



# KERNEL

# Q3

FY2019

## Condensed Consolidated Interim Financial Statements

---

For the three months ended  
31 March 2019.

---

# Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019

## Table of Contents

<b>03</b>	Key Highlights
<b>04</b>	Segment Results and Discussion
<b>06</b>	Financial Highlights
<b>07</b>	Alternative Performance Measures
<b>12</b>	Selected Financial Data
<b>13</b>	Condensed Consolidated Interim Statement of Financial Position
<b>14</b>	Condensed Consolidated Interim Statement of Profit or Loss
<b>15</b>	Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
<b>16</b>	Condensed Consolidated Interim Statement of Changes in Equity
<b>17</b>	Condensed Consolidated Interim Statement of Cash Flows
<b>18</b>	Notes to the Condensed Consolidated Interim Financial Statements

# Key Highlights

for the three months ended 31 March 2019

## Key highlights

- The consolidated **revenue** of the Kernel Holding S.A. group of companies (hereinafter "Kernel", the "Company", the "group") totaled at US\$ 803 million in Q3 FY2019, up 48% y-o-y, driven by stronger y-o-y quarterly sales of grain and sunflower oil.
- Company's **EBITDA** in Q3 FY2019 reduced 24% y-o-y, to US\$ 55 million:
  - Oilseeds processing** segment generated strong US\$ 31 million EBITDA, an 83% y-o-y growth driven by stronger sales volumes and recovery in margins.
  - EBITDA of **Infrastructure and Trading** segment amounted to US\$ 18 million in Q3 FY2019. While infrastructure business performance was flat y-o-y, loss-making Avere operations pushed the total segment performance down 64% y-o-y.
  - Farming** segment posted US\$ 18 million EBITDA in January-March 2019, bringing the total segment EBITDA for nine months of FY2019 to US\$ 132 million, 2.5x up y-o-y, backed by strong yields in current season and productivity improvement achieved on lands added to our operations in 2017.
  - Unallocated corporate expenses** over the reporting period remained flat y-o-y, at US\$ 11 million.
- For the bottom line, Kernel operations in Q3 FY2019 resulted in a **net profit attributable to shareholders** of US\$ 26 million, as compared to US\$ 39 million loss for the same period a year ago.
- Group's **leverage** as of 31 March 2019 reduced to 2.5x net-debt-to-EBITDA, compared with 3.0x metric a year ago and 2.7x ratio as of 31 December 2018.

## Corporate and regulatory

- During the three months ended 31 March 2019, as a result of business optimization, the Group disposed of farming entities managing about 9,000 ha of leasehold suboptimal farmlands located in Volyn and Mykolaiv regions.
- On 25 April 2019, Kernel paid dividends of US\$ 20.5 million, as approved by the general meeting of shareholders held on 10 December 2018.

US\$ million except ratios and EPS	Q3 FY2018	Q2 FY2019	Q3 FY2019	y-o-y	q-o-q	9M FY2018	9M FY2019	y-o-y
Income statement highlights								
Revenue	541.4	1,114.9	802.5	48%	(28%)	1,613.6	3,057.7	89%
EBITDA <sup>1</sup>	73.1	129.3	55.3	(24%)	(57%)	196.2	285.2	45%
Net profit attributable to equity holders of Kernel Holding S.A.	(39.1)	88.5	25.9	n/a	(71%)	50.7	189.9	3.7x
EBITDA margin	13.5%	11.6%	6.9%	(6.6pp)	(4.7pp)	12.2%	9.3%	(2.8pp)
Net margin	(7.2%)	7.9%	3.2%	n/a	(4.7pp)	3.1%	6.2%	3.1pp
EPS <sup>2</sup> , US\$	(0.48)	1.08	0.32	n/a	(71%)	0.62	2.32	3.7x
Cash flow highlights								
Operating profit before working capital changes	68.9	115.6	110.8	61%	(4%)	185.4	280.5	51%
Change in working capital	18.6	(240.0)	153.5	8.2x	n/a	(183.7)	(116.4)	(37%)
Cash generated from / (used in) operations	87.5	(124.3)	264.3	3.0x	n/a	1.7	164.1	95.3x
Net cash generated by / (used in) operating activities	61.0	(139.4)	243.2	4.0x	n/a	(58.0)	100.0	n/a
Net cash used in investing activities	(51.0)	(50.0)	(159.0)	3.1x	3.2x	(122.7)	(281.2)	2.3x
US\$ million except ratios	31 Mar 2018	31 Dec 2018	31 Mar 2019	y-o-y	q-o-q			
Liquidity and credit metrics								
Net interest-bearing debt	696.0	875.3	780.4	12%	(11%)			
Readily marketable inventories <sup>3</sup>	562.2	726.7	512.9	(9%)	(29%)			
Adjusted net debt <sup>4</sup>	133.8	148.7	267.5	2.0x	1.8x			
Shareholders' equity	1,157.2	1,253.7	1,296.3	12%	3%			
Net debt / EBITDA <sup>5</sup>	3.0x	2.7x	2.5x	-0.5x	-0.2x			
Adjusted net debt / EBITDA <sup>5</sup>	0.6x	0.5x	0.9x	+0.3x	+0.4x			
EBITDA / Interest <sup>6</sup>	3.7x	4.4x	3.9x	+0.2x	-0.5x			

Note: Financial year ends 30 June, Q2 ends 31 December, Q3 and 9M ends 31 March.

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

<sup>2</sup> EPS is measured in US Dollars per share based on 81.9 million shares for Q2 and Q3 FY2019 and Q3 FY2018, 81.9 million shares in 9M FY2018 and in 9M FY2019

<sup>3</sup> Readily marketable inventories are inventories such as corn, wheat, sunflower oil and other products that could easily be converted into cash due to their commodity characteristics, widely available markets and the international pricing mechanism.

<sup>4</sup> 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.

<sup>5</sup> Calculated based on 12-month trailing EBITDA.

<sup>6</sup> Calculated based on 12-month trailing EBITDA and net finance costs.

Hereinafter differences between totals and sums of the parts are possible due to rounding.

# Segment Results and Discussion

for the three months ended 31 March 2019

## Segment results summary (new format)

	Revenue, US\$ million			EBITDA, US\$ million		
	Q3 FY2018	Q3 FY2019	y-o-y	Q3 FY2018	Q3 FY2019	y-o-y
Oilseed Processing	293.9	365.1	24%	16.9	30.8	83%
Infrastructure and Trading	246.9	629.0	2.5x	50.1	18.0	(64%)
Farming	125.1	156.9	25%	17.3	17.7	2%
Unallocated corporate expenses				(11.2)	(11.2)	(0%)
Reconciliation	(124.5)	(348.4)	2.8x			
<b>Total</b>	<b>541.4</b>	<b>802.5</b>	<b>1.5x</b>	<b>73.1</b>	<b>55.3</b>	<b>(24%)</b>

	Revenue, US\$ million			EBITDA, US\$ million		
	9M FY2018	9M FY2019	y-o-y	9M FY2018	9M FY2019	y-o-y
Oilseed Processing	968.0	1,101.6	14%	58.5	86.4	48%
Infrastructure and Trading	665.4	2,370.2	3.6x	116.7	96.7	(17%)
Farming	392.1	481.4	23%	52.2	132.3	2.5x
Unallocated corporate expenses				(31.2)	(30.3)	(3%)
Reconciliation	(411.9)	(895.5)	2.2x			
<b>Total</b>	<b>1,613.6</b>	<b>3,057.7</b>	<b>1.9x</b>	<b>196.2</b>	<b>285.2</b>	<b>45%</b>

Differences are possible due to rounding.

## Oilseed Processing

- Our **oil-extraction plants** processed the highest ever volumes for the third quarter of the company's financial year, totaling at 908 thousand tons of sunflower seeds in Q3 FY2019, up 7% y-o-y. We remain committed to process 3.1 million tons of sunflower seeds for the whole FY2019.
- Sunflower oil sales volumes** in Q3 FY2019 amounted to 390 thousand tons, a 40% increase y-o-y, of which bottled sunflower oil sales constituted 32 thousand tons, or about 30% increase y-o-y.
- EBITDA margin** of the segment reached 79 US\$/t of oil sold in Q3 FY2019, seasonally down from 104 US\$/t margin in the previous quarter, but 30% up y-o-y following the operational environment improvement this season. Stronger harvest of sunflower seeds in 2018 (estimated at 15.3 million tons) reduced the gap between crushing capacities and supply of oilseeds, thus pushing the margin of processors up as compared to the previous year.
- Consequently, **segment EBITDA** in the reporting period increased by 83% y-o-y, to US\$ 31 million.
- We anticipate the margin for the whole season to be within 60-65 US\$/t range, implying weak profitability in Q4 FY2019.

## Infrastructure and Trading

- Kernel delivered just another quarter of strong **grain export volume from Ukraine**, supplying 1.5 million tons of grain to export markets in Q3 FY2019, up 63% y-o-y. Like in two preview quarters, we benefited from:
  - Record harvest** achieved this season **by our farming business**, which supplied almost half of all grain exported by us from Ukraine in Q3 FY2019;
  - Strong volumes** originated by our procurement team, which secured another half of exported volumes in the reported period;
  - Full capacity utilization of our own infrastructure.** Export terminal throughput in Ukraine increased by 17% y-o-y, reaching 1.2 million tons. Our operating **TransBulkTerminal** set a new production record, offloading highest ever monthly volumes in March 2019. Following RTK-Ukraine acquisition in February 2019, Kernel's expanded **railcar fleet** transported 0.5 million tons of grain to ports in January-March 2019;
  - Operations via 3<sup>rd</sup>-party export terminal** in the port of Yuzhnyi.

## Segment volumes

tons	Q3 FY2018	Q3 FY2019	y-o-y	9M FY2018	9M FY2019	y-o-y
Oilseeds processed	848,861	908,161	7.0%	2,301,732	2,267,299	(1.5%)
Sunflower oil sales <sup>1, 2</sup>	278,381	389,602	40.0%	996,399	1,173,928	17.8%
Trading volumes	1,087,631	2,116,476	94.6%	3,073,496	7,972,447	2.6x
- Ukraine	935,660	1,527,352	63.2%	2,815,849	4,655,912	65.3%
- Russia	-	-	n/m	105,676	-	(100.0%)
- Other <sup>2, 3</sup>	151,971	589,124	3.9x	151,971	3,316,535	21.8x
Export terminal's throughput	1,514,982	1,406,589	(7.2%)	4,453,010	4,713,477	5.8%
- Ukraine	1,004,645	1,170,622	16.5%	2,966,951	3,409,982	14.9%
- Russia	510,337	235,967	(53.8%)	1,486,059	1,303,495	(12.3%)
Grain and oilseeds received in inland silos	168,530	355,089	2.1x	3,239,408	4,195,440	29.5%

**Note 1** Includes sales of sunflower oil in bulk and bottled sunflower oil.

**Note 2** Includes 315,813 tons of sunflower oil produced by Kernel plants and sold through Avere in Q3 FY2019 (597,033 tons for 9M FY2019). Margins on that volumes are allocated to both Oilseed Processing and Infrastructure & Trading segments.

**Note 3** Physical trading volumes reported by Avere, a subsidiary of Kernel involved in physical and proprietary trading. Financial year ends 30 June.

Differences are possible due to rounding.

# Segment Results and Discussion

for the three months ended 31 March 2019

- As a result, Kernel became the largest grain exporter from Ukraine in the nine months of 2018/19 marketing season, outperforming numerous international and local peers. We reiterate our plan to export 6.0-6.2 million tons of grain from Ukraine for the whole FY2019.
- Segment's **EBITDA** for January-March 2019 reached US\$ 18 million. **Infrastructure business** delivered solid sustainable EBITDA of US\$ 7 million for silo network and US\$ 8 million for export terminals, enhanced also by positive contribution from grain railcar business and fees for assignment of transshipment quota on Taman terminal to a third party. On the contrary, **trading** operations were less successful. While grain trading in Ukraine remained profit-making in Q3 FY2019, Avere operations resulted in a sizable loss, due to ongoing USA-China trade war along with the unexpected outbreak of African Swine Flu in China.
- Executing our **Strategy 2021**, we are progressing on the **debottlenecking and expanding our infrastructure** capacities. First stage of our new terminal has been commissioned recently, with first grain railcars offloaded in February and utilization of storage capacities launched in May. The project is expected to be fully commissioned by the end of this calendar year. Our silos construction and debottlenecking project will be

commissioned in autumn this year, materially contributing to our silo intake volumes for the next season.

## Farming

- Kernel's farming division reported **EBITDA** of US\$ 18 million in Q3 FY2019, bringing the segment's EBITDA for 9M FY2019 to US\$ 132 million.
- While current season remains generally supportive for our farming business, recent drop in corn prices reduced our expectation of division's EBITDA to slightly above US\$ 160 million net of IAS 41 effect for the whole FY2019.
- In May 2019 Kernel successfully completed spring sowing campaign, planting over 513 thousand hectares of farmland, including about 232 thousand hectares of corn, 137 thousand hectares of sunflower and 97 thousand hectares of wheat. Recent weather conditions were supportive both for winter and spring crops. It makes us expect relatively strong harvest of wheat, barley and rapeseed for country overall and for Kernel in particular, while some uncertainty still remains for spring crops, being corn, sunflower and soybean.

## Segment results summary (old format)

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons <sup>1</sup>			EBITDA margin, US\$/t <sup>2</sup>		
	Q3	Q3		Q3	Q3		Q3	Q3		Q3	Q3	
	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y
<b>Sunflower oil</b>												
Sunflower oil sold in bulk	264.8	<b>335.3</b>	27%	13.6	<b>26.0</b>	91%	253	<b>357</b>	41%	53.8	<b>72.7</b>	35%
Bottled sunflower oil	29.2	<b>29.8</b>	2%	3.3	<b>4.8</b>	47%	26	<b>34</b>	31%	125.5	<b>140.8</b>	12%
	<b>293.9</b>	<b>365.1</b>	<b>24%</b>	<b>16.9</b>	<b>30.8</b>	<b>83%</b>						
<b>Grain and infrastructure</b>												
Grain trading	235.5	<b>617.1</b>	2.6x	34.6	<b>2.7</b>	8%	1,088	<b>1,801</b>	66%	31.8	<b>1.5</b>	(95%)
Export terminals <sup>3</sup>	12.9	<b>12.7</b>	(2%)	9.3	<b>8.4</b>	(10%)	1,005	<b>1,171</b>	17%	9.3	<b>7.2</b>	(23%)
Silo services	10.7	<b>12.6</b>	18%	6.2	<b>7.0</b>	13%	169	<b>355</b>	2.1x	36.7	<b>19.6</b>	(47%)
	<b>259.2</b>	<b>642.4</b>	<b>2.5x</b>	<b>50.1</b>	<b>18.0</b>	<b>(64%)</b>						
<b>Farming</b>	<b>125.1</b>	<b>156.9</b>	<b>25%</b>	<b>17.3</b>	<b>17.7</b>	<b>2%</b>						
Unallocated expenses				(11.2)	<b>(11.2)</b>	(0%)						
Reconciliation	(136.7)	<b>(361.8)</b>	2.6x									
<b>Total</b>	<b>541.4</b>	<b>802.5</b>	<b>48%</b>	<b>73.1</b>	<b>55.3</b>	<b>(24%)</b>						

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons <sup>1</sup>			EBITDA margin, US\$/t <sup>2</sup>		
	9M	9M		9M	9M		9M	9M		9M	9M	
	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y
<b>Sunflower oil</b>												
Sunflower oil sold in bulk	873.4	<b>1,003.7</b>	15%	47.9	<b>75.0</b>	56%	915	<b>1,081</b>	18%	52.4	<b>69.3</b>	32%
Bottled sunflower oil	94.6	<b>97.9</b>	3%	10.6	<b>11.4</b>	8%	86	<b>98</b>	14%	123.1	<b>116.5</b>	(5%)
	<b>968.0</b>	<b>1,101.6</b>	<b>14%</b>	<b>58.5</b>	<b>86.4</b>	<b>48%</b>						
<b>Grain and infrastructure</b>												
Grain trading	598.6	<b>2,308.9</b>	3.9x	44.4	<b>33.9</b>	(24%)	3,073	<b>7,375</b>	2.4x	14.4	<b>4.6</b>	(68%)
Export terminals <sup>3</sup>	38.5	<b>36.6</b>	(5%)	28.1	<b>26.6</b>	(6%)	2,967	<b>3,410</b>	15%	9.5	<b>7.8</b>	(18%)
Silo services	67.6	<b>64.5</b>	(5%)	44.2	<b>36.2</b>	(18%)	3,239	<b>4,195</b>	30%	13.6	<b>8.6</b>	(37%)
	<b>704.8</b>	<b>2,410.0</b>	<b>3.4x</b>	<b>116.7</b>	<b>96.7</b>	<b>(17%)</b>						
<b>Farming</b>	<b>392.1</b>	<b>481.4</b>	<b>23%</b>	<b>52.2</b>	<b>132.3</b>	<b>2.5x</b>						
Unallocated expenses				(31.2)	<b>(30.3)</b>	(3%)						
Reconciliation	(451.3)	<b>(935.3)</b>	2.1x									
<b>Total</b>	<b>1,613.6</b>	<b>3,057.7</b>	<b>89%</b>	<b>196.2</b>	<b>285.2</b>	<b>45%</b>						

**Note 1** Million liters for bottled sunflower oil

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

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

# Financial Highlights

for the three months ended 31 March 2019

## Income statement highlights

- Kernel's **revenue** in Q3 FY2019 exceeded US\$ 800 million, up 48% y-o-y, driven by stronger sales of sunflower oil and grain export volumes in the reporting period as compared to Q3 FY2018.
- Company recognized **IAS 41 effect** of minus US\$ 28 million in Q3 FY2019, as negative impact from expensing the gain related to high 2018 harvest substantially outweighed the positive effect from biological transformation of winter crops from the new harvest 2019.
- Following the revenue growth, **cost of sales** in Q3 FY2019 increased by 38% y-o-y, to US\$ 694 million.
- As a result, **gross profit** in the reporting period amounted to US\$ 81 million, 3 times up y-o-y.
- Other operating expenses** for Q3 FY2019 totaled at US\$ 21 million, down from US\$ 52 million income in January-March 2018. Such volatility mostly comes from Avere operations, which secured the largest portion of Q3 FY2018 income, but also contributed most to the losses recognized in the reporting period.
- General and administrative expenses** stood at US\$ 24 million in Q3 FY2019, down 5% y-o-y.
- Consequently, **operating profit** amounted to US\$ 36 million, a 32% decline y-o-y.
- Net financial costs** in Q3 FY2019 added 17% y-o-y, to US\$ 19 million.
- Gain on sale of subsidiaries, including sale of farming entities managing sub-optimal farmlands in Volyn and Mykolaiv regions, secured the major portion of US\$ 3.4 million of **other income**. With US\$ 1 million of **net foreign exchange gain** and US\$ 0.6 million of **share of losses of joint ventures**, it resulted in US\$ 21 million **profit before income tax**.
- Adjusted for US\$ 5 million **income tax expenses**, **net profit** for Q3 FY2019 constituted US\$ 16 million, of which a profit of US\$ 26 million is **attributable to shareholders of Kernel Holding S.A.**, and a loss of US\$ 10 million is attributable to non-controlling interest.

## Cash flow highlights:

- Kernel's **operating profit before working capital changes** in Q3 FY2019 totaled at US\$ 111 million, a 61% growth y-o-y, differing from US\$ 55 million EBITDA for the same period mainly by two non-cash items: US\$ 28 million net IAS 41 loss of company's farming division and US\$ 24 million of loss arising on financial assets classified at fair value through profit or loss, mostly attributable to Avere.
- Working capital** release secured cash inflow of US\$ 154 million, mostly driven by decrease in inventories.
- Considering also finance costs and income tax paid, net cash inflow from operating activities amounted to US\$ 243 million in Q3 FY2019, a 4 times growth y-o-y.
- Net cash used in investing activities** constituted US\$ 159 million, including also US\$ 89 million investments into financial assets composing mostly from purchase of government bonds for the short-term liquidity management purposes.

## Credit metrics highlights:

- Following the strong sales over the reporting period, **readily-marketable inventories** ("RMI") over Q3 FY2019 reduced by 29%, to US\$ 513 million as of 31 March 2019. It caused the reduction of short-term debt by 29% over the same period, to US\$ 350 million. Impacted also by long-term debt increase attracted to finance our CapEx program, **net debt** reduced to US\$ 780 million as of 31 March 2019, compared to US\$ 875 million as of 31 December 2018.
- Consequently, **net-debt-to-EBITDA** metric as of 31 March 2019 improved to 2.5x from 3.0x a year ago and from 2.7x as of 31 December 2018. **Net debt adjusted for RMI** reached US\$ 268 million as of 31 March 2019, compared to US\$ 149 million as of 31 December 2018.
- EBITDA-to-interest** ratio measured on the last-twelve-months basis ended up at 3.9x in Q3 FY2019, exceeding company's covenant of 3.0x.

## Credit metrics

US\$ million, except ratios	31 Mar 2018	31 Dec 2018	31 Mar 2019	y-o-y	q-o-q
Short-term interest-bearing debt	366	494	350	(4%)	(29%)
Long-term interest-bearing debt	497	499	547	10%	10%
Obligations under finance lease	9	9	8	(2%)	(9%)
<b>Gross interest-bearing debt</b>	<b>871</b>	<b>1,002</b>	<b>906</b>	<b>4%</b>	<b>(10%)</b>
Cash and cash equivalents	175	127	126	(28%)	(1%)
<b>Net interest-bearing debt</b>	<b>696</b>	<b>875</b>	<b>780</b>	<b>12%</b>	<b>(11%)</b>
Readily marketable inventories	562	727	513	(9%)	(29%)
of which sunflower oil and meal	239	106	143	(40%)	34%
Sunflower seeds	187	340	168	(10%)	(51%)
Grains and other RMIs	136	280	200	47%	(29%)
<b>Adjusted net financial debt</b>	<b>134</b>	<b>149</b>	<b>268</b>	<b>2.0x</b>	<b>80%</b>
Shareholders' equity <sup>1</sup>	1,157	1,254	1,296	12%	3%
Net debt / EBITDA <sup>2</sup>	3.0x	2.7x	2.5x	(0.5x)	(0.2x)
Adjusted net debt / EBITDA <sup>2</sup>	0.6x	0.5x	0.9x	0.3x	0.4x
EBITDA / Interest <sup>3</sup>	3.7x	4.4x	3.9x	0.2x	(0.5x)

**Note 1** Total equity attributable to Kernel Holding S.A. shareholders.

**Note 2** Net debt / EBITDA and Adjusted net debt / EBITDA are calculated based on 12-month trailing EBITDA.

**Note 3** EBITDA / Interest is calculated based on 12-month trailing EBITDA and net finance costs. Differences are possible due to rounding.

# Alternative Performance Measures

for the three months ended 31 March 2019

To comply with ESMA Directive on APMs, 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 income/(loss) of joint ventures, net other income/ (expenses), net foreign exchange gain / (loss), 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 if 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 significance 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 / (loss) 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 2018	3 months ended 31 March 2019	9 months ended 31 March 2018	9 months ended 31 March 2019
<b>Profit / (loss) before income tax</b>	<b>(20,666)</b>	<b>21,207</b>	<b>61,943</b>	<b>191,831</b>
<i>add back:</i>				
Financial costs, net	(15,993)	(18,634)	(47,916)	(60,721)
Foreign exchange gain / (loss), net	(24,743)	1,127	12,551	18,344
Other income/(expenses), net	(33,005)	3,355	(35,998)	4,935
Share of income/(loss) of joint venture	440	(628)	8	(92)
Amortization and depreciation	(20,483)	(19,329)	(62,879)	(55,806)
<b>EBITDA</b>	<b>73,118</b>	<b>55,316</b>	<b>196,177</b>	<b>285,171</b>

# Alternative Performance Measures *continued*

for the three months ended 31 March 2019

## 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 as-sets maintenance and expansion 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 amounts advanced to related parties, less payment to acquire financial assets 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 2018	As of 31 December 2018	As of 31 March 2019
<b>Total current assets</b>	<b>1,444,006</b>	<b>1,499,983</b>	<b>1,427,759</b>
<i>less:</i>			
Cash and cash equivalents	175,381	126,753	125,537
Assets classified as held for sale	-	1,991	2,142
Total current liabilities	608,045	733,885	642,334
<i>add back:</i>			
Short-term borrowings	355,760	471,807	341,768
Current portion of long-term borrowings	2,767	3,993	1,233
Current portion of obligations under finance lease	2,606	2,675	2,500
Interest on bonds issued	7,131	17,949	7,131
<b>Working Capital</b>	<b>1,028,844</b>	<b>1,133,778</b>	<b>1,010,378</b>

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 2018	3 months ended 31 March 2019	9 months ended 31 March 2018	9 months ended 31 March 2019
<b>Net cash used in investing activities</b>	<b>(51,037)</b>	<b>(159,002)</b>	<b>(122,658)</b>	<b>(281,200)</b>
<i>less:</i>				
Purchase of intangible and other non-current assets	(3,700)	(2,024)	(7,433)	(22,298)
Disposal of subsidiaries	38	3,450	1,442	9,995
Acquisition of subsidiaries	-	(50,351)	(46,512)	(50,351)
Amounts advanced for subsidiaries	-	4,734	19,504	6,559
Amounts advanced to related parties	-	-	-	(10,085)
Payment to acquire financial assets	-	(89,317)	(10,000)	(102,986)
Purchases of financial assets	(27,590)	-	(35,635)	-
<b>Fixed assets investments</b>	<b>(19,785)</b>	<b>(25,494)</b>	<b>(44,024)</b>	<b>(112,034)</b>

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 2018	3 months ended 31 March 2019	9 months ended 31 March 2018	9 months ended 31 March 2019
<b>Net cash used in investing activities</b>	<b>(51,037)</b>	<b>(159,002)</b>	<b>(122,658)</b>	<b>(281,200)</b>
<i>less:</i>				
Purchase of property, plant and equipment	(20,926)	(27,387)	(46,712)	(119,487)
Proceeds from disposal of property, plant and equipment	1,141	1,893	2,688	7,453
<b>Investing cash flows</b>	<b>(31,252)</b>	<b>(133,508)</b>	<b>(78,634)</b>	<b>(169,166)</b>

# Alternative Performance Measures *continued*

for the three months ended 31 March 2019

## 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 income/(loss) of joint ventures, net other income/(expenses), the net 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 before income tax adding back share of income/(loss) of joint ventures, net other income/(expenses), 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, net change in fair value of biological assets, other accruals, net foreign exchange gain/(loss) and other.

The following table reconciles profit before income tax to funds from operations for the periods indicated:

	3 months ended 31 March 2018	3 months ended 31 March 2019	9 months ended 31 March 2018	9 months ended 31 March 2019
<b>Profit / (loss) before income tax</b>	<b>(20,666)</b>	<b>21,207</b>	<b>61,943</b>	<b>191,831</b>
<i>add back:</i>				
Financial costs, net	(15,993)	(18,634)	(47,916)	(60,721)
Foreign exchange gain/(loss), net	(24,743)	1,127	12,551	18,344
Other income/(expenses), net	(33,005)	3,355	(35,998)	4,935
Share of income/(loss) of joint venture	440	(628)	8	(92)
Amortization and depreciation	(20,483)	(19,329)	(62,879)	(55,806)
<b>EBITDA</b>	<b>73,118</b>	<b>55,316</b>	<b>196,177</b>	<b>285,171</b>
<i>less:</i>				
Purchase of property, plant and equipment	(20,926)	(27,387)	(46,712)	(119,487)
Proceeds from disposal of property, plant and equipment	1,141	1,893	2,688	7,453
Finance costs paid	(26,131)	(20,975)	(55,702)	(61,777)
Income tax paid	(392)	(120)	(4,039)	(2,388)
Movement in allowance for doubtful receivables	189	1,820	654	6,160
Net change in fair value of biological assets and agriproduce	11,897	27,572	8,129	(8,068)
Net foreign exchange loss/(gain)	3,568	(447)	4,846	(5,171)
Other accruals	29,663	1,241	33,364	(1,616)
Other	(49,518)	25,270	(57,758)	4,045
<b>Funds from operations</b>	<b>22,609</b>	<b>64,183</b>	<b>81,647</b>	<b>104,322</b>

The following table reconciles profit before income tax to free cash flows for the periods indicated:

	3 months ended 31 March 2018	3 months ended 31 March 2019	9 months ended 31 March 2018	9 months ended 31 March 2019
<b>Profit / (loss) before income tax</b>	<b>(20,666)</b>	<b>21,207</b>	<b>61,943</b>	<b>191,831</b>
<i>add back:</i>				
Financial costs, net	(15,993)	(18,634)	(47,916)	(60,721)
Foreign exchange gain/(loss), net	(24,743)	1,127	12,551	18,344
Other (expenses)/income, net	(33,005)	3,355	(35,998)	4,935
Share of (loss)/gain of joint venture	440	(628)	8	(92)
Amortization and depreciation	(20,483)	(19,329)	(62,879)	(55,806)
<b>EBITDA</b>	<b>73,118</b>	<b>55,316</b>	<b>196,177</b>	<b>285,171</b>
<i>less:</i>				
Net cash used in investing activities	(51,037)	(159,002)	(122,658)	(281,200)
Changes in working capital	18,623	153,524	(183,690)	(116,397)
Finance costs paid	(26,131)	(20,975)	(55,702)	(61,777)
Income tax paid	(392)	(120)	(4,039)	(2,388)
Movement in allowance for doubtful receivables	189	1,820	654	6,160
Net change in fair value of biological assets and agriproduce	11,897	27,572	8,129	(8,068)
Net foreign exchange loss/(gain)	3,568	(447)	4,846	(5,171)
Other accruals	29,663	1,241	33,364	(1,616)
Other	(49,518)	25,270	(57,758)	4,045
<b>Free cash flows</b>	<b>9,980</b>	<b>84,199</b>	<b>(180,677)</b>	<b>(181,241)</b>

# Alternative Performance Measures continued

for the three months ended 31 March 2019

## 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; whether there are widely available and liquid markets for the

inventory; if the pricing and margins on the inventory are hedged through forward sales and can be identified and appropriately valued; if there is stable and/or predictable end-user demand for the inventory; and whether 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 2018	As of 31 December 2018	As of 31 March 2019
Sunflower oil & meal	239,064	106,394	143,002
Sunflower seeds	187,019	340,085	167,805
Grains and other RMIs	136,105	280,172	202,102
Other inventories	166,320	104,107	181,983
<b>Total</b>	<b>728,508</b>	<b>830,758</b>	<b>694,892</b>
<i>of which: Readily marketable inventories</i>	<i>562,188</i>	<i>726,651</i>	<i>512,909</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 2018	As of 31 December 2018	As of 31 March 2019
Short-term interest-bearing debt	365,658	493,749	350,132
Long-term interest-bearing debt	2,765	3,577	51,848
Bonds issued	494,413	495,591	495,640
Obligations under finance lease	8,558	9,142	8,349
<b>Gross interest-bearing debt</b>	<b>871,394</b>	<b>1,002,059</b>	<b>905,969</b>
less: cash and cash equivalents	175,381	126,753	125,537
<b>Net interest-bearing debt</b>	<b>696,013</b>	<b>875,306</b>	<b>780,432</b>
less: readily marketable inventories	562,188	726,651	512,909
<b>Adjusted net financial debt</b>	<b>133,825</b>	<b>148,655</b>	<b>267,523</b>

# Alternative Performance Measures continued

for the three months ended 31 March 2019

The Management believes that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. APMs are used by the Management for performance analysis, planning, reporting and incentive setting purposes. The measures are also used in discussions with the investors, investment analyst community and credit rating agencies.

APM	Calculation	Why APM is the most important for management
<b>EBITDA</b>	Profit / (loss) before income tax adding back share of income/ (loss) of joint ventures, net other income/(expenses), net foreign exchange gain / (loss), net finance costs, and amortization and depreciation.	EBITDA is the main metric used by management of the Group to measure operating performance. It is also widely used by investors when evaluating businesses, and by rating agencies and creditors to evaluate the leverage.
<b>Working Capital</b>	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).	The indicator of working capital is important for the Group, as we are involved in trading and processing activities and hold on the balance of large volumes of stocks. The Group also invests in business expansion, which needs working capital investments to increase efficiency. It is useful for users and investors because measure of both the Group's efficiency and its short-term financial health. It also helps management to keep a business operating smoothly and meet all its financial obligation within the coming year.
<b>Fixed Assets Investments</b>	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, less payment to acquire financial assets, less amount advanced to related parties.	Kernel is executing a solid investment program as a part of Strategy 2021, and fixed assets investment is an important measure to monitor capital expenditure as a part of the execution of investment program.
<b>Investing Cash Flows</b>	Net cash used in investing activities less purchase of property, plant and equipment, less proceeds from disposal of property, plant and equipment.	As the Group grew and developed through acquisitions, this APM helps to monitor the M&A and other investing activities of the Group.
<b>Funds from Operations</b>	Profit / (loss) before income tax adding back income, share of income/(loss) in joint ventures, net other income/(expenses), 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, net change in fair value of biological assets and agricultural produce, other accruals, net foreign exchange gain / (loss) and other.	The Group uses this APM as a pre-working capital measure that reflects our ability to generate cash for investment, debt servicing and distributions to shareholders.
<b>Free Cash Flows</b>	Profit / (loss) before income tax adding back share of income/ (loss) of joint ventures, net other income/(expenses), net foreign exchange gain / (loss), net finance costs, amortization and depreciation, less net cash used in investing activities, finance costs paid, income tax paid, changes in working capital, movements in allowance for doubtful receivables, net change in fair value of biological assets, other accruals net foreign exchange gain / (loss) and other.	The Group uses free cash flow APM as it reflects the cash generating capability of the Group to repay debt or carry out acquisitions.
<b>Readily Marketable Inventories</b>	Agricultural inventories, such as corn, wheat, barley, soy-bean, sunflower seed, meal and oil.	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.
<b>Interest-bearing Debt</b>	Sum of short-term borrowings, current portion of long-term borrowings, long-term borrowings, bonds issued, present value of lease obligations and interest on bonds issued.	The Group uses Interest-bearing Debt APM, as it is a useful measure of the leverage of the Group, which is widely used by credit investors and rating agencies.

# Selected Financial Data

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

	USD		PLN		EUR	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
I. Revenue	802,522	541,436	3,041,028	1,841,409	706,701	440,404
II. Profit from operating activities	35,987	52,635	136,367	179,010	31,690	42,813
III. <b>Profit/(Loss)</b> before income tax	21,207	(20,666)	80,361	(70,285)	18,675	(16,810)
IV. <b>Profit/(Loss)</b> for the period from continuing operations	15,935	(26,169)	60,383	(89,000)	14,032	(21,286)
V. Net cash generated by operating activity	243,201	61,017	921,570	247,827	214,163	49,631
VI. Net cash used in investment activity	(159,002)	(51,037)	(602,512)	(207,292)	(140,017)	(41,513)
VII. Net cash (used in)/generated by financing activities	(84,049)	32,074	(318,490)	130,272	(74,014)	26,089
VIII. Total net cash flow	150	42,054	568	170,807	132	34,207
IX. Total assets	2,561,480	2,339,499	9,827,118	7,986,815	2,284,584	1,897,802
X. Current liabilities	642,334	608,045	2,464,314	2,075,805	572,898	493,246
XI. Non-current liabilities	623,890	557,242	2,393,554	1,902,368	556,447	452,035
XII. Share capital	2,164	2,164	8,302	7,388	1,930	1,755
XIII. Total equity	1,295,256	1,174,212	4,969,250	4,008,642	1,155,239	952,521
XIV. Weighted average number of shares	81,941,230	81,941,230	81,941,230	81,941,230	81,941,230	81,941,230
XV. Profit/(Loss) per ordinary share (in USD/PLN/EUR)	0.32	(0.48)	1.20	(1.62)	0.28	(0.39)
XVI. Diluted number of shares	82,807,266	82,661,238	82,807,266	82,661,238	82,807,266	82,661,238
XVII. Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	0.31	(0.47)	1.18	(1.61)	0.28	(0.38)
XIII. Book value per share (in USD/PLN/EUR)	15.82	14.12	60.69	48.20	14.11	11.45
XIX. Diluted book value per share (in USD/PLN/EUR)	15.65	13.99	60.04	47.76	13.96	11.35

# Condensed Consolidated Interim Statement of Financial Position

as of 31 March 2019 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 31 March 2019	As of 31 December 2018	As of 30 June 2018	As of 31 March 2018
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	125,537	126,753	132,018	175,381
Trade accounts receivable, net	20	201,860	203,391	92,041	141,137
Prepayments to suppliers and other current assets, net	20	78,108	76,843	113,342	128,765
Corporate income tax prepaid	19	7,407	8,032	6,937	8,743
Taxes recoverable and prepaid, net	7	104,051	142,619	114,695	111,950
Inventory	8	694,892	830,758	368,453	728,508
Biological assets		55,976	29,855	289,436	48,877
Assets classified as held for sale	9	2,142	1,991	14,689	—
Other current assets	22	157,786	79,741	72,344	100,645
<b>Total current assets</b>		<b>1,427,759</b>	<b>1,499,983</b>	<b>1,203,955</b>	<b>1,444,006</b>
<b>Non-current assets</b>					
Property, plant and equipment, net	10	689,532	624,913	588,127	579,664
Intangible assets, net		108,250	110,790	104,466	102,113
Goodwill		107,461	102,621	103,691	111,523
Investments in joint ventures	11	52,126	52,754	52,218	51,033
Deferred tax assets		10,346	14,350	18,536	9,083
Corporate income tax prepaid	19	4,002	3,623	4,645	6,016
Other non-current assets	20	162,004	146,614	134,562	36,061
<b>Total non-current assets</b>		<b>1,133,721</b>	<b>1,055,665</b>	<b>1,006,245</b>	<b>895,493</b>
<b>Total assets</b>		<b>2,561,480</b>	<b>2,555,648</b>	<b>2,210,200</b>	<b>2,339,499</b>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Trade accounts payable	20	132,287	97,000	73,629	77,409
Advances from customers and other current liabilities	20	121,809	117,794	104,898	138,171
Short-term borrowings	12	341,768	471,807	224,773	355,760
Current portion of long-term borrowings	13	1,233	3,993	2,811	2,767
Interest on bonds issued	14	7,131	17,949	17,949	7,131
Other current liabilities		38,106	25,342	51,456	26,807
<b>Total current liabilities</b>		<b>642,334</b>	<b>733,885</b>	<b>475,516</b>	<b>608,045</b>
<b>Non-current liabilities</b>					
Long-term borrowings	13	51,848	3,577	2,812	2,765
Obligations under finance leases		5,849	6,467	7,710	5,952
Deferred tax liabilities		25,720	19,453	19,570	20,575
Bonds issued	14	495,640	495,591	494,796	494,413
Other non-current liabilities		44,833	33,724	32,506	33,537
<b>Total non-current liabilities</b>		<b>623,890</b>	<b>558,812</b>	<b>557,394</b>	<b>557,242</b>
<b>Equity attributable to Kernel Holding S.A. equity holders</b>					
Issued capital	2	2,164	2,164	2,164	2,164
Share premium reserve		481,878	481,878	481,878	481,878
Additional paid-in capital		39,944	39,944	39,944	39,944
Equity-settled employee benefits reserve	2	8,866	8,625	8,114	6,908
Revaluation reserve		42,189	42,189	43,815	43,815
Translation reserve		(768,050)	(784,521)	(724,054)	(735,350)
Retained earnings		1,489,299	1,463,408	1,318,558	1,317,885
<b>Total equity attributable to Kernel Holding S.A. equity holders</b>		<b>1,296,290</b>	<b>1,253,687</b>	<b>1,170,419</b>	<b>1,157,244</b>
Non-controlling interests		(1,034)	9,264	6,871	16,968
<b>Total equity</b>		<b>1,295,256</b>	<b>1,262,951</b>	<b>1,177,290</b>	<b>1,174,212</b>
<b>Total liabilities and equity</b>		<b>2,561,480</b>	<b>2,555,648</b>	<b>2,210,200</b>	<b>2,339,499</b>
Book value		1,296,290	1,253,687	1,170,419	1,157,244
Number of shares	2	81,941,230	81,941,230	81,941,230	81,941,230
Book value per share (in USD)		15.82	15.30	14.28	14.12
Diluted number of shares		82,807,266	82,825,519	82,887,231	82,741,619
Diluted book value per share (in USD)		15.65	15.14	14.12	13.99

On behalf of the Board  
**Andriy Verevsky**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Condensed Consolidated Interim Statement of Profit or Loss

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 31 March 2019	9 months ended 31 March 2019	3 months ended 31 March 2018	9 months ended 31 March 2018
Revenue	15	802,522	3,057,685	541,436	1,613,601
Net change in fair value of biological assets and agricultural produce		(27,572)	8,068	(11,897)	(8,129)
Cost of sales	16, 20	(693,782)	(2,765,426)	(503,062)	(1,479,201)
<b>Gross profit</b>		<b>81,168</b>	<b>300,327</b>	<b>26,477</b>	<b>126,271</b>
Other operating (expenses)/income, net	17	(21,085)	(2,743)	51,508	70,956
General and administrative expenses	20	(24,096)	(68,219)	(25,350)	(63,929)
<b>Profit from operating activities</b>		<b>35,987</b>	<b>229,365</b>	<b>52,635</b>	<b>133,298</b>
Finance costs, net	20	(18,634)	(60,721)	(15,993)	(47,916)
Foreign exchange gain/(loss), net	18	1,127	18,344	(24,743)	12,551
Other income/(expenses), net	20	3,355	4,935	(33,005)	(35,998)
Share of (loss)/gain of joint ventures	11	(628)	(92)	440	8
<b>Profit/(Loss) before income tax</b>		<b>21,207</b>	<b>191,831</b>	<b>(20,666)</b>	<b>61,943</b>
Income tax (expenses)/benefits	19	(5,272)	(9,035)	(5,503)	2,079
<b>Profit/(Loss) for the period from continuing operations</b>		<b>15,935</b>	<b>182,796</b>	<b>(26,169)</b>	<b>64,022</b>
<b>Profit/(Loss) for the period</b>		<b>15,935</b>	<b>182,796</b>	<b>(26,169)</b>	<b>64,022</b>
<b>Profit/(Loss) for the period attributable to:</b>					
<b>Equity holders of Kernel Holding S.A.</b>		<b>25,891</b>	<b>189,890</b>	<b>(39,078)</b>	<b>50,738</b>
Non-controlling interests		(9,956)	(7,094)	12,909	13,284
<b>Earnings per share</b>					
From continuing and discontinued operations					
Weighted average number of shares		81,941,230	81,941,230	81,941,230	81,941,230
Profit/(Loss) per ordinary share (in USD)		0.32	2.32	(0.48)	0.62
Diluted number of shares		82,807,266	82,819,428	82,661,238	82,741,619
Diluted profit/(loss) per ordinary share (in USD)		0.31	2.29	(0.47)	0.61
From continuing operations					
Weighted average number of shares		81,941,230	81,941,230	81,941,230	81,941,230
Profit/(Loss) per ordinary share (in USD)		0.32	2.32	(0.48)	0.62
Diluted number of shares		82,807,266	82,819,428	82,661,238	82,741,619
Diluted profit/(loss) per ordinary share (in USD)		0.31	2.29	(0.47)	0.61

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 2019 (in thousands of US dollars, unless otherwise stated)

	3 months ended 31 March 2019	9 months ended 31 March 2019	3 months ended 31 March 2018	9 months ended 31 March 2018
<b>Profit/(Loss) for the period</b>	<b>15,935</b>	<b>182,796</b>	<b>(26,169)</b>	<b>64,022</b>
<b>Other comprehensive income/(loss)</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translating foreign operations	16,129	(44,613)	61,482	(28,011)
<b>Other comprehensive income/(loss), net</b>	<b>16,129</b>	<b>(44,613)</b>	<b>61,482</b>	<b>(28,011)</b>
<b>Total comprehensive income for the period</b>	<b>32,064</b>	<b>138,183</b>	<b>35,313</b>	<b>36,011</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Shareholders of Kernel Holding S.A.	42,362	145,894	22,040	22,846
Non-controlling interests	(10,298)	(7,711)	13,273	13,165

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 2019 (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
<b>Balance as of 31 March 2018</b>	<b>2,164</b>	<b>481,878</b>	<b>39,944</b>	<b>6,908</b>	<b>43,815</b>	<b>(735,350)</b>	<b>1,317,885</b>	<b>1,157,244</b>	<b>16,968</b>	<b>1,174,212</b>
Profit/ (Loss) for the period	—	—	—	—	—	—	1,405	<b>1,405</b>	(9,473)	<b>(8,068)</b>
Other comprehensive income	—	—	—	—	—	11,296	—	<b>11,296</b>	141	<b>11,437</b>
Total comprehensive income/(loss) for the period	—	—	—	—	—	11,296	1,405	<b>12,701</b>	(9,332)	<b>3,369</b>
Effect of changes on minority interest	—	—	—	—	—	—	765	<b>765</b>	(765)	—
Recognition of share-based payments	—	—	—	1,206	—	—	(1,183)	<b>23</b>	—	<b>23</b>
<b>Balance as of 30 June 2018 (as previously reported)</b>	<b>2,164</b>	<b>481,878</b>	<b>39,944</b>	<b>8,114</b>	<b>43,815</b>	<b>(724,054)</b>	<b>1,318,872</b>	<b>1,170,733</b>	<b>6,871</b>	<b>1,177,604</b>
Effect of IFRS 9 implementation (Note 3)	—	—	—	—	—	—	(314)	<b>(314)</b>	—	<b>(314)</b>
<b>Balance as of 30 June 2018 (restated)</b>	<b>2,164</b>	<b>481,878</b>	<b>39,944</b>	<b>8,114</b>	<b>43,815</b>	<b>(724,054)</b>	<b>1,318,558</b>	<b>1,170,419</b>	<b>6,871</b>	<b>1,177,290</b>
Profit for the period	—	—	—	—	—	—	75,493	<b>75,493</b>	2,936	<b>78,429</b>
Other comprehensive loss	—	—	—	—	—	(67,359)	—	<b>(67,359)</b>	(382)	<b>(67,741)</b>
Total comprehensive (loss)/ income for the period	—	—	—	—	—	(67,359)	75,493	<b>8,134</b>	2,554	<b>10,688</b>
Effect of changes on minority interest	—	—	—	—	—	—	(309)	<b>(309)</b>	(194)	<b>(503)</b>
Disposal of subsidiaries	—	—	—	—	(1,626)	—	—	<b>(1,626)</b>	—	<b>(1,626)</b>
Recognition of share-based payments	—	—	—	264	—	—	—	<b>264</b>	—	<b>264</b>
<b>Balance as of 30 September 2018</b>	<b>2,164</b>	<b>481,878</b>	<b>39,944</b>	<b>8,378</b>	<b>42,189</b>	<b>(791,413)</b>	<b>1,393,742</b>	<b>1,176,882</b>	<b>9,231</b>	<b>1,186,113</b>
Profit/(loss) for the period	—	—	—	—	—	—	88,506	<b>88,506</b>	(74)	<b>88,432</b>
Other comprehensive income	—	—	—	—	—	6,892	—	<b>6,892</b>	107	<b>6,999</b>
Total comprehensive income for the period	—	—	—	—	—	6,892	88,506	<b>95,398</b>	33	<b>95,431</b>
Effect of changes on minority interest	—	—	—	—	—	—	503	<b>503</b>	—	<b>503</b>
Distribution of dividends	—	—	—	—	—	—	(20,969)	<b>(20,969)</b>	—	<b>(20,969)</b>
Disposal of subsidiaries	—	—	—	—	—	—	1,626	<b>1,626</b>	—	<b>1,626</b>
Recognition of share-based payments	—	—	—	247	—	—	—	<b>247</b>	—	<b>247</b>
<b>Balance as of 31 December 2018</b>	<b>2,164</b>	<b>481,878</b>	<b>39,944</b>	<b>8,625</b>	<b>42,189</b>	<b>(784,521)</b>	<b>1,463,408</b>	<b>1,253,687</b>	<b>9,264</b>	<b>1,262,951</b>
Profit/(Loss) for the period	—	—	—	—	—	—	25,891	<b>25,891</b>	(9,956)	<b>15,935</b>
Other comprehensive income/(loss)	—	—	—	—	—	16,471	—	<b>16,471</b>	(342)	<b>16,129</b>
Total comprehensive income/(loss) for the period	—	—	—	—	—	16,471	25,891	<b>42,362</b>	(10,298)	<b>32,064</b>
Recognition of share-based payments (Note 2)	—	—	—	241	—	—	—	<b>241</b>	—	<b>241</b>
<b>Balance as of 31 March 2019</b>	<b>2,164</b>	<b>481,878</b>	<b>39,944</b>	<b>8,866</b>	<b>42,189</b>	<b>(768,050)</b>	<b>1,489,299</b>	<b>1,296,290</b>	<b>(1,034)</b>	<b>1,295,256</b>

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 2019 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 31 March 2019	9 months ended 31 March 2019	3 months ended 31 March 2018	9 months ended 31 March 2018
<b>Operating activities:</b>					
<b>Profit/(Loss) before income tax</b>		<b>21,207</b>	<b>191,831</b>	<b>(20,666)</b>	<b>61,943</b>
<b>Adjustments for:</b>					
Amortization and depreciation		19,329	55,806	20,483	62,879
Finance costs, net		18,634	60,721	15,993	47,916
Movement in allowance for doubtful receivables		1,820	6,160	189	654
Other accruals		1,241	(1,616)	29,663	33,364
Loss/(Gain) on disposal of property, plant and equipment		17	(1,253)	(339)	1,369
Net foreign exchange (gain)/loss		(1,574)	(23,515)	28,311	(7,705)
Write-offs and impairment loss		—	—	—	2,255
Net change in fair value of biological assets and agricultural produce		27,572	(8,068)	11,897	8,129
Share of loss/(gain) of joint ventures	11	628	92	(440)	(8)
(Gain)/Loss on sales of Subsidiaries	5	(2,138)	(3,831)	1,779	(97)
Gain on bargain purchase		—	—	—	(2,309)
Net loss/(gain) arising on financial assets classified as at fair value through profit or loss		24,036	4,194	(17,953)	(19,522)
Other gains		—	—	—	(3,456)
<b>Operating profit before working capital changes</b>		<b>110,772</b>	<b>280,521</b>	<b>68,917</b>	<b>185,412</b>
<b>Changes in working capital:</b>					
Change in trade accounts receivable		1,745	(110,315)	(45,683)	(77,004)
Change in prepayments and other current assets		(11,303)	22,403	(56,226)	(39,362)
Change in restricted cash balance		1,070	(9,400)	16,266	3,889
Change in taxes recoverable and prepaid		36,939	4,478	17,431	18,888
Change in biological assets		(13,125)	274,873	(7,224)	212,343
Change in inventories		105,639	(361,833)	32,339	(349,956)
Change in trade accounts payable		35,932	60,617	54,668	41,213
Change in advances from customers and other current liabilities		(3,373)	2,780	7,052	6,299
<b>Cash generated by operations</b>		<b>264,296</b>	<b>164,124</b>	<b>87,540</b>	<b>1,722</b>
Finance costs paid		(20,975)	(61,777)	(26,131)	(55,702)
Income tax paid		(120)	(2,388)	(392)	(4,039)
<b>Net cash generated by/(used in) operating activities</b>		<b>243,201</b>	<b>99,959</b>	<b>61,017</b>	<b>(58,019)</b>
<b>Investing activities:</b>					
Purchase of property, plant and equipment		(27,387)	(119,487)	(20,926)	(46,712)
Proceeds from disposal of property, plant and equipment		1,893	7,453	1,141	2,688
Purchase of intangible and other non-current assets		(2,024)	(22,298)	(3,700)	(7,433)
Acquisition of Subsidiaries	5	(50,351)	(50,351)	—	(46,512)
Disposal of Subsidiaries	5	3,450	9,995	38	1,442
Amount advanced for Subsidiaries		4,734	6,559	—	19,504
Amount advanced to related parties		—	(10,085)	—	—
Purchases of financial assets		—	—	(27,590)	(35,635)
Payment to acquire financial assets		(89,317)	(102,986)	—	(10,000)
<b>Net cash used in investing activities</b>		<b>(159,002)</b>	<b>(281,200)</b>	<b>(51,037)</b>	<b>(122,658)</b>
<b>Financing activities:</b>					
Proceeds from borrowings		135,235	513,019	188,970	616,531
Repayment of borrowings		(219,466)	(305,257)	(158,181)	(391,277)
<b>Net cash (used in)/ generated by financing activities</b>		<b>(84,231)</b>	<b>207,762</b>	<b>30,789</b>	<b>225,254</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		182	(1,381)	1,285	(2,190)
Net increase in cash and cash equivalents		150	25,140	42,054	42,387
Cash and cash equivalents, at the beginning of the period		115,059	90,069	87,498	87,165
Cash and cash equivalents, at the end of the period	6	115,209	115,209	129,552	129,552

On behalf of the Board  
**Andriy Verevskyi**  
Chairman of the Board

**Anastasiia Usachova**  
Chief Financial Officer

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (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.

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 2019, 31 December 2018 and 31 March 2018, 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 2019	31 December 2018	31 March 2018
Jerste S.a.r.l.	Holding companies.	Luxembourg	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 S.A.		Switzerland	60.0%	60.0%	60.0%
Ukragroinvest LLC		Ukraine	100.0%	100.0%	100.0%
Poltava OEP PJSC		Ukraine	99.7%	99.7%	99.7%
Bandurka OEP LLC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	100.0%	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnoe OEP LLC		Ukraine	100.0%	100.0%	100.0%
Kirovogradoliya PJSC		Ukraine	99.2%	99.2%	99.2%
Ekotrans LLC <sup>(1)</sup>		Ukraine	0.0%	0.0%	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%	100.0%
Bilovodskiy KHP PJSC		Ukraine	91.12%	91.12%	91.12%
Unigrain-Agro (Semenivka) LLC <sup>(2)</sup>		Ukraine	0.0%	0.0%	100.0%
Agrofirma Arshytsya LLC <sup>(3)</sup>	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	0.0%	0.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%	100.0%
Vyshneve-Agro ALLC <sup>(2)</sup>		Ukraine	0.0%	0.0%	100.0%
Prydniprovskiy Kray ALLC		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%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%	100.0%
Buymerske PE <sup>(4)</sup>		Ukraine	0.0%	0.0%	100.0%

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors of Kernel Holding S.A. on 24 May 2019.

**Note 1** The company was disposed on 30 July 2018

**Note 2** The company merged to Prydniprovskiy Kray ALLC

**Note 3** The company merged to Hovtva ALLC

**Note 4** The company merged to AF Semerenky LLC

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (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 2019 and 2018, consisted of 81,941,230 ordinary electronic shares without indication of a nominal value. Ordinary shares have equal voting rights and rights to receive dividends.

The shares were distributed as follows:

	As of 31 March 2019		As of 31 March 2018	
	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')	32,716,775	39.93%	32,344,404	39.47%
Free float	49,224,455	60.07%	49,596,826	60.53%
<b>Total</b>	<b>81,941,230</b>	<b>100.00%</b>	<b>81,941,230</b>	<b>100.00%</b>

As of 31 March 2019 and 2018, 100% of the beneficial interest in the Major Equity Holder was held by Andriy Mykhailovych Verevskyy (hereinafter the 'Beneficial Owner').

As of 31 March 2019, the fair value of the share-based options granted to the management was USD 8,866 thousand and USD 241 thousand was recognized as an expense (part of payroll and payroll related expenses) during the three months ended 31 March 2019, with a corresponding increase in equity over the vesting period (31 March 2018: USD 6,908 thousand and USD 269 thousand, respectively).

On 10 December 2018, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share amounting to USD 20,485 thousand.

On 25 April 2019, the dividends were fully paid to the shareholders.

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 216 thousand as of 31 March 2019 (31 March 2018: USD 210 thousand), 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 2019 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 adopted are consistent with those of the previous financial year, except the adoption of new and amended standards and change in accounting policy in respect of handling and shipping costs classification as set out below.

### Adoption of New and Revised Standards

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

IFRS 15 applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group elected the modified retrospective method in the result of applying of the IFRS 15 with no restatement of comparative information for prior period in accordance with the practical expedient not to restate contracts that begin and end within the same annual reporting period or have been completed as of 1 July 2018. The Group's revenue is recognized at the moment when the transfer of the significant risks and rewards of ownership of an assets to the customer occur, in generally this moment coincides with the fulfillment of performance obligations and transfer of controls as defined by standard. The Group regularly engages third-party service providers (subcontractors) to provide freight and other services to its customers. When the Group obtains a contract from a customer, the Group enters into a contract with one of those service providers, directing the service provider to render freight and other services for the customer. The Group is obliged to pay the service provider even if the customer fails to pay. Also the Group is responsible for inventory risk during the freight service provision. The adoption of this standard has had no material impact on timing and amount of revenue recognized in the current period.

Allocated revenue of promised goods and services for the current period under requirements IFRS 15 was as follows:

Revenue from sales of commodities	758,901
Freight and other services	43,621
<b>Total</b>	<b>802,522</b>

Cost of freight does not materially differ from revenue from freight.

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 3. Summary of Significant Accounting Policies continued

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The Group reassess classification of financial assets from four to three primary categories (amortised cost, fair value through profit and loss, fair value through other comprehensive income). Reclassification depends on the business model for managing the financial assets and the contractual terms of the cash flows characteristics. Financial liabilities continue to be measured at either fair value through profit and loss or amortised cost.

The Group applies a simplified approach permitted by IFRS to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The expected credit loss on trade receivables is estimated using a provision matrix, based on historical credit loss experience and credit rating of customers, adjusted on observable and reasonable information. The Group accounts for expected credit losses and changes in those at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The loss allowances for trade receivables as of 30 June 2018 reconcile to the opening loss allowances on 1 July 2018 as follows:

	Trade receivables
At 30 June 2018 - calculated under IAS 39	1,116
Amount restated through opening retained earnings	314
<b>Opening loss allowance as of 1 July 2018 - calculated under IFRS 9</b>	<b>1,430</b>

The loss allowances further increased by USD 3,660 thousand to USD 5,090 thousand for trade receivables during the nine months ended 31 March 2019. The increase would have been USD 2,858 thousand lower under the incurred loss model of IAS 39.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

The Group has adopted the other standards and interpretations effective for annual periods beginning on or after 1 July 2018.

The Group's management is currently completing its assessment of effect from adoption of IFRS 16 Leases which will be effective for the year beginning on 1 July 2019. In general, the management anticipates that the application of the new standard would have significant impact on the financial statements of the Group.

For other standards and interpretations that were in issue but not yet effective, management anticipates that their adoption will not have a material effect on the consolidated financial statements of the Group in future periods.

## Change in Accounting Policy

Starting from 1 July 2018, the Group voluntarily changed its accounting policy relating to the classification of distribution expenses charged to its customers. The Group sells products to customers based on different selling terms, which include among other carriage and freight services, storage and dispatch services which are relating to costs incurred to store and prepare goods for delivery and some other distribution services (custom, certification and sanitation services and other services). These services are relating to costs incurred to deliver goods to the customers' indicated locations and consist mostly of services provided by third-parties. Carriage and freight, storage and dispatch costs and other distribution expenses have been previously presented cumulative as distribution costs.

The Group decided to change the accounting policy regarding classification of distribution costs upon analysis of its performance obligations and principal versus agent considerations according to the requirements of the new revenue standard (IFRS 15), adopted by the Group starting from 1 July 2018. More specifically, the Group has identified a separate performance obligation relating to freight and other related services. Furthermore, since the control over promised goods or services is transferred to the customers only upon their receipt of the goods or services, the Group is considered to be a principal in providing freight and other services. As such and since the proceeds from freight and other services are presented gross within Revenues, the corresponding cost of such services should be also presented gross in Cost of sales. Based on the above, the Group decided to present all cost relating to freight and other related services within Cost of sales and to apply the above mentioned change in the accounting policy retrospectively in order to eliminate inconsistency in presentation of carriage and freight and other related distribution expenses and to comply with the requirements of the new revenue standard.

This approach is most commonly used in the industry and the Group's management believes that such change in accounting policy will provide more precise, relevant and consistent approach towards gross profit result of the Group.

The effect of the retrospective application of this policy on the Condensed Consolidated Interim Financial Statement of Profit or Loss was as follows:

	3 months ended 31 March 2019 New Policy	3 months ended 31 March 2019 Old Policy	3 months ended 31 March 2019 Effect	3 months ended 31 March 2018 New Policy	3 months ended 31 March 2018 Old Policy	3 months ended 31 March 2018 Effect
Cost of sales	(693,782)	(613,677)	(80,105)	(503,062)	(471,422)	(31,640)
Distribution costs	—	(80,105)	80,105	—	(31,640)	31,640

The change in accounting policies had no effect on earnings per share either in the current or previous periods.

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (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 2019	Average rate for the 3 months ended 31 March 2019	Average rate for the 9 months ended 31 March 2019	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
USD/UAH	27.2488	27.3141	27.5650	26.5435	27.3203	26.7237
USD/EUR	0.8919	0.8806	0.8723	0.8112	0.8134	0.8383
USD/RUB	64.7347	66.1271	66.0466	57.2649	56.8803	58.1115
USD/PLN	3.8365	3.7893	3.7535	3.4139	3.4010	3.5409

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.

### Reclassifications

Certain reclassifications have been made to the condensed consolidated interim financial statements as of 31 March 2018 and for the period then ended to conform to the current period's presentation.

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 4. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision makers in order to allocate resources to the segment and to assess its performance. The management and members of the board of directors of the Group are identified as chief operating decision makers.

Segments in the consolidated financial statements are defined in accordance with the type of activity, products sold or services provided.

Starting from FY 2019, the Group has changed the presentation of segment information in line with the performance management approach to its business activities. Comparative information as of 31 March 2018 was restated to reflect the changes in presentation.

Starting with 1 July 2018, the Group is presenting its segment results within three business segments: Oilseeds Processing, Infrastructure and Trading, and Farming. The reason behind this aggregation is to align representation with the management decision making, as business processes within six business segments are not separate and decisions are mostly made to account for the combined effect on several segments.

In the Oilseeds Processing segment, the Group combines what was previously reported as the Sunflower Oil Sold in Bulk and Bottled Oil segments. With expansion of the Group's oilseed processing capacities devoted to bulk oil, the share of the Group's sales of sunflower oil through bottled oil channel has naturally declined, thus decreasing materiality of this sales channel. Furthermore, other sales channels emerged as the size of the oilseed processing business evolved, while oil sold through different channels exhibit similar profitability trends. In the financial year ended 30 June 2018, bottled oil contributed less than 10% to the Company's EBITDA. As operations, procurement and sales of oilseed processing products is managed jointly, the Group reports sales of oilseed processing products as one segment since FY2019 instead of two segments used previously.

In the Infrastructure and Trading segment, the Group combines what was previously presented in Export Terminals, Silo Services, and Grain segments. These parts of the business form an integrated supply chain which is managed jointly. The management's decision-making has evolved compared with previous years to account for a throughput margin while making a decision on whether or not to buy a specific volume of grain. Under current framework, the management considers export terminals and grain storage facilities as production assets which serve grain merchandizing business and consequently uses a combined throughput margin to evaluate performance of Infrastructure and Trading business. In FY 2019, 100% of the Group's export terminals capacity and majority of grain storage capacity is planned to be used for own export volumes.

In the Farming segment, the Group continues to report results of its crop production business, which includes growing of corn, wheat, soybean, sunflower seed and rapeseed on the leasehold land, as well as some minor crops and small cattle farming operations. The scope of the farming segment under the new segment reporting structure corresponds to the farming segment reported previously.

Presentation of the operating segments' activities in previous condensed consolidated financial statements was as follows:

Operating segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil sold in bulk	Production and sales of sunflower oil sold in bulk (crude and refined) and meal.
Export terminals	Grain handling and transshipment services in the ports of Chornomorsk and Mykolaiv.
Farming	Agricultural farming. Production of corn, wheat, soybean, sunflower seed and rapeseed.
Grain	Sourcing and merchandising of wholesale grain and other agriculture commodities, proprietary trading
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 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, deferred taxes 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 leases, deferred taxes and some other assets and liabilities.

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 4. Operating Segments (continued)

### Seasonality of operations

The Oilseeds Processing 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-November, respectively. The Infrastructure and Trading segment usually experiences somewhat higher volumes in the several months after the commencement of the harvesting campaign (July for early grains and September for crops harvested in autumn).

In addition, the farming segment usually reflects a higher effect from the IAS 41 valuation of biological assets in the last quarter of the financial year when more acreage is revalued to 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.

### Key Data by Operating Segment

Key data by operating segment for the three months ended 31 March 2019:

	Oilseeds processing	Infrastructure and Trading	Farming	Other	Re-conciliation	Continuing operations
Revenue (external)	179,441	618,409	4,672	—	—	802,522
Intersegment sales	185,654	10,608	152,182	—	(348,444)	—
<b>Total revenue</b>	<b>365,095</b>	<b>629,017</b>	<b>156,854</b>	<b>—</b>	<b>(348,444)</b>	<b>802,522</b>
Net change in fair value of biological assets and agricultural produce	—	—	(27,572)	—	—	(27,572)
Other operating income/(expenses), net	835	(22,981)	1,061	—	—	(21,085)
<b>Profit/(Loss) from operating activities</b>	<b>26,756</b>	<b>15,883</b>	<b>4,993</b>	<b>(11,645)</b>	<b>—</b>	<b>35,987</b>
Finance costs, net						(18,634)
Foreign exchange gain, net						1,127
Other income, net						3,355
Share of loss of joint ventures						(628)
Income tax expenses						(5,272)
Profit for the period from continuing operations						15,935
<b>Total assets</b>	<b>885,778</b>	<b>801,063</b>	<b>717,898</b>	<b>156,741</b>	<b>—</b>	<b>2,561,480</b>
Capital expenditures	3,927	11,066	67,764	774	—	83,531
Amortization and depreciation	4,067	2,158	12,677	427	—	19,329
Liabilities	97,172	119,945	79,819	969,288	—	1,266,224

Allocated revenue of promised goods and services by operating segment for the three months ended 31 March 2019 under requirements IFRS 15 was as follows:

	Oilseeds processing	Infrastructure and Trading	Farming	Continuing operations
Revenue from sales of commodities	163,810	590,419	4,672	758,901
Freight and other services	15,631	27,990	—	43,621
<b>Total external revenue from contracts with customers</b>	<b>179,441</b>	<b>618,409</b>	<b>4,672</b>	<b>802,522</b>

During the three months ended 31 March 2019, revenues of approximately USD 88,501 thousand are derived from a single external customer. These revenues are attributed to Oilseeds processing and Infrastructure and Trading segments. Also, during that period, export sales amounted to 97% of total external sales.

Intersegment sales between Oilseeds Processing segment and Infrastructure and Trading segment comprise of sunflower oil which is marketed by Avere, the activities of which are included in Infrastructure and Trading segment results.

Information about non-current assets by location of the assets and about revenue from continuing operations generated by the assets located in the areas is detailed below:

	Revenue from external customers 3 months ended 31 March 2019	Non-current assets As of 31 March 2019
Ukraine	486,186	1,068,329
Asia	213,536	—
Other locations	102,800	55,046
<b>Total</b>	<b>802,522</b>	<b>1,123,375</b>

None of the other locations constituted more than 10% of total revenue or non-current assets individually.

Non-current assets that relate to other locations include investments in a joint venture (grain export terminal at the Taman port).

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (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 2018:

	Oilseeds processing	Infrastructure and Trading	Farming	Other	Re-conciliation	Continuing operations
Revenue (external)	293,925	236,883	10,628	—	—	541,436
Intersegment sales	—	10,044	114,427	—	(124,471)	—
<b>Total revenue</b>	<b>293,925</b>	<b>246,927</b>	<b>125,055</b>	<b>—</b>	<b>(124,471)</b>	<b>541,436</b>
Net change in fair value of biological assets and agricultural produce	—	—	(11,897)	—	—	(11,897)
Other operating income/(expenses), net	83	48,779	2,959	(313)	—	51,508
<b>Profit/(Loss) from operating activities</b>	<b>12,824</b>	<b>47,902</b>	<b>3,490</b>	<b>(11,581)</b>	<b>—</b>	<b>52,635</b>
Finance costs, net						(15,993)
Foreign exchange loss, net						(24,743)
Other expenses, net						(33,005)
Share of income of joint ventures						440
Income tax expenses						(5,503)
Loss for the period from continuing operations						(26,169)
<b>Total assets</b>	<b>969,512</b>	<b>583,085</b>	<b>639,587</b>	<b>147,315</b>	<b>—</b>	<b>2,339,499</b>
Capital expenditures	935	1,453	15,188	1,052	—	18,628
Amortization and depreciation	4,056	2,215	13,849	363	—	20,483
Liabilities	71,087	61,689	95,685	936,826	—	1,165,287

Presentation of the operating segments' activities in previous condensed consolidated financial statements 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)	—
<b>Total revenue</b>	<b>29,160</b>	<b>264,765</b>	<b>12,945</b>	<b>125,055</b>	<b>235,501</b>	<b>10,726</b>	<b>—</b>	<b>(136,716)</b>	<b>541,436</b>
Net change in fair value of biological assets and agricultural produce	—	—	—	(11,897)	—	—	—	—	(11,897)
Other operating (expenses)/income, net	(11)	94	—	2,959	48,029	750	(313)	—	51,508
<b>Profit/(Loss) from operating activities</b>	<b>2,842</b>	<b>9,982</b>	<b>8,536</b>	<b>3,490</b>	<b>34,587</b>	<b>4,779</b>	<b>(11,581)</b>	<b>—</b>	<b>52,635</b>
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)
<b>Total assets</b>	<b>70,517</b>	<b>898,995</b>	<b>118,258</b>	<b>639,587</b>	<b>379,918</b>	<b>84,909</b>	<b>147,315</b>	<b>—</b>	<b>2,339,499</b>
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 a single 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.

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 4. Key Data by Operating Segment (continued)

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 2018	Non-current assets As of 31 March 2018
Ukraine	541,436	835,327
Russian Federation	—	51,083
<b>Total</b>	<b>541,436</b>	<b>886,410</b>

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

On 14 February 2019, the Group has acquired 100% effective ownership in Rail Transit Kargo Ukraine LLC (herein “RTK-Ukraine”): a railcar business that manages about 2,949 grain railcars.

As of the date of acquisition, the fair values of assets and liabilities were as follows:

	Fair value
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	1,137
Trade accounts receivable, net	1,696
Prepayments to suppliers and other current assets, net	2,085
Taxes recoverable and prepaid, net	1,982
Inventory	11
<b>Total current assets</b>	<b>6,911</b>
<b>Non-current assets:</b>	
Property, plant and equipment, net	56,107
<b>Total non-current assets</b>	<b>56,107</b>
<b>Total assets</b>	<b>63,018</b>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Advances from customers and other current liabilities	1,096
<b>Total current liabilities</b>	<b>1,096</b>
<b>Non-current liabilities:</b>	
Deferred tax liabilities	6,181
<b>Total non-current liabilities</b>	<b>6,181</b>
Fair value of net assets of acquired subsidiaries	55,741
Non controlling interest	—
Fair value of acquired net assets	55,741
Goodwill	4,538
<b>Purchase cash consideration</b>	<b>64,833</b>
Fair value of cash consideration	60,279
Less: acquired cash	(1,137)
Net cash outflow on acquisition of subsidiaries	(48,016)

The Group does not disclose the revenue and net profit of the acquired entity as if it has been acquired at the beginning of the reporting period as it is impracticable due to the fact that no IFRS financial information is available for the acquired entity as from the beginning of the reporting period and up to the date of acquisition.

Since initial accounting is incomplete as of the reporting date due to finalization of relevant calculations and market valuations, only provisional amounts were recognized to determine net assets, and result of acquisition. After finalization of relevant information retrospective adjustments to the provisional amounts will be made. The Group supposes to finalize result of acquisition and relevant amounts till the end of the period ended 31 March 2020.

As of 31 March 2019, the consideration paid comprised to USD 50,351 thousand and fair value of the amount due and payable was USD 10,378 thousand (as of the date of acquisition USD 49,153 thousand and USD 11,126 thousand, respectively), calculated as the present value of amounts payable in arrears within the next five years at a discount rate 7.5% (represented within the line ‘Other non-current liabilities’).

The goodwill in the amount of USD 4,538 thousand arising from the accounting for acquisition of RTK-Ukraine as business combination is attributable to the protection the Company against the rising logistic costs and the synergies expected to be gained efficient flow of grains from inland silos to the ports. It will not be deductible for tax purposes.

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 5. Acquisition and Disposal of Subsidiaries (continued)

During the three months ended 31 March 2019, as a result of business optimization, the Group disposed of farming entities managing about 9,000 ha of leasehold suboptimal farmlands located in Volyn and Mykolaiv regions. The net assets of the disposed entities as of the date of disposal were equal to USD 6,034 thousand and the cash consideration receivable was USD 8,172 thousand (out of which USD 3,450 thousand was received during this reporting period).

Fair value of cash consideration receivable which should be paid in full in arrears up to 1 December 2020, were calculated at a discount rate 7.5% and as of the reporting date the outstanding amount comprised to USD 4,734 thousand (USD 4,722 thousand as of the date of disposal) and is presented within the line 'Other non-current assets'.

Gain on disposal comprised to USD 2,138 thousand.

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 leasehold 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.

## 6. Cash and Cash Equivalents

	As of 31 March 2019	As of 31 December 2018	As of 31 March 2018
Cash with banks in USD	90,225	116,114	132,521
Cash with banks in UAH	26,834	9,192	31,696
Cash with banks in other currencies	8,471	1,445	11,161
Cash on hand	7	2	3
<b>Total</b>	<b>125,537</b>	<b>126,753</b>	<b>175,381</b>
Less restricted and blocked cash on security bank accounts	(10,076)	(11,146)	(38)
Less bank overdrafts (Note 12)	(252)	(548)	(45,791)
<b>Cash and cash equivalents for the purposes of cash flow statement</b>	<b>115,209</b>	<b>115,059</b>	<b>129,552</b>

## 7. Taxes Recoverable and Prepaid, net

Taxes recoverable and prepaid decreased to USD 104,051 thousand as of 31 March 2019 from USD 142,619 thousand as of 31 December 2018 mostly due to VAT refund by state.

## 8. Inventory

	As of 31 March 2019	As of 31 December 2018	As of 31 March 2018
Raw materials	256,226	327,778	271,157
Agricultural products	125,860	194,700	91,176
Goods for resale	112,113	168,937	48,930
Finished products	109,853	88,909	239,017
Work in progress	78,418	38,180	64,768
Fuel	4,296	4,041	3,994
Packaging materials	1,811	1,403	1,617
Other inventories	6,315	6,810	7,849
<b>Total</b>	<b>694,892</b>	<b>830,758</b>	<b>728,508</b>

As of 31 March 2019, raw materials were represented mainly by sunflower seeds in the amount of USD 167,805 thousand (as of 31 December 2018 and 31 March 2018: USD 279,274 thousand and USD 194,299 thousand, respectively).

As of 31 March 2019, finished goods mostly consisted of sunflower oil in bulk in the amount of USD 84,348 thousand (as of 31 December 2018 and 31 March 2018: USD 67,970 thousand and USD 226,513 thousand, respectively).

As of 31 March 2019, inventory balances in the amount of USD 306,441 thousand (as of 31 December 2018 and 31 March 2018: USD 409,924 thousand and USD 270,198 thousand, respectively) were pledged as security for short-term borrowings (Note 12).

For the three months ended 31 March 2019, write-downs of inventories to net realisable value amounted to USD 1,467 thousand (31 March 2018: USD 2,672 thousand) and were recognised as an expense and included in line "Cost of sales".

## 9. Assets Classified as Held for Sale

As of 31 March 2019, according to management's plan to dispose one of export terminals and silo, their net assets, which predominantly consist of property, plant and equipment in the amount of USD 1,326 thousand were classified as assets held for sale. As of 31 March 2019, advances for sale of the subsidiaries in the amount of USD 2,290 thousand has been received (out of which USD 1,000 thousand was received during the reporting period).

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 10. Property, Plant and Equipment, net

During the three months ended 31 March 2019, the Group acquired property, plant and equipment in the amount of USD 80,492 thousand (31 March 2018: USD 14,928 thousand). These purchases were related mainly to the acquisition of RTK-Ukraine (Note 5), storage capacities, agricultural vehicles and equipment for export terminals and farming segments (31 March 2018: agricultural vehicles and equipment for the farming segment).

The increase in property, plant and equipment in the amount of USD 3,763 thousand resulted from the revaluation of the Ukrainian hryvnia during the three months ended 31 March 2019 (31 March 2018: increase in the amount USD 9,390 thousand, respectively).

During the three months ended 31 March 2019, depreciation of property, plant and equipment amounted USD 16,329 thousand (31 March 2018: USD 16,037 thousand).

During the three months ended 31 March 2018 and 2019, there were no significant disposals of property, plant and equipment.

As of 31 March 2019, property, plant and equipment with a carrying amount of USD 611 thousand and USD 100,460 thousand were pledged by the Group as collateral against short-term and long-term bank loans, respectively (Notes 12 and 13). As of 31 March 2018, property, plant and equipment with a carrying amount of USD 517 thousand were pledged by the Group as collateral against short-term loans (Notes 12).

As of 31 March 2019, property, plant and equipment with a carrying amount of USD 24,405 thousand (as of 31 March 2018: USD 26,211 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 2019, and 31 March 2018, the net carrying amount of property, plant and equipment, represented by agricultural equipment and vehicles held under finance lease agreements was USD 9,571 thousand, and USD 9,447 thousand, respectively. There were no additions during the three months ended 31 March 2019 (for the three months ended 31 March 2018: USD 3,158 thousand).

## 11. Investments in Joint Ventures

For the three months ended 31 March 2019, the share of loss of joint venture (Taman) equaled USD 628 thousand (for the three months ended 31 March 2018: gain USD 440 thousand).

The aforementioned result includes depreciation and amortization expenses in the amount of USD 509 thousand (for the three months ended 31 March 2018: USD 522 thousand) and interest expenses in the amount of USD 150 thousand (for the three months ended 31 March 2018: USD 253 thousand).

## 12. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 31 March 2019	As of 31 December 2018	As of 31 March 2018
Bank credit lines	340,645	469,534	309,211
Bank overdrafts (Note 6)	252	548	45,791
Interest accrued on short-term borrowings	871	1,713	752
Interest accrued on long-term borrowings	—	12	6
<b>Total</b>	<b>341,768</b>	<b>471,807</b>	<b>355,760</b>

The balances of short-term borrowings as of 31 March 2019 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.20%	USD	April 2019	86,000
Ukrainian subsidiary of European bank	4.00%	USD	April 2019	65,748
European bank	Libor + 3.95%	USD	April 2019	61,056
European bank	Libor + 4.00%	USD	April 2019	38,416
European bank	2.75%	USD	April 2019	36,099
European bank	Libor + 2.00%	USD	April 2019	14,000
Ukrainian subsidiary of European bank	4.25%	USD	April 2019	10,325
European bank	Libor + 2.25%	USD	April 2019	9,028
Ukrainian subsidiary of European bank	2.00%	EUR	April 2019	8,414
Ukrainian subsidiary of European bank	4.00%	USD	May 2019	5,500
European bank	2.45%	USD	April 2019	3,500
European bank	Libor + 1.65%	USD	March 2020	2,811
<b>Total</b>				<b>340,897</b>
Interest accrued on short-term borrowings				871
<b>Total</b>				<b>341,768</b>

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 12. Short-term Borrowings (continued)

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

	Interest rate	Currency	Maturity	Amount due
European bank	4.20%	USD	January 2019	137,444
European bank	Libor + 4.00%	USD	January 2019	99,301
European bank	3.95%	USD	January 2019	63,000
Ukrainian subsidiary of European bank	4.00%	USD	August 2019	25,950
European bank	3.50%	USD	January 2019	19,859
European bank	3.20%	USD	January 2019	19,500
European bank	3.70%	USD	January 2019	18,000
Ukrainian subsidiary of European bank	4.85%	USD	January 2019	17,800
Ukrainian subsidiary of European bank	20.25%	UAH	February 2019	16,014
Ukrainian subsidiary of European bank	5.00%	USD	January 2019	14,976
European bank	3.75%	USD	January 2019	11,000
European bank	3.50%	USD	January 2019	9,000
European bank	1.50%	USD	January 2019	7,693
European bank	Libor + 2.50%	USD	January 2019	6,000
Ukrainian subsidiary of European bank	4.10%	USD	January 2019	3,998
European bank	Libor + 2.25%	USD	January 2019	547
<b>Total</b>				<b>470,082</b>
Interest accrued on short-term loans				1,713
Interest accrued on long-term loans				12
<b>Total</b>				<b>471,807</b>

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	3.20%	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
<b>Total</b>				<b>355,002</b>
Interest accrued on short-term borrowings				752
Interest accrued on long-term borrowings				6
<b>Total</b>				<b>355,760</b>

As of 31 March 2019, undrawn short-term bank credit lines amounted to USD 532,934 thousand (as of 31 December 2018 and 31 March 2018: USD 366,529 thousand and USD 107,556 thousand, respectively).

Short-term borrowings from banks were secured as follows:

	As of 31 March 2019	As of 31 December 2018	As of 31 March 2018
(Assets pledged)			
Inventory (Note 8)	306,441	409,924	270,198
Other current assets	12,566	3,401	20,373
Property, plant and equipment (Note 10)	611	556	517
Future sales receipts	45,127	25,009	—
<b>Total</b>	<b>364,745</b>	<b>438,890</b>	<b>291,088</b>

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 13. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 March 2019	As of 31 December 2018	As of 31 March 2018
Long-term bank borrowings	53,081	7,570	5,532
Current portion of long-term borrowings	(1,233)	(3,993)	(2,767)
<b>Total</b>	<b>51,848</b>	<b>3,577</b>	<b>2,765</b>

The balances of long-term borrowings as of 31 March 2019 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	Libor +4.50%	USD	August 2021	3,081
European bank	Libor +2.78%	USD	February 2029	50,000
<b>Total</b>				<b>53,081</b>

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor +1.65%	USD	March 2020	4,262
Ukrainian subsidiary of European bank	Libor +4.50%	USD	August 2021	3,308
<b>Total</b>				<b>7,570</b>

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
<b>Total</b>				<b>5,532</b>

As of 31 March 2019, undrawn long-term bank credit lines amounted to USD 156,000 thousand (as of 31 December 2018 and 31 March 2018, there were no undrawn long-term bank credit lines).

As of 31 March 2019, property, plant and equipment with a carrying amount of USD 100,460 thousand were pledged by the Group as a collateral for long-term borrowings (Note 10). As of 31 December 2018 and 31 March 2018, there were no property, plant and equipment pledged by the Group as a collateral for long-term borrowings.

As of 31 March 2019, 31 December 2018 and 31 March 2018, stakes in Subsidiaries were not pledged to secure long-term borrowings.

## 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 2019, accrued interest on bonds issued was USD 7,131 thousand (31 March 2018: USD 7,131 thousand).

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 2019 (in thousands of US dollars, unless otherwise stated)

## 15. Revenue

Revenue was as follows:

	3 months ended 31 March 2019	3 months ended 31 March 2018
Revenue from agriculture commodities merchandizing	390,645	235,501
Revenue from sunflower oil sold in bulk, sunflower meal and cake	375,935	269,640
Revenue from bottled sunflower oil	29,780	24,285
Revenue from farming	4,672	10,628
Revenue from grain silo services	1,273	1,328
Revenue from transshipment services	217	54
<b>Total</b>	<b>802,522</b>	<b>541,436</b>

## 16. Cost of Sales

Cost of sales was as follows:

	3 months ended 31 March 2019	3 months ended 31 March 2018
Cost of goods for resale and raw materials used	553,080	418,657
Shipping and handling costs	80,105	31,640
Amortization and depreciation	17,618	19,407
Rental payments	21,840	15,470
Payroll and payroll related costs	17,006	12,422
Other operating costs	4,133	5,466
<b>Total</b>	<b>693,782</b>	<b>503,062</b>

## 17. Other operating (expenses)/income, net

Other operating (expenses)/income, net was as follows:

	3 months ended 31 March 2019	3 months ended 31 March 2018
(Loss)/Gain on operations with commodity futures and options	(18,565)	45,838
Contracts wash-out (price difference settlement)	(8,770)	117
VAT benefits	520	2,441
Gain/(Loss) on sale of hard currency	50	(330)
Other operating income	5,680	3,442
<b>Total</b>	<b>(21,085)</b>	<b>51,508</b>

Other operating expenses, net for the three months ended 31 March 2019 are mostly connected with Avere operations with commodity futures and options and price difference settlement.

## 18. Foreign Exchange Gain/(Loss) , net

For the three months ended 31 March 2019, foreign exchange gain, net amounted to USD 1,127 thousand (31 March 2018: foreign exchange loss, net in the amount of USD 24,743 thousand). The result is mostly connected with revaluation of Ukrainian hryvnia and fluctuation of exchange rates which influenced on revaluation of balances denominated in other than functional currencies, which significantly decreased as of 31 March 2019 in comparison with 31 March 2018, 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 2% against the US dollar (revalued by 6% during the three months ended 31 March 2018).

## 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 2019, the Group prepaid USD 11,409 thousand in corporate income tax, which was recognized in the Condensed Consolidated Interim Statement of Financial Position (as of 31 December 2018 and 31 March 2018: USD 11,655 thousand and USD 14,759 thousand, respectively).

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 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 2019		As of 31 December 2018	
Trade accounts receivable, net	612	201,860	1,657	203,391
Prepayments to suppliers and other current assets, net	8,262	78,108	10,600	76,843
Other non-current assets	21,868	162,004	20,433	146,614
Trade accounts payable	273	132,287	280	97,000
Advances from customers and other current liabilities	9,457	121,809	9,991	117,794

As of 31 March 2019, and 31 December 2018, 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 3,574 thousand and USD 4,358 thousand, respectively.

As of 31 March 2019, prepayments to suppliers and other current assets and other non-current assets included a loan at rate comparable to the average commercial rate of interest in the amount of USD 2,552 thousand provided to Taman Grain Terminal Holding (31 December 2018: USD 2,528 thousand).

As of 31 March 2019, other non-current assets included a 3-years term loan at rate comparable to the average commercial rate of interest in the amount of USD 10,334 thousand provided to the company under control of the Beneficial Owner (31 December 2018: USD 8,825 thousand).

As of 31 March 2019, other non-current assets included an interest-free 3-years term financing in the amount of USD 4,276 thousand provided to key management personnel (31 December 2018: USD 6,221 thousand).

As of 31 March 2019, USD 8,179 thousand of dividends payable due to Namsen Limited were included in advances from customers and other current liabilities (31 December 2018: USD 8,179 thousand).

As of 31 March 2019, advances from customers and other current liabilities included USD 68 thousand in bonuses payable to the management (31 December 2018: USD 1,069 thousand).

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

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

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 20. Transactions with Related Parties (continued)

Transactions with related parties were as follows:

	Amount of operations with related parties	Total category per consolidated income statement	Amount of operations with related parties	Total category per consolidated income statement
	3 months ended 31 March 2019		3 months ended 31 March 2018	
Cost of sales	(1,408)	(693,782)	—	(503,062)
General and administrative expenses	(1,208)	(24,096)	(1,206)	(25,350)
Finance costs, net	377	(18,634)	234	(15,993)
Other income/(expenses), net	174	3,355	51	(33,005)

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

As of 31 March 2019, 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 2019 amounted to USD 125 thousand (31 March 2018: 8 directors, USD 130 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 11 people, amounted to USD 580 thousand for the three months ended 31 March 2019 (31 March 2018: 12 people, USD 591 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 2019 (in thousands of US dollars, unless otherwise stated)

## 21. Commitments and Contingencies

### Taxation and legal issues

In April 2012, the Group entered into a call option agreement to acquire Stiomi Holding, a farming company located in the Khmelnytskyi region of Ukraine. Upon signing, the sellers received approximately 40% of the estimated net asset value partly from the Group and its related parties. As of 31 March 2019, the consideration paid for Stiomi 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 and the Group received it in early March 2018. That award is subject to challenge in the High Court in London.

As of 31 March 2019, 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.

As of 31 March 2019, 31 December 2018 and 31 March 2018, the carrying amount of the provision for legal claims is USD 28,971 thousand. No payment has been made to the claimant pending the outcome of the challenge.

As of 31 March 2019, the Group's management assessed its maximum exposure to tax risks related to VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues for total amount of USD 28,214 thousand (31 December 2018 and 31 March 2018: USD 27,766 thousand and USD 88,554 thousand, respectively), from which USD 12,358 thousand related to VAT recoverability (31 December 2018 and 31 March 2018: USD 12,162 thousand and USD 64,633 thousand, respectively), USD 15,779 thousand related to corporate income tax (31 December 2018 and 31 March 2018: USD 15,529 thousand and USD 23,387 thousand, respectively) and USD 77 thousand related to other tax issues (31 December 2018 and 31 March 2018: USD 75 thousand and USD 534 thousand, respectively).

As of 31 March 2019, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 28,214 thousand (31 December 2018 and 31 March 2018: USD 27,766 thousand and USD 26,636 thousand, respectively), included in the abovementioned amount. Out of this amount, USD 17,023 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (31 December 2018 and 31 March 2018: USD 16,753 thousand and USD 20,398 thousand, respectively). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

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

Facing the current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting significant amendments of the Tax Code of Ukraine which became effective from 1 January 2018 and 1 January 2019 except for certain provisions, which take effect at a later date.

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. In the same time, 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.

Furthermore, among the other changes applicable from the beginning of 2017, the Ukrainian Ministry of Finance launched a public VAT refund register aimed to ensure timely and transparent refund of VAT. As result, registration of claims for VAT refunds will be made public on the official website of the State Fiscal Service of Ukraine as well as an annual schedule of full scope tax audits. This effectively means that potentially there will be less temptation to organize unscheduled inspections of tax authorities that should improve the investment climate of Ukraine.

In addition, starting from July, 2017 the criteria of automatic suspension of registration (hereinafter, the "Criteria") of VAT Invoices/Adjustment Calculations (hereinafter, the "VATIs/ACs") became effective. Under the new rules, every VATI/AC prior to its registration (and VAT input recognition) will be automatically monitored on the relation to risk criteria. Should VATI/AC be proceeded through the Criteria, it will be eligible for registration and respective VAT input recognition. As a result of this change, significant administrative and corruption borders for VAT recoverability are expected to be eliminated.

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

- Soybean – from 1 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. However, this measure does not affect the producers of mentioned goods.

A 60-day reporting period for annual CIT Return prepared year-to-date was established (effective since 2017 reporting year). Prior to this change, 40-day period was applied.

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 21. Commitments and Contingencies (continued)

### Operating environment

In 2018 year, the Ukrainian economy proceeded with recovery from the economic and political crisis of previous years and demonstrated sound real GDP growth of around 3.4% (2017: 2.5%), modest annual inflation of 9.8% (2017: 13.7%), and slight devaluation of national currency by around 2.4% to USD and 8.2% to EUR compared to previous year averages.

Also, Ukraine continued to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and a frozen armed conflict with separatists in certain parts of Luhansk and Donetsk regions. Amid such events, the Ukrainian economy demonstrated further refocusing on the European Union ("EU") market realizing all potentials of established Deep and Comprehensive Free Trade Area with EU, in such a way effectively reacting to mutual trading restrictions imposed between Ukraine and Russia. As a result, the weight of the Russian's export and import substantially fell from 18.2% and 23.3% in 2014 to around 7.7% and 14.2% in 2018, respectively.

In terms of currency regulations, the new currency law was adopted in 2018 and came into force on 7 February 2019. It purports to enable the NBU to promulgate more liberal currency regulation and soften a number of currency restrictions, such as: requirement to register loans obtained from non-residents with the NBU, a 180-day term for making payments in foreign economic transactions, required 30% share of mandatory sale of foreign currency proceeds, etc.

Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned reforms, cooperation with the International Monetary Fund ("IMF") and smooth transition through parliamentary elections, due in October 2019.

### Capital commitments

As of 31 March 2019, the Group had commitments under contracts with a group of suppliers for a total amount of USD 159,816 thousand, mostly for the construction of an oil-crushing plant (31 March 2018: USD 24,654 thousand, mostly for the purchase of agricultural equipment and reconstruction of silos).

### Contractual commitments on sales

As of 31 March 2019, the Group had entered into commercial contracts for the export of 1,105,623 tons of grain and 655,383 tons of sunflower oil and meal, corresponding to an amount of USD 212,033 thousand and USD 303,876 thousand, respectively, in contract prices as of the reporting date.

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 amounts of USD 152,297 thousand and USD 465,302 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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

	As of 31 March 2019		As of 31 December 2018		As of 31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities <sup>(1)</sup>						
Long-term borrowings (Note 13)	53,081	49,065	7,570	7,570	5,532	5,532
Obligations under finance lease	8,342	8,342	9,135	9,135	8,548	8,548
Bonds issued (Note 14)	502,771	512,780	513,540	481,250	501,544	539,300

**Note 1** Including accrued interests

For the three months ended 31 March 2019, 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 5.49 % (31 December 2018 and 31 March 2018: 4.65% and 3.64%, respectively) that is within level 2 of the fair value hierarchy.

For the three months ended 31 March 2019, the fair value of obligations under finance lease was estimated by discounting the expected future cash outflows by a market rate of interest for finance lease of 11.99% (31 December 2018 and 31 March 2018: 11.77% and 13.20%, respectively) that is within level 2 of the fair value hierarchy.

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

As of 31 March 2019, other current assets included financial assets classified as at fair value through profit or loss, which are mostly presented by derivative instruments and government bonds in the amount of USD 123,521 thousand (as of 31 December 2018 and 31 March 2018: USD 79,741 thousand and USD 100,645 thousand).

# Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2019 (in thousands of US dollars, unless otherwise stated)

## 22. Fair Value of Financial Instruments (continued)

The following table below represents the fair values of the derivative financial instruments as at 31 March 2019, 31 December 2018 and 31 March 2018:

	As of 31 March 2019		As of 31 December 2018		As of 31 March 2018	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Other current assets						
Physical Forwards	—	57,578	—	59,713	—	27,517
Futures	2,826	—	2,405	—	14,301	—
Options	7,071	—	3,732	—	252	—
<b>Total</b>	<b>9,897</b>	<b>57,578</b>	<b>6,137</b>	<b>59,713</b>	<b>14,553</b>	<b>27,517</b>
	As of 31 March 2019		As of 31 December 2018		As of 31 March 2018	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Other current liabilities						
Physical Forwards	—	35,230	—	22,887	—	18,602
Futures	2,876	—	2,455	—	148	—
Options	—	—	—	—	8,057	—
<b>Total</b>	<b>2,876</b>	<b>35,230</b>	<b>2,455</b>	<b>22,887</b>	<b>8,205</b>	<b>18,602</b>

Derivative instruments are carried at fair value for which the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the two hierarchy levels, level 1 and 2, as prescribed by IFRS 13 Fair Value Measurement. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1) or by observable quoted prices sourced from exchanges or brokers in active markets for identical assets or liabilities (Level 2).

Valuation of the Group's commodity physical forward contracts categorized within level 2 is based on observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities and broker mark ups derived from observable quotations representing differentials, as required, including geographic location and local supply and demand.

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. Cash and cash equivalents, other non current assets and short-term borrowings are classified as level 2 fair values in the fair value hierarchy due to the inclusion of directly and indirectly observable inputs. Other non current assets, trade accounts receivable, trade accounts payable are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

As of 31 March 2019, fair value of other non-current liabilities does not differ materially from its carrying amount and are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk. For the three months ended 31 March 2019, the fair value of other non-current liabilities was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 25.83% (31 December 2018: 25.82%).

There were no transfers between levels of fair value hierarchy.

## 23. Subsequent Events

No subsequent events occurred after the reporting date.