen Limited.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

All remaining outstanding balances with related parties, which are presented in the table above, were represented by amounts due to companies under common control.

Transactions with related parties were as follows:

	Amount of operations with related parties	Total category per consolidated income statement	Amount of operations with related parties	Total category per consolidated income statement
	3 months ended 30 September 2016		3 months ended 30 September 2015	
General and administrative expenses and distribution costs	(4,027)	(45,776)	(5,488)	(36,406)
Financial costs, net	(197)	(11,188)	24	(10,310)
Other income, net	117	5,497	4	1,794

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

For the three months ended 30 September 2016, distribution expenses included USD 2,776 thousand of services for the transportation of goods paid to Zernovoy Terminalny Complex Taman LLC (for the three months ended 30 September 2015: USD 4,086 thousand).

All other transactions occurred with related parties under common control.

As of 30 September 2016, the Board of Directors consisted of the following eight directors: the chairman of the board, three non-executive independent directors and four directors employed by Subsidiaries. Remuneration of the Board of Directors (8 Directors) for the three months ended 30 September 2016 amounted to USD 132 thousand (30 September 2015: 8 directors, USD 116 thousand). The non-executive directors were also refunded, to a reasonable extent, any expenses incurred by them in performing their duties, including reasonable traveling expenses.

Four directors employed by Subsidiaries are entitled to remuneration for their services as members of the management team of the Group. Remuneration of the management team of the Group, totaling 10 people, amounted to USD 593 thousand for the three months ended 30 September 2016 (30 September 2015: 14 people, USD 672 thousand).

Members of the Board of Directors and management team are not granted any pensions, retirement or similar benefits by the Group. The management of the Group has been provided with options to purchase shares of the Holding (Note 2).

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2016 (in thousands of US dollars, unless otherwise stated)

21. Commitments and Contingencies

Taxation and Legal Issues

The Group was involved in litigation in connection with a case of contaminated Ukrainian oil that occurred in April 2008. In January 2016, a court decision was issued in favor of the counterparty. A respective provision in the amount of USD 2,400 thousand was recognized as of 31 December 2015 in Other current liabilities and remained outstanding as of 30 September 2016.

In April 2012, the Group entered into a call option agreement to acquire 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 September 2016, the consideration paid for Stiom Holding by the Group comprised USD 33,472 thousand. In the meantime, the final payment shall be due and payable only after fulfillment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect to claims against the sellers. The Group submitted several claims to the sellers in respect to the non-fulfillment of the sellers' obligations. In December 2012, the Group received a request for arbitration from the sellers in which the sellers claimed amounts due to them. An arbitral tribunal was formed; the parties exchanged written statements on the case and directions on next steps are awaited from the tribunal. Management believes that it is unlikely that any significant settlement will arise out of this lawsuit.

As of 30 September 2016, the Group's management assessed its maximum exposure to tax risks related to VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues for a total amount of USD 40,442 thousand (30 June 2016: USD 50,742 thousand), from which USD 21,195 thousand related to VAT recoverability (30 June 2016: USD 25,996 thousand) USD 18,974 thousand related to corporate income tax (30 June 2016: USD 19,817 thousand) and USD 273 thousand related to other tax issues (30 June 2016: USD 4,929 thousand).

As of 30 September 2016, companies of the Group were engaged in ongoing litigation with tax authorities concerning tax issues for USD 18,720 thousand (30 June 2016: USD 28,282 thousand) of the aforementioned amount. Of this amount, USD 10,918 thousand related to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (30 June 2016: USD 20,143 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Ukraine's tax environment is characterized by complexity in tax administration, arbitrary interpretation by tax authorities of tax laws and regulations that, inter alia, can increase fiscal pressure on tax payers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigation which, as a consequence, may result in the imposition of additional taxes, penalties and interest, and these amounts could be material.

Starting from 1 January 2016, the approach to special VAT regime for the agricultural industry in Ukraine in a part of VAT payments has been changed. According to the Law 'On amending the Tax Code of Ukraine and certain legislative acts of Ukraine in terms of ensuring the balanced budget receipts in 2016', agricultural producers are entitled to retain only a portion of VAT on agricultural operations.

Thus, as a result of the new legislation, the Group's agricultural farms, engaged in growing crops, will retain only 15% of the net VAT liability versus 100% retained previously.

Special tax treatment of agricultural enterprises should continue to apply only up to 1 January 2017. Starting from 1 January 2017, 100% of net VAT liabilities will be paid to the Government.

Other changes applicable for the year 2016 include cancelation of the temporary VAT exemption for the supplies of certain types of grain crops. Management believes that the Group has been in compliance with all requirements of the effective tax legislation and currently is assessing the possible impact of the introduced amendments.

Starting from 1 September 2013, the Tax Code of Ukraine introduced new transfer pricing guidelines, rules for determining and applying fair market prices, drawn from the Organization for Economic Cooperation and Development (OECD), which significantly changed transfer pricing (TP) regulations in Ukraine.

The Group imports goods and services, which may potentially be in the scope of the new Ukrainian TP regulations. The Group has submitted a controlled transaction report within the required deadline. Management believes that the Group is in compliance with TP requirements.

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21. Commitments and Contingencies (continued)

Operating Environment

In 2016, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions, and a peaceful resolution of the conflict did not occur as it was foreseen by the Minsk agreements.

The Group does not have assets in the Crimea, Donetsk and Luhansk regions.

During the year ended 30 June 2016, the Ukrainian economy was going through a recession, a gross domestic product has contracted by 2% (30 June 2015: 13%), and the annual inflation rate reached 8% (30 June 2015: 52%) during the year ended 30 September 2016. Unfavorable conditions on markets where Ukraine's primary commodities were traded were influencing further devaluation of the Ukrainian Hryvnia against major foreign currencies. The Ukrainian companies and banks continued to suffer from the lack of funding from domestic and international financial markets.

The National Bank of Ukraine (the 'NBU') extended its range of measures that were introduced in 2014 and aimed at limiting the outflow of foreign currency from the country, inter alia, a mandatory sale of foreign currency earnings, certain restrictions on purchases of foreign currencies on the interbank market and on usage of foreign currencies for settlement purposes, and limitations on remittances abroad.

In early 2015, the Government of Ukraine agreed with the IMF a four-year program for USD 17.5 billion loan aimed at supporting the economic stabilization of Ukraine. The program defines economic reforms that must be undertaken by the Government of Ukraine to reinstate a sustainable economic growth in the mid-term perspective.

In 2016, political and economic relationships between Ukraine and the Russian Federation remained strained leading to a significant reduction in trade and economic cooperation. On 1 January 2016, a free-trade section of Ukraine's Association Agreement with the European Union came into force. In late 2015, the Russian Federation denounced the free trade zone agreement with Ukraine and further trade restrictions were announced by both countries.

Stabilization of the economic and political situation depends, to a large extent, upon the ability of the Ukrainian Government to continue reforms and the efforts of the NBU to further stabilize the banking sector, as well as upon the ability of the Ukrainian economy in general to respond adequately to changing markets. Nevertheless, further economic and political developments, as well as the impact of the above factors on the Group, its customers, and contractors are currently difficult to predict.

Capital Commitments

As of 30 September 2016, the Group had commitments under contracts with a group of suppliers for a total amount of USD 3,554 thousand, mostly for the purchase of equipment for export terminal (30 September 2015: USD 5,579 thousand for the supply of equipment and services).

Contractual Commitments on Sales

As of 30 September 2016, the Group had entered into commercial contracts for the export of 2,173,000 tons of grain and 689,139 tons of sunflower oil and meal, corresponding to an amount of USD 406,570 thousand and USD 230,432 thousand, respectively, in contract prices as of the reporting date.

As of 30 September 2015, the Group had entered into commercial contracts for the export of 1,542,771 tons of grain and 757,591 tons of sunflower oil and meal, corresponding to amounts of USD 294,165 thousand and USD 294,625 thousand, respectively, at prices as of 30 September 2015.

22. Fair Value of Financial Instruments

Management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated interim financial statements approximate their fair values as of 30 September 2016 and 2015. The estimation of the fair value of borrowings was made using level 2 inputs according to IFRS 13, in accordance with valuation pricing models based on discounted cash flow analysis and observable interest rates available on the market within the three months ended 30 September 2016 and 2015.

23. Subsequent Events

As of 17 November 2016, Fitch Ratings upgraded Long-Term Local Currency IDR of Kernel Holding S.A. to 'B'. The Group's Long-Term Foreign Currency IDR remained constrained by Ukraine's Country Ceiling of 'B-' level. Fitch has also affirmed that Kernel's National Long-Term Rating at 'AA+ (ukr)', with a 'Stable' National rating Outlook.