

H1

FY2021

KERNEL

Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 2020



Condensed Consolidated Interim Financial Statements

for the three and the six months ended 31 December 2020

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Key Highlights

for the three and the six months ended 31 December 2020

Financial highlights

- Consolidated **revenue** of Kernel Holding group of companies (hereinafter "Kernel", the "Company", or the "Group") in October-December 2020 increased 29% y-o-y, to US\$ 1,327 million, driven by Avere trading activities, and growing prices and volumes of grain and sunflower oil exported from Ukraine.
- Group's **EBITDA** in Q2 FY2021 soared 2.5x y-o-y to US\$ 269 million (or US\$ 238 million if excluding IFRS 16 impact):
 - Oilseed Processing** segment EBITDA reduced by 39% y-o-y to US\$ 24 million, as robust sales volume has not compensated for a contraction in crushing margin;
 - Infrastructure and Trading** segment continued its exceptional performance, delivering US\$ 161 million EBITDA in Q2 FY2021, a 2.7x growth y-o-y. Avere trading results acted to boost total segment earnings, taking a right risk during the period of growing soft commodity prices. At the same time, the contribution from Ukrainian trading and grain export infrastructure businesses reduced y-o-y due to margin erosion given the low grain harvest in Ukraine in the current season;
 - Farming** segment EBITDA settled at US\$ 107 million in the reporting period, up 5.7x y-o-y (or US\$ 99 million if excluding IFRS 16 impact);
 - Unallocated corporate expenses** in Q2 FY2021 totaled to US\$ 23 million, up 2.5x y-o-y driven by the increased accruals of payroll performance-related bonuses.
- Net profit attributable to shareholders** in Q2 FY2021 increased 3.1x y-o-y, to US\$ 128 million (or US\$ 140 million if excluding IFRS 16 impact).
- Net debt** as of 31 December 2020 reduced 24% y-o-y, to US\$ 1,247 million, given the improved earnings. Enhanced also by a 7% y-o-y

decline in readily marketable inventories ("RMI"), net debt adjusted for RMI reduced 47% y-o-y, to US\$ 371 million as of 31 December 2020.

- Credit metrics confirm a **strong leverage profile** of the Company: Net-debt-to-EBITDA at the end of the reporting period stood at 1.6x, Adjusted-net-debt-to-EBITDA, reduced to 0.5x, and EBITDA-to-interest ratio improved to 5.0x.

Corporate highlights

- On 10 December 2020, the annual General Meeting of Shareholders approved a dividend of US\$ 0.42 per share for the financial year ended June 30, 2020, which was paid on January 14, 2021. The dividend implies a 30% payout ratio and represents a 68% dividend increase year-on-year.

US\$ million except ratios and EPS	Q2 FY2020	Q1 FY2021	Q2 FY2021	y-o-y	q-o-q	H1 FY2020	H1 FY2021	y-o-y
Income statement highlights								
Revenue	1,032	940	1,327	29%	41%	1,882	2,267	20%
EBITDA ¹	109	290	269	2.5x	(7%)	216	559	2.6x
Net profit attributable to equity holders of the Company	41	204	128	3.1x	(37%)	100	332	3.3x
EBITDA margin	10.6%	30.8%	20.2%	9.7pp	(10.6pp)	11.5%	24.6%	13.2pp
Net margin	4.0%	21.7%	9.6%	5.7pp	(12.1pp)	5.3%	14.6%	9.3pp
Earnings per share ² , US\$	0.50	2.43	1.52	3.0x	(37%)	1.23	3.95	3.2x
Cash flow highlights								
Operating profit before working capital changes	89	189	217	2.4x	15%	146	405	2.8x
Change in working capital	(426)	(159)	(223)	(48%)	40%	(536)	(382)	(29%)
Finance costs paid, net	(14)	(23)	(43)	3.0x	1.9x	(45)	(65)	46%
Income tax paid	(3)	(7)	(5)	2.0x	(26%)	(5)	(13)	2.4x
Net cash used in operating activities	(354)	(0)	(55)	(84%)	342x	(440)	(55)	(87%)
Net cash used in investing activities	(121)	(36)	(158)	30%	4.4x	(183)	(194)	6%
Liquidity and credit metrics								
Net debt	1,644	1,017	1,247	(24%)	23%			
Readily marketable inventories ³	940	489	877	(7%)	79%			
Adjusted net debt ⁴	704	528	371	(47%)	(30%)			
Shareholders' equity	1,501	1,636	1,713	14%	5%			
Net debt / EBITDA ⁵	5.0x	1.6x	1.6x	-3.4x	-0.0x			
Adjusted net debt / EBITDA ⁵	2.1x	0.8x	0.5x	-1.7x	-0.4x			
EBITDA / Interest ⁶	3.0x	4.3x	5.0x	+2.0x	+0.7x			

Note: Financial year ends 30 June, Q1 ends 30 September, and Q2 ends 31 December

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

² EPS is measured in US Dollars per share based on 84.0 million shares for Q2 FY2021, Q1 FY2021 and H1 FY2021, and 82.0 million for Q2 FY2020 and H1 FY2020.

³ Readily marketable inventories are inventories at cost 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.

⁴ Adjusted net debt is net debt less readily marketable inventories.

⁵ Calculated based on 12-month trailing EBITDA.

⁶ 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 and the six months ended 31 December 2020

Segment results summary

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons ¹			EBITDA margin, US\$/t ²		
	Q2 FY2020	Q2 FY2021	Y-o-Y	Q2 FY2020	Q2 FY2021	Y-o-Y	Q2 FY2020	Q2 FY2021	Y-o-Y	Q2 FY2020	Q2 FY2021	Y-o-Y
Oilseed Processing	365	486	33%	39	24	(39%)	346	425	23%	113	56	(50%)
Infrastructure and Trading	882	1,107	26%	61	161	2.7x	2,263	2,395	6%	27	67	2.5x
Farming	188	213	13%	19	107	5.7x						
Unallocated corporate expenses				(9)	(23)	2.5x						
Reconciliation	(403)	(480)	19%									
Total	1,032	1,327	29%	109	269	2.5x						

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons ¹			EBITDA margin, US\$/t ²		
	H1 FY2020	H1 FY2021	Y-o-Y	H1 FY2020	H1 FY2021	Y-o-Y	H1 FY2020	H1 FY2021	Y-o-Y	H1 FY2020	H1 FY2021	Y-o-Y
Oilseed Processing	661	780	18%	62	55	(11%)	648	722	11%	95	76	(20%)
Infrastructure and Trading	1,577	1,918	22%	96	272	2.8x	3,884	4,521	16%	25	60	2.4x
Farming	323	303	(6%)	77	267	3.5x						
Unallocated corporate expenses				(19)	(36)	1.9x						
Reconciliation	(678)	(734)	8%									
Total	1,882	2,267	20%	216	559	2.6x						

Note 1 Vegetable oil sales volumes for Oilseed Processing; physical grain volumes exported (ex. Avere) for Infrastructure and Trading.

Note 2 US\$ per ton of oil sold for Oilseed Processing; US\$ per ton of grain exported (ex. Avere volumes) for Infrastructure and Trading.

Oilseed Processing

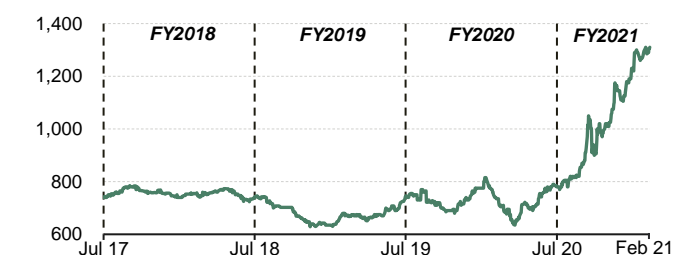
- New season started with a **very turbulent market environment**:
 - Global harvest of sunflower seeds in 2020/21 season is estimated to fall by 9% y-o-y¹, mostly driven by production decline in Ukraine and Russia.
 - Ukraine **production** in current season lost 2.4 million tons of sunflower seeds, or 15% decline y-o-y.² While **harvested area** increased by 6% y-o-y (which we find as a positive sign for the industry in the long-term perspective), average **crop yield** dropped by 19% y-o-y due to extreme summer drought in central and south-eastern regions of Ukraine.
 - Consequently, the **gap between industrial crushing capacity and harvest of sunflower seeds** in current season almost doubled y-o-y, reaching 5.2 million tons. It intensified the competition for the seeds, **contracting severely the crushing margin**.
 - Global shortage of oilseeds and rallying soft commodity prices resulted in **skyrocketing sunflower oil price**, which reached its multi-year maximum. With sunflower seed prices in Ukraine mimicking the constantly growing oil prices over the season, **local farmers are reluctant to sell** seeds, expecting further price growth and depressing the margin even more.
- With the beginning of the new sunflower oil production season, Kernel **processed** 1,001 thousand tons of **sunflower seeds** in Q2 FY2021, up 5% y-o-y, and setting a new quarterly production record. Processing capacity of all group-owned crushing plants was fully

utilized during the reporting period, and Company also launched sunflower seed tolling operations on the third-party owned oilseed processing plant in Kharkiv region, Ukraine.

- While H1 FY2021 looks solid on the crushing volumes side, the second half of the season will be challenging due to the deficit of seeds, so we expect to process 3.3 million tons of sunflower seeds in FY2021 as compared to 3.5 million tons of our previous guidance.
- Sunflower oil sales volume** in Q2 FY2021 was largely in line with production volume and exceeded 425 thousand tons, up 23% to the low base of last year. Bottled sunflower oil sales amounted to 9.5% of total sales volume.
- EBITDA margin** during three months ended 31 December 2020 squeezed 50% y-o-y, to US\$ 56 per ton of oil sold. It reflects poor oilseed processing market fundamentals this season, as described above.
 - Our full year margin is expected at US\$ 45-55 per ton of oil sold, not accounting for earnings from the renewable energy business.
- As a result, segment **EBITDA** in Q2 FY2021 amounted to US\$ 24 million, down 39% y-o-y.

Sunflower oil price

US\$ per ton of unrefined oil sold in bulk, FOB-Chomomorsk (Ukraine)

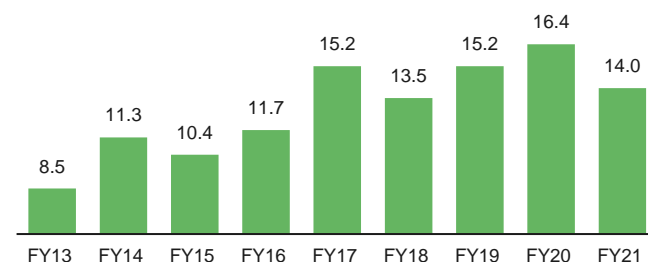


Source: Bloomberg

¹ Source: USDA

Sunflower seed harvest in Ukraine

million tons



Source: Kernel estimates

² Source: Kernel estimates

Segment Results and Discussion

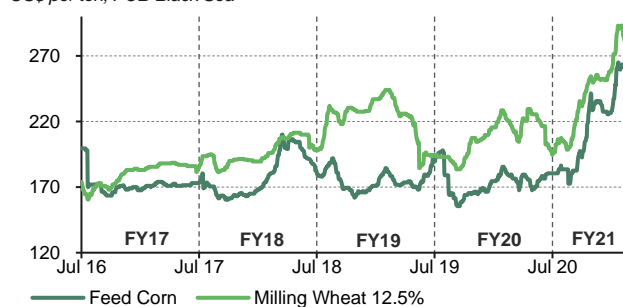
for the three and the six months ended 31 December 2020

Infrastructure and Trading

- **Market environment** for infrastructure business this season is downbeat. Grain harvest in Ukraine in 2020 fell short of the previous year record, totaling at 64 million tons of three key grains (corn, wheat, and barley), down 12% y-o-y. Generally, it results in higher competition for grain to be exported from Ukraine, underutilized infrastructure assets, and downward pressure on margins.
 - At the same time, a **grain price boom** caused by raging Chinese demand, weak supply outlook and Russian export curbs created an opportunity momentum for trading business.
- Kernel **exported** 2.4 million tons of **grain from Ukraine** in Q2 FY2021, up 6% y-o-y, of which 52% was grain originated from external suppliers and the remaining was produced by Group's Farming segment.
 - We forecast to export 8.5 million tons of grain from Ukraine for the full FY2021, with 53% of that volume already exported in the first half of the season.
- Group's **export terminal throughput volumes** surged to 2.4 million tons in October-December 2020, up 41% y-o-y, driven by added incremental transshipment capacity of new grain export terminal in the port of Chornomorsk.
 - We expect to transship 8.5 million tons of goods through our port facilities in FY2021, including grain, meal and sunflower oil. Of that, 4.3 million tons was already transshipped in the first half of the season.
- Segment's **EBITDA** in Q2 FY2021 soared 2.7x y-o-y, to US\$ 161 million. The major portion of that was generated by **Avere trading activities**, who well captured an incredible soft commodities price action during the reported period. Grain export value chain in Ukraine also delivered solid results, albeit margins remain under pressure due to high competition for the feedstock given the lower grain harvest in Ukraine this season.
- The **outlook** for this segment for the full FY2021 remains very positive.

Ukraine grain export prices

US\$ per ton, FOB-Black Sea



Source: Bloomberg

Farming

- Business delivered US\$ 107 million **EBITDA** in Q2 FY2021, bringing the H1 FY2021 figure to US\$ 267 million (or US\$ 219 million if excluding IFRS 16 impact), a 3.5x increase y-o-y. The growth is concurrent with the rally seen in global grain and oilseed prices, outweighing the negative impact from lower yields this season for all our key crops.
 - For the whole FY2021, we expect EBITDA of US\$ 230 million if excluding IFRS 16 impact and revaluation of biological assets.
- At the date of this report, we have contracted all the grain of our own produce of the harvest 2020, eliminating any price risks for FY2021 segment earnings. We also forward contracted around 1.4 million tons of grain of the upcoming 2021 harvest at prices close to the actual prices locked for FY2021.
- Our farming division has planted over 64 thousand hectares of winter wheat and almost 9 thousand hectares of winter rapeseed. Winterkill concerns are above average this year, but the real impact will not be clear until the snow melts. Severe frosts with limited snow cover and persistent ice crust could hurt winter crops in certain areas.

Segment volumes

metric tons	Q2 FY2020	Q2 FY2021	y-o-y
Oilseeds processed	950,986	1,001,292	5%
Sunflower oil sales	346,461	425,341	23%
Grain and oilseeds received in inland silos	2,036,506	2,379,387	17%
Export terminal throughput	1,692,237	2,382,860	41%
Grain export from Ukraine	2,262,727	2,395,343	6%

Differences are possible due to rounding.

Financial Highlights

for the three and the six months ended 31 December 2020

Income statement highlights

- Kernel **revenue** in Q2 FY2021 increased 29% y-o-y to US\$ 1.3 billion, mainly driven by Avere trading activities, elevated grain and sunflower oil prices, and growing grain and sunflower oil export volumes from Ukraine.
- **Net gain from revaluation of biological assets** totaled at US\$ 22 million in October-December 2020.
- **Cost of sales** in Q2 FY2021 increased 16% y-o-y, to US\$ 1.1 billion, with such growth being fully attributable to increased prices of grain and oilseeds Group originated in Ukraine.
- As a result, **gross profit** for the last three months of 2020 reached US\$ 272 million, a 2.3x growth y-o-y.
- **Other operating income** in October-December 2020 totaled at US\$ 17 million, mainly driven by gain from contracts wash-out (price difference settlement of contracts without physical delivery of goods) attributable to Avere activities.
- **General and administrative expenses** increased by 87% y-o-y, to US\$ 53 million in Q2 FY2021, due to higher payroll and payroll related costs reflecting the change in the principle of the annual performance bonus accrual (from accruing in the last quarter based on the annual results to accruing proportionally in each quarter).
- Consequently, Kernel generated an **operating profit** of US\$ 237 million in Q2 FY2021, a 3.0x growth y-o-y.
- Net finance costs in the last three months of 2020 amounted to US\$ 51 million, up 32% y-o-y, mostly due to a premium Kernel paid for the early settlement of US\$ 287 million of Company's 2022 notes.
- Summarizing the above factors, **profit before tax** settled at US\$ 185 million in Q2 FY2021, a 3.6x growth y-o-y.
- Accounting for US\$ 14 million income tax expenses, Group's **net profit** amounted to US\$ 171 million, of which US\$ 128 million is a **net profit attributable to shareholders of Kernel Holding S.A.**

Cash flow highlights

- **Operating profit before working capital changes** in October-December 2020 amounted to US\$ 217 million, a 2.4x growth y-o-y, in line with the EBITDA increase.
- Accumulation of the **working capital** over the same period amounted to US\$ 223 million, impacted mostly by US\$ 407 million increase in inventories following the US\$ 215 million reduction in biological assets after completion of the harvesting campaign and also active seasonal procurement of sunflower seeds and grain.
- **Net cash used in investing activities** stood at US\$ 158 million,

comprising US\$ 120 million payment to acquire financial assets (Ukrainian government bonds), US\$ 43 million investments into property, plant, and equipment under Company's Strategy 2021 CapEx program, and also US\$ 5 net million proceeds received from other investing activities.

- Company's **CapEx program** under Strategy 2021 is approaching its completion. New oilseed processing plant in Western Ukraine is expected to be constructed in Q2 FY2022. Three cogeneration heat and power plants within our renewable energy investment project have been already constructed and completing the pre-commissioning works. Three remaining facilities are to be commissioned in FY2022.

Credit metrics highlights

- Kernel **net debt** increased by 23% during Q2 FY2021 to US\$ 1,247 million as of 31 December 2020, primarily due to a growth in short-term debt and a seasonal accumulation of working capital.
 - At the same time, net debt as of the reporting date reduced 24% y-o-y, reflecting a substantial deleverage of the Group during last twelve months.
- **Readily marketable inventories** ("RMI") seasonally increased by 79% during October-December 2020 to US\$ 877 million as of 31 December, although reduced by 7% on the annual basis. Sunflower seeds accounted for 48% of total RMI, and grain stood for 35%.
- As a result, **net debt adjusted for RMI** declined by 30% during Q2 FY2021, or 47% y-o-y, reaching US\$ 371 million 31 December 2020.
- An astounding last-twelve-months EBITDA of US\$ 786 million improved all key credit metrics:
 - **Net-debt-to-EBITDA** ratio as of 31 December 2020 (measured on 12 months trailing basis) hovered at 1.6x, as compared to 5.0x a year ago;
 - **Adjusted-net-debt-to-EBITDA** reached as low as 0.5x; and
 - **Interest coverage** improved a three-year-high to 5.0x EBITDA-to-Interest calculated on the last-twelve-months basis.
- **Undrawn borrowings** as of 31 December 2020 exceeded US\$ 1 billion, including US\$ 952 million of undrawn short-term credit lines and US\$ 70 million of undrawn long-term borrowings (EIB facility).

Credit metrics

US\$ million, except ratios	31 Dec 2019	30 Sep 2020	31 Dec 2020	q-o-q	y-o-y
Short-term interest-bearing debt	457	97	172	77%	(62%)
Long-term interest-bearing debt	147	226	221	(2%)	50%
Lease liabilities	322	295	303	3%	(6%)
Eurobond	793	794	806	1%	2%
Debt liabilities	1,718	1,412	1,501	6%	(13%)
Cash and cash equivalents	74	395	254	(36%)	3.4x
Net debt	1,644	1,017	1,247	23%	(24%)
Readily marketable inventories	940	489	877	79%	(7%)
of which sunflower oil and meal	146	92	148	60%	1%
Sunflower seeds	417	307	420	37%	1%
Grains and other RMIs	377	90	309	3.4x	(18%)
Adjusted net debt	704	528	371	(30%)	(47%)
Shareholders' equity ¹	1,501	1,636	1,713	5%	14%
Net debt / EBITDA ²	5.0x	1.6x	1.6x	-0.0x	-3.4x
Adjusted net debt / EBITDA ²	2.1x	0.8x	0.5x	-0.4x	-1.7x
EBITDA / Interest ³	3.0x	4.3x	5.0x	+0.7x	+2.0x

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

Note 2 Calculated based on 12-month trailing EBITDA.

Note 3 Calculated based on 12-month trailing EBITDA and net finance costs. Differences are possible due to rounding.

Financial Highlights

for the three and the six months ended 31 December 2020

Effect of IFRS 16 introduction on Group's H1 FY2021 financial statements¹

Starting from Q1 FY2020, Kernel introduced IFRS 16 Leases with application of retrospective approach and did not restate comparatives, as permitted under the transitional provisions of the standard. Given that company leases all the farmlands under operations, introduction of IFRS 16 had significant impact on Company's financials. As a result of IFRS 16 implementation:

- Company recognized US\$ 340 million right-of-use assets and US\$ 303 million corresponding lease liabilities as of 31 December 2020.
- Rental payments disappeared and were replaced by amortization of right-of-use assets and finance expenses attached to lease liabilities. This effect was not fully observable during the first quarters after IFRS 16 implementation (FY2020), as company was expensing rental payments which had occurred before IFRS 16 introduction.

Effect on Statement of Profit or Loss

in US\$ million	H1 FY2020			H1 FY2021		
	prior to IFRS 16	IFRS 16 effect	with IFRS 16	prior to IFRS 16	IFRS 16 effect	with IFRS 16
Revenues	1,882	-	1,882	2,267	-	2,267
Revaluation of biological assets	39	5	44	114	14	128
Cost of sales	(1,715)	6	(1,709)	(1,863)	24	(1,839)
of which amortization and depreciation	(42)	(10)	(52)	(43)	(11)	(54)
Rental payments	(48)	16	(32)	(43)	35	(8)
Gross profit	206	11	218	518	38	556
Other operating income	(1)	-	(1)	36	-	36
General and administrative expenses	(54)	(0)	(54)	(88)	(1)	(89)
Operating profit	151	11	162	466	37	503
Finance costs	(44)	(27)	(72)	(59)	(23)	(82)
Other non-operating items	23	0	23	0	(0)	0
Profit before income tax	130	(16)	113	407	14	421
Income tax	(9)	-	(9)	(17)	-	(17)
Net profit	121	(16)	105	390	14	404
Net profit attributable to shareholders	117	(16)	100	390	14	332
Depreciation and amortization	(44)	(10)	(54)	(44)	(12)	(56)
EBITDA	195	21	216	510	49	559

Effect on Statement of Financial Position

in US\$ million	31 December 2019			31 December 2020		
	prior to IFRS 16	IFRS 16 effect	with IFRS 16	prior to IFRS 16	IFRS 16 effect	with IFRS 16
Current assets	1,955	(33)	1,921	2,208	(11)	2,198
Non-current assets	1,383	326	1,710	1,332	298	1,630
of which right-of-use assets	-	372	372	-	340	340
other non-current assets	1,383	(45)	1,338	1,332	(42)	1,290
Total assets	3,338	293	3,631	3,540	287	3,827
Current liabilities	814	53	867	724	28	752
of which current portion of lease liabilities	-	66	66	-	60	60
other current liabilities	814	(13)	801	724	(32)	692
Non-current liabilities	1,020	250	1,271	1,054	239	1,293
of which lease liabilities	-	256	256	-	244	244
other non-current liabilities	1,020	(5)	1,015	1,054	(5)	1,049
Equity	1,503	(10)	1,493	1,762	20	1,782
Total liabilities and equity	3,338	293	3,631	3,540	287	3,827

Note 1 Based on management accounts, subject to auditors' review and approval

Principal Risks and Uncertainties

for the three and the six months ended 31 December 2020

Kernel's management identifies ten principal risks that could materially influence the Company's operations and financial results:

Strategic (Business) risks:

- Weak harvest in Ukraine
- Low global soft commodities prices
- COVID-19 related risks
- Shortfall of proceeds from renewable energy sale

Operational risks:

- Trade position management issues
- Fraudulent activities
- Investment projects issues
- Failure to maintain the integrity of the leasehold farmland bank
- General IT and information security risk
- Human capital risks

For a detailed disclosure of the possible impact of each of the key risks and our management approach, please refer to pages 32-37 of the annual report for the year ended 30 June 2020, available at www.kernel.ua.

Other risks identified by the Company's management include:

- Increase in competition;
- Compliance with environmental standards;
- A prolonged period of weak economic growth, either globally or in the Company's key markets;
- Economic policy, political, social, and legal risks and uncertainties in certain countries in which Kernel Holding S.A. operates;
- Any loss or diminution in the services of Mr. Andrii Verevskyi, Kernel Holding S.A.'s chairman of the Board of Directors;
- The risk that changes in the assumptions underlying the carrying value of certain assets, including those occurring as a result of adverse market conditions, could result in the impairment of tangible and intangible assets, including goodwill;
- The risk of fluctuations in the exchange rate of the Ukrainian hryvnia to the US dollar;
- The risk of disruption or limitation of natural gas or electricity supply;
- The risk of disruptions in Kernel Holding S.A.'s manufacturing operations;
- The risk of product liability claims;
- The risk of potential liabilities from investigations, litigation, and fines regarding antitrust matters;
- The risk that Kernel Holding S.A.'s governance and compliance processes may fail to prevent regulatory penalties or reputational harm, both at operating subsidiaries and in joint ventures; and
- The risk that Kernel Holding S.A.'s insurance policies may provide inadequate coverage.

Significant Events

for the three and the six months ended 31 December 2020

On 10 December 2020, Kernel Holding S.A. convened its annual General Meeting of Shareholders, which adopted the following resolutions with immediate effect:

- The general meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company, approves these reports.
- The general meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company, approves in their entirety the Consolidated Financial Statements of the Company for the financial year ended on 30 June 2020, with a resulting consolidated net profit attributable to equity holders of the Company of one hundred seventeen million eight hundred sixty-five thousand US dollars (USD 117,865,000. -).
- The general meeting, after having reviewed the management report of the board of directors and the report of the independent auditor of the Company, approves in their entirety the Parent Company's annual accounts (unconsolidated) for the financial year ended on 30 June 2020, with a resulting net income for Kernel Holding S.A. as parent company of the Kernel Holding S.A. group of three hundred eighty-seven million nine hundred forty-nine thousand three hundred four US dollars and seven cents (USD 387,949,304.07).
- The general meeting approves the proposal of the board of directors (i) to carry forward the net income of the Parent Company annual accounts (non-consolidated) of three hundred eighty-seven million nine hundred forty-nine thousand three hundred four US dollars and seven cents (USD 387,949,304.07) and (ii) after allocation to the legal reserve of the Company, to declare a dividend at forty-two cents per ordinary share (USD 0.42) for the financial year ended on 30 June 2020. The general meeting delegates to the board of directors to set up record and payment dates for the dividends distribution.
- The general meeting decides to grant discharge to the directors of the Company for their management duties and the exercise of their mandates in the course of the financial year ended on 30 June 2020.
- The general meeting, having acknowledged the end of the mandates of directors and in consideration of the proposal to reappoint Mr. Andrzej Danilczuk, Mrs. Nathalie Bachich, Mr. Sergei Shibaev, Mrs. Anastasiia Usachova, Mr. Yuriy Kovalchuk, Mrs. Viktoriia Lukianenko and Mr. Yevgen Osypov for a one-year term, decides to renew the mandates of Mr. Andrzej Danilczuk, Mrs. Nathalie Bachich, Mr. Sergei Shibaev, Mrs. Anastasiia Usachova, Mr. Yuriy Kovalchuk, Mrs. Viktoriia Lukianenko and Mr. Yevgen Osypov for a one-year term mandate, which shall terminate on the date of the general meeting of shareholders to be held in 2021.
- The general meeting, having acknowledged that fees (*tantièmes*) paid to the non-executive directors for their previous term in office amounted in total to two hundred sixty thousand US dollars (USD 260,000. -), approves the independent directors' fees for the new one-year mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2021, for a total gross annual amount of two hundred sixty thousand US dollars (USD 260,000. -).
- The general meeting, having acknowledged that fees (*tantièmes*) paid to the executive directors for their previous term as members of the board of directors amounted in total to two hundred forty thousand US dollars (USD 240,000. -), approves the executive directors' fees for the new one-year mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2021, for a total gross annual amount of two hundred forty thousand US dollars (USD 240,000. -) including two hundred thousand US dollars (USD 200,000. -) to be paid to the chairman of the board of directors.
- The general meeting grants discharge to the independent auditor of the Company, Deloitte Audit, a *société à responsabilité limitée*, having its registered office at 20 Boulevard de Kockelscheuer, L-1821 Luxembourg, registered with the Luxembourg Trade and

Companies' Register under number B 67 895 for the financial year ended on 30 June 2020.

- The general meeting, following proposal by the board of directors to reappoint Deloitte Audit, a *société à responsabilité limitée*, having its registered office at 20 Boulevard de Kockelscheuer, L-1821 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 67 895 as independent auditor of the Company, resolves to reappoint Deloitte Audit, a *société à responsabilité limitée*, having its registered office at 20 Boulevard de Kockelscheuer, L-1821 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 67 895 as independent auditor of the Company for a one-year term mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2021.
- The general meeting, having acknowledged the end of the mandates of directors and in consideration of the proposal to reappoint Mr. Andrii Verevskyi for a five-year term, decides to renew the mandate of Mr. Andrii Verevskyi for a five-year term mandate, which shall terminate on the date of the general meeting of shareholders to be held in 2025.

Alternative Performance Measures

for the three and the six months ended 31 December 2020

To comply with ESMA Directive on Alternative Performance Measures ("APMs"), Kernel Holding S.A. (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;**
- **Segment EBITDA;**
- **Segment EBITDA margin;**
- **Investing Cash Flows less Net Fixed Assets Investments;**
- **Net Fixed Assets Investments;**
- **Operating Cash Flows before Working Capital Changes;**
- **Free Cash Flows to the Firm;**
- **Debt Liabilities;**
- **Net Debt;**
- **Readily Marketable Inventories;**
- **Adjusted Net Debt;** and
- **Adjusted Working Capital;**

(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.

Before FY2019, the Group used to report such APMs as **Funds from Operations** and **Free Cash Flows**, but since FY2019 the Group consider these metrics as not relevant anymore, being distortive going forward. The first APM included purchases of property, plant and equipment distorting the operating cash generation capacity of the Group given the current heavy CapEx cycle. The second APM included dividends paid, thus distorting the cash flow available to repay debt and distribute dividends to shareholders. Instead,

two additional APM's were introduced (as defined below): **Operating Cash Flows before Working Capital Changes** and **Free Cash Flows to the Firm**.

EBITDA and EBITDA margin

The Group uses **EBITDA**¹ as a key measure of operating performance, and which is defined as profit from operating activities adding back 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 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 finance 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 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 income / 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 main difference arise on transactions between entities of the Group with different functional currencies;
- **EBITDA** and **EBITDA margin** do not reflect the impact of other expenses; as such expenses are not a part of Group's core operations. Segment **EBITDA** and Segment **EBITDA margin**

The Group uses **Segment EBITDA** and **Segment EBITDA margin** as a key measures of segment operating performance. The Group defines **Segment EBITDA** as profit/(loss) from operating activities adding back amortization and depreciation.

The Group defines **Segment EBITDA margin** as **Segment EBITDA** divided by segment revenue during the reporting period.

Reconciliation of profit before income tax to **EBITDA** and **EBITDA margin**:

<i>in thousand US\$ except the margin</i>	Q2 FY2020	Q2 FY2021	H1 FY2020	H1 FY2021
Profit from operating activities	79,416	236,899	161,906	502,876
<i>add back:</i>				
Amortization and depreciation	29,875	31,717	53,924	55,695
EBITDA	109,291	268,616	215,830	558,571
Revenue	1,032,411	1,326,745	1,882,407	2,267,006
EBITDA margin	10.6%	20.2%	11.5%	24.6%

¹ In other documents (e.g. listing particulars) the Group could use the term Adjusted EBITDA, which is calculated as profit before income tax adding

back net finance costs, net foreign exchange gain, net other expenses, share of income/(loss) of joint

ventures, and amortization and depreciation, and coming to the same result as EBITDA.

Alternative Performance Measures

for the three and the six months ended 31 December 2020

Investing Cash Flows less Net Fixed Assets Investments

The Group uses **Investing Cash Flows less Net Fixed Assets Investments** as a measure of its expenditures on investments other than property plant and equipment and which is defined as net cash used in investing activities adding back:

- purchase of property, plant and equipment;
- proceeds from disposal of property, plant and equipment.

Net Fixed Assets Investments

The Group uses **Net Fixed Assets Investments** as a measure of its expenditures on fixed assets maintenance and which is defined as net cash used in investing activities less **Investing Cash Flows less Net Fixed Assets Investments** or alternatively may be calculated as cash used for purchase of property, plant and equipment less proceeds from disposal of property, plant and equipment.

Operating Cash Flows before Working Capital Changes

The Group uses **Operating Cash Flows** as a measure of the cash generation of its core business operations and which is defined as net cash generated by operating activities less changes in working capital, including:

- change in trade and other accounts receivable;
- change in prepayments and other current assets;
- change in restricted cash balance;
- change in taxes recoverable and prepaid;
- change in biological assets;
- change in inventories;
- change in trade accounts payable; and
- change in advances from customers and other current liabilities.

Calculation of Segment EBITDA and Segment EBITDA margin:

in thousand US\$	Q2 FY2020	Q2 FY2021	H1 FY2020	H1 FY2021
Oilseed Processing				
Profit from operating activities	35,198	18,869	53,582	44,618
plus Amortization and depreciation	4,061	5,143	7,968	10,273
Segment EBITDA	39,259	24,012	61,550	54,891
Segment revenue	365,153	486,209	661,301	779,680
Segment EBITDA margin	11%	5%	9%	7%
Infrastructure and Trading				
Profit from operating activities	54,371	155,153	84,573	260,692
plus Amortization and depreciation	6,254	5,882	11,398	11,607
Segment EBITDA	60,625	161,035	95,971	272,299
Segment revenue	881,980	1,107,227	1,577,003	1,918,095
Segment EBITDA margin	7%	15%	6%	14%
Farming				
Profit / (loss) from operating activities	(381)	86,675	43,419	234,566
plus Amortization and depreciation	19,080	20,046	33,617	32,681
Segment EBITDA	18,699	106,721	77,036	267,247
Segment revenue	188,141	213,285	322,558	302,812
Segment EBITDA margin	10%	50.0%	24%	88%
Other				
Loss from operating activities	(9,772)	(23,798)	(19,668)	(37,000)
plus Amortization and depreciation	480	646	941	1,134
Segment EBITDA	(9,292)	(23,152)	(18,727)	(35,866)

Reconciliation of net cash used in investing activities to **Investing Cash Flows less Net Fixed Assets Investments**:

in thousand US\$	Q2 FY2020	Q2 FY2021	H1 FY2020	H1 FY2021
Net cash used in investing activities	(121,431)	(158,073)	(182,744)	(194,364)
Adding back:				
Purchase of property, plant and equipment	(53,447)	(42,568)	(119,714)	(95,492)
Proceeds from disposal of property, plant and equipment	1,016	955	2,923	1,827
Investing Cash Flows less Net Fixed Assets Investments	(173,862)	(199,686)	(299,535)	(288,029)

Reconciliation of net cash used in investing activities to **Net Fixed Assets Investments**:

in thousand US\$	Q2 FY2020	Q2 FY2021	H1 FY2020	H1 FY2021
Purchase of property, plant and equipment	(53,447)	(42,568)	(119,714)	(95,492)
Proceeds from disposal of property, plant and equipment	1,016	955	2,923	1,827
Net Fixed Assets Investments	(52,431)	(41,613)	(116,791)	(93,665)

Reconciliation of net cash generated by operating activities to **Operating Cash Flows before Working Capital Changes**:

in thousand US\$	Q2 FY2020	Q2 FY2021	H1 FY2020	H1 FY2021
Net cash generated by operating activities	(337,276)	(6,693)	(389,994)	22,932
Less:				
Changes in working capital, including:	(426,132)	(223,206)	(536,469)	(382,337)
Change in trade and other accounts receivable	(84,441)	(23,650)	(82,135)	(73,340)
Change in prepayments and other current assets	10,975	25,981	28,412	33,812
Change in restricted cash balance	(1,163)	(89)	(1,315)	1,820
Change in taxes recoverable and prepaid	(67,733)	(46,934)	(126,697)	(80,576)
Change in biological assets	132,552	215,182	339,862	332,722
Change in inventories	(382,572)	(407,342)	(691,300)	(683,634)
Change in trade accounts payable	(18,283)	(8,828)	1,853	56,577
Change in advances from customers and other current liabilities	(15,467)	22,474	(5,149)	30,282
Operating Cash Flows before Working Capital Changes	88,856	216,513	146,475	405,269

Alternative Performance Measures

for the three and the six months ended 31 December 2020

Free Cash Flows to the Firm

The Group uses **Free Cash Flows to the Firm** as a measure of the cash generation of its core business operations and which is defined as sum of net cash generated by operating activities and net cash used in investing activities.

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.

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.

Debt Liabilities

The Group uses three metrics as the measure of its leverage and indebtedness, which consists of **Debt Liabilities**, **Net Debt** and **Adjusted Net Debt**. The Group defines **Debt Liabilities** as the sum of:

- bonds issued, interest on bonds issued;
- long-term borrowings;
- current portion of long-term borrowings;
- short-term borrowings;
- current portion of lease liabilities; and
- lease liabilities.

The Group defines **Net Debt** as **Debt Liabilities** less cash and cash equivalents. Finally, the Group defines **Adjusted Net Debt**, as **Net Debt** less readily marketable inventories.

Adjusted Working Capital

The Group uses **Adjusted 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 (excl. short-term borrowings, current portion of long-term borrowings, current portion of lease liabilities, and interest on bonds issued).

Calculation of **Free Cash Flows to the Firm**:

in thousand US\$	Q2 FY2020	Q2 FY2021	H1 FY2020	H1 FY2021
Net cash used in operating activities	(354,286)	(55,021)	(440,220)	(55,182)
Net cash used in investing activities	(121,431)	(158,073)	(182,744)	(194,364)
Free Cash Flows to the Firm	(475,717)	(213,094)	(622,964)	(249,546)

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 December 2019	As of 30 September 2020	As of 31 December 2020
Sunflower oil & meal	145,921	92,347	147,569
Sunflower seed	417,102	306,709	420,046
Grains	375,231	89,715	308,876
Other	134,557	85,775	85,139
Total	1,072,811	574,546	961,629
<i>of which: Readily Marketable Inventories</i>	939,948	488,914	876,675

Calculation of **Debt Liabilities**, **Net and Adjusted Net Debts** as at the dates indicated:

in thousand US\$	As of 31 December 2019	As of 30 September 2020	As of 31 December 2020
Bonds issued	792,818	794,359	805,900
Interest on bonds issued	21,945	15,975	15,353
Long-term borrowings	147,357	226,086	220,589
Current portion of long-term borrowings	1,233	10,007	15,494
Short-term borrowings	433,413	70,683	140,670
Lease liabilities	255,551	257,659	243,861
Current portion of lease liabilities	66,076	37,085	59,573
Debt Liabilities	1,718,393	1,411,854	1,501,440
less: cash and cash equivalents	74,353	394,667	254,012
Net Debt	1,644,040	1,017,187	1,247,428
less: readily marketable inventories	939,948	488,914	876,675
Adjusted Net Debt	704,092	528,273	370,753

Reconciliation of total current assets to **Adjusted Working Capital** as at the dates indicated:

in thousand US\$	As of 31 December 2019	As of 30 September 2020	As of 31 December 2020
Total current assets	1,921,405	1,874,665	2,197,564
less:			
Cash and cash equivalents	74,353	394,667	254,012
Assets classified as held for sale	474	404	377
Total current liabilities	867,471	527,289	751,875
add back:			
Short-term borrowings	433,413	70,683	140,670
Current portion of long-term borrowings	1,233	10,007	15,494
Current portion of lease liabilities	66,076	37,085	59,573
Interest on bonds issued	21,945	15,975	15,353
Adjusted Working Capital	1,501,774	1,086,055	1,422,390

Alternative Performance Measures

for the three and the six months ended 31 December 2020

The Management believe 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
EBITDA	Profit from operating activities adding back 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.
EBITDA margin	EBITDA divided by revenue during the reporting period.	EBITDA margin is a metric widely used to measure profitability of Group's operations.
Segment EBITDA	Segment profit from operating activities adding back amortization and depreciation.	EBITDA is the main metric used by management of the Group to measure segment operating performance.
Segment EBITDA margin	Segment EBITDA divided by segment revenue during the reporting period.	Segment EBITDA margin is a metric widely used to measure profitability of Group's segment operations.
Investing Cash Flows less Net Fixed Assets Investments	Net cash used in investing activities adding back purchase of property, plant and equipment, and 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.
Net Fixed Assets Investments	Net cash used in investing activities less Investing Cash Flows less Net Fixed Assets Investments , or alternatively may be calculated as cash used for purchase of property, plant and equipment less proceeds from disposal of property, plant and equipment.	The Group 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.
Operating Cash Flows before Working Capital Changes	Net cash generated by operating activities less changes in working capital activities, including: <ul style="list-style-type: none"> • change in trade and other accounts receivable; • change in prepayments and other current assets; • change in restricted cash balance; • change in taxes recoverable and prepaid; • change in biological assets; • change in inventories; • change in trade accounts payable; and • change in advances from customers and other current liabilities. 	The Group uses this APM as a pre-working capital measure that reflects Group's ability to generate cash for investment, debt servicing and distributions to shareholders.
Free Cash Flows to the Firm	Sum of net cash generated by operating activities and net cash used in investing activities.	The Group uses this APM as it reflects the cash generating capability of the Group to repay debt and distribute dividends to shareholders.
Readily Marketable Inventories	Agricultural inventories, such as corn, wheat, barley, soybean, sunflower seed, meal and oil.	The Group uses this APM 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.
Debt Liabilities	Sum of bonds issued, interest on bonds issued, long-term borrowings, current portion of long-term borrowings, short-term borrowings; current portion of lease liabilities; and lease liabilities.	The Group uses this APM, as it is a useful measure of the leverage of the Group, which is widely used by credit investors and rating agencies.
Net Debt	Debt Liabilities less cash and cash equivalents.	The Group uses this APM, as it is a useful measure of the leverage of the Group, which is widely used by credit and equity investors and rating agencies.
Adjusted Net Debt	Net Debt less readily marketable inventories.	The Group uses this APM as a supplemental measure of the Group's liquidity, which shows the amount of Debt Liabilities not covered by cash and readily marketable inventories (highly liquid inventories).
Adjusted Working Capital	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 lease liabilities, and Interest on bonds issued).	The indicator of working capital is important for the Group, as the Group is involved in trading and processing activities and hold large volumes of inventories on the balance. 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 a company'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.

Statement of the Board of Directors' Responsibilities for the Preparation and Approval of the Condensed Consolidated Interim Financial Statements

for the three and the six months ended 31 December 2020

The Board of Directors is responsible for the preparation and fair presentation of the condensed consolidated interim financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the condensed consolidated interim financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

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

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

- the Condensed Consolidated Interim Financial Statements of Kernel Holding S.A. (the 'Holding') prepared and established in accordance with IAS 34 Interim Financial Reporting as endorsed and adopted by the European Union;
- the Management Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

25 February 2021

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

Independent Auditor's Report



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Société à responsabilité limitée

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Kernel Holding S.A. and its subsidiaries (the "Group") as of 31 December 2020, and the related condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six months then ended, and selected explanatory notes (collectively – the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The Group started applying hedge accounting in October 2019 and during the six months period ended 31 December 2019 has recognized USD 46,069 thousand corresponding to the loss resulted from the change in fair value of hedging instruments within the cashflow hedge reserve and USD 5,362 thousand corresponding to deferred tax income related to this item, in other comprehensive income. Based on the information provided there was no formal designation and documentation of the hedging relationship at the inception of the hedging relationship, as required by IFRS 9 - Financial Instruments. According to the accounting policy, those derivatives should therefore have been classified at fair value through profit and loss (FVPL). Had this been done, other operating income would have been decreased by USD 46,069 thousand, income tax expense would have been decreased by 5,362 thousand and other comprehensive income would have increased by USD 40,707 thousand net of taxes. As a further consequence, the profit for the six months period ended 31 December 2019 and the other comprehensive income allocated to non-controlling interest, as disclosed in the condensed consolidated interim statement of changes in equity, would have been decreased and increased respectively by USD 11,194 thousand. Our conclusion on the condensed consolidated interim financial information for the six months ended 31 December 2019 was modified accordingly. Our conclusion on the current period's condensed consolidated interim financial information for the six months period ended 31 December 2020 is also modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified Conclusion

Based on our review, with the exception of the matter described in the *Basis for Qualified Conclusion* section of our report, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Independent Auditor's Report

Other Matter

The accompanying condensed consolidated interim financial information for the three-months ended 31 December 2020 and 2019, were not audited or reviewed by us and accordingly we do not express any other form of assurance on it.

For Deloitte Audit, Cabinet de révision agréé

Marco Crosetto,
Réviseur d'entreprises agréé
Partner

25 February 2021

Selected Financial Data

for the six months ended 31 December 2020 (in thousands of US dollars, unless otherwise stated)

		USD ¹		PLN		EUR	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
I.	Revenue	2,267,006	1,882,407	8,594,673	7,299,410	1,920,834	1,696,425
II.	Profit from operating activities	502,876	161,906	1,906,503	627,823	426,087	145,910
III.	Profit before income tax	421,001	113,429	1,596,099	439,844	356,714	102,222
IV.	Profit for the period from continuing operations	404,020	104,757	1,531,721	406,216	342,326	94,407
V.	Net cash used in operating activities	(55,182)	(440,220)	(209,206)	(1,707,042)	(46,756)	(396,726)
VI.	Net cash used in investing activities	(194,364)	(182,744)	(736,873)	(708,626)	(164,684)	(164,689)
VII.	Net cash generated by financing activities	136,238	619,439	516,506	2,401,999	115,434	558,238
VIII.	Total net cash flow	(113,308)	(3,525)	(429,573)	(13,669)	(96,006)	(3,177)
IX.	Total assets	3,827,081	3,631,085	14,383,701	13,789,772	3,116,775	3,238,202
X.	Current liabilities	751,875	867,471	2,825,847	3,294,395	612,327	773,611
XI.	Non-current liabilities	1,293,352	1,270,561	4,860,934	4,825,210	1,053,306	1,133,086
XII.	Issued capital	2,219	2,219	8,340	8,427	1,807	1,979
XIII.	Total equity	1,781,854	1,493,053	6,696,920	5,670,167	1,451,142	1,331,505
XIV.	Number of shares	84,031,230	81,952,589	84,031,230	81,952,589	84,031,230	81,952,589
XV.	Profit per ordinary share (in USD/PLN/EUR)	3.95	1.23	14.98	4.75	3.35	1.10
XVI.	Diluted number of shares	84,031,230	82,677,873	84,031,230	82,677,873	84,031,230	82,677,873
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	3.95	1.21	14.98	4.71	3.35	1.09
XVIII.	Book value per share (in USD/PLN/EUR)	20.39	17.87	76.63	67.86	16.61	15.94
XIX.	Diluted book value per share (in USD/PLN/EUR)	20.39	18.16	76.63	68.97	16.61	16.20

¹ Please see Note 3 for the exchange rates used for conversion.

Condensed Consolidated Interim Statement of Financial Position

for the six months ended 31 December 2020 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
Assets				
Current assets				
Cash and cash equivalents	7	254,012	369,117	74,353
Trade accounts receivable, net	23	260,787	215,279	264,782
Prepayments to suppliers and other current assets, net	23	105,375	148,916	98,475
Corporate income tax prepaid	22	6,586	247	5,043
Taxes recoverable and prepaid, net	8	207,172	132,748	263,109
Inventory	9	961,629	303,402	1,072,811
Biological assets	10	41,786	252,184	27,224
Other financial assets	25	359,840	108,692	115,134
Assets classified as held for sale		377	432	474
Total current assets		2,197,564	1,531,017	1,921,405
Non-current assets				
Property, plant and equipment, net	11	1,013,856	984,368	958,684
Right-of-use assets	12	339,755	347,296	371,610
Intangible assets, net		62,165	68,085	79,857
Goodwill	11	120,035	123,487	126,447
Investments in joint ventures		—	—	59,036
Deferred tax assets		12,334	9,152	11,678
Corporate income tax prepaid		—	—	5,075
Other non-current assets	23	81,372	101,298	97,293
Total non-current assets		1,629,517	1,633,686	1,709,680
Total assets		3,827,081	3,164,703	3,631,085
Liabilities and equity				
Current liabilities				
Trade accounts payable	23	143,179	87,508	144,188
Advances from customers and other current liabilities	13, 23	246,607	170,534	123,126
Short-term borrowings	14	140,670	44,581	433,413
Current portion of long-term borrowings	15	15,494	6,871	1,233
Current portion of lease liabilities		59,573	44,872	66,076
Interest on bonds issued	16	15,353	21,945	21,945
Other financial liabilities	25	130,999	36,282	77,490
Total current liabilities		751,875	412,593	867,471
Non-current liabilities				
Long-term borrowings	15	220,589	172,403	147,357
Bonds issued	16	805,900	793,777	792,818
Lease liabilities		243,861	265,128	255,551
Deferred tax liabilities		21,684	24,449	28,785
Other non-current liabilities		1,318	2,230	46,050
Total non-current liabilities		1,293,352	1,257,987	1,270,561
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital		2,219	2,219	2,219
Share premium reserve		500,378	500,378	500,378
Additional paid-in capital		39,944	39,944	39,944
Equity-settled employee benefits reserve		4,624	4,624	4,624
Revaluation reserve		57,290	62,249	62,249
Other reserves		(15,961)	(3,523)	(29,513)
Translation reserve		(751,617)	(697,555)	(645,858)
Retained earnings		1,876,329	1,584,331	1,567,413
Total equity attributable to Kernel Holding S.A. equity holders		1,713,206	1,492,667	1,501,456
Non-controlling interests	17	68,648	1,456	(8,403)
Total equity		1,781,854	1,494,123	1,493,053
Total liabilities and equity		3,827,081	3,164,703	3,631,085
Book value		1,713,206	1,492,667	1,501,456
Number of shares		84,031,230	84,031,230	84,031,230
Book value per share (in USD)		20.39	17.76	17.87
Diluted number of shares		84,031,230	83,328,986	82,677,873
Diluted book value per share (in USD)		20.39	17.91	18.16

On behalf of the Board of Directors
Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Profit or Loss

for the six months ended 31 December 2020 (in thousands of US dollars, unless otherwise stated)

	Notes	6 months ended 31 December 2020	3 months ended 31 December 2020	6 months ended 31 December 2019	3 months ended 31 December 2019
Revenue	18, 23	2,267,006	1,326,745	1,882,407	1,032,411
Net change in fair value of biological assets and agricultural produce	10	128,275	21,553	44,248	10,300
Cost of sales	19, 23	(1,839,083)	(1,075,886)	(1,709,083)	(925,862)
Gross profit		556,198	272,412	217,572	116,849
Other operating income/(expenses), net	20	35,746	17,295	(1,399)	(9,185)
General and administrative expenses	21, 23	(89,068)	(52,808)	(54,267)	(28,248)
Profit from operating activities		502,876	236,899	161,906	79,416
Finance costs, net	16, 23	(81,926)	(50,578)	(71,705)	(38,296)
Foreign exchange gain/(loss), net		1,080	(1,038)	12,043	6,868
Other (expenses)/income, net	23	(1,029)	(453)	6,243	3,475
Share of income of joint ventures		—	—	4,942	281
Profit before income tax		421,001	184,830	113,429	51,744
Income tax expenses	22	(16,981)	(14,195)	(8,672)	(6,595)
Profit for the period from continuing operations		404,020	170,635	104,757	45,149
Profit for the period		404,020	170,635	104,757	45,149
Profit for the period attributable to:					
Equity holders of Kernel Holding S.A.		331,928	127,876	100,424	40,981
Non-controlling interests		72,092	42,759	4,333	4,168
Earnings per share					
From continuing operations					
Weighted average number of shares		84,031,230	84,031,230	81,952,589	81,963,947
Profit per ordinary share (in USD)		3.95	1.52	1.23	0.50
Diluted number of shares		84,031,230	84,031,230	82,677,873	82,600,954
Diluted profit per ordinary share (in USD)		3.95	1.52	1.21	0.50

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors

Anastasiia Usachova

Director, Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

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

for the six months ended 31 December 2020 (in thousands of US dollars, unless otherwise stated)

	Notes	6 months ended 31 December 2020	3 months ended 31 December 2020	6 months ended 31 December 2019	3 months ended 31 December 2019
Profit for the period		404,020	170,635	104,757	45,149
Other comprehensive income/(loss)					
Items that will not be reclassified subsequently to profit or loss:					
Loss on revaluation of property		(6,048)	(6,048)	—	—
Income tax related to components of other comprehensive income		1,089	1,089	—	—
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(54,294)	(809)	89,285	13,765
Loss arising on cash flow hedge	25	(25,285)	(18,444)	(46,069)	(46,069)
Income tax related to this item		3,542	2,592	5,362	5,362
Other comprehensive (loss)/income, net		(80,996)	(21,620)	48,578	(26,942)
Total comprehensive income for the period		323,024	149,015	153,335	18,207
Total comprehensive income/(loss) attributable to:					
Equity holders of Kernel Holding S.A.		259,125	111,878	159,449	25,161
Non-controlling interests		63,899	37,137	(6,114)	(6,954)

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

Condensed Consolidated Interim Statement of Changes in Equity

for the six months ended 31 December 2020 (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	Other reserves	Translation reserve	Retained Earnings	Total	Non-controlling interests	Total equity
Balance as of 30 June 2019	2,164	481,878	39,944	9,111	62,249	—	(734,396)	1,489,996	1,350,946	(4,920)	1,346,026
Profit for the period	—	—	—	—	—	—	—	100,424	100,424	4,333	104,757
Other comprehensive (loss)/income	—	—	—	—	—	(29,513)	88,538	—	59,025	(10,447)	48,578
Total comprehensive (loss)/income for the period	—	—	—	—	—	(29,513)	88,538	100,424	159,449	(6,114)	153,335
Increase of share capital	55	13,555	—	—	—	—	—	—	13,610	—	13,610
Distribution of dividends (Note 2)	—	—	—	—	—	—	—	(20,485)	(20,485)	—	(20,485)
Effect of changes on minority interest	—	—	—	—	—	—	—	(2,631)	(2,631)	2,631	—
Recognition of share-based payments	—	4,945	—	(4,487)	—	—	—	109	567	—	567
Balance as of 31 December 2019	2,219	500,378	39,944	4,624	62,249	(29,513)	(645,858)	1,567,413	1,501,456	(8,403)	1,493,053
Profit for the period	—	—	—	—	—	—	—	17,441	17,441	552	17,993
Other comprehensive income/(loss)	—	—	—	—	—	25,990	(51,697)	—	(25,707)	9,323	(16,384)
Total comprehensive income/(loss) for the period	—	—	—	—	—	25,990	(51,697)	17,441	(8,266)	9,875	1,609
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(16)	(16)
Distribution of dividends	—	—	—	—	—	—	—	(523)	(523)	—	(523)
Balance as of 30 June 2020	2,219	500,378	39,944	4,624	62,249	(3,523)	(697,555)	1,584,331	1,492,667	1,456	1,494,123
Profit for the period	—	—	—	—	—	—	—	331,928	331,928	72,092	404,020
Other comprehensive loss	—	—	—	—	(4,959)	(13,782)	(54,062)	—	(72,803)	(8,193)	(80,996)
Total comprehensive (loss)/income for the period	—	—	—	—	(4,959)	(13,782)	(54,062)	331,928	259,125	63,899	323,024
Distribution of dividends (Note 2)	—	—	—	—	—	—	—	(35,293)	(35,293)	—	(35,293)
Effect of changes on minority interest	—	—	—	—	—	1,344	—	(4,637)	(3,293)	3,293	—
Balance as of 31 December 2020	2,219	500,378	39,944	4,624	57,290	(15,961)	(751,617)	1,876,329	1,713,206	68,648	1,781,854

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

Condensed Consolidated Interim Statement of Cash Flows

for the six months ended 31 December 2020 (in thousands of US dollars, unless otherwise stated)

	Notes	6 months ended 31 December 2020	6 months ended 31 December 2019
Operating activities:			
Profit before income tax		421,001	113,429
Adjustments for:			
Amortization and depreciation		55,695	53,924
Finance costs, net		81,926	71,705
Movement in allowance for doubtful receivables	21	109	3,244
Other accruals		1,121	1,114
(Gain)/Loss on disposal of property, plant and equipment		(46)	36
Net foreign exchange loss/(gain)		2,473	(9,041)
Write-offs and impairment loss		4,561	—
Net change in fair value of biological assets and agricultural produce	10	(128,275)	(44,248)
Share of income of joint ventures		—	(4,942)
Gain on sales of subsidiaries	6	(1,249)	(4,901)
Net gain arising on financial assets classified as at fair value through profit or loss		(32,047)	(33,845)
Operating profit before working capital changes		405,269	146,475
Changes in working capital:			
Change in trade and other accounts receivable ¹		(73,340)	(82,135)
Change in prepayments and other current assets		33,812	28,412
Change in restricted cash balance		1,820	(1,315)
Change in taxes recoverable and prepaid		(80,576)	(126,697)
Change in biological assets		332,722	339,862
Change in inventories		(683,634)	(691,300)
Change in trade accounts payable		56,577	1,853
Change in advances from customers and other current liabilities		30,282	(5,149)
Cash generated from/(used in) operations		22,932	(389,994)
Interest paid		(68,207)	(47,419)
Interest received		2,708	2,463
Income tax paid		(12,615)	(5,270)
Net cash used in operating activities		(55,182)	(440,220)
Investing activities:			
Purchase of property, plant and equipment		(95,492)	(119,714)
Proceeds from disposal of property, plant and equipment		1,827	2,923
Payment for lease agreements		(1,370)	(7,109)
Purchase of intangible and other non-current assets		(1,623)	(3,494)
Acquisition of subsidiaries, net of cash acquired	6	—	(27,232)
Disposal of subsidiaries	6	1,446	3,151
Amount advanced for subsidiaries		3,396	557
Amount advanced to related parties		(2,009)	(184)
Proceeds from return of loans by related parties		19,804	—
Payment to acquire financial assets		(120,343)	(17,882)
Loans for stock options execution		—	(13,760)
Net cash used in investing activities		(194,364)	(182,744)
Financing activities:			
Proceeds from borrowings		243,065	417,843
Repayment of borrowings		(89,594)	(80,294)
Repayment of lease liabilities		(11,098)	(28,188)
Proceeds from share capital increase		—	13,555
Issued capital		—	55
Proceeds from bonds issued		299,286	297,660
Transactions costs related to corporates bonds issue		(2,428)	(1,895)
Repayment of corporate bonds		(286,890)	—
Premium for early repayment of bonds		(16,108)	—
Net cash generated by financing activities		136,233	618,736
Effects of exchange rate changes on the balance of cash held in foreign currencies		5	703
Net decrease in cash and cash equivalents		(113,308)	(3,525)
Cash and cash equivalents, at the beginning of the period	7	367,204	76,417
Cash and cash equivalents, at the end of the period	7	253,896	72,892

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors

Anastasiia Usachova

Director, Chief Financial Officer

¹ Includes movement in other financial assets

Notes to the Consolidated Statements

for the six months ended 31 December 2020 (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 September 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').

Kernel Holding S.A. has been a publicly traded company since 2007. Its ordinary shares are traded on the Warsaw stock exchange.

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.

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 and voting rights as of		
			31 December 2020	30 June 2020	31 December 2019
Jerste S.a.r.l. ¹	Holding companies.	Luxembourg	0.0%	0.0%	100.0%
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%	100.0%
Avere Commodities SA		Switzerland	60.0% ²	72.5%	72.5%
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnoe OEP LLC		Ukraine	100.0%	100.0%	100.0%
Kropyvnytskyi OEP PJSC		Ukraine	99.2%	99.2%	99.2%
BSI LLC		Ukraine	100.0%	100.0%	100.0%
Prydniprovskyi 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	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.0%	94.0%	94.0%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%	100.0%
Bilovodskyi KHP PJSC		Ukraine	91.12%	91.12%	91.12%
Hliborob LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%	100.0%
Prydniprovskyi 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%
Druzhba 6 PE		Ukraine	100.0%	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	100.0%	100.0%

These condensed consolidated interim financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 25 February 2021.

¹ The company was merged to Kernel Holding S.A. in March 2020

² 12.5% share in Avere Commodities S.A. was disposed in September 2020

Notes to the Consolidated Statements continued

for the six months ended 31 December 2020 (in thousands of US dollars, unless otherwise stated)

2. Change in Issued Capital

Since 15 September 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg). The issued capital of the Holding as of 31 December 2020, 30 June 2020 and 31 December 2019 consisted of 84,031,230 ordinary electronic shares without indication of the nominal value. Ordinary shares have equal voting rights and rights to receive dividends.

The shares were distributed as follows:

				As of 31 December 2020		As of 30 June 2020		As of 31 December 2019	
				Shares allotted and fully paid	Share owned	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')				32,903,278	39.16%	32,903,278	39.16%	32,753,673	38.98%
Free float				51,127,952	60.84%	51,127,952	60.84%	51,277,557	61.02%
Total				84,031,230	100.00%	84,031,230	100.00%	84,031,230	100.00%

As of 31 December 2020, 30 June 2020 and 31 December 2019, 100% of the beneficial interest in the Major Equity Holder was held by Andrii Mykhailovych Verevskyi (hereinafter the 'Beneficial Owner').

On 10 December 2020, the annual general meeting of shareholders approved an annual dividend of USD 0.42 per share, which were paid in full in the amount of USD 35,293 thousand on 14 January 2021.

On 10 December 2019, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share, which were paid in full in the amount of USD 21,008 thousand on 30 April 2020.

As of and during the six months ended 31 December 2020, the fair value of the share-based options granted to the management was USD 4,624 thousand and no expenses were recognized (part of payroll and payroll related expenses), since all the existing options have been already vested (as of and during the six months ended 31 December 2019: USD 4,624 thousand and USD 567 thousand, respectively) and no decrease in the fair value of the share-based options was recognized as a result of exercised share-based options (31 December 2019: USD 5,054 thousand).

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 221 thousand as of 31 December 2020 (31 December 2019: USD 216 thousand), may not be distributed as dividends.

3. Summary of Significant Accounting Policies

Basis of Preparation and Accounting

The condensed consolidated interim financial statements of the Group for the six months ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) 34 Interim Financial Reporting and do not include all the information and disclosures required in the annual consolidated financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2020, except the adoption of new and amended standards, which have become effective from 1 July 2020. The adoption of these standards and amendments did not have a material effect on the financial statements of the Group.

Functional and Presentation Currency

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

Foreign Currencies

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 the 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 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 fluctuate 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income accumulated in 'Translation reserve'.

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

Currency	Closing rate as of 31 December 2020	Average rate for the 6 months ended 31 December 2020	Closing rate as of 31 December 2019	Average rate for the 6 months ended 31 December 2019
USD/UAH	28.2746	27.9337	23.6862	24.7609
USD/EUR	0.8144	0.8473	0.8918	0.9012
USD/PLN	3.7584	3.7912	3.7977	3.8777

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the six months ended 31 December 2020 (in thousands of US dollars, unless otherwise stated)

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 Ukraine for USD/UAH and by the National Bank of Poland for USD/EUR and USD/PLN.

All foreign exchange gain or loss that occurs on revaluation of monetary balances, presented in foreign currencies, is allocated as a separate line in the Consolidated Interim Statement of Profit or Loss.

Reclassifications

Certain reclassifications have been made to the consolidated interim financial statements as of 31 December 2019 and for the period then ended to conform to the current period's presentation.

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

The Group is presenting its segment results within three business segments: Oilseed Processing, Infrastructure and Trading, and Farming. In Oilseed Processing segment, the Group combines oilseed origination, edible oil production and sales of bottled sunflower oil. Sunflower oil in bulk is mostly sold further to the Infrastructure and Trading segment for the global marketing.

In Infrastructure and Trading segment, the Group combines results of grain trading, silo services and export terminals operations. These parts of the business form an integrated supply chain which is managed jointly. 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 FY2020, 100% of the Group's export terminals capacity and majority of grain storage capacity were used for the Group's own export volumes. The results of the Infrastructure and Trading segment incorporate savings achieved by acquiring and employing the Company's own railcar park. Also, the Infrastructure and Trading segment include the results of the Avere Commodities S.A. and its subsidiaries (hereinafter, Avere).

In Farming segment, the Group reports 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.

Presentation of the operating segments' activities is as follows:

Operating segments	Activities
Oilseed Processing	Sunflower seed origination and sunflower oil production. Sales of bottled oil sunflower oil.
Infrastructure and Trading	Sourcing and merchandising of wholesale sunflower oil, grain, provision of silo services, grain handling and transshipment services.
Farming	Agricultural farming. Production of corn, wheat, soybean, sunflower seed and rapeseed.

Income and expenses unallocated to any segment, which are related to the administration of the Group, were included in the 'Other' line.

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.

Seasonality of operations

The Oilseed 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 September-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.

The accompanying notes are an integral part of these financial statements.

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5. Key Data by Operating Segment

Key data by operating segment for the six months ended 31 December 2020:

	Oilseed Processing	Infrastructure and Trading	Farming	Other ¹	Reconciliation	Continuing operations
Revenue (external)	373,789	1,876,382	16,835	—	—	2,267,006
Intersegment sales	405,891	41,713	285,977	—	(733,581)	—
Total revenue	779,680	1,918,095	302,812	—	(733,581)	2,267,006
Net change in fair value of biological assets and agricultural produce	—	—	128,275	—	—	128,275
Other operating income, net	(872)	33,403	2,406	809	—	35,746
Profit/(Loss) from operating activities	44,618	260,692	234,566	(37,000)	—	502,876
Finance costs, net						(81,926)
Foreign exchange gain, net						1,080
Other expenses, net						(1,029)
Income tax expenses						(16,981)
Profit for the period from continuing operations						404,020
Total assets	1,542,709	1,356,717	836,238	91,417	—	3,827,081
Capital expenditures	43,949	26,008	62,414	1,659	—	134,030
Amortization and depreciation	10,273	11,607	32,681	1,134	—	55,695
Liabilities	97,099	323,496	344,535	1,280,097	—	2,045,227

In addition to the depreciation and amortisation reported above, impairment losses of USD 2,414 thousand (for the six months ended 31 December 2019: nil) and USD 2,147 thousand (for the six months ended 31 December 2019: nil) were recognised in respect of property, plant and equipment and goodwill, respectively. These impairment losses were attributable to the oilseed processing segment.

Key data by operating segments for the six months ended 31 December 2019:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Reconciliation	Continuing operations
Revenue (external)	324,983	1,540,190	17,234	—	—	1,882,407
Intersegment sales	336,318	36,813	305,324	—	(678,455)	—
Total revenue	661,301	1,577,003	322,558	—	(678,455)	1,882,407
Net change in fair value of biological assets and agricultural produce	—	—	44,248	—	—	44,248
Other operating income/(expenses), net	2,824	(17,537)	12,986	328	—	(1,399)
Profit/(Loss) from operating activities	53,582	84,573	43,419	(19,668)	—	161,906
Finance costs, net						(71,705)
Foreign exchange gain, net						12,043
Other income, net						6,243
Share of income of joint ventures						4,942
Income tax expenses						(8,672)
Profit for the period from continuing operations						104,757
Total assets	1,411,037	1,200,068	946,464	73,516	—	3,631,085
Capital expenditures	129,587	47,750	34,911	1,673	—	213,921
Amortization and depreciation	7,968	11,398	33,617	941	—	53,924
Liabilities	111,854	189,327	373,159	1,463,692	—	2,138,032

¹ Income, expenses, assets and liabilities unallocated to any segment, included in the 'Other' line
The accompanying notes are an integral part of these financial statements.

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

	For the 6 months ended 31 December 2020				For the 6 months ended 31 December 2019			
	Oilseed Processing	Infrastructure and Trading	Farming	Continuing operations	Oilseed Processing	Infrastructure and Trading	Farming	Continuing operations
Revenue from sales of commodities	357,336	1,783,420	16,835	2,157,591	302,165	1,486,513	17,234	1,805,912
Freight and other services	16,453	92,962	—	109,415	22,818	53,677	—	76,495
Total external revenue from contracts with customers	373,789	1,876,382	16,835	2,267,006	324,983	1,540,190	17,234	1,882,407

During the six months ended 31 December 2020, revenues of approximately USD 234,857 thousand (six months ended 31 December 2019: USD 110,913 thousand) are derived from a single external customer. These revenues are attributed to Oilseed processing and Infrastructure and Trading segments. Also, during that period, export sales amounted to 96.3% of total external sales (during the six months ended 31 December 2019: 96.3%).

For the six months ended 31 December 2020, revenue from the Group's top five customers accounted for approximately 26.9% of total revenue (for the six months ended 31 December 2019: 34.2%).

Among other, intersegment sales between Oilseed 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.

The Group's revenue from external customers (based on the location where sale occurred) and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	As of and for the 6 months ended 31 December 2020		As of and for the 6 months ended 31 December 2019	
	Revenue from external customers	Non-current assets	Revenue from external customers	Non-current assets
Ukraine	1,343,191	1,571,044	1,070,305	1,636,415
Europe	796,371	3,076	662,829	2,235
North America	126,869	459	149,273	180
Other locations	575	373	—	59,172
Total	2,267,006	1,574,952	1,882,407	1,698,002

None of the other locations represented more than 10% of total revenue or non-current assets individually. Revenue from external customers was allocated based on the location, where the sale occurred.

As of 31 December 2019, non-current assets that relate to other locations included investments in a joint venture (grain export terminal at the Taman port).

Gain/loss from Avere operations with financial derivatives are presented within Infrastructure and Trading segment.

6. Acquisition and Disposal of Subsidiaries

No entities were acquired during the six months ended 31 December 2020.

During the six months ended 31 December 2020, as a result of the optimization process of the logistic assets, the Group disposed of two grain elevators located in Kharkov regions. The net assets of the disposed entities as of the date of disposal were equal to USD 197 thousand and the cash consideration received was USD 1,446 thousand.

On 4 December 2019, Prydniprovskiy OEP LLC, 100% subsidiary of Kernel Holding S.A., acquired assets of an active oilseed crushing plant, that was qualified as a business combination as defined in IFRS 3. Purchase consideration equaled to USD 44,600 thousand and were paid in cash (out of which USD 20,914 thousand paid within the reporting period). As of the date of acquisition, the net assets of the acquired oilseed crushing plant, which mostly consisted of property, plant and equipment, amounted to USD 28,379 thousand. The goodwill in the amount of USD 16,221 thousand comprises the value of expected synergies arising from the high profitability of the acquired business and launch additional products. Goodwill is allocated entirely to the Oilseeds processing segment. It will not be deductible for tax purposes.

The Group does not disclose the amount of revenue and net profit contributed by Prydniprovskiy OEP LLC since the acquisition date to the Group revenue and net profit as it is impracticable to determine the mentioned amounts due to the full integration of the acquired and existing businesses under one entity. The Group does not disclose the revenue and net profit of the acquired oilseed crushing plant 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 plant as from the beginning of the reporting period and up to the date of acquisition.

During the six months ended 31 December 2019, according to management's plan, the Group disposed one of its export terminals, previously classified as assets held for sale, located in Mykolaiv region. The net assets as of the date of disposal amounted to USD 1,073 thousand. The cash consideration received was USD 3,918 thousand (out of which USD 1,879 thousand was received during that reporting period).

The accompanying notes are an integral part of these financial statements.

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During the six months ended 31 December 2019, as a result of the optimization process of its logistic assets, the Group disposed of two grain elevators located in Kirovohrad and Poltava regions, and one holding company, located in Poltava region. The net assets of the disposed entities as of the date of disposal were equal to USD 368 thousand and the cash consideration received was USD 2,424 thousand (out of which USD 1,272 thousand was received during that reporting period).

7. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
Cash in banks in USD	199,112	340,737	59,057
Cash in banks in UAH	29,810	18,140	13,388
Cash in banks in other currencies	25,083	10,235	1,901
Cash on hand	7	5	7
Total	254,012	369,117	74,353
Less restricted and blocked cash on security bank accounts	(89)	(1,909)	(1,453)
Less bank overdrafts (Note 14)	(27)	(4)	(8)
Cash for the purposes of cash flow statement	253,896	367,204	72,892

8. Taxes Recoverable and Prepaid, net

Taxes recoverable and prepaid increased to USD 207,172 thousand as of 31 December 2020 from USD 132,748 thousand as of 30 June 2020 (31 December 2019: USD 263,109 thousand) mostly due to increase of commodities purchases, input VAT on which is a subject to refund by state. For the six months ended 31 December 2020, the amount of VAT refunded by the government in cash was USD 181,358 thousand (31 December 2019: USD 115,968 thousand).

9. Inventory

The balances of inventories were as follows:

	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
Raw materials	457,123	148,517	481,342
Agricultural products	185,663	4,268	182,126
Goods for resale	141,398	35,575	227,226
Finished products	130,330	94,744	118,492
Work in progress	35,659	2,547	49,746
Fuel	2,120	6,383	3,330
Packaging materials	1,304	1,429	1,475
Other inventories	8,032	9,939	9,074
Total	961,629	303,402	1,072,811

As of 31 December 2020, raw materials mostly consisted of sunflower seed stock in the amount of USD 420,046 thousand (as of 30 June 2020 and 31 December 2019: USD 121,402 thousand and USD 417,003 thousand, respectively).

As of 31 December 2020, goods for resale mostly consisted of corn in the amount of USD 105,052 thousand (as of 30 June 2020 and 31 December 2019: USD 14,582 thousand and USD 162,598 thousand, respectively).

As of 31 December 2020, finished goods mostly consisted of sunflower oil sold in bulk in the amount of USD 109,699 thousand (as of 30 June 2020 and 31 December 2019: USD 78,893 thousand and USD 91,822 thousand, respectively).

For the six months ended 31 December 2020, write-downs of inventories to net realizable value amounted to USD 997 thousand (for the six months ended 31 December 2019: USD 2,438 thousand) and were recognized as an expense and included in line "Cost of sales".

As of 31 December 2020, inventory balances in the amounts of USD 262,458 thousand (as of 30 June 2020 and 31 December 2019: USD 118,657 thousand and USD 404,419 thousand, respectively) were pledged as security for short-term borrowings (Note 14).

10. Biological Assets

The balances of biological assets were as follows:

	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
Non-current assets			
Non-current cattle	6,604	6,786	6,832
Total	6,604	6,786	6,832
Current assets			
Crops in fields	40,405	250,672	25,120
Current cattle	1,381	1,512	2,104
Total	41,786	252,184	27,224

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

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The following table represents the changes in the carrying amounts of crops in fields during the six months ended 30 June and 31 December 2020:

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 31 December 2019	14,887	10,233	25,120
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2020)	207,779	—	207,779
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2020)	—	32,522	32,522
Decrease resulting from disposals	(1,232)	140	(1,092)
Exchange difference	(11,299)	(2,358)	(13,657)
As of 30 June 2020	210,135	40,537	250,672
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2020)	107,004	—	107,004
Decrease due to harvest (harvest 2020)	(317,139)	(40,537)	(357,676)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest and sowing under harvest 2021)	10,209	—	10,209
Gain/(loss) arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2021)	—	30,648	30,648
Exchange difference	(82)	(370)	(452)
As of 31 December 2020	10,127	30,278	40,405

For the six months ended 31 December 2020, gain in the Net change in the fair value of biological assets and agricultural produce of USD 128,275 thousand introduced in the condensed consolidated interim statement of profit or loss (for the six months ended 31 December 2019: gain USD 44,248 thousand) mainly represents the revaluation gain on crops harvested in autumn 2020 to its fair value. The predominant part of revaluation gain on agricultural produce and biological assets is due to significant growth in market prices of crops.

11. Property, Plant and Equipment, net

During the six months ended 31 December 2020, the Group acquired property, plant and equipment in the amount of USD 93,807 thousand (31 December 2019: USD 207,139 thousand). These purchases were related mainly to the construction of an oil-crushing plant and a port terminal (31 December 2019: construction of an oil-crushing plant and a port terminal).

The decrease in property, plant and equipment in the amount of USD 18,643 thousand resulted from the devaluation of the Ukrainian hryvnia during the six months ended 31 December 2020 (31 December 2019: increase USD 35,013 thousand as a result of revaluation of the Ukrainian hryvnia).

During the six months ended 31 December 2020, depreciation of property, plant and equipment amounted USD 35,068 thousand (31 December 2019: USD 35,784 thousand).

The Group carries out an assessment of whether there exist indicators of impairment of cash-generating units (CGU) annually, or more frequently if there are indications that goodwill might be impaired.

The intensified sunflower seeds competition and higher commodity market prices negatively effected crushing margins. As a result, the Management decided to write off the goodwill attributable to the Prykolotnoe OEP LLC amounting to USD 2,147 thousand. The property plant equipment was also written down by USD 8,462 thousand, of which USD 2,414 thousand included into profit or loss in the "Other income/(expenses), net" and USD 6,048 thousand debited to "Revaluation surplus" in equity.

As of 31 December 2020, the Group's construction in progress and uninstalled equipment amounted to USD 361,953 thousand, which is mostly related to the construction of an oil-crushing plant and a port terminal (31 December 2019: USD 272,758 thousand, mostly related to the construction of an oil-crushing plant and a port terminal).

As of 31 December 2020, property, plant and equipment with a carrying amount of USD 259,969 thousand (30 June 2020 and 31 December 2019: USD 254,939 thousand and USD 218,093 thousand, respectively) were pledged by the Group as collateral against short-term and long-term bank loans (Notes 14, 15).

As of 31 December 2020, property, plant and equipment with a carrying amount of USD 26,921 thousand (30 June 2020 and 31 December 2019: USD 28,462 thousand and USD 28,915 thousand, respectively) were pledged by the Group as a collateral for amount due and payable within the acquisition of 560,000 tons oilseed crushing plant located in Kirovograd region, completed as of 30 June 2016.

For the six months ended 31 December 2020, borrowing costs in the amount of USD 3,487 thousand were included in the cost of qualifying assets (31 December 2019: USD 3,991 thousand).

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12. Right-of-use assets

Additions and change in terms to the right-of-use assets during the six months ended 31 December 2020 resulted their increase in the amount of USD 38,572 thousand (31 December 2019: USD 26,772 thousand).

The decrease in right-of-use assets in the amount of USD 18,319 thousand resulted from the devaluation of the Ukrainian hryvnia during the six months ended 31 December 2020 (31 December 2019: increase USD 31,139 thousand as a result of revaluation of the Ukrainian hryvnia).

For the six months ended 31 December 2020, depreciation charge on right-of-use assets in the amount of USD 15,697 thousand (31 December 2019: USD 12,572 thousand) was recognized as an expense within the line "Cost of sales" in the statement of profit or loss and USD 18,863 thousand (31 December 2019: USD 8,711 thousand) was capitalized in "Agricultural products" line.

13. Advances from customers and other current liabilities

The balances of advances from customers and other current liabilities were as follows:

	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
Settlements for acquired Subsidiaries	44,937	42,892	2,000
Accrued payroll, payroll related taxes and bonuses	44,929	28,986	6,479
Dividends declared	35,293	—	20,485
Provision for legal claims	35,141	34,047	32,965
Taxes payable and provision for tax liabilities	29,385	16,396	9,584
Advances from customers	18,817	10,123	7,623
Accounts payable for property, plant and equipment	15,950	22,076	14,935
Provision for unused vacations and other provisions	6,036	6,561	6,656
Settlements with land lessors	—	—	9,031
Other current liabilities	16,119	9,453	13,368
Total	246,607	170,534	123,126

14. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
Bank credit lines	138,892	43,166	431,822
Interest accrued on long-term borrowings	1,158	931	827
Interest accrued on short-term borrowings	593	480	756
Bank overdrafts (Note 7)	27	4	8
Total	140,670	44,581	433,413

The balances of short-term borrowings as of 31 December 2020 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	7.25%	UAH	January 2021	47,675
Ukrainian subsidiary of European bank	7.00%	UAH	January 2021	21,220
European bank	Libor+1.50%	USD	January 2021	20,000
Ukrainian subsidiary of European bank	6.50%	UAH	January 2021	14,642
Ukrainian subsidiary of European bank	6.80%	UAH	January 2021	14,094
Ukrainian subsidiary of European bank	7.50%	UAH	January 2021	10,610
Ukrainian subsidiary of European bank	5.50%	UAH	January 2021	9,754
Ukrainian subsidiary of European bank	Libor+4.50%	USD	August 2021	924
Total bank credit lines				138,919
Interest accrued on long-term borrowings				1,158
Interest accrued on short-term borrowings				593
Total				140,670

The balances of short-term borrowings as of 30 June 2020 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+2.25%	USD	January 2021	14,578
European bank	Libor+2.00%	USD	October 2020	11,715
European bank	Libor+1.90%	USD	February 2021	8,786
European bank	Libor+2.50%	USD	July 2020	6,884
European bank	Libor+2.45%	USD	October 2020	1,207
Total bank credit lines				43,170
Interest accrued on long-term borrowings				931
Interest accrued on short-term borrowings				480
Total				44,581

The accompanying notes are an integral part of these financial statements.

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+3.90%	USD	January 2020	107,461
European bank	Libor+3.95%	USD	January 2020	39,797
European bank	Libor+4.20%	USD	January 2020	35,000
European bank	Libor+2.25%	USD	January 2020	34,714
Ukrainian subsidiary of European bank	14.50%	UAH	January 2020	30,777
European bank	Libor+4.00%	USD	January 2020	30,000
Ukrainian subsidiary of European bank	4.00%	USD	January 2020	29,987
European bank	Libor+2.50%	USD	July 2020	22,690
European bank	Libor+2.00%	USD	January 2020	20,000
Ukrainian subsidiary of European bank	2.90%	USD	January 2020	19,500
Ukrainian subsidiary of European bank	3.00%	USD	March 2020	15,000
Ukrainian subsidiary of European bank	3.50%	USD	June 2020	9,900
Ukrainian subsidiary of European bank	15.00%	UAH	January 2020	9,288
Ukrainian subsidiary of European bank	3.50%	USD	January 2020	8,000
Ukrainian subsidiary of European bank	14.40%	UAH	January 2020	5,320
Ukrainian subsidiary of European bank	14.20%	UAH	January 2020	4,982
Ukrainian subsidiary of European bank	3.45%	USD	January 2020	4,200
European bank	Libor+1.50%	USD	August 2020	3,664
European bank	Libor+1.65%	USD	March 2020	1,550
Total bank credit lines				431,830
Interest accrued on long-term borrowings				827
Interest accrued on short-term borrowings				756
Total				433,413

As of 31 December 2020, undrawn short-term bank credit lines amounted to USD 951,582 thousand (as of 30 June 2020 and 31 December 2019: USD 831,204 thousand and USD 719,165 thousand).

Short-term borrowings from banks were secured as follows:

	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
Assets pledged			
Inventory (Note 9)	262,458	118,657	404,419
Future sales receipts	100,942	46,005	187,064
Property, plant and equipment (Note 11)	—	722	760
Total	363,400	165,384	592,243

15. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
Long-term bank borrowings	236,083	179,274	148,590
Current portion of long-term borrowings	(15,494)	(6,871)	(1,233)
Total	220,589	172,403	147,357

The balances of long-term borrowings as of 31 December 2020 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+2.84%	USD	July 2030	58,360
European bank	Libor+2.78%	USD	February 2029	50,000
European bank	Libor+4.50%	USD	May 2027	48,000
European bank	Libor+2.80%	USD	October 2029	20,000
European bank	Libor+2.78%	USD	December 2029	17,000
European bank	Libor+2.79%	USD	January 2030	14,500
European bank	Libor+2.77%	USD	April 2029	12,140
European bank	Libor+2.84%	USD	September 2029	8,083
European bank	Libor+1.00%	USD	May 2027	8,000
Total				236,083

The accompanying notes are an integral part of these financial statements.

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The balances of long-term borrowings as of 30 June 2020 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+2.78%	USD	February 2029	50,000
European bank	Libor+4.50%	USD	May 2027	48,000
European bank	Libor+2.80%	USD	October 2029	20,000
European bank	Libor+2.78%	USD	December 2029	17,000
European bank	Libor+2.79%	USD	January 2030	14,500
European bank	Libor+2.77%	USD	April 2029	12,140
European bank	Libor+2.84%	USD	September 2029	8,093
European bank	Libor+1.00%	USD	May 2027	8,000
Ukrainian subsidiary of European bank	Libor+4.50%	USD	August 2021	1,541
Total				179,274

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+2.78%	USD	February 2029	50,000
European bank	Libor+4.50%	USD	May 2027	33,600
European bank	Libor+2.80%	USD	October 2029	20,000
European bank	Libor+2.78%	USD	December 2029	17,000
European bank	Libor+2.77%	USD	April 2029	12,140
European bank	Libor+2.84%	USD	September 2029	8,093
Ukrainian subsidiary of European bank	Libor+4.50%	USD	August 2021	2,157
European bank	Libor+1.00%	USD	May 2027	5,600
Total				148,590

As of 31 December 2020, undrawn long-term borrowings amounted to USD 69,907 thousand (as of 30 June 2020 and 31 December 2019: USD 128,267 thousand and USD 159,567 thousand, respectively).

Long-term bank borrowings from banks were secured as follows:

	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
Assets pledged			
Property, plant and equipment (Note 11)	259,969	254,217	217,333
Total	259,969	254,217	217,333

16. Bonds issued

The balances of bonds issued were as follows:

	Maturity	As of 31 December 2020	As of 30 June 2020	As of 31 December 2019
US 300,000 thousand 6.75% coupon bonds	October 2027	296,922	—	—
US 300,000 thousand 6.50% coupon bonds	October 2024	296,667	296,229	295,914
US 500,000 thousand 8.75% coupon bonds	January 2022	212,311	497,548	496,904
Total		805,900	793,777	792,818

In October 2020 the Group issued USD 300,000 thousand unsecured notes ('the Notes') priced at par, that will mature on 27 October 2027. The Notes bear interest from 27 April 2021 at the rate of 6.75% per annum payable semi-annually in arrears.

The Notes are rated BB- by Fitch, and B+ by S&P, two and one notches above Ukrainian sovereign, respectively.

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.

Simultaneously with the launch of this issue, the Group initiated a tender offer for the Company's 2022 notes, with its core objective to keep both transactions as debt-neutral for the Group. Following the results of the transaction, the total tender amount of USD 286,890,000 was received and accepted. "Early" tender price was set at 105.625% with total "early" tenders received and accepted of USD 285,890,000, and the "late" tender price was set at 102.625%, with total "late" tenders received and accepted of USD 1,000,000. The transaction was completed on 5 November 2020.

As a result of partial early redemption of the Group's 2022 notes, mentioned above, the Group repaid premium in the amount of USD 16,108 thousand and interest amounting to USD 6,207 thousand, both of which were recognized within Finance costs, net.

As of 31 December 2020, accrued interest on bonds issued was USD 15,353 thousand (30 June 2020 and 31 December 2019: both USD 21,945 thousand).

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17. Non-controlling interest

Increase of non-controlling interest as of 31 December 2020 to USD 68,648 thousand from USD 1,456 thousand as of 30 June 2020 is mostly connected with positive result of Avere for the six months ended 31 December 2020, the Group's effective ownership interest in which equaled 60% at the end of the period since disposal of 12.5% share in September 2020, prior to which the Group's effective ownership interest was 72.5%.

18. Revenue

The Group's revenue was as follows:

	6 months ended 31 December 2020	6 months ended 31 December 2019
Revenue from agriculture commodities merchandizing	1,113,009	897,254
Revenue from edible oils sold in bulk, meal and cake	1,047,102	900,870
Revenue from bottled sunflower oil	77,258	60,154
Revenue from farming	16,835	17,234
Revenue from transshipment services	9,781	2,594
Revenue from grain silo services	3,021	4,301
Total	2,267,006	1,882,407

Revenue is obtained principally from the sale of commodities, recognized once the control of the goods has transferred from the Company to the customer. Revenue derived from freight, storage and other services is recognized over time as the service is rendered. Disaggregated revenue for each reportable segment is presented in the Note 5.

Revenue for the six months ended 31 December 2019 was changed as a result of IFRIC decision on the physical settlement of contracts adoption ("Physical Settlement of Contracts to Buy or Sell a Non-financial Item"). As a result of this change, for the six months ended 31 December 2019, revenue from edible oils sold in bulk, meal and cake was increased by USD 14,538 thousand and revenue from agriculture commodities merchandizing increased by USD 5,580 thousand (USD 20,118 thousand increase in total).

19. Cost of Sales

Cost of sales was as follows:

	6 months ended 31 December 2020	6 months ended 31 December 2019
Cost of goods for resale and raw materials used	1,551,000	1,403,456
Shipping and handling costs	184,714	165,410
Amortization and depreciation	53,569	51,500
Payroll and payroll related costs	36,039	45,178
Rental payments	5,325	32,375
Other operating costs	8,436	11,164
Total	1,839,083	1,709,083

As of 30 June 2020, the Group decided to change the policy and recognize result on operations with commodity derivatives within Cost of sales line, previously recognized in the Other operating income, net line. Presentation of Cost of sales for the six months ended 31 December 2019 was changed accordingly, as a result of which it decreased for the amount of USD 39,283 thousand (Cost of goods for resale and raw materials used line). Additionally, as result of adoption IFRIC decision on the physical settlement of contracts ("Physical Settlement of Contracts to Buy or Sell a Non-financial Item"), Cost of sales increased by USD 20,118 thousand (Cost of goods for resale and raw materials used line).

20. Other Operating Income/(Expenses), net

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

	6 months ended 31 December 2020	6 months ended 31 December 2019
Contracts wash-out (price difference settlement)	26,098	(8,738)
Stock-take	3,313	5,404
Demurrage, dispatch fees and other fines received/(paid)	1,937	(729)
VAT benefits and other government grants	296	2,481
Transshipment quota entitlement	—	5,051
Loss on sale of hard currency	(59)	(2,172)
Other operating income/(expenses)	4,161	(2,696)
Total	35,746	(1,399)

As a result of changing policy for the year ended 30 June 2020, result on operations with commodity derivatives was recognized within Cost of sales line, previously reported in the Other operating income/(expenses), net line. Consequently, Other operating income/(expenses), net for the six months ended 31 December 2019 decreased for the amount of USD 39,283 thousand and equaled to USD 1,399 thousand of other operating expenses, net.

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21. General and Administrative Expenses

General and administrative expenses were as follows:

	6 months ended 31 December 2020	6 months ended 31 December 2019
Payroll and payroll related costs	65,897	26,578
Audit, legal and other professional fees	5,307	5,452
Bank services	4,657	3,717
Repairs and material costs	3,721	4,339
Amortization and depreciation	2,296	2,392
Business trip expenses	1,780	2,271
Rental payments	1,204	1,285
Taxes other than income tax	1,170	1,184
Communication expenses	892	1,053
Insurance	371	377
Bad debts expenses	109	3,244
Other expenses	1,664	2,375
Total	89,068	54,267

For the six months ended 31 December 2020, payroll and payroll related costs increased mostly as a result of principle of bonus accrual (starting from FY2021 bonuses are accrued proportionally on a quarterly basis instead of at the year-end in previous periods).

22. 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.

For the six months ended 31 December 2020, income tax expenses in the amount of USD16,981 thousand is mostly connected with increase of income tax charge on taxable profit in comparison with previous period (31 December 2019: income tax expenses in the amount of USD 8,672 thousand).

23. Transactions with Related Parties

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

The Group had the following balances outstanding with related parties:

	As of 31 December 2020		As of 30 June 2020		As of 31 December 2019	
	Related party balances	Total category as per consolidated balance sheet	Related party balances	Total category as per consolidated balance sheet	Related party balances	Total category as per consolidated balance sheet
Trade accounts receivable, net	732	260,787	586	215,279	728	264,782
Prepayments to suppliers and other current assets, net	14,910	105,375	22,366	148,916	5,686	98,475
Other non-current assets	34,384	81,372	32,528	101,298	28,823	97,293
Trade accounts payable	17,661	143,179	172	87,508	81	144,188
Advances from customers and other current liabilities (Note 13)	26,850	246,607	8,706	170,534	11,078	123,126

As of 31 December 2020, 30 June 2020 and 31 December 2019, the Group did not create an allowance for trade accounts receivable, prepayments to suppliers and other current and non-current assets from related parties.

As of 31 December 2020, prepayments to suppliers and other current assets included receivables in the amount of USD 11,761 thousand for the assignment agreement provided to the company under control of the Beneficial Owner (as of 30 June 2020 and 31 December 2019: nil, respectively).

As of 31 December 2020, prepayments to suppliers and other current assets and other non-current assets included loans at rate comparable to the average commercial rate of interest in the amount of USD 11,330 thousand provided to the company under control of the Beneficial Owner (as of 30 June 2020 and 31 December 2019: USD 30,882 thousand and USD 10,711 thousand, respectively).

As of 31 December 2020, other non-current assets included an interest-free three-year term financing in the amount of USD 18,247 thousand and a loan at a rate comparable to the market rate in the amount of USD 1,750 thousand provided to key management personnel (as of 30 June 2020: USD 18,084 thousand and USD 1,750 thousand, respectively; as of 31 December 2019: USD 18,272 thousand and USD 1,000 thousand, respectively).

As of 31 December 2020, trade payables included USD 17,220 thousand to the company under control of the Beneficial Owner for the acquired commodities (as of 30 June 2020 and 31 December 2019: nil, respectively).

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As of 31 December 2020, USD 13,819 thousand of dividends payable due to Namsen Limited were included in advances from customers and other current liabilities (as of 30 June 2020 and 31 December 2019: nil and USD 8,188 thousand, respectively).

As of 31 December 2020, advances from customers and other current liabilities included USD 10,954 thousand in bonuses payable to the management (as of 30 June 2020 and 31 December 2019: USD 6,669 thousand and USD 895 thousand, respectively).

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

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

Transactions with related parties were as follows:

	6 months ended 31 December 2020		6 months ended 31 December 2019	
	Amount of operations with related parties	Total category per consolidated income statement	Amount of operations with related parties	Total category as per consolidated income statement
Revenue (Note 18)	115	2,267,006	268	1,882,407
Cost of sales (Note 19)	(19,360)	(1,839,083)	(1,182)	(1,709,083)
General and administrative expenses (Note 21)	(11,500)	(89,068)	(2,137)	(54,267)
Finance income/ (costs), net	1,057	(81,926)	(1,469)	(71,705)
Other (expenses)/ income, net	(12)	(1,029)	705	6,243

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

For the six months ended 31 December 2020, Cost of sales included purchases of commodities from the company under control of the Beneficial Owner for the amount of USD 19,220 thousand (for the six months ended 31 December 2019: nil).

As of 31 December 2020, the Board of Directors consisted of the following eight directors: the chairman of the board, three non-executive directors and four directors employed by Subsidiaries. Remuneration of the Board of Directors (8 Directors) for the six months ended 31 December 2020 amounted to USD 250 thousand (for the six months ended 31 December 2019: 8 directors, USD 250 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 15 people, amounted to USD 11,165 thousand for the six months ended 31 December 2020 (for the six months ended 31 December 2019: 12 people, USD 1,238 thousand), including USD 9,730 thousand of variable bonus as per approved remuneration scheme (for the six months ended 31 December 2019: nil).

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).

24. Commitments and Contingencies

Operating Environment

Since 2016, the Ukrainian economy has demonstrated signs of stabilization after years of political and economic tension. In 2020, the Ukrainian economy has contracted by around 4.4% real GDP because of COVID-19 outbreak and respective national lockdowns initiatives (2019: real GDP growth of around 3.6%) but sustained the modest annual inflation of 5.0% (2019: 4.1%) with slight devaluation of national currency (by around 4.4% to USD and 6.4% to EUR comparing to previous year averages).

Ukraine continues to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict with separatists continued in certain parts of Luhanska and Donetsk regions. As a result of this, the Ukrainian economy is continuing refocusing on the European Union (the "EU") market by realizing potentials of established Deep and Comprehensive Free Trade Area with the EU as well as other markets.

To further facilitate business activities in Ukraine, the National Bank of Ukraine (the "NBU") in 2019 has lifted the surrender requirement for foreign currency proceeds, cancelled all limits on repatriation of dividends and gradually decreased its discount rate for the first time during the recent two years, from 18.0% in April 2019 to 11.0% in January 2020. Discount rate was further decreased during 2020, with 6.0% valid from 12 June 2020.

The degree of macroeconomic uncertainty in Ukraine in 2020 is still high due to a significant amount of public debt scheduled for repayment in 2021, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned structural reforms and effective cooperation with the International Monetary Fund (the "IMF").

Fitch's current rating of Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings was stated as "B", revised from positive to stable outlook in April 2020.

Starting from early 2020, a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the

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pandemic status by the World Health Organization (the "WHO") in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Ukrainian economy.

Capital Commitments

As of 31 December 2020, the Group had commitments under contracts with a group of suppliers for a total amount of USD 65,472 thousand, mostly for construction of the oil-crushing plant and agricultural equipment (30 June 2020 and 31 December 2019: USD 61,488 thousand and USD 93,150 thousand, respectively, mostly for construction of the oil-crushing plant and the port terminal).

Contractual Commitments on Sales

As of 31 December 2020, the Group had entered into commercial contracts for the export of 2,483,376 tons of grain, 469,262 tons of sunflower oil and 494,569 tons of sunflower meal and other related products, corresponding to an amount of USD 559,944 thousand, USD 473,218 thousand and USD 124,091 thousand, respectively, in contract prices as of the reporting date.

As of 30 June 2020, the Group had entered into commercial contracts for the export of 761,000 tons of grain, 307,902 tons of sunflower oil and 416,036 tons of sunflower meal and other related products, corresponding to an amount of USD 146,112 thousand, USD 233,685 thousand and USD 84,371 thousand, respectively, in contract prices as of the reporting date.

As of 31 December 2019, the Group had entered into commercial contracts for the export of 1,550,198 tons of grain, 693,263 tons of sunflower oil and 608,106 tons of sunflower meal and other related products, corresponding to an amount of USD 286,717 thousand, USD 491,831 thousand and USD 137,895 thousand, respectively, in contract prices as of the reporting date.

Taxation and Legal Issues

In April 2012, the Group entered into a call option agreement to acquire Stiom Holding, a farming company located in the Khmelnytskyi region of Ukraine. As of 31 December 2020, the consideration paid for Stiom Holding by the Group comprised USD 33,472 thousand. A final payment was due and payable only after fulfilment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers (the "Stiom Sellers") in respect of the non-fulfilment of the Stiom Sellers' obligations. In December 2012, the Group received a request for arbitration from the Stiom Sellers in which the Stiom Sellers claimed amounts alleged to be payable to them. The arbitral tribunal delivered its award in late February 2018. That award was in part subject to challenge by the Group in the High Court in London. In March 2019, the High Court remitted the award to the tribunal for reconsideration in certain respects and a further hearing took place before the tribunal in September 2019. Pursuant to the tribunal's revised award, which was delivered in December 2019, the Group is required to pay the sellers an aggregate amount of approximately USD 30.3 million.

The Stiom Sellers have made further claims against the Group for interest on the amounts due to them at the rate of 10% per annum (corresponding to USD 5,944 per day since the date of the initial arbitral award in late February 2019), and have initiated court proceedings in Luxembourg and Switzerland in respect of such interest due, as well as took actions enforce the payment of the arbitral award. The Group disputes the Stiom Seller's claims for interest due. In Switzerland, the Stiom Sellers have obtained attachment orders against certain bank accounts of the Group. In Luxembourg, the Stiom Sellers have initiated attachment proceedings to put in place conservatory measures against Kernel's bank accounts. Furthermore, former counsel to the Stiom Sellers has also obtained an attachment order against the Group, which prevents the Group from paying any amounts to the Stiom Sellers until the attachment order is lifted. Finally, a third party brought claims in Swiss courts asserting that one of the Stiom Seller's claims has been assigned to them, which the Stiom Sellers dispute. As a result of these conflicting claims and proceedings, the Group has been unable to discharge its payment obligations in respect of the arbitral award to the Stiom Sellers, pending the resolution of these issues.

As of 30 September 2018, the Group recognised a provision regarding the arbitral and the related proceedings. The provision represents the directors' best estimate of the maximum future outflow that will be required in respect of the award. The carrying amount of the payables for legal claims was USD 35,147 thousand as of 31 December 2020 (30 June 2020 and 31 December 2019: USD 34,047 thousand and USD 32,965 thousand, respectively), and related expenses in the amount of USD 1,094 thousand were recognised within the six months ended 31 December 2020 (six months ended 31 December 2019: USD 1,093 thousand) and included within the line "Other expenses, net".

On 16 December 2020, the Stadnyk Parties (the Stiom Sellers) filed a bankruptcy petition against Kernel. The judgment was rendered on 15 January 2021 in favor of Kernel as the Luxembourg court agreed that the conditions of bankruptcy were not fulfilled in the case at hand. The Stadnyk Parties could lodge an appeal until 15 February 2021. We have not received any deed of appeal as of today and therefore consider that the matter may no longer be appealed.

As of 31 December 2020, 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 29,827 thousand (as of 30 June 2020: USD 24,812 thousand), from which USD 21,760 thousand related to VAT recoverability (as of 30 June 2020: USD 18,240 thousand), USD 6,925 thousand related to corporate income tax (as of 30 June 2020: USD 4,847 thousand) and USD 1,142 thousand related to other tax issues (as of 30 June 2020: USD 1,724 thousand).

As of 31 December 2020, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 29,827 thousand (as of 30 June 2020: USD 24,144 thousand), included in the abovementioned amount. Out of this amount, USD 7,217 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 (as of 30 June 2020: USD 7,217 thousand). The accompanying notes are an integral part of these financial statements.

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2020: USD 1,924 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Ukraine's tax environment characterizes by complexity in tax administration, arbitrary interpretation by tax authorities of tax laws and regulations that could increase fiscal pressure on taxpayers. Inconsistent application, interpreting, and enforcement of tax laws can lead to lawsuits resulting in the imposition of additional taxes, penalties, and interest.

Key aspects of the Ukrainian tax system are the following:

- Ukraine operates a classic corporate income tax system, under which taxable profit of companies (i.e. financial profit adjusted by tax differences) is subject to 18% CIT.
- Transfer pricing rules apply to transactions with related non-residents and "low-tax" non-residents (i.e. non-residents, taxed domestically at a significantly lower corporate income tax rate than the Ukrainian tax rate of 18%), subject to a company's minimum income threshold of UAH 150 million and transactions volume threshold with each separate non-resident of UAH 10 million.
- Domestic supply of goods and services, as well as the import of goods and certain services, are subject to value-added tax at the standard rate of 20%. Reduced tax rate of 0% applies to the export of goods from Ukraine.
- Payment of passive income (i.e. interest, royalties, dividends etc.) to non-residents is subject to withholding tax at a standard 15% rate unless double tax treaties or the Tax Code of Ukraine provide another tax rate.
- Agricultural producers of raw materials are allowed to apply a simplified tax system, given that at least 75% of their income is attributable to sales of agricultural raw materials produced by such company. Under the simplified tax system, companies are subject to a fixed tax, which depends on the type, location and monetary value of farmland used by such companies.

By the end of 2019, MLI Convention (BEPS Action plan step 15) entered into force in Ukraine, which allows Ukraine to amend its double tax treaties with other countries, which have also ratified MLI Convention. On 1 January 2021, the amendments to certain Ukrainian double tax treaties (namely, ones with Cyprus, Latvia, Saudi Arabia, Russia) entered in force. Ukraine may also amend more treaties in the future.

Additionally, Ukraine ratified the Protocol amending its double tax treaty with Switzerland. The Protocol entered into force on 16 October 2020 and among other changes modified withholding tax rates for payments of royalties, dividends and interest income.

In May 2020, the new anti-BEPS Law entered into force, which significantly changed the Ukrainian Tax Code, introducing a significant portion of BEPS Action plan steps (3, 4, 6, 7, 8, 13 and 14) to the local tax legislation. Among other changes, the new Law has introduced:

- Controlled foreign companies regulations, which allow taxing undistributed profits of CFCs at the level of the Ukrainian tax resident – owner (controlling shareholder) of the CFC. An income of CFC would be taxable unless an exemption is applicable. If a controlling shareholder (resident of Ukraine) meets the minimum control threshold, income would be attributed to that shareholder (based on the proportion of ownership), included to the annual income of a controlling shareholder and reported within an annual tax return. An 18% tax applies to the undistributed income of a CFC. Distributed income of a CFC could be subject to an 18% or 9% rate depending on the period of distribution. A 9% rate applies if CFC's income is distributed to the resident controlling shareholder as dividends before filing the CFC report in Ukraine or by the end of the second calendar year that follows the reporting year. An 18% rate applies if the distribution is made at a later date. The first reporting period for CFC is the year 2022.
- Principal purpose test, alongside with beneficial ownership regulation for double tax treaties application purposes. If the tax authority identifies that the main purpose of a transaction is obtaining a double tax treaty benefits, they may disallow the application of a reduced WHT rate. Beneficial ownership criteria were elaborated and now include the following:
 - recipient of income should be entitled to receive such income;
 - recipient of income should have unrestricted right to dispose of the earned income;
 - recipient of income is not an agent, nominee or an intermediary with respect to such income (namely, the recipient of income exercises separate functions, carries commercial risks, has sufficient economic substance (employees, bank account, office, postal address, telephone, fax, etc.)).

Moreover, a "look-through approach" for beneficial ownership purposes was introduced, according to which if the immediate recipient of Ukraine-source income is not the beneficial owner of the income, the tax treaty with the jurisdiction of the beneficial owner may apply in Ukraine.

- Mutual agreement procedure, which allows resolving tax disputes under double tax treaties in case either resident or non-resident of Ukraine believes actions or decisions of the tax authorities (both Ukrainian and foreign) have resulted or will result in taxation incompliant with the relevant tax treaty.
- New thin capitalization rules, which apply to transactions with both related and unrelated parties starting from 1 January 2021. Under the new rules, if the debt-to-equity ratio of 3.5 is exceeded, only a portion of a company's interest expense, which is equal to 30% of its EBITDA, would be tax-deductible. The residual amount of interest expenses may be carried forward to future periods, subject to 5% annual disallowance.
- Three-tiered transfer pricing reporting, which added requirements for multinational enterprises to prepare a master file and a country-by-country report (CbCR), subject to the revenue threshold of EUR 50 million for master file and EUR 750 million for CbCR. The first reporting year is expected to be 2021.
- New upward adjustment (an increase of taxable base) by 30% of sales of goods and services to "low-tax" non-residents (i.e. non-residents, taxed domestically at a significantly lower corporate income tax rate than the Ukrainian tax rate of 18%).
- Abolition of the temporary VAT exemption of soybean and rapeseed export transactions (i.e. traders of these crops are eligible for 0% VAT export rate application, which gives them the opportunity to recover VAT credit accumulated from the purchase of these goods).
- Business purpose test, which foresees any expenses incurred during 2020 within the transactions with non-residents (regardless of their type) are restricted from tax-deduction if they do not result in economic benefits. Since the business purpose in its wide definition could be applied by tax authorities to all transactions with non-residents (sale and purchase) and considering the common for agrarian industry and the Group arrangement of forward contracts on sale of agricultural commodities, their potential sale with a negative margin may lead to additional tax implications for the Group. However, due to the moratorium on full-scope tax audits in Ukraine, which covered the period until 31 December 2020, the approach of the tax authorities to the treatment of the business purpose definition remains unclear. Starting from 2021, the business purpose test is applicable only to transactions subject to transfer pricing compliance. Starting from 2022, it will also apply to transactions with "low-tax" non-residents, as well as to royalty payments to non-residents of Ukraine.

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Additionally, by the end of 2020 Ukrainian parliament adopted the draft law introducing 14% VAT rate, applicable to transactions of import and supply of certain agricultural products within the customs territory of Ukraine. The draft law awaits the signature of the President of Ukraine and will enter into force starting from the first day of the month following the month of its promulgation.

Additionally, by the end of 2019, the Law on the market of agricultural land has been adopted. The Law introduced changes to the Land Code of Ukraine aimed at the abolition of the moratorium for sale of land. However, the Law will enter into force on 1 July 2021 and provides a set of restrictions related to the maximum land size, which can be sold to an individual buyer, restrictions to sell land in certain areas and to certain types of buyers. Also, regardless of the expected abolition of moratorium, sale of land is subject to provisions and/or restrictions of the Land Code of Ukraine, as well as other branch laws in certain cases.

25. Financial Instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 'Financial Instruments: Disclosure' and IFRS 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:

	31 December 2020		30 June 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities¹						
Long-term borrowings (Note 15)	236,083	236,128	179,274	180,284	148,590	149,051
Bonds issued (Note 16)	821,253	865,927	815,722	816,230	814,763	847,180

For the six months ended 31 December 2020, 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 2.81% (for the six months ended 31 December 2019: 5.11%) 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.

The following table below represents the fair values of the derivative financial instruments including trade related financial and physical forward purchase:

	31 December 2020			30 June 2020			31 December 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Other financial assets									
Physical forwards	—	138,224	138,224	—	31,180	31,180	—	43,237	43,237
Futures/Options	68,899	—	68,899	14,173	—	14,173	5,790	—	5,790
Total	68,899	138,224	207,123	14,173	31,180	45,353	5,790	43,237	49,027
Other financial liabilities									
Physical forwards	—	97,159	97,159	—	22,303	22,303	—	29,693	29,693
Futures/Options	2,911	—	2,911	8,335	—	8,335	2,337	—	2,337
Derivatives held for hedging	—	30,929	30,929	—	5,644	5,644	—	45,460	45,460
Total	2,911	128,088	130,999	8,335	27,947	36,282	2,337	75,153	77,490

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).

For the six months ended 31 December 2020, losses on cash flow hedge recognised through other comprehensive income decreased to USD 25,285 thousand (for the six months ended 31 December 2019: USD 46,069 thousand) as the Group reduced the portion of future sales hedged.

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.

¹ Including accrued interests

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Statements continued

for the six months ended 31 December 2020 (in thousands of US dollars, unless otherwise stated)

Major part of other financial liabilities has contractual maturity due within 6 months.

The fair value is estimated to be the same as the carrying value of cash and cash equivalents, trade accounts receivable, other current assets, trade accounts payable, other current liabilities and short-term borrowings due to the short-term nature of the financial instruments. Cash and cash equivalents 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. Trade receivables, other current assets, trade accounts payable and other current liabilities 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 December 2020, other financial assets increased to USD 359,840 thousand (as of 30 June 2020 and 31 December 2019: USD 108,692 thousand and USD 115,134 thousand, respectively) due to derivative instruments as a result of increase in commodity prices and acquisition of government bonds.

As of 31 December 2020, other financial liabilities increased to USD 130,999 thousand (as of 30 June 2020 and 31 December 2019: USD 36,282 thousand and USD 77,490 thousand, respectively) due to derivative instruments as a result of increase in commodity prices.

The Group has invested in a portfolio of government bonds which are held for trading. They are presented in the line Other financial assets in the amount of USD 130,283 thousand and classified as held for trading (as of 30 June 2020 and 31 December 2019: USD 9,941 thousand and USD 18,518 thousand, respectively). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

For the six months ended 31 December 2020, the fair value of other non-current assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the six months ended 31 December 2020, the fair value of other non-current assets recognized at FVTPL was estimated by market comparable approach that is within level 2 in the fair value hierarchy.

As of 31 December 2020, fair value of other non-current assets and 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.

There were no transfers between levels of fair value hierarchy.

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

26. Subsequent Events

As of 10 February 2021, the Company entered into an amendment and restatement agreement to its pre-export credit facility dated 16 October 2017 with a syndicate of European banks. Total available limit under amended facility is up to USD 300 million. The tenors of existing tranches were extended for one year: USD 200 million till 31 August 2023 and USD 100 million till 31 August 2022, respectively. The margin for the committed portion of the facility was reduced. One of the lenders exited the facility and was replaced by existing lenders. Pre-export credit facility will be used by the Company to fund the working capital needs of its sunflower oil production business in Ukraine.