

KERNEL

Q3

FY2018

Condensed Consolidated Interim Financial Statements

for the three months ended
31 March 2018



Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2018

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Management Discussion and Analysis

for the three months ended 31 March 2018

Key highlights

- The **revenue** of Kernel Holding S.A. (hereinafter "Kernel", the "Company") in Q3 FY2018 declined to US\$ 541 million, down 12% y-o-y, caused by lower sales volumes of sunflower oil and grain.
- Company's EBITDA reduced by 9% y-o-y to US\$ 73 million. Weak performance of sunflower oil and farming divisions was compensated by strong EBITDA posted in grain and infrastructure division.
- EBITDA margin in **sunflower oil division** was expectedly weak, contracting to 54 US\$ per ton of oil sold in bulk, down 39% y-o-y. Sales volumes of sunflower oil sold in bulk reduced by 14% y-o-y to 253 thousand tons. Consequently, total division's EBITDA in the reporting period reduced to US\$ 17 million, down 45% y-o-y.
- Grain trading segment generated US\$ 35 million EBITDA in Q3 FY2018 (7x up y-o-y), affected by strong contribution from operations of Avere – a recently established subsidiary of Kernel. As a result, despite lower y-o-y contribution of silo and export terminals segments, **grain and infrastructure division's EBITDA** doubled in Q3 FY2018 if comparing with the same period of the previous year, proving the advantages of diversified business model of the Company.
- Sales of grain and oilseeds produced by our **farming segment** generated US\$ 17 million EBITDA in Q3 FY2018, in line with our expectations.
- Similar to a previous quarter, net financial costs totaled to US\$ 16 million.
- Due to Ukrainian hryvnia appreciation in Q3 FY2018, Kernel recognized a US\$ 25 million foreign exchange loss over the reporting period.

- Other expenses totaled to US\$ 33 million, comprised mostly from provision recognized to settle the possible obligation arising as a result of acquisition of Stiomi Holding in 2012.
- Net loss attributable to equity holders of Kernel Holding S.A. for Q3 FY2018 amounted to US\$ 39 million.

Corporate and regulatory

- As of 22 February 2018, Kernel has finalized the execution of pre-export credit facility with a syndicate of European banks. The two-and-a-half-year secured revolving facility with a limit of US\$ 100 million will be used by the Company to fund the working capital needs of its grain export business in Ukraine.
- On 17 May 2018, Kernel Holding S.A. received a notification from TFI PZU Funds about the disposal of 342,708 shares of the Company in transaction on the Warsaw Stock Exchange, settled on 16 May 2018, and decrease of its holdings in the Company's shares below 5% of the total number of votes on General Meeting in Shareholders. As of 16 May 2018, TFI PZU Funds held 3,806,043 shares in the Company, representing 4.64% of the share capital and entitling it to 3,806,043 votes at the Company's General Meeting of Shareholders, equal to 4.64% of the total number of votes. Before the disposal, TFI PZU Funds held 4,148,751 shares in the Company, representing 5.06% of the share capital of the Company.

US\$ million except ratios and EPS	Q3 FY2017	Q2 FY2018	Q3 FY2018	y-o-y	q-o-q	9M FY2017	9M FY2018	y-o-y
Income statement highlights								
Revenue	615.0	536.1	541.4	(12.0%)	1.0%	1,658.4	1,613.6	(2.7%)
EBITDA ¹	80.7	77.1	73.1	(9.4%)	(5.1%)	282.9	196.2	(30.7%)
Net profit / (loss) attributable to equity holders of Kernel Holding S.A.	32.9	67.0	(39.1)	n/a	n/a	192.4	50.7	(73.6%)
EBITDA margin	13.1%	14.4%	13.5%	0.4pp	(0.9pp)	17.1%	12.2%	(4.9pp)
Net margin	5.4%	12.5%	(7.2%)	(12.6pp)	(19.7pp)	11.6%	3.1%	(8.5pp)
EPS ² , USD	0.41	0.82	(0.48)	n/a	n/a	2.40	0.62	(74.2%)
Cash flow highlights								
Operating profit before working capital changes	97.5	78.1	68.9	(29.4%)	(11.8%)	267.9	185.4	(30.8%)
Change in working capital	118.9	(264.5)	18.6	(84.3%)	n/a	(240.5)	(183.7)	(23.6%)
Cash generated from operations	216.4	(186.3)	87.5	(59.5%)	n/a	27.3	1.7	(93.7%)
Net cash provided by / (used in) operating activities	199.9	(193.9)	61.0	(69.5%)	n/a	(17.8)	(58.0)	3.3x
Net cash used in investing activities	(9.7)	3.5	(51.0)	5.3x	n/a	(60.1)	(122.7)	104.1%
Liquidity and credit metrics								
Net interest-bearing debt	377.6	697.9	696.0	84.3%	(0.3%)			
Readily marketable inventories	429.8	690.5	562.2	30.8%	(18.6%)			
Adjusted net debt ³	(52.3)	7.4	133.8	n/a	18.0x			
Shareholders' equity	1,129.4	1,134.9	1,157.2	2.5%	2.0%			
Net debt / EBITDA ⁴	1.1x	2.9x	3.0x	+1.8x	+0.1x			
Adjusted net debt ³ / EBITDA ⁴	(0.2x)	0.0x	0.6x	+0.7x	+0.5x			
EBITDA / Interest ⁵	5.3x	3.5x	3.7x	-1.6x	+0.2x			

¹ Hereinafter, EBITDA is calculated as the sum of the profit from operating activities plus amortization and depreciation.

² EPS is measured in US Dollars per share based on 80.7 million shares in Q3 FY2017, 81.9 million shares in Q2 and Q3 FY2018, 80.1 million shares for 9M FY2017 and 81.9 million shares for 9M FY2018

³ Adjusted net financial debt is the sum of short-term interest-bearing debt, 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 at cost.

⁴ Net debt/EBITDA and 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.

Our financial year ends 30 June. Differences are possible due to rounding.

Management Discussion and Analysis

for the three months ended 31 March 2018

Segment results summary

US\$ million except ratios and EPS	Revenue, US\$ million			EBITDA, US\$ million			Volumes, thousand tons ¹			EBITDA margin, US\$ / t ²		
	Q3 FY2017	Q3 FY2018	y-o-y	Q3 FY2017	Q3 FY2018	y-o-y	Q3 FY2017	Q3 FY2018	y-o-y	Q3 FY2017	Q3 FY2018	y-o-y
Sunflower oil												
Sunflower oil sold in bulk	300.1	264.8	(11.8%)	26.1	13.6	(47.9%)	293.8	252.7	(14.0%)	88.9	53.8	(39.5%)
Bottled sunflower oil	37.9	29.2	(23.1%)	4.4	3.3	(25.1%)	34.6	26.2	(24.4%)	126.6	125.5	(0.9%)
	338.0	293.9	(13.0%)	30.5	16.9	(44.7%)						
Grain and infrastructure												
Grain trading	268.0	235.5	(12.1%)	5.3	34.6	6.6x	1,390.2	1,087.6	(21.8%)			
Export terminals ³	15.5	12.9	(16.3%)	12.5	9.3	(25.0%)	1,176.0	1,004.6	(14.6%)	10.6	9.3	(12.2%)
Silo services	12.6	10.7	(15.2%)	8.7	6.2	(28.9%)	270.5	168.5	(37.7%)	32.2	36.7	14.1%
	296.1	259.2	(12.5%)	26.4	50.1	89.6%						
Farming	140.7	125.1	(11.1%)	34.0	17.3	(48.9%)						
Unallocated corporate expenses				(10.2)	(11.2)	10.2%						
Reconciliation	(159.8)	(136.7)	(14.4%)									
Total	615.0	541.4	(12.0%)	80.7	73.1	(9.4%)						

US\$ million except ratios and EPS	Revenue, US\$ million			EBITDA, US\$ million			Volumes, thousand tons ¹			EBITDA margin, US\$ / t ²		
	9M FY2017	9M FY2018	y-o-y	9M FY2017	9M FY2018	y-o-y	9M FY2017	9M FY2018	y-o-y	9M FY2017	9M FY2018	y-o-y
Sunflower oil												
Sunflower oil sold in bulk	783.7	873.4	11.4%	66.3	47.9	(27.7%)	802.1	914.7	14.0%	82.7	52.4	(36.6%)
Bottled sunflower oil	98.5	94.6	(3.9%)	11.6	10.6	(8.7%)	92.2	85.8	(6.9%)	125.5	123.1	(1.9%)
	882.2	968.0	9.7%	77.9	58.5	(24.9%)						
Grain and infrastructure												
Grain trading	744.8	598.6	(19.6%)	20.6	44.4	115.3%	4,103.0	3,073.5	(25.1%)			
Export terminals ³	44.3	38.5	(13.1%)	36.4	28.1	(22.8%)	3,340.9	2,967.0	(11.2%)	10.9	9.5	(13.1%)
Silo services	55.4	67.6	22.2%	38.8	44.2	13.8%	3,201.6	3,239.4	1.2%	12.1	13.6	12.4%
	844.5	704.8	(16.5%)	95.8	116.7	21.7%						
Farming	328.4	392.1	19.4%	135.3	52.2	(61.4%)						
Unallocated corporate expenses				(26.1)	(31.2)	19.4%						
Reconciliation	(396.7)	(451.3)	13.8%									
Total	1,658.4	1,613.6	(2.7%)	282.9	196.2	(30.7%)						

¹ Million liters for bottled sunflower oil

² US\$ per thousand of liters for bottled sunflower oil

³ Excluding Taman. Earnings from the joint venture are accounted for below EBITDA
Differences are possible due to rounding

Sunflower oil sold in bulk

- In Q3 FY2018 our plants crushed **849 thousand tons** of sunflower seeds, 1.4% down y-o-y, reaching record 2.3 million tons of seeds processed for 9 months FY2018.
- Sunflower oil in bulk sales** weakened to **253 thousand tons** in January-March 2018, down 14% y-o-y, preceding a spike in sales contracted for the next quarter.
- Consequences of sunflower seed deficit started to materialize in Q3 FY2018, and market faced a growth of sunflower seed procurement prices in February-March 2018, resulting in our **EBITDA margin** decline to **54 US\$ per ton of oil sold in bulk**, down 39% y-o-y and 17% less if comparing with Q2 FY2018.

- Following the volume and margin weakening, **segment's EBITDA** in Q3 decreased by 45% y-o-y, to **US\$ 17 million**.

Bottled sunflower oil

- Sales volumes** of bottled sunflower oil stood at **26 million liters**, down 3% if comparing with the previous quarter.
- Segment's EBITDA** margin declined 1% y-o-y, to **125 US\$ per thousand of liters**, resulting in total segment's EBITDA contribution of **US\$ 3.3 million**.

Management Discussion and Analysis

for the three months ended 31 March 2018

Grain marketing

- **Grain export volumes** in Q3 FY2018 amounted to **1,087,631 tons**, out of which 935,660 tons stands for export from Ukraine (-15% y-o-y) and 151,971 stands for physical grain trading volumes reported by Avere – a recently established subsidiary of Kernel involved in proprietary trading activities.
- **Segment's EBITDA** jumped to **US\$ 35 million**, mostly driven by the Avere trading gain reported.

Export terminals and silo services

- **Export terminals throughput** volumes in Ukraine mirrored the export of grain from Ukraine, declining by 15% y-o-y to 1 million tons in Q3 FY2018.
- Driven by reduced volumes, export terminals transshipment margin squeezed 12% y-o-y to 9.3 US\$ per ton transshipped, determining total segment's EBITDA of US\$ 9.3 million.
- **Silo services** contributed with US\$ 6 million EBITDA in Q3 FY2018, bringing the total segment's EBITDA generated since the beginning of the season to US\$ 44 million, or 14% up y-o-y.

Farming

- **Farming revenue** for 9 months FY2018 stood at US\$ 392 million, up 51% y-o-y, driven by increased sales volumes following the land bank expansion in summer 2017.
- **Segment's profitability** was undermined in 2017 mostly by crop yields decline. Therefore, farming EBITDA margin for 9 months FY2018 reduced by 28 percentage points, to 13% of revenue. Overall, our farming segment generated US\$ 52 million dollars EBITDA for the nine months ended March 31, 2018.
- In May, Kernel completed spring sowing campaign, with total planted area this season exceeding 540 thousand hectares. Spring weather conditions were a little bit unusual this season: abnormally cold March and an immediate transition to an extremely hot April negatively impacted crop's resilience to various potential future weather shocks albeit had no adverse impact on expected yields at current stage of the season.
- Crop mix was slightly revised to increase the acreage under corn and sunflower and reduce the acreage under soybean.

Management Discussion and Analysis

for the three months ended 31 March 2018

Income statement highlights

- Company's **revenue** totaled to US\$ 541 million, down 12% y-o-y, following the slowdown of sunflower oil sales in Q3 FY2018, and absence of grain export operations in Russia in the reporting period due to the assignment of Taman terminal transshipment quota to a third party.
- Conforming with its usual seasonality pattern, the net change in fair value of biological assets and agricultural produce ("**IAS 41 effect**") resulted in a non-cash loss of US\$ 12 million.
- Gross profit** of the Company declined 54% y-o-y to US\$ 58 million, reflecting the weak performance of our crushing and farming divisions this season.
- Net other operating income** contributed with a record ever US\$ 52 million, including gain on operations with commodity futures, mostly earned by Avere.
- Due to weaker sales volumes this season, **distribution costs** in Q3 FY2018 declined by 29% y-o-y to US\$ 32 million, standing at 5.8% of revenue, as compared with 7.2% in Q3 FY2017.
- General and administrative expenses** amounted to US\$ 25 million, up 57% y-o-y, driven by the expansion of Company's farming business and Avere operations.
- Consequently, **operating profit** in Q3 FY2018 declined 22% y-o-y, standing at US\$ 53 million, slightly below the previous quarter.
- Kernel's **net finance costs** (mostly Eurobond coupons and costs associated with pre-export financing) amounted to US\$ 16 million in Q3 FY2018, being stable during last three quarters.
- Due to Ukrainian hryvnia appreciation in Q3 FY2018, Kernel booked a US\$ 25 million **foreign exchange loss** over the reporting period, mostly reflecting non-cash losses recognized after revaluing intra-group balances in local currency.

- During the reported period, Kernel faced the need to recognize a provision for settling the possible obligation arising from acquisition of Stiom Holding in 2012. Together with several other factors, it resulted in **net other expenses** of US\$ 33 million in Q3 FY2018.

- As a result, the Company ended Q3 FY2018 with a **net loss** of US\$ 26 million, of which a loss of US\$ 39 million is attributable to the shareholders of Kernel Holding S.A.

Cash flow highlights

- Company's **operating profit before working capital changes** in Q3 FY2018 totaled to US\$ 69 million, down 29% y-o-y.
- Changes in working capital in January-March 2018 resulted in US\$ 19 million cash inflow, 84% less than in Q3 FY2017, as we were investing in the working capital required to intensify the production process on the farming operations acquired in 2017.
- Following that, **net cash generated from operations** in Q3 FY2018 amounted to US\$ 88 million, as compared to US\$ 216 million for the same period a year ago.
- Net cash used in investing activities in Q3 FY2018 consisted mainly of investments into agricultural machinery and equipment needed by our expanded farming activities, and US\$ 28 million purchases of financial assets available for sale.
- Financing activities provided company with US\$ 31 million of additional funds in Q3 FY2018.

Credit metric highlights

- Readily-marketable inventories as of 31 March 2018 declined 19% comparing with 31 December 2017. But facing the need to make an investments into working capital required for operating the new land bank acquired, net debt ended up at virtually unchanged q-o-q US\$ 696 million.

Credit metrics

US\$ million, except ratios	31 Mar 2017	31 Dec 2017	31 Mar 2018	y-o-y	q-o-q
Gross interest-bearing debt	582.3	855.4	871.4	49.7%	1.9%
Cash	204.7	157.5	175.4	(14.3%)	11.4%
Net interest-bearing debt	377.6	697.9	696.0	84.3%	(0.3%)
Readily marketable inventories	429.8	690.5	562.2	30.8%	(18.6%)
Adjusted net financial debt	(52.3)	7.4	133.8	n/a	18.0x
Shareholders' equity	1,129.4	1,134.9	1,157.2	2.5%	2.0%
Net debt / EBITDA	1.1x	2.9x	3.0x	1.8x	0.1x
Adjusted net debt / EBITDA	(0.2x)	0.0x	0.6x	0.7x	0.5x
EBITDA / Interest	5.3x	3.5x	3.7x	(1.6x)	0.2x

Alternative Performance Measures

for the three months ended 31 March 2018

To comply with ESMA Directive on AMPs, Kernel Holding S.A. (hereinafter the "Company") and its subsidiaries (hereinafter the "Group") presents this additional disclosure, which enhances the comparability, reliability and comprehension of its financial information.

The Group presents its results in accordance with generally accepted accounting principles (IFRS), but nonetheless, management considers that certain supplemental non-IFRS measures, such as EBITDA, EBITDA margin, fixed assets investments, investing cash flows, free cash flows, funds from operations, working capital, gross interest-bearing debt, net interest-bearing debt, readily marketable inventories and adjusted net interest-bearing debt (together, the 'Alternative Performance Measures') provide investors with a supplemental tool to assist in evaluating current business performance.

The Group believes the Alternative Performance Measures are frequently used by securities analysts, investors and other interested parties in evaluating companies in the Group's industry. The Alternative Performance Measures have limitations as analytical tools, and investors should not consider any of them in isolation or any combination of them together as a substitute for analysis of the Company's operating results as reported under IFRS. Other companies in the industry may calculate these Alternative Performance Measures differently or may use them for different purposes than Kernel Holding S.A., limiting their usefulness as comparative measures. Each of the Alternative Performance Measures is defined below.

EBITDA and EBITDA margin

The Group uses EBITDA as a key measure of operating performance and which is defined as profit before income tax adding back share of (loss)/gain of joint ventures, net other (expenses)/income, net foreign exchange gain, net finance costs, and amortization and depreciation. The Group defines EBITDA margin as EBITDA divided by revenue during the reporting period.

Kernel Holding S.A. views EBITDA and EBITDA margin as key measures of the Group's performance. The Group uses EBITDA and EBITDA margin in its public reporting, including with respect to the listing of its equity on the Warsaw Stock Exchange. The Group believes that these measures better reflect the Group and its subsidiaries' core operating activities and provide both management and investors with information regarding operating performance, which is more useful for evaluating the financial position of the Group and its subsidiaries than traditional measures, to the exclusion of external factors unrelated to their performance.

EBITDA and EBITDA margin have limitations as analytical tools, and investors should not consider these measures in isolation or in any combination with other Supplemental Non-IFRS Measures as a substitute for analysis of the Group's operating results as reported under IFRS. Some of these limitations are as follows:

- EBITDA and EBITDA margin do not reflect the impact of financial costs, which significantly reflect macroeconomic conditions and have little effect on the Group's operating performance,
- EBITDA and EBITDA margin do not reflect the impact of taxes on the Group's operating performance,
- EBITDA and EBITDA margin do not reflect the impact of depreciation and amortization on the Group's performance. The assets of the Group, which are being depreciated, depleted and/or amortized, will need to be replaced in the future and such depreciation and amortization expense may approximate the cost of replacing these assets in the future. By excluding this expense from EBITDA and EBITDA margin, such measures do not reflect the Group's future cash requirements for these replacements,
- EBITDA and EBITDA margin do not reflect the impact of share of gain of joint ventures, which are accounted under equity method,
- EBITDA and EBITDA margin do not reflect the impact of foreign exchange gain/(loss), which the Group does not consider to be part of its core operating performance because the Group is not involved in any foreign currency transactions apart from those arising from differences between functional currencies in the normal course of business,
- EBITDA and EBITDA margin do not reflect the impact of other expenses, as such expenses are not a part of Group's core operations.

The following table reconciles profit before income tax to EBITDA for the periods indicated:

in thousand US\$	3 months ended 31 March 2017	3 months ended 31 March 2018	9 months ended 31 March 2017	9 months ended 31 March 2018
Profit before income tax	40,893	(20,666)	208,897	61,943
<i>add back:</i>				
Financial costs, net	(21,482)	(15,993)	(47,373)	(47,916)
Foreign exchange gain, net	(1,642)	(24,743)	14,451	12,551
Other (expenses)/income, net	(2,650)	(33,005)	2,845	(35,998)
Share of (loss)/gain of joint venture	(641)	440	(2,959)	8
Amortization and depreciation	(13,403)	(20,483)	(41,013)	(62,879)
EBITDA	80,711	73,118	282,946	196,177

Alternative Performance Measures

for the three months ended 31 March 2018

Working Capital

The Group uses working capital as a measure of its efficiency and short-term liquidity and which is defined as current assets (excluding cash and cash equivalents, and assets classified as held for sale) less current liabilities (excluding short-term borrowings, current portion of long-term borrowings, current portion of obligations under finance lease and interest on bonds issued).

Fixed Assets Investments

The Group uses fixed assets investments as a measure of its expenditures on fixed assets maintenance and which is defined as net cash used in investing

activities less purchase of intangible assets and other non-current assets, less acquisition of subsidiaries, less disposal of subsidiaries, less amount advanced for subsidiaries, less purchase of financial assets.

Investing Cash Flows

The Group uses investing cash flows as a measure of its expenditures on investments and which is defined as net cash used in investing activities less purchase of property, plant and equipment, less proceeds from disposal of property, plant and equipment.

The following table reconciles total current assets to working capital for the periods indicated:

in thousand US\$	As of 31 March 2017	As of 31 March 2018
Total current assets	1,161,506	1,444,006
<i>less:</i>		
Cash and cash equivalents	204,703	175,381
Total current liabilities	222,310	608,045
<i>add back:</i>		
Short-term borrowings	55,139	355,760
Current portion of long-term borrowings	12,751	2,767
Current portion of obligations under finance lease	2,908	2,606
Interest on bonds issued	7,131	7,131
Working Capital	812,422	1,028,844

The following table reconciles net cash used in investing activities to fixed assets investments for the periods indicated:

in thousand US\$	3 months ended 31 March 2017	3 months ended 31 March 2018	9 months ended 31 March 2017	9 months ended 31 March 2018
Net cash used in investing activities	(9,659)	(51,037)	(60,100)	(122,658)
<i>less:</i>				
Purchase of intangible and other non-current assets	(186)	(3,700)	(583)	(7,433)
Disposal of subsidiaries	—	38	2,439	1,442
Acquisition of subsidiaries	—	—	—	(46,512)
Amounts advanced for subsidiaries	—	—	5,273	19,504
Payment to acquire financial assets	—	—	—	(10,000)
(Purchases) / sales of financial assets	(1,340)	(27,590)	(37,664)	(35,635)
Fixed assets investments	(8,133)	(19,785)	(29,565)	(44,024)

The following table reconciles net cash used in investing activities to investing cash flows for the periods indicated:

in thousand US\$	3 months ended 31 March 2017	3 months ended 31 March 2018	9 months ended 31 March 2017	9 months ended 31 March 2018
Net cash used in investing activities	(9,659)	(51,037)	(60,100)	(122,658)
<i>less:</i>				
Purchase of property, plant and equipment	(8,649)	(20,926)	(31,153)	(46,712)
Proceeds from disposal of property, plant and equipment	516	1,141	1,588	2,688
Investing cash flows	(1,526)	(31,252)	(30,535)	(78,634)

Alternative Performance Measures

for the three months ended 31 March 2018

Funds from Operations

The Group uses as a measure of the cash generation of its core business operations and which is defined as profit before income tax adding back income, share of (loss)/gain in joint ventures, net other income, the foreign exchange gain/(loss), net finance costs, amortization and depreciation, less cash used in purchase of property, plant and equipment, cash from proceeds from disposal of property, plant and equipment, finance costs paid, income tax paid, movements in allowance for doubtful receivables, loss/(gain) from changes in fair value of biological assets, other accruals, net non-realizable foreign exchange gain/(loss) and other.

Free Cash Flows

The Group uses as a measure of the cash generation of its core business operations and which is defined as profit/(loss) before income tax adding back share of (loss)/gain in joint ventures, net other (expenses)/income, net foreign exchange gain, net finance costs, amortization and depreciation, less cash used in investing activities, finance costs paid, income tax paid, changes in working capital, movements in allowance for doubtful receivables, loss/(gain) from changes in fair value of biological assets, other accruals net non-realizable foreign exchange gain/(loss) and other.

The following table reconciles profit from continuing operations to funds from operations for the periods indicated:

in thousand US\$	3 months ended 31 March 2017	3 months ended 31 March 2018	9 months ended 31 March 2017	9 months ended 31 March 2018
Profit before income tax	40,893	(20,666)	208,897	61,943
<i>add back:</i>				
Financial costs, net	(21,482)	(15,993)	(47,373)	(47,916)
Foreign exchange gain(loss), net	(1,642)	(24,743)	14,451	12,551
Other (expenses)/income, net	(2,650)	(33,005)	2,845	(35,998)
Share of (loss)/gain of joint venture	(641)	440	(2,959)	8
Amortization and depreciation	(13,403)	(20,483)	(41,013)	(62,879)
EBITDA	80,711	73,118	282,946	196,177
<i>less:</i>				
Purchase of property, plant and equipment	(8,649)	(20,926)	(31,153)	(46,712)
Proceeds from disposal of property, plant and equipment	516	1,141	1,588	2,688
Finance costs paid	(14,734)	(26,131)	(40,163)	(55,702)
Income tax paid	(1,818)	(392)	(4,947)	(4,039)
Movement in allowance for doubtful receivables	1,652	189	4,337	654
Net change in fair value of biological assets and agriproduce	15,815	11,897	(19,250)	8,129
Net non-realizable foreign exchange loss/(gain)	352	3,568	1,171	4,846
Other accruals	1,849	29,663	3,099	33,364
Other	(2,830)	(49,518)	(4,409)	(57,758)
Funds from operations	72,864	22,609	193,219	81,647

The following table reconciles profit from continuing operations to free cash flows for the periods indicated:

in thousand US\$	3 months ended 31 March 2017	3 months ended 31 March 2018	9 months ended 31 March 2017	9 months ended 31 March 2018
Profit before income tax	40,893	(20,666)	208,897	61,943
<i>add back:</i>				
Financial costs, net	(21,482)	(15,993)	(47,373)	(47,916)
Foreign exchange gain(loss), net	(1,642)	(24,743)	14,451	12,551
Other (expenses)/income, net	(2,650)	(33,005)	2,845	(35,998)
Share of (loss)/gain of joint venture	(641)	440	(2,959)	8
Amortization and depreciation	(13,403)	(20,483)	(41,013)	(62,879)
EBITDA	80,711	73,118	282,946	196,177
<i>less:</i>				
Net cash used in investing activities	(9,659)	(51,037)	(60,100)	(122,658)
Changes in working capital	118,861	18,623	(240,545)	(183,690)
Finance costs paid	(14,734)	(26,131)	(40,163)	(55,702)
Income tax paid	(1,818)	(392)	(4,947)	(4,039)
Movement in allowance for doubtful receivables	1,652	189	4,337	654
Net change in fair value of biological assets and agriproduce	15,815	11,897	(19,250)	8,129
Net non-realizable foreign exchange loss/(gain)	352	3,568	1,171	4,846
Other accruals	1,849	29,663	3,099	33,364
Other	(2,830)	(49,518)	(4,409)	(57,758)
Free cash flows	190,199	9,980	(77,861)	(180,677)

Alternative Performance Measures

for the three months ended 31 March 2018

Readily Marketable Inventories

The Group uses Readily Marketable Inventories (hereinafter 'RMI'), as an additional measure of its liquidity, which the Group uses to provide a supplemental tool to assist management and investors in evaluating current business performance and in calculating credit ratios under certain of the Group's financing arrangements. The Group defines RMI as agricultural inventories, such as corn, wheat, barley, soybean, sunflower seed, meal and oil, which the Group treats as readily convertible into cash because of their commodity characteristics and widely available markets and international pricing mechanisms, carried at cost. Usually, approximately 90% of the Group's key inventories can be traded and approximately 75% of its subsequent year crop to be harvested is directly hedged with futures and forward contracts as well as options, prior to harvesting.

Factors which the Group considers when classifying inventory as RMI include whether there is an ascertainable price for the inventory established via international pricing mechanism, there are widely available and liquid markets for

the inventory, the pricing and margins on the inventory are hedged through forward sales and can be identified and appropriately valued, there is stable and/or predictable end-user demand for the inventory and the inventory is not perishable in short-term.

Interest-bearing Debt

The Group defines interest-bearing debt as the measure of its leverage and indebtedness, which consists of gross interest-bearing debt, net interest-bearing debt and adjusted interest-bearing debt. The Group defines gross interest-bearing debt as the sum of short-term borrowings, current portion of long-term borrowings, long-term borrowings, bonds issued and present value of lease obligations. Moreover, the Group defines net interest-bearing debt as gross interest-bearing debt less cash and cash equivalents. Additionally, the Group defines adjusted net interest-bearing debt, as net interest-bearing debt less readily marketable inventories.

The following table shows the Group's key inventories considered eligible for RMI by type and the amounts of such inventory that the Group treats as RMI as at the periods indicated:

in thousand US\$	As of 31 March 2017	As of 31 March 2018
Sunflower oil & meal	164,611	239,064
Sunflower seed	120,831	187,019
Grains	138,999	135,512
Other	115,320	166,913
Total	539,761	728,508
<i>of which: Readily marketable inventories</i>	<i>429,831</i>	<i>562,188</i>

The following table presents the calculations for gross, net and adjusted interest-bearing debts as at the periods indicated:

in thousand US\$	As of 31 March 2017	As of 31 March 2018
Short-term interest-bearing debt	75,021	365,658
Long-term interest-bearing debt	8,002	2,765
Bonds issued	493,083	494,413
Obligations under finance lease	6,177	8,558
Gross interest-bearing debt	582,283	871,394
less: cash and cash equivalents	204,703	175,381
Net interest-bearing debt	377,580	696,013
less: readily marketable inventories	429,831	562,188
Adjusted net financial debt	(52,251)	133,825

Selected Financial Data

for the three months ended 31 March 2018 (in thousands of US dollars, unless otherwise stated)

	USD		PLN		EUR	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
I. Revenue	541,436	615,009	1,841,409	2,497,921	440,404	577,616
II. Profit from operating activities	52,635	67,308	179,010	273,378	42,813	63,216
III. (Loss)/Profit before income tax	(20,666)	40,893	(70,285)	166,091	(16,810)	38,407
IV. (Loss)/Profit for the period from continuing operations	(26,169)	33,403	(89,000)	135,670	(21,286)	31,372
V. Net cash generated by operating activity	61,017	199,858	247,827	811,743	49,631	187,707
VI. Net cash used in investment activity	(51,037)	(9,659)	(207,292)	(39,231)	(41,513)	(9,072)
VII. Net cash generated by/(used in) financing activities	32,074	(50,211)	130,272	(203,937)	26,089	(47,158)
VIII. Total net cash flow	42,054	139,988	170,807	568,575	34,207	131,477
IX. Total assets	2,339,499	1,917,498	7,986,815	7,565,488	1,897,802	1,792,861
X. Current liabilities	608,045	222,310	2,075,805	877,124	493,246	207,860
XI. Non-current liabilities	557,242	562,138	1,902,368	2,217,915	452,035	525,599
XII. Share capital	2,164	2,131	7,388	8,408	1,755	1,992
XIII. Total equity	1,174,212	1,133,050	4,008,642	4,470,449	952,521	1,059,402
XIV. Weighted average number of shares	81,941,230	80,701,230	81,941,230	80,701,230	81,941,230	80,701,230
XV. (Loss)/Profit per ordinary share (in USD/PLN/EUR)	(0.48)	0.41	(1.62)	1.66	(0.39)	0.38
XVI. Diluted number of shares	82,661,238	82,749,426	82,661,238	82,749,426	82,661,238	82,749,426
XVII. Diluted (loss)/profit per ordinary share (in USD/PLN/EUR)	(0.47)	0.40	(1.61)	1.62	(0.38)	0.37
XIII. Book value per share (in USD/PLN/EUR)	14.12	13.99	48.20	55.20	11.45	13.08
XIX. Diluted book value per share (in USD/PLN/EUR)	13.99	13.65	47.76	53.86	11.35	12.76

Condensed Consolidated Interim Statement of Financial Position

as of 31 March 2018 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 31 March 2018	As of 31 December 2017	As of 30 June 2017	As of 31 March 2017
Assets					
Current assets					
Cash and cash equivalents	6	175,381	157,494	143,392	204,703
Trade accounts receivable, net	7	141,137	117,974	87,192	130,247
Prepayments to suppliers and other current assets, net	20	128,765	75,062	82,701	72,652
Corporate income tax prepaid	19	8,743	9,057	8,198	6,615
Taxes recoverable and prepaid, net	8	111,950	127,162	135,257	132,213
Inventory	9	728,508	768,847	386,660	539,761
Biological assets		48,877	32,673	256,247	44,681
Other financial assets	22	100,645	34,418	21,041	30,634
Total current assets		1,444,006	1,322,687	1,120,688	1,161,506
Non-current assets					
Property, plant and equipment, net	10	579,664	577,091	569,714	517,807
Intangible assets, net		102,113	106,799	104,861	29,864
Goodwill		111,523	110,465	114,110	120,276
Investments in joint ventures	11	51,033	50,593	51,025	49,205
Deferred tax assets		9,083	13,222	11,924	12,328
Corporate income tax prepaid	19	6,016	5,291	5,028	6,632
Other non-current assets	20	36,061	24,266	31,733	19,880
Total non-current assets		895,493	887,727	888,395	755,992
Total assets		2,339,499	2,210,414	2,009,083	1,917,498
Liabilities and equity					
Current liabilities					
Trade accounts payable	20	77,409	41,435	52,776	51,043
Advances from customers and other current liabilities	20	138,171	120,459	88,665	96,246
Short-term borrowings	12	355,760	329,351	131,679	55,139
Current portion of long-term borrowings	13	2,767	2,794	2,782	12,751
Interest on bonds issued	14	7,131	17,949	17,949	7,131
Other financial liabilities		26,807	3,763	—	—
Total current liabilities		608,045	515,751	293,851	222,310
Non-current liabilities					
Long-term borrowings	13	2,765	4,189	5,562	8,002
Obligations under finance leases		5,952	4,585	2,902	3,269
Deferred tax liabilities		20,575	20,477	24,865	19,594
Bonds issued	14	494,413	494,391	493,648	493,083
Other non-current liabilities	20	33,537	32,391	30,646	38,190
Total non-current liabilities		557,242	556,033	557,623	562,138
Equity attributable to Kernel Holding S.A. equity holders					
Issued capital	2	2,164	2,164	2,164	2,131
Share premium reserve		481,878	481,878	481,878	471,796
Additional paid-in capital		39,944	39,944	39,944	39,944
Equity-settled employee benefits reserve	2	6,908	6,639	7,014	8,148
Revaluation reserve		43,815	43,815	43,815	43,815
Translation reserve		(735,350)	(796,468)	(707,458)	(738,180)
Retained earnings		1,317,885	1,356,963	1,285,671	1,301,699
Total equity attributable to Kernel Holding S.A. equity holders		1,157,244	1,134,935	1,153,028	1,129,353
Non-controlling interests		16,968	3,695	4,581	3,697
Total equity		1,174,212	1,138,630	1,157,609	1,133,050
Total liabilities and equity		2,339,499	2,210,414	2,009,083	1,917,498
Book value		1,157,244	1,134,935	1,153,028	1,129,353
Number of shares	2	81,941,230	81,941,230	80,338,776	80,701,230
Book value per share (in USD)		14.12	13.85	14.35	13.99
Diluted number of shares		82,741,619	82,776,896	82,407,733	82,749,426
Diluted book value per share (in USD)		13.99	13.71	13.99	13.65

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 31 March 2018 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 31 March 2018	9 months ended 31 March 2018	3 months ended 31 March 2017	9 months ended 31 March 2017
Revenue	15	541,436	1,613,601	615,009	1,658,353
Net change in fair value of biological assets and agricultural produce		(11,897)	(8,129)	(15,815)	19,250
Cost of sales	16	(471,422)	(1,385,548)	(474,151)	(1,300,768)
Gross profit		58,117	219,924	125,043	376,835
Other operating income, net	17	51,508	70,956	2,726	33,434
Operating expenses					
Distribution costs	20	(31,640)	(93,653)	(44,354)	(125,549)
General and administrative expenses	20	(25,350)	(63,929)	(16,107)	(42,787)
Profit from operating activities		52,635	133,298	67,308	241,933
Finance costs, net	20	(15,993)	(47,916)	(21,482)	(47,373)
Foreign exchange (loss)/gain, net	18	(24,743)	12,551	(1,642)	14,451
Other (expenses)/income, net	20	(33,005)	(35,998)	(2,650)	2,845
Share of gain/(loss) of joint ventures	11	440	8	(641)	(2,959)
(Loss)/Profit before income tax		(20,666)	61,943	40,893	208,897
Income tax (expenses)/benefits	19	(5,503)	2,079	(7,490)	(14,196)
(Loss)/Profit for the period from continuing operations		(26,169)	64,022	33,403	194,701
Discontinued operations					
Loss for the period from discontinued operations		—	—	—	—
(Loss)/Profit for the period		(26,169)	64,022	33,403	194,701
(Loss)/Profit for the period attributable to:					
Equity holders of Kernel Holding S.A.		(39,078)	50,738	32,932	192,434
Non-controlling interests		12,909	13,284	471	2,267
Earnings per share					
From continuing and discontinued operations					
Weighted average number of shares		81,941,230	81,941,230	80,701,230	80,118,027
(Loss)/Profit per ordinary share (in USD)		(0.48)	0.62	0.41	2.40
Diluted number of shares		82,661,238	82,741,619	82,749,426	82,292,638
Diluted (loss)/profit per ordinary share (in USD)		(0.47)	0.61	0.40	2.34
From continuing operations					
Weighted average number of shares		81,941,230	81,941,230	80,701,230	80,118,027
(Loss)/Profit per ordinary share (in USD)		(0.48)	0.62	0.41	2.40
Diluted number of shares		82,661,238	82,741,619	82,749,426	82,292,638
Diluted (loss)/profit per ordinary share (in USD)		(0.47)	0.61	0.40	2.34

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 31 March 2018 (in thousands of US dollars, unless otherwise stated)

	3 months ended 31 March 2018	9 months ended 31 March 2018	3 months ended 31 March 2017	9 months ended 31 March 2017
(Loss)/Profit for the period	(26,169)	64,022	33,403	194,701
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	61,482	(28,011)	6,842	(46,591)
Other comprehensive income/(loss), net	61,482	(28,011)	6,842	(46,591)
Total comprehensive income for the period	35,313	36,011	40,245	148,110
Total comprehensive income attributable to:				
Shareholders of Kernel Holding S.A.	22,040	22,846	39,754	146,139
Non-controlling interests	13,273	13,165	491	1,971

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 31 March 2018 (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 interests	Total equity
Balance as of 31 March 2017	2,131	471,796	39,944	8,148	43,815	(738,180)	1,301,699	1,129,353	3,697	1,133,050
(Loss)/Profit for the period	—	—	—	—	—	—	(16,191)	(16,191)	93	(16,098)
Other comprehensive income	—	—	—	—	—	30,722	—	30,722	163	30,885
Total comprehensive income/(loss) for the period	—	—	—	—	—	30,722	(16,191)	14,531	256	14,787
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(197)	(197)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	825	825
Issue of ordinary shares under employee share option plan	33	10,082	—	(1,134)	—	—	163	9,144	—	9,144
Balance as of 30 June 2017	2,164	481,878	39,944	7,014	43,815	(707,458)	1,285,671	1,153,028	4,581	1,157,609
Profit for the period	—	—	—	—	—	—	22,818	22,818	1	22,819
Other comprehensive loss	—	—	—	—	—	(24,666)	—	(24,666)	(92)	(24,758)
Total comprehensive (loss)/ income for the period	—	—	—	—	—	(24,666)	22,818	(1,848)	(91)	(1,939)
Recognition of share-based payments	—	—	—	280	—	—	—	280	—	280
Balance as of 30 September 2017	2,164	481,878	39,944	7,294	43,815	(732,124)	1,308,489	1,151,460	4,490	1,155,950
Profit for the period	—	—	—	—	—	—	66,998	66,998	374	67,372
Other comprehensive loss	—	—	—	—	—	(64,344)	—	(64,344)	(391)	(64,735)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(64,344)	66,998	2,654	(17)	2,637
Distribution of dividends	—	—	—	—	—	—	(20,485)	(20,485)	—	(20,485)
Effect of changes on minority interest	—	—	—	—	—	—	778	778	(778)	—
Recognition of share-based payments	—	—	—	(655)	—	—	1,183	528	—	528
Balance as of 31 December 2017	2,164	481,878	39,944	6,639	43,815	(796,468)	1,356,963	1,134,935	3,695	1,138,630
(Loss)/Profit for the period	—	—	—	—	—	—	(39,078)	(39,078)	12,909	(26,169)
Other comprehensive income	—	—	—	—	—	61,118	—	61,118	364	61,482
Total comprehensive income/(loss) for the period	—	—	—	—	—	61,118	(39,078)	22,040	13,273	35,313
Recognition of share-based payments	—	—	—	269	—	—	—	269	—	269
Balance as of 31 March 2018	2,164	481,878	39,944	6,908	43,815	(735,350)	1,317,885	1,157,244	16,968	1,174,212

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 31 March 2018 (in thousands of US dollars, unless otherwise stated)

	3 months ended 31 March 2018	9 months ended 31 March 2018	3 months ended 31 March 2017	9 months ended 31 March 2017
Operating activities:				
(Loss)/Profit before income tax	(20,666)	61,943	40,893	208,897
Adjustments for:				
Amortization and depreciation	20,483	62,879	13,403	41,013
Finance costs, net	15,993	47,916	21,482	47,373
Movement in allowance for doubtful receivables	189	654	1,652	4,337
Other accruals	29,663	33,364	1,849	3,099
(Gain)/Loss on disposal of property, plant and equipment	(339)	1,369	(136)	(356)
Net foreign exchange loss/(gain)	28,311	(7,705)	1,994	(13,280)
Write-offs and impairment loss	—	2,255	—	1,830
Net change in fair value of biological assets and agricultural produce	11,897	8,129	15,815	(19,250)
Share of (gain)/ loss of joint ventures	(440)	(8)	641	2,959
Gain/(Loss) on sales of Subsidiaries	1,779	(97)	—	(7,008)
Gain on bargain purchase	—	(2,309)	—	—
Net gain arising on financial assets classified as held for trading	(17,953)	(19,522)	(44)	(1,720)
Other gains	—	(3,456)	—	—
Operating profit before working capital changes	68,917	185,412	97,549	267,894
Changes in working capital:				
Change in trade accounts receivable	(45,683)	(77,004)	(4,895)	(54,814)
Change in prepayments and other current assets	(56,226)	(39,362)	12,792	(7,253)
Change in restricted cash balance	16,266	3,889	4,191	4,171
Change in taxes recoverable and prepaid	17,431	18,888	69,255	(9,525)
Change in biological assets	(7,224)	212,343	(926)	169,198
Change in inventories	32,339	(349,956)	45,720	(361,656)
Change in trade accounts payable	54,668	41,213	8,913	8,645
Change in advances from customers and other current liabilities	7,052	6,299	(16,189)	10,689
Cash generated by operations	87,540	1,722	216,410	27,349
Finance costs paid	(26,131)	(55,702)	(14,734)	(40,163)
Income tax paid	(392)	(4,039)	(1,818)	(4,947)
Net cash generated by/(used in) operating activities	61,017	(58,019)	199,858	(17,761)
Investing activities:				
Purchase of property, plant and equipment	(20,926)	(46,712)	(8,649)	(31,153)
Proceeds from disposal of property, plant and equipment	1,141	2,688	516	1,588
Purchase of intangible and other non-current assets	(3,700)	(7,433)	(186)	(583)
Acquisition of Subsidiaries	—	(46,512)	—	—
Disposal of Subsidiaries	38	1,442	—	2,439
Amount advanced for Subsidiaries	—	19,504	—	5,273
Purchases of financial assets	(27,590)	(35,635)	(1,340)	(37,664)
Payment to acquire financial assets	—	(10,000)	—	—
Net cash used in investing activities	(51,037)	(122,658)	(9,659)	(60,100)
Financing activities:				
Proceeds from borrowings	188,970	616,531	22,781	344,961
Repayment of borrowings	(158,181)	(391,277)	(566,553)	(621,940)
Proceeds from bond issue	—	—	493,083	493,083
Proceeds from share premium reserve increase	—	—	—	6,230
Issued capital	—	—	—	27
Net cash generated by /(used in) financing activities	30,789	225,254	(50,689)	222,361
Effect of exchange rate changes on the balance of cash held in foreign currencies	1,285	(2,190)	478	(176)
Net increase in cash and cash equivalents	42,054	42,387	139,988	144,324
Cash and cash equivalents, at the beginning of the period	87,498	87,165	64,605	60,269
Cash and cash equivalents, at the end of the period	129,552	129,552	204,593	204,593

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 31 March 2018 (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 31 March 2018, 31 December 2017 and 31 March 2017, 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		
			31 March 2018	31 December 2017	31 March 2017
Jerste BV	Holding companies.	Netherlands	100.0%	100.0%	100.0%
Inerco Trade S.A.		Switzerland	100.0%	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%	100.0%
Kernel-Trade LLC	Trading in sunflower oil, meal and grain.	Ukraine	100.0%	100.0%	100.0%
Avere Commodities SA		Switzerland	60.0%	60.0% ¹	0.0%
Ukragroinvest LLC		Ukraine	100.0%	100.0% ²	0.0%
Poltava OEP PJSC		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	Oilseed crushing plants. Production of sunflower oil and meal.	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%	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		Ukraine	94.0%	94.0%	94.0%
Kononivsky Elevator LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100.0%	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0% ³	0.0%
Bilovodskiy KHP PJSC		Ukraine	91.12%	91.12% ²	0.0%
Unigrain-Agro (Semenivka) LLC		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		Ukraine	100.0%	100.0%	100.0%
Prydniprovskiy Kray ALLC ⁴	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	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%
Agro Invest Ukraine LLC		Ukraine	100.0%	100.0% ³	0.0%
Druzhba 6 PE		Ukraine	100.0%	100.0% ²	0.0%
Buymerske PE		Ukraine	100.0%	100.0% ²	0.0%

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors of Kernel Holding S.A. on 22 May 2018.

¹ The company started its activity in July 2017.

² The company was acquired on 30 June 2017.

³ The company was acquired on 04 July 2017.

⁴ The company was renamed from Palmira ALLC on 26 November 2017.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2018 (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 2018 consisted of 81,941,230 ordinary electronic shares and as of 31 March 2017 80,701,230 ordinary electronic shares without indication of a nominal value, providing 81,941,230 and 80,701,230 voting rights, respectively.

The shares were distributed as follows:

	As of 31 March 2018		As of 31 March 2017	
	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')	32,344,404	39.47%	31,245,878	38.72%
Free float	49,596,826	60.53%	49,455,352	61.28%
Total	81,941,230	100.00%	80,701,230	100.00%

As of 31 March 2018 and 2017, 100% of the beneficial interest in the Major Equity Holder was held by Andriy Mykhailovych Verevskyy (hereinafter the 'Beneficial Owner').

As of 31 March 2018, the fair value of the share-based options granted to the management was USD 6,908 thousand and USD 269 thousand was recognized as an expense (part of payroll and payroll related expenses) during the three months ended 31 March 2018, with a corresponding increase in equity over the vesting period (31 March 2017: USD 8,148 thousand and USD 833 thousand, respectively).

On 11 December 2017, the annual General Meeting of Shareholders approved an annual dividend of USD 0.25 per share amounting to USD 20,485 thousand.

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 31 March 2018 and 2017, respectively, may not be distributed as dividends.

3. Basis of Presentation of Financial Statements

These Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2018 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 2017.

The Group has adopted the standards, amendments and interpretations effective for annual periods beginning on or after 1 July 2017. 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 31 March 2018 (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 sales, 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 2018	Average rate for the 3 months ended 31 March 2018	Average rate for the 9 months ended 31 March 2018	Closing rate as of 31 March 2017	Average rate for the 3 months ended 31 March 2017	Average rate for the 9 months ended 31 March 2017
USD/UAH	26.5435	27.3203	26.7237	26.9761	27.0611	26.1019
USD/EUR	0.8112	0.8134	0.8383	0.9350	0.9392	0.9205
USD/RUB	57.2649	56.8803	58.1115	56.3779	58.8366	62.2009
USD/PLN	3.4139	3.4010	3.5409	3.9455	4.0616	4.0019

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 ports.
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 31 March 2018 (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 November-May and June-October, 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 2018:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Other	Re- conciliation	Continuing operations
Revenue (external)	29,160	264,765	54	10,628	235,501	1,328	—	—	541,436
Intersegment sales	—	—	12,891	114,427	—	9,398	—	(136,716)	—
Total revenue	29,160	264,765	12,945	125,055	235,501	10,726	—	(136,716)	541,436
Net change in fair value of biological assets and agricultural produce	—	—	—	(11,897)	—	—	—	—	(11,897)
Other operating (loss)/income, net	(11)	94	—	2,959	48,029	750	(313)	—	51,508
Profit/(Loss) from operating activities	2,842	9,982	8,536	3,490	34,587	4,779	(11,581)	—	52,635
Finance costs, net									(15,993)
Foreign exchange loss, net									(24,743)
Other expenses, net									(33,005)
Share of gain of joint ventures									440
Income tax expense									(5,503)
Loss for the period from continuing operations									(26,169)
Total assets	70,517	898,995	118,258	639,587	379,918	84,909	147,315	—	2,339,499
Capital expenditures	179	756	555	15,188	—	898	1,052	—	18,628
Amortization and depreciation	441	3,615	805	13,849	—	1,410	363	—	20,483
Liabilities	6,675	64,412	4,116	95,685	54,705	2,868	936,826	—	1,165,287

During the three months ended 31 March 2018, revenues of approximately USD 88,005 thousand are derived from one external customer. These revenues are attributed to Grain and Sunflower oil sold in bulk segments. Also, during that period, export sales amounted to 95% 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 for the segment reporting with the purposes to reflect more precisely the farming segment profitability. Namely, to recognize only those sales generated by the Company's farming segment, which were realized from the trading companies to the 3rd parties during the reporting period. These corresponding amendments were made to the segment disclosures for the three months ended 31 March 2017.

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 2018	As of 31 March 2018
Ukraine	541,436	835,327
Russian Federation	—	51,083
Total	541,436	886,410

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 31 March 2018 (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 2017:

	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Other	Re- conciliation	Continuing operations
Revenue (external)	37,918	300,067	233	7,104	267,985	1,702	—	—	615,009
Intersegment sales	—	—	15,231	133,590	—	10,943	—	(159,764)	—
Total revenue	37,918	300,067	15,464	140,694	267,985	12,645	—	(159,764)	615,009
Net change in fair value of biological assets and agricultural produce	—	—	—	(15,815)	—	—	—	—	(15,815)
Other operating income, net	—	777	1	3,901	(2,207)	254	—	—	2,726
Profit/(Loss) from operating activities	3,933	22,567	11,687	26,386	5,272	7,985	(10,522)	—	67,308
Finance costs, net									(21,482)
Foreign exchange loss, net									(1,642)
Other expenses, net									(2,650)
Share of loss of joint ventures									(641)
Income tax expense									(7,490)
Profit for the period from continuing operations									33,403
Total assets	89,142	941,659	116,572	326,825	282,605	54,790	105,905	—	1,917,498
Capital expenditures	68	1,690	651	2,216	—	1,627	207	—	6,459
Amortization and depreciation	450	3,552	763	7,571	—	723	344	—	13,403
Liabilities	6,147	42,500	2,083	48,494	9,945	5,427	669,852	—	784,448

During the three months ended 31 March 2017, revenues of approximately USD 99,892 thousand are derived from one external customer. These revenues are attributed to Grain and Sunflower oil sold in bulk segments. Also during that period, export sales amounted to 97% 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 3 months ended 31 March 2017	Non-current assets As of 31 March 2017
Ukraine	560,431	694,424
Russian Federation	54,578	49,240
Total	615,009	743,664

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

5. Acquisition and Disposal of Subsidiaries

No entities were acquired during the three months ended 31 March 2018.

During the three months ended 31 March 2018, as a result of business optimization, the Group disposed of farming entities managing about 29,000 ha of leashold suboptimal farmlands located in Sumy and Chernihiv regions. The net assets of the disposed entity as of the date of disposal were equal to USD 14,017 thousand and the consideration received in cash was USD 12,238 thousand (out of which USD 38 thousand was received during this reporting period). Loss on disposal comprised to USD 1,779 thousand.

No entities were acquired or disposed during the three months ended 31 March 2017.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2018 (in thousands of US dollars, unless otherwise stated)

6. Cash and Cash Equivalents

	As of 31 March 2018	As of 31 December 2017	As of 31 March 2017
Cash with banks in USD	132,521	109,230	122,545
Cash with banks in UAH	31,696	46,510	79,626
Cash with banks in other currencies	11,161	1,748	2,525
Cash on hand	3	6	7
Total	175,381	157,494	204,703
Less restricted and blocked cash on security bank accounts	(38)	(16,304)	(110)
Less bank overdrafts (Note 12)	(45,791)	(53,692)	—
Cash and cash equivalents for the purposes of cash flow statement	129,552	87,498	204,593

7. Trade Accounts Receivable, net

The increase in trade accounts receivable to USD 141,137 thousand as of 31 March 2018 from USD 117,974 thousand as of 31 December 2017 was mainly caused as a result of launching Avere operations.

8. Taxes Recoverable and Prepaid, net

Taxes recoverable and prepaid decreased to USD 111,950 thousand as of 31 March 2018 from USD 127,162 thousand as of 31 December 2017 mostly due to VAT refund by state.

9. Inventory

	As of 31 March 2018	As of 31 December 2017	As of 31 March 2017
Raw materials	271,157	326,976	177,837
Finished products	239,017	177,244	164,482
Agricultural products	91,176	161,207	76,668
Goods for resale	48,930	58,554	67,748
Work in progress	64,768	33,513	45,726
Fuel	3,994	3,172	2,085
Packaging materials	1,617	1,392	927
Other inventories	7,849	6,789	4,288
Total	728,508	768,847	539,761

As of 31 March 2018, raw materials were represented mainly by sunflower seeds in the amount of USD 194,299 thousand (as of 31 December 2017 and 31 March 2017: USD 298,546 thousand and USD 126,858 thousand, respectively).

As of 31 March 2018, finished goods mostly consisted of sunflower oil in bulk in the amount of USD 226,513 thousand (as of 31 December 2017 and 31 March 2017: USD 157,717 thousand and USD 141,899 thousand, respectively).

As of 31 March 2018, inventory balances in the amount of USD 270,198 thousand (as of 31 December 2017 and 31 March 2017: USD 271,801 thousand and USD nil, respectively) were pledged as security for short-term borrowings (Note 12).

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2018 (in thousands of US dollars, unless otherwise stated)

10. Property, Plant and Equipment, net

During the three months ended 31 March 2018, the Group acquired property, plant and equipment in the amount of USD 14,928 thousand (31 March 2017: USD 6,272 thousand). Acquired property was mainly represented by agricultural vehicles and equipment for the farming segment.

The increase in property, plant and equipment in the amount of USD 9,390 thousand resulted from the revaluation of the Ukrainian hryvnia during the three months ended 31 March 2018 (31 March 2017: increase in the amount USD 771 thousand respectively).

During the three months ended 31 March 2018 depreciation of property, plant and equipment amounted USD 16,037 thousand (31 March 2017: USD 11,541 thousand).

As of 31 March 2018, property, plant and equipment with a carrying amount of USD 517 thousand (31 March 2017: USD 86,156 thousand) were pledged by the Group as collateral against short-term and long-term bank loans (Notes 12 and 13).

As of 31 March 2018, property, plant and equipment with a carrying amount of USD 26,211 thousand (as of 31 March 2017: USD 28,052 thousand) 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 31 March 2018, and 31 March 2017, the net carrying amount of property, plant and equipment, represented by agricultural equipment and vehicles held under finance lease agreements was USD 9,447 thousand, and USD 13,187 thousand, respectively. Additions during the three months ended 31 March 2018 totaled USD 3,158 thousand (as of 31 March 2017: there were no additions).

11. Investments in Joint Ventures

For the three months ended 31 March 2018, the share of gain of joint venture (Taman) equaled USD 440 thousand (for the three months ended 31 March 2017: loss USD 641 thousand).

The aforementioned result includes depreciation and amortization expenses in the amount of USD 522 thousand (for the three months ended 31 March 2017: USD 521 thousand) and interest expenses in the amount of USD 253 thousand (for the three months ended 31 March 2017: USD 408 thousand).

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2018 (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 2018	As of 31 December 2017	As of 31 March 2017
Bank credit lines	309,211	274,255	54,858
Bank overdrafts (Note 6)	45,791	53,692	—
Interest accrued on short-term borrowings	752	1,342	198
Interest accrued on long-term borrowings	6	62	83
Total	355,760	329,351	55,139

The balances of short-term borrowings as of 31 March 2018 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.15%	USD	August 2018	141,332
European bank	Libor + 4.00%	USD	January 2019	59,136
Ukrainian subsidiary of European bank	3.2%	USD	May 2018	30,000
European bank	Libor + 2.25%	USD	April 2018	28,548
Ukrainian subsidiary of European bank	15.00%	UAH	April 2018	22,604
European bank	Libor+2.25%	USD	April 2018	17,242
Ukrainian subsidiary of European bank	3.80%	USD	June 2018	15,000
Ukrainian subsidiary of European bank	4.00%	USD	April 2018	14,500
Ukrainian subsidiary of European bank	15.80%	UAH	April 2018	11,340
Ukrainian subsidiary of European bank	5.80%	USD	April 2018	10,500
Ukrainian subsidiary of European bank	4.00%	USD	May 2018	4,800
Total				355,002
Interest accrued on short-term borrowings				752
Interest accrued on long-term borrowings				6
Total				355,760

The balances of short-term borrowings as of 31 December 2017 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.15%	USD	August 2018	171,697
European bank	Libor + 3.25%	USD	January 2018	53,692
Ukrainian subsidiary of European bank	2.90%	USD	January 2018	30,000
Ukrainian subsidiary of European bank	4.00%	USD	January 2018	22,800
Ukrainian subsidiary of European bank	13.00%	UAH	January 2018	20,095
Ukrainian subsidiary of European bank	14.00%	UAH	January 2018	8,836
Ukrainian subsidiary of European bank	4.00%	USD	February 2018	8,000
Ukrainian subsidiary of European bank	14.00%	UAH	May 2018	7,126
Ukrainian subsidiary of European bank	14.00%	UAH	February 2018	3,563
Ukrainian subsidiary of European bank	14.25%	UAH	January 2018	2,138
Total bank credit lines				327,947
Interest accrued on short-term borrowings				1,342
Interest accrued on long-term borrowings				62
Total				329,351

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for the three months ended 31 March 2018 (in thousands of US dollars, unless otherwise stated)

12. Short-term Borrowings (continued)

The balances of short-term borrowings as of 31 March 2017 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	11.75%	UAH	April 2017	13,076
Ukrainian subsidiary of European bank	12.0%	UAH	May 2017	9,638
Ukrainian subsidiary of European bank	11.50%	UAH	April 2017	9,267
Ukrainian subsidiary of European bank	12.0%	UAH	April 2017	7,491
Ukrainian subsidiary of European bank	12.0%	UAH	June 2017	5,603
Ukrainian subsidiary of European bank	3.75%	USD	April 2017	4,996
Ukrainian subsidiary of European bank	12.0%	UAH	May 2017	3,785
Ukrainian subsidiary of European bank	11.0%	UAH	April 2017	1,002
Total bank credit lines				54,858
Interest accrued on short-term borrowings				198
Interest accrued on long-term borrowings				83
Total				55,139

As of 31 March 2018, undrawn short-term bank credit lines amounted to USD 107,556 thousand (as of 31 December 2017: USD 117,189 thousand and as of 31 March 2017: USD 5,142 thousand).

Short-term borrowings from banks were secured as follows:

(Assets pledged)	As of 31 March 2018	As of 31 December 2017	As of 31 March 2017
Inventory	270,198	271,801	—
Other financial assets	20,373	21,631	15,420
Property, plant and equipment	517	95,609	72,596
Total	291,088	389,041	88,016

Notes to the Condensed Consolidated Interim Financial Statements

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13. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 March 2018	As of 31 December 2017	As of 31 March 2017
Long-term bank borrowings	5,532	6,983	20,753
Current portion of long-term borrowings	(2,767)	(2,794)	(12,751)
Total	2,765	4,189	8,002

The balances of long-term borrowings as of 31 March 2018 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 1,65%	USD	March 2020	5,532
Total				5,532

The balances of long-term borrowings as of 31 December 2017 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 1.65%	USD	March 2020	6,983
Total				6,983

The balances of long-term borrowings as of 31 March 2017 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 7.3%	USD	April 2018	12,500
European bank	Libor + 1.65%	USD	March 2020	8,253
Total				20,753

As of 31 March 2018, 31 December 2017 and 31 March 2017, there were no undrawn long-term bank credit lines.

Long-term borrowings from banks were secured as follows:

(Assets pledged)	As of 31 March 2018	As of 31 December 2017	As of 31 March 2017
Cash and cash equivalents	—	—	110
Property, plant and equipment	—	—	13,560
Controlling stakes in Subsidiaries	—	—	Not quantifiable
Total	—	—	13,670

As of 31 March 2017 and 31 December 2017 stakes in Subsidiaries were not pledged to secure long-term borrowings (31 March 2017: one sunflower oil plant).

14. Bonds issued

In January 2017 the Group issued USD 500,000 thousand unsecured notes ('the Notes'), that will mature on 31 January 2022. The Notes bear interest from 31 January 2017 at the rate of 8.75% per annum payable semi-annually in arrears on 31 January and 31 July each year commencing from 31 July 2017.

As of 31 March 2018 accrued interest on bonds issued was USD 7,131 thousand (31 March 2017: USD 7,131 thousand). Previously, as of 31 March 2017, accrued interest on bonds issued was included in Advances from customers and other current liabilities.

The Notes are unsecured, ranking equally with all existing and future senior unsecured indebtedness of the Issuer and have been unconditionally and irrevocably guaranteed by designated Group subsidiaries on the joint and several basis to the maximum extent permitted by law.

The Notes contain certain restrictive covenants that limit the ability of the Issuer and, where applicable, its restricted subsidiaries to create or incur certain liens, make restricted payments, engage in amalgamations, mergers or consolidations, or combination with other entities; make certain disposals and transfers of assets; and enter into transactions with affiliates. The Notes may be redeemed in whole, but not in part, at the option of the Issuer at a price equal to 100 per cent of their principal amount, plus accrued and unpaid interest to the redemption date, in case of specified taxation event. The Notes could be redeemed at any time, at the option of the Issuer, up to 35 per cent of the principal aggregate amount of the Notes ('Equity Offering') at redemption price of 108.75 per cent of their principal amount, plus accrued and unpaid interest to the redemption date.

Upon a change of control event each noteholder has the right, but not the obligation, to require the Issuer to purchase the Notes at the purchase price equal to 100 per cent of their principal amount, plus accrued and unpaid interest to the purchase date.

The Notes were rated in line with the Issuer's IDR by Fitch (B+) and S&P (B), which is two notches and one notch above the sovereign, respectively.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2018 (in thousands of US dollars, unless otherwise stated)

15. Revenue

Revenue was as follows:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Revenue from sunflower oil sold in bulk, sunflower meal and cake	269,640	307,474
Revenue from grain sales	235,501	267,985
Revenue from bottled sunflower oil	24,285	30,511
Revenue from farming	10,628	7,104
Revenue from grain silo services	1,328	1,702
Revenue from transshipment services	54	233
Total	541,436	615,009

16. Cost of Sales

Cost of sales was as follows:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Cost of goods for resale and raw materials used	418,657	436,728
Amortization and depreciation	19,407	12,910
Rental payments	15,470	11,639
Payroll and payroll related costs	12,422	9,669
Other operating costs	5,466	3,205
Total	471,422	474,151

17. Other operating income, net

Other operating income, net was as follows:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Gain/(loss) on operations with commodity futures and options	45,838	(5)
VAT benefits	2,441	3,729
Contracts wash-out (price difference settlement)	117	1,136
Loss on sale of hard currency	(330)	(70)
Other operating income/(loss)	3,442	(2,064)
Total	51,508	2,726

Increase of other operating income, net for the three months ended 31 March 2018 is mostly connected with launching Avere operations with commodity futures and options.

18. Foreign Exchange (Loss)/Gain, net

For the three months ended 31 March 2018, foreign exchange loss, net amounted to USD 24,743 thousand (31 March 2017: foreign exchange loss in the amount of USD 1,642 thousand). Changes are mostly connected with currency fluctuations and balances denominated in other than functional currencies, namely trade balances and borrowings (including intra-group balances: the Company's subsidiaries operate with different functional currencies 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 subsidiaries if they had different functional currencies).

During the period under review, the Ukrainian hryvnia revalued by 6% against the US dollar (almost no change during the three months ended 31 March 2017) and the Russian ruble almost hasn't changed against the US dollar (revalued by 8% during the three months ended 31 March 2017).

19. 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 2018, the Group prepaid USD 14,759 thousand in corporate income tax, which was recognized in the Condensed Consolidated Interim Statement of Financial Position (as of 31 December 2017 and 31 March 2017: USD 14,348 thousand and USD 13,247 thousand, respectively). The increase was mostly connected to the ordinary operating activities together with an effect as a result of the revaluation of the Ukrainian hryvnia, related to foreign exchange (losses)/gains recognized.

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20. Transactions with Related Parties

Related parties are the Beneficial Owner and companies under 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 2018		As of 31 December 2017	
Prepayments to suppliers and other current assets, net	20,504	128,765	20,385	75,062
Other non-current assets	6,689	36,061	6,038	24,266
Trade accounts payable	—	77,409	128	41,435
Advances from customers and other current liabilities	10,807	138,171	15,592	120,459
Other non-current liabilities	3,053	33,537	3,053	32,391

As of 31 March 2018 and 31 December 2017, the Group did not create an allowance for trade accounts receivable, prepayments to suppliers and other current and non-current assets from related parties.

As of 31 March 2018 and 31 December 2017, prepayments to suppliers and other current assets included a trade prepayment to Zernovoy Terminalny Complex Taman LLC according to the transshipment agreement in the amount of USD 4,358 thousand.

As of 31 March 2018, prepayments to suppliers and other current assets included a loan at rate comparable to the average commercial rate of interest in the amount of USD 2,460 thousand provided to Taman Grain Terminal Holding (31 December 2017: USD 2,417 thousand).

As of 31 March 2018 and 31 December 2017, prepayments to suppliers and other current assets included a loan at rate comparable to the average commercial rate of interest in the amount of USD 10,000 thousand provided to Namsen Limited.

As of 31 March 2018, other non-current assets included an interest-free financing in the amount of USD 6,007 thousand provided to key management personnel (31 December 2017: USD 5,884 thousand).

As of 31 March 2018 and 31 December 2017, USD 8,086 thousand in dividends payable due to Namsen Limited were included in advances from customers and other current liabilities.

As of 31 March 2018, advances from customers and other current liabilities included USD 1,044 thousand in bonuses payable to the management (31 December 2017: USD 1,204 thousand).

As of 31 December 2017, advances from customers and other current liabilities included an interest-free financial liability in the amount of USD 4,977 thousand due to Namsen Limited which was paid in full as of 31 March 2018.

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.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2018 (in thousands of US dollars, unless otherwise stated)

20. Transactions with Related Parties (continued)

Transactions with related parties were as follows:

	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 2018		As of 31 March 2017	
General, administrative and distribution expenses	(1,206)	(56,990)	(4,129)	(60,461)
Finance costs, net	234	(15,993)	(70)	(21,482)
Other (expenses)/income, net	51	(33,005)	22	(2,650)

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

For the three months ended 31 March 2018, there were no distribution expenses of services for the transportation of goods paid to Zernovoy Terminalny Complex Taman LLC (for the three months ended 31 March 2017: USD 2,476 thousand).

All other transactions occurred with related parties under common control.

As of 31 March 2018, 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 2018 amounted to USD 130 thousand (31 March 2017: 8 directors, USD 128 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 12 people, amounted to USD 591 thousand for the three months ended 31 March 2018 (31 March 2017: 10 people, USD 593 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).

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2018 (in thousands of US dollars, unless otherwise stated)

21. Commitments and Contingencies

Taxation and legal issues

In April 2012, the Group entered into a sale and purchase agreement and related call option agreements 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 from the Group and its related parties. As of 31 March 2018, the consideration paid for Stiom Holding by the Group comprised USD 33,472 thousand. A final payment was due and payable only after 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 of the non-fulfillment of the sellers' obligations. In December 2012, the Group received a request for arbitration from the sellers in which the sellers claimed amounts said to be due to them. An arbitral tribunal was formed; the parties exchanged written statements on the case in which the Group asserted its counterclaims and thereafter written statements of evidence and expert reports were also exchanged. The hearing took place in November 2015. The tribunal delivered its award in late February 2018. That award is subject to challenge in the High Court in London. As of 31 March 2018, the Group has recognized a provision regarding the above mentioned award. The provision represents the directors' best estimate of the maximum future outflow that will be required in respect of the award. The directors believe there are good grounds for the challenge but the amount has not been discounted for the purposes of this estimate, since at the moment of estimation both the outcome of the challenge and the expected period of time in which the Court will make its decision are unknown.

The carrying amount of the provision for legal claims is USD 28,971 thousand as of 31 March 2018 and related expenses are included within the line "Other (expenses)/income, net". No payment has been made to the claimant pending the outcome of the challenge.

As of 31 March 2018, 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 88,164 thousand (31 December 2017: USD 84,758 thousand), from which USD 64,633 thousand related to VAT recoverability (31 December 2017: USD 62,136 thousand), USD 23,387 thousand related to corporate income tax (31 December 2017: USD 22,117 thousand) and USD 534 thousand related to other tax issues (31 December 2017: USD 505 thousand).

As of 31 March 2018, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 26,636 thousand (31 December 2017: USD 25,327 thousand) of the aforementioned amount. Of this amount, USD 20,398 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 (31 December 2017: USD 19,291 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. Facing the current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting significant amendments to the Tax Code of Ukraine which became effective from 1 January 2015, 1 January 2016, 1 January 2017 and 1 January 2018.

Starting from the 1 January 2017, special tax regime in respect of VAT for agricultural enterprises was eliminated. As a result of the new legislation, the Group's agricultural farms, engaged in growing crops, have not retained any VAT liabilities during 2017 versus 15% retained in 2016 and 100% previously. Since 1 January 2017, the relevant companies have become regular VAT payers. However, from 1 January 2017, the Ukrainian government introduced budget subsidies for qualifying agricultural companies. Starting from 2017 agriculture producers are subject to partial reimbursement (in the amount of 20%) of the costs paid for Ukrainian-made agriculture machinery and equipment purchases provided that certain conditions are met. In addition, temporary VAT exemption for the supplies of certain types of grain crops has been removed since the beginning of 2016. This effectively means that the companies will continue to benefit from the reinstatement of VAT refunds on grain exports. With respect to other changes, additional improvements to VAT reimbursement procedure have been also introduced and they are aimed to streamline the refund process.

Moreover, certain amendments of legislation that can affect Group's tax position came into force starting from 1 January, 2018. In particular:

VAT holiday on exports of certain industrial crops (a 0% VAT was previously applied), in particular:

- Soybean – from 01 September 2018 to 31 December 2021
- Rape and rocket-cress – from 01 January 2020 to 31 December 2021.
- This change will push the exporters to impute VAT liabilities when purchasing these goods. A 0% VAT rate will apply to the exports of other agricultural crops.
- The Law establishes a 60-day reporting period for annual CIT Return prepared year-to-date.
- Financial result before tax is not to be reduced by the amount of dividends receivable from single tax payers.
- The Law extends the list of non-residents business relations with which may bring to an increase in financial result by 30% of the cost of goods/services purchased, to include non-residents that are not corporate income tax payers (including on income sourced outside the country of their registration) and are not tax residents in the countries of their incorporation. The list of organizational legal forms of such non-residents is to be approved by the Cabinet of Ministers
- Payers of single tax are exempt from single tax advance payments on distribution of dividends.
- Single tax payers must pay withholding tax on income paid to non-residents.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2018 (in thousands of US dollars, unless otherwise stated)

21. Commitments and Contingencies (continued)

Operating environment

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2016-2017, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease of GDP, illiquidity, and volatility of financial markets.

In 2017, annual inflation rate amounted to 13.7% (2016: 12.4%). The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in real GDP smooth growth of around 2.1% (2016: 1.4%) and stabilization of national currency. From a trading perspective, the economy was demonstrating refocusing on the European Union ("EU") market, which was a result of the signed Association Agreement with the EU in January 2016 that established the Deep and Comprehensive Free Trade Area ("DCFTA"). Under this agreement, Ukraine has committed to harmonize its national trade-related rules, norms, and standards with those of the EU, progressively reduce import customs duties for the goods originating from the EU member states, and abolish export customs duties during a 10-year transitional period. Implementation of DCFTA began on 1 January 2017. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

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

In March 2015, Ukraine signed four-year Extended Fund Facility ("EFF") with the International Monetary Fund ("IMF") that will last until March 2019. The total program amounted to USD 17.5 billion, while Ukraine has so far received only USD 8.7 billion from the entire amount. In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance the bonds due in 2019. The NBU expects that Ukraine will receive another USD 3.5 billion from the IMF in 2018. To receive next tranches, the government of Ukraine has to implement certain key reforms, including in such areas as a pension system, anti-corruption regulations, and privatization.

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

Capital commitments

As of 31 March 2018, the Group had commitments under contracts with a group of suppliers for a total amount of USD 24,654 thousand, mostly for the purchase of agricultural equipment and reconstruction of silos (31 March 2017: USD 5,092 thousand mostly for the purchase of agricultural equipment and reconstruction of a terminal).

Contractual commitments on sales

As of 31 March 2018, the Group had entered into commercial contracts for the export of 822,463 tons of grain and 1,027,899 tons of sunflower oil and meal, corresponding to an amount of USD \$152,297 thousand and USD \$465,302 thousand, respectively, in contract prices as of the reporting date.

As of 31 March 2017, the Group had entered into commercial contracts for the export of 945,628 tons of grain and 755,037 tons of sunflower oil and meal, corresponding to amounts of USD 183,901 thousand and USD 261,131 thousand, respectively, in contract prices as of the reporting date.

22. Fair Value of Financial Instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of International Financial Reporting Standards 7 'Financial Instruments: Disclosure' and 13 'Fair value measurement'. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm's length transaction, rather than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary for arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 March 2018, other financial assets included financial assets classified as at fair value through profit or loss, which are presented by government bonds in the amount of USD 56,644 thousand classified as held for trading since they had been acquired principally for trading purposes in the near time (31 December 2017 and 31 March 2017: USD 29,122 thousand and USD 25,477 thousand, respectively). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

As of 31 March 2018, other financial assets and liabilities included futures and options primarily used for exchange trading, which are classified as Level 1 of the fair value classification, and physical forward transactions, fair value of which determined from exchange quotes and readily observable broker quotes and so classified as Level 2 of the fair value classification.

The fair value is estimated to be the same as the carrying value of cash and cash equivalents, trade accounts receivable, trade accounts payable and short-term borrowings due to the short-term nature of the financial instruments. The fair values of these financial assets and financial liabilities included in the level 2 and level 3 categories of the fair value hierarchy have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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22. Fair Value of Financial Instruments (continued)

The following table below represents comparison by category of carrying amounts and fair value of the financial instruments:

Financial liabilities	31 March 2018		31 December 2017		31 March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note 13)	5,532	5,532	6,983	6,983	20,753	20,605
Bonds issued ¹ (Note 14)	501,544	539,300	512,340	551,915	500,214	516,445

¹ Including accrued interests

For the three months ended 31 March 2018, the fair value of bank long-term borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 3.64% (31 December 2017 and 31 March 2017: 3.62% and 5.15%, respectively) that is within level 2 of the fair value hierarchy.

The fair value of Bonds issued was estimated based on market quotations and is within Level 1 of the fair value hierarchy.

As of 31 March 2018, fair value of other non-current liabilities does not differ materially from its carrying amount.

There were no transfers between levels of fair value hierarchy.

There were no changes in the valuation technique since the previous year.

23. Subsequent Events

On 17 May 2018, the Company received a notification from TFI PZU SA that TFI PZU Funds had disposed 342,708 shares of the Company in transaction on the Warsaw Stock Exchange, settled on 16 May 2018 and decreased its holdings in the Company's shares below 5% of the total number of votes on General Meeting in Shareholders.

As of 16 May 2018, TFI PZU Funds held 3,806,043 shares in the Company, representing 4.6448% of the share capital and entitling it to 3,806,043 votes at the Company's general shareholders' meeting, equal to 4.6448% of the total number of votes.

Before the disposal, TFI PZU Funds held 4,148,751 shares in the Company, representing 5.0631% of the share capital of the company.