

Q1

FY2022

KERNEL

Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021

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for the three months ended 30 September 2021

Table of Contents

2	Key Highlights
3	Segment Results and Discussion
5	Financial Highlights
6	Alternative Performance Measures
10	Selected Financial Data
11	Condensed Consolidated Interim Statement of Financial Position
12	Condensed Consolidated Interim Statement of Profit or Loss
13	Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
14	Condensed Consolidated Interim Statement of Changes in Equity
15	Condensed Consolidated Interim Statement of Cash Flows
16	Notes to the Condensed Consolidated Interim Financial Statements

Key Highlights

for the three months ended 30 September 2021

Financial highlights

- **Revenue** of Kernel Holding group of companies on the consolidated basis (*hereinafter "Kernel", the "Company", or the "Group"*) in Q1 FY2022 totaled to US\$ 1,343 million, up 43% y-o-y, driven mainly by stronger sunflower oil and grains sales prices.
- Kernel **EBITDA** in Q1 FY2022 increased 9% as compared to the same period of the previous year, reaching US\$ 315 million.
 - **Oilseed Processing** EBITDA decreased 53% y-o-y to US\$ 15 million on the back of lower volumes and weaker crushing margin due to insufficient supply of sunflower seeds on the market at the end of the season following the poor harvest of sunflower seeds in autumn 2020.
 - **Infrastructure and Trading** segment EBITDA increased to US\$ 117 million in Q1 FY2022, a 5% growth y-o-y being fully attributable to higher Avere contribution.
 - **Farming** segment generated US\$ 207 million EBITDA in July-September 2021, a 29% increase y-o-y. The key drivers were higher contracted prices and sales volumes for July-September 2021 as compared to Q1 FY2021, and upward revised yields and prices for crops in the fields contributing to the gain from the revaluation of biological assets.
 - **Unallocated corporate expenses** increased to US\$ 23 million in the reporting period, reflecting mainly higher accruals for performance-related bonuses.
- Net profit attributable to shareholders in Q1 FY2022 amounted to US\$ 211 million.
- **Net debt** as of 30 September 2021 totaled to US\$ 1,014 million, almost unchanged y-o-y. **Readily marketable inventories** ("RMI") at the same date doubled from 30 June 2021 level to US\$ 580 million and remained 19% above the amount observed as of 30 September 2020, reflecting higher stock of wheat accumulated and higher

prices. As a result, **Net debt adjusted for RMI** reduced 18% y-o-y, to US\$ 433 million as of 30 September 2021.

- Consequently, Company's leverage landed at 1.1x Net-debt-to-EBITDA and 7.0x EBITDA-to-Interest ratio as of 30 September 2021.

Corporate highlights

- In September 2021, **Fitch revised** Kernel outlook to "Positive" from "Stable".
- On 30 August 2021, the Extraordinary General Meeting of shareholders approved a **2-year share buyback program for US\$ 250 million size**, authorizing the Board of Directors to purchase a maximum of 19.2 million Company's shares within a PLN 50-65 price range.
 - On 3 September 2021, the Company announced an invitation to tender for sale in a form of the modified Dutch auction of up to 3.9 million shares in the Company for a maximum total consideration of PLN 194 million, assuming a price range of PLN 50-65. On 20 September 2021, the Company announced that as a result of the first auction its **subsidiary purchased 3.2 million Company's shares at PLN 60 buyback price**.
 - On 26 October 2021, the Company announced an invitation to second tender for sale in a form of the modified Dutch auction of up to 3.6 million shares in the Company for a maximum total consideration of PLN 197 million, assuming a price range of PLN 55-60. On 10 November 2021, the Company announced that no offers to sell shares were received as a result of the invitation.
- In November 2021, the **Board of Directors of Kernel recommended the shareholders to approve the dividend of US\$ 0.44 per share** for FY2021. The recommended dividend per share represents 5% dividend increase y-o-y and implies a 7% payout ratio.

US\$ million except ratios and EPS

Income statement highlights

	Q1 FY2021	Q4 FY2021	Q1 FY2022	y-o-y	q-o-q
Revenue	940	1,651	1,343	43%	(19%)
EBITDA ¹	290	259	315	9%	22%
Net profit / (loss) attributable to equity holders of Kernel Holding S.A.	204	165	211	3%	28%
EBITDA margin	31%	16%	23%	(7pp)	8pp
Net margin	22%	10%	16%	(6pp)	6pp
Earnings per share ² , US\$	2.43	1.97	2.52	4%	28%

Cash flow highlights

Operating profit before working capital changes	189	220	192	2%	(13%)
Change in working capital	(159)	180	(158)	(1%)	n/a
Finance costs paid, net	(23)	(35)	(21)	(9%)	(42%)
Income tax paid	(7)	(1)	(5)	(35%)	8.5x
Net cash used in operating activities	(0)	364	8	n/a	(98%)
Net cash used in investing activities	(36)	(91)	(102)	2.8x	12%

	30 Sep 2020	30 Jun 2021	30 Sep 2021	y-o-y	q-o-q
Liquidity and credit metrics					
Net debt	1,017	836	1,014	(0%)	21%
Readily marketable inventories ³	489	285	580	19%	2.0x
Adjusted net debt ⁴	528	551	433	(18%)	(21%)
Shareholders' equity	1,636	1,946	2,137	31%	10%
Net debt / EBITDA ⁵	1.6x	0.9x	1.1x	-0.6x	+0.2x
Adjusted net debt / EBITDA ⁵	0.8x	0.6x	0.5x	-0.4x	-0.1x
EBITDA / Interest ⁶	4.3x	6.6x	7.0x	+2.7x	+0.4x

Note: Financial year ends 30 June, Q1 ends 30 September

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 83.8 million shares for Q1 FY2022 and 84.0 million for Q1 FY2021 and Q4 FY2021.

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

⁴ Adjusted net financial 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 months ended 30 September 2021

Segment results summary

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons ¹			EBITDA margin, US\$/t ²		
	Q1 FY2021	Q1 FY2022	y-o-y	Q1 FY2021	Q1 FY2022	y-o-y	Q1 FY2021	Q1 FY2022	y-o-y	Q1 FY2021	Q1 FY2022	y-o-y
Oilseed Processing	293	359	22%	31	15	(53%)	296	221	(25%)	104	66	(36%)
Infrastructure and Trading	811	1,136	40%	111	117	5%	2,126	2,227	5%	52	53	1%
Farming	90	146	63%	161	207	29%						
Unallocated corporate expenses				(13)	(23)	84%						
Reconciliation	(254)	(298)	17%									
Total	940	1,343	43%	290	315	9%						

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

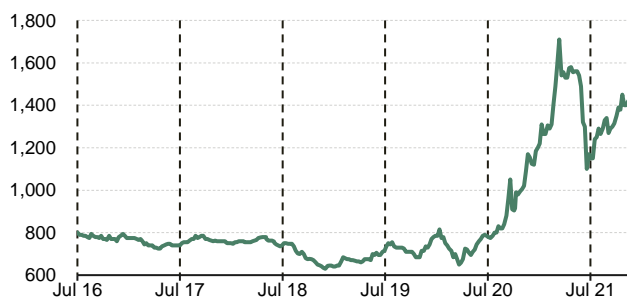
- **Market environment** in Q1 FY2022 remained challenging:
 - Poor 13.6 million tons FY2021 harvest of sunflower seeds restrained us from securing strong oilseed processing volumes for operations in Q1 FY2022, which is the last quarter of sunflower seed processing season (September-August).
 - The limited supply of oilseeds also kept the crushing margin depressed.
 - Sunflower oil price rebounded and remained in growing trend for the whole quarter. With sunflower seed price in Ukraine mimicking the price of oil, local farmers remained reluctant to sell seeds, expecting continued price growth and depressing the margin even further.
- As a result, Kernel oil-extraction plants **processed 482 thousand tons** of oilseeds in Q1 FY2022, down 27% y-o-y. While processing 373 thousand tons of sunflower seeds, two our facilities switched to

rapeseed crush to maintain capacities utilization, processing in total 109 thousand tons of rapeseed of new 2021 harvest.

- Kernel **sunflower oil sales volume** in Q1 FY2022 totaled at 221 thousand tons, a 25% decline y-o-y, correlating with the production pattern.
- Profitability of this business reduced to US\$ 66 **EBITDA margin per ton of oil sold**, down 36% y-o-y, driven by the abovementioned unfavorable market fundamentals.
- Consequently, segment **EBITDA** totaled at US\$ 15 million in Q1 FY2022, a 53% y-o-y contraction.
- Despite the weak results in the first quarter, the **outlook for the full FY2022 is rather positive**:
 - We target to **process 3.8 million tons of oilseeds** in FY2022, up 18% y-o-y, as the record 16.8 million tons harvest of sunflower seeds is expected in Ukraine this season. Together with crushing seeds on our 8 existing plants, we operate also on the third-party-owned Chuhuiv oil-extraction plant under tolling agreement, and on top of that plan to launch sunflower seed processing on our new Starokostiantyniv facility in western Ukraine in the second half of FY2022.
 - The **crushing margin** in FY2022 is likely to recover, assuming the sufficient supply of seeds after the record harvest. At the same time, the procurement campaign this season is challenging and progresses substantially slower than usual, as farmers have relatively weaker post-harvest pressure to sell the oilseeds given the extremely profitable previous season. Combined with the delay in harvesting campaign, we had only 316 thousand tons of sunflower seeds in inventories as of 30 September 2021, down 61% y-o-y.

Sunflower oil price

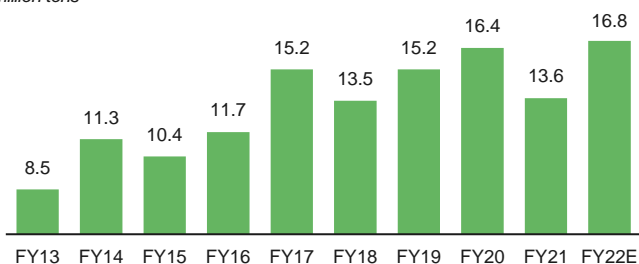
US\$ per ton of unrefined oil sold in bulk, FOB-Chornomorsk (Ukraine)



Source: Bloomberg

Sunflower seed harvest in Ukraine

million tons



Source: Kernel estimates

Segment volumes

metric tons	Q1 FY2021	Q1 FY2022	y-o-y
Oilseeds processed	662,613	482,266	(27%)
Sunflower oil sales	296,241	220,708	(25%)
Grain and oilseeds received in inland silos	1,254,649	1,019,184	(19%)
Export terminal throughput (Ukraine)	1,868,593	2,206,913	18%
Grain export from Ukraine	2,125,650	2,226,755	5%

Differences are possible due to rounding.

Segment Results and Discussion

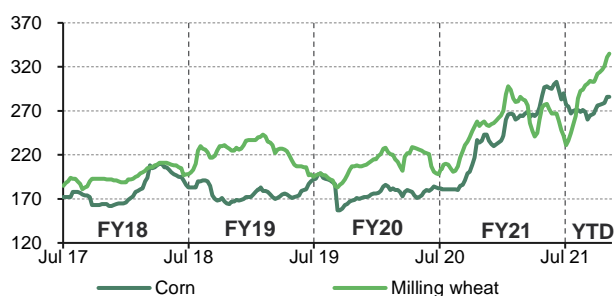
for the three months ended 30 September 2021

Infrastructure and Trading

- Record grain harvest in Ukraine this season will translate into a **fundamentally strong market environment**. We estimate the harvest of three key grains (corn, wheat, and barley) in Ukraine to increase to 81 million tons, up 29% y-o-y. Bumper crop is likely to keep the utilization of grain export infrastructure high and contribute to healthy infrastructure and trading margins.
- Kernel **exported 2.2 million tons of grain from Ukraine** in Q1 FY2022, up 5% y-o-y. Also, the Group **transshipped 2.2 million tons of goods through its terminals**, up 18% y-o-y driven by incremental volume coming from Company's new grain export terminal in the port of Chornomorsk.
- Segment **EBITDA** increased to US\$ 117 million for three months ended 30 September 2021, up 5% y-o-y. Our Avere subsidiary delivered the fifth outstanding quarter in a row, contributing with US\$ 96 million EBITDA, a 15% growth y-o-y. On the contrary, the financial performance of grain export value chain in Ukraine was undermined by low origination margin for crops procured in the previous season and poor result of silo segment, caused by lower in-take volumes and growing energy costs.
- Putting aside Avere, the **outlook for the full year** remains blurred. On the one hand, we maintain the intention to export 11 million tons of grain from Ukraine and transship 10 million tons of commodities through our terminals in Chornomorsk, targeting to achieve higher margins across all business lines. On the other hand, we observe challenges of higher magnitude than faced in previous seasons: farmers are extremely slow selling being in a good cash position after the previous season; significantly delayed harvesting of corn complicates the execution of previously signed contracts and results in extra losses; bumper crop sharpened the problems with state monopolized railway traction in Ukraine during the peak transportation needs; and high natural gas costs undermine margins in the silo business.

Ukraine grain export prices

US\$ per ton, FOB-Black Sea



Source: Bloomberg

Farming

- Market environment** this season remains supportive for the Farming segment. Global **grain and oilseed prices** stay high, driven by strong demand in key consuming regions and concerns around global supply. Wheat price soared to a 9-year peak, and corn price stabilized at a fairly high level in Q1 FY2022, with local prices warmed up also by the delayed harvesting campaign in Ukraine. Sunflower seed price remains almost two times higher than the average level observable in 2014-2020. Being naturally long in its Farming business, Kernel has a direct exposure to price levels, thus benefitting a lot from current price developments.
- Weather conditions** in Ukraine were supportive for crop yields generally in Ukraine and for Kernel fields in particular. We achieved the highest ever net yield for wheat (6.1 tons per hectare, up 26% y-o-y), unchanged yield for sunflower seeds (3.0 tons per hectare, up 1% y-o-y), and expect to end up with above-average yield for corn (8.9 tons per hectare, up 12% y-o-y), yet 20% of acreage under corn is still unharvested as of the date of this report.
- Segment **EBITDA** in the reporting period increased 29% y-o-y, to US\$ 207 million, including US\$ 85 million net gain from change in fair value of biological assets. Such growth reflects higher contracted sales prices and volumes for July-September 2021 as compared to Q1 FY2021, and also accounts for upward revised yields and prices for crops in the fields as of 30 September 2021, contributing to the substantial gain from revaluation of biological assets.
- Full season **outlook** remains positive. Adjusted for net impact from the revaluation of biological assets, FY2022 Farming EBITDA is anticipated to exceed the previous year result.

Harvest update

	Acreage, thousand hectares			Net yields ¹ , tons / hectare			Harvest size, thousand tons		
	FY2021	FY2022	y-o-y	FY2021	FY2022	y-o-y	FY2021	FY2022	y-o-y
Corn	255.4	254.6	(0%)	8.0	8.9	12%	2,032	2,266	12%
Sunflower	148.5	154.0	4%	3.0	3.0	1%	449	470	5%
Wheat	73.1	64.3	(12%)	4.9	6.1	26%	357	395	11%
Other ²	23.9	26.0	9%						
Total	501.0	498.9	(0%)				2,837	3,130	10%

Note 1 Net crop yields are projections based on 80% corn, 100% of sunflower, and 100% of wheat acreage harvested as of 15 November 2021. One ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat.

Note 2 Includes soybean, rapeseed, barley, rye, oats, forage crops and other minor crops, as well as fallow land. Differences are possible due to rounding.

Financial Highlights

for the three months ended 30 September 2021

Income statement highlights

- Kernel **revenue** in Q1 FY2022 amounted to US\$ 1,343 million, up 43% y-o-y, driven mainly by higher grains and sunflower oil sales prices as compared to the same period last year.
- Stemming mainly from the revised corn yields, the **revaluation of biological assets** resulted in a net gain of US\$ 85 million in Q1 FY2022, as compared to US\$ 107 million gain in Q1 FY2021.
- Group **cost of sales** in the reporting period totaled to US\$ 1,098 million, up 43% y-o-y, fully driven by inflation of cost of goods for resale and raw materials used.
- Consequently, **gross profit** in July-September 2021 raised by 17% as compared to the same period of the previous year, reaching US\$ 330 million.
- **Other operating loss** in Q1 FY2022 ended up at US\$ 4 million, mainly driven by a negative result on contracts wash-out related to Avere operations.
- **General and administrative expenses** in the reporting period increased by 27% y-o-y, to US\$ 44 million, mainly reflecting higher accruals for performance-related bonuses.
- As a result, **operating profit** in Q1 FY2022 increased 6% y-o-y, to an all-time-high quarter metric of US\$ 282 million.
- **Net finance costs** for the reporting period reduced 15% y-o-y, to US\$ 26 million. Of that, US\$ 11 million constitute land-rent-related interest on lease liabilities arising from the implementation of IFRS 16 standard.
- **Other non-operating items** resulted in a gain of US\$ 1 million.
- **Income tax expense** for the period totaled to US\$ 2 million.
- At the bottom line, **net profit** of the group resulted in US\$ 246 million, a 5% growth y-o-y. US\$ 211 million of that is attributable to shareholders of Kernel Holding S.A., and US\$ 35 million is a profit allocated to non-controlling interest.

Cash flow highlights

- While Group's EBITDA in Q1 FY2022 increased 9% y-o-y, **operating profit before working capital changes** increased only 2% y-o-y, to US\$ 192 million, reflecting a sizeable US\$ 37 million non-cash gain on commodity derivatives related to Avere trading activities and recognized in cost of sales.
- Seasonal **increase in working capital** consumed US\$ 158 million in the reporting period, flat y-o-y.
- Accounting also for interest and taxes paid, Group generated US\$ 8

million in operating activities, as compared to US\$ 0.2 million cash consumed in July-September 2020.

- **Net cash used in investing activities** in Q1 FY2022 settled at US\$ 102 million mainly consisting of:
 - US\$ 50 million used to purchase property, plant, and equipment under Kernel CapEx program
 - US\$ 41 million used to purchase the financial assets for the liquidity management purposes.
 - Other investing activities generated in total a cash outflow of US\$ 11 million.

Credit metrics highlights

- Company's **debt liabilities** increased by 10% over Q1 FY2022, to US\$ 1,547 million, driven by seasonally growing short-term debt used to finance working capital.
- Together with 7% decline in cash balances over the same period, **net debt**, remained almost unchanged at US\$ 1,014 million.
- **Readily marketable inventories** ("RMI") increased 19% y-o-y in Q1 FY2022, to US\$ 580 million, driven by seasonal accumulation of sunflower seeds and grain over the course of the harvesting campaign in Ukraine.
- As a result, **net debt adjusted for RMI** as of 30 September 2021 reduced 18% over three previous months, to US\$ 433 million, demonstrating a solid improvement in the Group's credit profile.
- Credit metrics continued to improve on the back of the highest ever last-twelve-months EBITDA of US\$ 954 million:
 - Net-debt-to-EBITDA ratio as of 30 September 2021 (measured on 12months trailing basis) landed at 1.1x;
 - Adjusted-net-debt-to-EBITDA decreased to 0.5x.
 - Interest coverage further improved to 7.0x of EBITDA-to-Interest calculated on the last-twelve-months basis.
- Kernel had US\$ 1,029 million of undrawn borrowings as of 30 September 2021, of which US\$ 978 million of undrawn short-term credit lines and US\$ 51 million of undrawn long-term borrowings (EIB facility).

Credit metrics

US\$ million, except ratios	30 Sep 2020	30 Jun 2021	30 Sep 2021	y-o-y	q-o-q
Short-term interest-bearing debt	97	51	178	84%	3.5x
Long-term interest-bearing debt	226	228	222	(2%)	(3%)
Lease liabilities	295	324	341	16%	5%
Eurobond	794	806	807	2%	0%
Debt liabilities	1,412	1,410	1,547	10%	10%
Cash and cash equivalents	395	574	534	35%	(7%)
Net debt	1,017	836	1,014	(0%)	21%
Readily marketable inventories	489	285	580	19%	2.0x
of which sunflower oil and meal	92	205	148	60%	(28%)
Sunflower seeds	307	43	182	(41%)	4.3x
Grains and other RMIs	90	38	251	2.8x	5.7x
Adjusted net debt	528	551	433	(18%)	(21%)
Shareholders' equity ¹	1,636	1,946	2,137	31%	10%
Net debt / EBITDA ²	1.6x	0.9x	1.1x	-0.6x	+0.2x
Adjusted net debt / EBITDA ²	0.8x	0.6x	0.5x	-0.4x	-0.1x
EBITDA / Interest ³	4.3x	6.6x	7.0x	+2.7x	+0.4x

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.

Alternative Performance Measures

for the three months ended 30 September 2021

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>	Q1 FY2021	Q1 FY2022
Profit from operating activities	265,977	281,955
<i>add back:</i>		
Amortization and depreciation	23,978	33,439
EBITDA	289,955	315,394
Revenue	940,261	1,343,029
EBITDA margin	30.8%	23.5%

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 months ended 30 September 2021

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 (used in) 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:

<i>in thousand US\$</i>	Q1 FY2021	Q1 FY2022
Oilseed Processing		
Profit from operating activities	25,749	7,364
plus Amortization and depreciation	5,130	7,303
Segment EBITDA	30,879	14,667
Segment revenue	293,471	364,560
Segment EBITDA margin	11%	4%
Trading and Infrastructure		
Profit from operating activities	105,539	111,265
plus Amortization and depreciation	5,725	5,945
Segment EBITDA	111,264	117,210
Segment revenue	810,868	1,130,164
Segment EBITDA margin	14%	10%
Farming		
Profit from operating activities	147,891	187,570
plus Amortization and depreciation	12,635	19,337
Segment EBITDA	160,526	206,907
Segment revenue	89,527	145,862
Segment EBITDA margin	179%	142%
Other		
Loss from operating activities	(13,202)	(24,244)
plus Amortization and depreciation	488	854
Segment EBITDA	(12,714)	(23,390)

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

<i>in thousand US\$</i>	Q1 FY2021	Q1 FY2022
Net cash used in investing activities	(36,291)	(101,955)
Adding back:		
Purchase of property, plant and equipment	(52,924)	(50,373)
Proceeds from disposal of property, plant and equipment	872	1,285
Investing Cash Flows net of Fixed Assets Investments	15,761	(52,867)

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

<i>in thousand US\$</i>	Q1 FY2021	Q1 FY2022
Net cash used in investing activities	(36,291)	(101,955)
less:		
Investing Cash Flows less Net Fixed Assets Investments	15,761	(52,867)
Net Fixed Assets Investments	(52,052)	(49,088)

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

<i>in thousand US\$</i>	Q1 FY2021	Q1 FY2022
Net cash used in operating activities	(161)	8,303
Less:		
Changes in working capital, including:	(159,131)	(158,326)
Change in trade and other accounts receivable	(49,690)	111,719
Change in prepayments and other current assets	7,831	6,314
Change in restricted cash balance	1,909	38
Change in taxes recoverable and prepaid	(33,642)	(21,665)
Change in biological assets	117,540	131,856
Change in inventories	(276,292)	(406,445)
Change in trade accounts payable	65,405	43,916
Change in advances from customers and other current liabilities	7,808	(24,059)
Operating Cash Flows before Working Capital Changes	158,970	166,629

Alternative Performance Measures

for the three months ended 30 September 2021

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; and
- lease liabilities (including current portion).

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 bond issued, current portion of lease liabilities, and interest on bonds issue

Calculation of Free Cash Flows to the Firm:

<i>in thousand US\$</i>	Q1 FY2021	Q1 FY2022
Net cash used in operating activities	(161)	8,303
Net cash used in investing activities	(36,291)	(101,955)
Free Cash Flows to the Firm	(36,452)	(93,652)

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:

<i>in thousand US\$</i>	As of 30 September 2020	As of 30 September 2021
Sunflower oil & meal	92,347	147,574
Sunflower seed	306,709	181,507
Grains	89,715	250,924
Other	85,755	116,867
Total	574,546	696,871
<i>of which: Readily Marketable Inventories</i>	488,914	580,447

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

<i>in thousand US\$</i>	As of 30 September 2020	As of 30 September 2021
Bonds issued	794,359	807,170
Interest on bonds issued	15,975	20,418
Long-term borrowings	226,086	221,811
Current portion of long-term borrowings	10,007	23,276
Short-term borrowings	70,683	134,032
Lease liabilities	257,659	317,296
Current portion of lease liabilities	37,085	23,453
Debt Liabilities	1,411,854	1,547,456
less: cash and cash equivalents	394,667	533,837
Net Debt	1,017,187	1,013,619
less: readily marketable inventories	488,914	580,447
Adjusted Net Debt	528,273	433,172

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

<i>in thousand US\$</i>	As of 30 September 2020	As of 30 September 2021
Total current assets	1,874,665	2,559,962
<i>less:</i>		
Cash and cash equivalents	394,667	533,837
Assets classified as held for sale	404	-
Total current liabilities	527,289	889,569
<i>add back:</i>		
Short-term borrowings	70,683	134,032
Current portion of long-term borrowings	10,007	23,276
Current bonds issued	-	212,769
Current portion of lease liabilities	37,085	23,453
Interest on bonds issued	15,975	20,418
Adjusted Working Capital	1,086,055	1,550,504

Alternative Performance Measures

for the three months ended 30 September 2021

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; and lease liabilities (including current portion).	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 bond issued, 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.

Selected Financial Data

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

		USD ¹		PLN		EUR	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020
I.	Revenue	1,343,029	940,261	5,201,148	3,574,872	1,139,023	804,675
II.	Profit from operating activities	281,955	265,977	1,091,927	1,011,245	239,126	227,623
III.	Profit before income tax	248,051	236,171	960,627	897,922	210,372	202,115
IV.	Profit for the period from continuing operations	246,106	233,385	953,095	887,330	208,722	199,731
V.	Net cash generated by/(used in) operating activities	8,303	(161)	32,155	(612)	7,042	(138)
VI.	Net cash used in investing activities	(101,955)	(36,291)	(394,841)	(137,978)	(86,468)	(31,057)
VII.	Net cash generated by financing activities	53,557	63,890	207,410	242,910	45,422	54,677
VIII.	Total net cash flow	(40,095)	27,438	(155,276)	104,320	(34,004)	23,482
IX.	Total assets	4,353,863	3,500,188	17,382,798	13,531,027	3,752,159	2,989,161
X.	Current liabilities	889,569	527,289	3,551,604	2,038,394	766,631	450,305
XI.	Non-current liabilities	1,157,711	1,304,767	4,622,161	5,043,968	997,715	1,114,271
XII.	Issued capital	2,219	2,219	8,859	8,578	1,912	1,895
XIII.	Total equity	2,306,583	1,668,132	9,209,033	6,448,665	1,987,813	1,424,585
XIV.	Number of shares	83,785,697	84,031,230	83,785,697	84,031,230	83,785,697	84,031,230
XV.	Profit per ordinary share (in USD/PLN/EUR)	2.52	2.43	9.74	9.23	2.13	2.08
XVI.	Diluted number of shares	83,785,697	84,031,230	83,785,697	84,031,230	83,785,697	84,031,230
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	2.52	2.43	9.74	9.23	2.13	2.08
XVIII.	Book value per share (in USD/PLN/EUR)	26.45	19.47	105.60	75.27	22.79	16.63
XIX.	Diluted book value per share (in USD/PLN/EUR)	26.45	19.47	105.60	75.27	22.79	16.63

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

Condensed Consolidated Interim Statement of Financial Position

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 September 2021	As of 30 June 2021	As of 30 September 2020
Assets				
Current assets				
Cash and cash equivalents	7	533,837	574,040	394,667
Trade accounts receivable, net	19	217,414	381,124	244,371
Prepayments to suppliers and other current assets, net	19	121,650	127,726	116,613
Corporate income tax prepaid		13,395	12,041	1,397
Taxes recoverable and prepaid, net		211,988	185,966	160,201
Inventory	8	696,871	332,027	574,546
Biological assets	9	384,077	376,644	221,510
Other financial assets	10, 19	380,730	294,156	160,956
Assets classified as held for sale		—	—	404
Total current assets		2,559,962	2,283,724	1,874,665
Non-current assets				
Property, plant and equipment, net	11	1,106,552	1,065,205	998,851
Right-of-use assets	12	381,789	364,699	334,905
Intangible assets, net		61,322	62,144	63,898
Goodwill		121,442	120,925	122,163
Deferred tax assets		22,868	15,098	10,315
Non-current financial assets	19	59,555	46,322	56,295
Other non-current assets		40,373	38,462	39,096
Total non-current assets		1,793,901	1,712,855	1,625,523
Total assets		4,353,863	3,996,579	3,500,188
Liabilities and equity				
Current liabilities				
Trade accounts payable	19	199,914	150,061	151,341
Advances from customers and other current liabilities	19	160,768	187,047	73,385
Short-term borrowings	13	134,032	13,888	70,683
Current portion of long-term borrowings		23,276	21,715	10,007
Current portion of lease liabilities		23,453	37,338	37,085
Current bonds issued	15	212,769	212,495	—
Interest on bonds issued	15	20,418	15,353	15,975
Other financial liabilities	19	114,939	145,116	168,813
Total current liabilities		889,569	783,013	527,289
Non-current liabilities				
Long-term borrowings	14	221,811	227,740	226,086
Bonds issued	15	594,401	593,942	794,359
Lease liabilities		317,296	287,154	257,659
Deferred tax liabilities		23,046	20,806	24,575
Other non-current liabilities		1,157	1,216	2,088
Total non-current liabilities		1,157,711	1,130,858	1,304,767
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
Treasury shares	2	(50,786)	—	—
Equity-settled employee benefits reserve		1,850	1,850	4,624
Revaluation reserve		62,174	57,290	62,249
Other reserves		(4,587)	(896)	(7,058)
Translation reserve		(673,268)	(703,034)	(750,825)
Retained earnings		2,259,183	2,048,399	1,784,354
Total equity attributable to Kernel Holding S.A. equity holders		2,137,107	1,946,150	1,635,885
Non-controlling interests		169,476	136,558	32,247
Total equity		2,306,583	2,082,708	1,668,132
Total liabilities and equity		4,353,863	3,996,579	3,500,188
Book value		2,137,107	1,946,150	1,635,885
Number of shares		80,804,230	84,031,230	84,031,230
Book value per share (in USD)		26.45	23.16	19.47
Diluted number of shares		80,804,230	84,031,230	84,031,230
Diluted book value per share (in USD)		26.45	23.16	19.47

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 three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 30 September 2021	3 months ended 30 September 2020
Revenue	16, 19	1,343,029	940,261
Net change in fair value of biological assets and agricultural produce	9	84,558	106,722
Cost of sales	17, 19	(1,097,598)	(765,057)
Gross profit		329,989	281,926
Other operating (expenses)/income, net		(4,273)	18,451
General and administrative expenses	18, 19	(43,761)	(34,400)
Profit from operating activities		281,955	265,977
Finance costs, net	19	(26,497)	(31,348)
Foreign exchange (loss)/gain, net		(8,165)	2,118
Other income/(expenses), net	19	758	(576)
Profit before income tax		248,051	236,171
Income tax expenses		(1,945)	(2,786)
Profit for the period from continuing operations		246,106	233,385
Profit for the period		246,106	233,385
Profit for the period attributable to:			
Equity holders of Kernel Holding S.A.		210,784	204,052
Non-controlling interests		35,322	29,333
Earnings per share			
From continuing operations			
Weighted average number of shares		83,785,697	84,031,230
Profit per ordinary share (in USD)		2.52	2.43
Diluted number of shares		83,785,697	84,031,230
Diluted profit per ordinary share (in USD)		2.52	2.43

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 three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 30 September 2021	3 months ended 30 September 2020
Profit for the period		246,106	233,385
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property		5,956	—
Income tax related to components of other comprehensive income		(1,072)	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		29,823	(53,485)
Loss arising on cash flow hedge		(7,152)	(6,841)
Income tax related to this item		1,000	950
Other comprehensive income/(loss), net		28,555	(59,376)
Total comprehensive income for the period		274,661	174,009
Total comprehensive income attributable to:			
Equity holders of Kernel Holding S.A.		241,743	147,247
Non-controlling interests		32,918	26,762

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 three months ended 30 September 2021 (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	Treasury shares	Other reserves	Translation reserve	Retained Earnings	Total	Non-controlling interests	Total equity
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	—	—	—	—	—	—	—	—	204,052	204,052	29,333	233,385
Other comprehensive loss	—	—	—	—	—	—	(3,535)	(53,270)	—	(56,805)	(2,571)	(59,376)
Total comprehensive (loss)/income for the period	—	—	—	—	—	—	(3,535)	(53,270)	204,052	147,247	26,762	174,009
Effect of changes on minority interest	—	—	—	—	—	—	—	—	(4,029)	(4,029)	4,029	—
Balance as of 30 September 2020	2,219	500,378	39,944	4,624	62,249	—	(7,058)	(750,825)	1,784,354	1,635,885	32,247	1,668,132
Profit for the period	—	—	—	—	—	—	—	—	127,876	127,876	42,759	170,635
Other comprehensive loss	—	—	—	—	(4,959)	—	(10,247)	(792)	—	(15,998)	(5,622)	(21,620)
Total comprehensive (loss)/income for the period	—	—	—	—	(4,959)	—	(10,247)	(792)	127,876	111,878	37,137	149,015
Distribution of dividends	—	—	—	—	—	—	—	—	(35,293)	(35,293)	—	(35,293)
Effect of changes on minority interest	—	—	—	—	—	—	1,344	—	(608)	736	(736)	—
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
Profit for the period	—	—	—	—	—	—	—	—	15,831	15,831	37,099	52,930
Other comprehensive (loss)/income	—	—	—	—	—	—	(2,839)	15,547	—	12,708	(1,867)	10,841
Total comprehensive (loss)/income for the period	—	—	—	—	—	—	(2,839)	15,547	15,831	28,539	35,232	63,771
Repurchase of share-based options (Note 2)	—	—	—	(2,774)	—	—	—	—	(8,710)	(11,484)	—	(11,484)
Balance as of 31 March 2021	2,219	500,378	39,944	1,850	57,290	—	(18,800)	(736,070)	1,883,450	1,730,261	103,880	1,834,141
Profit for the period	—	—	—	—	—	—	—	—	164,949	164,949	20,690	185,639
Other comprehensive income	—	—	—	—	—	—	17,904	33,036	—	50,940	11,988	62,928
Total comprehensive income for the period	—	—	—	—	—	—	17,904	33,036	164,949	215,889	32,678	248,567
Balance as of 30 June 2021	2,219	500,378	39,944	1,850	57,290	—	(896)	(703,034)	2,048,399	1,946,150	136,558	2,082,708
Profit for the period	—	—	—	—	—	—	—	—	210,784	210,784	35,322	246,106
Other comprehensive income/(loss)	—	—	—	—	4,884	—	(3,691)	29,766	—	30,959	(2,404)	28,555
Total comprehensive income/(loss) for the period	—	—	—	—	4,884	—	(3,691)	29,766	210,784	241,743	32,918	274,661
Own shares acquired (Note 2)	—	—	—	—	—	(50,786)	—	—	—	(50,786)	—	(50,786)
Balance as of 30 September 2021	2,219	500,378	39,944	1,850	62,174	(50,786)	(4,587)	(673,268)	2,259,183	2,137,107	169,476	2,306,583

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 Cash Flows

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 30 September 2021	3 months ended 30 September 2020
Operating activities:			
Profit before income tax		248,051	236,171
Adjustments for:			
Amortization and depreciation		33,439	23,978
Finance costs, net		26,497	31,348
Change in loss allowance for expected credit losses on trade and other receivables	18	1,061	32
Other accruals		415	(649)
(Gain)/Loss on disposal of property, plant and equipment		(716)	436
Net foreign exchange loss/(gain)		7,096	(1,397)
Write-offs and (reversal)/impairment loss		(2,337)	—
Net change in fair value of biological assets and agricultural produce	9	(84,558)	(106,722)
Gain on sales of subsidiaries	6	—	(1,249)
Net (gain)/loss arising on financial assets classified as at fair value through profit or loss		(37,029)	6,808
Operating profit before working capital changes		191,919	188,756
Changes in working capital:			
Change in trade and other accounts receivable ¹		111,719	(49,690)
Change in prepayments and other current assets		6,314	7,831
Change in restricted cash balance		38	1,909
Change in taxes recoverable and prepaid		(21,665)	(33,642)
Change in biological assets		131,856	117,540
Change in inventories		(406,445)	(276,292)
Change in trade accounts payable		43,916	65,405
Change in advances from customers and other current liabilities		(24,059)	7,808
Cash generated from operations		33,593	29,625
Interest paid		(23,669)	(24,363)
Interest received		3,075	1,828
Income tax paid		(4,696)	(7,251)
Net cash generated by/(used in) operating activities		8,303	(161)
Investing activities:			
Purchase of property, plant and equipment		(50,373)	(52,924)
Proceeds from disposal of property, plant and equipment		1,285	872
Payment for lease agreements		(624)	(538)
Purchase of intangible and other non-current assets		(1,128)	(960)
Disposal of subsidiaries	6	—	1,446
Amount advanced for subsidiaries		622	—
Amount advanced to related parties		(13,390)	(1,887)
Proceeds from return of loans by related parties		2,619	17,700
Purchase of financial assets		(40,966)	—
Net cash used in investing activities		(101,955)	(36,291)
Financing activities:			
Proceeds from borrowings		126,093	116,673
Repayment of borrowings		(12,358)	(32,443)
Repayment of lease liabilities		(8,995)	(19,015)
Repurchase of treasury shares	2	(50,786)	—
Net cash generated by financing activities		53,954	65,215
Effects of exchange rate changes on the balance of cash held in foreign currencies		(397)	(1,325)
Net (decrease)/increase in cash and cash equivalents		(40,095)	27,438
Cash and cash equivalents, at the beginning of the period	7	573,850	367,204
Cash and cash equivalents, at the end of the period	7	533,755	394,642

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 Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (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. All the Group's manufacturing facilities are 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		
			30 September 2021	30 June 2021	30 September 2020
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%	100.0%
Avere Commodities SA		Switzerland	60.0%	60.0%	60.0%
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnoe OEP LLC		Ukraine	100.0%	100.0%	100.0%
Kropyvnytskyi OEP PJSC		Ukraine	99.2%	99.2%	99.2%
BSI LLC		Ukraine	100.0%	100.0%	100.0%
Prydniprovskiy OEP LLC		Ukraine	100.0%	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services.	Cyprus	100.0%	100.0%	100.0%
Transgrainterminal LLC		Ukraine	100.0%	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.1%	94.1%	94.0%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%	100.0%
Bilovodskiy KHP PJSC		Ukraine	91.12%	91.12%	91.12%
Hliborob LLC		Ukraine	100.0%	100.0%	100.0%
Prydniprovskiy Kray ALLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%	100.0%
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 consolidated financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 24 November 2021.

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 30 September 2021, 30 June 2021 and 31 September 2020 consisted of 84,031,230 ordinary electronic shares without indication of the nominal value, respectively. Ordinary shares have equal voting rights and rights to receive dividends.

The shares were distributed as follows:

	As of 30 September 2021		As of 30 June 2021		As of 30 September 2020	
	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%	32,903,278	39.16%
Free float	47,900,952	57.00%	51,127,952	60.84%	51,127,952	60.84%
Own shares purchased during the period	3,227,000	3.84%	—	—	—	—
Total	84,031,230	100.00%	84,031,230	100.00%	84,031,230	100.00%

As of 30 September 2021, 30 June 2021 and 30 September 2020, 100% of the beneficial interest in the Major Equity Holder was held by Andrii Mykhailovych Verevskyi (hereinafter the 'Beneficial Owner').

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

On 24 September 2021, as the result of a share buy-back program, the Group purchased the Company's equity instruments (3,227,000 shares constituting 3.84% of the total share capital) paying the consideration equal USD 50,786 thousand, including any directly attributable incremental costs. Shares held by the Group are disclosed as treasury shares and deducted from equity.

As of 30 September 2021, the fair value of the share-based options granted to the management was USD 1,850 thousand (30 September 2020: USD 4,624 thousand). No expenses were recognized (part of payroll and payroll related expenses) for both respective periods, since all the existing options have been already vested.

3. Summary of Significant Accounting Policies

Basis of Preparation and Accounting

The consolidated interim financial statements of the Group for the three months ended 30 September 2021 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.

The consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment for oilseeds processing segment, assets held for sale, biological assets, agricultural produce and certain financial assets and liabilities - measured at fair value. The consolidated interim financial statements have been prepared on a going concern basis.

The Group's Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group's Subsidiaries' accounts under local accounting regulations, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Adoption of New and Revised Standards

At the date of authorization of these consolidated interim financial statements, the following standards and interpretations, as well as amendments to the standards had been adopted:

Standards and Interpretations	Effective for annual period beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest rate Benchmark Reform	1 January 2021
Amendment to IFRS 16: COVID-19 Related rent Concession beyond 30 June 2021	1 April 2021

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

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.

The Group decided to change the functional currency for subsidiaries that provide transshipment services from UAH to USD starting from 1 July 2021. Based on IAS 21, the Group determined that due to changes in Group's strategy that limited the degree of autonomy of subsidiaries' operations and other primary and secondary factors for determining the functional currency, the change meets the requirements of this standard.

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 30 September 2021	Average rate for the 3 months ended 30 September 2021	Closing rate as of 30 September 2020	Average rate for the 3 months ended 30 September 2020
USD/UAH	26.5760	26.9110	28.2989	27.5996
USD/EUR	0.8618	0.8481	0.8540	0.8558
USD/PLN	3.9925	3.8727	3.8658	3.8020

The average exchange rates for each period are calculated as the arithmetic mean of the exchange rates for all trading days during this period.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

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 condensed consolidated interim financial statements as of 30 September 2020 and for the period then ended to conform to the current period's presentation.

Certain corrections and reclassifications have been made to the condensed consolidated interim financial statements as of 30 September 2020 and for the period then ended in order to achieve comparability with the presentation used in the condensed consolidated interim financial statements for the three months ended 30 September 2021 and for the better understanding of users of the financial and non-financial assets and liabilities in the consolidated statement of financial position. As a result of identified corrections and reclassifications, the Group made changes to the presentation of consolidated statement of financial position as of 30 September 2020 by presenting separately Non-current financial assets in the amount of USD 56,295 thousand that was previously presented as Other non-current assets, by presenting other financial assets in the amount of USD 19,695 thousand as Other financial assets that was previously presented as Prepayments to suppliers and other current assets and presenting other financial liabilities in the amount of USD 100,224 thousand as Other financial liabilities that was previously presented as Advances from customers and other current liabilities.

4. Operating Segments

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

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

The Group is presenting its segment results within three business segments: Oilseed Processing, Infrastructure and Trading, and Farming.

Presentation of the operating segments' activities is as follows:

Operating segments	Activities
Oilseed Processing	Sunflower seed origination and sunflower oil production. Sales of bottled and bulk sunflower oil.
Infrastructure and Trading	Sourcing and merchandising of wholesale edible oils, 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, bonds, 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, bonds, 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.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

5. Key Data by Operating Segment

Key data by operating segment for the three months ended 30 September 2021:

	Oilseed Processing	Infrastructure and Trading	Farming	Other ¹	Reconciliation	Continuing operations
Revenue (external)	214,747	1,120,737	7,545	—	—	1,343,029
Intersegment sales	149,813	9,427	138,317	—	(297,557)	—
Total revenue	364,560	1,130,164	145,862	—	(297,557)	1,343,029
Net change in fair value of biological assets and agricultural produce	—	—	84,558	—	—	84,558
Other operating income/(expenses), net	4,318	(12,143)	3,488	64	—	(4,273)
Profit/(Loss) from operating activities	7,364	111,265	187,570	(24,244)	—	281,955
Finance costs, net	—	—	—	—	—	(26,497)
Foreign exchange loss, net	—	—	—	—	—	(8,165)
Other income, net	—	—	—	—	—	758
Income tax expenses	—	—	—	—	—	(1,945)
Profit for the period from continuing operations	—	—	—	—	—	246,106
Total assets	1,320,764	1,735,573	1,110,513	187,013	—	4,353,863
Capital expenditures	23,005	9,248	39,274	925	—	72,452
Amortization and depreciation	7,303	5,945	19,337	854	—	33,439
Liabilities	83,622	282,092	398,944	1,282,622	—	2,047,280

Key data by operating segments for the three months ended 30 September 2020:

	Oilseed Processing	Infrastructure and Trading	Farming	Other ¹	Reconciliation	Continuing operations
Revenue (external)	129,113	803,803	7,345	—	—	940,261
Intersegment sales	164,358	7,065	82,182	—	(253,605)	—
Total revenue	293,471	810,868	89,527	—	(253,605)	940,261
Net change in fair value of biological assets and agricultural produce	—	—	106,722	—	—	106,722
Other operating (expenses)/income, net	(1,068)	17,527	1,290	702	—	18,451
Profit/(Loss) from operating activities	25,749	105,539	147,891	(13,202)	—	265,977
Finance costs, net	—	—	—	—	—	(31,348)
Foreign exchange gain, net	—	—	—	—	—	2,118
Other expenses, net	—	—	—	—	—	(576)
Income tax expenses	—	—	—	—	—	(2,786)
Profit for the period from continuing operations	—	—	—	—	—	233,385
Total assets	1,353,253	1,194,175	872,921	79,839	—	3,500,188
Capital expenditures	24,012	15,858	30,807	598	—	71,275
Amortization and depreciation	5,130	5,725	12,635	488	—	23,978
Liabilities	136,140	165,069	359,757	1,171,090	—	1,832,056

Allocated revenue of promised goods and services by operating segment for the three months ended 30 September under requirements IFRS 15 was as follows:

	For the 3 months ended 30 September 2021				For the 3 months ended 30 September 2020			
	Oilseed Processing	Infrastructure and Trading	Farming	Continuing Operations	Oilseed Processing	Infrastructure and Trading	Farming	Continuing operations
Revenue from sales of commodities	204,292	1,062,714	7,545	1,274,551	122,435	776,292	7,345	906,072
Freight and other services	10,455	58,023	—	68,478	6,678	27,511	—	34,189
Total external revenue from contracts with customers	214,747	1,120,737	7,545	1,343,029	129,113	803,803	7,345	940,261

During the three months ended 30 September 2021, revenues of approximately USD 189,049 thousand (three months ended 30 September 2020: USD 75,606 thousand) are derived from a single external customer. These revenues are attributed to Infrastructure and Trading segments. Also, during that period, export sales amounted to 95.8% of total external sales (the three months ended 30 September 2020: 96.0%).

For the three months ended 30 September 2021, revenue from the Group's top five customers accounted for approximately 36.1% of total revenue (for the three months ended 30 September 2020, revenue from the top five customers accounted for 29.5% of total revenue).

¹ Income, expenses, assets and liabilities unallocated to any segment, included in the 'Other' line

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

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.

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

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 3 months ended 30 September 2021		As of and for the 3 months ended 30 September 2020	
	Revenue from external customers	Non-current assets	Revenue from external customers	Non-current assets
Switzerland	1,147,148	2,788	336,820	3,315
Ukraine	107,193	1,707,935	580,088	1,554,738
USA	88,688	405	23,353	480
Other locations	—	350	—	380
Total	1,343,029	1,711,478	940,261	1,558,913

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

6. Acquisition and Disposal of Subsidiaries

No entities were acquired during the three months ended 30 September 2021 and 2020.

Besides, no entities were disposed during the three months ended 30 September 2021.

During the three months ended 30 September 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.

7. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 September 2021	As of 30 June 2021	As of 30 September 2020
Cash in banks in USD	504,291	554,493	380,642
Cash in banks in UAH	6,195	2,821	3,796
Cash in banks in other currencies	23,343	16,717	10,223
Cash on hand	8	9	6
Total	533,837	574,040	394,667
Less restricted and blocked cash on security bank accounts	(52)	(90)	—
Less bank overdrafts (Note 13)	(30)	(100)	(25)
Cash for the purposes of cash flow statement	533,755	573,850	394,642

8. Inventory

The balances of inventories were as follows:

	As of 30 September 2021	As of 30 June 2021	As of 30 September 2020
Raw materials	236,056	68,829	355,648
Goods for resale	234,533	64,733	78,237
Finished products	149,642	173,003	83,796
Products of agriculture	42,829	7,647	30,598
Work in progress	14,071	2,448	11,142
Fuel	8,519	3,700	5,212
Packaging materials	1,616	1,631	1,287
Other inventories	9,605	10,036	8,626
Total	696,871	332,027	574,546

As of 30 September 2021, raw materials mostly consisted of sunflower seed stock in the amount of USD 181,259 thousand (as of 30 June 2021 and 30 September 2020: USD 42,513 thousand and USD 306,709 thousand, respectively).

As of 30 September 2021, finished goods mostly consisted of sunflower oil sold in bulk in the amount of USD 99,239 thousand (as of 30 June 2021 and 30 September 2020: USD 129,562 thousand and USD 63,264 thousand, respectively).

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

As of 30 September 2021, write-downs of inventories to net realizable value amounted to USD 5,242 thousand (30 September 2020: USD 121 thousand) and were recognized as an expense within the line "Cost of sales".

As of 30 September 2021, inventory balances in the amounts of USD 319,409 thousand (as of 30 June 2021 and 30 September 2020: USD 92,382 thousand and USD 122,453 thousand, respectively) were pledged as security for short-term borrowings (Note 13).

9. Biological Assets

The balances of biological assets were as follows:

	As of 30 September 2021	As of 30 June 2021	As of 30 September 2020
Non-current assets			
Non-current cattle	6,425	7,225	6,467
Total	6,425	7,225	6,467
Current assets			
Crops in fields	382,477	375,095	220,066
Current cattle	1,600	1,549	1,444
Total	384,077	376,644	221,510

The following table represents the changes in the carrying amounts of crops in fields during the three months ended 30 September 2021 and 2020:

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2020	210,135	40,537	250,672
Expenditures capitalized in biological assets (harvest and sowing under harvest 2020)	75,865	—	75,865
Decrease due to harvest (harvest 2020)	(148,296)	(45,425)	(193,721)
Gain arising from changes in fair value biological assets (sowing under harvest 2020)	—	99,630	99,630
Exchange difference	(10,039)	(2,341)	(12,380)
As of 30 September 2020	127,665	92,401	220,066
As of 30 June 2021	205,424	169,671	375,095
Expenditures capitalized in biological assets (harvest and sowing under harvest 2021)	52,123	—	52,123
Decrease due to harvest (harvest 2021)	(90,744)	(92,006)	(182,750)
Gain arising from changes in fair value biological assets (sowing under harvest 2021)	—	129,637	129,637
Exchange difference	4,076	4,296	8,372
As of 30 September 2021	170,879	211,598	382,477

For the three months ended 30 September 2021, gain in the Net change in the fair value of biological assets and agricultural produce of USD 84,558 thousand introduced in the Interim Condensed Consolidated Statement of Profit or Loss (for the three months ended 30 September 2020: gain USD 106,722 thousand) mainly reflects the revaluation of crops in fields balances to its fair value. The change in the revaluation of biological assets is still driven by growth of market prices with the steadily high demand and revised yields for crops in the fields.

10. Other financial assets

The balances of other financial assets were as follows:

	As of 30 September 2021	As of 30 June 2021	As of 30 September 2020
Margin account with brokers	172,498	119,376	31,055
Derivative financial instruments	125,089	130,480	109,204
Corporate and government bonds held for trading	41,040	6,532	1,002
Short-term bank deposits	10,139	3,680	—
Other financial assets	31,964	34,088	19,695
Total	380,730	294,156	160,956

11. Property, Plant and Equipment, net

During the three months ended 30 September 2021, the Group acquired property, plant and equipment in the amount of USD 47,478 thousand (30 September 2020: USD 53,337 thousand). These purchases were related mainly to the construction of an oilseed-crushing plant for both periods.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

The increase in property, plant and equipment in the amount of USD 6,107 thousand resulted from the revaluation of the Ukrainian hryvnia during the three months ended 30 September 2021 (30 September 2020: decrease USD 19,906 thousand as a result of devaluation of the Ukrainian hryvnia).

During the three months ended 30 September 2021, depreciation of property, plant and equipment amounted USD 19,962 thousand (as of 30 September 2020: USD 17,406 thousand).

As of 30 September 2021, the Group had CIP and uninstalled equipment amounted to USD 214,946 thousand, which is mostly related to the construction of an oilseed-crushing plant (30 September 2020: USD 336,742 thousand, mostly related to the construction of an oilseed-crushing plant and a port terminal).

As of 30 September 2021, property, plant and equipment with a carrying amount of USD 313,698 thousand (as of 30 June 2021 and 30 September 2020: USD 316,867 thousand and USD 252,517 thousand, respectively) were pledged by the Group as collateral against short-term and long-term bank borrowings (Notes 13, 14).

As of 30 September and 30 June 2021, property, plant and equipment, which was previously 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 (30 September 2020: USD 27,479 thousand), was released from pledge as a result of full repayment for the acquisition during the year ended 30 June 2021.

12. Right-of-use assets

During the three months ended 30 September 2021, the right-of-use assets increased by USD 23,845 thousand as a result of the change in terms and new additions (30 September 2020: USD 16,959 thousand). The increase in right-of-use assets in the amount of USD 8,090 thousand resulted from the revaluation of the Ukrainian hryvnia during the three months ended 30 September 2021 (30 September 2020: decrease USD 18,927 thousand as a result of devaluation of the Ukrainian hryvnia). For the three months ended 30 September 2021, depreciation charge on right-of-use assets in the amount of USD 10,689 thousand (30 September 2020: USD 4,074 thousand) was recognized as an expense within the line "Cost of sales" in the statement of profit or loss. Depreciation in the amount of USD 11,042 thousand (30 September 2021: USD 7,947 thousand) was accumulated in biological assets.

13. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 September 2021	As of 30 June 2021	As of 30 September 2020
Bank credit lines	132,591	12,424	69,269
Interest accrued on long-term borrowings	1,081	1,070	1,160
Interest accrued on short-term borrowings	330	294	229
Bank overdrafts (Note 7)	30	100	25
Total	134,032	13,888	70,683

The balances of short-term borrowings as of 30 September 2021 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	6.50%	UAH	October 2021	46,941
Ukrainian subsidiary of European bank	7.30%	UAH	October 2021	19,341
Ukrainian subsidiary of European bank	8.25%	UAH	October 2021	16,199
Ukrainian subsidiary of European bank	7.55%	UAH	October 2021	15,427
Ukrainian subsidiary of European bank	2.00%	USD	October 2021	15,000
Ukrainian subsidiary of European bank	8.00%	UAH	October 2021	12,679
Ukrainian subsidiary of European bank	1.90%	USD	October 2021	7,000
Ukrainian subsidiary of European bank	8.50%	UAH	October 2021	34
Total bank credit lines				132,621
Interest accrued on long-term borrowings				1,081
Interest accrued on short-term borrowings				330
Total				134,032

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

The balances of short-term borrowings as of 30 June 2021 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+2.45%	USD	July 2021	6,329
Ukrainian subsidiary of European bank	6.50%	UAH	July 2021	5,887
Ukrainian subsidiary of European bank	Libor+4.50%	USD	August 2021	308
Total bank credit lines				12,524
Interest accrued on long-term borrowings				1,070
Interest accrued on short-term borrowings				294
Total				13,888

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+2.45%	USD	October 2020	21,699
European bank	Libor+1.90%	USD	February 2021	19,063
European bank	Libor+2.50%	USD	June 2021	13,468
Ukrainian subsidiary of European bank	6.50%	UAH	October 2020	11,096
European bank	Libor+2.00%	USD	October 2020	2,735
Ukrainian subsidiary of European bank	Libor+4.50%	USD	August 2021	1,233
Total bank credit lines				69,294
Interest accrued on long-term borrowings				1,160
Interest accrued on short-term borrowings				229
Total				70,683

As of 30 September 2021, undrawn short-term bank credit lines amounted to USD 977,861 thousand (as of 30 June 2021 and 30 September 2020: USD 804,575 thousand and USD 906,291 thousand, respectively).

Short-term borrowings from banks were secured as follows:

	As of 30 September 2021	As of 30 June 2021	As of 30 September 2020
Assets pledged			
Inventory (Note 8)	319,409	92,382	122,453
Future sales receipts	255,708	106,691	44,022
Total	575,117	199,073	166,475

14. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 September 2021	As of 30 June 2021	As of 30 September 2020
Long-term bank borrowings	245,087	249,455	236,093
Current portion of long-term borrowings	(23,276)	(21,715)	(10,007)
Total	221,811	227,740	226,086

The balances of long-term borrowings as of 30 September 2021 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	45,455
European bank	Libor+4.50%	USD	May 2027	44,160
European bank	Libor+2.80%	USD	October 2029	20,000
European bank	Libor+2.77%	USD	December 2030	19,000
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	11,404
European bank	Libor+2.84%	USD	September 2029	7,848
European bank	Libor+1.00%	USD	May 2027	7,360
Total				245,087

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

The balances of long-term borrowings as of 30 June 2021 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	46,970
European bank	Libor+4.50%	USD	May 2027	46,080
European bank	Libor+2.80%	USD	October 2029	20,000
European bank	Libor+2.77%	USD	December 2030	19,000
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	11,772
European bank	Libor+2.84%	USD	September 2029	8,093
European bank	Libor+1.00%	USD	May 2027	7,680
Total				249,455

The balances of long-term borrowings as of 30 September 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	8,093
European bank	Libor+1.00%	USD	May 2027	8,000
Total				236,093

As of 30 September 2021, undrawn long-term bank borrowings amounted to USD 50,907 thousand (as of 30 June 2021 and 30 September 2020: USD 50,907 thousand and USD 69,907 thousand, respectively).

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

Assets pledged	As of 30 September 2021	As of 30 June 2021	As of 30 September 2020
Property, plant and equipment (Note 11)	313,698	316,867	252,517
Total	313,698	316,867	252,517

15. Bonds issued

The balances of bonds issued were as follows:

	Maturity	As of 30 September 2020	As of 30 June 2021	As of 30 September 2020
US 300,000 thousand 6.50% coupon bonds	October 2024	297,207	296,951	296,472
US 300,000 thousand 6.75% coupon bonds	October 2027	297,194	296,991	—
US 500,000 thousand 8.75% coupon bonds	January 2022	212,769	212,495	497,887
Total		807,170	806,437	794,359

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

The bonds 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.

As of 30 September and 30 June 2021, bonds with maturity date in January 2022 (carrying value as of 30 September and 30 June 2021: USD 212,769 thousand and USD 212,495 thousand, respectively) were reclassified from non-current to current liabilities.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

16. Revenue

The Group's revenue was as follows:

	3 months ended 30 September 2021	3 months ended 30 September 2020
Revenue from agriculture commodities merchandizing	713,246	500,838
Revenue from edible oils sold in bulk, meal and cake	564,415	395,142
Revenue from bottled sunflower oil	51,578	33,154
Revenue from farming	7,545	7,345
Revenue from transshipment services	5,338	2,887
Revenue from grain silo services	907	895
Total	1,343,029	940,261

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.

The transaction price allocated to unsatisfied performance obligations as of 30 September 2021 is USD 1,776 thousand (30 September 2020: USD 7,654 thousand). This amount represents revenue from carriage, freight and insurance services under CIF/CFR Incoterms contracts which are to be executed in October 2021, when the goods are delivered to the point of destination and under which the Group has already recognized revenue from sale of goods at a point in time as of 30 September 2021.

For the three months ended 30 September 2021, revenue was increased by USD 4,358 thousand (30 September 2020: USD 27,883 thousand decrease) for mark-to-market movements on the remeasurement of realized physical forward sales contracts. This result is attributed to revenue from edible oils sold in bulk, meal and cake in the amount of USD 1,483 thousand and revenue from agriculture commodities merchandizing in the amount USD 2,875 thousand (30 September 2020: decrease in the amount of USD 22,868 thousand and USD 5,015 thousand, respectively).

17. Cost of Sales

Cost of sales was as follows:

	3 months ended 30 September 2021	3 months ended 30 September 2020
Cost of goods for resale and raw materials used	956,738	639,315
Shipping and handling costs	89,630	80,830
Amortization and depreciation	31,679	22,915
Payroll and payroll related costs	15,165	16,997
Rental payments	439	2,197
Other operating costs	3,947	2,803
Total	1,097,598	765,057

For the period ended 30 September 2020, presentation of Cost of sales was changed (Note 18).

18. General and Administrative Expenses

General and administrative expenses were as follows:

	3 months ended 30 September 2021	3 months ended 30 September 2020
Payroll and payroll related costs	31,205	25,308
Audit, legal and other professional fees	2,184	2,017
Repairs and material costs	1,964	1,815
Amortization and depreciation	1,683	872
Bad debts expenses	1,061	32
Business trip expenses	885	78
Taxes other than income tax	809	764
Bank services	704	586
Communication expenses	514	505
Expense relating to leases of low-value assets	306	778
Other expenses	2,446	1,645
Total	43,761	34,400

The Group changed presentation of General and administrative expenses and included brokerage services in the amount USD 1,860 thousand for the period ended 30 September 2020 into the Cost of sale line. This revision was applied due to the changes in the policy of recognition operations with commodity futures and options within Cost of sales.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

19. Transactions with Related Parties

Related parties are the Beneficial Owner and companies under control of the Beneficial Owner, the Group's key management personnel, entities under Key Management control and other related parties - companies with indirect relations (which controlled by related parties of the Group) and entities with a significant influence by other employees (excluding Beneficial Owner and Key Management).

The Group had the following balances outstanding with related parties from sales or purchases of goods and services:

Related party	Balance sheet line	Related party balances as of 30 September 2021	Related party balances as of 30 June 2021	Related party balances as of 30 September 2020
Entities under Beneficial Owner control	Trade accounts receivable, net	130	7	138
	Prepayments to suppliers and other current assets, net	10,411	—	1,474
	Other financial assets	10,110	12,037	2,274
	Non-current financial assets	19,702	11,460	17,267
	Trade accounts payable	14,005	9,644	6
Key management	Advances from customers and other current liabilities	1,162	998	—
	Other financial assets	170	120	369
	Non-current financial assets	1,668	189	—
Entities under Key management control	Advances from customers and other current liabilities	32,183	27,383	10,256
	Prepayments to suppliers and other current assets, net	73	243	243
	Other financial assets	943	769	8
	Non-current financial assets	19,942	19,704	19,760
	Trade accounts payable	138	170	138
Other related parties	Advances from customers and other current liabilities	—	273	—
	Other financial liabilities	1,749	—	344
	Trade accounts receivable, net	651	762	571
	Prepayments to suppliers and other current assets, net	871	5	289
	Other financial assets	3,687	3,277	2,757
	Non-current financial assets	8,490	6,331	2,569
	Trade accounts payable	438	297	301
	Advances from customers and other current liabilities	625	1,090	1,671

Transactions with related parties are performed on terms equivalent to those that prevail in arm's length transactions. The amount of outstanding balances is unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. Loans provided at rates comparable to the average commercial rate of interest.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Transactions with related parties were as follows:

Related party	Statement of Profit and Loss line	Related party turnovers for the 3 months ended 30 September 2021	Related party turnovers for the 3 months ended 30 September 2020
Entities under Beneficial Owner control	Revenue	131	81
	Cost of sales	(4,432)	(835)
	Finance income, net	261	427
	Other income, net	13	33
Key management	General and administrative expenses	(6,459)	(4,764)
	Financial costs, net	(56)	—
Entities under Key Management control	Finance income/(costs), net	273	(46)
Other related parties	Revenue	80	69
	Cost of sales	(1)	(43)
	General and administrative expenses	(163)	(165)
	Financial income, net	252	96
	Other income, net	376	20

The Group key management personnel are the members of the Board of Directors and management team. The remuneration of Directors and other members of key management personnel recognized in the consolidated statement of profit and loss and other comprehensive income including salaries and other current employee benefits amounted to USD 6,561 thousand (30 September 2020: USD 4,872 thousand). Members of the Board of Directors and management team are not granted any pensions, retirement, or other long-term benefits by the Group.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

20. Commitments and Contingencies

Operating Environment

Since 2016, the Ukrainian economy has demonstrated signs of stabilization after years of political and economic tension. In accordance with the current observation, it is expected that the inflation trend will reverse from current 9%, and the rate will decline to its 5% target and stay close to it going forward thanks to low base effects, favorable foreign exchange market conditions, and this year's record harvest. Ukraine's real GDP will rise by 3.1% by the end of the 2021 calendar year. Overall, the Ukrainian hryvnia has significantly strengthened against foreign currencies (approximate raise of 7% against USD since the beginning of the 2021 calendar year). The foreign exchange market was marked by appreciation pressures throughout September, despite a decrease in hryvnia domestic government debt securities held by non-residents. The main sellers of foreign currency were agricultural businesses, the metals-and-mining sector, and large state-owned companies.

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. The discount rate was further decreased during 2020, with 6.0% valid from 12 June 2020 till 5 March 2021. Since 5 March 2021 it is started increasing to current 8.5% from 10 September 2021. Under the baseline scenario, the NBU will maintain discount rate no lower than 8.5% at least to the third quarter of 2022 rather than until the second quarter, as was expected in July 2021.

The degree of macroeconomic uncertainty in Ukraine in 2020 still remains 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. In October 2021, Ukraine has reached a staff-level agreement with the International Monetary Fund (the "IMF"). This has opened the way for the first revision of the Stand-by Arrangement by the IMF Executive Board, and for consideration of the request for the program to be continued. The implementation of the existing Stand-by Arrangement will ensure the receipt of official financing in 2021–2022 and provide better terms of external borrowing, while also supporting foreign investors' interest in hryvnia assets. Further economic growth in Ukraine significantly depends, to a large extent, upon success of the Ukrainian government in realization of planned structural reforms and effective cooperation with IMF.

Fitch's current rating of Ukraine's Long-Term Foreign- revised from stable to positive in August 2021, while Ukraine's Local-Currency Issuer Default Ratings was stated as "B" with stable outlook since April 2020.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization 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. Higher prevalence of disease due to the low vaccination rollout in Ukraine could lead to a stricter lockdown and a more significant slowdown in economic activity. However, in contrast to the quarantine imposed last year, this time supply will be more affected than demand, which could increase pro-inflationary pressures.

Capital Commitments

As of 30 September 2021, the Group had commitments under contracts with a group of suppliers for a total amount of USD 62,736 thousand, mostly for the construction of an oilseed-crushing plant (30 June 2021 and 30 September 2020: USD 50,062 thousand and USD 57,231 thousand, respectively, mostly for the construction of an oilseed-crushing plant and a port terminal).

Contractual Commitments on Sales

As of 30 September 2021, the Group had entered into commercial contracts for the export of 4,115,359 tons of grain, 354,196 tons of sunflower oil and 474,769 tons of sunflower meal and other related products, corresponding to an amount of USD 1,032,755 thousand, USD 374,031 thousand and USD 169,557 thousand, respectively, in contract prices as of the reporting date.

As of 30 September 2020, the Group had entered into commercial contracts for the export of 1,769,839 tons of grain, 494,632 tons of sunflower oil and 668,939 tons of sunflower meal and other related products, corresponding to an amount of USD 340,535 thousand, USD 417,915 thousand and USD 155,685 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 Stiomi Holding, a farming company located in the Khmelnytskyi region of Ukraine. As of 30 September 2021, the consideration paid for Stiomi 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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

the sellers. The Group submitted several claims to the sellers (the "Stiomi Sellers") in respect of the non-fulfilment of the Stiomi Sellers' obligations. In December 2012, the Group received a request for arbitration from the Stiomi Sellers in which the Stiomi 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 Stiomi 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 Stiomi Seller's claims for interest due. In Switzerland, the Stiomi Sellers have obtained attachment orders against certain bank accounts of the Group. In Luxembourg, the Stiomi Sellers have initiated attachment proceedings to put in place conservatory measures against Kernel's bank accounts. Furthermore, former counsel to the Stiomi Sellers has also obtained an attachment order against the Group, which prevents the Group from paying any amounts to the Stiomi Sellers until the attachment order is lifted. Finally, a third party brought claims in Swiss courts asserting that one of the Stiomi Seller's claims has been assigned to them, which the Stiomi 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 Stiomi Sellers, pending the resolution of these issues.

As of 30 June 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 36,764 thousand as of 30 September 2021 (30 June 2021 and 30 September 2020: USD 36,217 thousand and USD 34,594 thousand, respectively), and related expenses in the amount of USD 547 thousand were recognised within the three months ended 30 September 2021 (three months ended 30 September 2020: USD 557 thousand) and included within the line "Other expenses, net".

On 16 December 2020, the Stadnyk Parties (the Stiomi 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.

After 30 June 2021, the debt collection office informed Inerco Trade SA that certain intra-group loans due to Kernel Holding S.A. were attached. Accordingly, since the date of this notification receipt, these intragroup balances have remained non-movable.

Subsidiary of the Group is currently involved in several legal proceedings related to their investment in LLC Agrodom. In one of the proceedings the court of first and second instance ruled in favor of the subsidiary, and one is currently being considered by the court, and the Group expects decision on the dispute by the end of December 2021. Management assessed risks related to these cases as remote and not material for the consolidated financial statements.

As of 30 September 2021, 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 103,896 thousand (as of 30 June 2021 and 30 September 2020: USD 101,601 thousand and USD 23,403 thousand, respectively), from which USD 89,668 thousand related to VAT recoverability (as of 30 June 2021 and 30 September 2020: USD 87,687 thousand and USD 17,204 thousand, respectively), USD 13,885 thousand related to corporate income tax (as of 30 June 2021 and 30 September 2020: USD 13,578 thousand and USD 4,572 thousand, respectively) and USD 335 thousand related to other tax issues (as of 30 June 2021 and 30 September 2020: USD 328 thousand and USD 1,627 thousand, respectively).

As of 30 September 2021, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 22,192 thousand (as of 30 June 2021 and 30 September 2020: USD 21,702 thousand and USD 22,773 thousand, respectively), included in the abovementioned amount. Out of this amount, USD 4,609 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 2021 and 30 September 2020: USD 4,507 thousand and USD 1,815 thousand, respectively). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Ukraine's tax environment 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.

21. 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.

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

- 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:

	30 September 2021		30 June 2021		30 September 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities ¹						
Long-term borrowings (Note 14)	245,087	247,474	249,455	252,000	236,093	236,314
Bonds issued (Note 15)	827,588	857,931	821,790	869,180	810,334	823,025

For the three months ended 30 September 2021, 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% (2020: 2.82%) 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:

	30 September 2021			30 June 2021			30 September 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Other financial assets									
Physical forwards	—	73,058	73,058	—	63,257	63,257	—	75,109	75,109
Futures/Options	52,031	—	52,031	61,901	—	61,901	34,306	—	34,306
Derivatives held for hedging	—	—	—	—	5,322	5,322	—	—	—
Total	52,031	73,058	125,089	61,901	68,579	130,480	34,306	75,109	109,415
Other financial liabilities									
Physical forwards	—	46,176	46,176	—	92,592	92,592	—	55,144	55,144
Futures/Options	6,971	—	6,971	913	—	913	960	—	960
Derivatives held for hedging	—	5,111	5,111	—	253	253	—	12,485	12,485
Total	6,971	51,287	58,258	913	92,845	93,758	960	67,629	68,589

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

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

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 financial assets, trade accounts payable, other financial 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 financial assets and trade accounts payable, other financial liabilities are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the three months ended 30 September 2021, the fair value of non-current financial 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 three months ended 30 September 2021, the fair value of non-current financial assets recognized at FVTPL was estimated by market comparable approach that is within level 2 in the fair value hierarchy.

As of 30 September 2021, fair value of non-current financial assets 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 period.

¹ Including accrued interests

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2021 (in thousands of US dollars, unless otherwise stated)

22. Subsequent Events

On 21 October 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, where the total available limit was increased to USD 420 million. Additionally, the tenors of tranches were extended for one year: USD 250 million tranche was extended till 31 August 2024 and USD 170 million tranche was extended till 31 August 2023. Pre-export credit facility will be used by the Company to fund the working capital needs of its sunflower oil production business in Ukraine, including the procurement of oilseeds for new oil extraction plant, the final commissioning of which is scheduled for the spring 2022.

On 16 November 2021, the Company received a notification of major holdings about crossing the 5% threshold of voting rights by Lind Invest, which obtained 4,053,503 Company shares comprising 5.02% of voting rights.

On 19 November 2021, the Company announced that it is exercising its option to redeem all of the outstanding USD 500,000 thousand 8.75 per cent guaranteed notes due 2022 (herein "Notes") on 20 December 2021 (the "Call Settlement Date"). The Notes will be redeemed at a redemption price equal to 100 per cent. of Notes principal amount, plus the Make Whole Premium on the Issuer, plus accrued and unpaid interest to the Call Settlement Date.