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FY2022

# KERNEL

## Condensed Consolidated Interim Financial Statements

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for the six months ended 31 December 2021

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# Condensed Consolidated Interim Financial Statements

for the three and the six months ended 31 December 2021

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# Key Highlights

for the three and the six months ended 31 December 2021

## Financial highlights

- Consolidated **revenue** of Kernel Holding group of companies (hereinafter "Kernel", the "Company", or the "Group") in Q2 FY2022 increased by 42% y-o-y, to US\$ 1,882 million, primarily driven by growing grain export sales from Ukraine, attributable to both higher exported volumes and higher prices.
- EBITDA** of the Group in the same period added 9% y-o-y, reaching US\$ 293 million, with growth being driven by Farming and Oilseed Processing segments:
  - Supported by the significant margin recovery at the beginning of new season, **Oilseed Processing EBITDA** soared 2.5x y-o-y to US\$ 59 million;
  - Due to normalization of Avere contribution, **Infrastructure and Trading** segment EBITDA declined 21% y-o-y to US\$ 128 million. Of that, grain export value chain in Ukraine delivered a record quarterly EBITDA of US\$ 86 million driven by highest ever exported volumes and strong infrastructure margins;
  - Farming** segment EBITDA settled at US\$ 153 million in Q2 FY2022, up 43% y-o-y, driven by stronger sales volume and higher prices for crops produced in-house.
  - Unallocated corporate expenses** in Q2 FY2022 doubled y-o-y, to US\$ 47 million, with such growth being fully attributable to the one-off recognition of costs related to the put option agreements granted to the management as a part of the management incentive scheme approved by the extraordinary general meeting of shareholders held on 30 August 2021.
- Net profit attributable to shareholders** in Q2 FY2022 increased 49% y-o-y, to US\$ 190 million.
- Net debt** as of 31 December 2021 increased 24% y-o-y, to US\$ 1,551 million, mirroring the seasonal working capital accumulation, which was intensified by growing export volumes and higher grain and oilseed prices. Deducting the readily marketable inventories

("RMI") accumulated as of the end of the reporting period, **adjusted net debt** reduced 49% y-o-y, to US\$ 189 million, reflecting the actual deleveraging of the Group.

- Credit metrics confirm a **strong leverage profile** of the Company: Net-debt-to-EBITDA at the end of the reporting period stood at 1.6x, Adjusted-net-debt-to-EBITDA, reduced to 0.2x, and EBITDA-to-interest ratio improved to 8.3x.

## Corporate highlights

- On 10 December 2021, the annual General Meeting of Shareholders approved a dividend of US\$ 0.44 per share for the financial year ended June 30, 2021, which was paid on February 15, 2022. The dividend for the total payout amount of US\$ 34 million implies a 6.6% payout ratio.
- As a result of tender announced on 19 January 2022, the Company purchased 3,375,000 shares for a total amount of PLN 189,000,000 (PLN 56 price per one share) through its direct and wholly owned subsidiary. The purchased shares will have no dividend and voting rights. Following this transaction, Company's direct and wholly owned subsidiary accumulated 6,602,000 Company's shares, representing 7.86% of total number of shares issued.
- On 25 January 2022, the Company received a notification from Kopernik Global Investors, LLC about crossing the 5% threshold in the share capital of the Company.
- On 9 March 2022, the Company announced that it acquired 40% stake in Avere Commodities SA. Minority shareholders of Avere exercised their respective rights in accordance with Avere Shareholder Agreement to sell their stakes in Avere to the Company.
- On 12 March 2022, the Company received from Mr. Sergei Shibaev a written notice of his resignation from the Board of Directors of the Company. The resignation will become effective within 90 days following the receipt of the resignation notice.

US\$ million except ratios and EPS	Q2 FY2021	Q1 FY2022	Q2 FY2022	y-o-y	q-o-q	H1 FY2021	H1 FY2022	y-o-y
<b>Income statement highlights</b>								
Revenue	1,327	1,343	1,882	42%	40%	2,267	3,225	42%
EBITDA <sup>1</sup>	269	315	293	9%	(7%)	559	608	9%
Net profit attributable to equity holders of the Company	128	211	190	49%	(10%)	332	401	21%
EBITDA margin	20.2%	23.5%	15.6%	(4.7pp)	(7.9pp)	24.6%	18.9%	(5.8pp)
Net margin	9.6%	15.7%	10.1%	0.5pp	(5.6pp)	14.6%	12.4%	(2.2pp)
Earnings per share <sup>2</sup> , US\$	1.52	2.52	2.35	1.5x	(7%)	3.95	4.87	23%
<b>Cash flow highlights</b>								
Operating profit before working capital changes	217	192	276	27%	44%	405	468	15%
Change in working capital	(223)	(158)	(710)	3.2x	348%	(382)	(868)	2.3x
Finance costs paid, net	(43)	(21)	(42)	(2%)	2.0x	(65)	(63)	(4%)
Income tax paid	(5)	(5)	(5)	(12%)	1%	(13)	(9)	(25%)
Net cash used in operating activities	(55)	8	(481)	8.7x	n/a	(55)	(473)	8.6x
Net cash used in investing activities	(158)	(102)	(50)	(68%)	(51%)	(194)	(152)	(22%)
	31 Dec 2020	30 Sep 2021	31 Dec 2021	y-o-y	q-o-q			
<b>Liquidity and credit metrics</b>								
Net debt	1,247	1,014	1,551	24%	53%			
Readily marketable inventories <sup>3</sup>	877	580	1,362	55%	2.3x			
Adjusted net debt <sup>4</sup>	371	433	189	(49%)	(56%)			
Shareholders' equity	1,713	2,137	2,194	28%	3%			
Net debt / EBITDA <sup>5</sup>	1.6x	1.1x	1.6x	-0.0x	+0.5x			
Adjusted net debt / EBITDA <sup>5</sup>	0.5x	0.5x	0.2x	-0.3x	-0.3x			
EBITDA / Interest <sup>6</sup>	5.0x	7.0x	8.3x	+3.4x	+1.4x			

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

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

<sup>2</sup> EPS is measured in US Dollars per share based on 84.0 million shares for Q2 FY2021 and H1 FY2021; 83.8 million shares for Q1 FY2022; 80.8 million for Q2 FY2022; and H1 FY2022.

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

<sup>4</sup> Adjusted net debt is net debt less readily marketable inventories.

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

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

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

Information for the Q1 FY2022 is disclosed in the Condensed Consolidated Interim Financial Statements for 3 months ended 30 September 2021

# Segment Results and Discussion

for the three and the six months ended 31 December 2021

## Segment results summary

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons <sup>1</sup>			EBITDA margin, US\$/t <sup>2</sup>		
	Q2 FY2021	Q2 FY2022	Y-o-Y	Q2 FY2021	Q2 FY2022	Y-o-Y	Q2 FY2021	Q2 FY2022	Y-o-Y	Q2 FY2021	Q2 FY2022	Y-o-Y
Oilseed Processing	486	667	37%	24	59	2.5x	425	417	(2%)	56	142	2.5x
Infrastructure and Trading	1,107	1,648	49%	161	128	(21%)	2,395	3,483	45%	67	37	(45%)
Farming	213	277	30%	107	153	43%						
Unallocated corporate expenses				(23)	(47)	2.0x						
Reconciliation	(480)	(710)	48%									
<b>Total</b>	<b>1,327</b>	<b>1,882</b>	<b>42%</b>	<b>269</b>	<b>293</b>	<b>9%</b>						

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons <sup>1</sup>			EBITDA margin, US\$/t <sup>2</sup>		
	H1 FY2021	H1 FY2022	Y-o-Y	H1 FY2021	H1 FY2022	Y-o-Y	H1 FY2021	H1 FY2022	Y-o-Y	H1 FY2021	H1 FY2022	Y-o-Y
Oilseed Processing	780	1,032	32%	55	74	35%	722	637	(12%)	76	116	52%
Infrastructure and Trading	1,918	2,778	45%	272	245	(10%)	4,521	5,710	26%	60	43	(29%)
Farming	303	423	40%	267	359	34%						
Unallocated corporate expenses				(36)	(70)	2.0x						
Reconciliation	(734)	(1,007)	37%									
<b>Total</b>	<b>2,267</b>	<b>3,225</b>	<b>42%</b>	<b>559</b>	<b>608</b>	<b>9%</b>						

**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.

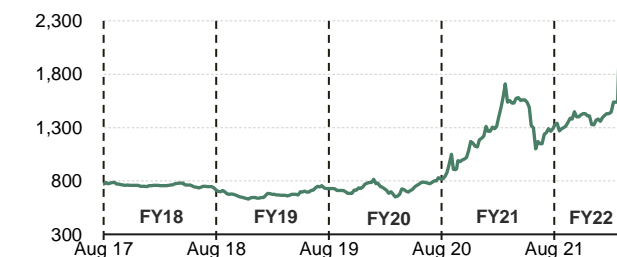
## Oilseed Processing

- **Industry environment** for the Oilseed Processing business **substantially improved** with the beginning of new marketing season:
  - Ukraine harvested a **record 17.2 million tons <sup>1</sup> crop of sunflower seeds** in autumn 2021, adding 3.6 million tons (+26%) y-o-y. The growth is driven by 1) the highest ever harvested acreage under sunflower as one of the most profitable crops for farmers in Ukraine and 2) close-to-record average crop yields supported by the favorable weather conditions over the season.
  - Sunflower oil / sunflower seed prices remained at multi-year highs which, on the one hand, supported the economics of farmers and crushers, but on the other hand made farmers reluctant to sell fast betting on further price increase.
  - As a result, **farmers** at the beginning of **this season were selling extremely slowly** given the profitable previous season and lower working capital pressure. This translated into 21% lower y-o-y sunflower seed stock accumulated by Kernel as of 31 Dec 2021 (0.8 million tons), and even larger 41% y-o-y reduction of sunflower oil contracted sales volumes as of 31 December 2021 (355 thousand tons).
- Slower than usual accumulation of feedstock for crushing resulted in 2% y-o-y **decline in sunflower seed processing volume** in Q2 FY2022, driving the similar 2% y-o-y decline in the **vegetable oil sales**, standing at 417 thousand tons.

- EBITDA margin for three months ended 31 December 2021 reached a multi-year high of US\$ 142 per ton of oil sold.
- As a result, **total segment EBITDA** amounted to US\$ 59 million in October-December 2021, representing a 2.5x growth y-o-y.
- Notwithstanding the fundamentally strong season, the Russian invasion of Ukraine initiated on 24 February 2022 created significant uncertainties about the business performance in FY2022.
- In Q2 FY2022 Group started power generation at two cogeneration heat and power plants with combined capacity of 27.6 MW, bringing the total number of facilities to four (44.2 MW total capacity).
  - At the same time, the war in Ukraine creates significant uncertainties about the commissioning of three additional CHPs together with a new 1-million-ton-per-year crushing facility in western Ukraine.

## Sunflower oil price

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

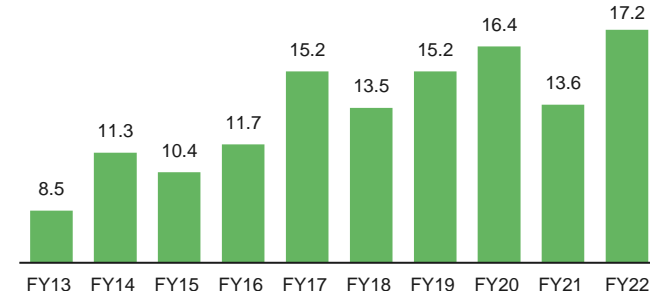


Source: Bloomberg

<sup>1</sup> Source: Kernel estimates

## Sunflower seed harvest in Ukraine

million tons



Source: Kernel estimates

# Segment Results and Discussion

for the three and the six months ended 31 December 2021

## Infrastructure and Trading

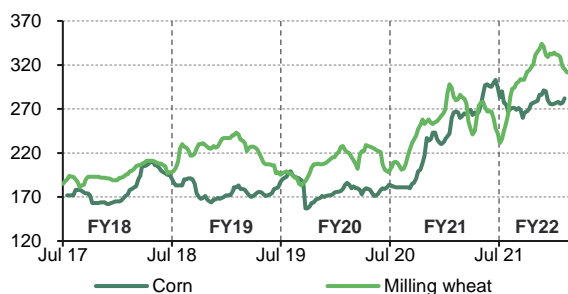
- **Market environment** for the Infrastructure and Trading segment was supportive at the beginning of the season:
  - Ukraine delivered a **record grain harvest** in the current season, estimated at 83 million tons for three key grains (corn, wheat, and barley), up 33% y-o-y<sup>1</sup>. Bumper crop boded well for segment volumes, but also increased the infrastructure capacities' utilization pushing up margins.
- Kernel **exported** 3.5 million tons of **grain from Ukraine** in Q2 FY2022, up 45% y-o-y, setting a new quarterly record. Grain originated from external suppliers constituted 59% of export volume, and the remaining was produced by Group's Farming segment.
  - Kernel market share in grain export from Ukraine during H1 FY2022 reached 17.5%<sup>2</sup>.
- Group's **export terminals** handled 3.0 million tons of goods in Q2 FY2022, up 25% y-o-y, driven by growing grain export volumes.
- Segment generated US\$ 128 million **EBITDA** in Q2 FY2022, down 21% y-o-y from a high comparison base due to normalization of trading business earnings. Avere reported US\$ 42 million EBITDA in October-December 2021, and grain export value chain in Ukraine booked a record high US\$ 86 million EBITDA owing to strong volumes, together with strong margins secured by grain railcars fleet and port transshipment business.
- Notwithstanding the good fundamentals, Russian invasion of Ukraine initiated on 24 February 2022 disrupted the usual way of doing business in Ukraine and created significant uncertainties about the current season outlook.

## Farming

- **Market fundamentals** for Farming business were advantageous at the beginning of the current season:
  - Despite weather-related concerns and delays with sowing and harvesting, we **achieved a record crop size** of 3.2 million tons for three key crops: corn, sunflower, and wheat. We achieved a largest in our history crop yield for wheat (6.1 tons per hectare) and a second largest for corn (9.3 tons per hectare), representing 26% and 17% y-o-y increase, respectively.
  - **Grain and oilseed prices** continued rally in FY2022, and we successfully captured such growth with proper hedging strategy. As of the end of February 2022, we eliminated most of the price risk for FY2022 segment earning, selling almost entirely the crop of FY2022 season, although some of the contracts with delivery starting March 2022 cannot be executed as ports have ceased operations.
  - At the same time, part of price-driven gain was neutralized by **cost inflation**, primarily due to the energy and land lease costs increase.
- Summarizing all impacts, Farming segment generated US\$ 359 million **EBITDA** in H1 FY2022 (or US\$ 248 million if excluding the net impact from revaluation of biological assets), of which US\$ 153 million was booked in Q2 FY2022.
- Our Farming division has planted 71 thousand hectares of winter wheat and 16 thousand hectares of winter rapeseed. Plantings are generally in good conditions without any above-average specific risks at current stage.
- The Company also intends to proceed with spring planting campaign, on 334 thousand hectares, not covering regions in northern Ukraine which are either not controlled by Ukraine or are adjacent to the frontline. Some crop inputs might not be available to the whole extent required (specifically crop protection agents), which is likely to result in a suboptimal crop production technology applied undermining crop yields.

### Ukraine grain export prices

US\$ per ton, FOB-Black Sea



Source: Bloomberg

### Harvesting update

	Acreage, thousand hectares			Net yield, tons / hectare		
	FY2021	FY2022	y-o-y	FY2021	FY2022	y-o-y
Corn	255.4	254.6	(0.3%)	8.0	9.3	16.6%
Sunflower	148.5	154.0	3.7%	3.0	3.0	0.9%
Wheat	73.1	64.3	(12.1%)	4.9	6.1	25.9%
Other	23.9	26.2	9.5%			
<b>Total</b>	<b>501.0</b>	<b>499.1</b>	<b>(0.4%)</b>			

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

### Segment volumes

metric tons	Q2 FY2021	Q2 FY2022	y-o-y
Oilseeds processed	1,001,292	985,472	(2%)
Sunflower oil sales	425,341	416,504	(2%)
Grain and oilseeds received in inland silos	2,379,387	3,043,400	28%
Export terminal throughput	2,382,860	2,984,992	25%
Grain export from Ukraine	2,395,343	3,483,124	45%

Differences are possible due to rounding.

<sup>1</sup> Source: Kernel estimates

<sup>2</sup> Source: Stark Research

# Financial Highlights

for the three and the six months ended 31 December 2021

## Income statement highlights

- Kernel **revenue** in Q2 FY2022 increased 42% y-o-y to US\$ 1.9 billion, mainly driven by growing grain export sales from Ukraine, attributable to both higher exported volumes and higher prices.
- **Net gain from revaluation of biological assets** amounted to US\$ 27 million in Q2 FY2022.
- **Cost of sales** in Q2 FY2022 increased 45% y-o-y, reaching US\$ 1.6 billion, with such growth being mostly attributable to increased volume and prices of grain and oilseeds Group originated in Ukraine.
- Consequently, **gross profit** for the last three months of 2021 reached a record for one single quarter US\$ 346 million, a 28% increase y-o-y.
- **Other operating income** in October-December 2021 totaled at US\$ 7 million, mainly driven by gain from contracts wash-out (price difference settlement of contracts without physical delivery of goods), stock-take, and fines and penalties received.
- **General and administrative expenses** in Q2 FY2022 doubled y-o-y, reaching US\$ 102 million, primarily driven by payroll and payroll related costs increase via accrual of the annual performance bonuses, but also reflecting the one-off expenses related to the put option agreements granted to the management as a part of the management incentive scheme approved by the Extraordinary General Meeting of Shareholders held on 30 August 2021.
- As a result, **operating profit** for Q2 FY2022 totaled at US\$ 251 million, up 6% y-o-y.
- **Net finance costs** in the last three months of 2021 amounted to US\$ 31 million, down 39% y-o-y from a high comparison base of Q2 FY2021, when we paid a US\$ 16 million premium for the partial early redemption of US\$ 287 million out of Company's US\$ 500 million of 2022 8.75% coupon bonds.
- **Other expenses** stood at US\$ 10 million, primarily reflecting the loss on derivatives sales related to our liquidity management exercise.
- Summarizing the above factors, **profit before tax** settled at US\$ 213 million in Q2 FY2022, up 15% y-o-y.
- Accounting for US\$ 7 million income tax expenses, Group's **net profit** amounted to US\$ 205 million, of which US\$ 190 million is a **net profit attributable to shareholders of Kernel Holding S.A.**

- Accumulation of the **working capital** over the same period caused a cash outflow of US\$ 710 million, primarily driven by seasonal post-harvest procurement of grain and oilseeds, boosted also by Kernel's platform scale increase and higher grain and oilseeds prices.
- **Net cash used in investing activities** stood at US\$ 50 million in Q2 FY2022, including US\$ 39 million purchase of property, plant, and equipment.

## Credit metrics highlights

- Driven by the fivefold increase in the short-term working-capital-related financing, Group's **net debt** as of 31 December 2021 increased by 24% y-o-y, to US\$ 1.6 billion, reflecting larger working capital needs given the increased export volumes and higher soft commodity prices.
  - In December 2021, we completed an early redemption of the remaining of US\$ 500 million 2022 bonds outstanding.
- **Readily marketable inventories** ("RMI") increased 56% y-o-y, to US\$ 1.4 billion, indicating higher y-o-y stock volume of grain accumulated combined with higher prices. Grain accounted for 49% of total RMI, and sunflower seeds stood for 34%.
- As a result, **net debt adjusted for RMI** declined by 50% y-o-y, reaching US\$ 189 million as of 31 December 2021.
- With a US\$ 978 million EBITDA generated over last twelve months, most of key credit metrics improved:
  - **Net-debt-to-EBITDA** ratio as of 31 December 2021 (measured on 12 months trailing basis) ended up at 1.6x, flat y-o-y;
  - **Adjusted-net-debt-to-EBITDA** reached reduced to 0.2x; and
  - **Interest coverage** improved a ten-year-high of 8.3x EBITDA-to-Interest calculated on the last-twelve-months basis.
- **Undrawn borrowings** as of 31 December 2021 amounted to US\$ 479 million, including US\$ 429 million of undrawn short-term credit lines and the remaining being the undrawn long-term borrowings (EIB facility).

## Cash flow highlights

- **Operating profit before working capital changes** in October-December 2021 amounted to US\$ 275 million, up 27% y-o-y, reflecting the strong operating performance of all segments.

### Credit metrics

US\$ million, except ratios	31 Dec 2020	30 Sep 2021	31 Dec 2021	q-o-q	y-o-y
Short-term interest-bearing debt	172	178	851	4.8x	5.0x
Long-term interest-bearing debt	221	222	214	(3%)	(3%)
Lease liabilities	303	341	345	1%	14%
Eurobond	806	807	595	(26%)	(26%)
<b>Debt liabilities</b>	<b>1,501</b>	<b>1,547</b>	<b>2,005</b>	<b>30%</b>	<b>34%</b>
Cash and cash equivalents	254	534	454	(15%)	79%
<b>Net debt</b>	<b>1,247</b>	<b>1,014</b>	<b>1,551</b>	<b>53%</b>	<b>24%</b>
Readily marketable inventories	877	580	1,362	2.3x	55%
of which sunflower oil and meal	148	148	228	55%	55%
Sunflower seeds	420	182	465	2.6x	11%
Grains and other RMIs	309	251	668	2.7x	2.2x
<b>Adjusted net debt</b>	<b>371</b>	<b>433</b>	<b>189</b>	<b>(56%)</b>	<b>(49%)</b>
Shareholders' equity <sup>1</sup>	1,713	2,137	2,194	3%	28%
Net debt / EBITDA <sup>2</sup>	1.6x	1.1x	1.6x	+0.5x	-0.0x
Adjusted net debt / EBITDA <sup>2</sup>	0.5x	0.5x	0.2x	-0.3x	-0.3x
EBITDA / Interest <sup>3</sup>	5.0x	7.0x	8.3x	+1.4x	+3.4x

**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.

# Financial Highlights

for the three and the six months ended 31 December 2021

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## Impact of the Russian invasion of Ukraine

On 24 February 2022, Russia launched a military invasion of Ukraine. As at today's date, active conflict is underway in and around several major Ukrainian cities, including Kyiv, Kharkiv, Mariupol, Mykolaiv, Chernihiv, Sumy and other cities and towns across the north, south and east of the country. As a result, Group's business activities substantially changed, with key impacts being as follows:

- **Fixed assets.** None of the Group's critical facilities or infrastructure has suffered any significant damage. At the same time, limited access to some of assets located on the temporarily occupied territories raises concerns about the future condition of such assets and security of the inventories stored there.
- **Commodity inventories.** Commodities owned by Group are in safe condition and properly stored, but approximately 15% of commodities (based on value) are stored in regions fully or partially controlled by Russia. There is a risk that some inventories could be appropriated for military needs under the martial law in Ukraine.
- **Business processes:** Black Sea ports in Ukraine remain blocked for export activities; situation in the southern Ukraine remains too risky for resuming export operations. As a result, the Group temporarily suspended grain and sunflower oil export operations, procurement of grain and oilseeds, oilseed processing and key infrastructure and logistics activities. While domestic demand for refined sunflower oil still exist, the Poltava oil-extraction plant continues oil refining operations. As of the date of this report, the Group invoked force majeure clauses under export contracts with delivery in March and April according to GAFTA rules, minimizing the risk of claims for non-performance under commercial contracts. While numerous activities became paralyzed, the focus of the management is currently on two key business processes:
  - establishing alternative export routes; and
  - completion of the spring sowing campaign, which is of vital importance for Group's business in the next season, Group's social responsibility (salaries to employees and lease payments to landlords) and global food security.
- **Governance.** The business processes have been reorganized to adjust to the existing challenges. The Group created a special anti-crisis headquarter coordinating on the daily basis to resolve all arising issues. Management is fully accessible and working remotely. IT systems function well, but assets located in regions not controlled by Ukraine were disconnected from Group's IT system. The Group remains perfectly governed.
- **Personnel.** The Group's key priority is the safety and security of its employees and their families. The Group organized, to the extent possible, the relocation of employees to western Ukraine and abroad, covering associated relocation costs and providing additional assistance needed. Kernel launched a special financial support to its employees who were mobilized to the Armed Forces of Ukraine or joined the Territorial Defense units (over 850 people), increased other financial support, and paid March 2022 salaries in advance at the beginning of the month. Regrettably, 4 Kernel employees died as a result of the military actions.
- **Humanitarian aid.** As one of the largest corporates in Ukraine, Kernel actively provides the aid to prevent the emerging humanitarian crisis, including:
  - Free transfers of milling wheat (over 5,000 tons delivered up to now), sunflower oil and other food for the purposes of bakeries, food processors and regional authorities;
  - Purchases and free distribution of canned food;
  - Procurement of medicines and transfer to hospitals in regions of active military actions.

Additionally, the Group procures and transfers to defendants of Ukraine bulletproof vests and helmets, night-vision devices, satellite phones, drones, tablets and other equipment, military uniforms. Kernel employees who defend Ukraine are first-priority recipients of such aid.

- **Next season harvest in Ukraine.** While spring planting campaign already started in southern regions of Ukraine, it is not likely to be completed on lands which are temporarily occupied or neighbor with a frontline (north, east, and south of Ukraine). Despite a promised government support (pre-crop financing of farmers and procurement/logistics of key crop inputs), a crop production technology is likely to suffer, resulting in undermined yields. Kernel internal estimates are a 25% y-o-y reduction in sowing acreage under 6 key crops (corn, wheat, barley, sunflower, soybean and rapeseed), and 35-40% decline in harvest of grain and sunflower seeds. In case of the resumption of normal export activity, such decline in harvest size will negatively impact crushing margin in Oilseed Processing segment and infrastructure and trading margins in Group's grain export value chain in Ukraine.

# Principal Risks and Uncertainties

for the three and the six months ended 31 December 2021

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

## Strategic (Business) risks:

- War-related risks, including:
  - Destruction of fixed assets and inventories, loss of the access to the leasehold farmland and other assets located on occupied territories;
  - Appropriation of assets under martial law;
  - Employee-related risks and resulting disruptions of business processes;
  - Inability to conduct export or production activities;
- Weak harvest in Ukraine;
- Low global soft commodities prices;
- COVID-19 related risks;
- Shortfall of proceeds from renewable energy sale;

## Operational risks:

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

For a detailed disclosure of the possible impact of most of the key risks and our management approach, please refer to pages 32-36 of the annual report for the year ended 30 June 2021, available at [www.kernel.ua](http://www.kernel.ua). As compared to that disclosure, the management decided to add war-related risks to principal risks of the Group.

## Other risks identified by the Company's management include (but are not limited to):

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

# Significant Events

for the three and the six months ended 31 December 2021

On 10 December 2021, Kernel Holding S.A. convened its annual General Meeting of Shareholders, which adopted the following resolutions with immediate effect:

- The general meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company, approves these reports.
- The general meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company, approves in their entirety the Consolidated Financial Statements of the Company for the financial year ended on 30 June 2021, with a resulting consolidated net profit attributable to equity holders of the Company of five hundred twelve million seven hundred eight thousand US dollars (USD 512,708,000. -).
- The general meeting, after having reviewed the management report of the board of directors and the report of the independent auditor of the Company, approves in their entirety the Parent Company's annual accounts (unconsolidated) for the financial year ended on 30 June 2021, with a resulting net loss for Kernel Holding S.A. as parent company of the Kernel Holding S.A. group of fifty-seven million one hundred fourteen thousand three hundred twenty-four US dollars and ten cents (USD 57,114,324.10).
- The general meeting approves the proposal of the board of directors (i) to carry forward the net loss of the Parent Company annual accounts (non-consolidated) of fifty-seven million one hundred fourteen thousand three hundred twenty-four US dollars and ten cents (USD 57,114,324.10) and (ii) after allocation to the legal reserve of the Company, to declare a dividend at forty-four cents (USD 0.44) per ordinary share entitled for the dividend for the financial year ended on 30 June 2021. The general meeting delegates to the board of directors to set up record and payment dates for the dividends distribution.
- The general meeting decides to grant discharge to the directors of the Company for their management duties and the exercise of their mandates in the course of the financial year ended on 30 June 2021.
- The general meeting, having acknowledged the end of the mandates of directors and in consideration of the proposal to reappoint Mrs. Nathalie Bachich, Mr. Sergei Shibaev, Mrs. Anastasiia Usachova, Mr. Yuriy Kovalchuk, Mrs. Viktoriia Lukianenko, Mrs. Pieterneel Boogaard and Mr. Yevgen Osyrov for a one-year term, decides to renew the mandates of Mrs. Nathalie Bachich, Mr. Sergei Shibaev, Mrs. Anastasiia Usachova, Mr. Yuriy Kovalchuk, Mrs. Viktoriia Lukianenko, Mrs. Pieterneel Boogaard and Mr. Yevgen Osyrov for a one-year term mandate, which shall terminate on the date of the general meeting of shareholders to be held in 2022.
- The general meeting, having acknowledged that fees (*tantiemes*) paid to the non-executive directors for their previous term in office amounted in total to two hundred seventy-three thousand nine hundred seventy-three US dollars (USD 273,973. -), approves the independent directors' fees for the new one-year mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2022, for a total gross annual amount of two hundred sixty thousand US dollars (USD 260,000. -).
- The general meeting, having acknowledged that fees (*tantiemes*) paid to the executive directors for their previous term as members of the board of directors amounted in total to two hundred forty thousand US dollars (USD 240,000. -), approves the executive directors' fees for the new one-year mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2022, for a total gross annual amount of two hundred forty thousand US dollars (USD 240,000. -) including two hundred thousand US dollars (USD 200,000. -) to be paid to the chairman of the board of directors.
- The general meeting, after having reviewed the diversity, equality and inclusion policy of the Company and its subsidiaries, approves and ratifies this policy.

# Alternative Performance Measures

for the three and the six months ended 31 December 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**<sup>1</sup> as a key measure of operating performance, and which is defined as profit from operating activities adding back amortization and depreciation.

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

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

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

- **EBITDA** and **EBITDA margin** do not reflect the impact of finance costs, which significance reflect macroeconomic conditions and have little effect on the Group's operating performance;
- **EBITDA** and **EBITDA margin** do not reflect the impact of taxes on the Group's operating performance;
- **EBITDA** and **EBITDA margin** do not reflect the impact of depreciation and

amortization on the Group's performance. The assets of the Group, which are being depreciated and/or amortized, will need to be replaced in the future and such depreciation and amortization expense may approximate the cost of replacing these assets in the future. By excluding this expense from **EBITDA** and **EBITDA margin**, such measures do not reflect the Group's future cash requirements for these replacements;

- **EBITDA** and **EBITDA margin** do not reflect the impact of share of income / loss of joint ventures, which are accounted under equity method;
- **EBITDA** and **EBITDA margin** do not reflect the impact of foreign exchange gain/(loss), which the Group does not consider to be part of its core operating performance because the main difference arise on transactions between entities of the Group with different functional currencies;
- **EBITDA** and **EBITDA margin** do not reflect the impact of other expenses; as such expenses are not a part of Group's core operations. Segment **EBITDA** and Segment **EBITDA margin**

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

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

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

<i>in thousand US\$ except the margin</i>	Q2 FY2021	Q2 FY2022	H1 FY2021	H1 FY2022
<b>Profit from operating activities</b>	<b>236,899</b>	<b>250,952</b>	<b>502,876</b>	<b>532,907</b>
<i>add back:</i>				
Amortization and depreciation	31,717	41,980	55,695	75,419
<b>EBITDA</b>	<b>268,616</b>	<b>292,932</b>	<b>558,571</b>	<b>608,326</b>
<b>Revenue</b>	<b>1,326,745</b>	<b>1,882,261</b>	<b>2,267,006</b>	<b>3,225,290</b>
<b>EBITDA margin</b>	<b>20.2%</b>	<b>15.6%</b>	<b>24.6%</b>	<b>18.9%</b>

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

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

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

# Alternative Performance Measures

for the three and the six months ended 31 December 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 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>	Q2 FY2021	Q2 FY2022	H1 FY2021	H1 FY2022
<b>Oilseed Processing</b>				
Profit from operating activities	18,869	51,078	44,618	58,442
plus Amortization and depreciation	5,143	8,157	10,273	15,460
<b>Segment EBITDA</b>	<b>24,012</b>	<b>59,235</b>	<b>54,891</b>	<b>73,902</b>
Segment revenue	486,209	667,485	779,680	1,032,045
<b>Segment EBITDA margin</b>	<b>5%</b>	<b>9%</b>	<b>7%</b>	<b>7%</b>
<b>Infrastructure and Trading</b>				
Profit from operating activities	155,153	121,593	260,692	232,858
plus Amortization and depreciation	5,882	6,277	11,607	12,222
<b>Segment EBITDA</b>	<b>161,035</b>	<b>127,870</b>	<b>272,299</b>	<b>245,080</b>
Segment revenue	1,107,227	1,647,556	1,918,095	2,777,720
<b>Segment EBITDA margin</b>	<b>15%</b>	<b>8%</b>	<b>14%</b>	<b>9%</b>
<b>Farming</b>				
Profit / (loss) from operating activities	86,675	125,641	234,566	313,211
plus Amortization and depreciation	20,046	26,872	32,681	46,209
<b>Segment EBITDA</b>	<b>106,721</b>	<b>152,513</b>	<b>267,247</b>	<b>359,420</b>
Segment revenue	213,285	277,023	302,812	422,885
<b>Segment EBITDA margin</b>	<b>50%</b>	<b>55.1%</b>	<b>88%</b>	<b>85%</b>
<b>Other</b>				
Loss from operating activities	(23,798)	(47,360)	(37,000)	(71,604)
plus Amortization and depreciation	646	674	1,134	1,528
<b>Segment EBITDA</b>	<b>(23,152)</b>	<b>(46,686)</b>	<b>(35,866)</b>	<b>(70,076)</b>

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

<i>in thousand US\$</i>	Q2 FY2021	Q2 FY2022	H1 FY2021	H1 FY2022
<b>Net cash used in investing activities</b>	(158,073)	(49,962)	(194,364)	(151,917)
<i>Adding back:</i>				
Purchase of property, plant and equipment	(42,568)	(39,084)	(95,492)	(89,457)
Proceeds from disposal of property, plant and equipment	955	1,140	1,827	2,425
<b>Investing Cash Flows less Net Fixed Assets Investments</b>	<b>(199,686)</b>	<b>(87,906)</b>	<b>(288,029)</b>	<b>(238,949)</b>

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

<i>in thousand US\$</i>	Q2 FY2021	Q2 FY2022	H1 FY2021	H1 FY2022
Purchase of property, plant and equipment	(42,568)	(39,084)	(95,492)	(89,457)
Proceeds from disposal of property, plant and equipment	955	1,140	1,827	2,425
<b>Net Fixed Assets Investments</b>	<b>(41,613)</b>	<b>(37,944)</b>	<b>(93,665)</b>	<b>(87,032)</b>

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

<i>in thousand US\$</i>	Q2 FY2021	Q2 FY2022	H1 FY2021	H1 FY2022
<b>Net cash generated by operating activities</b>	(6,693)	(434,356)	22,932	(400,763)
<i>Less:</i>				
Changes in working capital, including:	(223,206)	(710,079)	(382,337)	(868,405)
Change in trade and other accounts receivable	(23,650)	(121,089)	(73,340)	(9,370)
Change in prepayments and other current assets	25,981	(22,455)	33,812	(16,141)
Change in restricted cash balance	(89)	-	1,820	38
Change in taxes recoverable and prepaid	(46,934)	(94,329)	(80,576)	(115,994)
Change in biological assets	215,182	359,773	332,722	491,629
Change in inventories	(407,342)	(841,425)	(683,634)	(1,247,870)
Change in trade accounts payable	(8,828)	28,621	56,577	72,537
Change in advances from customers and other current liabilities	22,474	(19,175)	30,282	(43,234)
<b>Operating Cash Flows before Working Capital Changes</b>	<b>216,513</b>	<b>275,723</b>	<b>405,269</b>	<b>467,642</b>

# Alternative Performance Measures

for the three and the six months ended 31 December 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;
- current portion of lease liabilities; and
- lease liabilities.

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

## Adjusted Working Capital

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

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

<i>in thousand US\$</i>	Q2 FY2021	Q2 FY2022	H1 FY2021	H1 FY2022
Net cash used in operating activities	(55,021)	(481,093)	(55,182)	(472,790)
Net cash used in investing activities	(158,073)	(49,962)	(194,364)	(151,917)
<b>Free Cash Flows to the Firm</b>	<b>(213,094)</b>	<b>(531,055)</b>	<b>(249,546)</b>	<b>(624,707)</b>

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 31 December 2020	As of 30 September 2021	As of 31 December 2021
Sunflower oil & meal	147,569	147,574	228,498
Sunflower seed	420,046	181,507	465,202
Grains	308,876	250,924	667,899
Other	85,139	116,867	146,032
<b>Total</b>	<b>961,629</b>	<b>696,871</b>	<b>1,507,631</b>
<i>of which: Readily Marketable Inventories</i>	876,675	580,447	1,362,013

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

<i>in thousand US\$</i>	As of 31 December 2020	As of 30 September 2021	As of 31 December 2021
Bonds issued	805,900	594,401	594,648
Current bonds issued	-	212,769	-
Interest on bonds issued	15,353	20,418	7,612
Long-term borrowings	220,589	221,811	214,057
Current portion of long-term borrowings	15,494	23,276	25,539
Short-term borrowings	140,670	134,032	818,172
Lease liabilities	243,861	317,296	277,487
Current portion of lease liabilities	59,573	23,453	67,400
<b>Debt Liabilities</b>	<b>1,501,440</b>	<b>1,547,456</b>	<b>2,004,915</b>
less: cash and cash equivalents	254,012	533,837	453,667
<b>Net Debt</b>	<b>1,247,428</b>	<b>1,013,619</b>	<b>1,551,248</b>
less: readily marketable inventories	876,675	580,447	1,362,013
<b>Adjusted Net Debt</b>	<b>370,753</b>	<b>433,172</b>	<b>189,235</b>

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

<i>in thousand US\$</i>	As of 31 December 2020	As of 30 September 2021	As of 31 December 2021
<b>Total current assets</b>	<b>2,197,564</b>	<b>2,559,962</b>	<b>3,145,748</b>
less:			
Cash and cash equivalents	254,012	533,837	453,667
Assets classified as held for sale	377	-	-
Total current liabilities	751,875	889,569	1,477,393
add back:			
Short-term borrowings	140,670	134,032	818,172
Current portion of long-term borrowings	15,494	23,276	25,539
Current portion of lease liabilities	59,573	23,453	67,400
Current bonds issued	-	212,769	-
Interest on bonds issued	15,353	20,418	7,612
<b>Adjusted Working Capital</b>	<b>1,422,390</b>	<b>1,550,504</b>	<b>2,133,411</b>

# Alternative Performance Measures

for the three and the six months ended 31 December 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
<b>EBITDA</b>	Profit from operating activities adding back amortization and depreciation.	<b>EBITDA</b> is the main metric used by management of the Group to measure operating performance. It is also widely used by investors when evaluating businesses, and by rating agencies and creditors to evaluate the leverage.
<b>EBITDA margin</b>	<b>EBITDA</b> divided by revenue during the reporting period.	<b>EBITDA margin</b> is a metric widely used to measure profitability of Group's operations.
<b>Segment EBITDA</b>	Segment profit from operating activities adding back amortization and depreciation.	<b>EBITDA</b> is the main metric used by management of the Group to measure segment operating performance.
<b>Segment EBITDA margin</b>	<b>Segment EBITDA</b> divided by segment revenue during the reporting period.	<b>Segment EBITDA margin</b> is a metric widely used to measure profitability of Group's segment operations.
<b>Investing Cash Flows less Net Fixed Assets Investments</b>	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.
<b>Net Fixed Assets Investments</b>	Net cash used in investing activities less <b>Investing Cash Flows less Net Fixed Assets Investments</b> , 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.
<b>Operating Cash Flows before Working Capital Changes</b>	Net cash generated by operating activities less changes in working capital activities, including: <ul style="list-style-type: none"> <li>• change in trade and other accounts receivable;</li> <li>• change in prepayments and other current assets;</li> <li>• change in restricted cash balance;</li> <li>• change in taxes recoverable and prepaid;</li> <li>• change in biological assets;</li> <li>• change in inventories;</li> <li>• change in trade accounts payable; and</li> <li>• change in advances from customers and other current liabilities.</li> </ul>	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.
<b>Free Cash Flows to the Firm</b>	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.
<b>Readily Marketable Inventories</b>	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.
<b>Debt Liabilities</b>	Sum of bonds issued, interest on bonds issued, long-term borrowings, current portion of long-term borrowings, short-term borrowings; current portion of lease liabilities; and lease liabilities.	The Group uses this APM, as it is a useful measure of the leverage of the Group, which is widely used by credit investors and rating agencies.
<b>Net Debt</b>	<b>Debt Liabilities</b> 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.
<b>Adjusted Net Debt</b>	<b>Net Debt</b> 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).
<b>Adjusted Working Capital</b>	Current assets (excluding cash and cash equivalents, and assets classified as held for sale) less current liabilities (excluding short-term borrowings, current portion of long-term borrowings, current portion of bonds 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.

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

for the three and the six months ended 31 December 2021

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

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

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

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

27 March 2022

On behalf of the Board of Directors

**Andrii Verevskyi**

Chairman of the Board of Directors

**Anastasiia Usachova**

Director, Chief Financial Officer

# Review report of independent auditor



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## Report on Review of Condensed consolidated interim financial statements

To the Shareholders of  
**Kernel Holding S.A.**

We have reviewed the accompanying condensed consolidated interim financial statements of Kernel Holding S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the related condensed consolidated statements of profit or loss and profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

### Board of Directors' responsibility for the condensed consolidated interim financial statements

The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity") as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of condensed consolidated interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. The "Réviseur d'entreprises agréé" performs procedures, primarily consisting of making inquiries of management and others within the Company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

### Emphasis of Matter

We draw attention to Note 4 to the condensed consolidated interim financial statements, which indicates that since 24 February 2022 the Group's operations are significantly affected by the ongoing military actions in Ukraine and the magnitude of further developments or the timing of cessation of those actions are uncertain. These conditions, along with other matters as set forth in notes 3 and 4 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

# Review report of independent auditor

## Other Matter

The accompanying consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for the three-months ended 31 December 2021 and 31 December 2020 and related explanatory information in the notes, were neither audited in accordance with International Standards on Auditing nor reviewed in accordance with ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity" and accordingly we do not express any form of assurance on it.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 28 March 2022

Andrei Chizhov

# Selected Financial Data

for the six months ended 31 December 2021 (in thousands of US dollars, unless otherwise stated)

		USD <sup>1</sup>		PLN		EUR	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
I.	Revenue	3,225,290	2,267,006	12,759,570	8,594,673	2,777,942	1,920,834
II.	Profit from operating activities	532,907	502,876	2,108,233	1,906,503	458,993	426,087
III.	Profit before income tax	460,985	421,001	1,823,703	1,596,099	397,046	356,714
IV.	Profit for the period from continuing operations	451,565	404,020	1,786,436	1,531,721	388,933	342,326
V.	Net cash used in operating activities	(472,790)	(55,182)	(1,870,405)	(209,206)	(407,214)	(46,756)
VI.	Net cash used in investing activities	(151,917)	(194,364)	(600,999)	(736,873)	(130,846)	(164,684)
VII.	Net cash generated by financing activities	504,442	136,238	1,995,623	516,506	434,476	115,434
VIII.	Total net cash flow	(120,265)	(113,308)	(475,781)	(429,573)	(103,584)	(96,006)
IX.	Total assets	4,952,584	3,827,081	20,107,492	14,383,701	4,371,646	3,116,775
X.	Current liabilities	1,477,393	751,875	5,998,216	2,825,847	1,304,095	612,327
XI.	Non-current liabilities	1,134,844	1,293,352	4,607,467	4,860,934	1,001,727	1,053,306
XII.	Issued capital	2,219	2,219	9,009	8,340	1,959	1,807
XIII.	Total equity	2,340,347	1,781,854	9,501,809	6,696,920	2,065,824	1,451,142
XIV.	Number of shares	82,294,964	84,031,230	82,294,964	84,031,230	82,294,964	84,031,230
XV.	Profit per ordinary share (in USD/PLN/EUR)	4.87	3.95	19.27	14.98	4.19	3.35
XVI.	Diluted number of shares	82,294,964	84,031,230	82,294,964	84,031,230	82,294,964	84,031,230
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	4.87	3.95	19.27	14.98	4.19	3.35
XVIII.	Book value per share (in USD/PLN/EUR)	27.15	20.39	110.23	76.63	23.97	16.61
XIX.	Diluted book value per share (in USD/PLN/EUR)	27.15	20.39	110.23	76.63	23.97	16.61

<sup>1</sup> Please see Note 3 for the exchange rates used for conversion

# Condensed Consolidated Interim Statement of Financial Position

for the six months ended 31 December 2021 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	453,667	574,040	254,012
Trade accounts receivable	28	342,086	381,124	260,787
Prepayments to suppliers	28	143,203	127,726	66,164
Corporate income tax prepaid		1,295	12,041	6,586
Taxes recoverable and prepaid	9	298,412	185,966	207,172
Inventory	10	1,507,631	332,027	961,629
Biological assets	11	52,187	376,644	41,786
Other financial assets	12, 28	347,267	294,156	399,051
Assets classified as held for sale		—	—	377
<b>Total current assets</b>		<b>3,145,748</b>	<b>2,283,724</b>	<b>2,197,564</b>
<b>Non-current assets</b>				
Property, plant and equipment	13	1,115,259	1,065,205	1,013,856
Right-of-use assets	14	381,375	364,699	339,755
Intangible assets		60,390	62,144	62,165
Goodwill		120,839	120,925	120,035
Deferred tax assets	20	22,002	15,098	12,334
Non-current financial assets	28	64,103	46,322	42,231
Other non-current assets		42,868	38,462	39,141
<b>Total non-current assets</b>		<b>1,806,836</b>	<b>1,712,855</b>	<b>1,629,517</b>
<b>Total assets</b>		<b>4,952,584</b>	<b>3,996,579</b>	<b>3,827,081</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade accounts payable	28	230,770	150,061	143,179
Advances from customers and other current liabilities	15, 28	148,235	140,543	90,957
Corporate income tax liabilities		50,733	46,504	23,982
Short-term borrowings	17	818,172	13,888	140,670
Current portion of long-term borrowings	18	25,539	21,715	15,494
Current portion of lease liabilities		67,400	37,338	59,573
Current bonds issued	19	—	212,495	—
Interest on bonds issued		7,612	15,353	15,353
Other financial liabilities	16, 28	128,932	145,116	262,667
<b>Total current liabilities</b>		<b>1,477,393</b>	<b>783,013</b>	<b>751,875</b>
<b>Non-current liabilities</b>				
Long-term borrowings	18	214,057	227,740	220,589
Lease liabilities		277,487	287,154	243,861
Deferred tax liabilities	20	21,726	20,806	21,684
Bonds issued	19	594,648	593,942	805,900
Other non-current liabilities		26,926	1,216	1,318
<b>Total non-current liabilities</b>		<b>1,134,844</b>	<b>1,130,858</b>	<b>1,293,352</b>
<b>Equity attributable to Kernel Holding S.A. equity holders</b>				
Issued capital	2	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	2	—	1,850	4,624
Revaluation reserve		62,174	57,290	57,290
Other reserves		(8,266)	(896)	(15,961)
Translation reserve		(712,571)	(703,034)	(751,617)
Retained earnings		2,360,961	2,048,399	1,876,329
<b>Total equity attributable to Kernel Holding S.A. equity holders</b>		<b>2,194,053</b>	<b>1,946,150</b>	<b>1,713,206</b>
Non-controlling interests	21	146,294	136,558	68,648
<b>Total equity</b>		<b>2,340,347</b>	<b>2,082,708</b>	<b>1,781,854</b>
<b>Total liabilities and equity</b>		<b>4,952,584</b>	<b>3,996,579</b>	<b>3,827,081</b>
Book value		2,194,053	1,946,150	1,713,206
Number of shares	2, 31	80,804,230	84,031,230	84,031,230
Book value per share (in USD)		27.15	23.16	20.39
Diluted number of shares	31	80,804,230	84,031,230	84,031,230
Diluted book value per share (in USD)		27.15	23.16	20.39

On behalf of the Board of Directors

**Andrii Verevskyi**

Chairman of the Board of Directors

**Anastasiia Usachova**

Director, Chief Financial Officer

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

# Condensed Consolidated Interim Statement of Profit or Loss

for the six months ended 31 December 2021 (in thousands of US dollars, unless otherwise stated)

		6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
	Notes				
<b>Revenue</b>	22, 28	3,225,290	1,882,261	2,267,006	1,326,745
Net change in fair value of biological assets and agricultural produce	11	111,506	26,948	128,275	21,553
Cost of sales	23, 28	(2,660,577)	(1,562,979)	(1,843,119)	(1,078,062)
<b>Gross profit</b>		<b>676,219</b>	<b>346,230</b>	<b>552,162</b>	<b>270,236</b>
Other operating income, net	24	2,746	7,019	35,746	17,295
General and administrative expenses	25, 28	(146,058)	(102,297)	(85,032)	(50,632)
<b>Profit from operating activities</b>		<b>532,907</b>	<b>250,952</b>	<b>502,876</b>	<b>236,899</b>
Finance costs, net	26, 28	(57,441)	(30,944)	(81,926)	(50,578)
Foreign exchange (loss)/gain, net		(5,312)	2,853	1,080	(1,038)
Other expenses, net	27, 28	(9,169)	(9,927)	(1,029)	(453)
<b>Profit before income tax</b>		<b>460,985</b>	<b>212,934</b>	<b>421,001</b>	<b>184,830</b>
Income tax expenses	20	(9,420)	(7,475)	(16,981)	(14,195)
<b>Profit for the period</b>		<b>451,565</b>	<b>205,459</b>	<b>404,020</b>	<b>170,635</b>
<b>Profit for the period attributable to:</b>					
<b>Equity holders of Kernel Holding S.A.</b>		<b>400,803</b>	<b>190,019</b>	<b>331,928</b>	<b>127,876</b>
Non-controlling interests	21	50,762	15,440	72,092	42,759
<b>Earnings per share</b>					
Weighted average number of shares		82,294,964	80,804,230	84,031,230	84,031,230
Profit per ordinary share (in USD)		4.87	2.35	3.95	1.52
Diluted number of shares		82,294,964	80,804,230	84,031,230	84,031,230
Diluted profit per ordinary share (in USD)		4.87	2.35	3.95	1.52

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 Profit or Loss and Other Comprehensive Income

for the six months ended 31 December 2021 (in thousands of US dollars, unless otherwise stated)

	Notes	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
<b>Profit for the period</b>		<b>451,565</b>	<b>205,459</b>	<b>404,020</b>	<b>170,635</b>
<b>Other comprehensive income/(loss)</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Gain/(Loss) from revaluation of property	13	5,956	—	(6,048)	(6,048)
Income tax related to revaluation of property		(1,072)	—	1,089	1,089
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Exchange differences on translating foreign operations		(9,535)	(39,358)	(54,294)	(809)
Loss arising from cash flow hedge		(14,281)	(7,129)	(25,285)	(18,444)
Income tax related to cash flow hedge		1,998	998	3,542	2,592
<b>Other comprehensive loss, net</b>		<b>(16,934)</b>	<b>(45,489)</b>	<b>(80,996)</b>	<b>(21,620)</b>
<b>Total comprehensive income for the period</b>		<b>434,631</b>	<b>159,970</b>	<b>323,024</b>	<b>149,015</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of Kernel Holding S.A.		388,780	147,037	259,125	111,878
Non-controlling interests		45,851	12,933	63,899	37,137

On behalf of the Board of Directors

**Andrii Verevskyi**  
Chairman of the Board of Directors

**Anastasiia Usachova**  
Director, Chief Financial Officer

# Condensed Consolidated Interim Statement of Changes in Equity

for the six months ended 31 December 2021 (in thousands of US dollars, unless otherwise stated)

Attributable to Kernel Holding S.A. shareholders												
	Issued capital	Share premium reserve	Additio- nal paid-in capital	Equity- settled employee benefits reserve	Subscribed capital/ Treasury shares	Revaluation reserve	Other reserves	Translation reserve	Retained Earnings	Total	Non-controlling interests	Total equity
<b>Balance as of 30 June 2020</b>	<b>2,219</b>	<b>500,378</b>	<b>39,944</b>	<b>4,624</b>	—	<b>62,249</b>	<b>(3,523)</b>	<b>(697,555)</b>	<b>1,584,331</b>	<b>1,492,667</b>	<b>1,456</b>	<b>1,494,123</b>
Profit for the period	—	—	—	—	—	—	—	—	331,928	331,928	72,092	404,020
Other comprehensive loss	—	—	—	—	—	(4,959)	(13,782)	(54,062)	—	(72,803)	(8,193)	(80,996)
<b>Total comprehensive income/(loss) for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4,959)</b>	<b>(13,782)</b>	<b>(54,062)</b>	<b>331,928</b>	<b>259,125</b>	<b>63,899</b>	<b>323,024</b>
Distribution of dividends (Note 2)	—	—	—	—	—	—	—	—	(35,293)	(35,293)	—	(35,293)
Effect of changes on non-controlling interest	—	—	—	—	—	—	1,344	—	(4,637)	(3,293)	3,293	—
<b>Balance as of 31 December 2020</b>	<b>2,219</b>	<b>500,378</b>	<b>39,944</b>	<b>4,624</b>	—	<b>57,290</b>	<b>(15,961)</b>	<b>(751,617)</b>	<b>1,876,329</b>	<b>1,713,206</b>	<b>68,648</b>	<b>1,781,854</b>
Profit for the period	—	—	—	—	—	—	—	—	180,780	180,780	57,789	238,569
Other comprehensive income	—	—	—	—	—	—	15,065	48,583	—	63,648	10,121	73,769
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>15,065</b>	<b>48,583</b>	<b>180,780</b>	<b>244,428</b>	<b>67,910</b>	<b>312,338</b>
Repurchase of share options	—	—	—	(2,774)	—	—	—	—	(8,710)	(11,484)	—	(11,484)
<b>Balance as of 30 June 2021</b>	<b>2,219</b>	<b>500,378</b>	<b>39,944</b>	<b>1,850</b>	—	<b>57,290</b>	<b>(896)</b>	<b>(703,034)</b>	<b>2,048,399</b>	<b>1,946,150</b>	<b>136,558</b>	<b>2,082,708</b>
Profit for the period	—	—	—	—	—	—	—	—	400,803	400,803	50,762	451,565
Other comprehensive income/(loss)	—	—	—	—	—	4,884	(7,370)	(9,537)	—	(12,023)	(4,911)	(16,934)
<b>Total comprehensive income/(loss) for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,884</b>	<b>(7,370)</b>	<b>(9,537)</b>	<b>400,803</b>	<b>388,780</b>	<b>45,851</b>	<b>434,631</b>
Distribution of dividends (Note 2)	—	—	—	—	—	—	—	—	(34,069)	(34,069)	—	(34,069)
Effect of changes on non-controlling interest (Note 21)	—	—	—	—	—	—	—	—	(54,172)	(54,172)	(36,115)	(90,287)
Modification of share-based payments	—	—	—	(1,850)	—	—	—	—	—	(1,850)	—	(1,850)
Subscribed capital (Note 2)	—	—	—	—	(50,786)	—	—	—	—	(50,786)	—	(50,786)
<b>Balance as of 31 December 2021</b>	<b>2,219</b>	<b>500,378</b>	<b>39,944</b>	—	<b>(50,786)</b>	<b>62,174</b>	<b>(8,266)</b>	<b>(712,571)</b>	<b>2,360,961</b>	<b>2,194,053</b>	<b>146,294</b>	<b>2,340,347</b>

On behalf of the Board of Directors

**Andrii Verevskyi**

Chairman of the Board of Directors

**Anastasiia Usachova**

Director, Chief Financial Officer

# Condensed Consolidated Interim Statement of Cash Flows

for the six months ended 31 December 2021 (in thousands of US dollars, unless otherwise stated)

	Notes	6 months ended 31 December 2021	6 months ended 31 December 2020
<b>Operating activities:</b>			
<b>Profit before income tax</b>		<b>460,985</b>	<b>421,001</b>
<b>Adjustments for:</b>			
Amortization and depreciation		75,419	55,695
Finance costs, net	26	57,441	81,926
Change in loss allowance for expected credit losses on trade and other receivables		1,842	109
Other accruals		3,963	1,121
Gain on disposal of property, plant and equipment		(1,195)	(46)
Net foreign exchange loss		7,356	2,473
Write-offs and (reversal)/impairment loss		(2,337)	4,561
Net change in fair value of biological assets and agricultural produce	11	(111,506)	(128,275)
Gain on sales of subsidiaries	7	—	(1,249)
Net gain arising on financial assets classified as at fair value through profit or loss		(24,326)	(32,047)
<b>Operating profit before working capital changes</b>		<b>467,642</b>	<b>405,269</b>
<b>Changes in working capital:</b>			
Change in trade and other accounts receivable <sup>1</sup>		(9,370)	(73,340)
Change in prepayments and other current assets		(16,141)	33,812
Change in restricted cash balance		38	1,820
Change in taxes recoverable and prepaid		(115,994)	(80,576)
Change in biological assets		491,629	332,722
Change in inventories		(1,247,870)	(683,634)
Change in trade accounts payable		72,537	56,577
Change in advances from customers and other current liabilities		(43,234)	30,282
<b>Cash (used in)/generated from operations</b>		<b>(400,763)</b>	<b>22,932</b>
Interest paid		(69,518)	(68,207)
Interest received		6,922	2,708
Income tax paid		(9,431)	(12,615)
<b>Net cash used in operating activities</b>		<b>(472,790)</b>	<b>(55,182)</b>
<b>Investing activities:</b>			
Purchase of property, plant and equipment		(89,457)	(95,492)
Proceeds from disposal of property, plant and equipment		2,425	1,827
Payment for lease agreements		(1,367)	(1,370)
Purchase of intangible and other non-current assets		(3,770)	(1,623)
Disposal of subsidiaries	7	—	1,446
Amount advanced for subsidiaries		900	3,396
Amount advanced to related parties		(18,442)	(2,009)
Proceeds from return of loans by related parties		7,934	19,804
Payment to acquire financial assets		(50,140)	(120,343)
<b>Net cash used in investing activities</b>		<b>(151,917)</b>	<b>(194,364)</b>
<b>Financing activities:</b>			
Proceeds from borrowings		847,874	243,065
Repayment of borrowings		(50,641)	(89,594)
Financing for farmers		(9,615)	—
Repayment of lease liabilities		(16,221)	(11,098)
Repurchase of treasury shares	2	(50,786)	—
Proceeds from bonds issued	19	—	299,286
Transactions costs related to corporates bonds issue		—	(2,428)
Repayment of corporate bonds	19	(213,110)	(286,890)
Premium for early repayment of bonds	19	(1,888)	(16,108)
<b>Net cash generated by financing activities</b>		<b>505,613</b>	<b>136,233</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,171)	5
Net decrease in cash and cash equivalents		(120,265)	(113,308)
Cash and cash equivalents, at the beginning of the period	8	573,850	367,204
Cash and cash equivalents, at the end of the period	8	453,585	253,896

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

**Anastasiia Usachova**  
Director, Chief Financial Officer

<sup>1</sup> Includes movement in other financial assets

# Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 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 June 2005 (number B 109,173 in the Luxembourg Register of Companies) is the holding company for a group of entities (hereinafter referred to as the 'Subsidiaries'), which together form Kernel Group (hereinafter referred to as the 'Group' or the 'Kernel Group').

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

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly corn, soybean, wheat and barley), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities is primarily based in Ukraine.

The Group's financial year runs from 1 July to 30 June.

The principal operating office of the Group is located at 3 Tarasa Shevchenka Lane, Kyiv, 01001, Ukraine.

The primary Subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			31 December 2021	30 June 2021	31 December 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%
Prydniprovskyi OEP LLC		Ukraine	100.0%	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services.	Cyprus	100.0%	100.0%	100.0%
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%
Bilovodskyi KHP PJSC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	91.12%	91.12%	91.12%
Hliborob LLC		Ukraine	100.0%	100.0%	100.0%
Prydniprovskyi Kray ALLC		Ukraine	100.0%	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	100.0%	100.0%

These condensed consolidated interim financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 27 March 2022.

# Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 2021 (in thousands of US dollars, unless otherwise stated)

## 2. Issued Capital and Other Reserves

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg). The issued capital of the Holding as of 31 December and 30 June 2021 and 31 December 2020, consisted of 84,031,230 ordinary electronic shares without indication of the nominal value. Ordinary shares have equal voting rights and rights to receive dividends.

The shares were distributed as follows:

	As of 31 December 2021		As of 30 June 2021		As of 31 December 2020	
Equity holders	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	33,003,278	39.28%	32,903,278	39.16%	32,903,278	39.16%
Free float	47,800,952	56.88%	51,127,952	60.84%	51,127,952	60.84%
Own shares purchased during the period	3,227,000	3.84%	—	—	—	—
<b>Total</b>	<b>84,031,230</b>	<b>100.00%</b>	<b>84,031,230</b>	<b>100.00%</b>	<b>84,031,230</b>	<b>100.00%</b>

As of 31 December 2021, 30 June 2021 and 31 December 2020, 100% of the beneficial interest in the Major Equity Holder was held by Andrii Mykhailovych Verevskyi (hereinafter the 'Beneficial Owner').

On 10 December 2021, the annual general meeting of shareholders approved an annual dividend of USD 0.44 per share, which were paid in full in the amount of USD 34,069<sup>1</sup> thousand on 14 February 2022.

On 10 December 2020, the annual general meeting of shareholders approved an annual dividend of USD 0.42 per share, which were paid in full in the amount of USD 35,293<sup>1</sup> thousand on 14 January 2021.

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. The purchased shares will be retained by the Group without any voting or dividend rights.

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 222 thousand as of 31 December 2021 (31 December 2020: USD 222 thousand), may not be distributed as dividends.

## 3. Operating Environment

Due to the Russian invasion starting from 24 February 2022, the broad security concerns became challenging for the further stable development of economical and finance segments in Ukraine, and the operating environment remains risky and with high level of uncertainties since then. Given the fast-moving nature of the situation and the unpredictability of war, it will likely take time to assess the economic fallout. For now, the government has prioritised defence and social spending and remained current on its foreign debt obligations. Companies are still paying taxes and money is still flowing through its financial system.

Weeks after the initial full-scale military attack, fighting continues in and around several major Ukrainian cities, causing tens of thousands of civilian casualties. Russian attacks are targeted for destroying civilian infrastructure all over Ukraine, including hospitals and residential complexes. At the same time, logistics routes in occupied territories were damaged and there is no access to them. Other railway and car logistic route are available for usage as Ukraine has extensive road and railway network. Assets belong to different business were not destroyed materially based on available information as air attacks and missile strikes destroyed military infrastructures, objects, airfields, and civilian buildings, except those located on temporary occupied territory. All ports in Black sea aquatorium stopped to work due to armed conflict in the territory of Ukraine, including seas' areas, and export made via sea ports were fully frozen.

The Ukrainian government received financing and donations from international organisations and different countries to support financial stability and financing social related payments and military needs (International Monetary Fund, European Union, and directly from numerous countries).

The central bank has postponed its key policy rate decision, and the key policy rate will therefore stay unchanged at 10% since the forced administrative restrictions are in place and till the events in Ukraine will come back to normal

The National Bank of Ukraine ('NBU') has imposed restrictions regarding withdrawals hryvnia by customers and switched from a flexible to a fixed exchange rate regime at UAH 29.25 for 1 USD on the FX market to ensure the sound and stable operation of the country's financial system. As a result, commercial interbank quotes remain close to the officially imposed by NBU, and bid rate fixed as UAH 29.25 for USD 1, while the selling rate got up to UAH 30.20 for USD 1 at a maximum point. Moreover, the NBU has determined that the ban on transactions in Ukraine using the accounts of residents of Russia or Belarus and legal entities whose ultimate beneficial owners are based in Russia or Belarus does not apply to social benefits, wages, utilities, taxes, fees, and other required payments. Despite the current unstable situation, the banking system remains stable, with sufficient liquidity even as martial law continues, all banking services are available to its customers, both legal entities and individuals.

In the face of the invasion, the Ukrainian government has imposed export restrictions for meat and livestock, rye, oats, millet, buckwheat, sugar and dietary salt. Furthermore, the Ukrainian Ministry of Economy will issue export permits for the group of products, subjected for licensing: wheat, chicken meat and eggs.

<sup>1</sup> Includes withholding tax levied in Luxembourg

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

# Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 2021 (in thousands of US dollars, unless otherwise stated)

As of 15 March 2022, Verkhovna Rada of Ukraine considered some changes to tax system, introduced in Law of Ukraine № 2120-IX "On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine concerning the effect of norms for the martial law period":

- The right to apply the simplified taxation system of Group III at the 2% rate by economic entities with an annual income of up to UAH 10 billion, besides the condition relating to number of employees is ceased;
  - The norms on the VAT exemption in case of supply of items in favour of the Armed Forces, National Guard, and other territorial defence forces of Ukraine, including medical institutions, except when such transactions for the supply of goods and services are taxed at zero VAT;
  - Gasoline, heavy distillates, liquefied gas, oil or petroleum are subject to VAT at the reduced rate of 7%, and the excise tax for imported fuel group of products' rate is set at 0.00 euros per 1,000 liters;
  - Landlord are exempt from paying land tax and land lease (relating to state and communal property) located in territories:
    - on which combat actions are conducted;
    - the temporarily occupied territories as determined by the Cabinet of Ministers of Ukraine;
    - which are defined as contaminated with explosive objects and/or which contain fortifications.
  - The environmental tax shall not be paid regarding facilities located on the territories, where combat actions are conducted or temporarily occupied by armed groups according to the list specified by the Cabinet of Ministers of Ukraine;
  - Until the termination of martial law, as well as for twelve months after such termination, private entrepreneurs, persons engaged in independent professional activity, members of the farming enterprise, have the right not to pay a unified social security contribution for themselves;
  - Suspension of tax audits until the termination of martial law (unless there is a request for a budget refund);
- and numerous other changes, which have much lower impact on the Group's operating.

As at the beginning of March, the Board of Directors of the European Bank for Reconstruction and Development ('EBRD') has announced an initial resilience package of EUR 2 billion directed for support of citizens, companies and countries affected by the war on Ukraine. The Bank has also pledged to do all it can to help with the country's reconstruction once conditions allow. Currently, The EBRD will finance Ukrainian companies with loans deferrals, debt forbearance and restructuring; trade finance, including for fuel imports; emergency liquidity finance, in coordination with partners; emergency reform support, to support the Ukrainian authorities with immediate legislative and regulatory interventions. In addition, the Bank's Resilience and Livelihoods Framework will help in countries directly affected by inflows of Ukrainian refugees.

The Ukrainian government declared a program to support spring sowing for Ukrainian farmers with turnover of up to EUR 20 million a year, including financing and state guarantees on loans and interest rate compensation etc. The invasion of Russian troops into the territory of Ukraine decreased areas available for spring sowing by 39% to 4.7 million hectares. Additional risk for sowing campaign is buried in lack of seeds, mineral fertilizers and others needed for crops' growing, further may affect in future yield decline. Consequently, reduced volumes of future harvest may lead to changes in future prices and food availability on a global level, as in last year's Ukraine had 14% global market share of corn, sunflower oil and other food products.

## 4. Summary of Significant Accounting Policies

### Basis of Preparation and Accounting

The condensed consolidated interim financial statements of the Group for the six months ended 31 December 2021 have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting, as adopted by the European Union, and do not include all the information and disclosures required in the annual consolidated financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2021, except the adoption of new and amended standards, which have become effective from 1 July 2021. The adoption of these standards and amendments did not have a material effect on the condensed consolidated interim financial statements of the Group.

### Going concern

On 24 February 2022 Russian Federation launched a full-scale military invasion of Ukraine. As a result of military actions certain areas in Kharkiv, Chernihiv, Sumy, Odesa, Mykolayiv and Kherson regions became unsuitable for agricultural use; Black Sea ports in Ukraine suspended their operations, making export through the sea terminals temporarily inaccessible. The government introduced export licensing of key agricultural goods, including wheat. For other subsequent events please refer to Notes (3 and 31 Operating environment and Subsequent events, respectively).

The Group's key priority is the safety and security of its employees and their families. The Group is coordinating, to the extent possible, the evacuation of employees from regions engaged in active military action and is covering associated relocation costs and providing additional assistance needed. The business processes have been reorganised to adjust to the existing challenges and to provide continuity to the Group's activities. The Group's key personnel and top managers continue working but remotely. Approximately 850 employees joined the Ukrainian military forces and territorial defense.

Following mentioned events, the Group's assets with a carrying value of USD 0.6 million were destroyed and two oil extraction plants in Vovchansk and Prykolotne, and silos of USD 49 million are currently located in non-controlled territories. These assets are not significantly damaged to prevent their future usage. None of the Group's critical facilities or infrastructure has suffered any significant damage. The Group insured certain of its critical fixed assets against the risk of war but of approximately 28% of their book value.

Poltava oil extraction plant continues its operation, while operations of the other three plants are temporarily suspended for safety reasons.

All of the Group's inventories are in good condition and are in safe storage. Inventory of USD 182 million is located on temporary occupied areas.

Kernel intends to proceed with the spring sowing campaign on 334 thousand hectares, in addition to 88 thousand hectares already being under the winter crops, out of the total land bank of 494 thousand hectares. The Group secured the vast majority of crop inputs (seeds, fertilisers, fuel pesticides and other inputs), required for the sowing season, as well as prepared respective transportation and equipment and allocated required human resources. Blue collar workers are in standby mode ready to start the spring sowing campaign in the regions controlled by Ukraine and not affected by the military activity.

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for the six months ended 31 December 2021 (in thousands of US dollars, unless otherwise stated)

Military activity in the southern part of Ukraine currently remains high risky for resuming export operations through sea ports, operations of which are temporarily suspended and, consequently, the Group stopped procurement of grain and oilseeds from farmers. Given that currently the Group is not able to export goods from Ukraine of the same volumes, the Group invoked force majeure clauses under export contracts according to GAFTA rules, minimising the risk of claims for non-performance under its sales contracts. The Group started applying for export licenses, which were recently introduced by the Ukrainian government for certain agricultural products and plan to transport those through land borders by the Group's own railway wagons and cargo cars, and renting also third party transportation. Domestic sales of grain and refined oil are continuing to be at lower levels for now.

The Group's subsidiary Avere keeps operating in the usual mode, except of applying the reduced risk limits stipulated by the disposal of stakes by Avere minority shareholders to the Company. As a result, the Company consolidated 100% of shares in Avere.

The Group fully compliant with all sanction's rules and regulations against Russia and Belarus, including those imposed or published by various countries and organizations. Besides, the Group refrains from dealing with person or organization listed in the list of sanction. In this situation the Group does not expect any influence on the supplying chain and payments flow.

Management has reorganized the business process and prepared adjusted cash flow forecast for the next 12 months based on the following key assumptions: no further significant progression of Russian troops into the territory of Ukraine and no further escalation of military actions that could severely affect the Group's assets, ability to run sowing and harvesting campaigns; usage of alternative export routes via land borders and other ports; availability of railway roads and roads; successful spring sowing and harvesting campaigns; maintain minimum sales level on domestic and export to cover minimum operational expenses level and debt servicing.

As at 31 December 2021 and as at the date of these financial statements the Group has a significant amount of current assets, inventory in particular, however is not able to sell similar volumes as in the last year due to suspension of sea ports operations, being its usual way of export. Management is therefore currently rearranging its delivery routes, setting up new logistic procedures and in search for new counterparties, however these new processes are not yet tested with significant volumes of export agri products and the extent to which they can be used by the Group is yet unknown. Hence, it may take longer for the Group to sell its stock of inventory than expected. However, given the above, in March 2022 the Group asked to postpone repayment of its obligations under bank borrowings due in March-September 2022 in total amount of USD 866 million until the end of September 2022. In case Black Sea ports do not resume their operations within the next months, management will continue working together with global agri traders and shipment companies on securing alternative ways of exporting Ukrainian agri products given a significant global demand of those.

Although the Group's financial performance was strong in 2021 calendar year, military actions occurring after the balance sheet date create material uncertainty for the Group in the future, including the risk of damage of assets (and insurance unlikely to meet the replacement costs), and loss of inventory either physical loss as a result of military actions, or appropriation for military needs under the Martial Law in Ukraine, and ability of Black Sea ports to resume its operations, availability of alternative export routes and disruptions of the sowing campaign for the Group and for Ukraine in general. The full extent of the impact of further development of military actions on the Group's business is unknown, but its magnitude might be severe.

Management acknowledges that future development of military actions and their duration represent a single source of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Despite the single material uncertainty relating to the war in Ukraine, management is continuing taking actions to minimise the impact on the Group and thus believes that application of the going concern assumption for the preparation of these condensed consolidated interim financial statements is appropriate.

## 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 determined 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 Effects of Changes in Foreign Exchange Rates, 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 accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

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

Currency	Closing rate as of 31 December 2021	Average rate for the		Closing rate as of 31 December 2020	Average rate for the	
		6 months ended 31 December 2021	3 months ended 31 December 2021		6 months ended 31 December 2020	3 months ended 31 December 2020
UAH/USD	27.2782	26.7958	26.6806	28.2746	27.9337	28.2678
EUR/USD	0.8827	0.8612	0.8743	0.8144	0.8473	0.8388
PLN/USD	4.0600	3.9561	4.0395	3.7584	3.7912	3.7804

The average exchange rates for each period are calculated as the arithmetic mean of the exchange rates for all trading days during this period. The sources of exchange rates are the official rates set by the NBU 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 Statement of Profit or Loss.

## Reclassifications

Certain corrections and reclassifications have been made to the condensed consolidated interim financial statements as of 31 December 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 six months ended 31 December 2021 and for the better understanding of users of the financial and non-financial assets and liabilities in the condensed consolidated interim statement of financial position. As a result of identified corrections and reclassifications, the Group made changes to the presentation of condensed consolidated interim statement of financial position as of 31 December 2020 by presenting separately Non-current financial assets in the amount of USD 42,231 thousand that was previously presented as Other non-current assets, by presenting other financial assets in the amount of USD 39,211 thousand as Other financial assets that was previously presented as Prepayments to suppliers and other current assets, by presenting separately Corporate income tax liabilities in the amount of USD 23,982 thousand that was previously presented as Advances from customers and other current liabilities and presenting other financial liabilities in the amount of USD 131,668 thousand as Other financial liabilities that was previously presented as Advances from customers and other current liabilities.

As a result of identified corrections and reclassifications, the Group made changes to the presentation of consolidated statement of financial position as of 30 June 2021 by presenting separately Corporate income tax liabilities in the amount of USD 46,504 thousand that was previously presented as Advances from customers and other current liabilities.

## 5. Operating Segments

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

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

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

In Oilseed Processing segment, the Group combines oilseed origination, edible oil production and sales of bottled sunflower oil. Sunflower oil in bulk is mostly sold further to the Infrastructure and Trading segment for the global marketing.

In Infrastructure and Trading segment, the Group combines results of grain trading, silo services and export terminals operations. These parts of the business form an integrated supply chain which is managed jointly. Under current framework, the management considers export terminals and grain storage facilities as production assets which serve grain merchandizing business and consequently uses a combined throughput margin to evaluate performance of Infrastructure and Trading business. 100% of the Group's export terminals capacity and majority of grain storage capacity are used for the Group's own export volumes. The results of the Infrastructure and Trading segment incorporate savings achieved by acquiring and employing the Group's own railcar park. Also, the Infrastructure and Trading segment include the results of the Avere Commodities S.A. and its subsidiaries (hereinafter the 'Avere').

In Farming segment, the Group reports results of its crop production business, which includes growing of corn, wheat, soybean, sunflower seed and rapeseed on the leasehold land, as well as some minor crops and small cattle farming operations.

Presentation of the operating segments' activities is as follows:

Operating segments	Activities
Oilseed Processing	Sunflower seed origination and sunflower oil production. Sales of bottled 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 column.

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

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

# Notes to the Condensed Consolidated Interim Financial Statements

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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 column Other. 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 June-November, respectively. In addition, the farming segment usually reflects a higher effect from the IAS 41 Agriculture 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 valuation of agricultural produce in the first half of the financial year due to the completion of the harvesting campaign.

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).

Due to the seasonal nature described above and higher operating purchases by the end of calendar year, the cash flow from operating activities is commonly negative in the first half of the year.

## 6. Key Data by Operating Segment

Key data by operating segment for the six months ended 31 December 2021:

	Oilseed Processing	Infrastructure and Trading	Farming	Other <sup>1</sup>	Reconciliation	Continuing operations
Revenue (external)	517,946	2,688,399	18,945	—	—	3,225,290
Intersegment sales	514,099	89,321	403,940	—	(1,007,360)	—
<b>Total revenue</b>	<b>1,032,045</b>	<b>2,777,720</b>	<b>422,885</b>	<b>—</b>	<b>(1,007,360)</b>	<b>3,225,290</b>
Net change in fair value of biological assets and agricultural produce	—	—	111,506	—	—	111,506
Other operating income/ (expenses), net	10,598	(10,289)	4,041	(1,604)	—	2,746
<b>Profit/(Loss) from operating activities</b>	<b>58,442</b>	<b>232,858</b>	<b>313,211</b>	<b>(71,604)</b>	<b>—</b>	<b>532,907</b>
Finance costs, net	—	—	—	—	—	(57,441)
Foreign exchange loss, net	—	—	—	—	—	(5,312)
Other expenses, net	—	—	—	—	—	(9,169)
Income tax expenses	—	—	—	—	—	(9,420)
Profit for the period from continuing operations	—	—	—	—	—	451,565
<b>Total assets</b>	<b>1,802,273</b>	<b>1,795,334</b>	<b>1,107,791</b>	<b>247,186</b>	<b>—</b>	<b>4,952,584</b>
Capital expenditures	47,320	14,542	74,908	2,880	—	139,650
Amortization and depreciation	15,460	12,222	46,209	1,528	—	75,419
Liabilities	122,093	306,585	397,725	1,785,834	—	2,612,237

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

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

<sup>1</sup> Income, expenses, assets and liabilities unallocated to any segment, included in the Other column

<sup>2</sup> Income, expenses, assets and liabilities unallocated to any segment, included in the Other column

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

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

	6 months ended 31 December 2021				6 months ended 31 December 2020			
	Oilseed Processing	Infrastructure and Trading	Farming	Continuing operations	Oilseed Processing	Infrastructure and Trading	Farming	Continuing operations
Revenue from sales of commodities	488,291	2,553,467	18,945	3,060,703	357,336	1,783,420	16,835	2,157,591
Freight and other services	29,655	134,932	—	164,587	16,453	92,962	—	109,415
<b>Total external revenue from contracts with customers</b>	<b>517,946</b>	<b>2,688,399</b>	<b>18,945</b>	<b>3,225,290</b>	<b>373,789</b>	<b>1,876,382</b>	<b>16,835</b>	<b>2,267,006</b>

During the six months ended 31 December 2021, revenues of approximately USD 344,051 thousand (the six months ended 31 December 2020: USD 234,857 thousand) are derived from a single external customer. These revenues are attributed to Oilseed Processing and Infrastructure and Trading segments. Also, during that period, export sales amounted to 95.8% of total external sales (six months ended 31 December 2020: 96.3%).

During the six months ended 31 December 2021, revenue from the Group's top five customers accounted for approximately 32.4% of total revenue (for the six months ended 31 December 2020, revenue from the top five customers accounted for 26.9% of total revenue).

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

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

	Revenue from external customers			Non-current assets	
	6 months ended 31 December 2021	6 months ended 31 December 2020		As of 31 December 2021	As of 31 December 2020
Asia	1,625,704	1,077,865	Ukraine	1,717,430	1,571,044
of which India	559,319	131,331	Switzerland	2,676	3,076
Singapore	604,783	399,340	USA	245	459
China	114,649	234,538	Other locations	380	373
Europe	1,372,162	875,614			
of which Switzerland	549,838	435,208			
Other locations	227,424	313,527			
<b>Total</b>	<b>3,225,290</b>	<b>2,267,006</b>	<b>Total</b>	<b>1,720,731</b>	<b>1,574,952</b>

## 7. Acquisition and Disposal of Subsidiaries

No entities were acquired during the six months ended 31 December 2021 and 2020.

No entities were disposed during the six months ended 31 December 2021.

During the six months ended 31 December 2020, as a result of the optimization process of the logistic assets, the Group disposed of two grain elevators located in Kharkiv region. 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.

## 8. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Cash in banks in USD	406,746	554,493	199,112
Cash in banks in UAH	2,043	2,821	29,810
Cash in banks in other currencies	44,869	16,717	25,083
Cash on hand	9	9	7
<b>Total</b>	<b>453,667</b>	<b>574,040</b>	<b>254,012</b>
Less restricted and blocked cash on security bank accounts	(52)	(90)	(89)
Less bank overdrafts (Note 17)	(30)	(100)	(27)
<b>Cash for the purposes of cash flow statement</b>	<b>453,585</b>	<b>573,850</b>	<b>253,896</b>

## 9. Taxes Recoverable and Prepaid, net

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on the domestic market in Ukraine. Taxes recoverable and prepaid increased to USD 298,412 thousand as of 31 December 2021 from USD 185,966 thousand as of 30 June 2021 (31 December 2020: USD 207,172 thousand) mostly due to increase of commodities purchases, input VAT on which is a subject to refund by state. For the six months ended 31 December 2021, the amount of VAT refunded by the government in cash was USD 173,123 thousand (31 December 2020: USD 181,358 thousand).

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## 10. Inventory

The balances of inventories were as follows:

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Raw materials	528,802	68,829	457,123
Goods for resale	383,956	64,733	141,398
Agricultural products	313,105	7,647	185,663
Finished products	211,593	173,003	130,330
Work in progress	55,576	2,448	35,659
Fuel	3,174	3,700	2,120
Packaging materials	2,142	1,631	1,304
Other inventories	9,283	10,036	8,032
<b>Total</b>	<b>1,507,631</b>	<b>332,027</b>	<b>961,629</b>

As of 31 December 2021, raw materials mainly consisted of sunflower seed stock in the amount of USD 463,737 thousand (as of 30 June 2021 and 31 December 2020: USD 42,513 thousand and 420,046 USD thousand, respectively).

As of 31 December 2021, goods for resale mostly consisted of corn in the amount of USD 246,394 thousand (as of 30 June 2021 and 31 December 2020: USD 7,739 thousand and USD 105,052 thousand, respectively).

As of 31 December 2021, agricultural products mostly consisted of corn produced by Group in the amount of USD 307,187 thousand (as of 30 June 2021 and 31 December 2020: USD 7,589 thousand and USD 183,906 thousand, respectively).

As of 31 December 2021, finished products mainly consisted of sunflower oil in bulk in the amount of USD 174,661 thousand (as of 30 June 2021 and 31 December 2020: USD 129,562 thousand and USD 109,699 thousand, respectively).

The cost of inventories recognized as an expense includes USD 2,726 thousand (31 December 2020: USD 997 thousand) in relation to the write-downs of inventory to net realizable value.

As of 31 December 2021, inventories with a carrying amount of USD 645,148 thousand (as of 30 June 2021 and 31 December 2020: USD 92,382 thousand and USD 262,458 thousand, respectively) have been pledged as security for short-term borrowings (Note 17).

## 11. Biological Assets

The balances of biological assets were as follows:

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
<b>Non-current assets</b>			
Non-current cattle	7,445	7,225	6,604
<b>Total</b>	<b>7,445</b>	<b>7,225</b>	<b>6,604</b>
<b>Current assets</b>			
Crops in fields	50,370	375,095	40,405
Current cattle	1,817	1,549	1,381
<b>Total</b>	<b>52,187</b>	<b>376,644</b>	<b>41,786</b>

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The following table represents the changes in the carrying amounts of crops in fields during the six months ended 31 December 2020, 30 June and 31 December 2021:

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
<b>As of 30 June 2020</b>	<b>210,135</b>	<b>40,537</b>	<b>250,672</b>
Increase due to purchases and subsequent expenditures capitalized in biological assets (sowing under harvest 2020)	107,004	—	107,004
Decrease due to harvest (harvest 2020)	(317,139)	(40,537)	(357,676)
Increase due to purchases and subsequent expenditures capitalized in biological assets (sowing under harvest 2021)	10,209	—	10,209
Gain/(loss) arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2021)	—	30,648	30,648
Exchange difference	(82)	(370)	(452)
<b>As of 31 December 2020</b>	<b>10,127</b>	<b>30,278</b>	<b>40,405</b>
Increase due to purchases and subsequent expenditures capitalized in biological assets (sowing under harvest 2021)	190,121	—	190,121
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2021)	—	134,877	134,877
Exchange difference	5,176	4,516	9,692
<b>As of 30 June 2021</b>	<b>205,424</b>	<b>169,671</b>	<b>375,095</b>
Increase due to purchases and subsequent expenditures capitalized in biological assets (sowing under harvest 2021)	209,045	—	209,045
Decrease due to harvest (harvest 2021)	(414,469)	(169,671)	(584,140)
Increase due to purchases and subsequent expenditures capitalized in biological assets (sowing under harvest 2022)	15,317	—	15,317
Gain/(loss) arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2022)	—	35,941	35,941
Exchange difference	(270)	(618)	(888)
<b>As of 31 December 2021</b>	<b>15,047</b>	<b>35,323</b>	<b>50,370</b>

For the six months ended 31 December 2021, gain in the Net change in the fair value of biological assets and agricultural produce of USD 111,506 thousand introduced in the condensed consolidated interim statement of profit or loss (for the six months ended 31 December 2020: gain USD 128,275 thousand) of which revaluation gain of current year crop bearing fields is in amount of USD 35,941 thousand (for the six months ended 31 December 2020: gain USD 30,648 thousand) and remaining amount mainly composes of the revaluation gain on crops harvested in autumn 2021 as at the point of harvest. Current year figures reflect prior year trend of high prices and gained quite high yields in the result of 2021 harvest campaign.

## 12. Other financial assets

The balances of other financial assets were as follows:

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Margin account with brokers	154,382	119,376	19,651
Derivative financial instruments (Note 30)	97,870	130,480	209,906
Corporate and government bonds held for trading	60,353	6,532	130,283
Short-term bank deposits	—	3,680	—
Other financial assets	34,662	34,088	39,211
<b>Total</b>	<b>347,267</b>	<b>294,156</b>	<b>399,051</b>

## 13. Property, Plant and Equipment, net

During the six months ended 31 December 2021, the Group acquired property, plant and equipment in the amount of USD 85,249 thousand (31 December 2020: USD 93,807 thousand). These purchases were related mainly to the construction of an oil-crushing plant (31 December 2020: construction of an oil-crushing plant and a port terminal).

The decrease in property, plant and equipment in the amount of USD 808 thousand resulted from the devaluation of the Ukrainian hryvnia during the six months ended 31 December 2021 (31 December 2020: decrease USD 18,643 thousand as a result of devaluation of the Ukrainian hryvnia).

During the six months ended 31 December 2021, depreciation of property, plant and equipment amounted USD 41,448 thousand (31 December 2020: USD 35,068 thousand).

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

For the six months ended 31 December 2020, the intensified sunflower seeds competition and higher commodity market prices negatively affected crushing margins. As a result, as of 31 December 2020, the Management decided to write off the goodwill attributable to the Prykolotnoe OEP LLC amounting to USD 2,147 thousand. The property plant equipment was also written down by USD 8,462 thousand, of which USD 2,414 thousand included into profit or loss in the Other expenses, net and USD 6,048 thousand debited to Revaluation surplus in equity.

As of 31 December 2021, as a result of testing for impairment performed and indicated crushing margin recovery, the amount of the above

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mentioned written down property plant equipment was recovered, of which gain in the amount of USD 2,337 was recognized in the Other expenses, net and USD 5,956 thousand credited to Revaluation surplus in equity.

As of 31 December 2021, the Group's construction in progress and uninstalled equipment amounted to USD 236,391 thousand, which is mostly related to the construction of an oil-crushing plant (31 December 2020: USD 361,953 thousand, mostly related to the construction of an oil-crushing plant and a port terminal).

As of 31 December 2021, property, plant and equipment with a carrying amount of USD 311,684 thousand (30 June 2021 and 31 December 2020: USD 316,867 thousand and USD 259,969 thousand, respectively) were pledged by the Group as collateral against long-term bank loans (Notes 18).

As of 31 December 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 (31 December 2020: USD 26,921 thousand), was released from pledge as a result of full repayment for the acquisition during the year ended 30 June 2021.

For the six months ended 31 December 2021, borrowing costs in the amount of USD 2,440 thousand were included in the cost of qualifying assets (31 December 2020: USD 3,487 thousand).

## 14. Right-of-use assets

Additions and change in terms to the right-of-use assets during the six months ended 31 December 2021 resulted their increase in the amount of USD 50,628 thousand (31 December 2020: USD 38,572 thousand).

The decrease in right-of-use assets in the amount of USD 1,768 thousand resulted from the devaluation of the Ukrainian hryvnia during the six months ended 31 December 2021 (31 December 2020: decrease USD 18,319 thousand as a result of devaluation of the Ukrainian hryvnia).

For the six months ended 31 December 2021, depreciation charge on right-of-use assets in the amount of USD 28,560 thousand (31 December 2020: USD 15,697 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 22,649 thousand (31 December 2020: USD 18,863 thousand) was capitalised in Agricultural products (harvest 2021).

## 15. Advances from Customers and Other Current Liabilities

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

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Accrued payroll, payroll related taxes and bonuses	65,984	88,393	44,929
Taxes payable and provision for tax liabilities	39,822	5,545	8,469
Advances from customers	18,019	29,206	18,817
Provision for unused vacations and other provisions	6,981	8,239	6,036
Other current liabilities	17,429	9,160	12,706
<b>Total</b>	<b>148,235</b>	<b>140,543</b>	<b>90,957</b>

## 16. Other Financial Liabilities

The balances of other financial liabilities were as follows:

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Derivative financial instruments (Note 30)	47,019	93,758	130,999
Payable for legal claims (Note 29)	37,311	36,217	35,141
Dividends declared	31,255	—	32,227
Accounts payable for property, plant and equipment	11,301	13,199	15,950
Settlements for acquired Subsidiaries	—	—	44,937
Other current liabilities	2,046	1,942	3,413
<b>Total</b>	<b>128,932</b>	<b>145,116</b>	<b>262,667</b>

Settlements for acquired Subsidiaries was connected with final amount repaid in February 2021 for the acquisition of 560,000 tons oilseed crushing plant located in Kirovograd region, completed as of 30 June 2016. According to the agreement repayment should be done within 5 years after acquisition.

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## 17. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Bank credit lines	815,599	12,424	138,892
Interest accrued on short-term borrowings	1,393	294	593
Interest accrued on long-term borrowings	1,150	1,070	1,158
Bank overdrafts (Note 8)	30	100	27
<b>Total</b>	<b>818,172</b>	<b>13,888</b>	<b>140,670</b>

The balances of short-term borrowings as of 31 December 2021 were as follows:

	Interest rate <sup>1</sup>	Currency	Maturity	Amount due
European bank	Libor+3.20%	USD	January 2022	175,000
European bank	Libor+2.90%	USD	January 2022	133,300
European bank	Libor+3.10%	USD	January 2022	119,000
Ukrainian subsidiary of European bank	7.00%	UAH	January 2022	60,415
European bank	Libor+2.00%	USD	January 2022	54,200
European bank	Libor+2.50%	USD	June 2022	44,193
Ukrainian subsidiary of European bank	9.20%	UAH	January 2022	42,378
Ukrainian subsidiary of European bank	2.00%	USD	January 2022	36,030
Ukrainian subsidiary of European bank	1.90%	USD	January 2022	27,200
Ukrainian subsidiary of European bank	2.55%	USD	January 2022	25,000
European bank	Libor+3.00%	USD	January 2022	23,800
European bank	Libor+1.50%	USD	January 2022	20,000
Ukrainian subsidiary of European bank	2.50%	USD	January 2022	20,000
European bank	Libor+2.10%	USD	February 2022	15,113
Ukrainian subsidiary of European bank	2.32%	USD	January 2022	15,000
Ukrainian subsidiary of European bank	2.56%	USD	January 2022	5,000
<b>Total bank credit lines</b>				<b>815,629</b>
Interest accrued on short-term borrowings				1,393
Interest accrued on long-term borrowings				1,150
<b>Total</b>				<b>818,172</b>

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
<b>Total bank credit lines</b>				<b>12,524</b>
Interest accrued on long-term borrowings				1,070
Interest accrued on short-term borrowings				294
<b>Total</b>				<b>13,888</b>

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

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

As of 31 December 2021, undrawn short-term bank credit lines amounted to USD 428,509 thousand (30 June 2021 and 31 December 2020: USD 804,575 thousand and USD 951,582 thousand).

<sup>1</sup> Libor-based borrowings are exposed to 3M USD Libor, which is due to be discontinued in 2023. The Group expects to amend respective agreements by 31 December 2022.

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

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Short-term borrowings from banks were secured as follows:

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Assets pledged			
Inventory (Note 10)	645,148	92,382	262,458
Future sales receipts	542,659	106,691	100,942
<b>Total</b>	<b>1,187,807</b>	<b>199,073</b>	<b>363,400</b>

## 18. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Long-term bank borrowings	239,596	249,455	236,083
Current portion of long-term borrowings	(25,539)	(21,715)	(15,494)
<b>Total</b>	<b>214,057</b>	<b>227,740</b>	<b>220,589</b>

The balances of long-term borrowings as of 31 December 2021 were as follows:

	Interest rate <sup>1</sup>	Currency	Maturity	Amount due
European bank	Libor+2.84%	USD	July 2030	58,360
European bank	Libor+2.78%	USD	February 2029	43,938
European bank	Libor+4.50%	USD	May 2027	42,240
European bank	Libor+2.80%	USD	October 2029	19,394
European bank	Libor+2.77%	USD	December 2030	19,000
European bank	Libor+2.78%	USD	December 2029	16,485
European bank	Libor+2.79%	USD	January 2030	14,500
European bank	Libor+2.77%	USD	April 2029	11,036
European bank	Libor+2.84%	USD	September 2029	7,603
European bank	Libor+1.00%	USD	May 2027	7,040
<b>Total</b>				<b>239,596</b>

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
<b>Total</b>				<b>249,455</b>

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

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

As of 31 December 2021, undrawn long-term borrowings amounted to USD 50,907 thousand (30 June 2021 and 31 December 2020: USD 50,907 thousand and USD 69,907 thousand, respectively).

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

	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Assets pledged			
Property, plant and equipment (Note 13)	311,684	316,867	259,969
<b>Total</b>	<b>311,684</b>	<b>316,867</b>	<b>259,969</b>

<sup>1</sup> Libor-based borrowings are exposed to 3M USD Libor, which is due to be discontinued in 2023. The Group expects to amend respective agreements by 31 December 2022.

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

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## 19. Bonds issued

The balances of bonds issued were as follows:

	Maturity	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
US 300,000 thousand 6.75% coupon bonds	October 2027	297,234	296,991	296,922
US 300,000 thousand 6.50% coupon bonds	October 2024	297,414	296,951	296,667
US 500,000 thousand 8.75% coupon bonds	January 2022	—	212,495	212,311
<b>Total</b>		<b>594,648</b>	<b>806,437</b>	<b>805,900</b>

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 at the rate of 6.75% per annum payable semi-annually in arrears starting from 27 April 2021.

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

In October 2019, the Group issued USD 300,000 thousand unsecured notes, that will mature on 17 October 2024. These notes bear interest at the rate of 6.5% per annum payable semi-annually in arrears starting from 17 April 2020.

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

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

All the bonds contain certain restrictive covenants that limit the ability of the Company 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.

On 5 November 2020, as a result of partial early redemption of its USD 500,000 thousand 8.75% coupon bonds, which were due in 2022, the Group repaid premium in the amount of USD 16,108 thousand and interest amounting to USD 6,207 thousand, both of which were recognized within Finance costs, net (Interest on corporate bonds line).

On 20 December 2021, according to the announced early redemption of its USD 500,000 thousand 8.75% coupon bonds which were due in 2022, the Company redeemed these notes, plus the Make Whole Premium (the premium) on the Company, plus accrued and unpaid interest (the interest).

As a result of early redemption of these notes, the Group repaid the premium in the amount of USD 1,888 thousand and the interest amounting to USD 7,252 thousand, both of which were recognized within Finance costs, net (Interest on corporate bonds line).

## 20. Income Tax

The difference between the income tax charge reported in these condensed consolidated interim financial statement of profit or loss and income before tax, multiplied by the respective statutory tax rates, is mainly due to the non-deductibility of certain expenses for income tax purposes and the effect of the farming companies of the Group, which are subject to a fixed agricultural tax regime and are not subject to corporate income tax.

For the six months ended 31 December 2021, income tax expenses in the amount of USD 9,420 thousand is mostly connected with decrease of taxable profit in comparison with previous period (31 December 2020: income tax expenses in the amount of USD 16,981 thousand).

## 21. Non-Controlling Interests

For the six months ended 31 December 2021, non-controlling interest increased to USD 146,294 thousand (30 June 2021 and 31 December 2020: USD 136,558 thousand and USD 68,648 thousand, respectively).

Profit for the period attributable to the non-controlling interests in the amount of USD 50,762 thousand (six months ended 31 December 2020: USD 72,092 thousand) was mostly contributed by the Subsidiary, effective ownership in which equals to 60% (30 June 2021 and 31 December 2020: 60%).

During the six months ended 31 December 2021, the non-controlling interest decreased by USD 36,115 thousand as a result of dividends distribution performed by Avere (six months ended 31 December 2020: no dividends declared or distributed by Avere).

As a result of reorganization of the capital structure of Avere, the Company increased voting rights to 80%, however the interest ownership remained at the level of 60%.

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## 22. Revenue

The Group's revenue was as follows:

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Revenue from agriculture commodities merchandizing	1,639,729	926,483	1,113,009	612,171
Revenue from edible oils sold in bulk, meal and cake	1,437,167	872,752	1,047,102	651,960
Revenue from bottled sunflower oil	110,456	58,878	77,258	44,104
Revenue from farming	18,945	11,400	16,835	9,490
Revenue from transshipment services	12,232	6,894	9,781	6,894
Revenue from grain silo services	6,761	5,854	3,021	2,126
<b>Total</b>	<b>3,225,290</b>	<b>1,882,261</b>	<b>2,267,006</b>	<b>1,326,745</b>

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 6.

The transaction price allocated to unsatisfied performance obligations as of 31 December 2021 is USD 8,106 thousand (31 December 2020: USD 4,815 thousand). This amount represents revenue from carriage, freight and insurance services under CIF/CFR Incoterms contracts which are to be executed in January 2022, 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 31 December 2021.

For the six months ended 31 December 2021, revenue was increased by USD 4,677 thousand (31 December 2020: USD 59,301 thousand increase) 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 2,160 thousand and revenue from agriculture commodities merchandizing in the amount USD 2,517 thousand (31 December 2020: increase in the amount of USD 27,964 thousand and USD 31,337 thousand, respectively).

## 23. Cost of Sales

Cost of sales was as follows:

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Cost of goods for resale and raw materials used	2,347,290	1,390,552	1,555,036	921,294
Shipping and handling costs	187,775	98,145	184,714	103,884
Amortization and depreciation	71,775	40,096	53,569	30,654
Payroll and payroll related costs	41,658	26,493	36,039	14,852
Rental payments	1,006	567	5,325	2,293
Other operating costs	11,073	7,126	8,436	5,085
<b>Total</b>	<b>2,660,577</b>	<b>1,562,979</b>	<b>1,843,119</b>	<b>1,078,062</b>

For the six months ended 31 December 2021, result on operations with commodity futures, options and unrealized forwards, included within Cost of goods for resale and raw materials used line, decreased Cost of sales for the amount of USD 181,301 thousand (31 December 2020: USD 207,033 thousand decrease).

For the six months ended 31 December 2020, presentation of Cost of sales was changed (Note 25).

## 24. Other Operating Income, net

Other operating income, net was as follows:

	6 months ended 31 December 2021	6 months ended 31 December 2020
Stock-take	6,700	3,313
Demurrage, dispatch fees and other fines received	4,867	1,937
Contracts wash-out (price difference settlement)	(8,499)	26,098
Other operating (expenses)/income	(322)	4,398
<b>Total</b>	<b>2,746</b>	<b>35,746</b>

The Group enters wash-out contracts in order to reduce administrative time and cost, these contracts can be offset based on a mutual agreement with the same partners who sold or purchased commodities.

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## 25. General and Administrative Expenses

General and administrative expenses were as follows:

	6 months ended 31 December 2021	6 months ended 31 December 2020
Payroll and payroll related costs	118,316	65,897
Audit, legal and other professional fees	6,170	4,823
Repairs and material costs	4,336	3,721
Amortization and depreciation	3,529	2,296
Taxes other than income tax	2,728	1,170
Bank services	1,866	1,105
Bad debts expenses	1,842	109
Business trip expenses	1,203	1,780
Communication expenses	953	892
Expense relating to leases of low-value assets	799	1,204
Insurance	429	371
Other expenses	3,887	1,664
<b>Total</b>	<b>146,058</b>	<b>85,032</b>

The Group changed presentation of General and administrative expenses and included brokerage services in the amount USD 4,036 thousand for the six months ended 31 December 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.

In addition to management incentive plan disclosed in Note 28, in December 2021 the Group's subsidiary offered an incentive plan for its key employees, which was accounted for in the line "Payroll and payroll related costs" in the amount of USD 28,000 thousand.

## 26. Finance Costs, net

Finance costs, net were as follows:

	6 months ended 31 December 2021	6 months ended 31 December 2020
Interest on corporate bonds (Note 19)	30,598	48,923
Interest on lease liabilities	20,173	23,459
Interest expense on bank loans	10,537	6,916
Other finance (income)/costs, net	(3,867)	2,628
<b>Total</b>	<b>57,441</b>	<b>81,926</b>

## 27. Other Expenses, net

Other expenses, net were as follows:

	6 months ended 31 December 2021	6 months ended 31 December 2020
Recovery of impairment/(impairment) of property, plant and equipment	2,337	(2,414)
Gain on disposal of property, plant and equipment	1,195	1,827
Gain on disposal of Subsidiaries and Joint Ventures	—	1,249
Impairment of intangible assets and goodwill, net	—	(2,147)
Social spending	(3,479)	(2,733)
(Loss)/Gain on derivatives, net	(9,220)	4,221
Other gain, net	(2)	(1,032)
<b>Total</b>	<b>(9,169)</b>	<b>(1,029)</b>

## 28. 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).

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

Related party	Statement of Financial Position line	As of 31 December 2021	As of 30 June 2021	As of 31 December 2020
Entities under Beneficial Owner control	Trade accounts receivable, net	1,715	7	1,866
	Prepayments to suppliers, net	15,774	—	725
	Other financial assets	7,130	12,037	13,190
	Non-current financial assets	20,474	11,460	11,213
	Trade accounts payable	23,363	9,644	17,229
	Advances from customers and other current liabilities	—	998	—
	Other financial liabilities	3	—	13,822
Key management	Other financial assets	(60)	120	291
	Non-current financial assets	2,240	189	—
	Advances from customers and other current liabilities	23,217	27,383	11,037
	Other non-current liabilities	25,832	—	—
Entities under Key Management control	Prepayments to suppliers, net	73	243	243
	Other financial assets	13,523	769	12
	Non-current financial assets	5,678	19,704	19,996
	Advances from customers and other current liabilities	—	273	—
	Other financial liabilities	187	—	320
Other related parties	Trade accounts receivable, net	469	762	732
	Prepayments to suppliers, net	868	5	5
	Other financial assets	4,209	3,277	2,469
	Non-current financial assets	10,280	6,331	3,175
	Trade accounts payable	1,237	297	304
	Advances from customers and other current liabilities	331	1,090	1,669

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	6 months ended 31 December 2021	6 months ended 31 December 2020
Entities under Beneficial Owner control	Revenue	1,651	1,758
	Cost of sales	(7,662)	(20,687)
	Financial costs, net	583	694
Key management	General and administrative expenses	(42,852)	(11,210)
	Financial costs, net	464	181
Other related parties	General and administrative expenses	(331)	(290)
	Financial costs, net	1,106	200
	Other income/(expenses), net	675	(11)

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 19,082 thousand (for the six months ended 31 December 2020: USD 11,415 thousand). The management of the Group has been provided with options to sale shares of the Holding according to a management incentive plan adopted at the Extraordinary General Meeting of Shareholders held on 30 August 2021, fair value of which as of 31 December 2021 amounted to USD 23,534 thousand and were recognized in Other non-current liabilities while related expenses within General and administrative expenses. Members of the Board of Directors and management team are not granted any pensions, retirement, or other long-term benefits by the Group.

## 29. Commitments and Contingencies

### Capital Commitments

As of 31 December 2021, the Group had commitments under contracts with a group of suppliers for a total amount of USD 59,248 thousand, mostly for construction of the oil-crushing plant (30 June 2021 and 31 December 2020: USD 50,062 thousand mostly for the construction of an oilseed crushing plant and USD 65,472 thousand, respectively, mostly for construction of the oil-crushing plant and agricultural equipment).

### Contractual Commitments on Sales

As of 31 December 2021, the Group had entered into commercial contracts for the export of 3,569,212 tons of grain, 355,239 tons of sunflower oil and 323,063 tons of sunflower meal and other related products, corresponding to an amount of USD 1,039,818 thousand, USD 487,398 thousand and USD 115,364 thousand, respectively, in contract prices as of the reporting date.

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

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As of 30 June 2021, the Group had entered into commercial contracts for the export of 3,296,959 tons of grain, 198,077 tons of sunflower oil and 305,642 tons of sunflower meal and other related products, corresponding to an amount of USD 784,281 thousand, USD 220,702 thousand and USD 112,012 thousand, respectively, in contract prices as of the reporting date.

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

## Taxation and Legal Issues

In April 2012, the Group entered into a call option agreement to acquire Stiom Holding, a farming company located in the Khmelnytskyi region of Ukraine. As of 30 June 2021, the consideration paid for Stiom Holding by the Group comprised USD 33,472 thousand. A final payment was due and payable only after fulfilment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers (the "Stiom Sellers") in respect of the non-fulfilment of the Stiom Sellers' obligations. In December 2012, the Group received a request for arbitration from the Stiom Sellers in which the Stiom Sellers claimed amounts alleged to be payable to them. The arbitral tribunal delivered its award in late February 2018. That award was in part subject to challenge by the Group in the High Court in London. In March 2019, the High Court remitted the award to the tribunal for reconsideration in certain respects and a further hearing took place before the tribunal in September 2019. Pursuant to the tribunal's revised award, which was delivered in December 2019, the Group is required to pay the Stiom Sellers an aggregate amount of approximately USD 30.3 million.

The Stiom Sellers have made further claims against the Group for interest on the amounts due to them at the rate of 10% per annum (corresponding to USD 5,944 per day since the date of the initial arbitral award in late February 2019), and have initiated court proceedings in Luxembourg and Switzerland in respect of such interest due, as well as took actions to enforce the payment of the arbitral award. The Group disputes the Stiom Seller's claims for interest due.

In Switzerland, the Stiom Sellers have obtained attachment orders against certain bank accounts of the Group. The proceeds of these attachments were allocated to the Stiom Sellers by the debt collection office. The Stiom Sellers have also obtained an attachment on intergroup receivables. Furthermore, former counsel to the Stiom Sellers has also obtained a Swiss attachment order against one of the Stiom Sellers on the basis of unpaid fees in an amount of close to EUR 6 million. This attachment, as long as it is in place, prevents the Group from discharging its debt in the hands of the Stiom Sellers up to the amount under attachment, i.e. approx. EUR 6 million.

In Luxembourg, the Stiom Sellers have initiated attachment proceedings to put in place conservatory measures against Kernel's bank accounts.

Finally, a third party brought claims both before Luxembourg and Swiss courts asserting that one of the Stiom Seller's claims has been assigned to them, which the Stiom Sellers dispute. As a result of these conflicting claims and proceedings, the Group has been unable to discharge its payment obligations in respect of the arbitral award to the Stiom Sellers, pending the resolution of these issues.

Facing such uncertainty as to the identity of its creditors, the Group filed a request for discharge payment in March 2020 before the Swiss courts. After having heard all the parties involved, the Swiss court have rendered a judgement in June 2021 granting the Group's prayers for relief. Following an appeal launched by the third party, the above-mentioned judgement has been confirmed and became enforceable in late January 2022.

On 16 December 2020, the Stiom Sellers filed a bankruptcy petition against Kernel in Luxembourg. 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.

Meanwhile, criminal investigations have been conducted in Ukraine against this third-party. In this context, the investigators have come to the conclusion that the signature of Mrs. Stadnyk on the power of attorney used for the alleged assignment was genuine. The Stiom Sellers challenge this finding.

On the other hand, the Group has discovered, in September 2021, that some of the Stiom Sellers initiated criminal proceedings against the third-party, claiming that the assignment agreement is a forged document. Kernel also discovered that the Stiom Sellers have extended their complaint against Kernel. Swiss jurisdiction has been confirmed and the investigation appears to be ongoing.

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 37,311 thousand as of 31 December 2021 (30 June 2021 and 31 December 2020: USD 36,217 thousand and USD 35,141 thousand, respectively), and related expenses in the amount of USD 1,094 thousand were recognised within the six months ended 31 December 2021 (six months ended 31 December 2020: USD 1,094 thousand) and included within the line "Other expenses, net".

As of 31 December 2021, one of the Group's subsidiary in Switzerland has uncertain tax positions which may result in economic outflow although timing of this is uncertain due to early stage of this matter.

As of 31 December 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 99,153 thousand (30 June 2021 and 31 December 2020: USD 101,601 thousand and USD 29,827 thousand, respectively), from which USD 87,932 thousand related to VAT recoverability (as of 30 June 2021 and 31 December 2020: USD 87,687 thousand and USD 21,760 thousand, respectively), USD 10,953 thousand related to corporate income tax (as of 30 June 2021 and 31 December 2020: USD 13,578 thousand and USD 6,925 thousand, respectively) and USD 268 thousand related to other tax issues (as of 30 June 2021 and 31 December 2020: USD 328 thousand and USD 1,142 thousand, respectively).

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

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As of 31 December 2021, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 96,015 thousand (30 June 2021 and 31 December 2020: USD 21,702 thousand and USD 29,827 thousand, respectively), included in the abovementioned amount. Out of this amount, USD 5,131 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 (30 June 2021 and 31 December 2020: USD 4,507 thousand and USD 7,217 thousand, respectively). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Ukraine's tax environment is characterized by complexity in tax administration, arbitrary interpretation by tax authorities of tax laws and regulations that 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 penalty interest.

## 30. Financial Instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 Financial Instruments: Disclosure and IFRS 13 Fair value measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table below represents financial instruments which are not carried at fair value and fair value differs from amortised cost:

	31 December 2021		30 June 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Non-current financial liabilities<sup>1</sup></b>						
Long-term borrowings (Note 18)	239,596	241,818	249,455	252,000	236,083	236,128
Bonds issued (Note 19)	602,260	600,048	821,790	869,180	821,253	865,927

For the six months ended 31 December 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 2.79% (for the six months ended 31 December 2020: 2.81%) 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:

	As of 31 December 2021			As of 30 June 2021			As of 31 December 2020		
Other financial assets	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Forwards	—	61,194	61,194	—	63,257	63,257	—	141,007	141,007
Futures/Options	36,676	—	36,676	61,901	—	61,901	68,899	—	68,899
Derivatives held for hedging	—	—	—	—	5,322	5,322	—	—	—
<b>Total</b>	<b>36,676</b>	<b>61,194</b>	<b>97,870</b>	<b>61,901</b>	<b>68,579</b>	<b>130,480</b>	<b>68,899</b>	<b>141,007</b>	<b>209,906</b>

Other financial liabilities	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Forwards	—	46,934	46,934	—	92,592	92,592	—	97,159	97,159
Futures/Options	85	—	85	913	—	913	2,911	—	2,911
Derivatives held for hedging	—	—	—	—	253	253	—	30,929	30,929
<b>Total</b>	<b>85</b>	<b>46,934</b>	<b>47,019</b>	<b>913</b>	<b>92,845</b>	<b>93,758</b>	<b>2,911</b>	<b>128,088</b>	<b>130,999</b>

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

For the six months ended 31 December 2020, losses on cash flow hedge recognised through other comprehensive income decreased to USD 14,281 thousand (for the six months ended 31 December 2020: USD 25,285 thousand) as the Group reduced the portion of future sales hedged.

Valuation of the Group's commodity physical forward contracts categorized within level 2 is based on observable quoted prices sourced from

<sup>1</sup> Including accrued interests

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

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

The Group has invested in a portfolio of corporate and government bonds which are held for trading. They are presented in the line Other financial assets in the amount of USD 60,353 thousand and classified as held for trading (as of 30 June 2021 and 31 December 2020: USD 6,532 thousand and USD 130,283 thousand, respectively). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

For the six months ended 31 December 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 six months ended 31 December 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 31 December 2021, fair value of other non-current assets and liabilities does not differ materially from its carrying amount and are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

There were no transfers between levels of fair value hierarchy.

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

## 31. Subsequent Events

Following the share buyback resolution approved at the Extraordinary General Meeting of Shareholders held on 30 August 2021, as a result of tender announced on 19 January 2022, the Company purchased 3,375,000 shares for a total amount of PLN 189,000,000 (PLN 56 per one share), which approximately equals to USD 47,312 thousand, through its direct and wholly owned subsidiary. The purchased shares will have no dividend and voting rights.

On 9 March 2022, the Company announced that it acquired 40% stake in Avere Commodities SA (the "Avere"), increasing its stake to 100%. Total consideration to be paid to the existing Avere minority shareholders is USD 32 million, calculated as an estimated net assets value attributable to the respective 40% shareholding in Avere. Consideration is subject to post completion adjustment within 3 months following the completion, once the net assets value as of completion is verified by an independent auditor.

On 12 March 2022, the Company received a written notice from Mr. Sergei Shibaev, a non-executive director, about his resignation from the Board of Directors of the Company. The resignation will become effective within 90 days following the receipt of the resignation notice.

Other subsequent events are also disclosed in Operating Environment and Going Concern (Note 3 and 4).