KERNEL

Q3 FY2016

Condensed Consolidated Interim Financial Statements

for the 3 months ended 31 March 2016

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for the 3 months ended 31 March 2016

Table of Contents

Key Highlights
for the 3 months ended 31 March 2016

Financial highlights

- Revenue was unchanged y-o-y at USD 607.5 million in Q3 FY2016, as growth in sales volumes in key businesses was offset by lower agriculture commodity prices. Export sales amounted to 98% of total revenue.
- EBITDA decreased 14% y-o-y to USD 98.9 million in Q3 FY2016, reflecting strong volume growth across segments amid lower sunflower seed crush margins.
- The sunflower oil segments delivered mixed performance. While sunflower oil sales were up by a notable 28% y-o-y, the crushing margin materially decreased as a result of above-average competition for raw materials this year vs. below-average competition a year ago. Both factors combined, the sunflower oil business contributed EBITDA of USD 37.3 million, 2x lower y-o-y.
- As we debottlenecked our grain transshipment facility in Ukraine, our grain sales reached a record 1.4 million tons, up 6% y-o-y, and transshipment volumes grew by 20% y-o-y. Solid growth in volumes amid margins that were comparable y-o-y allowed for reaching EBITDA of USD 36.4 million in Q3 FY2016, up 6% y-o-y.
- The farming segment's EBITDA contribution was up 2.6x y-o-y to USD 32.7 million in Q3 FY2016 and reflected generally better operational performance from our crop growing division this season, driven by good crop yields amid lower production costs.
- A solid operating contribution mixed with beneficial foreign exchange impact from revaluation of intra-group liabilities resulted in net income of USD 92.3 million in Q3 FY2016 vs. USD 7.2 million a year ago.
- Net cash obtained from operating activities of USD 200.3 million in Q3 FY2016 was used for balance sheet strengthening and the acquisition of the assets of a 560,000 ton oilseed crushing facility through an assignment agreement with a Ukrainian bank.
- Net debt decreased 37% y-o-y to USD 303.4 million, with net debt to 12-month trailing EBITDA standing at 0.8x as of 31 March 2016.

Other highlights

- Starting 1 January 2016, VAT refunds on grain exports were reinstated in Ukraine, a change that is beneficial for the company's farming and grain segments.
- On 25 February 2016, Kernel entered into binding documentation to acquire the assets, through an assignment agreement with a Ukrainian bank, of an oilseed crushing plant for USD 95.8 million, payable in arrears over five years. Commissioned in 2012, this world-class multi-seed facility has an installed crushing capacity of 560,000 tons of sunflower seed per year. The production plant, where Kernel currently operates through a tolling agreement, is located in Kirovohrad region of Ukraine and fits well into Kernel's existing origination and marketing platform.
- On 15 April 2016, Kernel reported it had divested two small oilseed crushing plants located in southern Russia for RUB 800 million paid in cash by the buyer. The plants have a total crushing capacity of 200,000 tons of sunflower seed per year.

USD million except ratios and EPS	Q3 FY2016	Q3 FY2015	y-o-y	9M FY2016	9M FY2015	y-o-y
P&L highlights						
Revenue	**607.5**	607.0	0%	**1,606.2**	1,838.7	(13%)
EBITDA[1]	**98.9**	115.2	(14%)	**299.1**	338.5	(12%)
Net profit attributable to equity holders of Kernel Holding S.A.	**92.3**	7.2	12.8x	**232.6**	85.5	2.7x
EBITDA margin	**16.3%**	19.0%	(2.7pp)	**18.6%**	18.4%	0.2pp
Net margin	**15.2%**	1.2%	14.0pp	**14.5%**	4.6%	9.8pp
EPS[2], USD	**1.16**	0.09	12.8x	**2.92**	1.07	2.7x
Cash flow highlights						
Operating profit before working capital changes	**144.3**	92.2	57%	**365.3**	297.3	23%
Change in working capital	**67.0**	180.7	(63%)	**(226.4)**	(12.0)	18.9x
Cash generated from operations	**211.4**	272.9	(23%)	**138.9**	285.3	(51%)
Net cash generated by operating activities	**200.3**	253.1	(21%)	**97.3**	218.3	(55%)
Net cash used in investing activities	**(35.6)**	(3.4)	10.3x	**(57.1)**	(16.3)	3.5x
Credit metrics						
Net interest-bearing debt				**303.4**	481.9	(37%)
Readily marketable inventories				**180.9**	230.7	(22%)
Adjusted net debt[3]				**122.5**	251.2	(51%)
Shareholders' equity				**952.7**	859.1	11%
Net debt/EBITDA[4]				**0.8x**	1.1x	(0.3x)
Adjusted net debt[3]/EBITDA				**0.3x**	0.6x	(0.2x)
EBITDA/Interest[5]				**6.2x**	5.7x	0.5x

1 Hereinafter, EBITDA is calculated as the sum of profit from operating activities plus amortization and depreciation.
2 EPS is measured in US dollars per share based on 79.7 million shares during the periods under review.
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 finance costs.
Note: The financial year ends 30 June. Differences are possible due to rounding.

Segment Results and Discussion

for the 3 months ended 31 March 2016

Segment results summary

	Revenue, USD million			EBITDA, USD million			EBITDA margin, %		Volumes, thousand tons		
	Q3 FY2016	Q3 FY2015	y-o-y	Q3 FY2016	Q3 FY2015	y-o-y	Q3 FY2016	Q3 FY2015	Q3 FY2016	Q3 FY2015	y-o-y
Sunflower oil											
Sunflower oil sold in bulk	**317.0**	275.1	15%	**33.6**	69.4	(52%)	**11%**	25%	**319.9**[1]	249.2	28%
Bottled sunflower oil	**30.3**	26.8	13%	**3.7**	4.3	(14%)	**12%**	16%	**28.6**	23.8[1]	20%
Grain and infrastructure											
Grain	**255.3**	299.2	(15%)	**21.3**	22.5	(5%)	**8%**	8%	**1,414.9**	1,331.7	6%
Export terminals	**18.1**	16.7	8%	**12.0**	11.2	7%	**67%**	67%	**1,471.5**[2]	1,222.0[2]	20%
Silo services	**5.3**	4.8	11%	**3.1**	0.6	5.3x	**58%**	12%			
Farming											
Farming	**10.1**	46.7	(78%)	**32.7**	12.4	2.6x	**323%**	27%			
Sugar and discontinued operations[4]	**—**	0.7	n/m	**—**	0.2	n/m		29%			
Unallocated corporate expenses				**(7.6)**	(5.4)	40%					
Revenues reconciliation	**(28.6)**	(63.0)	(55%)								
Total	**607.5**	**607.0**	**0%**	**98.9**	**115.2**	**(14%)**	**16%**	**19%**			

	Revenue, USD million			EBITDA, USD million			EBITDA margin, %		Volumes, thousand tons		
	9M FY2016	9M FY2015	y-o-y	9M FY2016	9M FY2015	y-o-y	9M FY2016	9M FY2015	9M FY2016	9M FY2015	y-o-y
Sunflower oil											
Sunflower oil sold in bulk	**803.8**	792.4	1%	**91.5**	166.9	(45%)	**11%**	21%	**775.1**	729.9	6%
Bottled sunflower oil	**84.7**	91.8	(8%)	**14.1**	17.0	(17%)	**17%**	19%	**77.3**[1]	80.8[1]	(4%)
Grain and infrastructure											
Grain	**690.1**	898.8	(23%)	**42.9**	55.4	(23%)	**6%**	6%	**3,665.2**	3,955.5	(7%)
Export terminals	**44.6**	43.0	4%	**29.1**	28.7	1%	**65%**	67%	**4,334.9**[3]	3,872.1[3]	12%
Silo services	**36.5**	38.9	(6%)	**23.7**	18.4	29%	**65%**	47%			
Farming											
Farming	**351.6**	246.7	43%	**123.0**	66.7	84%	**35%**	27%			
Sugar and discontinued operations[4]	**—**	24.5	n/m	**—**	3.8	n/m		15%			
Unallocated corporate expenses				**(25.1)**	(18.4)	37%					
Revenues reconciliation	**(405.2)**	(297.4)	36%								
Total	**1,606.2**	**1,838.7**	**(13%)**	**299.1**	**338.5**	**(12%)**	**19%**	**18%**			

1 Million liters.
2 Including 271,202 tons transshipped through the Taman port in Q3 FY2016 and 137,592 tons in Q3 FY2015, which represents 50% of the total throughput volume of the Taman facility (Kernel Holding S.A. owns 50% of the Taman grain transshipment facility).
3 Including 1,402,305 tons transshipped through the Taman port in 9M FY2016 and 1,084,245 tons in 9M FY2015, which represents 50% of the total throughput volume of the Taman facility (Kernel Holding S.A. owns 50% of the Taman grain transshipment facility).
4 Discontinued operations from sugar and assets held for sale.
Note: Differences are possible due to rounding. Segment revenue includes intersegment sales reflected in 'Reconciliation'.

Sunflower oil sold in bulk

- Sunflower oil sales in bulk increased 28% y-o-y to a notable 319,940 tons in Q3 FY2016, with the growth driven by strong production in the preceding quarter. Oilseed crush was unchanged y-o-y in Q3 FY2016.
- The segment's EBITDA margin decreased to USD 105 per ton of oil sold in Q3 FY2016 from an abnormally high USD 278 per ton a year ago. While the previous year's margin reflected a low competition environment caused by some competitors' temporary drop in utilization, this year's profitability incorporates increased demand from crushers for raw materials and slow farmer selling, which decreased crushers' bargaining power. Furthermore, the average margin was diluted as part of production was executed at a third party facility under a tolling agreement that has inherently lower profitability compared to production at our own facilities.
- As a result, the segment's EBITDA was down 2x y-o-y to USD 33.6 million in Q3 FY2016.

Bottled sunflower oil

- Bottled oil sales posted a hefty 20% growth y-o-y to 28.6 million liters in Q3 FY2016, as the Company boosted its export sales of branded products amid slowing domestic demand.
- At the same time, the segment's margin was hit by another wave of sudden devaluation of the Ukrainian hryvnia, which depreciated by almost 10% against the US dollar in January-February 2016. Though local currency devaluation is always passed on to the consumer, the bottled oil segment experienced a short-term margin squeeze while shelf prices adjusted. As a result of this, together with lower bulk oil profitability, the bottled oil segment's EBITDA margin decreased to USD 130 per thousand of liters sold in Q3 FY2016 compared to USD 181 a year ago.
- Consequently, the segment's total EBITDA was USD 3.7 million in Q3 FY2016, down 14% y-o-y.

Segment Results and Discussion

for the 3 months ended 31 March 2016

Grain

- Grain sales reached a record 1.4 million tons in Q3 FY2016, an increase of 6% compared to a year ago, as capacity improvements at our grain transshipment facility in Ukraine increased our grain export speed while grain sales accelerated following the reinstatement of VAT refunds on grain exports since 1 January 2016.
- The reinstatement of VAT refunds also improved our grain merchandizing margin in the short term, with the segment's EBITDA margin reaching a solid USD 15.0 per ton in Q3 FY2016, up from USD 8-11 per ton in the first half of the financial year. At the same time, the overall segment's EBITDA of USD 21.3 million in Q3 FY2016 was 5% lower y-o-y as the result of an inflated comparison base.

Export terminals

- The export terminals' throughput was up 20% y-o-y to 1,471,521 tons in Q3 FY2016 as a result of a debottlenecking project completed at our Ukrainian grain transshipment facility, which reached a historical high monthly utilization of 435,000 tons in March 2016.
- The segment's margin was a solid USD 10.0 per ton in Q3 FY2016 (vs. USD 10.3 per ton a year ago), with the overall segment's EBITDA contribution reaching USD 12.0 million in Q3 FY2016, up 7% y-o-y. Taman joint venture results, accounted below operating profit, improved to positive USD 1.2 million in net income in Q3 FY2016 compared to a net loss of USD 0.5 million a year ago, as transshipment volumes almost doubled y-o-y.

Silo services

- The silo service segment's EBITDA contribution was USD 3.1 million in Q3 FY2016, up significantly from USD 0.6 million a year ago, but generally in line with the typical earnings in the third quarter of the financial year, a relatively calm period for the silo services business.

Farming

- In Q3 FY2016, the Company accelerated export sales of corn and wheat, as the reinstatement of VAT refunds on grain export significantly improved farm-gate grain prices. However, as export sales are executed through the Company's grain division and almost all grain has been sold intragroup in preceding periods, the farming segment's revenues were only USD 10.1 million in Q3 FY2016.
- At the same time, the segment's EBITDA reached USD 32.7 million, up 2.6x y-o-y, and consisted of a reversal in an unrealized profit provision that was booked in the preceding quarter. Overall, the farming segment's profitability this year reflects y-o-y better earnings, stemming from lower production costs amid consistently strong crop yields.
- In May, the Company completed its spring planting campaign. Total FY2017 planted acreage stands at 382 thousand hectares, down 1% y-o-y. Corn remains the key crop, with 36% of total acreage (vs. 42% last year), while sunflower seed acreage increased to 21% (16% last year), soybean is down to 15% (16% last year), winter wheat is up to 22% (19% last year), and winter rapeseed accounted for 1% (2% last year). Sufficient spring rainfall in the Company's regions has created favorable moisture accumulation in the soil, which is good for the development of all key crops.

Financial Highlights

for the 3 months ended 31 March 2016

Income statement highlights

- Revenue amounted to USD 607.5 million, unchanged y-o-y, as higher sales volumes in core segments were netted by lower international soft commodity prices. Export sales amounted to 98% of total revenue.
- The net change in the fair value of biological assets and agricultural produce (IAS 41 effect) was seasonally negative at USD 16.8 million in Q3 FY2016 (compared to negative USD 11.4 million in Q3 FY2016). As a year ago, the IAS 41 effect in the third quarter reflected the expense of the fair value gain component booked during crop development in previous periods.
- Gross profit increased 16% y-o-y to USD 141.8 million in Q3 FY2016 compared to USD 122.1 million a year ago, primarily because of the disappearance of last year's accounting effect, which caused inflation in the cost of goods sold due to the difference between the market and official exchange rate of the US dollar in Ukraine.
- Other operating income amounted to USD 5.7 million in Q3 FY2016 (vs. USD 44.6 million a year ago), with most of the contribution stemming from typical settlements under contract wash-outs. Unlike last year, the market and official exchange rates of the US dollar in Ukraine almost converged, resulting in lower other operating income and equivalently lower cost of goods sold.
- Distribution costs were down 3% y-o-y to USD 48.8 million in Q3 FY2016 amid higher sales volumes, as Ukrainian hryvnia devaluation resulted in a lower dollar value of railway tariffs. As a percentage of revenue, distribution costs amounted to 8.0% in Q3 FY2016 compared to 8.3% a year ago.
- General and administrative expenses decreased 14% y-o-y to USD 14.3 million in Q3 FY2016, reflecting Ukrainian hryvnia devaluation against the US dollar.
- Profit from operating activities was down 15% y-o-y to USD 84.5 million in Q3 FY2016, primarily due to the absence of higher sunflower oil business profitability from a year ago.
- Net finance costs decreased 17% y-o-y to USD 14.9 million in Q3 FY2016 as a result of the company's continuing deleveraging.
- Foreign exchange gain amounted to USD 39.8 million in Q3 FY2016 compared to a loss of USD 82.8 million a year ago. While the previous year's results reflected sharp depreciation of the Ukrainian hryvnia against the US dollar, this year's gain was driven by the revaluation of intragroup liabilities between companies with different functional currencies.
- Other expenses amounted to USD 13.4 million in Q3 FY2016 compared to a USD 1.8 million charge in Q3 FY2015, with the impairment of divested oilseed crushing plants in Russia being the major contributor this year.
- The share of net profit from the Taman joint venture amounted to USD 1.2 million in Q3 FY2016 (vs. net loss of USD 0.5 million in Q3 FY2015), as the Taman grain transshipment facility increased its throughput.
- As a result, net income attributable to the shareholders of Kernel Holding S.A. amounted to USD 92.3 million in Q3 FY2016 compared to USD 7.2 million a year ago, boosting 9M FY2016 net profit to a record USD 234.1 million.

Cash flow highlights

- Operating cash flow before changes in working capital was USD 144.3 million in Q3 FY2016 compared to USD 92.2 million a year ago. Cash flow was significantly higher than EBITDA due to a monetary foreign exchange gain and adjustment for a non-cash IAS 41 operating loss.
- Working capital seasonally decreased, resulting in positive operating cash flow of USD 67.0 million in Q3 FY2016 (vs. USD 180.7 million in Q3 FY2015) as the period followed the peak of the procurement season in November-December. Net cash flow obtained from operations was at a solid USD 211.4 million in Q3 FY2016 (USD 272.9 million a year ago).
- Net cash used in investing activities of USD 35.6 million in Q3 FY2016 primarily reflected a payment under a contract to purchase the assets of a 560,000 ton oilseed crushing plant through an assignment agreement, which was announced in February 2016.

Credit metrics highlights

- As a result of the strong operating cash flow, net debt decreased 37% y-o-y to USD 303.4 million as of 31 March 2016 versus USD 481.9 million a year ago. Furthermore, as approximately 60% of net debt was covered by readily marketable inventories such as corn, wheat, sunflower oil and sunflower seed, adjusted net debt was only USD 122.5 million as of 31 March 2016.
- The net debt to 12-month trailing EBITDA ratio stood at 0.8x as of 31 March 2016, reflecting the Company's strong balance sheet position. Net debt adjusted for readily marketable inventories decreased to 0.3x as of 31 March 2016, compared to 0.6x a year ago.

Credit metrics

USD million except ratios	31 March 2016	31 March 2015
Gross interest-bearing debt	440.5	594.9
Cash	137.1	113.0
Net interest-bearing debt	303.4	481.9
Readily marketable inventories	180.9	230.7
Adjusted net financial debt(1)	122.5	251.2
Shareholders' equity(2)	952.7	859.1
Net debt / EBITDA(3)	0.8x	1.1x
Adjusted net debt / EBITDA(4)	0.3x	0.6x
EBITDA / Interest(5)	6.2x	5.7x

1 Adjusted net financial debt is the sum of short-term interest-bearing debt, the current maturities of long-term interest-bearing debt and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories.
2 Total equity attributable to Kernel Holding S.A. shareholders.
3 Net debt/EBITDA is calculated based on 12-month trailing EBITDA.
4 Adjusted net debt/EBITDA is calculated based on 12-month trailing EBITDA.
5 EBITDA/interest is calculated based on 12-month trailing EBITDA and net finance costs.
Note: Differences are possible due to rounding.

Selected Financial Data

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

		USD thousand		PLN thousand		EUR thousand	
		31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
I.	Revenue	**607,486**	606,993	**2,401,696**	2,259,774	**550,808**	538,585
II.	Profit from operating activities	**84,484**	99,514	**334,007**	370,481	**76,602**	88,299
III.	Profit/(Loss) before income tax	**97,137**	(3,604)	**384,031**	(13,417)	**88,074**	(3,198)
IV.	Profit for the period from continuing operations	**92,280**	7,386	**364,829**	27,497	**83,670**	6,554
V.	Net cash generated by operating activities	**200,291**	253,084	**791,850**	942,206	**181,604**	224,562
VI.	Net cash used in investing activities	**(35,643)**	(3,446)	**(140,915)**	(12,829)	**(32,318)**	(3,058)
VII.	Net cash used in financing activities	**(138,644)**	(220,563)	**(548,128)**	(821,134)	**(125,708)**	(195,706)
VIII.	Total net cash flow	**26,004**	29,075	**102,807**	108,243	**23,578**	25,798
IX.	Total assets	**1,589,730**	1,565,622	**5,975,795**	5,968,934	**1,400,075**	1,459,785
X.	Current liabilities	**506,964**	553,426	**1,905,678**	2,109,937	**446,483**	516,014
XI.	Non-current liabilities	**128,718**	154,581	**483,851**	589,340	**113,362**	144,131
XII.	Issued capital	**2,104**	2,104	**7,909**	8,022	**1,853**	1,962
XIII.	Total equity	**954,048**	857,615	**3,586,266**	3,269,657	**840,230**	799,640
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)	**1.16**	0.09	**4.58**	0.34	**1.05**	0.08
XVI.	Diluted number of shares	**81,417,875**	79,733,805	**81,417,875**	79,733,805	**81,417,875**	79,733,805
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	**1.13**	0.09	**4.48**	0.34	**1.03**	0.08
XVIII.	Book value per share (in USD/PLN/EUR)	**11.96**	10.78	**44.94**	41.11	**10.53**	10.05
XIX.	Diluted book value per share (in USD/PLN/EUR)	**11.70**	10.78	**43.99**	41.08	**10.31**	10.05

Condensed Consolidated Interim Statement of Financial Position

as of 31 March 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 31 March 2016	As of 31 December 2015	As of 30 June 2015	As of 31 March 2015
Assets					
Current assets					
Cash and cash equivalents	6	**137,102**	116,098	129,121	113,027
Trade accounts receivable, net	7	**138,046**	88,732	56,135	80,246
Prepayments to suppliers and other current assets, net	17	**59,608**	57,899	60,647	79,019
Corporate income tax prepaid	16	**8,534**	9,316	16,600	15,403
Taxes recoverable and prepaid, net	8	**163,577**	150,040	88,246	90,231
Inventory	9	**271,389**	443,100	158,756	317,774
Biological assets		**23,856**	20,031	146,571	20,903
Assets classified as held for sale		**1,981**	2,150	2,482	3,150
Total current assets		**804,093**	**887,366**	**658,558**	**719,753**
Non-current assets					
Property, plant and equipment, net	10	**551,993**	507,492	535,177	532,586
Intangible assets, net		**39,890**	44,136	52,572	54,704
Goodwill		**109,377**	111,194	119,442	116,894
Investments in joint ventures	11	**48,925**	44,044	57,037	89,316
Deferred tax assets		**10,684**	13,333	15,524	16,733
Corporate income tax prepaid	16	**12,620**	13,647	13,940	12,016
Available-for-sale financial assets		**—**	—	—	5,866
Other non-current assets	17	**12,148**	26,764	13,368	17,754
Total non-current assets		**785,637**	**760,610**	**807,060**	**845,869**
Total assets		**1,589,730**	**1,647,976**	**1,465,618**	**1,565,622**
Liabilities and equity					
Current liabilities					
Trade accounts payable	17	**44,626**	34,196	27,384	30,678
Advances from customers and other current liabilities	17	**102,479**	96,419	63,380	59,081
Short-term borrowings	12	**307,773**	467,719	298,005	376,708
Current portion of long-term borrowings	13	**52,086**	36,418	69,335	86,001
Liabilities directly associated with assets classified as held for sale		**—**	—	—	958
Total current liabilities		**506,964**	**634,752**	**458,104**	**553,426**
Non-current liabilities					
Long-term borrowings	13	**74,920**	69,129	88,901	118,796
Obligations under finance leases		**2,860**	3,575	6,277	7,420
Deferred tax liabilities		**19,095**	16,606	19,613	15,417
Other non-current liabilities	5, 17	**31,843**	1,295	1,879	12,948
Total non-current liabilities		**128,718**	**90,605**	**116,670**	**154,581**
Equity attributable to Kernel Holding S.A. equity holders					
Issued capital	2	**2,104**	2,104	2,104	2,104
Share premium reserve		**463,879**	463,879	463,879	463,879
Additional paid-in capital		**39,944**	39,944	39,944	39,944
Equity-settled employee benefits reserve		**6,173**	5,749	4,793	3,325
Revaluation reserve		**39,456**	39,456	39,456	39,456
Translation reserve		**(737,183)**	(676,229)	(586,283)	(594,979)
Retained earnings		**1,138,358**	1,046,101	925,661	905,416
Total equity attributable to Kernel Holding S.A. equity holders		**952,731**	**921,004**	**889,554**	**859,145**
Non-controlling interest		**1,317**	1,615	1,290	(1,530)
Total equity		**954,048**	**922,619**	**890,844**	**857,615**
Total liabilities and equity		**1,589,730**	**1,647,976**	**1,465,618**	**1,565,622**
Book value		**952,731**	921,004	889,554	859,145
Number of shares	2	**79,683,410**	79,683,410	79,683,410	79,683,410
Book value per share (in USD)		**11.96**	11.56	11.16	10.78
Diluted number of shares		**81,417,875**	81,243,196	79,779,975	79,733,805
Diluted book value per share (in USD)		**11.70**	11.34	11.15	10.78

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 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 31 March 2016	9 months ended 31 March 2016	3 months ended 31 March 2015	9 months ended 31 March 2015
Revenue		607,486	**1,606,179**	**606,993**	**1,838,687**
Net change in fair value of biological assets and agricultural produce		(16,791)	(11,615)	(11,443)	(9,910)
Cost of sales		(448,864)	(1,212,937)	(473,425)	(1,423,440)
Gross profit		141,831	**381,627**	**122,125**	**405,337**
Other operating income, net	14	5,732	43,030	44,554	81,120
Operating expenses					
Distribution costs	17	(48,762)	(127,570)	(50,433)	(154,836)
General and administrative expenses	17	(14,317)	(43,149)	(16,732)	(47,945)
Profit from operating activities		84,484	**253,938**	**99,514**	**283,676**
Finance costs, net	17	(14,942)	(44,411)	(18,027)	(55,688)
Foreign exchange gain/(loss), net	15	39,758	52,044	(82,821)	(156,196)
Other expenses, net	17	(13,367)	(22,923)	(1,750)	(7,667)
Share of gain/(loss) of joint ventures	11	1,204	3,363	(520)	5,764
Profit/(Loss) before income tax		97,137	**242,011**	**(3,604)**	**69,889**
Income tax (expenses)/benefits	16	(4,857)	(7,914)	10,990	8,800
Profit for the period from continuing operations		92,280	**234,097**	**7,386**	**78,689**
Discontinued operations					
Loss for the period from discontinued operations		–	–	(396)	(5,258)
Profit for the period		92,280	**234,097**	**6,990**	**73,431**
Profit for the period attributable to:					
Equity holders of Kernel Holding S.A.		92,257	**232,618**	**7,194**	**85,465**
Non-controlling interest		23	1,479	(204)	(12,034)
Earnings per share					
From continuing and discontinued operations					
Weighted average number of shares		79,683,410	79,683,410	79,683,410	79,683,410
Profit per ordinary share (in USD)		1.16	2.92	0.09	1.07
Diluted number of shares		81,417,875	81,302,017	79,733,805	79,683,410
Diluted profit per ordinary share (in USD)		1.13	2.86	0.09	1.07
From continuing operations					
Weighted average number of shares		79,683,410	79,683,410	79,683,410	79,683,410
Profit per ordinary share (in USD)		1.16	2.92	0.09	1.13
Diluted number of shares		81,417,875	81,302,017	79,733,805	79,683,410
Diluted profit per ordinary share (in USD)		1.13	2.86	0.09	1.13

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 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

	3 months ended 31 March 2016	9 months ended 31 March 2016	3 months ended 31 March 2015	9 months ended 31 March 2015
Profit for the period	**92,280**	**234,097**	**6,990**	**73,431**
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**(61,275)**	(152,352)	(129,705)	(226,066)
Other comprehensive loss, net	**(61,275)**	(152,352)	(129,705)	(226,066)
Total comprehensive income/(loss) for the period	**31,005**	**81,745**	**(122,715)**	**(152,635)**
Total comprehensive income/(loss) attributable to:				
Equity holders of Kernel Holding S.A.	**31,303**	81,718	(122,753)	(141,823)
Non-controlling interest	**(298)**	27	38	(10,812)

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 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

	Attributable to Kernel Holding S.A. shareholders									
	Issued capital	Share premium reserve	Additional paid-in capital	Equity-settled employee benefits reserve	Revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance as of 31 March 2015	**2,104**	**463,879**	**39,944**	**3,325**	**39,456**	**(594,979)**	**905,416**	**859,145**	**(1,530)**	**857,615**
Profit for the period	—	—	—	—	—	—	21,465	**21,465**	637	**22,102**
Other comprehensive income	—	—	—	—	—	8,696	—	**8,696**	963	**9,659**
Total comprehensive income for the period	—	—	—	—	—	8,696	21,465	**30,161**	1,600	**31,761**
Effect of changes of non-controlling interest	—	—	—	—	—	—	(1,220)	**(1,220)**	1,220	**—**
Recognition of share-based payments	—	—	—	1,468	—	—	—	**1,468**	—	**1,468**
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**

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Cash Flows

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 31 March 2016	9 months ended 31 March 2016	3 months ended 31 March 2015	9 months ended 31 March 2015
Operating activities:					
Profit/(Loss) before income tax		**97,137**	**242,011**	**(3,843)**	**65,901**
Adjustments for:					
Amortization and depreciation		**14,388**	45,174	15,650	54,332
Finance costs, net		**14,942**	44,411	18,027	55,688
Movement in allowance for doubtful receivables		**351**	1,653	2,073	2,798
Other accruals		**939**	7,379	1,562	2,041
(Gain)/Loss on disposal of property, plant and equipment		**(13)**	199	(188)	242
Net foreign exchange (gain)/loss		**(6,595)**	3,247	49,408	111,418
Write-offs and impairment loss/(gain)		**1,018**	7,216	(2,496)	786
Net change in fair value of biological assets and agricultural produce		**16,791**	11,615	11,443	9,910
Share of (gain)/loss of joint ventures	11	**(1,204)**	(3,363)	520	(5,764)
Loss/(Gain) on sales of subsidiaries	5	**6,593**	5,766	—	(29)
Operating profit before working capital changes		**144,347**	**365,308**	**92,156**	**297,323**
Changes in working capital:					
Change in trade accounts receivable		**(48,569)**	(78,290)	(20,596)	13,949
Change in prepayments and other current assets		**(3,069)**	(3,683)	(2,291)	(48,336)
Change in restricted cash balance		**5,000**	5,000	(6,258)	(6,258)
Change in taxes recoverable and prepaid		**(12,014)**	(89,868)	39,202	(25,914)
Change in biological assets		**(1,166)**	113,029	(5,222)	127,314
Change in inventories		**103,729**	(220,979)	193,294	(51,185)
Change in trade accounts payable		**17,855**	29,160	(6,156)	(529)
Change in advances from customers and other current liabilities		**5,239**	19,226	(11,229)	(21,044)
Cash generated from operations		**211,352**	**138,903**	**272,900**	**285,320**
Finance costs paid		**(10,655)**	(38,975)	(18,056)	(54,746)
Income tax paid		**(406)**	(2,675)	(1,760)	(12,292)
Net cash generated by operating activities		**200,291**	**97,253**	**253,084**	**218,282**
Investing activities:					
Purchase of property, plant and equipment		**(3,446)**	(16,114)	(3,715)	(18,136)
Proceeds from disposal of property, plant and equipment		**723**	1,908	479	1,091
Sales/(Purchase) of intangible and other non-current assets		**11**	(500)	(210)	(467)
Disposal of subsidiaries		**3,433**	4,426	—	1,242
Acquisition of subsidiaries		**(37,447)**	(51,066)	—	—
Amount advanced for subsidiaries		**1,083**	4,250	—	—
Net cash used in investing activities		**(35,643)**	**(57,096)**	**(3,446)**	**(16,270)**
Financing activities:					
Proceeds from borrowings		**53,474**	334,576	5,536	250,367
Repayment of borrowings		**(191,424)**	(359,269)	(225,218)	(408,871)
Acquisition of non-controlling interest		**—**	—	—	(664)
Net cash used in financing activities		**(137,950)**	**(24,693)**	**(219,682)**	**(159,168)**
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(694)**	(2,483)	(881)	(1,476)
Net increase in cash and cash equivalents		**26,004**	12,981	29,075	41,368
Cash and cash equivalents, at the beginning of the period		**111,098**	124,121	77,694	65,401
Cash and cash equivalents, at the end of the period		**137,102**	137,102	106,769	106,769

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

1. Corporate Information

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

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly wheat, corn, soybean 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 31 March 2016, 31 December 2015 and 31 March 2015, the primary Subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

			Group's effective ownership interest as of		
Subsidiary	Principal activity	Country of incorporation	31 March 2016	31 December 2015	31 March 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.	Grain, edible oils and meal trading.	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	Production plants. Production of sunflower and rapeseed 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%
Zernovy Terminal LLC		Ukraine	100.0%	100.0%	—
Stavropol oil CJSC		Russian Federation	0.0% [1]	100.0%	100.0%
Ust-Labinsk Florentina OEP LLC		Russian Federation	0.0% [1]	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal, handling and transshipment services.	Cyprus	100.0%	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.0%	94.0%	94.0%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%
Unigrain-Agro (Semenivka) LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%	100.0%
Agrofirma Arshytsya LLC		Ukraine	100.0%	100.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%	100.0%
Agrofirma Kuybyshevo LLC		Ukraine	100.0%	100.0%	100.0%
Palmira LLC		Ukraine	100.0%	100.0%	100.0%
Agropolis 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 issue by the Board of Directors of Kernel Holding S.A. on 23 May 2016.

[1] Disposed in March 2016 (Note 5).

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group has been Kernel Holding S.A. (Luxembourg) (the 'Holding' or the 'Company'). The issued capital of the Company as of 31 March 2016 and 2015 consisted of 79,683,410 ordinary electronic shares without indication of a nominal value, providing 79,683,410 voting rights.

The shares were distributed as follows:

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

As of 31 March 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 ING Otwarty Fundusz Emerytalny that it had crossed the 5% threshold for ownership and owned 6.01% of Kernel Holding S.A.'s share capital at that moment.

On 13 October 2015, the Company received a notification from Cascade Investment Fund that the fund had 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 represented 5.00% of the share capital.

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 210 thousand as of 31 March 2016, may not be distributed as dividends.

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.

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 31 March 2016, a total of 7,407,820 options were issued, of which 3,857,820 were vested. 657,820 options (all vested) have a strike price of PLN 24.00, 3,000,000 options (of which 2,800,000 are 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 6,173 thousand as of 31 March 2016 and USD 424 thousand was recognized as an expense (part of payroll and payroll related expenses) during the three months ended 31 March 2016, with a corresponding increase in equity over the vesting period (31 March 2015: USD 3,325 thousand and USD 0 thousand, respectively).

3. Basis of Presentation of Financial Statements

These Condensed Consolidated Interim Financial Statements for the three months ended 31 March 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 2015.

The Group has adopted the standards, amendments and interpretations effective for annual periods beginning on or after 1 July 2015. The adoption of these standards and amendments did not have a material effect on the financial statements of the Group.

for the 3 months ended 31 March 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, 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 31 March 2016	Average rate for the 3 months ended 31 March 2016	Average rate for the 9 months ended 31 March 2016	Closing rate as of 31 March 2015	Average rate for the 3 months ended 31 March 2015	Average rate for the 9 months ended 31 March 2015
USD/UAH	26.2181	25.6537	23.4001	23.4426	21.1157	16.0051
USD/EUR	0.8807	0.9067	0.9063	0.9324	0.8873	0.8138
USD/RUB	67.6076	74.6283	67.8254	58.4643	62.1919	48.5032
USD/PLN	3.7590	3.9535	3.8699	3.8125	3.7229	3.4136

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 Ilyichevsk and Mykolaiv.
Farming	Agricultural farming. Production of corn, wheat, soybean, sunflower seed and rapeseed.
Grain	Sourcing and merchandising of wholesale grain.
Silo services	Provision of grain cleaning, drying and storage services.
Sugar	Marketing and distribution of sugar.
Other	Income and expenses unallocated to other segments, which are related to the administration of the Holding.

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

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

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

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

for the 3 months ended 31 March 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 31 March 2016:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	30,264	316,981	33	3,868	255,273	1,067	—	—	—	—	607,486
Intersegment sales	—	—	18,030	6,267	—	4,269	—	—	(28,566)	—	—
Total revenue	**30,264**	**316,981**	**18,063**	**10,135**	**255,273**	**5,336**	—	—	**(28,566)**	—	**607,486**
Net change in fair value of biological assets and agricultural produce	—	—	—	(16,791)	—	—	—	—	—	—	(16,791)
Other operating income, net	69	2,335	3	1,091	2,117	117	—	—	—	—	5,732
Profit/(Loss) from operating activities	**3,014**	**29,638**	**11,281**	**24,842**	**21,289**	**2,278**	—	**(7,858)**	—	—	**84,484**
Finance costs, net											(14,942)
Foreign exchange gain, net											39,758
Other expenses, net											(13,367)
Share of gain of joint ventures											1,204
Income tax expense											(4,857)
Profit for the period from continuing operations											92,280
Total assets	**68,723**	**873,341**	**120,050**	**261,443**	**160,598**	**52,359**	**—**	**51,235**	**—**	**—**	**1,587,749**
Capital expenditures	5	54,935	675	7,196	—	226	—	19,308	—	—	82,345
Amortization and depreciation	691	3,962	749	7,901	—	811	—	274	—	—	14,388
Liabilities	5,745	33,760	7,823	46,556	15,513	1,295	—	524,990	—	—	635,682

During the three months ended 31 March 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 98% of total external sales.

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

The Group operates in two principal geographical areas —Ukraine and the Russian Federation. Information about its non-current assets by location 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 31 March 2016	As of 31 March 2016
Ukraine	570,415	735,553
Russian Federation	37,071	50,084
Total	607,486	785,637

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

for the 3 months ended 31 March 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 31 March 2015:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	26,835	275,124	18	4,308	299,195	799	717	—	—	(3)	606,993
Intersegment sales	—	—	16,645	42,398	—	3,993	—	—	(63,036)	—	—
Total revenue	**26,835**	**275,124**	**16,663**	**46,706**	**299,195**	**4,792**	**717**	—	**(63,036)**	**(3)**	**606,993**
Net change in fair value of biological assets and agricultural produce	—	—	—	(11,443)	—	—	—	—	—	—	(11,443)
Other operating income, net	368	23,298	—	10,128	10,705	55	—	—	—	—	44,554
Profit/(Loss) from operating activities	**3,581**	**65,270**	**10,470**	**3,631**	**22,515**	**(398)**	**138**	**(5,762)**	—	**69**	**99,514**
Finance costs, net											(18,027)
Foreign exchange loss, net											(82,821)
Other expenses, net											(1,750)
Share of loss of joint ventures											(520)
Income tax benefit											10,990
Profit for the period from continuing operations											7,386
Total assets	**67,587**	**797,949**	**159,574**	**310,041**	**154,259**	**71,064**	**993**	**1,005**	—	—	**1,562,472**
Capital expenditures	58	638	295	819	—	597	—	1,998	—	—	4,405
Amortization and depreciation	723	4,102	731	8,756	—	977	—	361	—	—	15,650
Liabilities	1,633	24,564	1,403	13,288	19,896	6,945	460	638,860	—	—	707,049

During the three months ended 31 March 2015, three of the Group's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 96% of total external sales.

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

The Group operates in two principal geographical areas —Ukraine and the Russian Federation. Information about its non-current assets by location 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 31 March 2015	As of 31 March 2015
Ukraine	564,441	727,768
Russian Federation	42,552	118,101
Total	**606,993**	**845,869**

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

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

5. Acquisition and Disposal of Subsidiaries

During the three months ended 31 March 2016, the Company acquired 100% of the equity of LLC City Business Estate. The acquired entity possesses the main headquarters building of the Company located in Kyiv. A Subsidiary provides leasing services. On the date of the acquisition of the Subsidiary, the net assets were equal to the amount of cash consideration paid in the amount of USD 9,109 thousand. The amounts of revenue and profit included in the consolidated statement of comprehensive income contributed by LLC City Business Estate since acquisition date were immaterial. Had LLC City Business Estate been consolidated from 1 July 2015, the condensed consolidated statement of profit or loss would have included no material amounts of revenue and profit either.

During the three months ended 31 March 2016, the Company acquired, through a business combination, a 100% share in 560,000 tons oilseed crushing plant located in Kirovohrad region, which was registered at one of the Group's subsidiary. As of the date of acquisition, the net assets of the oilseed crushing plant were estimated at USD 64,315 thousand. The consideration paid composed USD 41,957 thousand and the amount due and payable as of 31 March 2016 was USD 22,358 thousand, calculated as the present value of amounts payable in arrears within next five years (out of which USD 20,842 thousand represented the long-term part within the line 'Other non-current liabilities' and USD 1,516 thousand represented the short-term part within the line 'Advances from customers and other current liabilities').

Initial accounting for the acquisition of the plant has only been provisionally determined at the end of reporting period, the necessary fair value and other calculations are subject to finalization by independent appraisers. The Group does not disclose the revenue and net profit of the acquired Subsidiary as if it has been acquired at the beginning of the reporting period as it is impracticable due to the fact that this company did not produce IFRS financial information as from the beginning of the reporting period and up to the date of acquisition.

The abovementioned production plant fits well into Kernel's existing platform and is expected to deliver synergy from origination and marketing, decrease in regional competition for raw materials, and efficiency of scale.

During the three months ended 31 March 2016, the Company disposed of two oilseed crushing plants located in the Russian Federation. The net assets of the disposed entities as of the date of disposal were equal to USD 18,465 thousand and the cash consideration received was USD 11,872 thousand (out of which USD 8,439 thousand were received in April 2016).

No entities were acquired or disposed of during the three month period ended 31 March 2015.

6. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 31 March 2016	As of 31 March 2015
Cash with banks in USD	130,923	106,892
Cash with banks in UAH	4,785	3,767
Cash with banks in other currencies	1,388	2,361
Cash on hand	6	7
Total	**137,102**	**113,027**
Less restricted and blocked cash on security bank accounts	—	(6,258)
Cash for the purposes of cash flow statement	**137,102**	**106,769**

7. Trade Accounts Receivable, net

The increase in trade accounts receivable to USD 138,046 thousand as of 31 March 2016 from USD 88,732 thousand as of 31 December 2015 was caused by an increase in export sales at the end of the reporting period.

8. Taxes Recoverable and Prepaid, net

Taxes recoverable and prepaid increased to USD 163,577 thousand as of 31 March 2016 from USD 150,040 thousand as of 31 December 2015 mostly due to an increase in VAT recoverable and prepaid as a result of ordinary operating activity.

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

9. Inventory

The balances of inventories were as follows:

	As of 31 March 2016	As of 31 March 2015
Finished products	89,408	97,182
Raw materials	71,334	108,075
Work in progress	42,729	32,530
Agricultural products	31,403	40,730
Goods for resale	30,773	29,693
Fuel	1,567	2,285
Packaging materials	777	890
Other inventories	3,398	6,389
Total	271,389	317,774

As of 31 March 2016, finished goods mostly consisted of sunflower oil in bulk in the amount of USD 73,620 thousand (as of 31 March 2015: USD 79,607 thousand).

As of 31 March 2016, raw materials were represented mainly by sunflower seeds in the amount of USD 36,924 thousand (as of 31 March 2015: USD 75,526 thousand).

As of 31 March 2016, inventory balances in the amount of USD 132,965 thousand (as of 31 March 2015: USD 225,604 thousand) were pledged as security for short-term borrowings (Note 12).

10. Property, Plant and Equipment, net

During the three months ended 31 March 2016, the Group acquired property, plant and equipment in the amount of USD 82,345 thousand (31 March 2015: USD 4,405 thousand). These purchases were related mainly to the acquisition of an oilseed crushing plant, office facility and agricultural vehicles and equipment for the farming segment.

A decrease in property, plant and equipment in the amount of USD 17,554 thousand was related to the disposal of two oilseed crushing plants in the Russian Federation (Note 5).

A decrease in property, plant and equipment in the amount of USD 7,489 thousand was incurred because of the translation difference caused by the devaluation of the Ukrainian hryvnia during the three months ended 31 March 2016 (31 March 2015: USD 46,214 thousand). Additionally, the net book value of property, plant and equipment decreased as a result of a regular depreciation charge.

As of 31 March 2016, property, plant and equipment with a carrying amount of USD 107,199 thousand (as of 31 March 2015: USD 155,175 thousand) were pledged by the Group as collateral against short-term and long-term bank borrowings (Note 12 and 13).

11. Investments in Joint Ventures

For the three months ended 31 March 2016, the share of gain of joint venture (Taman) equaled USD 1,204 thousand (for the three months ended 31 March 2015: loss in the amount of USD 520 thousand). The Group's aggregate share of the total comprehensive gain comprised USD 4,881 thousand (for the three months ended 31 March 2015: total comprehensive loss of USD 11,210 thousand). The difference between the share of gain of joint venture and share of total comprehensive loss/income was represented mainly by a change in translation reserve.

The aforementioned result included depreciation and amortization expenses in the amount of USD 449 thousand (for the three months ended 31 March 2015: USD 388 thousand) and interest expenses in the amount of USD 446 thousand (for the three months ended 31 March 2015: USD 393 thousand).

As of 31 March 2016 and 31 March 2015, a 50% stake in a joint venture was pledged to secure long-term borrowings.

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

12. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 31 March 2016	As of 31 March 2015
Bank credit lines	305,588	373,439
Interest accrued on short-term borrowings	1,048	1,347
Interest accrued on long-term borrowings	1,137	1,922
Total	**307,773**	**376,708**

The balances of short-term borrowings as of 31 March 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 6.25%	USD	August 2016	112,000
European bank	Libor + 6.0%	USD	June 2016	71,700
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2016	47,500
Ukrainian subsidiary of European bank	10.0%	USD	May 2016	33,200
Ukrainian subsidiary of European bank	Libor + 6.25%	USD	August 2016	20,000
Ukrainian subsidiary of European bank	20.0%	UAH	May 2016	11,824
Ukrainian subsidiary of European bank	7.5%	USD	March 2017	5,000
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	3,125
European bank	Libor + 7.5%	USD	March 2017	1,239
Total bank credit lines				**305,588**
Interest accrued on short-term borrowings				1,048
Interest accrued on long-term borrowings				1,137
Total				**307,773**

The balances of short-term borrowings as of 31 March 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 5.75%	USD	June 2015	70,000
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2015	65,000
European bank	Libor + 5.5%	USD	February 2016	54,000
European bank	Libor + 6.0%	USD	August 2015	51,000
Russian bank	Libor + 8.35%	USD	February 2016	38,000
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	December 2015	37,689
Ukrainian subsidiary of European bank	10.0%	USD	May 2015	35,158
European bank	Libor + 4.0%	USD	June 2015	15,000
European bank	Libor + 5.5%	USD	April 2015	7,592
Total bank credit lines				**373,439**
Interest accrued on short-term borrowings				1,347
Interest accrued on long-term borrowings				1,922
Total				**376,708**

As of 31 March 2016, the overall maximum credit limit for short-term bank credit lines amounted to USD 532,225 thousand (as of 31 March 2015: USD 642,334 thousand).

Short-term borrowings from banks were secured as follows:

(Assets pledged)	As of 31 March 2016	As of 31 March 2015
Inventory	132,965	225,604
Property, plant and equipment	62,609	125,581
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	**195,574**	**351,185**

As of 31 March 2016, the following controlling stakes of subsidiaries were pledged to secure short-term borrowings: one sunflower oil production plant (as of 31 March 2015: twenty one agricultural companies, two sunflower oil production plants and two export terminals).

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

13. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 March 2016	As of 31 March 2015
Long-term bank borrowings	127,006	204,797
Current portion of long-term borrowings	(52,086)	(86,001)
Total	74,920	**118,796**

The balances of long-term borrowings as of 31 March 2016 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	83,333
European bank	Libor + 5.5%	USD	February 2018	31,333
European bank	Libor + 1.65%	USD	March 2020	12,340
Total				127,006

The balances of long-term borrowings as of 31 March 2015 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	135,000
European bank	Libor + 6.25%	USD	May 2016	45,000
European bank	Libor + 1.65%	USD	March 2020	15,422
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	9,375
Total				**204,797**

Long-term borrowings as of 31 March 2016 included credit lines from banks with an overall maximum credit limit of USD 127,006 thousand (as of 31 March 2015: USD 204,797 thousand).

Long-term borrowings from banks were secured as follows:

(Assets pledged)	As of 31 March 2016	As of 31 March 2015
Property, plant and equipment	44,590	29,594
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	44,590	**29,594**

As of 31 March 2016, stakes in subsidiaries were pledged including controlling stakes in one agricultural company, one export terminal and one holding company (as of 31 March 2015: controlling stakes in one sunflower oil production plant and one agricultural company).

14. Other Operating Income, net

Other operating income, net was as follows:

	3 months ended 31 March 2016	3 months ended 31 March 2015
Contracts wash-out (price difference settlement)	2,601	2,650
Gain on sale of hard currency	1,593	35,300
VAT benefits	60	3,401
Other operating income	1,478	3,203
Total	5,732	**44,554**

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

15. Foreign Exchange Gain/(Loss), net

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

	3 months ended 31 March 2016	3 months ended 31 March 2015
Borrowings nominated in foreign currencies	**22,645**	(3,813)
Revaluation of balances nominated in foreign currencies	**21,076**	(38,733)
VAT recoverable and prepaid	**(7,294)**	(27,814)
Corporate income tax prepaid	**(1,797)**	(12,134)
Cash and cash equivalents nominated in foreign currencies	**(1,669)**	(3,942)
Obligations under financial leases	**(62)**	(1,429)
Other	**6,859**	5,044
Total	**39,758**	**(82,821)**

During the three months ended 31 March 2016, the Ukrainian hryvnia devalued by 8% against the US dollar (33% during the three months ended 31 March 2015). The Company's subsidiaries operate with different functional currencies (namely, the US dollar, Ukrainian hryvnia, and Russian ruble) 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.

16. Income Tax

The difference between the income tax charge reported in the accompanying Condensed Consolidated Interim Financial Statement of Profit or Loss and income 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 31 March 2016, the Group prepaid USD 21,154 thousand in corporate income tax, which was recognized in the Condensed Consolidated Interim Statement of Financial Position (as of 31December 2015: USD 22,963 thousand).

17. Transactions with Related Parties

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

The Group had the following balances outstanding with related parties:

	Related party balances	Total category as per consolidated statement of financial position	Related party balances	Total category as per consolidated statement of financial position
	As of 31 March 2016		As of 31 December 2015	
Prepayments to suppliers and other current assets, net	**11,824**	**59,608**	8,925	57,899
Other non-current assets	**2,445**	**12,148**	13,637	26,764
Trade accounts payable	**3,572**	**44,626**	665	34,196
Advances from customers and other current liabilities	**22,167**	**102,479**	19,225	96,419
Other non-current liabilities	**9,977**	**31,843**	—	1,295

As of 31 March 2016 and 31 December 2015, the Group did not create an allowance for prepayments to suppliers and other current assets from related parties.

As of 31 December 2015, other non-current assets included USD 11,000 thousand in prepayments for subsidiaries made to Namsen Limited (as of 31 March 2016 the amount was already settled).

As of 31 March 2016, trade accounts payable included USD 3,553 thousand due to Zernovoy Terminalny Complex Taman LLC according to the transshipment agreement (31 December 2015: USD 0 thousand).

As of 31 March 2016, advances from customers and other current liabilities included USD 2,390 thousand in bonuses payable to management (31 December 2015: USD 2,754 thousand).

As of 31 March 2016 and 31 December 2015, USD 7,811 thousand in dividends payable due to Namsen Limited were included in advances from customers and other current liabilities.

Advances from customers and other current liabilities as of 31 March 2016 and 31 December 2015 included an interest-free financial liability in the amount of USD 7,043 thousand due to Namsen Limited.

Other non-current liabilities as of 31 March 2016 included a financial liability in the amount of USD 9,977 thousand due to Namsen Limited (31 December 2015: USD 0 thousand).

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.

for the 3 months ended 31 March 2016 (in thousands of US dollars, unless otherwise stated)

17. Transactions with Related Parties (continued)

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 31 March 2016		3 months ended 31 March 2015	
General, administrative and distribution expenses	(4,150)	(63,079)	(1,720)	(67,165)
Finance costs, net	(24)	(14,942)	(5)	(18,027)
Other expenses, net	(3,548)	(13,367)	—	(1,750)

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

For the three months ended 31 March 2016, distribution expenses included USD 1,752 thousand of services for the transportation of goods paid to Zernovoy Terminalny Complex Taman LLC (for the three months ended 31 March 2015: USD 1,143 thousand).

For the three months ended 31 March 2016, Other expenses, net included USD 3,553 thousand in fines due to Zernovoy Terminalny Complex Taman LLC according to the transshipment agreement (for the three months ended 31 March 2015: USD 0 thousand).

All other transactions occurred with related parties under common control.

As of 31 March 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 31 March 2016 amounted to USD 132 thousand (31 March 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 1,145 thousand for the three months ended 31 March 2016 (31 March 2015: 14 people, USD 600 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).

18. Commitments and Contingencies

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 31 March 2016.

In April 2012, the Group entered into a call option agreement to acquire Stiomi Holding, a farming company located in Khmelnytskyi region of Ukraine. Upon signing, the sellers received approximately 40% of the estimated net asset value partly from the Group and its related parties. As of 31 March 2016, the consideration paid for Stiomi Holding by the Group comprised USD 33,472 thousand. In the meantime, the final payment shall be due and payable only after the fulfillment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers in respect to the non-fulfillment of the seller's obligations. In December 2012, the Group received a request for arbitration from the sellers in which the sellers claimed amounts due to them. An arbitration 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.

Taxation and legal issues

As of 31 March 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 77,482 thousand (31 December 2015: USD 82,577 thousand), from which USD 40,524 thousand was related to VAT recoverability (31 December 2015: USD 42,504 thousand) and USD 36,958 thousand was related to the corporate income tax (31 December 2015: USD 40,074 thousand).

As of 31 March 2016, companies of the Group were engaged in ongoing litigation with tax authorities concerning tax issues for USD 23,563 thousand (31 December 2015: USD 24,781 thousand) included in the aforementioned amount. Of this amount, USD 15,587 thousand relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favor of the Group (31 December 2015: USD 17,016 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 administering, arbitrary interpretation by tax authorities of tax laws and regulations that, inter alia, can increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigation which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and these amounts could be material. Faced with the current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting the Law of Ukraine 'On Amending the Tax Code of Ukraine and Certain Laws of Ukraine', which is effective from 1 January 2015, except for certain provisions that will take effect at a later date.

Most of the significant changes to the Tax Code concern a revision of rules governing the payment of Value Added Tax ('VAT'), a revision of rules on computation of the corporate income tax, and the introduction of a real estate (property) tax, in the following way:

- According to the Law, the output VAT to be paid to tax authorities is based on the supply of goods or services, net of input VAT if this VAT is determined to have been paid to tax authorities by the Company's suppliers. Also, the minimal tax base for VAT input on goods and services purchased was introduced and special VAT accounts for every taxpayer shall be opened at the State Treasury of Ukraine for VAT purposes. The purpose of these special VAT accounts is to guarantee the fulfillment of VAT liabilities by taxpayers;

- Taxable income to be computed solely based on accounting data by adjusting profit (loss) before tax by the amount of certain differences resulting from different treatment in accounting rules and the Tax Code of Ukraine, rather than through a separate calculation of taxable income and deductible expenses;
- A new real estate (property) tax was introduced, which shall be levied based on the floor area of the Company's buildings (subject to certain tax breaks).

Management believes that the Company has been in compliance with all requirements of effective tax legislation and currently is assessing the possible impact of the introduced amendments.

The Group is a defendant in a number of claims and lawsuits with the tax authorities. Where the risk of outflow of financial resources caused by those transactions is high and the amount is determined with sufficient reliability, the Group has accounted for those contingencies as a provision for litigation. The Group's management considers the probability of any of the claims to be payable as remote. Thus, the consolidated financial statements do not contain any provision in respect of those transactions

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

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

18. Commitments and Contingencies (continued)

Operating environment

In 2015, the armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions, and a peaceful resolution of the conflict did not occur as foreseen by the Minsk agreements.

In 2015, the Ukrainian economy went through a recession, gross domestic product contracted by 10% (2014: 7%), and the annual inflation rate reached 43% (2014: 25%). Unfavorable conditions on markets where Ukraine's primary commodities where traded influenced further devaluation of the Ukrainian hryvnia against major foreign currencies. 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 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, on usage of foreign currencies for settlement purposes, and limitations on remittances abroad.

In early 2015, the Government of Ukraine agreed with the IMF on a four-year program for a 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 sustainable economic growth in the mid-term.

In 2015, political and economic relationships between Ukraine and the Russian Federation remained strained, leading to a significant reduction in trade and economic cooperation. On 1 January 2016, the free-trade section of Ukraine's Association Agreement with the European Union came into force. In late 2015, the Russian Federation denounced its free trade 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 31 March 2016, the Group had commitments under contracts with a group of suppliers for a total amount of USD 8,578 thousand, mostly for the purchase of agricultural equipment (31 March 2015: no material capital commitments).

Contractual commitments on sales

As of 31 March 2016, the Group had entered into commercial contracts for the export of 629,304 tons of grain and 382,115 tons of sunflower oil and meal, corresponding to amounts of USD 109,996 thousand and USD 120,474 thousand, respectively, in contract prices as of the reporting date.

As of 31 March 2015, the Group had entered into commercial contracts for the export of 688,750 tons of grain and 352,157 tons of sunflower oil and meal, corresponding to amounts of USD 127,048 thousand and USD 165,948 thousand, respectively, in contract prices as of the reporting date.

19. Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as described in the Group's annual consolidated financial statements for the year ended 30 June 2015.

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 31 March 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 31 March 2016 and 2015.

20. Subsequent Events

In April 2016, the Company received remaining consideration for two oilseed crushing plants located in the Russian Federation, disposed in March 2016, in the amount of USD 8,439 thousand.

A dividend of USD 0.25 per share for FY2015 was distributed on 29 April 2016 to shareholders on the register at the close of business on 22 April 2016. The dividend, approved at the general meeting of shareholders on 10 December 2015, was distributed in US dollars and was subject to deduction of the Luxembourg withholding tax at a rate of 15%.